

LISTING MEMORANDUM



Banco Internacional del Perú S.A.A.
US\$484,895,000
3.375% Senior Notes due 2023

We issued US\$200 million aggregate principal amount of our 3.375% senior notes due 2023 (the "notes") on January 18, 2018. The notes will mature on January 18, 2023. Interest on the notes will accrue at a rate of 3.375% per year and will be payable semi-annually in arrears on January 18 and July 18 of each year, beginning on July 18, 2018. We also issued US\$284,895,000 of our 3.375% senior notes due 2023 as part of an exchange offer, US\$284,213,000 of which was issued on January 25, 2018 and US\$682,000 of which was issued on February 9, 2018. See "Summary—Exchange Offer for Outstanding Securities." The notes issued on January 18, 2018 are fungible with the notes issued in connection with the exchange offer.

The notes will be our senior unsecured obligations and will rank at least *pari passu* in right of payment with all our other existing and future unsecured and unsubordinated obligations (other than obligations preferred by statute or by operation of law).

We may redeem the notes in whole or in part, at any time and from time to time, on and after February 19, 2020 (or earlier if approved by the Banco Central de Reserva del Perú (the "Peruvian Central Bank")) and prior to October 18, 2022 (the date that is three months prior to the maturity date), at a redemption price equal to the greater of par and a redemption price based on a "make-whole" premium described herein, plus additional amounts and accrued and unpaid interest, if any, on the principal amount of the notes to be redeemed to the par call date. On and after October 18, 2022 (the date that is three months prior to the maturity date), we may redeem the notes in whole or in part at par, plus additional amounts and accrued and unpaid interest, if any, on the principal amount of the notes to be redeemed to the date of redemption. See "Description of the Notes—Optional Redemption". In addition, in the event of certain changes in applicable tax laws, we may redeem the notes, in whole but not in part, at any time on and after February 19, 2020 (or earlier if approved by the Peruvian Central Bank) at a price equal to 100% of their principal amount plus any accrued and unpaid interest up to, but excluding, the redemption date. See "Description of the Notes—Optional Redemption".

Investing in the notes involves risks that are described in the "Risk Factors" section beginning on page 16 of this offering memorandum.

Price per note: 99.936% plus accrued interest, if any, from January 18, 2018

The notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), any U.S. state securities laws or the securities laws of any other jurisdiction. The notes may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. persons unless the offer or sale would qualify for an exemption from registration under the Securities Act and applicable state securities laws. Accordingly, we are only offering the notes (a) to qualified institutional buyers ("QIBs") within the meaning of Rule 144A under the Securities Act ("Rule 144A"), in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A, and (b) to non-U.S. persons (within the meaning of Regulation S ("Regulation S") under the Securities Act) outside the United States in compliance with Regulation S. Any offer or sale of the notes in any member state of the European Economic Area that has implemented Directive 2003/71/EC (the "Prospectus Directive") must be addressed to qualified investors (as defined in the Prospectus Directive). This offering memorandum has not been approved by a competent authority within the meaning of the Prospectus Directive. For further details about eligible offerees and resale restrictions, see "Transfer Restrictions".

The notes and the information contained in this offering memorandum have not been and will not be registered with or approved by the Peruvian Capital Markets Superintendency (*Superintendencia del Mercado de Valores*, or "SMV") or the Lima Stock Exchange (*Bolsa de Valores de Lima*, or "BVL"). Accordingly, the notes cannot be offered or sold in the Republic of Peru ("Peru"), except if such offering is considered a private offering under the securities laws and regulations of Peru. The notes may not be offered or sold in Peru or in any other jurisdiction except in compliance with the securities laws thereof.

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "Prospectus Directive"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

There is currently no public market for the notes. We have applied to list the notes on the Official List of the Luxembourg Stock Exchange and admit them for trading on the Euro MTF Market. The notes were delivered in book-entry form only through the facilities of The Depository Trust Company ("DTC") for the accounts of its direct and indirect participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear"), and Clearstream Banking, société anonyme ("Clearstream"), on January 18, 2018.

Joint Bookrunning Managers

BofA Merrill Lynch

Interbank

J.P. Morgan

The date of this offering memorandum is February 16, 2018.

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You should assume that the information appearing in this offering memorandum is accurate as of the date on the front cover of this offering memorandum only. Our business, properties, financial condition and results of operations may have changed since that date. Neither the delivery of this offering memorandum nor any sale of notes made hereunder shall under any circumstances imply that the information herein is correct as of any date subsequent to the date on the cover of this offering memorandum.

We have prepared this offering memorandum for use solely in connection with the proposed offering of the notes described in this offering memorandum. This offering memorandum does not constitute an offer to any other person other than the prospective purchaser to whom it has been delivered or the public generally to subscribe for or otherwise acquire notes.

The initial purchasers make no representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers as to the past or future.

This offering memorandum does not purport to summarize all of the terms, conditions, covenants and other provisions relating to the terms of the notes that are contained in the indenture being entered into in connection with the issuance of the notes and other transaction documents described herein. We refer you to those sources for a more complete understanding of what we discuss in this offering memorandum. Certain of the market information in this offering memorandum has been obtained by us from publicly available sources deemed by us to be reliable. We accept responsibility only for correctly extracting and reproducing such information.

Neither we nor the initial purchasers are making an offer to sell, or a solicitation of an offer to buy, the notes in any jurisdiction except where such an offer or sale is permitted. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the notes or possess or distribute this offering memorandum and you must obtain any consent, approval or permission required by you for the purchase,

offer or sale of the notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither we nor the initial purchasers are responsible for your compliance with those legal requirements.

By accepting this offering memorandum you acknowledge that:

- you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this offering memorandum;
- you have not relied on the initial purchasers or any person affiliated with the initial purchasers in connection with your investigation of the accuracy of such information or your investment decision; and
- no person has been authorized to give any information or to make any representation concerning us or the notes other than those as set forth in this offering memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by us, the initial purchasers or their agents.

We are relying upon an exemption from registration under the Securities Act for an offer and sale of securities which do not involve a public offering. By purchasing the notes, you will be deemed to have made certain acknowledgments, representations and agreements as set forth under "Transfer Restrictions" in this offering memorandum. The notes are subject to restrictions on transfer and resale and may not be transferred or resold except as permitted under the Securities Act, applicable state securities laws and applicable Peruvian law. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. See "Plan of Distribution" and "Transfer Restrictions".

In making an investment decision, prospective investors must rely on their own examination of us and the terms of the offering, including the merits and risks involved. None of us, the initial purchasers or any of our representatives are making any representation to you regarding the legality of an investment by you under applicable legal investment or similar laws. We are not providing you with any legal, business, tax or other advice in this offering memorandum, and prospective investors should not construe anything in this offering memorandum as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the notes under applicable legal investment or similar laws or regulations.

None of the U.S. Securities and Exchange Commission (the "SEC"), any securities commission of any state in the United States, Peru or other regulatory authority has approved or disapproved of the notes or determined if this offering memorandum is truthful or complete. Furthermore, these authorities have not confirmed the accuracy or determined the adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

We have applied to list the notes on the Official List of the Luxembourg Stock Exchange and admit them for trading on the Euro MTF Market. This offering memorandum constitutes a prospectus for the purposes of the Luxembourg law on prospectuses for securities, dated July 10, 2005, as amended.

NOTICE TO RESIDENTS OF PERU

THE NOTES AND THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH OR APPROVED BY THE SMV OR THE BVL. ACCORDINGLY, THIS OFFERING WILL NOT BE SUBJECT TO A PUBLIC OFFERING IN PERU.

PERUVIAN SECURITIES LAWS AND REGULATIONS ON PUBLIC OFFERINGS WILL NOT BE APPLICABLE TO THE OFFERING OF THE NOTES AND THEREFORE, THE DISCLOSURE OBLIGATIONS SET FORTH THEREIN WILL NOT BE APPLICABLE TO THE ISSUER OR THE SELLERS OF THE NOTES BEFORE OR AFTER THEIR ACQUISITION BY PROSPECTIVE INVESTORS. THIS OFFERING MEMORANDUM AND OTHER OFFERING MATERIALS RELATING TO THE OFFER OF THE NOTES ARE BEING SUPPLIED TO THOSE PERUVIAN INVESTORS WHO HAVE EXPRESSLY REQUESTED THEM. SUCH MATERIALS MAY NOT BE DISTRIBUTED TO ANY PERSON OR ENTITY OTHER THAN THE INTENDED RECIPIENTS. ACCORDINGLY, THE NOTES CANNOT BE OFFERED OR SOLD IN PERU, EXCEPT IF (I) SUCH NOTES WERE PREVIOUSLY REGISTERED WITH THE SMV, OR (II) SUCH OFFERING IS CONSIDERED A PRIVATE OFFERING UNDER THE PERUVIAN SECURITIES LAWS AND REGULATIONS. THE PERUVIAN SECURITIES LAWS ESTABLISH, AMONG OTHER THINGS, THAT AN OFFER DIRECTED EXCLUSIVELY TO INSTITUTIONAL INVESTORS (AS DEFINED BY PERUVIAN LAW) QUALIFIES AS A PRIVATE OFFERING. IN MAKING AN INVESTMENT DECISION, INSTITUTIONAL INVESTORS (AS DEFINED BY PERUVIAN LAW) MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING OF THE NOTES TO DETERMINE THEIR ABILITY TO INVEST IN THE NOTES.

NO OFFER OR INVITATION TO SUBSCRIBE FOR OR SELL THE NOTES OR BENEFICIAL INTERESTS THEREIN CAN BE MADE IN THE REPUBLIC OF PERU EXCEPT IN COMPLIANCE WITH THE PERUVIAN SECURITIES LAWS AND REGULATIONS.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

In the United Kingdom, this offering memorandum is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are "qualified investors" (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this offering memorandum relates is only available to, and will be engaged in with, relevant persons.

AVAILABLE INFORMATION

We are a Peruvian bank in the form of a *sociedad anónima abierta* (open-stock corporation) organized under the laws of Peru. Our common shares are registered with the *Registro Público del Mercado de Valores* (Public Registry of Capital Markets) of the SMV and are listed on the BVL. Accordingly, we are currently required to file quarterly and annual reports and *hechos de importancia* (notices of material events) in Spanish to the SMV and the BVL. All such reports and notices are available at www.smv.gob.pe and www.bvl.com.pe. These reports and notices are not incorporated by reference in, and do not constitute a part of, this offering memorandum.

To permit compliance with Rule 144A in connection with resales of the notes, for as long as the notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, we have agreed to furnish, upon request of a holder or beneficial owner of such notes, or a prospective purchaser of such notes designated by such holder or beneficial owner upon the request of such holder, beneficial owner or prospective purchaser, the information required to be delivered under Rule 144A(d)(4) if at the time of such request we are neither a reporting

company under Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

Holders of the notes may obtain a copy of the indenture that governs the notes by requesting it in writing at the address below:

Banco Internacional del Perú S.A.A.
Ave. Carlos Villarán 140, Santa Catalina
La Victoria, Lima 13, Peru
Telephone: +(511) 219-2000
Attn.: General Counsel

In addition, for so long as the notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market, you may also obtain a copy of the indenture at the office of the paying agent in Luxembourg set forth on the inside back cover of this offering memorandum.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

General

In this offering memorandum, except where indicated or the context otherwise requires, the terms "Interbank", "the bank", "we", "us", "our", and "ours" and similar expressions refer to Banco Internacional del Perú S.A.A., a Peruvian bank in the form of a *sociedad anónima abierta* (open-stock corporation) incorporated in Peru in 1897 with an indefinite duration, and its subsidiaries.

We prepare our financial statements in *soles*, the legal currency in Peru, and in conformity with generally accepted accounting principles in Peru for financial institutions ("Peruvian GAAP"), which differ in certain respects from International Financial Reporting Standards ("IFRS"), as adopted by the International Accounting Standards Board ("IASB"). In the case of Peruvian banks and other financial institutions, rules under Peruvian GAAP for the preparation of financial statements are generally promulgated by the Peruvian Superintendency of Banks, Insurance and Private Pension Fund Administrators (*Superintendencia de Banca, Seguros y Administradoras de Fondos Privados de Pensiones*, or the "SBS"). In the absence of rules promulgated by the SBS, IFRS, as approved by the Peruvian *Consejo Normativo de Contabilidad* (Accounting Standards Board, or "CNC"), apply. See Annex A for a description of principal differences between Peruvian GAAP and IFRS as they relate to us.

Our audited financial statements included in this offering memorandum present our financial position as of December 31, 2016 and 2015 and our results of operations for each of the three years ended December 31, 2016, 2015 and 2014. Our unaudited interim condensed financial statements included in this offering memorandum present our financial position as of September 30, 2017 and our results of operations for the nine months ended September 30, 2017 and 2016.

We do not present consolidated financial statements nor is any financial information in this offering memorandum presented on a consolidated basis because the effect of consolidation is not significant to the revenue, expense, asset and liability accounts presented in the financial statements. Our investment in subsidiaries as of September 30, 2017 and December 31, 2016 and 2015 has been recorded under the equity method of accounting. Our financial statements as of December 31, 2016 and 2015 have been audited by Paredes, Burga & Asociados S.C.R.L., a member firm of Ernst & Young Global Limited ("Ernst & Young"). As of September 30, 2017, there were no changes in the composition and ownership of the bank's investments in subsidiaries and associates as compared to the information presented in the 2016 Annual Financial Statements.

Exchange Rate Information

The term "*sol*" and the symbol "S/" refer to the legal currency of Peru and the term "U.S. dollar" and the symbol "US\$" refer to the legal currency of the United States.

We have translated some of the *soles* amounts contained in this offering memorandum into U.S. dollars for convenience purposes only. Because the September 30, 2017 figures and the December 31, 2016 figures have been converted into U.S. dollars at different rates, comparisons should not be made between such numbers as they reflect changes in exchange rates in addition to changes in the underlying numbers.

Unless the context otherwise requires, the rate used to translate *soles* amounts to U.S. dollars (i) as of September 30, 2017 was S/3.265 to US\$1.00, which was the exchange rate reported on September 30, 2017 by the SBS, and (ii) as of December 31, 2016 was S/3.356 to US\$1.00, which was the exchange rate reported on December 31, 2016 by the SBS. The Federal Reserve Bank of New York does not report a noon buying rate for *soles*. The U.S. dollar equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the *soles* amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate. See "Exchange Rates" for information regarding historical exchange rates of *soles* to U.S. dollars.

Effect of Rounding

Certain figures included in this offering memorandum and in our financial statements have been rounded for ease of presentation. Percentage figures included in this offering memorandum have not in all cases been

calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, percentage amounts in this offering memorandum may vary from those obtained by performing the same calculations using the figures in our financial statements. Certain numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them due to rounding.

Industry and Market Data

In this offering memorandum, unless otherwise indicated, all macroeconomic data relating to Peru is based on information published by the SBS, the Peruvian Central Bank, the Peruvian Ministry of the Economy and Finance (*Ministerio de Economía y Finanzas*, or "MEF"), and the Peruvian National Institute of Statistics and Information Processing (*Instituto Nacional de Estadística e Informática*, or "INEI"). References in this offering memorandum to "GDP" refer to real gross domestic product, except for GDP per capita and penetration ratios of loan products.

References in this offering memorandum to "peer countries" in Latin America refer to Brazil, Chile, Colombia and Mexico. References in this offering memorandum to the "four largest banks in Peru" or the "four largest Peruvian banks" refer to Banco de Crédito del Perú, BBVA Continental, Interbank and Scotiabank Perú.

Unless otherwise indicated, statistical information in this offering memorandum relating to market share, ranking, and other measures, as well as information on other Peruvian financial institutions and the Peruvian financial system generally, has been derived from reports and information published by the SBS, the SMV, the Peruvian Central Bank, the Federation of Latin American Banks (*Federación Latinoamericana de Bancos*, or "FELABAN"), the Association of Peruvian Banks (*Asociación de Bancos del Perú*, or "ASBANC") or from other publicly available sources and industry publications.

Socioeconomic levels are determined based on the data collected by INEI in their national annual survey *Encuesta Nacional de Hogares* (ENAHOG). INEI assigns a score to each household based on their ranking on the following four factors: (i) characteristics of the household living space, (ii) level of living space overcrowding, (iii) level of education of household head and (iv) ownership of durable goods/properties; and then groups them in five socioeconomic segments (A, B, C, D, E).

Other market share information and other statistical information and quantitative statements in this offering memorandum regarding our market position relative to our competitors, except where otherwise indicated, is not based on published statistical data or information obtained from independent third parties. Rather, such information and statements reflect management estimates based upon our internal records and surveys, statistics published by providers of industry data, information published by our competitors, and information published by trade and business organizations and associations and other sources within the industry in which we operate. We have not independently verified any data produced by third parties or industry or general publications, although we believe such data and publications are reliable. In addition, while we believe our internal data and surveys to be reliable, such data and surveys have not been verified by any independent sources.

Loan Portfolio Data

Unless otherwise indicated, references in this offering memorandum to performing loans refer to loans in compliance with their original contractual obligations. References to past-due loans refer to overdue loans defined as follows. Commercial loans are considered past-due once amortization payments are 15 days overdue. Loans to micro-businesses are considered past-due once amortization payments are 30 days overdue. In the case of consumer, mortgage and leasing loans, the amortization portion of a coupon is considered past-due once 30 days overdue and the total amount of the loan is considered past-due once an amortization payment is 90 days overdue. Past-due loans do not include refinanced and restructured loans. References to total gross loans include total loans outstanding, including past-due loans, refinanced loans, and restructured loans, and references to total net loans are to gross loans plus accrued interest less allowances for loan losses and deferred interest.

The refinanced loans are direct loans in which modifications are made in the time and/or amounts of the original contract due to difficulties in the payment capacity of the client. When a loan is refinanced, it is no longer considered as past due but it maintains its previous classification as impaired or not impaired. If the debtor complies with the new agreement during the following six months, and an analysis of its payment capacity supports a new

improved risk classification, it is classified as not impaired. If subsequently to the loan modification, the debtor fails to comply with the new agreement, it is considered as impaired and past due loan.

Certain Financial Definitions and Conventions

This offering memorandum discloses GAAP financial measures, in particular it includes return on average assets ("ROA"), and return on average equity ("ROE"). We define our ROA as net profit for the period divided by average total assets and our ROE as net profit for the period divided by average shareholders' equity, in both cases, computed as the simple average of quarterly balances from December 31 of the previous year to the date as of calculation.

Our management uses these measures as indicators of our operating results and financial condition; however, you should not consider them in isolation, as an alternative to net income, as an indicator of our operating performance or as a substitute for analysis of our results as reported under Peruvian GAAP. Our management believes that, for comparison purposes with other companies, ROA and ROE can be useful as objective and comparable measures of operating profitability.

We also present average balances and nominal average interest rates in this offering memorandum. Except as otherwise indicated, average balances are based on quarterly balances. Nominal average interest rates have been calculated by dividing interest earned on assets or paid on liabilities by the corresponding average balances on such assets or liabilities. We also present annualized figures which are derived from recalculations of partial year figures to reflect a full year.

FORWARD-LOOKING STATEMENTS

This offering memorandum includes forward-looking statements. All statements other than statements of historical fact included in this offering memorandum regarding our business, financial condition, results of operations and certain of our plans, objectives, assumptions, projections, expectations or beliefs and statements regarding other future events or prospects are forward-looking statements. These statements include, without limitation, those concerning: our strategy and our ability to achieve it; expectations regarding sales, profitability and growth; our possible or assumed future results of operations; capital expenditures and investment plans; adequacy of capital; and financing plans. In addition, this offering memorandum includes forward-looking statements relating to our potential exposure to various types of market risks, such as macroeconomic risk, Peru specific risks, foreign exchange rate risk, interest rate risks and other risks related to our financial performance. The words "aim", "may", "will", "expect", "is expected to", "anticipate", "believe", "future", "continue", "help", "estimate", "plan", "schedule", "intend", "should", "would be", "seeks", "estimates", "shall", or the negative or other variations thereof, as well as other similar expressions regarding matters that are not historical facts, are or may indicate forward-looking statements.

We have based these forward-looking statements on our management's current views with respect to future events and financial performance. These views reflect the best judgment of our management but involve a number of risks and uncertainties which could cause actual results to differ materially from those predicted in our forward-looking statements and from past results, performance or achievements. Although we believe that the estimates reflected in the forward-looking statements are reasonable, such estimates may prove to be incorrect. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, among other things:

- economic, business and political developments in Peru and globally;
- changes in Peruvian and foreign laws and regulations, including the adoption of new capital requirements for banks;
- increased competition in the Peruvian financial services;
- increased inflation;
- exchange rate instability and government measures to control foreign exchange rates;
- developments affecting the purchasing power of middle income consumers or consumer spending generally;
- increases in interest rates;
- downturns in the capital markets and changes in capital markets in general that affect policies or attitudes towards lending to Peru or Peruvian companies or securities issued by Peruvian companies;
- the inability to obtain the capital we need for further expansion of our businesses;
- the inability to attract and retain key personnel;
- any future acquisitions may not bring anticipated benefits;
- changes in tax laws;
- severe weather, natural disasters and adverse climate changes, including the El Niño phenomenon;
- changes in regional or global markets;

- dependence on sovereign debt in our investment portfolios;
- credit and other risks of lending, such as increases in defaults of borrowers;
- increased costs of funding or our inability to obtain additional debt or equity financing on attractive terms or at all;
- a deterioration in the quality of our assets;
- allowances for impairment losses may be inadequate;
- changes to accounting standards;
- changes in actuarial assumptions upon which our annuity business is based;
- decreases in the spread between investment yields and implied interest rates in annuities;
- dependence on information technology ("IT") systems; and
- other risks and uncertainties described in "Risk Factors".

We urge you to read the sections of this offering memorandum entitled "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations", and "Business" for a more complete discussion of the factors that could affect our future performance and the industries in which we operate. Additionally, new risks and uncertainties can emerge from time to time, and it is not possible for us to predict all future risks and uncertainties, nor can we assess their potential impact. Accordingly, you should not place undue reliance on forward-looking statements as a prediction of actual results.

All forward-looking statements included in this offering memorandum are based on information available to us on the date of this offering memorandum. We undertake no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by applicable law. All other written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained throughout this offering memorandum.

ENFORCEMENT OF CIVIL LIABILITIES AND SERVICE OF PROCESS

We are a Peruvian bank in the form of a *sociedad anónima abierta* (open-stock corporation) organized under the laws of Peru. Substantially all of our directors, officers, controlling persons and certain experts named herein reside outside the United States, and all or a substantial portion of our and their assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons, including with respect to matters arising under the federal securities laws of the United States, or to enforce against such persons or against us judgments of courts of the United States predicated upon the civil liability provisions of the federal securities laws of the United States or other laws of the United States or any state thereof.

Peru

We have been advised by our Peruvian counsel, Estudio Ehecopar, member firm of Baker & McKenzie International, that any final and conclusive judgment for a fixed and final sum obtained against us in any foreign court having jurisdiction in respect of any suit, action or proceeding against us for the enforcement of any of our respective obligations under the indenture or under the notes will, upon request, be deemed valid and enforceable in Peru through an *exequatur* judiciary proceeding (which does not involve the reopening of the case), *provided* that: (1) there is a treaty in effect between the country where said foreign court sits and Peru regarding the recognition and enforcement of foreign judgments; or (2) in the absence of such a treaty, the original judgment is recognized by the Peruvian Courts (*Cortes de la República del Perú*), *provided* that the following conditions and requirements are met:

- the foreign judgment does not resolve matters under the exclusive jurisdiction of Peruvian courts (and the matters contemplated in respect of this offering memorandum or the notes are not matters under the exclusive jurisdiction of Peruvian courts);
- such foreign court had jurisdiction under its own private international conflicts of law rules and under general principles of international procedural jurisdiction;
- we received service of process in accordance with the laws of the place where the proceeding took place, were granted a reasonable opportunity to appear before such foreign court and were guaranteed due process rights;
- the foreign judgment has the status of *res judicata* as defined in the jurisdiction of the court rendering such judgment;
- no pending litigation in Peru between the same parties for the same dispute was initiated before the commencement of the proceeding that concluded with the foreign judgment;
- the foreign judgment is not incompatible with another judgment that fulfills the requirements of recognition and enforceability established by Peruvian law, unless such foreign judgment was rendered first;
- the judgment is not contrary to Peruvian public policy (*orden público*) or good morals (*buenas costumbres*);
- it is not proven that such foreign court denies enforcement of Peruvian judgments or engages in a review of the merits thereof;
- the judgment has been (a) duly apostilled by the competent jurisdiction of the issuing court, in case of jurisdictions that are parties to the Hague Apostille Convention, or (b) certified by Peruvian consular authorities, in case of jurisdictions that are not parties to the Hague Apostille Convention, and is accompanied by a certified and officially translated copy of such judgment into Spanish; and

- the applicable court taxes and filing fees have been paid.

We have no reason to believe that any of the obligations relating to the notes would be contrary to Peruvian public policy (*orden público*), good morals and international treaties binding upon Peru or generally accepted principles of international law. No treaty exists between the United States and Peru for the reciprocal enforcement of foreign judgements. Peruvian courts, however, have enforced judgements rendered in the United States based on principles of reciprocity and comity.

Certain of our properties could be subject to the exemption set forth under Article 616 of the Peruvian Civil Procedure Code (Legislative Decree No. 768, which sole unified text was approved through Ministerial Resolution No. 10-933-JUS), pursuant to which any private property designated for the rendering of indispensable public services may not be subject to preliminary attachments (*medidas cautelares*) that could affect the normal rendering of such services.

Service of Process

We will appoint Corporation Service Company, New York, New York, as agent to receive service of process under the indenture governing the notes, including with respect to any action brought against us in the Courts of the State of New York, in the County of New York or the United States District Court for the Southern District of New York under the federal securities laws of the United States. With respect to such actions, we have submitted to the exclusive jurisdiction of the courts of the State of New York in the County of New York or the United States District Court for the Southern District of New York.

SUMMARY

This summary highlights selected information about us and should be read as an introduction to the more detailed information included in this offering memorandum. This summary does not contain all the information you should consider before investing in the notes. You should read this entire offering memorandum carefully for a more complete understanding of our business and this offering, including "Risk Factors", "Presentation of Financial and Other Information", "Selected Financial Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes included elsewhere in this offering memorandum.

Overview

We are a leading provider of a wide range of financial products and banking services for retail customers and commercial clients in Peru, through one of the largest distribution networks (financial stores, ATMs and correspondent agents) in the country, dedicated sales force, and digital channels (internet banking and mobile banking).

We have built a business platform that leverages our capabilities and value propositions for our customers, while allowing us to effectively expand and consolidate our market position in the developing and under-penetrated Peruvian financial system.

We are the second largest provider of gross consumer loans (retail loans other than mortgages) in Peru as of September 30, 2017, according to the SBS. Within the consumer loan business in Peru, we are the second largest provider of gross credit card loans and the largest private bank provider of gross payroll deductible loans to public sector employees, as of September 30, 2017. Additionally, we are the fourth largest bank in Peru in terms of retail mortgages and commercial lending, as well as overall deposits and total assets. We have built one of the most convenient retail banking distribution networks in Peru with a total of 283 financial stores, more than 2,000 ATMs and more than 2,450 correspondent agents, as of September 30, 2017. Moreover, we have developed state-of-the-art and user friendly digital platforms to better serve our clients' needs.

For the nine months ended September 30, 2017 and 2016, our net income was S/637.2 million (approximately US\$195.1 million) and S/636.5 million, respectively. As of September 30, 2017 and 2016, we had shareholders' equity of S/4.5 billion (approximately US\$1,380.3 million) and S/4.0 billion, respectively. Our annual ROE for the nine months ended September 30, 2017 and 2016 was 20.1% and 23.1%, respectively, and our annual ROA for the nine months ended September 30, 2017 and 2016 was 2.1% and 2.1%, respectively.

For the years ended December 31, 2016, 2015 and 2014, our net income was S/875.1 million (approximately US\$260.8 million), S/860.3 million and S/708.7 million, respectively. As of December 31, 2016 and 2015, we had shareholders' equity of S/4.2 billion (approximately US\$1,246.8 million) and S/3.6 billion, respectively. Our annual ROE for the years ended December 31, 2016, 2015 and 2014 was 23.2%, 26.6% and 25.5%, respectively, and our annual ROA for the years ended December 31, 2016, 2015 and 2014 was 2.2%, 2.4% and 2.3%, respectively.

Competitive Strengths

Leading financial services provider focused on highly attractive businesses

We target thriving and profitable businesses in Peru. Interbank focuses on retail banking, with 53.1% of its loan portfolio constituting retail loans, compared to 34.9% for the Peruvian banking system, as of September 30, 2017, according to the SBS. Interbank is the second largest provider of gross consumer loans (retail loans other than mortgage loans) among banks in Peru, with a 21.1% market share as measured by gross consumer loans as of September 30, 2017. Interbank is also the second largest provider of gross credit card loans among banks in Peru, with a 22.7% market share by gross credit card loans, and the largest gross private bank provider of payroll deductible loans to public sector employees, with a 23.7% market share by gross payroll deductible loans, in each case as of September 30, 2017.

Low delinquency rates on our payroll loans reduce the overall credit risk exposure resulting on our consumer loans portfolio. Payroll loans historically have yielded relatively high margins and low non-performing

loan ratios. Interbank has one of the highest ratios of gross financial margin to average earning assets of the Peruvian banking system, due to its stronger focus on retail banking when compared to its peers. For the nine months ended September 30, 2017, this ratio was 7.6% for Interbank, 117 basis points higher than the average of 6.4% for the four largest Peruvian Banks, according to the SBS.

Track record of sustained growth supported by our strong market share and high profitability

Our strong track record of growth is supported by our strong market share and high profitability across our businesses. At Interbank, we are focused primarily on retail banking because we believe that it presents significant growth opportunities and higher margins. In retail banking, Interbank's total retail loans outstanding, including consumer and mortgage loans, achieved a CAGR of 12.8%, compared to 11.4% for the Peruvian banking system, for the three-year period ended December 31, 2016, according to the SBS. Interbank has held a strong market positioning across retail products, with market shares of 17.0% and 17.3% in 2014 and September 30, 2017, respectively. With respect to mortgage loans, Interbank's market share increased from 12.7% in 2014 to 13.4% on September 30, 2017.

Interbank's increasing market shares have been accompanied by high profitability and reliable cash flow generation, with ROE averaging 25.1% compared to 20.7% for the Peruvian banking system, for the three-year period ended December 31, 2016.

Convenient and innovative distribution network and digital channels with a customer-oriented approach

We believe that our convenient and innovative retail distribution network, together with dedicated sales force, allow us to better reach our customers, and has differentiated us from our competitors. Moreover, we believe that our strong focus on building digital capabilities will allow us to help our customers to interact with us in an easier and more efficient way, and will allow clients to migrate from the use of physical infrastructure to digital platforms for sales and services.

Interbank has built a convenient omni-channel distribution network in Peru, serving over 2.3 million customers. As of September 30, 2017, Interbank had 283 financial stores and operated the second-largest ATM network in Peru with more than 2,000 ATMs, which includes the largest out-of-branch ATM network (under our Global Net brand). Interbank has the largest number of financial stores inside supermarkets in Peru, which are open for extended hours of operation. Moreover, to provide customers with more convenient services, Interbank operates a network of correspondent agents, called "Interbank Agentes", which consists of low-cost electronic terminals located at strategic commercial establishments that allow customers to complete basic financial transactions such as transfers and deposits. As of September 30, 2017, Interbank had over 2,450 correspondent agents.

Though we believe physical channels are still necessary in an underpenetrated financial system like Peru's, we are confident that our digital channels, specifically mobile banking, will continue to substantially increase its share of customer interaction with the bank and provide new business opportunities to build on consumer loyalty and cross-sell services.

With this purpose, since 2013, we have implemented a profitability model for financial stores and ATMs which ranks them according to certain profitability metrics relevant to each distribution channel. This has allowed us to identify the less profitable units in order to close them, and to prioritize new openings in more strategic locations with higher demand for value-added financial services. As a result, the number of financial stores, which peaked at 289 in 2016, has decreased to 283 as of September 30, 2017, while productivity of financial stores and service levels have increased. Similarly, the number of ATMs has decreased to 2,075 from 2,159 in 2016. The savings achieved by this strategy have helped us increase our capital expenditure in technology and digital-related projects. We have introduced new technologies and development processes in order to substantially speed up time-to-market of new products and services and are currently working with 11 "agile" teams and 19 "squads" in a number of projects, ranging from apps, digital products, new functionalities, different customer segments and big data and analytics.

Prudent risk management resulting in high asset quality, strong liquidity and high investment returns

Risk management has been and will continue to be a primary focus of our operations and at the center of our culture. Our experienced risk management teams focus on monitoring and managing risks across all business areas, including credit, market, liquidity and operational risks, among others. We believe our risk management expertise has allowed us to achieve strong asset quality and high investment returns.

Interbank's underwriting procedures are based on strong analytics and proprietary models. These models, along with the risk management skills of our experienced risk management team, provide Interbank with competitive advantages. Our credit risk policies are approved by our risk committee and board of directors and are reviewed on an annual basis. Despite our concentration in retail loans, which tend to have higher levels of delinquency, Interbank's past-due loans as a percentage of total gross loans ratio as of September 30, 2017 was 2.8%, the lowest among the four largest banks in Peru and lower than the industry average of 3.1%. Notably, this ratio has increased in Peru in recent years, mainly as a consequence of the economic deceleration seen since 2014. As of September 30, 2017, Interbank's past-due loans coverage ratio was 170.3%, which compares favorably with the average for the Peruvian banking system of 154.4%.

Our capitalization ratio, which is calculated as our regulatory capital divided by our risk-weighted assets, was the highest among the four largest banks in Peru as of September 30, 2017, at 16.5% as compared to 15.8% for the Peruvian banking system. The minimum capitalization ratio required by Peruvian banking regulations is 10.0% plus an additional capital requirement which depends on certain levels of loan concentration in each institution. For Interbank, this additional capital requirement amounts to 1.9% as of September 30, 2017, compared to 2.2% for the Peruvian banking system.

Our strong asset quality and capital and liquidity position have resulted in a local rating of A+ by Class & Asociados, and A by both Equilibrium and Apoyo & Asociados Internacionales. These ratings, which are the two highest local ratings levels possible, allowed us to secure funding through the issuance of short-term and long-term debt securities in the Peruvian capital markets.

Efficient operational platform supported by world-class technology and new digital capabilities

Through the use of advanced technology, we are focused on providing high-quality services to our customers in an efficient manner. On our digital platform, we offer retail customers different options for performing transactions, including state-of-the-art mobile and internet banking, as well as ATMs. For our commercial clients, we offer an integral solution through a web page to carry out digital operations in a quick and secure manner directly from their offices and also through their phones. For the nine months ended September 30, 2017, approximately 89% of our total banking transactions were conducted in off-branch-transactions.

Our retail banking activities are supported by our Business Analytics platform. We believe that our data and analytic models provide us with a competitive advantage and we are committed and working on taking advantage of all the new data & information technology and possibilities that digital can offer, including big data, artificial intelligence, event-based marketing and machine learning.

Diversified funding base with competitive funding cost

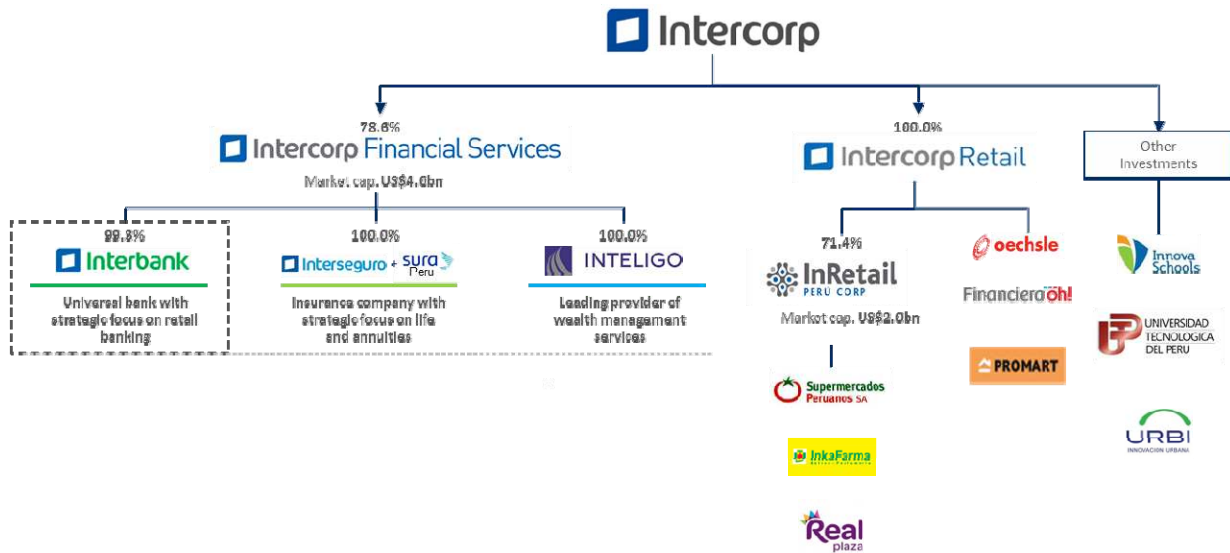
We have access to diverse sources of funding, including traditional deposits and debt securities placed in local and international capital markets. As of September 30, 2017, 71.4% of our total funding base was comprised of traditional deposits. Our deposit base is broad and fragmented, such that we are not dependent on a certain type of client, which provides us with a competitive and consistent average cost of funding of 9.5% for the nine months ended September 30, 2017 and 9.3% for the nine months ended September 30, 2016. A stable, low-cost source of funding also provides us an opportunity to cross-sell other products and services.

Interbank has been a significant player in the Peruvian banking industry with a market share of demand, savings, and term deposits of 11.6%, 15.2%, and 8.9% respectively, as of September 30, 2017, according to SBS.

Affiliation with the Intercorp Peru group

Our ultimate parent company, Intercorp Perú Ltd ("Intercorp Peru"), is one of Peru's largest economic conglomerates, with activities spanning financial services, retail, education and real estate, among others. In 2016, Intercorp Peru's businesses represented approximately 2.1% of Peru's GDP, while generating US\$4,208.0 million in revenues. We believe that being part of this group gives us a competitive edge, because of the group's deep knowledge of the Peruvian consumer, extensive focus and know-how in the Peruvian retail market, highly visible in-country presence and rapid decision-making capabilities. Intercorp represents a significant distribution channel for our controlling shareholder, Intercorp Financial Services Inc. ("IFS"), and IFS also helps to boost the retail business of Intercorp through the consumer credit segment. IFS is also the controlling shareholder of Interseguro Compañía de Seguros S.A. ("Interseguro"), a leading insurance company in Peru, and Inteligo Group Corp. ("Inteligo"), a provider of wealth management services.

The below graphic shows a simplified corporate structure of the group:



Experienced management team with proven ability to foster a merit-based culture and a highly motivated work force

We benefit from an experienced, diverse and talented management team. Most of the members of our senior management have held management positions with other major financial institutions in the United States, Latin America and Europe.

We are focused on attracting, developing and maintaining highly qualified personnel and believe that a merit-based culture that emphasizes teamwork enables us to maintain a motivated workforce that delivers high-quality service. Interbank is the only Peruvian company that has been chosen by the Peruvian Great Place to Work Institute as one of the 20 best places to work in Peru for the past 16 consecutive years and one of the top 20 places to work in Latin America in the past seven years. Additionally, Interbank was named one of the top 10 best places to work in Latin America among Latin American companies with greater than 1,000 employees by the Latin American Great Place to Work Institute in 2013 and 2017. Also, Interbank was named as one of the Top Ten Most Admired Companies in Peru by the "G de Gestión" magazine and PricewaterhouseCoopers between 2012 and 2017 and third in the Rating of companies with the best overall reputation in 2017 by Merco (*Monitor Empresarial de Reputación Corporativa*). Finally, in the most recent rankings, Interbank was selected number two best company to work for in Peru (2017), number seven in Latin America (2017) and Bank of the Year (2017) by Latin Finance.

Strategy

We aim to maintain our position as a leading provider of financial services in Peru with our strategy of focusing on customers first, use of analytics, digital innovation and high-quality risk-management. We strive to provide the best experience to our customers through convenient, agile and friendly service, which we believe leads to customer loyalty and satisfaction, to expand our customer base and to further potential for cross-selling.

Our strategic priorities are as follow:

Provide superior customer experience

We are committed to providing the best possible customer experience for our clients.

Interbank aims to provide the most convenient, friendly and agile experience for its customers through a wide variety of products, services and distribution channels, in order to be considered the main bank for our customers. We plan to continue to develop a best-in-class experience across multiple devices, including PCs, mobile phones and ATMs.

Moreover, we will continue to integrate our business analytics and digital marketing capabilities to foster online sales, transactions and post-sale services of traditional and innovative products. To strengthen Interbank's digital offering, we will continue to heavily invest in our digital channels.

Have a deep understanding of Peruvian clients

Developing advanced analytics and improving our CRM capabilities are two of our highest priorities. We aim to be recognized as the company that best knows Peruvian clients, as we believe that a deep knowledge of clients and their particular characteristics is important in order to better understand them, and to be able to offer them with the best solutions for their needs and risk profile.

In this context, and taking advantage of what new technologies are bringing to us, we are strongly working on information technology big data, event-based marketing, machine learning, artificial intelligence and alternative models in order to substantially improve our commercial offering and risk profiling.

Moreover, we have an experienced team focused on monitoring and managing risks across all business areas, including operational, market, liquidity and credit risks. See, "Regulation and Supervision—Banking Regulation and Supervision—Integral Risk Management". Historically, we have experienced stable, low past-due loan ratios, well below the average past-due loan ratios for the Peruvian industry. Our overall past-due loan ratio as of September 30, 2017 was 2.8%, which compared to 3.1% for the Peruvian banking system.

Achieve digital excellence for our customers and employees

We are committed to being the best digital financial service provider in Peru. For this reason, we have been investing and will continue to heavily invest in advanced technologies in order to provide excellent customer experiences to our clients.

The first phase of investments of the past three years included new mobile and internet banking platforms for retail customers, a new internet platform for our commercial customers, investments in data & information technologies, and also strong investments in our core infrastructure and applications to guarantee the stability and operational efficiency needed for supporting a digital strategy, including the outsourcing of data centers with an accelerated investment program.

Currently, we are focusing our efforts on advanced analytics working together with world-class-partners (including big data, event-based marketing and machine learning), in order to develop capabilities to serve clients throughout its life-cycle digitally, and to explore new business opportunities. In addition, we will continue to improve our operational efficiency and stability through the investment and use of new technologies, as well as to protect our customers with the implementation of advanced cybersecurity strategies.

In order to be able to execute this fast, we are currently working with 19 squads under *agile* methodologies which have allowed us to substantially decrease time-to-market. Moreover, we have an Innovation Lab working with *Design Thinking* methodologies developed together with IDEO to further accelerate the development of new business ideas using new technologies.

Be a great place to work by maintaining a highly motivated team with a strong culture aligned to our strategy

We believe that a motivated workforce leads to high-quality customer service, which in turn leads to satisfied customers and better results. Our commitment to fostering a motivated workforce and merit-based culture is demonstrated by being ranked among the top Peruvian and Latin American companies by the Great Place to Work Institute.

We will continue our efforts to attract, develop and retain highly qualified personnel and to maintain a merit-based culture that emphasizes teamwork to keep a motivated workforce that delivers high-quality service.

Foster clients, revenue and earnings growth

Interbank plans to continue to balance its growth between retail and commercial banking, as it believes that both retail and commercial lending will continue to exhibit good levels of growth in the coming years.

Within retail banking, we will continue to focus on the Peruvian middle-class, and we will deepen our efforts on the mass affluent customers as we believe the new digital business models allow us to have a better value proposition for them. In terms of products, we aim at maintaining strong market shares in credit cards, payroll-deductible loans for public sector employees and deposits while increasing market shares on mortgages and payroll loans and accounts to the private retail clients.

We believe there are significant opportunities for Interbank in commercial banking, as well, focusing on maintaining our market share with corporates while increasing our market share in medium-size and small-size companies, where altogether Interbank has a lower market share (8.2% in terms of gross loans as of September 30, 2017 according to the SBS) when compared to its retail business. Interbank focuses on high margin and fee generating products such as leasing, structured finance, cash management, trade finance and factoring in its commercial lending business.

Moreover, we are exploring different new business ideas using new technologies that could result in further revenue and income sources in the future.

Actively pursue cross-selling opportunities to leverage our customer base across IFS and Intercorp Peru

We intend to benefit from cross-selling opportunities, including, primarily, the sale of insurance products by Interseguro to our banking clients. We plan to leverage more of our and Intercorp Peru's retail presence to cross-sell products across Interbank, Interseguro and Inteligo. We believe that Interbank's current 2.3 million customers represent a significant opportunity to sell additional banking products and services, as well as Interseguro's insurance products and Inteligo's brokerage services. For this purpose, we plan to continue investing in digital and analytics capabilities.

Additionally, we plan to capitalize on the future growth of Intercorp Peru's retail business through its shopping malls, supermarkets, pharmacies and home improvement stores, by sharing data to the extent possible and in compliance with the applicable law to capture the cross-selling opportunities that those channels represent for Interbank.

Market Opportunity

We believe that the ongoing growth of the Peruvian economy, the expanding middle class, the steady growth of private wealth creation in Peru, the low penetration of financial services and the healthy and profitable Peruvian financial system offer significant opportunities for our continued growth. These market opportunities are further described below.

Growing economy with strong macroeconomic fundamentals

According to the World Bank, Peru's average GDP growth rate was 4.6% between 2011 and 2016, which is higher than the growth rate of each of the peer countries in Latin America during the same period (Colombia at 4.2%, Mexico at 2.8%, Chile at 3.5%, and Brazil at 0.3%). Additionally, Peru's average inflation rate was 3.4% between 2011 and 2016, which is one of the lowest inflation rates compared to inflation rates of each of the peer countries in Latin America during the same period (Colombia at 4.0%, Mexico at 3.5%, Chile at 3.4%, and Brazil at 7.1%). The Peruvian government's prudent management of the economy, conservative fiscal policy, coupled with the Peruvian Central Bank's cautious management of inflation and international reserves, have resulted in economic development, increased internal consumption and strong macroeconomic fundamentals, including low levels of public debt, low inflation, low fiscal deficit and high levels of international reserves. Peru's strong track record of macroeconomic policy credibility, consistency and flexibility has helped it to achieve investment grade ratings of A3 by Moody's Investor Service ("Moody's"), BBB+ by Standard & Poor's Rating Services ("S&P") and BBB+ by Fitch Ratings Ltd. ("Fitch") as of September 30, 2017. In its most recent forecast as of December 2017, the Peruvian Central Bank has estimated real GDP growth for Peru of 2.7% and 4.2% in 2017 and 2018, respectively, showing a recovery of healthier levels of growth when compared to the past two years. According to the Peruvian Central Bank growth in domestic demand was 2.2% in 2014, 2.9% in 2015, 1.1% in 2016, and was forecast to be (according to the "Reporte de Inflacion – Diciembre de 2016" by the Peruvian Central Bank) 2.2% in 2017, and 4.4% in 2018.

Expansion of middle and upper socioeconomic segments

According to INEI, the poverty rate in Peru has declined to 20.7% in 2016, from 27.8% in 2011, and GDP per capita in U.S. dollars has grown 15.5% during the same period, pursuant to information from the World Bank. According to the *Asociación Peruana de Empresas de Investigación de Mercados* (APEIM), Peru's middle and upper socioeconomic segments (A, B and C) have significantly expanded and, as of 2016, represented 51% of the population compared to 29% in 2004. We believe that the increase in the number of people belonging to the middle and upper classes creates the need for financial services, particularly for increasingly sophisticated banking products.

Low penetration of financial services

Despite the recent deceleration, we believe that growth potential in Peru's financial services sector continues to be significant. Banking penetration in Peru, measured as the ratio of loans-to-GDP, was 36.3% as of December 31, 2016, according to the SBS, below the average ratio of 53.1% for the group of peer countries in Latin America according to the Economist Intelligence Unit ("EIU"), the Chilean Superintendency of Banks and Financial Institutions (*Superintendencia de Bancos e Instituciones Financieras*), the Central Bank of Brazil (*Banco Central do Brasil*), the Colombian Financial Superintendency (*Superintendencia Financiera de Colombia*), and the Mexican Commission for Banking and Securities (*Comisión Nacional Bancaria y de Valores*). In addition, it was less than half of the 90.6% ratio for Chile. We believe that penetration potential is even more significant in retail banking. In terms of retail loan penetration, including credit cards and branches per inhabitant, Peru is well below its peer countries in Latin America. As of December 31, 2016, the estimated total number of credit cards per capita in Peru was 0.3 as compared to 0.7 credit cards per capita in Chile. The ratio of retail loans-to-GDP in Peru was 12.4%, and in Chile 36.6% while the averages for the group of peer countries in Latin America was 23.0%, as of December 31, 2016. In 2016, the retail loans per capita stood at US\$5,107 in Chile in 2016 compared to US\$755 in Peru. Furthermore, as of December 31, 2016, there were approximately 0.2 million mortgages outstanding in Peru, according to ASBANC, for a population of approximately 31.8 million, compared to approximately 1.4 million mortgages outstanding in Chile, according to SBIF, for a population of approximately 17.9 million.

Healthy and profitable financial system

As a result of sound regulation, the Peruvian financial system is healthy and profitable according to figures published by the SBS. Gross loans in Peru have grown at a CAGR of 12.9% for the five-year period ended December 31, 2016, and 2.2% between September 2016 and September 2017, while the banking system's asset quality has remained strong with a ratio of past-due loans as a percentage of total gross loans of 3.1% and a ratio of allowance for loan losses as a percentage of past-due loans of 154.4% as of September 30, 2017, according to the SBS, with a slight deterioration in the past months due to the deterioration of the Peruvian economy in the past two

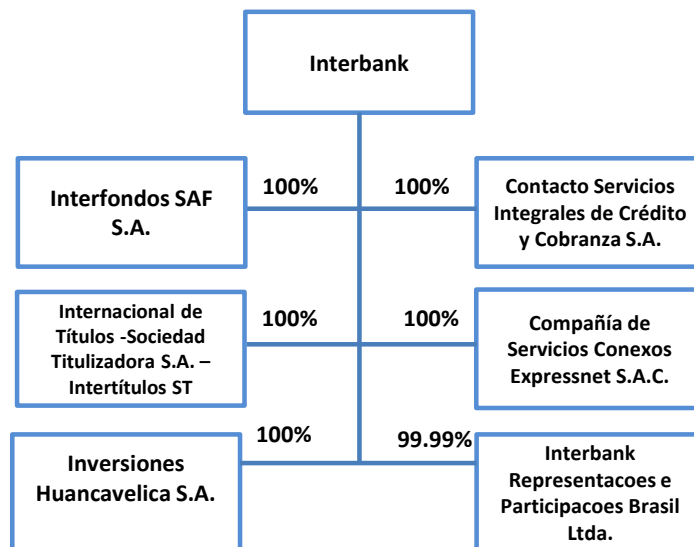
years. Capitalization of the Peruvian banking system has consistently been well above regulatory requirements in the last five years with a total capital ratio of the banking system of 15.8% as of September 30, 2017, according to the SBS. Furthermore, profitability remains high with a 18.3% annualized ROE for the banking system for the nine months ended September 30, 2017, according to the SBS.

History

Interbank is a Peruvian bank in the form of an open-stock corporation (*sociedad anónima abierta*). Interbank was incorporated in Lima, Peru in 1897 with an indefinite duration, and formerly conducted business under the names "Banco Internacional del Perú S.A." and "Interbanc". It is registered in the commercial register (partida Registral) under number 11009129 of the Registro de Personas Jurídicas de la Oficina Registral de Lima y Callao. In August 1994, as part of the government's privatization efforts, approximately 91% of Interbank's share capital was acquired by Corporación Interbank, which subsequently transferred its holdings in Interbank to the Rodríguez-Pastor family through Intercorp Peru, a limited liability company organized under the laws of the Commonwealth of The Bahamas that is listed on the BVL. After Interbank's acquisition by Intercorp Peru in 1994, Interbank began conducting business under the name "Interbank" as part of a rebranding and modernization effort, and has become a leading universal bank in Peru.

Corporate Structure

The following chart presents our corporate structure, indicating our principal subsidiaries and respective ownership interests.



Corporate Information

Our registered and principal executive offices are located at Ave. Carlos Villarán 140, Santa Catalina, La Victoria, Lima 13, Peru. Our telephone number is +(511) 219-2000.

Exchange Offer for Outstanding Securities

Following this offering, we issued additional notes in connection with an offer to exchange certain of our outstanding senior debt issued by our Panamanian branch for additional notes (in an amount not to exceed US\$500 million).

In connection with the abovementioned exchange offer we issued US\$284,213,000 under the first indenture supplement dated January 25, 2018 to the Indenture dated January 18, 2018 and we issued US\$682,000 under the second indenture supplement dated February 9, 2018 to the Indenture dated January 18, 2018. The notes issued in connection with the above mentioned indenture supplements are fully fungible with the Notes issued under the Indenture.

The Offering

The following summary contains basic information about the notes and is not intended to be complete. For a more complete understanding of the notes, please refer to "Description of the Notes".

Issuer	Banco Internacional del Perú S.A.A.
Notes Issued.....	US\$200 million aggregate principal amount of 3.375% Senior Notes due 2023. We also issued US\$284,863,000 of our 3.375% Senior Notes due 2023 as part of an exchange offer. See "Summary—Exchange Offer for Outstanding Securities."
Maturity	The notes will mature on January 18, 2023.
Interest	The notes will bear interest at the rate of 3.375% per year, payable semi-annually in arrears on January 18 and July 18 of each year, beginning on July 18, 2018.
Issue Price.....	99.936% of the principal amount thereof, plus accrued interest, if any, from January 18, 2018.
Ranking	<p>The notes will constitute Interbank's direct, unsecured and senior obligations. The obligations of Interbank under the notes will at all times rank at least <i>pari passu</i> in right of payment to all other existing and future unsecured and unsubordinated obligations of Interbank (other than obligations preferred by statute or by operation of law). The notes will be effectively subordinated to (i) all of Interbank's existing and future secured indebtedness to the extent of the assets securing such indebtedness, (ii) all of the existing and future liabilities of Interbank's subsidiaries, and (iii) certain other obligations that in the event of Interbank's insolvency are granted preferential treatment under Peruvian law, as described in "Regulation and Supervision". Under the Peruvian Banking and Insurance Law, all existing and future depositors of Interbank will have a general priority right over holders of notes. See "Risk Factors—Risks Relating to the Notes—The notes will be effectively subordinated to the rights of our depositors and our secured and other creditors".</p> <p>As of September 30, 2017, on an as adjusted basis after giving effect to the offering of the notes, and the use of proceeds thereof as described under "Use of Proceeds", we would have S/25,566.1 million (US\$7,830.4 million) of deposits and S/12,253.1 million (US\$3,752.9 million) of other liabilities. See "Capitalization".</p>
Use of Proceeds	We expect to use the net proceeds from this offering for general corporate purposes. See "Use of Proceeds".
Additional Amounts	All payments in respect of the notes will be made without any withholding or deduction for any taxes imposed or levied by or on behalf of a Taxing Jurisdiction (as defined in "Description of the Notes—Additional Amounts"), unless such withholding or deduction is required by law. We will pay such additional amounts as will result in receipt by the holders of notes of such amounts as would have been received by them had no such withholding or deduction for taxes been required, subject to certain exceptions set forth under "Description of the Notes—

Additional Amounts".

Optional Redemption.....	<p><i>Make-Whole Redemption.</i> The notes will be redeemable, at our option, in whole or in part, at any time and from time to time, on and after February 19, 2020 (or earlier if approved by the Peruvian Central Bank) and prior to October 18, 2022 at a redemption price equal to the greater of (1) 100% of the outstanding principal amount of the notes to be redeemed and (2) the sum of the present values of the remaining payments on the notes through October 18, 2022, as if the notes were redeemed on such date, discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable treasury rate plus 15 basis points, in each case plus accrued and unpaid interest to the redemption date and any additional amounts.</p> <p><i>Par Redemption.</i> The notes will also be redeemable, at our option, in whole or in part, at any time and from time to time on and after October 18, 2022 at a redemption price equal to 100% of the outstanding principal amount of the notes to be redeemed plus accrued and unpaid interest to the redemption date and any additional amounts.</p> <p><i>Tax Redemption.</i> We may redeem the notes, in whole but not in part, at any time on and after February 19, 2020 (or earlier if approved by the Peruvian Central Bank) upon the occurrence of specified changes in tax law, at a redemption price equal to 100% of the outstanding principal amount, plus accrued and unpaid interest to the date of redemption and any additional amounts. See "Description of the Notes—Optional Redemption—Tax Redemption".</p>
Covenants	The indenture contains certain covenants that limit or restrict our ability to, among others, consolidate or merge with or into another person, sell, lease, assign, transfer, convey or otherwise dispose of all or substantially all of our properties or assets.
Events of Default.....	The indenture will set forth the events of default applicable to the notes, including an event of default triggered by cross-default of our other indebtedness and indebtedness of our subsidiaries. See "Description of Notes—Events of Default".
Form and Denomination.....	The notes will be issued in book-entry form only in minimum denominations of US\$150,000 and integral multiples of US\$1,000 in excess thereof. The notes will be represented by one or more global notes registered in the name of a nominee of DTC, as depository, for the accounts of its direct and indirect participants, including Euroclear, as operator of the Euroclear system, and Clearstream.
Further Issues.....	In accordance with the terms of the indenture relating to the notes, we may issue additional notes of the same series as the notes offered hereby at a future date.
Listing.....	Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF Market in accordance with its rules and regulations. The

notes are not yet listed. If any European or national legislation is adopted and is implemented or takes effect in Luxembourg in a manner that would impose requirements on us that we, in our discretion, determine are impracticable or unduly burdensome, we may delist the notes. In these circumstances, we cannot assure you that we would obtain an alternative admission to listing, trading and/or quotation for the notes by another listing authority, exchange and/or system within or outside the European Union.

Trustee, Registrar, Paying Agent and Transfer Agent.....	The Bank of New York Mellon.
Luxembourg Listing Agent, Luxembourg Transfer Agent and Luxembourg Paying Agent.....	The Bank of New York Mellon SA/NV, Luxembourg Branch.
Transfer Restrictions.....	The notes have not been, and will not be, registered under the Securities Act and, accordingly, are subject to limitations on transferability and resale. See "Transfer Restrictions" and "Plan of Distribution".
Governing Law	The indenture and the notes will be governed by, and construed in accordance with, the law of the State of New York.
Risk Factors	You should consider carefully all of the information set forth in this offering memorandum and, in particular, you should evaluate the risks described under "Risk Factors" beginning on page 16.

Summary Financial and Operating Information

The following tables set forth our summary financial information. The income statement data for the years ended December 31, 2016, and 2015 and the data on the statements of financial position as of December 31, 2016, and 2015 are derived from our audited financial statements and related notes included in this offering memorandum. The income statement data for the year ended December 31, 2014, and the data on the statements of financial position as of December 31, 2014 are derived from our audited financial statements and related notes.

The income statement data for the nine months ended September 30, 2017 and 2016 and the data on the statements of financial position as of September 30, 2017 are derived from our unaudited interim condensed financial statements and related notes included in this offering memorandum, which have been prepared in accordance with Peruvian GAAP. Our data on the statements of financial position as of September 30, 2016 are derived from our unaudited interim condensed financial statements as of September 30, 2016, which have not been included in this offering memorandum. Our unaudited interim condensed financial statements have been prepared on the same basis as our audited financial statements and, in the opinion of our management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information set forth herein. Interim financial results are not necessarily indicative of results that may be expected for the full fiscal year or any future reporting period.

	As of and for the nine months ended September 30, (unaudited)			As of and for the years ended December 31,			
	2017 (US\$ in millions) ⁽¹⁾⁽²⁾	2017 (S/ in millions) ⁽¹⁾	2016	2016 (US\$ in millions) ⁽¹⁾⁽³⁾	2016	2015	2014
STATEMENTS OF INCOME							
Interest income	848.1	2,769.1	2,694.9	1,082.0	3,631.3	3,284.7	2,810.5
Interest expenses	(231.6)	(756.3)	(727.9)	(290.6)	(975.1)	(827.7)	(705.8)
Gross financial margin⁽⁴⁾	616.5	2,012.8	1,967.0	791.5	2,656.2	2,457.0	2,104.7
Provision for loan losses, net of recoveries	(190.4)	(621.7)	(559.2)	(223.7)	(750.7)	(662.4)	(445.1)
Net financial margin	426.1	1,391.1	1,407.8	567.8	1,905.5	1,794.6	1,659.6
Fee income from financial services, net.....	76.4	249.4	240.4	96.5	323.7	308.9	284.4
Gain on financial transactions.....	77.2	252.1	221.7	91.2	306.0	449.6	287.5
Financial margin, net of income and expenses from financial services	579.7	1,892.6	1,869.8	755.4	2,535.3	2,553.1	2,231.6
Administrative expenses ⁽¹⁵⁾	(301.7)	(985.2)	(950.9)	(383.6)	(1,287.5)	(1,268.4)	(1,146.5)
Depreciation	(14.4)	(47.1)	(45.7)	(18.2)	(61.0)	(61.3)	(68.5)
Amortization.....	(14.7)	(47.9)	(42.3)	(17.1)	(57.4)	(41.7)	(40.5)
Net operating income	248.8	812.5	830.8	336.5	1,129.4	1,181.7	976.0
Provision for contingencies and other	(1.9)	(6.3)	(15.8)	(5.6)	(18.9)	(21.2)	(10.0)
Other income, net ⁽¹⁵⁾	15.8	51.6	50.2	18.0	60.3	(8.4)	18.7
Income before income tax	262.7	857.7	865.3	348.9	1,170.9	1,169.0	984.7
Income tax	(67.6)	(220.6)	(228.7)	(88.1)	(295.8)	(308.6)	(276.0)
Net income	195.1	637.2	636.5	260.8	875.1	860.3	708.7

	As of and for the nine months ended September 30, (unaudited)			As of and for the years ended December 31,			
	2017	2017	2016	2016	2016	2015	2014
	(US\$ in millions) ⁽¹⁾⁽²⁾	(S/ in millions) ⁽¹⁾		(US\$ in millions) ⁽¹⁾⁽³⁾	(S/ in millions) ⁽¹⁾		
DATA ON STATEMENT OF FINANCIAL POSITION							
Cash and due from banks	2,575.1	8,407.8	10,691.8	3,266.4	10,962.2	12,089.9	6,378.7
Investments, net ⁽⁵⁾	1,731.8	5,654.2	4,103.3	1,355.8	4,549.9	3,595.7	3,528.9
Loan portfolio, net.....	7,996.2	26,107.7	25,103.4	7,517.0	25,226.9	24,172.9	21,036.0
Property, furniture and equipment, net.....	124.5	406.4	413.5	124.0	416.0	429.5	433.7
Other assets ⁽⁶⁾	335.9	1,096.8	1,395.3	321.1	1,077.7	1,150.5	1,337.8
Total assets	12,763.5	41,672.9	41,707.3	12,584.3	42,232.8	41,438.6	32,715.1
Deposits and obligations	7,830.4	25,566.1	25,355.2	7,963.3	26,724.8	25,694.1	20,950.1
Deposits from financial entities	85.8	280.2	202.3	59.7	200.3	208.4	190.5
Inter-bank funds and due to banks and correspondents ⁽⁷⁾	1,763.3	5,757.2	6,153.1	1,666.2	5,591.7	6,138.5	3,219.1
Securities, bonds and obligations outstanding.....	1,409.2	4,601.2	4,683.9	1,370.4	4,599.0	4,690.7	4,198.0
Provisions and other liabilities.....	294.5	961.6	1,338.8	227.9	932.8	1,155.6	1,062.5
Total liabilities	11,383.2	37,166.3	37,733.3	11,337.5	38,048.6	37,887.3	29,620.1
Shareholders' equity	1,380.3	4,506.7	3,974.0	1,246.8	4,184.2	3,551.3	3,095.0
Total liabilities and shareholders' equity	12,763.5	41,672.9	41,707.3	12,584.3	42,232.8	41,438.6	32,715.1

	As of and for the nine months ended September 30, (unaudited)			As of and for the years ended December 31,		
	2017	2017	2016	2016	2016	2015
	(US\$ in millions) ⁽¹⁾⁽²⁾	(S/ in millions) ⁽¹⁾		(US\$ in millions) ⁽¹⁾⁽³⁾	(S/ in millions) ⁽¹⁾	
SELECTED FINANCIAL DATA AND RATIOS						
Profitability and Performance						
Average total assets	12,389.7	40,452.3	40,247.5	12,066.8	40,496.1	36,212.7
Average shareholders' equity	1,296.4	4,232.9	3,675.3	1,125.5	3,777.2	3,234.9
Average interest-earning assets.....	11,953.0	39,026.5	38,533.4	11,577.0	38,852.4	34,648.0
Net interest margin ⁽⁸⁾	--	5.8%	5.8%	--	5.8%	6.0%
Efficiency ratio ⁽⁹⁾	--	43.0%	42.8%	--	42.8%	42.6%
Return on average total assets ⁽¹⁰⁾	--	2.1%	2.1%	--	2.2%	2.4%
Return on average shareholders' equity ⁽¹¹⁾	--	20.1%	23.1%	--	23.2%	26.6%
Provisions for loan losses net of reversals as a percentage of operating revenue.....	--	24.7%	23.0%	--	22.8%	20.6%
Fee income from financial services, net, as a percentage of operating revenues	--	9.9%	9.9%	--	9.9%	9.6%
Capital and Balance Sheet Structure						
Average shareholders' equity as a percentage of average total assets	--	10.5%	9.1%	--	9.3%	8.9%
Total liabilities as a multiple of shareholders' equity.....	--	8.2	9.5	--	9.1	10.7
Regulatory capital as a % of risk-weighted assets (at end of period) ⁽¹²⁾	--	16.5%	16.1%	--	15.9%	15.5%
Net loans as a percentage of total deposits	--	102.1%	99.0%	--	94.4%	94.1%
Total deposits as a percentage of total assets.....	--	61.3%	60.8%	--	63.3%	62.0%
Credit Quality						
Past due loans	236.0	770.7	682.0	206.6	693.3	589.1
Past due loans as a percentage of total gross loans (at end of period)	--	2.8%	2.6%	--	2.6%	2.3%
Provision expense as a percentage of total gross loans	--	3.2%	3.0%	--	3.0%	2.9%
Allowance for loan losses as a percentage of past due loans (coverage ratio).....	--	170.3%	177.0%	--	179.8%	193.9%

	As of and for the nine months ended September 30, (unaudited)			As of and for the years ended December 31,		
	2017	2017	2016	2016	2016	2015
	(US\$ in millions) ⁽¹⁾⁽²⁾	(S/ in millions) ⁽¹⁾		(US\$ in millions) ⁽¹⁾⁽³⁾	(S/ in millions) ⁽¹⁾	
OTHER FINANCIAL DATA						
Operating revenue ⁽⁹⁾	770.1	2,514.3	2,429.1	979.1	3,285.9	3,215.5
Dividends.....	120.6	393.8	379.5	113.1	379.5	318.9
Dividend payout ratio ⁽¹³⁾		45.0%	44.1%		44.1%	45.0%
Risk weighted assets ⁽¹⁴⁾	11,127.5	36,331.1	35,921.4	10,570.7	35,475.3	34,951.5
Total regulatory capital	1,833.6	5,986.6	5,791.8	1,680.2	5,638.9	5,427.9
OTHER DATA						
Inflation rate in Peru.....	--	1.9%	2.2%	--	3.2%	4.4%
Exchange rate (S/ per US\$1.00 at end of period).....	--	3.265	3.400	--	3.356	3.411
Number of employees	--	6,803	7,215	--	7,099	7,031
Number of financial stores (at end of period).....	--	277	290	--	283	291

- (1) Except for percentages and ratios, number of employees, and number of financial stores.
- (2) Amounts stated in U.S. dollars as of and for the nine months ended September 30, 2017 have been translated from soles at the exchange rate of S/3.265 = US \$1.00. See "Exchange Rates". Because the September 30, 2017 figures and the December 31, 2016 figures have been converted into US dollars at different rates, comparisons should not be made between such numbers as they reflect changes in exchange rates in addition to changes in the underlying numbers.
- (3) Amounts stated in U.S. dollars as of and for the year ended December 31, 2016 have been translated from soles at the exchange rate of S/3.356 = US \$1.00. See "Exchange Rates". Because the September 30, 2017 figures and the December 31, 2016 figures have been converted into US dollars at different rates, comparisons should not be made between such numbers as they reflect changes in exchange rates in addition to changes in the underlying numbers.
- (4) Gross financial margin represents financial income less financial expenses.
- (5) Comprised primarily of investments at fair value through profit or loss, available for sale investments and held to maturity investments.
- (6) Comprised primarily of other assets, net investment in subsidiaries and associates and deferred income tax, net.
- (7) Comprised primarily of deposits from financial entities payables from repurchase agreements and debts and financial obligations.
- (8) Net interest margin is defined as (x) gross financial margin less commission on loan portfolios and premiums paid to the deposit insurance fund and divided by (y) average interest earning assets.
- (9) Efficiency ratio is calculated by dividing (x) administrative expenses plus depreciation and amortization by (y) operating revenue. Operating revenue is the aggregate of gross financial margin plus fee income from financial services, net and gain on financial transactions.
- (10) Return on average total assets is defined as net income divided by average total assets.
- (11) Return on average shareholders' equity is defined as net income divided by average shareholders' equity.
- (12) Regulatory capital is calculated in accordance with guidelines of the Basel II Accord, as adopted by the SBS. The minimum capitalization ratio (minimum capital requirement expressed as a percentage of risk weighted assets) required by Peruvian banking regulations is 10.0% plus an additional capital requirement which depends on certain levels of loan concentration in each institution. For Interbank, this additional capital requirement amounts to 1.9% as of September 30, 2017. For the details, see "Regulation and Supervision".
- (13) Dividends declared and paid divided by net income from the previous fiscal year.
- (14) As reported to the SBS it is the aggregate of: the regulatory capital requirement for market risk multiplied by 10, the regulatory capital requirement for operational risk multiplied by 10 and the weighted assets and contingent credits by credit risk.
- (15) Includes payroll expenses related with termination of employees, amounting to S/13.5 million, S/9.9 million and S/7.9 million for the years ended December 31, 2016, 2015, and 2014 respectively. These figures were reclassified from "Other income, net" to "Administrative expenses".

RISK FACTORS

An investment in the notes involves a high degree of risk. In addition to the other information contained in this offering memorandum, you should carefully consider the following risk factors before purchasing the notes. If any of the possible events described below occurs, our businesses, financial condition, results of operations or prospects could be materially and adversely affected. As a result, the value of the notes could decline and you could lose all or part of your investment. The risks and uncertainties below are those known to us and that we currently believe may materially affect us and the notes. We may face additional risks and uncertainties not currently known to us or which as of the date of this offering memorandum we might not consider significant, which may also adversely affect our businesses.

Risks Relating to Our Businesses

We are subject to extensive regulation and supervision, and changes in existing regulations or the implementation of future regulations may have a material adverse effect on our financial condition and results of operations.

We, as a Peruvian bank, are subject to extensive regulation and supervision by the SBS. The SBS also oversees all of our subsidiaries and their operations as well as our branch in Panama. Interbank is also subject to regulation and oversight by the Peruvian Central Bank, which, together with the SBS, has general administrative responsibilities over banks and other financial institutions, including the authority to set loan loss provisions, limits on fees, regulatory capital requirements and other minimum capital adequacy and reserve requirements. In addition, banks are required to provide the SBS, on a periodic basis, with all information that is necessary to allow for its evaluation of the bank's financial performance.

Also, we are subject to the regulations of the SMV. In addition, we are subject to other regulations, such as the U.S. Foreign Account Tax Compliance Act (FATCA), which could increase compliance costs and, in case of noncompliance could result in liability, additional costs or sanctions imposed by the IRS.

Changes in the regulation and supervision could have a material adverse effect on our financial condition and results of operations. For example, the SBS and the Peruvian Central Bank regulate, and have in the past changed, capital structure and deposit reserve requirements, interest paid on deposit reserves, the amount of deposit reserves for which no interest is payable, rules regarding provisions for loan losses and legal lending limits applicable to Peruvian commercial banks. In addition, Interbank could be subject to limits on the commissions charged to clients. Furthermore, Interbank could be required to increase its level of provisions in response to pro-cyclical provisioning requirements that could be activated by regulators under certain favorable macroeconomic conditions.

Changes in existing regulations or the implementation of future regulations may also restrict our existing operations, limit the expansion of our business and require extensive system and operating changes that may be difficult or costly to implement.

We cannot predict whether and to what extent new laws and regulations, or changes to existing laws and regulations, affecting our business will be adopted in the future, the timing of any such adoption and what effect such events would have on our financial condition and results of operations.

Our operations require the maintenance of licenses and noncompliance with applicable license and operating obligations could have a material adverse effect on our financial condition and results of operations.

All banks established in Peru require certain authorizations issued by the SBS in order to operate in Peru. In addition, in Panama, all banks, including branches, require a license to operate. Governmental authorities, such as SBS or the Peruvian Central Bank or the Superintendency of Banks of Panama (*Superintendencia de Bancos de Panamá*), have general administrative responsibilities over banks and other financial institutions, including authority to set loan loss provisions, limits on fees, regulatory capital requirements and other minimum capital adequacy and reserve requirements. In addition, banks are generally required to provide the relevant banking supervisory agency, on a periodic basis, with all information that is necessary to allow for its evaluation of a bank's financial performance.

We currently have the required licenses in order to conduct our operations. Although we believe we are currently in compliance with our material license and reporting obligations, there is no assurance that we will be able to maintain the necessary licenses in the future. We cannot assure you that future changes to existing laws and regulations, or stricter interpretation or enforcement of existing laws and regulations, will not impair our ability to comply with such laws and regulations and thus with the terms of our licenses.

The loss of a license, a breach of the terms of a license or the failure to obtain any further required licenses in the future could have a material adverse effect on our financial condition and results of operations. If we lose our licenses or are required to seek additional licenses, then we will be unable to perform our operations as we are currently authorized.

Under certain circumstances, the SBS may intervene in our operations in order to prevent, control and reduce the effects of a failure of our operations.

Under the Peruvian Banking and Insurance Law and regulations thereunder, the SBS may intervene in Interbank's operations upon the occurrence of any of the following events:

- Interbank suspends payment of its obligations or is unable to pay its obligations as they come due;
- Interbank breaches any of its commitments to the SBS under a surveillance regime imposed by the SBS;
- Interbank's regulatory capital is less than 50% of the minimum regulatory capital required under the Peruvian Banking and Insurance Law; or
- Interbank experiences a deficit or reduction of more than 50% of its regulatory capital during the preceding 12-month period.

In the event of an intervention, the SBS has the power to institute measures, such as limiting the decisions that could be taken at a shareholders' meeting, suspending our normal activities and segregating certain of our assets and liabilities for transfer to third parties, among others. Furthermore, the SBS has the power under the Peruvian Banking Law to declare the wind-up or liquidation of any bank if an intervention extends longer than 45 days, which may be extended for another 45 days at the sole discretion of the SBS, and/or upon the occurrence of a wind-up or liquidation pursuant to the *Ley General de Sociedades* (Peruvian General Corporations Law).

The adoption of new international banking guidelines may require additional capital and could cause our cost of funds to increase, which could have a material adverse effect on our financial condition and results of operations.

In December 2009, the Basel Committee announced its intention to issue a new framework ("Basel III"), related to the regulation, supervision and risk management of the banking industry. Among the changes adopted by Basel III were raising the quality, consistency and transparency of the capital base; enhancing risk coverage; reducing pro-cyclicality and promoting countercyclical buffers; and addressing systemic risk and interconnectedness.

In July 2011, the SBS issued SBS Resolution No. 8425-2011, establishing the final methodologies in the calculation and the implementation schedule of the additional capital requirements to be implemented in Peru, which, although not completely consistent with Basel III, includes requirements to cover concentration, interest rate and systemic risk, as well as certain pro-cyclical capital requirements. These additional requirements were fully implemented in July 2016. As of the date of this offering memorandum, we are fully compliant with these additional capital requirements.

As of July 2016, the additional capital requirements set by SBS Resolution No. 8425-2011 have been fully implemented.

In February 2016, the SBS issued Resolution No. 975-2016, which aims to improve the quality of the total regulatory capital and align Peruvian regulations towards Basel III. This resolution changed the conditions that subordinated debt must meet in order to be considered in the calculation of additional capital and the calculation

methodology applicable to risk-weighted assets. This resolution is applicable to subordinated debt incurred or created from the date of its approval. However, as established in this regulation, subordinated debt incurred or created prior to its approval (and which does not meet the requirements of this new regulation) will still be considered in the calculation of regulatory capital, subject to certain rules specified therein.

Interbank expects to be in compliance with these additional capital requirements; however, Interbank's assumptions with respect to compliance may turn out to be incorrect, and, consequently, have a material adverse effect on its financial condition and results of operations. In addition, the complete adoption of the new Basel III framework may have a material adverse effect on Interbank's financial condition and results of operations.

We cannot assess the compliance with, or the completion, or the implementation of, the above-mentioned requirements and the impact of any such requirements in the future on our financial condition or results of operations.

Our controlling shareholder, Intercorp Peru, is subject to capital requirements imposed by the SBS, and Intercorp Peru's failure to comply with these requirements could have a material adverse effect on our financial condition and results of operations.

The SBS has established minimum capital requirements for financial services holding companies on a fully consolidated basis, which the SBS evaluates on an annual basis. As a result of its direct and indirect equity interest in Interbank, our controlling shareholder, Intercorp Peru, is subject to these minimum capital requirements. Intercorp Peru owns other businesses in addition to ours, and financial information relating to both our business and those other businesses is used to determine compliance with the minimum capital requirements.

According to Peruvian regulations, the subsidiaries directly and indirectly owned by Intercorp Peru qualify as a Mixed Conglomerate in which three different groups are identified: (i) Consolidable Group of the Financial System; (ii) Consolidable Group of the Insurance System; and (iii) Financial Group. Pursuant to Peruvian regulations, Intercorp Peru must maintain a higher regulatory capital requirement than the regulatory capital requirements for each of such three groups.

If Intercorp Peru fails to comply with these requirements, the SBS may request that Intercorp Peru take certain corrective actions to ensure compliance. If Intercorp Peru fails to take such actions, the SBS could suspend or revoke our licenses to operate in Peru, which would have a material adverse effect on our financial condition and results of operations.

Changes to the Peruvian GAAP or to any other accounting principles that may become applicable to us could have a negative effect on our internal processes, and the proper implementation of such changes could result in significant expenses.

Peruvian GAAP and any other accounting principles that may become applicable to us could be modified, and new regulations could go into effect in the future. The initial application of new standards or changes to them, or the implementation of any other accounting principles that may become applicable to us could have a negative impact on our internal processes, as well as on our operating results, financial condition and ability to comply with our contractual obligations. For example, following SBS Resolution No. 3274-2017, since November 1, 2017, certain commissions on credit cards must be recorded in the caption "Income from financial services" of the interim condensed income statements; until said date, these commissions were recorded in the caption "Interest income". The accumulated amount of said commissions is S/270,406,000 and S/253,105,000 for the nine-month periods ended September 30, 2017 and 2016, respectively. As of the date of this offering memorandum, we have not quantified the possible impact of the application of new standards or any modifications to Peruvian GAAP, nor the effects of the implementation of other accounting principles that may become applicable to us. It is also possible that financial information prepared in accordance with any new accounting criteria or their respective amendments or any accounting criteria that may become applicable to us, including Peruvian GAAP, may not be comparable with the financial information reported during previous periods. You should consult your own advisors regarding potential changes to the accounting criteria applicable to us and the way in which those changes could affect the comparability of the financial information included in this offering memorandum.

We face intense competition from other banking and financial institutions, and failure to compete successfully could have a material adverse effect on our financial condition and results of operations.

The banking market in Peru is highly competitive. Interbank has experienced strong competition from local and foreign banks, including new entrants attracted by Peru's low banking penetration, as well as from department stores that offer credit cards, from emerging financial technology companies that offer digital banking and other services both on a regulated and unregulated basis, and from the local and international capital markets that lend to commercial customers. Competition may reduce the average interest rates that Interbank can charge its customers, increase the average rates Interbank must pay on its deposits, and may negatively affect its loan growth and place pressure on margins. Some of Interbank's competitors may have access to greater resources and be more successful in the development of products and services that compete directly with Interbank's products and services. If Interbank's competitors are successful in developing products and services that are more effective or less expensive than the products and services offered by it, Interbank may be unable to compete successfully. Even if Interbank's products and services prove to be more effective than those developed by other competitors, such other competitors may be more successful in marketing their products and services because of their greater financial resources or marketing strategies, among other factors. Interbank may not be able to grow or maintain its market share if it is not able to match its competitors' pricing or keep pace with their development of new products, services and technological innovation/developments. Adverse impact on Interbank resulting from increased competition could have a material adverse effect on our financial condition and results of operations.

The banking market is exposed to macroeconomic shocks that may negatively impact household income and, consequently, could have a material adverse effect on our financial condition and results of operations.

Interbank's strategy is to focus on the retail and commercial banking sectors and to grow and gain market share profitably. As a result, Interbank's loan portfolio will become increasingly vulnerable to macroeconomic shocks that could negatively impact the household income of Interbank's customers and result in increased loan losses. Furthermore, because the penetration of bank lending products in the Peruvian retail sector has been historically low, there is no basis on which to evaluate how the retail sector will perform in the event of an economic crisis, such as a recession or a significant devaluation of the *sol*, and Interbank's historical loan loss experience may not be indicative of the performance of its loan portfolio in the future. In addition, our commercial clients could be negatively affected by global and local macroeconomic trends. For example, our provisions for loan losses, in particular related to credit cards granted to certain vulnerable sectors of the Peruvian economy, have significantly increased mainly as a result of the recent slowdown of the Peruvian economy.

Our loans, our deposits and our profits have all experienced substantial growth, benefitting from growth in the Peruvian economy. We may not be able to continue our historically strong growth.

We have experienced significant growth over the last 10 years and our loans, our deposits and our profits have all experienced substantial growth. We may not be able to continue to grow strongly or at all in the future due to factors beyond our control, in particular considering the recent slowdown of the Peruvian economy, which could have a material adverse effect on our financial condition and results of operations.

We could sustain losses if Interbank's asset quality declines.

Our earnings are significantly affected by Interbank's ability to properly originate, underwrite and service loans. We could sustain losses if Interbank incorrectly assesses the creditworthiness of its borrowers or fails to detect or respond to deterioration in asset quality in a timely manner. Problems with asset quality could cause our net interest and similar income to decrease and our provisions for loan losses to increase, which could adversely affect our financial condition and results of operations.

Reduced diversification in Interbank's loan portfolio could have a material adverse effect on our financial condition and results of operations.

While loan portfolio risk associated with lending to certain economic sectors or clients in certain market segments can be mitigated through adequate diversification policies, Interbank's pursuit of opportunities in which it can charge higher interest rates may reduce diversification of the loan portfolio and expose Interbank to greater credit risk. Reduced diversification could expose Interbank to greater risks in the event of a decline in asset quality. In addition, given the relatively small size of the Peruvian economy, Interbank's lending diversification is by

necessity lower than that of banks with operations in larger economies. Moreover, certain concentrations of borrowers' commercial sectors may be unavoidable in Peru—principally the natural resources, fishing, agriculture and mining sectors—and deteriorations in such sectors could have a material adverse effect on Interbank's deposits, loan performance and other businesses.

Furthermore, as of September 30, 2017, retail banking loans accounted for approximately 53.1% of Interbank's loan portfolio. Higher than average exposure to retail banking could be accompanied by greater credit risk due to higher risk profiles compared, particularly, to loans to large corporate customers. Given the significant recent growth of Interbank's loan portfolio, historical loss experience may not be indicative of future doubtful loan experience.

The allowances of Interbank for impairment losses may not be adequate to cover the future losses to its loan portfolio or other assets, which could have a material adverse effect on our financial condition and results of operations.

The provision for loan losses was determined following the guidelines established by SBS. In general, these guidelines include: (i) the provision for loan losses resulting from the risk rating of the loan portfolio, (ii) the pro-cyclical rule activated by the SBS based on the behavior of specific domestic macro-economic variables, and (iii) the over-indebtedness provisions of the retail portfolio.

The provision for the risk rating of the portfolio is determined based on the assessment that our management periodically performs over the loan portfolio, classifying it into one of the following categories: normal, with potential problems, substandard, doubtful or loss, depending on the non-payment risk grade of each debtor.

For non-retail loans, the classification into one of each categories mentioned above considers, among other: the debtor's payment experience, the payment history of the specific loan, the bank's dealings history with the debtor's management, the debtor's operating history, repayment capability and availability of funds, the status of any collateral or guarantee received, the analysis of the debtor's financial statements, the risk classification given by other local financial institutions; plus other relevant factors. For retail loans, the classification is based on how long payments are overdue.

The classification of the loan determines the amount of the required loan loss provision according to the percentages established by SBS. The SBS could changes rules regarding provisions for loan losses and these changes could have a material effect on our results of operation.

Our investment activities are subject to factors beyond our control, and losses from our exposures could result in a material adverse effect on our financial condition and results of operations.

As part of its treasury operations, Interbank trades various financial instruments and other assets, including debt, equity, fixed income, currency and related derivatives, as both agent and principal, and derives a proportion of its non-financial income from trading profits. Interbank has established position limits for *sol* and foreign currency-denominated securities in accordance with its overall risk management policy and with the SBS requirements. However, Interbank is exposed to numerous factors that are beyond its control, including overall market trading activity, interest rate levels, the credit risk of its counterparties and general market volatility. In addition, a significant part of Interbank's trading is related to customer transactions, and Interbank could be exposed to a number of risks related to the movement of market prices in the underlying instruments, including the risk of unfavorable market price movements relative to its long or short positions, a decline in the market liquidity of the related instruments, volatility in market prices, interest rates or foreign currency exchange rates relating to these positions, and the risk that the instruments with which Interbank chooses to hedge certain positions do not track the fair value of those positions. If Interbank incurs any losses from these exposures, it could reduce Interbank's trading profits or cause it to suffer losses from trading activities, either of which could have a material adverse effect on our financial condition and results of operations. Furthermore, our investments may be subject to impairment, which could adversely affect our financial condition and results of operations.

Interest rate changes could have a material adverse effect on our financial condition and results of operations.

Our financial condition and results of operations depend to a large extent on our financial margin, which in turn depends on our ability to charge interest on interest-earning assets, such as loans to customers, that is higher than the interest they pay on interest-bearing liabilities, such as deposits. Market interest rates are sensitive to many factors beyond our control, including the interest rate policies of the Peruvian Central Bank and the U.S. Federal Reserve. Interest rates on U.S. dollars are expected to rise in the future. Increases in market interest rates in Peru could require Interbank to increase the interest rates it pays on deposits. If we were unable to implement commensurate and timely increases in interest rates on loans they originate, our margins would decline. In addition, Interbank's primary sources of funds are retail deposits with no specific or contractual maturity, and a substantial portion of the loans it originates have a longer term. The difference in maturities between deposits and loans could magnify the effect of any interest rate mismatch, as well as pose a liquidity risk if Interbank were not able to obtain funding as its liabilities mature.

Interbank may not be able to obtain the funding required to support growth and implement its strategy.

Interbank's strategy to grow its loan portfolio will require it to continue to have an active funding strategy. Interbank's access to funding will depend on many factors, including factors beyond our control, such as any credit crunch or other conditions in global capital markets and investors' perceptions of the risks of investing in Peru and emerging markets generally. The debt crisis in Europe and general market volatility, for example, had a negative impact on the liquidity of global financial markets, as was the case in the 2008 and 2009 global financial and economic crisis. Any equity or debt financing, if available at all, may be on terms that are not favorable to Interbank. If access to funding is limited, Interbank may not be able to implement its strategy, which could have a material adverse effect on our financial condition and results of operations.

A reduction in our credit ratings could increase our cost of borrowing funds and make our ability to raise new funds and renew maturing debt more difficult.

Our credit ratings are an important component of our respective liquidity profile. Among other factors, Interbank's credit ratings are based on its financial strength, the credit quality and concentrations in its loan portfolio, the level and volatility of its earnings, its capital adequacy, the quality of management, the liquidity of its balance sheet, the availability of a significant base of core retail and commercial deposits and its ability to access a broad array of funding sources. In addition, our lenders may be sensitive to the risk of a ratings downgrade, which could increase the cost of refinancing our existing obligations, raising funds in the capital markets and borrowing funds from private lenders, and could in turn have a material adverse effect on our financial condition and results of operations.

Our reliance on Peruvian sovereign and global bonds in our investment portfolios leaves us vulnerable to a default on such debt.

A substantial portion of our investment portfolio consists of Peruvian sovereign and global bonds and Peruvian Central Bank certificates of deposit, which represented 63% of our investment portfolio as of September 30, 2017 (before accrued interest). A default on Peruvian sovereign debt could have a material adverse effect on our financial condition and results of operations.

We are dependent on key personnel.

Our development, operation and growth have depended significantly upon the efforts and experience of our board of directors, senior management and key personnel. Most of the members of our senior management have held management positions with other major financial institutions in the United States, Latin America and Europe. Although we currently expect that our board of directors and other senior managers will continue in their positions, the loss of their services, or our inability to attract and retain qualified personnel to replace them, could have a material adverse effect on our financial condition and results of operations.

Our controlling shareholders may exercise substantial influence in a manner that differs from your interests as a noteholder.

Our principal shareholders have and will continue to have the ability to elect all of our directors and officers and determine the outcome of any action requiring shareholder approval, including transactions with related parties, corporate reorganizations and the timing and payment of dividends. Even though our board of directors has independent directors and is responsible for establishing our general business policies and guidelines, as well as our long-term strategy, our principal shareholders have significant influence in such determinations and other operating and management matters.

As of the date of this offering memorandum, our board of directors consists of ten members, seven of whom are independent. In circumstances involving a conflict of interest between our shareholders, on the one hand, and the holders of the notes, on the other hand, our shareholders may exercise their ability to control us in a manner that would be adverse to the holders of the notes. For example, our shareholders may direct us, or cause our board of directors and/or executive officers to direct us, not to engage in certain activities, to make certain expenditures and dividend payments and/or enter into transactions with affiliates, which direction may be designed primarily to promote their own goals and not exclusively to enhance our business. The impact of such actions could have a material adverse effect on our financial condition and results of operations and, as a result, impair our ability to make payments under the notes.

Interruption, mismanagement or failure in our information technology systems may adversely affect our operations.

As a financial institution, our success depends on the efficient and uninterrupted operation of our computer and communications hardware systems, including systems relating to the operation of our financial stores, ATMs, *Interbank Agente* (correspondent agents), mobile applications and website. Our computer and communications systems and operations could be damaged or interrupted by fire, flood, power loss, telecommunications failure, sabotage, computer viruses, cyber-attacks, physical or electronic break-ins and similar events or disruptions. Any of these events could cause system interruptions, delays and losses of critical data and could prevent us from operating at optimal levels or at all.

Any failure, interruption or breach in security of our information systems could result in failures or interruptions in our risk management, general ledger, deposit servicing, loan organization and/or other important operations, as applicable. Although we have developed back-up systems and a disaster recovery center, and may continue some of our operations in case of emergency, if our information systems fail, even for a short period of time, then we may be unable to serve some or all of our customers' needs on a timely basis. Likewise, a temporary shutdown of our information systems could result in additional costs for information retrieval and verification. In addition, failure to update and develop our existing information systems as effectively as our competitors may result in a loss of the competitive advantages that we believe that the information systems provide. Furthermore, we may not have adequate insurance coverage or insurance limits to be compensated for losses from a major interruption.

If we experience a data security breach and confidential customer information is disclosed to or accessed by third parties, our customers could be adversely affected. The collection of data and processing of transactions require us to receive and store a large amount of personally identifiable data. This type of data is subject to legislation and regulation in various jurisdictions, including Peru. Data security breaches suffered by well-known companies and institutions have attracted a substantial amount of media attention, prompting U.S. state and federal legislative proposals addressing data privacy and security. We are subject to requirements to protect the personally identifiable information that we process in connection with our services. We may become exposed to potential liabilities with respect to the data that they collect, manage and process, and may incur legal costs if our information security policies and procedures are not effective or if we are required to defend our methods of collection, processing and storage of personal data. Security breaches, lawsuits or adverse publicity relating to our methods of handling personal data could have a material adverse effect on our business, financial condition and results of operations due to the costs and negative market reaction relating to such developments.

In addition, our current strategy involves significant investments to expand and develop our IT and systems in order to unify and simplify them, and increase the volume of transactions and operations performed online by our personnel and clients. We have also contracted with a third party provider to ensure the stability and security of our systems and to also bear the risk of the failure of that third party. However, there can be no assurance that such

strategy or its implementation will be successful, or whether it will result in failures, shutdowns or damage to our business and operations.

The occurrence of any failures or interruptions in our IT systems, or our failure to adequately address them if they do occur, as well as data security breaches incurred by us, could have a material adverse effect on our reputation, financial condition and results of operations, including as a result of facing significant fines, customer notice obligations or costly litigation, maintaining or upgrading our IT systems, or performing other IT services on a timely basis.

We are susceptible to fraud, unauthorized transactions and operational errors.

We are susceptible to, among other things, fraud or bad faith by employees or outsiders, unauthorized transactions by employees and other operational errors (including clerical or record keeping errors and errors resulting from faulty computer or telecommunications systems). Given a high volume of transactions that may occur at a financial institution, errors could be repeated or compounded before they are discovered and remedied. In addition, a number of transactions are not fully automated, which may further increase the risk that human error or employee tampering will result in losses that may be difficult to detect quickly or at all.

While we maintain a system of internal controls designed to monitor and control operational risk, losses from the failure of our system of internal controls to discover and rectify such risks could have a material adverse effect on our reputation, our financial condition and results of operations.

Our existing insurance coverage may be insufficient and future coverage may be difficult or expensive to obtain.

Although we believe that our insurance policies provide adequate coverage for the risks inherent in our businesses, these insurance policies typically exclude certain risks and are subject to certain thresholds and limits. We cannot assure you that our properties, equipment, inventories and other assets will not suffer damage due to unforeseen events or that the proceeds available from our insurance policies will be sufficient to protect us from all possible loss or damage resulting from such events. We renew our insurance policies on an annual basis. The cost of coverage may increase to an extent that we may choose to reduce our policy limits or agree to certain exclusions from our coverage. Among other factors, adverse political developments, security concerns and natural disasters may materially adversely affect available insurance coverage and result in increased premiums for available coverage and additional exclusions from coverage. As a result, our insurance coverage may prove to be inadequate for events that may cause significant disruption to our operations, which could have a material adverse effect on our financial condition and results of operations.

Our employees could join labor unions and we could be subject to organized labor actions, including work stoppages that could have a material adverse effect on our business.

Even though our employees are not unionized and have not entered into any collective bargaining agreement, nothing prevents them from doing so in the future. Conflicts with our employees and organized labor actions such as work disruptions or stoppages or requirements to increase employee salaries and/or benefits as a result of future collective bargaining agreements, governmental regulations or policies or otherwise could cause us to suffer a material adverse effect on our financial condition and results of operations.

Our trademarks and trade names may be misappropriated or challenged by others.

We own the material trademark and trade name rights used in connection with our brands and businesses and the marketing and sale of their respective products and services. We believe our brand names and related intellectual property are important to our continued success. We attempt to protect our trademarks and trade names by exercising our rights under applicable trademark and copyright laws. Any infringement of our intellectual property rights would likely result in a commitment of our time and resources to protect these rights through litigation or otherwise, which could be expensive and time-consuming. If we were to fail to protect our intellectual property rights for any reason, it could have a material adverse effect on our financial condition and results of operations.

Any failure to comply with anti-money laundering and anti-terrorist financing laws and regulations could damage our reputation or expose us to penalties.

We believe that we are in compliance with applicable anti-money laundering and anti-terrorist financing laws and regulations and have adopted policies and procedures, including internal controls and "know-your-customer" procedures, aimed at preventing money laundering and terrorist financing. We believe that anti-money laundering policies and procedures are based upon, and are in compliance in all material respects with, the applicable provisions of Peruvian and Panamanian law. In addition, as we also rely on our correspondent banks having their own appropriate anti-money laundering and anti-terrorist financing procedures, we employ what we believe are commercially reasonable procedures for monitoring our correspondent banks and reinsurance institutions. We have not been subject to fines or other penalties, and we have not suffered business or other reputational harm, as a result of alleged money laundering activities in the past. However, these measures, procedures and compliance may not be completely effective in preventing third parties from using us (and our correspondent banks) as a conduit for money laundering (including illegal cash operations) or terrorist financing without our (and our correspondent banks' and reinsurance institutions') knowledge. If we were to be associated with money laundering (including illegal cash operations) or terrorist financing, our reputation could suffer and/or we could become subject to fines, sanctions or legal enforcement, including being added to any "blacklists" that would prohibit certain parties from engaging in transactions with us, which could have a material adverse effect on our financial condition and results of operations.

We are subject to litigation and other legal, administrative and regulatory proceedings.

We are regularly party to litigation and other legal proceedings relating to claims resulting from our operations in the normal course of business. Even though we do not have any material litigation, the interpretation and enforcement of certain provisions of our existing or any additional agreements may result in disputes among us and our customers or third-parties. Litigation is subject to inherent uncertainties, and unfavorable rulings may occur. We cannot assure you that the legal, administrative and regulatory proceedings in which we are involved will not materially and adversely affect our ability to conduct our business in the manner that we expect or otherwise adversely affect our results of operations and financial position should an unfavorable ruling occur.

Legal restrictions on our clients may reduce the demand for our services.

We may be materially affected not only by regulations applicable to us, but also by regulations and changes in enforcement practices applicable to our clients. Our business could be affected by, among other things, existing and proposed tax legislation, antitrust and competition policies, corporate governance initiatives and other governmental regulation and policies, and changes in the interpretation or enforcement of existing laws and rules that affect our clients' businesses and the financial markets. For example, a focus on tax compliance and changes in enforcement practices could lead to asset outflows from our banking businesses.

We are subject to anti-corruption, anti-bribery, anti-money laundering and antitrust laws and regulations in Peru and other countries. Our violations of any such laws or regulations could have a material adverse impact on our reputation and results of operations and financial condition.

We are subject to anti-corruption, anti-bribery, anti-money laundering, antitrust and other international laws and regulations and are required to comply with the applicable laws and regulations of Peru and certain other jurisdictions. In addition, we are subject to economic sanctions regulations that restrict our dealings with certain sanctioned countries, individuals and entities. There can be no assurance that our internal policies and procedures will be sufficient to prevent or detect all inappropriate practices, fraud or violations of law by our affiliates, employees, directors, officers, partners, agents and service providers or that any such persons will not take actions in violation of our policies and procedures. Any violations by us of anti-bribery and anti-corruption laws or sanctions regulations could have a material adverse effect on our business, reputation, results of operations and financial condition.

Risks Relating to Peru

Economic, social and political developments in Peru, including political instability, inflation and unemployment, could have a material adverse effect on our businesses.

Substantially all of our operations and customers are located in Peru. Accordingly, our financial condition and results of operations will be dependent on the level of economic activity in Peru. Our financial condition and results of operations could be affected by changes in economic and other policies of the Peruvian government (which has exercised and continues to exercise substantial influence over many aspects of the private sector) and by other economic and political developments in Peru, including devaluation, currency exchange controls, inflation, economic downturns, political instability, corruption scandals, social unrest and terrorism.

In the past, Peru has experienced political instability that has included a succession of regimes with differing economic policies and programs. At present, Peru is a stable democracy having completed a peaceful transition from the administration of President Ollanta Humala to President Pedro Pablo Kuczynski, who took office in July 2016. Previous governments have imposed controls on prices, exchange rates, local and foreign investment and international trade, restricted the ability of companies to dismiss employees, expropriated private sector assets and prohibited the remittance of profits to foreign investors. We cannot be certain whether the Peruvian government will continue or be able to pursue its agenda, including business-friendly and open-market economic policies that stimulate economic growth and social stability.

During the 1980s and the early 1990s, Peru experienced severe terrorist activity targeted against, among others, the government and the private sector. Despite the suppression of terrorist activity, a resurgence of terrorism in Peru may occur, which could disrupt the economy of Peru and our business. In addition, Peru has, from time to time, experienced social and political turmoil, including riots, nationwide protests, strikes and street demonstrations. Despite Peru's ongoing economic growth and stabilization, the social and political tensions and high levels of poverty and unemployment continue. Future government policies to preempt or respond to social unrest could include, among other things, expropriation, nationalization, suspension of the enforcement of creditors' rights and new taxation policies. These policies could adversely and materially affect the Peruvian economy and our businesses.

Furthermore, some of the measures proposed by the new administration may generate political and social opposition, which may in turn prevent the current government from adopting such measures as proposed. Political parties opposed to the current administration retained a majority of the seats in the Peruvian Congress in the recent elections, which will require the current administration to seek political support from such opposition parties for its economic proposals. Additionally, the opposition in the Peruvian Congress called a vote to impeach President Kuczynski in connection with certain alleged links to Brazilian construction firm Odebrecht. The vote took place on December 21, 2017 and only obtained 78 (60%) of the 87 (67%) votes needed for impeachment. Therefore, President Kuczynski has remained in his charge. This creates political instability going forward and further uncertainty in the ability of the current administration to pass measures that it expects to implement. During this process, the sol weakened against the U.S. dollar and local currency bond yields rose.

In addition, on December 24, 2017 President Kuczynski used his constitutional presidential prerogative and pardoned former President Alberto Fujimori who was serving a 25 year sentence, a move interpreted to gain support from the ruling majority in the Peruvian Congress and, that in turn, has triggered protests in Peru from different sectors of the Peruvian society and political parties. As of the date of this offering memorandum, there is no certainty as to the political consequences of such decision or how it could affect President Kuczynski's administration in the future.

The foregoing political uncertainty and presidential decisions could further increase interest rate and currency volatility, as well as adversely and materially affect the Peruvian economy and our businesses.

A devaluation of the sol could have a material adverse effect on our financial condition and results of operations.

As the Peruvian banking system is highly dollarized, with 25.9% of outstanding loans and 38.0% of deposits denominated in U.S. dollars as of September 30, 2017, devaluation of the sol against the U.S. dollar could have a negative impact on the ability of Interbank's clients to repay loans and make premium payments. Despite any devaluation, and absent any change in foreign exchange regulations, Interbank would be required to continue to

repay dollar-denominated deposits in U.S. dollars. In addition, while we seek to manage the gap between Interbank's foreign currency-denominated assets and liabilities, by matching, for example, the volumes and maturities of Interbank's *sol*-denominated loans against Interbank's *sol*-denominated deposits, we may not be successful in doing so. Therefore, any significant devaluation of the *sol* against the U.S. dollar, and increased exchange rate volatility such as the one recently experienced due to political uncertainty, could have a material adverse effect on our financial condition and results of operations.

The re-implementation by the Peruvian government of restrictive exchange rate policies and other laws could have an adverse effect on our business, financial condition and results of operations.

Since 1991, the Peruvian economy has undergone a major transformation from a highly protected and regulated system to a free-market economy. During this period, protectionist and interventionist laws and policies have been dismantled gradually to create a liberal economy dominated by the private sector. Exchange controls and restrictions on remittances of profits, dividends, and royalties have ceased. Prior to 1991, Peru exercised control over the foreign exchange markets by imposing multiple exchange rates and placing restrictions on the possession and use of foreign currencies. The Peruvian economy has responded to this transformation by growing at a compound average annual rate of 5.0% during the period from 1994 to 2013. Currently, foreign exchange rates are determined by market conditions, with regular open-market operations by the Peruvian Central Bank in the foreign exchange market to reduce volatility in the value of Peru's currency against the U.S. dollar.

We cannot assure you that the Peruvian government will not institute restrictive exchange rate policies in the future. Any such restrictive exchange rate policy could have a material adverse effect on our business, financial condition and results of operations and adversely affect our ability to repay debt or other obligations and therefore restrict our access to international financing.

Increased inflation in Peru could have an adverse effect on the Peruvian long-term credit market as well as the Peruvian economy generally and, therefore, on our financial condition and results of operations.

In the past, Peru has suffered through periods of high and hyper-inflation, which has materially undermined the Peruvian economy and the government's ability to create conditions that support economic growth. In response to increased inflation, the Peruvian Central Bank, which sets the Peruvian basic interest rate, may increase or decrease the basic interest rate in an attempt to control inflation or foster economic growth. Increases in the base interest rate could adversely affect our results of operations, increasing the cost of certain funding. Additionally, a return to a high inflation environment would also undermine Peru's foreign competitiveness, with negative effects on the level of economic activity and employment, while increasing our operating costs and adversely impacting our operating margins.

The stability of the Peruvian financial system depends on public confidence in Peruvian banking and financial institutions.

Financial institutions, including Interbank, depend on public confidence in the Peruvian financial system. In the event of adverse developments affecting Peru's economic, political or social conditions or if a bank faces liquidity problems, the general public may withdraw deposits and savings from the troubled bank or from banks generally, thereby precipitating a liquidity crisis, as occurred in Peru in the late 1990s.

If depositors withdraw significant holdings from banks generally, including Interbank, there will be a substantial adverse impact on the manner in which financial institutions, including Interbank, conduct their business, on their ability to operate as financial intermediaries and on their financial condition, which could have a material adverse effect on our financial condition and results of operations.

The Peruvian economy could be adversely affected by economic developments in regional or global markets.

Financial and securities markets in Peru are influenced by economic and market conditions in regional or global markets. Although economic conditions vary from country to country, investors' perceptions of the events occurring in one country may adversely affect cash flows and securities from issuers in other countries, including Peru. For example, the Peruvian economy was adversely affected by the political and economic events that occurred in several emerging economies in the 1990s, including in Mexico in 1994, which impacted the fair value of securities issued by companies from markets throughout Latin America. The crisis in the Asian markets beginning

in 1997 also negatively affected markets throughout Latin America. Similar adverse consequences resulted from the economic crisis in Russia in 1998, the Brazilian devaluation in 1999 and the Argentine crisis in 2001. In addition, Peru's economy continues to be affected by events in the economies of its major regional partners and in developed economies that are trading partners or that affect the global economy.

The 2008 and 2009 global financial and economic crisis, principally driven by the subprime mortgage market in the United States, substantially affected the international financial system, including Peru's securities market and economy. Additionally, the debt crisis in Europe, which began with the financial crises in Greece, Spain, Italy and Portugal, reduced the confidence of foreign investors, which caused volatility in the securities markets and affected the ability of companies to obtain financing globally. Doubts about the pace of global growth, particularly in the United States, contributed to already weak international growth in 2011, 2012 and 2013. More recently Brexit has contributed to increased volatility and uncertainty in a number of financial markets. Any interruption to the recovery of the developed economies, the continued effects of the global crisis in 2008 and 2009, a worsening or resurgence of the debt crisis in Europe, impacts due to Brexit or a new economic and/or financial crisis, or a combination of the above, could affect the Peruvian economy, and, consequently, materially adversely affect our business. In particular, the Peruvian economy has recently suffered the effects of lower commodity prices in the international markets, a decrease in export volumes, a decrease in foreign direct investment inflows and, as a result, a decline in foreign reserves and an increase in its current account deficit. Our business is particularly sensitive to economic and market conditions which affect products of various export industries, including textile, fishing, and agriculture. In addition, we are active in the real estate sector, which can also be highly sensitive to macroeconomic developments. Although we have relatively little exposure to the mining sector, a decline in commodity prices could negatively affect the Peruvian economy as a whole. Any increase in the number of delinquencies or defaults would result in higher levels of non-performing assets and provisions for loan losses, which could have a material adverse effect on our financial condition and results of operations.

Additionally, adverse developments in regional or global markets or an increase in the perceived risks associated with investing in emerging markets in the future could adversely affect the Peruvian economy and, as a result, adversely affect our businesses.

A decline in the prices of certain commodities in the international markets could have a material adverse effect on our financial condition and results of operations.

In 2016, traditional exports, in particular mineral products, fishing products, agricultural products and petroleum and its derivatives, represented 70.6% of Peru's total exports, according to the Peruvian Central Bank figures. A decline in commodity prices in the international markets, especially traditional minerals which represented 58.8% of exports by value in 2016, may have an adverse impact on government finances, which could affect both investor confidence and the sustainability of government expenditure and social programs. Thus, a decline in commodity prices could, ultimately, affect the political environment in Peru, especially as regional and local governments are particularly reliant on tax revenue from mining concerns. By potentially affecting private sector demand and investor confidence, lower commodity prices could also affect the banking and insurance sector, leading to, for example, lower credit demand, deteriorating asset quality and currency devaluation. A decline in commodity prices could also materially affect the finances of some of our clients that rely on revenue from natural resources.

The market volatility generated by distortions in the international financial markets may affect the Peruvian capital markets and the Peruvian banking system.

The global financial and economic crisis of 2008 and 2009 adversely affected and increased the volatility of the performance of the BVL. In recent years, the BVL has experienced increased participation from local and international retail investors that react rapidly to the effects from international markets. The General Index of the Lima Stock Exchange decreased by 33.4% in 2015, increased by 58.1% in 2016 and increased by 19.1% in the first nine months of 2017, according to Bloomberg data. The volatility in the international markets may adversely affect the Peruvian capital markets and could therefore impact our ability to raise funds from local capital markets at a level necessary to fund our operations.

The Peruvian banking system has not experienced any significant liquidity problems as a result of the recent international liquidity environment, primarily because the major source of funds for local banks, including Interbank, is represented by the deposit base. Future market volatility, however, may affect the Peruvian banking

system, including Interbank, and such volatility could have a material adverse effect on our financial condition and results of operations.

Our operations could be adversely affected by an earthquake or other natural disasters.

Peru is affected by *El Niño*, an oceanic and atmospheric phenomenon that causes a warming of temperatures in the Pacific Ocean, resulting in heavy rains off the coast of Peru and various other effects in other parts of the world. The effects of *El Niño*, which typically occurs every two to seven years, include flooding and the destruction of fish populations and agriculture, and it accordingly can have a negative impact on Peru's economy. For example, in early 2017, *El Niño* adversely affected agricultural production, transportation services, tourism and commercial activity, caused widespread damage to infrastructure and displaced people and is expected to result in a 1.2% drop in GDP in 2017 relative to 2016 figures. The Peruvian government estimated that *El Niño* caused US\$2.8 billion estimated in damages in affected regions in the first half of 2017. In particular, *El Niño* has affected and could in the future affect our loan activity and asset quality, as loan agreements typically allow borrowers to extend payments for a certain amount of time due to *El Niño* and it could ultimately affect their payment capacity when the extensions run out.

Peru is also located in an area that experiences seismic activity and occasionally is affected by earthquakes. For example, in 2007, an earthquake with a magnitude of 7.9 on the Richter scale struck the central coast of Peru, severely damaging the region south of Lima. Although our headquarters and financial stores in Peru have not been materially affected by an earthquake, a major earthquake could damage the infrastructure necessary to our operations.

Although we have insured against damage caused by an earthquake and other natural disasters, accidents and other similar events (including coverage for losses due to resulting business interruption), the occurrence of an earthquake in particular and any other natural disasters in general could adversely affect our results of operations and financial condition and we may be subject to further requirements from the SBS in order to provide temporary measures for the victims of the natural disasters, such as re-scheduling their credit payments.

Corruption and ongoing high profile corruption investigations may hinder the growth of the Peruvian economy and have a negative impact on our business and operations.

Peruvian authorities are currently conducting several high profile corruption investigations relating to the activities of certain Brazilian companies and its Peruvian partners in the construction and infrastructure sectors, which have resulted in suspension or delay of important infrastructure projects, which were otherwise operational and permitted. The overall delay relating to such projects has resulted in a drop in GDP growth and overall infrastructure investment. In addition, such corruption investigations could result in currently unknown liabilities for us or our clients, damage to our reputation and have a negative impact on our business and operations. In July 2017, former President Ollanta Humala and his wife were detained in connection with a corruption probe. Furthermore, corruption and corruption investigations could directly affect the Peruvian government, divert resources that would otherwise be focused on developing the economy, create political instability, and result in slower or negative economic growth, such as has recently happened in Brazil. In turn, this could impact the quality of our assets, our ability to expand our credit activity and ultimately result in additional provisions for credit losses should the economy not return to higher growth rates.

Risks Relating to the Notes

The notes will be effectively subordinated to the rights of our depositors and our secured and other creditors.

The notes will be our senior unsecured obligations and will at all times rank at least *pari passu* in right of payment to all our other existing and future unsecured and unsubordinated obligations. The notes will be effectively subordinated to (1) all of our existing and future secured indebtedness to the extent of the assets securing such indebtedness, (2) all of the existing and future liabilities of our subsidiaries, including trade payables, and (3) certain other obligations that are granted preferential treatment under Peruvian law, as described in "Regulation and Supervision".

Under Peruvian law, all of our existing and future depositors will have a general priority right over the holders of notes. In addition, we are not restricted under the indenture governing the notes from incurring additional

debt, including secured debt. The holders of any secured debt would have priority over holders of the notes to the extent of the collateral securing such debt.

As of September 30, 2017, we had S/25,566.1 million (US\$7,830.4million) of deposits and S/10,358.4 million (US\$ 3,172.6 million) of financial debt, which includes S/2,136.0 million (US\$654.2 million) of unsecured debt, and S/1,719.3 million (US\$526.6 million) of senior subordinated debt and S/647.6 million (US\$198.4 million) of junior subordinated debt.

We cannot assure you that the credit ratings for the notes will not be lowered, suspended or withdrawn by the rating agencies.

The credit ratings of the notes may change after issuance. Ratings are limited in scope, and do not address all material risks relating to an investment in the notes, but rather reflect only the views of the rating agencies at the time the ratings are issued. An explanation of the significance of ratings may be obtained from the rating agencies. We cannot assure you that ratings will remain in effect for any given period of time or that ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the judgment of rating agencies, circumstances so warrant. Other rating agencies may change their methodology as well. Any lowering, suspension or withdrawal of ratings may have an adverse effect of the market price and marketability of the notes.

Holders of the notes may find it difficult to enforce civil liabilities against us or our directors, officers and trustees.

We are organized under the laws of Peru. Substantially all of our directors, trustees, officers, controlling persons and certain of the experts named herein reside outside the United States, and all or a substantial portion of our and their assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce judgments against them or us, including with respect to matters arising under the federal securities laws of the United States, or to enforce against such persons or against us judgments of courts of the United States predicated upon the civil liability provisions of the federal securities laws of the United States or other laws of the United States or any state thereof.

In addition, your rights under the notes will be subject to the insolvency and administrative laws of Peru, and we cannot assure you that you will be able to effectively enforce your rights in such bankruptcy, insolvency or similar proceedings. In addition, the bankruptcy, insolvency, administrative and other laws of Peru may be materially different from, or in conflict with, each other, including in the areas of rights of creditors, priority of government entities and related-party creditors, ability to obtain post-bankruptcy filing loans or to pay interest and the duration of proceedings. The laws of Peru may not be as favorable to your interests as the laws of jurisdictions with which you are familiar. The application of these laws, or any conflict among them, could call into question what and how Peruvian should apply. Such issues may adversely affect your ability to enforce your rights under the notes in Peru or limit any amounts that you may receive.

In addition, non-income taxes (including stamp, court or documentary, excise, property, transfer or other similar taxes) may be imposed with respect to the notes (including the execution, delivery, registration, the making of payments in respect of the notes, or the enforcement of the notes) for which we would not be responsible to pay or reimburse a holder under "Description of the Notes—Additional Amounts."

The notes are subject to transfer restrictions.

The notes have not been registered under the Securities Act, any state securities laws or the laws of any other jurisdiction. As a result, the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Such exemption include offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act in accordance with any applicable securities laws of any other jurisdiction and sales to qualified institutional buyers as defined under Rule 144A under the Securities Act. Due to these transfer restrictions, you may be required to bear the risk of your investment for an indefinite period of time. For a discussion of certain restrictions on resale and transfer, see "Transfer Restrictions".

The perception of higher risk in other countries, especially in emerging economies, may adversely affect the Peruvian economy, our business and the market price of Peruvian securities issued by Peruvian issuers, including the notes.

Emerging markets like Peru are subject to greater risks than more developed markets, and financial turmoil in any emerging market could disrupt business in Peru and adversely affect the price of the notes. Moreover, financial turmoil in any important emerging market country may adversely affect prices in stock markets and prices for debt securities of issuers in other emerging market countries as investors move their money to more stable, developed markets. An increase in the perceived risks associated with investing in emerging markets could dampen capital flows to Peru and adversely affect the Peruvian economy in general, and the interest of investors in the notes, in particular in Peru. We cannot assure you that the value of the notes will not be negatively affected by events in other emerging markets or the global economy in general.

The notes are a new issue of securities for which there is currently no public market. You may be unable to sell your notes if a trading market for the notes does not develop.

The notes will constitute a new issue of securities. There is no existing market for trading of the notes, and we cannot assure you that in the future a market for the notes will develop, or that you will be able to sell any notes you have purchased, or that any such notes may be sold for any particular price. Although we have applied to list the notes on the Euro MTF Market of the Luxembourg Stock Exchange, we cannot provide you with any assurances regarding the future development of a market for the notes, the ability of holders of the notes to sell their notes, or the price at which such holders may be able to sell their notes. If such a market were to develop, the notes could trade at prices that may be higher or lower than the initial offering price depending on many factors, including prevailing interest rates, our results of operations and financial condition and political and economic developments in and affecting Peru and the markets for similar securities.

In addition, trading or resale of the notes (or beneficial interests therein) may be negatively affected by other factors described in this offering memorandum arising from this transaction or the market for securities of Peruvian issuers generally. As a result, we cannot assure you of the level of liquidity of any trading market for the notes and, as a result, you may be required to bear the financial risk of your investment in the notes indefinitely.

We may choose to redeem the notes and you may be unable to reinvest the proceeds at the same or a higher rate of return.

The notes will be redeemable, at our option, in whole or in part, at any time and from time to time, on and after February 19, 2020 (or earlier if approved by the Peruvian Central Bank) and prior to October 18, 2022, at a redemption price equal to the greater of (1) 100% of the outstanding principal amount of the notes to be redeemed and (2) the sum of the present values of the remaining payments on the notes through October 18, 2022, as if the notes were redeemed on such date, discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable treasury rate plus 15 basis points, in each case plus accrued and unpaid interest to the redemption date and any additional amounts. The notes will also be redeemable, at our option, in whole or in part, at any time and from time to time on and after October 18, 2022 at a redemption price equal to 100% of the outstanding principal amount of the notes to be redeemed plus accrued and unpaid interest to the redemption date, and any additional amounts.

We may also redeem the notes, in whole but not in part, at any time upon the occurrence of specified changes in tax law, at a redemption price equal to 100% of the outstanding principal amount, plus accrued and unpaid interest to the date of redemption and any additional amounts. See "Description of the Notes—Optional Redemption".

We may choose to redeem the notes at times when prevailing interest rates may be relatively low. Accordingly, you may not be able to reinvest the redemption proceeds in a comparable security with an effective interest rate as high as that of the notes.

Different disclosure principles in Peru and the United States may provide you with different or less information about us than you expect.

Securities disclosure requirements in Peru differ from those applicable in the United States. Accordingly, the information about us available to you may not be the same as the information available to security holders of a U.S. company. There may be less publicly available information about us and our subsidiaries than is regularly published about companies in the U.S. and certain other jurisdictions. We are not subject to the periodic reporting requirements of the Exchange Act and, therefore, are not required to comply with the information disclosure requirements that it imposes.

EXCHANGE RATES

The table below sets forth the high, low, average and period-ending exchange rates, expressed in *soles* per U.S. dollar, for the years indicated.

Year ended December 31,	<i>Sol per US\$</i>			
	High	Low	Average ⁽¹⁾	Period-End
2012	2.709	2.550	2.638	2.550
2013	2.820	2.540	2.702	2.795
2014	2.988	2.761	2.838	2.986
2015	3.411	2.982	3.184	3.411
2016	3.537	3.249	3.375	3.356
2017	3.289	3.231	3.246	3.241

Source: SBS.

(1) The average of buying rates for U.S. dollars on the last business day of each month during the applicable period.

The table below sets forth the high, low and period-ending exchange rates, expressed in *soles* per U.S. dollar, for the months indicated.

Month Ended	<i>Sol per US\$</i>			
	High	Low	Average ⁽¹⁾	Period-End
January 2017	3.392	3.277	3.339	3.285
February 2017	3.292	3.242	3.258	3.261
March 2017	3.295	3.242	3.264	3.248
April 2017	3.253	3.242	3.248	3.244
May 2017	3.287	3.244	3.272	3.271
June 2017	3.277	3.253	3.267	3.253
July 2017	3.262	3.240	3.249	3.241
August 2017	3.249	3.236	3.242	3.241
September 2017	3.274	3.231	3.245	3.265
October 2017	3.272	3.234	3.251	3.248
November 2017	3.251	3.233	3.241	3.233
December 2017	3.289	3.231	3.246	3.241

Source: SBS.

(1) The average of buying rates for U.S. dollars on the last business day of each month during the applicable period.

The *soles* per U.S. dollar exchange rate on January 9, 2018 was S/3.219= US\$1.00.

The Federal Reserve Bank of New York does not report a noon buying rate for *soles*.

Our inclusion of exchange rate or currency translations is not meant to suggest that the U.S. dollar amounts actually represent such *soles* amounts or that such amounts could have been converted into *soles* at such rates or any other rate. For a discussion of the impact of the exchange rate fluctuations on our financial condition and results of operations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations".

USE OF PROCEEDS

The gross proceeds from this offering of notes are expected to be US\$200 million, before deducting certain transaction expenses (including fees and commissions payable to the initial purchasers). We intend to use the net proceeds from this offering for general corporate purposes.

CAPITALIZATION

The following table sets forth our regulatory capital as of September 30, 2017 on an actual basis and as adjusted to give effect to this offering and the use of proceeds therefrom.

This table should be read in conjunction with "Selected Financial Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Use of Proceeds" and our financial statements and the notes to those statements included elsewhere in this offering memorandum.

	As of September 30, 2017			
	(unaudited)			
	Actual	As Adjusted for the Offering	Actual	As Adjusted for the Offering
	(US\$ in millions)⁽¹⁾		(S/ in millions)	
Borrowings:				
Deposits and obligations				
Time deposits	2,537.1	2,537.1	8,283.7	8,283.7
Savings deposits	2,723.2	2,723.2	8,891.3	8,891.3
Demand deposits	2,386.0	2,386.0	7,790.4	7,790.4
Other obligations	184.0	184.0	600.8	600.8
Total deposits and obligations	7,830.4	7,830.4	25,566.1	25,566.1
Inter-bank funds	26.3	26.3	86.0	86.0
Deposits from financial entities	85.8	85.8	280.2	280.2
Payables from repurchase agreements ...	826.0	826.0	2,696.9	2,696.9
Debts and financial obligation	911.0	911.0	2,974.3	2,974.3
Securities, bonds and obligations outstanding	1,409.2	1,609.2	4,601.2	5,254.2
Provisions and other liabilities	294.5	294.5	961.6	961.6
Other liabilities	3,552.9	3,752.9	11,600.1	12,253.1
Total shareholders' equity	1,380.3	1,380.3	4,506.7	4,506.7
Total Capitalization ⁽²⁾	12,763.5	12,963.5	41,672.9	42,325.9

(1) Amounts stated in U.S. dollars have been translated from soles at the exchange rate of S/3.265 per US\$ 1.00 as of September 30, 2017. See "Exchange Rates".

(2) Total capitalization means total deposits and obligations plus other liabilities plus total shareholder's equity.

SELECTED FINANCIAL INFORMATION

The following tables set forth our summary financial information. The income statement data for the years ended December 31, 2016, and 2015 and the data on the statements of financial position as of December 31, 2016, and 2015 are derived from our audited financial statements and related notes included in this offering memorandum. The income statement data for the year ended December 31, 2014, and the data on the statements of financial position as of December 31, 2014 are derived from our audited financial statements and related notes.

The income statement data for the nine months ended September 30, 2017 and 2016 and the data on the statements of financial position as of September 30, 2017 are derived from our unaudited interim condensed financial statements and related notes included in this offering memorandum, which have been prepared in accordance with Peruvian GAAP. Our data on the statements of financial position as of September 30, 2016 are derived from our unaudited interim condensed financial statements as of September 30, 2016, which have not been included in this offering memorandum. Our unaudited interim condensed financial statements have been prepared on the same basis as our audited financial statements and, in the opinion of our management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information set forth herein. Interim financial results are not necessarily indicative of results that may be expected for the full fiscal year or any future reporting period.

	As of and for the nine months ended September 30, (unaudited)			As of and for the years ended December 31,			
	2017	2017	2016	2016	2016	2015	2014
	(US\$ in millions) ⁽¹⁾⁽²⁾	(S/ in millions) ⁽¹⁾		(US\$ in millions) ⁽¹⁾⁽³⁾	(S/ in millions) ⁽¹⁾		
STATEMENTS OF INCOME							
Interest income	848.1	2,769.1	2,694.9	1,082.0	3,631.3	3,284.7	2,810.5
Interest expenses	(231.6)	(756.3)	(727.9)	(290.6)	(975.1)	(827.7)	(705.8)
Gross financial margin⁽⁴⁾	616.5	2,012.8	1,967.0	791.5	2,656.2	2,457.0	2,104.7
Provision for loan losses, net of recoveries	(190.4)	(621.7)	(559.2)	(223.7)	(750.7)	(662.4)	(445.1)
Net financial margin	426.1	1,391.1	1,407.8	567.8	1,905.5	1,794.6	1,659.6
Fee income from financial services, net.....	76.4	249.4	240.4	96.5	323.7	308.9	284.4
Gain on financial transactions.....	77.2	252.1	221.7	91.2	306.0	449.6	287.5
Financial margin, net of income and expenses from financial services	579.7	1,892.6	1,869.8	755.4	2,535.3	2,553.1	2,231.6
Administrative expenses ⁽¹⁵⁾	(301.7)	(985.2)	(950.9)	(383.6)	(1,287.5)	(1,268.4)	(1,146.5)
Depreciation	(14.4)	(47.1)	(45.7)	(18.2)	(61.0)	(61.3)	(68.5)
Amortization.....	(14.7)	(47.9)	(42.3)	(17.1)	(57.4)	(41.7)	(40.5)
Net operating income	248.8	812.5	830.8	336.5	1,129.4	1,181.7	976.0
Provision for contingencies and other	(1.9)	(6.3)	(15.8)	(5.6)	(18.9)	(21.2)	(10.0)
Other income, net ⁽¹⁵⁾	15.8	51.6	50.2	18.0	60.3	(8.4)	18.7
Income before income tax	262.7	857.7	865.3	348.9	1,170.9	1,169.0	984.7
Income tax	(67.6)	(220.6)	(228.7)	(88.1)	(295.8)	(308.6)	(276.0)
Net income	195.1	637.2	636.5	260.8	875.1	860.3	708.7

	As of and for the nine months ended September 30, (unaudited)			As of and for the years ended December 31,			
	2017	2017	2016	2016	2016	2015	2014
	(US\$ in millions) ⁽¹⁾⁽²⁾	(\$/ in millions) ⁽¹⁾		(US\$ in millions) ⁽¹⁾⁽³⁾	(\$/ in millions) ⁽¹⁾		
DATA ON STATEMENT OF FINANCIAL POSITION							
Cash and due from banks	2,575.1	8,407.8	10,691.8	3,266.4	10,962.2	12,089.9	6,378.7
Investments, net ⁽⁵⁾	1,731.8	5,654.2	4,103.3	1,355.8	4,549.9	3,595.7	3,528.9
Loan portfolio, net.....	7,996.2	26,107.7	25,103.4	7,517.0	25,226.9	24,172.9	21,036.0
Property, furniture and equipment, net.....	124.5	406.4	413.5	124.0	416.0	429.5	433.7
Other assets ⁽⁶⁾	335.9	1,096.8	1,395.3	321.1	1,077.7	1,150.5	1,337.8
Total assets	12,763.5	41,672.9	41,707.3	12,584.3	42,232.8	41,438.6	32,715.1
Deposits and obligations	7,830.4	25,566.1	25,355.2	7,963.3	26,724.8	25,694.1	20,950.1
Deposits from financial entities	85.8	280.2	202.3	59.7	200.3	208.4	190.5
Inter-bank funds and due to banks and correspondents ⁽⁷⁾	1,763.3	5,757.2	6,153.1	1,666.2	5,591.7	6,138.5	3,219.1
Securities, bonds and obligations outstanding	1,409.2	4,601.2	4,683.9	1,370.4	4,599.0	4,690.7	4,198.0
Provisions and other liabilities	294.5	961.6	1,338.8	227.9	932.8	1,155.6	1,062.5
Total liabilities	11,383.2	37,166.3	37,733.3	11,337.5	38,048.6	37,887.3	29,620.1
Shareholders' equity	1,380.3	4,506.7	3,974.0	1,246.8	4,184.2	3,551.3	3,095.0
Total liabilities and shareholders' equity	12,763.5	41,672.9	41,707.3	12,584.3	42,232.8	41,438.6	32,715.1

	As of and for the nine months ended September 30, (unaudited)			As of and for the years ended December 31,		
	2017	2017	2016	2016	2016	2015
	(US\$ in millions) ⁽¹⁾⁽²⁾	(\$/ in millions) ⁽¹⁾		(US\$ in millions) ⁽¹⁾⁽³⁾	(\$/ in millions) ⁽¹⁾	
SELECTED FINANCIAL DATA AND RATIOS						
Profitability and Performance						
Average total assets	12,389.7	40,452.3	40,247.5	12,066.8	40,496.1	36,212.7
Average shareholders' equity	1,296.4	4,232.9	3,675.3	1,125.5	3,777.2	3,234.9
Average interest-earning assets.....	11,953.0	39,026.5	38,533.4	11,577.0	38,852.4	34,648.0
Net interest margin ⁽⁸⁾	--	5.8%	5.8%	--	5.8%	6.0%
Efficiency ratio ⁽⁹⁾	--	43.0%	42.8%	--	42.8%	42.6%
Return on average total assets ⁽¹⁰⁾	--	2.1%	2.1%	--	2.2%	2.4%
Return on average shareholders' equity ⁽¹¹⁾	--	20.1%	23.1%	--	23.2%	26.6%
Provisions for loan losses net of reversals as a percentage of operating revenue.....	--	24.7%	23.0%	--	22.8%	20.6%
Fee income from financial services, net, as a percentage of operating revenues	--	9.9%	9.9%	--	9.9%	9.6%
Capital and Balance Sheet Structure						
Average shareholders' equity as a percentage of average total assets	--	10.5%	9.1%	--	9.3%	8.9%
Total liabilities as a multiple of shareholders' equity.....	--	8.2	9.5	--	9.1	10.7
Regulatory capital as a % of risk-weighted assets (at end of period) ⁽¹²⁾	--	16.5%	16.1%	--	15.9%	15.5%
Net loans as a percentage of total deposits	--	102.1%	99.0%	--	94.4%	94.1%
Total deposits as a percentage of total assets.....	--	61.3%	60.8%	--	63.3%	62.0%
Credit Quality						
Past due loans	236.0	770.7	682.0	206.6	693.3	589.1
Past due loans as a percentage of total gross loans (at end of period)	--	2.8%	2.6%	--	2.6%	2.3%
Provision expense as a percentage of total gross loans	--	3.2%	3.0%	--	3.0%	2.9%
Allowance for loan losses as a percentage of past due loans (coverage ratio).....	--	170.3%	177.0%	--	179.8%	193.9%

	As of and for the nine months ended September 30, (unaudited)			As of and for the years ended December 31,		
	2017	2017	2016	2016	2016	2015
	(US\$ in millions) ⁽¹⁾⁽²⁾	(S/ in millions) ⁽¹⁾		(US\$ in millions) ⁽¹⁾⁽³⁾	(S/ in millions) ⁽¹⁾	
OTHER FINANCIAL DATA						
Operating revenue ⁽⁹⁾	770.1	2,514.3	2,429.1	979.1	3,285.9	3,215.5
Dividends.....	120.6	393.8	379.5	113.1	379.5	318.9
Dividend payout ratio ⁽¹³⁾		45.0%	44.1%		44.1%	45.0%
Risk weighted assets ⁽¹⁴⁾	11,127.5	36,331.1	35,921.4	10,570.7	35,475.3	34,951.5
Total regulatory capital	1,833.6	5,986.6	5,791.8	1,680.2	5,638.9	5,427.9
OTHER DATA						
Inflation rate in Peru.....	--	1.9%	2.2%	--	3.2%	4.4%
Exchange rate (S/ per US\$1.00 at end of period).....	--	3.265	3.400	--	3.356	3.411
Number of employees	--	6,803	7,215	--	7,099	7,031
Number of financial stores (at end of period).....	--	277	290	--	283	291

- (1) Except for percentages and ratios, number of employees, and number of financial stores.
- (2) Amounts stated in U.S. dollars as of and for the nine months ended September 30, 2017 have been translated from soles at the exchange rate of S/3.265 = US \$1.00. See "Exchange Rates". Because the September 30, 2017 figures and the December 31, 2016 figures have been converted into US dollars at different rates, comparisons should not be made between such numbers as they reflect changes in exchange rates in addition to changes in the underlying numbers.
- (3) Amounts stated in U.S. dollars as of and for the year ended December 31, 2016 have been translated from soles at the exchange rate of S/3.356 = US \$1.00. See "Exchange Rates". Because the September 30, 2017 figures and the December 31, 2016 figures have been converted into US dollars at different rates, comparisons should not be made between such numbers as they reflect changes in exchange rates in addition to changes in the underlying numbers.
- (4) Gross financial margin represents financial income less financial expenses.
- (5) Comprised primarily of investments at fair value through profit or loss, available for sale investments and held to maturity investments.
- (6) Comprised primarily of other assets, net investment in subsidiaries and associates and deferred income tax, net.
- (7) Comprised primarily of deposits from financial entities payables from repurchase agreements and debts and financial obligations.
- (8) Net interest margin is defined as (x) gross financial margin less commission on loan portfolios and premiums paid to the deposit insurance fund and divided by (y) average interest earning assets.
- (9) Efficiency ratio is calculated by dividing (x) administrative expenses plus depreciation and amortization by (y) operating revenue. Operating revenue is the aggregate of gross financial margin plus fee income from financial services, net and gain on financial transactions.
- (10) Return on average total assets is defined as net income divided by average total assets.
- (11) Return on average shareholders' equity is defined as net income divided by average shareholders' equity.
- (12) Regulatory capital is calculated in accordance with guidelines of the Basel II Accord, as adopted by the SBS. The minimum capitalization ratio (minimum capital requirement expressed as a percentage of risk weighted assets) required by Peruvian banking regulations is 10.0% plus an additional capital requirement which depends on certain levels of loan concentration in each institution. For Interbank, this additional capital requirement amounts to 1.9% as of September 30, 2017. For the details, see "Regulation and Supervision".
- (13) Dividends declared and paid divided by net income from the previous fiscal year.
- (14) As reported to the SBS it is the aggregate of: the regulatory capital requirement for market risk multiplied by 10, the regulatory capital requirement for operational risk multiplied by 10 and the weighted assets and contingent credits by credit risk.
- (15) Includes payroll expenses related with termination of employees, amounting to S/13.5 million, S/9.9 million and S/7.9 million for the years ended December 31, 2016, 2015, and 2014 respectively. These figures were reclassified from "Other income, net" to "Administrative expenses".

SELECTED STATISTICAL INFORMATION

The following tables present certain of our selected statistical information and ratios for the periods indicated. The following information is included for analytical purposes and should be read in conjunction with the information included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and notes thereto appearing elsewhere in this offering memorandum.

Average Balance Sheets, Income Earned from Interest-Earning Assets, Interest Paid on Interest-Bearing Liabilities

The table below sets forth, by currency of denomination, our average balances and, where applicable, interest earned on interest-earning assets and interest paid on interest-bearing liabilities for the nine months ended September 30, 2017 and 2016 and for the years ended December 31, 2016, 2015 and 2014. Except as otherwise indicated, average balances, when used, have been classified by currency (soles or foreign currency (primarily U.S. dollars)), regardless of the domestic or international origin of the relevant balances. The average balance information for the nine months ended September 30, 2017 and 2016 is calculated by the sum of the quarter-end balances of the first three quarters of each year and the quarter-end balance of the quarter ended December 31 of the immediately preceding year divided by four. The average balance information for full fiscal years has been calculated as the sum of quarter-end balances of any such year and the quarter-end balance of the quarter ended December 31 of the immediately preceding year divided by five. Nominal average interest rates have been calculated by dividing interest earned on assets or paid on liabilities by the corresponding average balances on such assets or liabilities. In addition, loan amounts are presented before deduction for loan losses.

	For the nine months ended September 30, (unaudited)						For the year ended December 31					
	2017			2016			2016			2015		
							(S/ in millions, except for percentages)					
	Average Balance	Interest Earned/ Paid	Nominal Average Rate	Average Balance	Interest Earned/ Paid	Nominal Average Rate	Average Balance	Interest Earned/ Paid	Nominal Average Rate	Average Balance	Interest Earned/ Paid	Nominal Average Rate
Interest-earning assets												
Cash and due from banks												
Soles	1,102.3	6.4	0.8%	1,220.3	8.1	0.9%	1,169.2	10.8	0.9%	1,091.9	7.2	0.8%
Foreign currency	8,168.3	11.1	0.2%	9,381.4	5.9	0.1%	9,504.5	8.1	0.1%	7,624.3	3.4	0.1%
Total	9,270.6	17.5	0.3%	10,601.6	14.0	0.2%	10,673.8	18.9	0.2%	8,716.2	10.6	0.2%
Investments												
Soles	2,958.6	102.8	4.6%	2,082.6	77.0	4.9%	2,230.2	109.2	4.9%	1,625.2	76.2	4.7%
Foreign currency	1,216.7	23.1	2.5%	1,264.7	19.1	2.0%	1,235.5	26.3	2.1%	1,597.0	24.4	1.6%
Total	4,175.3	125.9	4.0%	3,347.4	96.1	3.8%	3,465.7	135.5	3.9%	3,222.2	100.6	3.3%
Gross loans												
Soles	18,774.8	2,276.9	16.2%	17,835.8	2,218.3	16.6%	17,937.6	2,988.5	16.7%	15,418.3	2,643.6	17.2%
Foreign currency	6,805.8	348.7	6.8%	6,748.6	366.6	7.2%	6,775.3	488.4	7.2%	7,291.3	529.9	7.3%
Total	25,580.6	2,625.6	13.7%	24,584.5	2,584.9	14.0%	24,712.9	3,476.9	14.1%	22,709.6	3,173.5	14.0%
Total interest-earning assets												
Soles	22,835.7	2,386.1	13.9%	21,138.7	2,303.4	14.5%	21,337.0	3,108.5	14.6%	18,135.4	2,727.0	15.1%
Foreign currency	16,190.8	382.9	3.2%	17,394.7	391.6	3.0%	17,515.3	522.8	3.0%	16,512.6	557.7	3.3%
Total	39,026.5	2,769.0	9.5%	38,533.4	2,695.0	9.3%	38,852.4	3,631.3	9.3%	34,648.0	3,284.7	9.4%
Interest-bearing liabilities												
Demand deposits												
Soles	3,905.0	79.6	2.7%	3,286.0	59.9	2.4%	3,334.4	81.4	2.4%	2,535.1	32.3	1.3%
Foreign currency	3,247.8	6.6	0.3%	3,959.8	4.3	0.1%	4,029.1	5.8	0.1%	3,348.8	3.8	0.1%
Total	7,152.8	86.2	1.6%	7,245.8	64.2	1.2%	7,363.5	87.2	1.2%	5,883.9	36.1	0.6%
Savings deposits												
Soles	4,556.6	43.0	1.3%	4,391.8	47.3	1.4%	4,420.6	62.4	1.4%	3,875.7	45.2	1.2%
Foreign currency	4,136.2	5.6	0.2%	4,149.3	5.1	0.2%	4,187.6	6.9	0.2%	3,473.7	6.9	0.2%
Total	8,692.8	48.6	0.7%	8,541.2	52.4	0.8%	8,608.2	69.3	0.8%	7,349.4	52.1	0.7%
Time deposits												
Soles	6,171.6	208.1	4.5%	5,110.4	165.6	4.3%	5,295.1	228.3	4.3%	5,045.7	200.7	4.0%
Foreign currency	3,000.2	18.0	0.8%	3,344.9	17.0	0.7%	3,357.7	22.8	0.7%	3,639.4	21.6	0.6%
Total	9,171.9	226.1	3.3%	8,455.3	182.6	2.9%	8,652.8	251.1	2.9%	8,685.0	222.3	2.6%
Deposits from financial entities												
Soles	161.4	-	0.0%	124.5	-	0.0%	127.3	-	0.0%	106.5	-	0.0%
Foreign currency	118.1	0.3	0.3%	91.4	-	0.0%	85.5	0.2	0.2%	106.3	-	0.0%
Total	279.5	0.3	0.1%	215.9	-	0.0%	212.8	0.2	0.1%	212.8	-	0.0%
Inter-bank funds and due to banks												
Soles	4,126.6	138.3	4.5%	4,306.8	148.3	4.6%	4,299.9	197.2	4.6%	3,392.4	157.8	4.7%
Foreign currency	1,350.6	29.1	2.9%	1,740.5	44.2	3.4%	1,656.3	55.5	3.4%	1,715.6	59.8	3.5%
Total	5,477.1	167.4	4.1%	6,047.3	192.5	4.2%	5,956.2	252.7	4.2%	5,108.0	217.6	4.3%
Bonds												
Soles	438.9	17.7	5.4%	434.5	17.9	5.5%	435.2	23.9	5.5%	429.8	31.8	7.4%
Foreign currency	4,105.7	205.1	6.7%	4,195.2	214.1	6.8%	4,188.4	285.3	6.8%	4,001.6	261.9	6.6%

	For the nine months ended September 30, (unaudited)						For the year ended December 31					
	2017			2016			2016			2015		
	Average Balance	Interest Earned/ Paid	Nominal Average Rate	Average Balance	Interest Earned/ Paid	Nominal Average Rate	Average Balance	Interest Earned/ Paid	Nominal Average Rate	Average Balance	Interest Earned/ Paid	Nominal Average Rate
Total	4,544.6	222.8	6.5%	4,629.7	232.0	6.7%	4,623.5	309.2	6.7%	4,431.4	293.7	6.5%
Accounts Payable and other liabilities.....												
Soles.....	1,232.1	4.1	0.4%	1,320.1	3.1	0.3%	1,283.0	4.1	0.3%	1,224.4	3.9	0.3%
Foreign currency.....	456.1	0.9	0.3%	661.8	1.2	0.2%	603.4	1.5	0.2%	578.8	1.9	0.2%
Total	1,688.2	5.0	0.4%	1,981.9	4.3	0.3%	1,886.4	5.6	0.3%	1,803.2	5.8	0.3%
Total interest-bearing liabilities												
Soles.....	20,592.2	490.8	3.2%	18,974.1	442.1	3.1%	19,195.4	597.3	3.1%	16,609.7	471.7	2.9%
Foreign currency.....	16,414.7	265.6	2.2%	18,143.0	285.9	2.1%	18,107.9	378.0	2.1%	16,864.1	355.9	2.1%
Total	37,006.9	756.4	2.7%	37,117.1	728.0	2.6%	37,303.4	975.3	2.6%	33,473.9	827.6	2.6%

	For the nine months ended September 30, (unaudited)						For the year ended December 31					
	2017			2016			2016			2015		
	Average Balance	Interest Earned/ Paid	Nominal Average Rate	Average Balance	Interest Earned/ Paid	Nominal Average Rate	Average Balance	Interest Earned/ Paid	Nominal Average Rate	Average Balance	Interest Earned/ Paid	Nominal Average Rate
Total Average Assets												
Nuevos Soles.....	24,145.1	2,560.4	14.1%	22,534.4	2,448.5	14.5%	22,710.1	3,321.2	14.6%	19,494.1	3,097.2	15.4%
Foreign Currency.....	16,307.1	381.2	3.1%	17,713.2	399.6	3.0%	17,786.0	537.5	3.0%	16,718.6	569.4	3.4%
Total	40,452.3	2,941.6	9.7%	40,247.5	2,848.1	9.4%	40,496.1	3,858.7	9.5%	36,212.7	3,666.6	10.0%

	For the nine months ended September 30, (unaudited)						For the year ended December 31					
	2017			2016			2016			2015		
	Average Balance	Interest Earned/ Paid	Nominal Average Rate	Average Balance	Interest Earned/ Paid	Nominal Average Rate	Average Balance	Interest Earned/ Paid	Nominal Average Rate	Average Balance	Interest Earned/ Paid	Nominal Average Rate
Total Average Liabilities												
Nuevos Soles.....	25,827.2	493.7	2.5%	23,854.9	445.0	2.5%	24,122.8	601.2	2.5%	20,942.0	475.5	2.3%
Foreign Currency.....	17,050.4	266.5	2.1%	18,898.0	287.1	2.0%	18,821.8	379.5	2.0%	17,565.0	357.8	2.0%
Total	42,877.7	760.2	2.4%	42,753.0	732.1	2.3%	42,944.6	980.7	2.3%	38,507.0	833.3	2.2%

Changes in Non-Interest Earning Assets and Non-Interest Bearing Liabilities

The following table sets forth, by currency of denomination, average balances for our non-interest earning assets and non-interest bearing liabilities and shareholders' equity for the nine months ended September 30, 2017 and 2016 and for the years ended December 31, 2016, 2015 and 2014.

	For the nine months ended September 30, (unaudited)		For the year ended December 31,		
	2017	2016	2016	2015	2014
	Average Balance	Average Balance	(S/ in millions) Average Balance	Average Balance	Average Balance
Non-interest earning assets					
Property, furniture and equipment, net					
Soles	410.6	423.8	422.2	424.5	435.9
Foreign currency.....	-	-	-	-	-
Total	410.6	423.8	422.2	424.5	435.9
Other non-interest earning assets and gain from derivatives instruments					
Soles	898.8	971.9	950.8	934.2	879.1
Foreign currency.....	116.4	318.4	270.7	205.9	250.4
Total	1,015.1	1,290.3	1,221.5	1,140.2	1,129.6
Total non-interest earning assets					
Soles	1,309.4	1,395.7	1,373.1	1,358.7	1,315.0
Foreign currency.....	116.4	318.4	270.7	205.9	250.4
Total	1,425.8	1,714.1	1,643.7	1,564.7	1,565.4
Non-bearing liabilities and loss from derivative instruments					
Other liabilities					
Soles	1,181.7	1,298.8	1,260.8	1,219.5	1,101.8
Foreign currency.....	456.1	661.8	603.4	578.8	610.9
Total	1,637.9	1,960.6	1,864.2	1,798.2	1,712.9
Shareholders' equity					
Soles	4,053.3	3,582.0	3,666.5	3,112.8	2,561.1
Foreign currency.....	179.6	93.3	110.5	122.0	217.5
Total	4,232.9	3,675.3	3,777.2	3,234.9	2,778.5
Total non-interest bearing liabilities and shareholders' equity					
Soles	5,235.0	4,880.8	4,927.4	4,332.3	3,663.0
Foreign currency.....	635.7	755.1	713.9	700.8	828.5
Total	5,870.8	5,635.9	5,641.4	5,033.1	4,491.4

Changes in Net Interest Income and Net Interest Expense: Volume and Rate Analysis

The following table sets forth, by currency of denomination, changes in our interest revenue and expenses between changes in interest-earning assets and interest-bearing liabilities and changes in their respective nominal interest rates from September 30, 2017 to December 31, 2016 and from December 31, 2015 to 2014. Volume and rate variances have been calculated based on month-end balances and changes in nominal interest rates, average interest-earning assets and average interest-bearing liabilities. The net change in both volume and rate has been allocated proportionately to the change due to volume and the change due to rate.

	September 30, 2017 / 2016 (unaudited)			December 31, 2016 / 2015			Increase Rate
	Increase (Decrease) Due to Changes in:			Increase (Decrease) Due to Changes in:			
	Rate	Volume	Net Change	Rate	Volume	Net Change	
Interest-earning assets							
Cash and due from banks							
Soles.....	(1.0)	(0.7)	(1.7)	2.9	0.7	3.6	(0.6)
Foreign currency.....	6.8	(1.6)	5.2	3.1	1.6	4.7	(0.1)
Total	6.0	(2.5)	3.5	4.8	3.5	8.3	(2.3)
Investment							
Soles.....	(4.6)	30.4	25.8	3.4	29.6	33.0	2.2
Foreign currency.....	4.9	(0.9)	4.0	9.6	(7.7)	1.9	(0.7)
Total	4.8	25.0	29.8	25.4	9.5	34.9	0.8
Gross loans							
Soles.....	(55.3)	113.9	58.6	(74.8)	419.7	344.9	(59.5)
Foreign currency.....	(20.8)	2.9	(17.9)	(4.3)	(37.2)	(41.5)	24.3
Total	(61.5)	102.2	40.7	21.6	281.8	303.4	105.1
Total interest-earning assets							
Soles.....	(94.6)	177.3	82.7	(84.9)	466.4	381.5	(36.7)
Foreign currency.....	19.8	(28.5)	(8.7)	(64.8)	29.9	(34.9)	(8.3)
Total	39.0	35.0	74.0	(46.4)	393.0	346.6	(47.7)
Interest-bearing liabilities							
Demand deposits							
Soles.....	7.1	12.6	19.7	29.6	19.5	49.1	5.9
Foreign currency.....	3.7	(1.4)	2.3	1.0	1.0	2.0	2.7
Total	23.1	(1.1)	22.0	33.6	17.5	51.1	10.6
Savings deposits							
Soles.....	(5.9)	1.6	(4.3)	9.5	7.7	17.2	9.9
Foreign currency.....	0.5	-	0.5	(1.2)	1.2	-	(1.7)
Total	(4.6)	0.8	(3.8)	7.1	10.1	17.2	6.2
Time deposits							
Soles.....	6.7	35.8	42.5	16.8	10.8	27.6	(0.5)
Foreign currency.....	3.1	(2.1)	1.0	3.1	(1.9)	1.2	(7.4)
Total	25.8	17.7	43.5	29.7	(0.9)	28.8	(34.3)
Deposits from financial entities							
Soles.....	-	-	-	-	-	-	-
Foreign currency.....	0.2	0.1	0.3	0.2	-	0.2	-

	September 30, 2017 / 2016 (unaudited)			December 31, 2016 / 2015			Incre Rate
	Increase (Decrease) Due to Changes in:			Increase (Decrease) Due to Changes in:			
	Rate	Volume	Net Change	Rate	Volume	Net Change	
Total	0.2	0.1	0.3	0.2	-	0.2	
Inter-bank Funds and due to banks							
Soles.....	(4.0)	(6.0)	(10.0)	(2.2)	41.6	39.4	(17)
Foreign currency.....	(6.7)	(8.4)	(15.1)	(2.3)	(2.0)	(4.3)	(8)
Total	(7.7)	(17.4)	(25.1)	(0.9)	36.0	35.1	(18)
Bonds							
Soles.....	(0.4)	0.2	(0.2)	(8.2)	0.3	(7.9)	10
Foreign currency.....	(4.5)	(4.5)	(9.0)	10.7	12.7	23.4	(4)
Total	(5.0)	(4.2)	(9.2)	2.7	12.8	15.5	5
Accounts Payable							
Soles.....	1.3	(0.3)	1.0	-	0.2	0.2	(0)
Foreign currency.....	0.1	(0.4)	(0.3)	(0.5)	0.1	(0.4)	(0)
Total	1.6	(0.9)	0.7	(0.4)	0.2	(0.2)	(0)
Total interest-bearing liabilities							
Soles.....	10.1	38.6	48.7	45.1	80.5	125.6	19
Foreign currency.....	7.7	(28.0)	(20.3)	(3.9)	26.0	22.1	(23)
Total	30.7	(2.3)	28.4	47.6	100.1	147.7	(2)

Interest-Earning Assets: Net Interest Margin and Yield Spread

The following table sets forth for each of the periods indicated, by currency of denomination, our levels of average interest-earning assets, net interest income, gross yield, net interest margin and yield spread, all on a nominal basis.

	For the nine months ended September 30, (unaudited)		For the year ended December 31,		
	2017	2016	2016	2015	2014
	(\$/. in millions)				
Average interest-earning assets					
Soles	22,835.7	21,138.7	21,337.0	18,135.4	14,637.4
Foreign currency	16,190.8	17,394.7	17,515.3	16,512.6	14,509.0
Total	39,026.5	38,533.4	38,852.4	34,648.0	29,146.4
Net interest income⁽¹⁾					
Soles	1,895.3	1,861.3	2,511.2	2,255.3	1,858.4
Foreign currency	117.3	105.7	144.8	201.8	246.4
Total	2,012.6	1,967.0	2,656.0	2,457.1	2,104.8
Gross yield⁽²⁾					
Soles	13.9%	14.5%	14.6%	15.0%	15.3%
Foreign currency	3.2%	3.0%	3.0%	3.4%	4.0%
Total	9.5%	9.3%	9.3%	9.5%	9.6%
Net interest margin⁽³⁾					
Soles	9.6%	10.3%	10.3%	10.8%	11.0%
Foreign currency	0.7%	0.5%	0.5%	0.9%	1.4%
Total	5.8%	5.8%	5.8%	6.0%	6.1%
Yield spread⁽⁴⁾					
Soles	10.8%	11.4%	11.5%	12.2%	12.6%
Foreign currency	1.0%	0.9%	0.9%	1.3%	1.7%
Total	6.7%	6.7%	6.7%	7.0%	7.2%

(1) Net interest income is defined as interest revenue earned less interest expense incurred.

(2) Gross yield is defined as interest income divided by average interest-earning assets.

(3) Net interest margin is defined as gross financial margin less commission on loan portfolios and premiums paid to the deposit insurance fund and divided by average interest earning assets.

(4) Yield spread, on a nominal basis, represents the difference between gross yield on average interest-earning assets and average cost of interest-bearing liabilities.

Investment Portfolio

The following table sets forth our investments in securities by type on the dates indicated. For more information on our investment portfolio, see note 4 to our audited financial statements and note 4 to our unaudited interim condensed financial statements appearing elsewhere in this offering memorandum.

	As of September 30, (unaudited)				As of December 31,					
	2017		2016		2016		2015		2014	
	S/ in millions	%	S/ in millions	%	S/ in millions	%	S/ in millions	%	S/ in millions	%
Peruvian global and sovereign bonds.....	1,962.7	33.9%	1,007.1	23.8%	1,340.5	28.7%	1,241.5	33.3%	816.2	22.4%
Equity securities	10.9	0.2%	10.9	0.3%	10.9	0.2%	10.9	0.3%	10.9	0.3%
Corporate and financial bonds	696.7	12.0%	561.7	13.3%	613.9	13.1%	434.7	11.7%	370.3	10.1%
Negotiable bank certificates issued by Peruvian Central Bank	1,941.7	33.5%	1,808.6	42.7%	1,650.7	35.3%	1,541.7	41.3%	1,829.1	50.1%
Investment in subsidiaries	78.2	1.4%	75.7	1.8%	79.3	1.7%	84.4	2.3%	81.0	2.2%
Intercorp Financial Services Inc. (IFS)	724.5	12.5%	465.7	11.0%	590.2	12.6%	332.6	8.9%	338.4	9.3%
Other investments.....	374.6	6.5%	309.0	7.3%	393.2	8.4%	82.7	2.2%	205.8	5.6%

	As of September 30, (unaudited)				As of December 31,					
	2017		2016		2016		2015		2014	
	S/ in millions	%	S/ in millions	%	S/ in millions	%	S/ in millions	%	S/ in millions	%
Total	5,789.3	100.0%	4,238.6	100.0%	4,678.8	100.0%	3,728.6	100.0%	3,651.7	100.0%
Less: Allowance for impairment of investments.....	(18.8)		(21.4)		(21.3)		(21.5)		(18.1)	
Plus: Accrued interest on marketable and held- to-maturity investments.....	14.2	-	9.6	-	23.8	-	22.7	-	19.3	-
Total investments, net	5,784.8	100.0%	4,226.8	100.0%	4,681.2	100.0%	3,729.8	100.0%	3,652.9	100.0%

The weighted-average yield in our sol-denominated interest and dividend-earning investment portfolio was 4.5% in 2014, 4.7% in 2015, 4.9% for 2016 and 4.9% and 4.6% for the nine months ended September 30, 2016 and September 30, 2017, respectively. The weighted-average yield on our foreign currency-denominated portfolio was 1.6% in 2014, 1.5% in 2015, 2.1% in 2016 and 2.0% and 2.5% for the nine months ended September 30, 2016 and September 30, 2017, respectively. The total weighted-average yield of our portfolio was 3.1% in 2014, 3.1% in 2015, 3.9% in 2016 and 3.8% and 4.0% for the nine months ended September 30, 2016 and September 30, 2017, respectively.

The following table sets forth the maturities of our investments in securities by type as of September 30, 2017.

	As of September 30, 2017 (unaudited)						
	1 month	1-3 months	3 months – 1 year	1 - 5 years	After 5 years but within 10 years	After 10 Years	Total
	(S/ in millions)						
Equity securities	-	-	-	-	-	726.3	726.3
Bonds	4.1	9.3	70.8	687.7	242.1	4.1	1,018.1
Investment in Peruvian debt.....	545.3	-	171.4	195.2	996.6	57.1	1,965.6
Negotiable bank certificates issued by the Peruvian Central Bank.....	1,944.1	-	-	-	-	-	1,944.1
Other investments.....	-	-	-	-	-	130.6	130.6
Total	2,493.6	9.3	242.3	882.9	1,238.7	918.0	5,784.8
Percentage of total	43.1%	0.2%	4.2%	15.3%	21.4%	15.9%	100.0%

Loan Portfolio

The following table sets forth our loans by type of loan, at the dates indicated.

	As of September 30, (unaudited)				As of December 31,					
	2017		2016		2016		2015		2014	
	S/ in millions	%	S/ in millions	%	S/ in millions	%	S/ in millions	%	S/ in millions	%
Loans ⁽¹⁾	23,733.5	87.3%	22,576.1	86.6%	22,836.6	87.1%	21,552.2	85.9%	18,138.0	83.4%
Leasing receivables	1,751.2	6.4%	1,791.4	6.9%	1,760.8	6.7%	1,990.4	7.9%	2,144.3	9.9%
Discounted notes	464.0	1.7%	395.3	1.5%	407.4	1.6%	438.0	1.7%	373.0	1.7%
Factoring.....	154.0	0.6%	229.1	0.9%	201.9	0.8%	213.8	0.9%	294.7	1.4%
Advances and overdrafts	29.9	0.1%	101.2	0.4%	30.9	0.1%	47.2	0.2%	124.6	0.6%
Refinanced loans	276.5	1.0%	304.8	1.2%	296.5	1.1%	249.2	1.0%	140.7	0.6%
Past due and under legal collection loans.....	770.7	2.8%	682.0	2.6%	693.3	2.6%	589.1	2.3%	540.7	2.5%
Total gross loans	27,179.8	100.0%	26,079.9	100.0%	26,227.5	100.0%	25,079.9	100.0%	21,756.0	100.0%

(1) Includes loans, mortgage loans for housing, credit cards, foreign trade loans, cash loans, vehicular loans.

Loans by economic activity

The following table sets forth the composition of our loan portfolio at the dates indicated, net of deferred interest and interest collected in advance, based on the borrower's principal economic activity.

	As of September 30, (unaudited)				As of December 31,					
	2017		2016		2016		2015		2014	
	S/ in millions	%	S/ in millions	%	S/ in millions	%	S/ in millions	%	S/ in millions	%
Manufacturing	2,775.6	10.2%	2,900.2	11.1%	3,074.9	11.7%	2,690.9	10.7%	2,513.4	11.6%
Commerce	2,398.6	8.8%	2,071.0	7.9%	2,333.7	8.9%	1,972.0	7.9%	2,078.6	9.6%
Lease holds and real estate activities	2,095.8	7.7%	2,086.3	8.0%	941.5	3.6%	2,129.8	8.5%	1,666.2	7.7%
Electricity, gas and water	1,047.4	3.9%	1,197.5	4.6%	1,189.9	4.5%	965.8	3.9%	411.8	1.9%
Agriculture, herding, hunting and silviculture	950.8	3.5%	959.2	3.7%	986.4	3.8%	1,084.7	4.3%	973.0	4.5%
Financial intermediation.....	925.7	3.4%	498.4	1.9%	429.6	1.6%	407.5	1.6%	394.2	1.8%
Transportation, storage and communications	735.6	2.7%	753.6	2.9%	734.0	2.8%	722.5	2.9%	827.8	3.8%
Mining	466.8	1.7%	395.0	1.5%	375.9	1.4%	444.1	1.8%	282.6	1.3%
Construction	365.6	1.3%	459.1	1.8%	427.5	1.6%	505.7	2.0%	514.7	2.4%
Fishing	151.9	0.6%	146.7	0.6%	209.9	0.8%	109.0	0.4%	91.9	0.4%
Public administration and defense.....	114.9	0.4%	72.5	0.3%	10.5	0.0%	81.8	0.3%	100.3	0.5%
Other activities	732.2	2.7%	560.7	2.1%	1,585.4	6.0%	785.0	3.1%	648.9	3.0%
Other loans:										
Consumer.....	9,040.7	33.3%	8,965.0	34.4%	8,888.6	33.9%	8,416.1	33.6%	7,091.9	32.6%
Mortgage	5,378.2	19.8%	5,014.7	19.2%	5,039.9	19.2%	4,765.0	19.0%	4,160.5	19.1%
Total gross loans	27,179.8	100.0%	26,079.9	100.0%	26,227.5	100.0%	25,079.9	100.0%	21,756.0	100.0%

Loans by business lines

The following table shows the composition of our loan portfolio divided by our lines of business.

	As of September 30, (unaudited)				As of December 31,					
	2017		2016		2016		2015		2014	
	S/ in millions	%	S/ in millions	%	S/ in millions	%	S/ in millions	%	S/ in millions	%
Commercial	12,445.0	45.8%	11,797.2	45.2%	12,013.7	45.8%	11,661.6	46.5%	10,184.4	46.8%
Consumer ⁽¹⁾	8,487.2	31.2%	8,430.3	32.3%	8,333.4	31.8%	7,932.9	31.6%	6,764.8	31.1%
Residential mortgage ⁽¹⁾	5,179.1	19.1%	4,845.4	18.6%	4,871.1	18.6%	4,627.1	18.4%	4,067.6	18.7%
Micro-enterprises.....	21.4	0.1%	20.2	0.1%	19.5	0.1%	20.0	0.1%	57.8	0.3%
Refinanced and restructured...	276.5	1.0%	304.8	1.2%	296.5	1.1%	249.2	1.0%	140.7	0.6%
Past due and under legal collection	770.7	2.8%	682.0	2.6%	693.3	2.6%	589.1	2.3%	540.7	2.5%
Total gross loans	27,179.8	100.0%	26,079.9	100.0%	26,227.5	100.0%	25,079.9	100.0%	21,756.0	100.0%

(1) We refer to the sum of consumer and residential mortgage loans as retail loans.

Corporate loans: Generally, short term and long term loans granted in soles and U.S. dollars to companies on an adjustable or fixed rate basis in order to finance the production and sale of goods and services / working capital or investments. They also include leasing contracts with a clause granting a lessee purchase option on leased assets at the end of the contract, in order to finance the purchase of commercial real estate, vehicles, machinery and other goods. Nearly all of our commercial loans consist of corporate loans and loans to small and medium sized commercial clients, representing approximately 70% and 30%, respectively, of the commercial loan portfolio.

Consumer loans: Generally, short-term and long-term loans granted in soles and U.S. dollars to individuals in order to finance the purchase of goods or services not related to commercial activities.

Residential mortgage loans: Residential mortgage loans are adjustable or fixed rate, long-term loans granted in soles and U.S. dollars to individuals in order to finance (1) the purchase, development and construction of an individual's home or the (2) remodeling, improvement or sub-division of an individual's existing home, in each case secured by a real property mortgage. Mortgage loans granted to directors and employees of companies are considered residential mortgage loans. All mortgage backed loans are treated as commercial loans.

Micro-enterprises: Generally, short-term and long-term loans granted in soles and U.S. dollars to individuals in order to finance commercial activities.

Refinanced and restructured loans: Refinanced loans are loans with amendments to their respective payment schedules as a result of payment delays by the relevant borrowers, as defined by SBS regulations. Restructured loans are loans granted to companies under the bankruptcy protection procedures of the Peruvian Corporate Restructuring Law.

Past due loans: Past due loans correspond to overdue loans, defined by the SBS as commercial loans for which amortization payments are 15 days overdue and loans to micro-enterprises for which amortization payments are 30 days overdue. In the case of consumer, mortgage and leasing loans, the amortization portion of a coupon is considered past due once 30 days overdue and the total amount of the loan is considered past due once an amortization payment is 90 days overdue. Beginning on January 1, 2001, SBS accounting rules require Peruvian banks to consider overdrafts past due after 30 days.

Loans by currency

The following table presents our loan portfolio divided by currency at the dates indicated.

	As of September 30, (unaudited)				As of December 31,					
	2017		2016		2016		2015		2014	
	S/ in millions	%	S/ in millions	%	S/ in millions	%	S/ in millions	%	S/ in millions	%
Foreign currency denominated...	7,053.0	25.9%	7,013.1	26.9%	7,078.3	27.0%	7,229.3	28.8%	7,962.2	36.6%
Sol denominated.....	20,126.8	74.1%	19,066.8	73.1%	19,149.1	73.0%	17,850.6	71.2%	13,793.7	63.4%
Total gross loans.....	27,179.8	100.0%	26,079.9	100.0%	26,227.5	100.0%	25,079.9	100.0%	21,756.0	100.0%

Maturity composition of our loans portfolio

The following table sets forth an analysis of our portfolio of performing loans as of September 30, 2017, by type and by the time remaining to maturity. Loan amounts are presented before deduction of allowances for loan losses.

	As of September 30, 2017 (unaudited)						Past due loans	Total
	1 month	1-3 months	3 months - 1 year	1 - 5 years	After 5 years	(S/ in millions)		
Loans.....	2,194.2	2,853.1	4,582.0	9,275.3	4,825.7	-	23,730.3	
Leasing receivables.....	51.4	111.7	603.7	815.2	169.3	-	1,751.2	
Discounted notes.....	185.0	218.9	60.1	-	-	-	464.0	
Factoring.....	38.0	79.4	36.6	-	-	-	154.0	
Advances and overdrafts.....	33.0	-	-	-	-	-	33.0	
Refinanced loans.....	10.9	16.7	57.7	170.3	20.9	-	276.5	
Past due and under legal collection loans.....	-	-	-	-	-	770.7	770.7	
Total gross loans.....	2,512.6	3,279.7	5,340.2	10,260.8	5,015.9	770.7	27,179.8	

Classification of our loan portfolio

We classify our loan portfolio in accordance with SBS regulations. See "Regulation and Supervision — Loan Loss Reserves" for a description of our loan classification and risk management policies. The following table provides statistical data regarding the classification of our loans as of the end of the periods indicated.

	As of September 30, (unaudited)				As of December 31,					
	2017		2016		2016		2015		2014	
	S/ in millions	%	S/ in millions	%	S/ in millions	%	S/ in millions	%	S/ in millions	%
A: Normal ⁽¹⁾	29,250.8	92.7%	28,906.8	93.3%	28,409.1	92.6%	28,175.6	93.8%	24,636.4	94.1%
B: With potential problems ⁽²⁾	769.5	2.4%	671.1	2.2%	824.3	2.7%	612.2	2.0%	480.1	1.8%
C: Substandard ⁽³⁾	416.2	1.3%	382.3	1.2%	366.2	1.2%	330.3	1.1%	348.2	1.3%
D: Doubtful ⁽⁴⁾	517.5	1.6%	483.7	1.6%	514.7	1.7%	433.8	1.4%	360.9	1.4%
E: Loss ⁽⁵⁾	609.7	1.9%	523.4	1.7%	549.0	1.8%	482.0	1.6%	367.7	1.4%
Total	31,563.6	100.0%	30,967.2	100.0%	30,663.3	100.0%	30,033.9	100.0%	26,193.2	100.0%
Direct loan portfolio before allowance for loan losses.....	27,179.8	86.1%	26,080.0	84.2%	26,227.5	85.5%	25,080.1	83.5%	21,755.9	83.1%
Indirect loan portfolio before allowance for loan losses.....	4,383.8	13.9%	4,887.2	15.8%	4,435.9	14.5%	4,953.8	16.5%	4,437.3	16.9%
Total	31,563.6	100.0%	30,967.2	100.0%	30,663.3	100.0%	30,033.9	100.0%	26,193.2	100.0%

- (1) Strong financial condition. All loans are fully collectible or expected to be paid in full in a timely manner.
- (2) Deterioration in the financial condition or in cash flow is evidenced. Nevertheless, it is expected that loans will be repaid in full. Also classified in this group are debtors with payment delays that are not more than 60 (sixty) days.
- (3) Weak financial condition. Cash flow is insufficient to cover debt service. Payment delays exceed 60 (sixty) days but are not more than 120 (one hundred twenty) days.
- (4) Financial condition is critical. Cash flow is insufficient to repay interest. Payment delays exceed 120 (one hundred twenty) days but are not more than 365 (three hundred sixty-five) days.
- (5) Cash flow is insufficient to cover operating costs. Debtor is insolvent. Default status for a period greater than three hundred sixty-five (365) days.

Allowance for loan losses

Our allowance for loan losses is recorded in accordance with SBS regulations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies — Allowance for Loan Losses" for a description of the guidelines and procedures used in the review of our loan portfolio and the calculation of our allowances for loan losses. The following table presents our allowances for loan losses.

	As of September 30, (unaudited)		As of December 31,		
	2017	2016	2016	2015	2014
	S/ in millions	S/ in millions	S/ in millions	S/ in millions	S/ in millions
Balance at the beginning of year	1,325.9	1,232.9	1,232.9	986.6	838.9
Provision.....	759.8	687.7	921.4	756.7	513.0
Recoveries of provisions	(138.1)	(128.5)	(170.7)	(94.3)	(67.9)
Write-offs, extinguishment and sales.....	(642.3)	(589.2)	(772.0)	(564.8)	(406.5)
Recovery of written-off loans.....	93.2	89.3	119.1	108.7	94.0
Translation result and others.....	(7.3)	(1.2)	(4.7)	39.9	15.2
Balance at the end of the year ⁽¹⁾	1,391.1	1,291.0	1,325.9	1,232.9	986.6
Provisions for contingent loans	53.6	59.9	59.9	51.7	45.1

- (1) Includes provision for indirect loans.

The following table shows the allocation of our allowance for loan losses for each type of loan at the dates indicated.

	As of September 30, (unaudited)				As of December 31,					
	2017		2016		2016		2015		2014	
	S/ in millions	%	S/ in millions	%	S/ in millions	%	S/ in millions	%	S/ in millions	%
Corporate loans.....	301.5	21.7%	268.0	20.8%	277.7	20.9%	226.7	18.4%	212.8	21.6%
Consumer loans.....	764.7	55.0%	724.2	56.1%	750.8	56.6%	723.0	58.6%	542.0	54.9%
Residential mortgage loans.....	221.9	15.9%	196.0	15.2%	197.8	14.9%	174.9	14.2%	134.6	13.6%
Leasing transactions.....	38.1	2.7%	37.3	2.9%	37.0	2.8%	36.1	2.9%	37.8	3.8%
Provisions for indirect loans.....	64.9	4.7%	65.4	5.1%	62.6	4.7%	72.2	5.9%	59.4	6.0%
Total provisions for loan losses.....	1,391.1	100.0%	1,290.9	100.0%	1,325.9	100.0%	1,232.9	100.0%	986.6	100.0%

Composition of Deposits and Other Commitments

The following table sets forth the composition of our deposits and similar commitments at the dates indicated:

	As of September 30, (unaudited)				As of December 31,					
	2017		2016		2016		2015		2014	
	S/ in millions	%	S/ in millions	%	S/ in millions	%	S/ in millions	%	S/ in millions	%
Time deposits										
Soles.....	6,023.5	23.6%	5,539.9	21.8%	6,034.0	22.6%	4,474.6	17.4%	5,420.6	25.9%
Foreign currency.....	2,260.2	8.8%	2,867.1	11.3%	3,408.8	12.8%	4,705.4	18.3%	3,027.9	14.5%
Total.....	8,283.7	32.4%	8,407.1	33.2%	9,442.9	35.3%	9,180.0	35.7%	8,448.6	40.3%
Savings deposits										
Soles.....	4,653.8	18.2%	4,551.2	17.9%	4,535.7	17.0%	4,422.3	17.2%	3,693.1	17.6%
Foreign currency.....	4,237.5	16.6%	4,487.2	17.7%	4,340.5	16.2%	3,755.0	14.6%	3,112.2	14.9%
Total.....	8,891.3	34.8%	9,038.4	35.6%	8,876.3	33.2%	8,177.4	31.8%	6,805.3	32.5%
Demand deposits										
Soles.....	4,789.2	18.7%	3,594.5	14.2%	3,527.9	13.2%	3,194.9	12.4%	2,271.3	10.8%
Foreign currency.....	3,001.2	11.7%	3,765.4	14.9%	4,306.1	16.1%	4,573.5	17.8%	2,782.2	13.3%
Total.....	7,790.4	30.5%	7,359.9	29.0%	7,834.0	29.3%	7,768.4	30.2%	5,053.5	24.1%
Others										
Soles.....	377.4	1.5%	326.9	1.3%	362.6	1.4%	293.5	1.1%	349.8	1.7%
Foreign currency.....	223.3	0.9%	222.9	0.9%	209.0	0.8%	274.8	1.1%	292.9	1.4%
Total.....	600.8	2.3%	549.8	2.2%	571.6	2.1%	568.3	2.2%	642.7	3.1%
Total deposits										
Soles.....	15,843.9	62.0%	14,012.6	55.3%	14,460.3	54.1%	12,385.3	48.2%	11,734.9	56.0%
Foreign currency.....	9,722.2	38.0%	11,342.7	44.7%	12,264.5	45.9%	13,308.8	51.8%	9,215.2	44.0%
Total (1).....	25,566.1	100.0%	25,355.2	100.0%	26,724.8	100.0%	25,694.1	100.0%	20,950.1	100.0%

(1) Does not include other deposits, which mainly correspond to deposits made by customers as guarantees for direct and indirect loans disbursed by the bank. Such deposits represent approximately 5% of our deposits and other commitments. The inclusion of other deposits would result in a slight variation in the percentages.

Maturity of Deposits

The following table sets forth information regarding the maturity of our deposits as of September 30, 2017.

	As of September 30, 2017 (unaudited)					
	1 month	1-3 months	3 months - 1 year	1 - 5 years	Total	
	(S/ in millions)					
Time deposits.....		892.5	2,935.9	2,736.8	1,718.4	8,283.7
Saving deposits.....		1,093.3	650.1	0.0	7,147.9	8,891.3
Demand deposits.....		2,972.4	2,626.9	0.0	2,191.1	7,790.4
Total.....		4,958.2	6,212.9	2,736.8	11,057.4	24,965.4
Percentage of Total.....		19.9%	24.9%	11.0%	44.3%	100.0%

Short-Term Borrowings

Our short term borrowings, defined as interbank funds and due to banks and correspondents with a maturity of less than 1 year, amounted to S/3,576 as of September 30, 2017, S/2,087.5 million as of December 31, 2016, S/2,308.8 million as of December 31, 2015 and S/1,511.1 million as of December 31, 2014.

Return on Equity and Assets

The following table sets forth our return on average total assets and average shareholders' equity and related information for the periods indicated.

	For the nine months ended		For the year ended	
	September 30, (unaudited)		December 31,	
	2017	2016	2016	2015
Return on average total assets ⁽¹⁾	2.1%	2.1%	2.2%	2.4%
Return on average shareholders' equity ⁽²⁾	20.1%	23.1%	23.2%	26.6%
Equity to assets ratio ⁽³⁾	10.5%	9.1%	9.3%	8.9%
Dividend payout ratio ⁽⁴⁾	45.0%	44.1%	44.1%	45.0%

(1) Net income as a percentage of average total assets.

(2) Net income as a percentage of average shareholders' equity.

(3) Average shareholders' equity as a percentage of average assets.

(4) Dividends declared and paid divided by net income from the previous fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our audited financial statements and unaudited financial statements, together with the notes thereto, included elsewhere in this offering memorandum. Our financial statements are prepared in accordance with Peruvian GAAP for financial entities, which differ in significant respects from IFRS. See "Presentation of Financial and Other Information" and "Annex A—Principal Differences Between Peruvian GAAP and IFRS". We have not quantified the effects of such differences and therefore cannot assure you that we have identified all of the differences that are material. Our financial statements have not been reconciled to IFRS. Any such reconciliation would result in material differences.

Overview

We are a leading provider of a wide range of financial products and banking services for retail customers and commercial clients in Peru, through one of the largest distribution networks (financial stores, ATMs and correspondent agents) in the country, dedicated sales force, and digital channels (internet banking and mobile banking).

We have built a business platform that leverages our capabilities and value propositions for our customers, while allowing us to effectively expand and consolidate our market position in the developing and under-penetrated Peruvian financial system.

We are the second largest provider of gross consumer loans (retail loans other than mortgages) in Peru as of September 30, 2017, according to the SBS. Within the consumer loan business in Peru, we are the second largest provider of gross credit card loans and the largest private bank provider of gross payroll deductible loans to public sector employees, as of September 30, 2017. Additionally, we are the fourth largest bank in Peru in terms of retail mortgages and commercial lending, as well as overall deposits and total assets. We have built one of the most convenient retail banking distribution networks in Peru with a total of 283 financial stores, more than 2,000 ATMs and more than 2,450 correspondent agents, as of September 30, 2017. Moreover, we have developed state-of-the-art and user friendly digital platforms to better serve our clients' needs.

For the nine months ended September 30, 2017 and 2016, our net income was S/637.2 million (approximately US\$195.1 million) and S/636.5 million, respectively. As of September 30, 2017 and 2016, we had shareholders' equity of S/4.5 billion (approximately US\$1,380.3 million) and S/4.0 billion, respectively. Our annual ROE for the nine months ended September 30, 2017 and 2016 was 20.1% and 23.1%, respectively, and our annual ROA for the nine months ended September 30, 2017 and 2016 was 2.1% and 2.1%, respectively.

For the years ended December 31, 2016, 2015 and 2014, our net income was S/875.1 million (approximately US\$260.8 million), S/860.3 million and S/708.7 million, respectively. As of December 31, 2016 and 2015, we had shareholders' equity of S/4.2 billion (approximately US\$1,246.8 million) and S/3.6 billion, respectively. Our annual ROE for the years ended December 31, 2016, 2015 and 2014 was 23.2%, 26.6% and 25.5%, respectively, and our annual ROA for the years ended December 31, 2016, 2015 and 2014 was 2.2%, 2.4% and 2.3%, respectively.

Factors Affecting Our Results of Operations

Peruvian Economic Environment

Substantially all of our operations are conducted in Peru. Accordingly, our results of operations and financial condition are dependent on economic conditions, consumer spending and investment levels in Peru. During the 1980s, Peru experienced a severe economic crisis and high levels of inflation. Beginning in the 1990s, however, the Peruvian government implemented a series of structural reforms, which helped stabilize the Peruvian economy and foster continued GDP growth, lower inflation and interest rates, more stable currency and significantly improved public finances. Moreover, and as a result of the financial instability in 2008 and 2009, which was accompanied by the worst global economic downturn in many decades, the Peruvian economy, while affected, was one of the few economies in Latin America to experience growth in 2009. Peru's real GDP grew at a rate of 1.0% in 2009, supported by the Peruvian government's fiscal stimulus programs.

Nonetheless, the country has experienced a slowdown in recent years, mainly explained by lower domestic demand, as a result of a lower growth in private investment. This slowdown was intensified during the first half of 2017 due to three factors: (i) a strong *El Niño* phenomenon, which adversely affected agricultural production, transportation services, tourism and commercial activity, and that is expected to result in a 1.2% drop in GDP in 2017 relative to 2016 figures; (ii) corruption scandals related to the activities of certain companies in the construction sector, which have resulted in suspension or delay of important infrastructure projects, which were otherwise operational and permitted; and (iii) political disputes between the Government and the opposition. However, there have been signs of recovery during the third quarter of 2017, mainly due to the growth of private investment and public expenditure. The increase in private investment was a result of growing business confidence and terms of trade, while the growth of public expenditure was mainly due to higher investment from national and local governments.

The table below sets forth additional details regarding Peru's recent economic performance for the years ended 2016, 2015 and 2014.

	2016	2015	2014
Peruvian real GDP growth rate.....	4.0%	3.3%	2.4%
Domestic demand growth.....	1.1%	2.9%	2.2%
Fixed private investment (real growth).....	(5.9)%	(4.3)%	(2.3)%
Reference interest rate	4.25%	3.75%	3.50%
Fiscal surplus (deficit) (% of GDP)	(2.6)%	(2.1)%	(0.3)%
Variation in Consumer Price Index ("CPI")	3.2%	4.4%	3.2%
Unemployment rate (quarterly moving average).....	6.2%	5.7%	5.6%
Disposable income growth	3.3%	2.1%	2.4%
Public external debt as a percentage of Peruvian GDP...	10.3%	11.1%	8.7%
Net international reserves (US\$ in millions)	61,686	61,485	62,308

Sources: Peruvian Central Bank and INEI.

In addition, Peru continues to have its sovereign debt rated investment grade by S&P, Fitch and Moody's. The Peruvian government's conservative fiscal policy, coupled with the Peruvian Central Bank's responsible management of inflation and international reserves has helped Peru to maintain its investment grade ratings by Moody's (A3), S&P (BBB+) and Fitch (BBB+). Peru's credit ratings are subject to periodic review, and may be revised or lowered in the future.

Taking this into consideration, in December 2017, the Peruvian Central Bank estimated a real GDP growth for Peru of 2.7% and 4.2% in 2017 and 2018, respectively. According to the Peruvian Central Bank, domestic demand grew 2.2% in 2014, 2.9% in 2015, 1.1% in 2016, and was forecast to grow (according to the "*Reporte de Inflación – Diciembre de 2017*" by the Peruvian Central Bank) 2.2% in 2017, and 4.2% in 2018. Private consumption is expected to show a better performance due to improved conditions in the labor market and access to credit, while public investment will reflect a higher dynamism due to a strong fiscal impulse. Finally, private investment and exports are also expected to have a more dynamic performance.

On the other hand, the 2018 GDP forecast by the Peruvian Central Bank reflects a 4.4% increase in domestic demand, particularly driven by higher growth rates of private consumption due to increases in employment and household income, as a result of an expansion of the construction sector. In addition, terms of trade will improve and private investment will increase, especially in mining and infrastructure. Mining investment will increase due to higher metal prices, while infrastructure investment, will increase due to the reconstruction program associated with the recovery from *El Niño* phenomenon and the unlocking of some projects, such as Lima's second metro line, and the XVIII Pan American Games infrastructure projects.

The improved economic outlook is also expected to reflect higher traditional exports, as a result of higher metal prices and larger mining and oil production, as well as the economic growth of our main trading partners and higher terms of trade. In this context, the Peruvian Central Bank is expecting a 6.4% growth in exports for 2017.

Interest Rates

In general, increases in prevailing interest rates result in more interest revenue from loans. An increase of prevailing interest rates may, however, adversely affect Interbank as a result of reduced overall demand for loans and greater risk of default by its clients. In addition, relatively high interest rates affect Interbank's funding costs, and can adversely affect spreads on its loan portfolio if Interbank is unable to pass on the increased funding costs to its clients. On the other hand, a decrease in interest rates can reduce Interbank's revenue from its loan portfolio. This revenue decrease may be offset by an increase in the volume of loans resulting from higher demand and/or a decrease in Interbank's funding costs.

Inflation

Our performance may be impacted by inflation, because substantially all of our assets are not adjusted for the effects of inflation. During the 1980s, Peru experienced hyperinflation, negative economic growth and substantial currency devaluation. Inflation rates in Peru began to decrease in the 1990s and in the last 12 years Peru had one of the lowest average inflation rates in the region, partly due to the monetary policy implemented by the Peruvian Central Bank and partly due to the conservative fiscal policy of the Peruvian government. In 2002, in order to maintain low inflation rates, the Peruvian Central Bank established an annual inflation target of 2.5% within a range of one percentage point. In 2007, the target was lowered to 2.0%, within a range of one percentage point. The Peruvian Central Bank has maintained its target inflation range ever since. The inflation rate in Peru, as measured by changes in the consumer price index by the INEI, was 2.6% in 2012, 2.9% in 2013, 3.2% in 2014, 4.4% in 2015, 3.2% in 2016 and 1.4% in 2017. In its most recent forecast as of December 2017, the Peruvian Central Bank has estimated Peru's inflation rate to be 2.0% in 2018.

Depreciation and Appreciation of the Sol

The *sol* floats freely against other currencies. Nevertheless, the Peruvian Central Bank participates in the market (buying or selling *soles*) in order to avoid any large fluctuations in the exchange rate because of the effects that it could have on the Peruvian economy, which remains partly dollarized. Because a significant portion of our subsidiaries' assets and liabilities are denominated in U.S. dollars and our financial statements are prepared in *soles*, the results reflected in our audited annual financial statements are affected by fluctuations in the exchange rates between the *sol* and the U.S. dollar.

Although the *sol* appreciated against the U.S. dollar and other foreign currencies after the 2009 financial crisis, the U.S. Federal Reserve's decision to gradually reduce the size of its monetary stimulus during the second quarter of 2013 resulted in the *sol* depreciating against the U.S. dollar. Notwithstanding this depreciation, since May 2016, the *sol* has remained relatively stable, and as of December 2017, its value against the U.S. dollar was in line with its early 2009 value. Any future changes in the value of the *sol* against the U.S. dollar and other foreign currencies could adversely affect our financial condition and results of operations to the extent that our subsidiaries maintain a gap between foreign denominated assets and liabilities.

The Peruvian government adopted a policy to encourage the de-dollarization of the Peruvian economy. This policy included promoting the development of a *sol* capital market and local currency yield curves. The proportion of outstanding loans in the banking system denominated in U.S. dollars has fallen from 51.0% as of December 31, 2011 to 32.8% as of September 30, 2017, according to figures published by SBS. However, the percentage of deposits in the banking system denominated in U.S. dollars was approximately 47.3% as of December 31, 2011 compared to 42.8% as of September 30, 2017. Interbank's proportion of loans in *soles* grew from 53.2% as of December 31, 2011 to 74.1% as of September 30, 2017, while deposits in *soles* increased from 56.8% as of December 31, 2011 to 62.0% as of September 30, 2017.

Monetary Policy

In April 2010, as a result of significant economic growth, the Peruvian Central Bank began tightening its monetary policy, raising the reference rate and increasing reserve requirements. This tightening policy had the goal of mitigating speculative capital inflows and cooling the expansion of credit.

However, since the beginning of 2017, the Peruvian Central Bank started loosening its monetary policy. In this context, from January 2017 to December 2017, the minimum legal reserve requirements were reduced from 70.0% to 40.0% in foreign currency and from 6.5% to 5.0% in local currency; while the reference rate decreased from 4.25% to 3.25%, from January 2017 to December 2017.

Competition

We face intense competition, which can affect our margins, growth and profitability. See "Business—Competitive Environment".

Demographic and Socioeconomic Trends

Peru's economic growth has been supported by favorable demographic trends. According to INEI, the poverty rate in Peru has declined to 20.7% in 2016, from 27.8% in 2011. According to the World Bank, as of 2016 GDP per capita in Peru was US\$6,049, as compared to US\$13,793 per capita in Chile.

Critical Accounting Policies

Critical accounting principles and practices used in the preparation of the financial statements included in this offering memorandum are described below. For additional information regarding the accounting principles described below, see the notes to our financial statements included elsewhere in this offering memorandum.

Basis of Presentation, Use of Estimates and Accounting Changes

Basis of presentation and use of estimates:

Our audited annual financial statements as of December 31, 2016 and 2015 and our interim condensed financial statements as of September 30, 2017 and for the nine-month periods ended September 30, 2017 and 2016 included in this offering memorandum have been prepared in *soles* from our accounting records, which are maintained in nominal monetary and terms at each transaction's date, in accordance with SBS regulations in effect in Peru, and in a supplemental manner, in the absence of specific SBS regulations, with the International Financial Reporting Standards (IFRS) approved in Peru through resolutions issued by the Peruvian Accounting Council, "CNC" by its Spanish acronym at those dates.

The preparation of our audited annual financial statements and our interim condensed financial statements included herein requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the reporting date, as well as the income and expense figures reported during the current period. Actual results may differ from those estimates and assumptions. The most significant estimates included in the accompanying financial statements correspond to the provision for loan losses, valuation of investments, the useful life and recoverable value of property, tangible and intangible assets, the valuation of derivative instruments, and the calculation of deferred income tax. The accounting criteria for the principal estimates are described below.

The accounting records of our Panamanian branch (the "Panamanian Branch") are maintained in U.S. dollars and, for purposes of incorporation, have been translated into *soles* at the exchange rate prevailing at the date of each statements of financial position. The effects of said translation are recognized in the income statements of each period. Likewise, the accounting principles used by the Panamanian Branch have been standardized to the SBS accounting regulations.

Our annual audited financial statements and our interim condensed financial statements do not include the effects of the consolidation of the Bank with its subsidiaries because their non-consolidation, individually or in aggregate, does not significantly affect the bank's financial position, operating results and cash flows. The subsidiaries are accounted using the equity method after adjustments to standardize their balances according to SBS rules. Their consolidation would not have changed the bank's reported net income or equity as of September 30, 2017 and 2016, and December 31, 2016, 2015 and 2014.

As of September 30, 2017, there were no changes in the composition and ownership of the bank's investments in subsidiaries and associates as compared to the information presented in the 2016 Annual Financial Statements.

Following SBS Resolution No.3274-2017, since November 1, 2017, certain commissions on credit cards must be recorded in the caption "Income from financial services" of the interim condensed income statements; until said date, these commissions were recorded in the caption "Interest income". The accumulated amount of said commissions is S/270,406,000 and S/253,105,000 for the nine-month periods ended September 30, 2017 and 2016, respectively. Our financial information for periods subsequent to September 30, 2017 will be prepared in accordance with such newly issued Resolution No. 3274-2017 and, as of the date of this offering memorandum, we have not quantified the possible impact of the application of such resolution, nor the effects of the implementation thereof. It is also possible that financial information prepared in accordance with such new resolution may not be comparable with the financial information included in this offering memorandum. See "Risk Factors—Risk Related to Our Business—Changes to the Peruvian GAAP or to any other accounting principles that may become applicable to us could have a negative effect on our internal processes, and the proper implementation of such changes could result in significant expenses."

Recognition of revenues and expenses

Revenues and expenses from interest are recorded in the income statements of the period in which they are incurred, based on the effective term of the underlying transactions and the interest rates freely agreed upon with customers; except for interest accrued on past due loans, refinanced, restructured or in legal collection, as well as loans classified as doubtful or loss, which interests are recognized as collected. When management determines that the debtor's financial condition has improved and the loan is reclassified as current in the category of normal, potential problems or substandard, such interests are recognized again on an accrual basis.

Interest revenues include interest accrued on fixed income investments classified as available-for-sale and held-to-maturity, as well as income from discounts and premiums on the bank's financial instruments. Dividends are recognized as income when declared.

Commissions from financial services related to the maintenance of loans granted are recognized as income when collected.

Commissions and expenses for loans structuration, credit facility, assessment and credit evaluation of direct and indirect loans are recorded as income on an accrual basis over the agreement period.

Other income and expenses are recognized as earned or incurred in the period in which they accrue.

Allowance for Loan Losses

Direct loans are recorded when the funds are disbursed in favor of the customers. In the case of credit cards operations, these are recorded as loans for the amount consumed and/or cash withdrawals made. Indirect loans (contingent loans) are recorded when documents supporting such facilities are issued.

In the case of financial leases, the bank recognizes the present value of the lease payments as credit granted. The difference between the total amount of installments receivable and their present value is recorded as unrealized interest and is recognized over the term of the lease agreement using the effective interest method, which reflects a constant periodical rate of return. The bank does not grant operating leases.

The provision for loan losses was determined following the guidelines established by SBS Resolution No.11356-2008 "Regulation for the evaluation and classification of the debtor and the requirement of provisions" and SBS Resolution No.6941-2008 "Regulation for the Managing of the Risk from Retail Debtors with High Leverage Levels". In general, these guidelines include the following three components: (i) the provision for loan losses resulting from the risk rating of the loan portfolio, (ii) the pro-cyclical rule activated by the SBS based on the behavior of specific domestic macro-economic variables, and (iii) the over-indebtedness provisions of the retail portfolio.

The provision for the risk rating of the portfolio is determined based on the assessment that management periodically performs over the loan portfolio, classifying it into one of the following categories: normal, with potential problems, substandard, doubtful or loss, depending on the non-payment risk grade of each debtor.

For non-retail loans, the classification into one of each categories mentioned above considers, among others, the following factors: repayment capability, the debtor's payment experience, the payment history of the specific loan, the bank's dealings history with the debtor's management, the debtor's operating history, availability of funds, the status of any collateral or guarantee received, the analysis of the debtor's financial statements, the risk classification given by other local financial institutions; plus other relevant factors. For retail loans, the classification is based, mainly, on repayment capability measured in accordance with its compliance reflected on how long payments are overdue.

The provision is computed considering the risk classifications assigned and using specific percentages, which vary depending upon whether the customer's debts are backed by preferred self-liquidating guarantees – LWPSLG (cash deposits and rights over credit letters) or by preferred guarantees that may be readily liquidated – LWRLPG (treasury bonds issued by the Peruvian National Government, marketable securities listed within the Selective Index of the Lima Stock Exchange, among others) or by other preferred guarantees – LWPG (primary pledge on financial instruments and property, primary pledge on agricultural or mining concessions, insurance on export credits, among others). The guarantees received are considered at their net realizable value as determined by independent appraisers. Likewise, computing the provision must consider the credit classification of the guarantor or guaranteeing party for credits subject to counterparty substitution by a financial or insurance entity (CAC).

The provisions for customers classified as doubtful or loss for more than 36 and 24 months, respectively, is computed without considering the value of the guarantees.

For past due loans over 90 days, the expected loss is estimated and, if it is greater than the provision recorded, the bank must record additional provisions.

The provision for indirect loans is determined on the basis of the "Exposure equivalent to indirect credit risk", according to the indirect credit conversion factor.

The provision for over-indebtedness of the retail loan portfolio requires that financial entities must establish a risk management system that reduces debt over-indebtedness risk before and after the granting of the loan; carry out permanent monitoring of the portfolio in order to identify the over-indebted debtors, which includes a periodic evaluation of control mechanisms used, as well as the corrective action or improvements required, as applicable. For provisioning purposes, the financial entities that fail to comply with this rule to the satisfaction of the SBS, must calculate the exposure equivalent to the credit risk by applying a 20 percent factor to the unused amount of revolving credit lines for micro-business and consumer debtors, and on the basis of said amount, compute the provision according to the debtor's classification

Functional and Reporting Currency

The bank considers the sol as its functional and reporting currency, because it reflects the nature of the economic events and the relevant circumstances of the bank, given that its main operations and/or transactions such as: loans granted, financing obtained, financial revenue and expenses, as well as its main purchases, are established and settled in soles.

Assets and liabilities in foreign currency are recorded at the exchange rate prevailing at the date that transactions are performed. Monetary assets and liabilities denominated in foreign currency are translated into soles at the closing exchange rate of the corresponding month using the exchange rate set by the SBS. Gains or losses resulting from the translation of monetary assets and liabilities in foreign currency at the exchange rates prevailing at the date of the statements of financial position are recorded in the income statements of the period as "Gain on exchange difference and exchange operations" of the caption "Gain on financial transactions".

The accounting records of the bank's branch established abroad are maintained in U.S. dollars and, for consolidation purposes, have been translated into soles at the exchange rate prevailing at the date of each statement of financial position, recording the effects of such translation in the income statements of each period.

Derivative Financial Instruments

SBS Resolution No. 1737-2006 ("Regulation for Trading and Accounting of Derivatives for Financial Entities"), as amended, establishes the criteria for the accounting of transactions with derivatives classified as trading and hedging, as well as embedded derivatives, as explained below:

Trading Derivatives

Derivative financial instruments are initially recognized in the statements of financial position at cost and are subsequently carried at fair value, recognizing an asset or liability in the statements of financial position and the correspondent gain or loss in the income statements. Also, transactions with derivative financial instruments are recorded in off-balance sheet accounts at its notional amount in the committed currency.

The fair values are determined based on market exchange rates and interest rates.

Hedging Derivatives

A derivative financial instrument that seeks to achieve economic coverage of a certain risk is designated as accounting hedge if, on the date of its negotiation, it is expected that changes on its fair value or cash flows will be highly effective in offsetting changes in the fair value or cash flows of the item hedged from the inception, this expectation must be documented when the derivative instrument is first traded and throughout the period during which the hedge is in effect. A hedge is considered as highly effective if it is expected that changes in the fair value or cash flows of the hedged item and the hedging instrument ranges between 80 and 125 per cent.

For this type of hedging instruments, the effective portion of changes in the fair value of hedging derivatives is recognized directly in equity, in the caption "Unrealized results" as a cash flow hedges reserve, net of the related taxes, and any gain or loss related to the ineffective portion is recognized immediately in the income statements. Amounts accumulated in equity for hedging cash flows are transferred to the income statements in the periods when the hedged item is recorded in the income statements or when an expected transaction occurs.

On the other hand, if the hedge instrument expires, is sold, settled or exercised, or at the moment that the hedge instrument does not comply with the required accounting criteria for hedges, the hedge is terminated in a prospectively manner and the balances recorded in the equity are transferred to the income statements during the hedged item's term.

Investments at Fair Value through Profit or Loss, Available-for-Sale and Held-to-Maturity

Investments are evaluated following SBS Resolutions No.10639-2008 and No.7033-2012.

The criteria for the classification and valuation of said investments are as follows:

Classification

Investments at fair value through profit and loss:

This category has two sub-categories:

- Investments maintained for negotiation, which are acquired with the purpose of selling or repurchasing in the short term.
- Investments at fair value through profit and loss, since their inception, which are part of an identified portfolio of financial instruments that are managed together and for which there has been a demonstrated recent pattern of taking gains in the short term. As of December 31, 2016 and 2015, the bank does not hold any instruments classified under this sub-category.

Available-for-sale investments:

Investments designated into this category are held for an indefinite period and may be sold for purposes of liquidity, changes in interest rates, exchange rates or cost of capital; or do not qualify to be registered as at fair value through profit and loss or held-to-maturity.

Held-to-maturity investments

The financial instruments that are classified in this category must comply with the following requirements:

- Be acquired or reclassified for the purpose of holding them until their maturity date; except for the cases when their sale, assignment or reclassification are allowed by the SBS.
- They must have risk ratings as required by the SBS.

In order to classify their investments in this category, financial entities must assess they have the financial capability to hold them until their maturity. This capability must be evaluated at the closing date of each annual period.

Initial recognition date

Transactions must be recorded using the trading date; that is, the date at which the reciprocal obligations that must be performed within the term established by regulations and the usual practice on the market at which the operation takes place.

Initial recognition and measurement

Investments at fair value through profit or loss:

Their initial accounting is carried out at fair value, recording the transaction costs as expenses. Their valuation corresponds to the fair value and the gain or loss originated from the change between their initial recognition and the fair value is directly recorded in the income statements.

Available-for-sale Investments:

The initial accounting record is performed at fair value, including the transaction costs that are directly attributable to their acquisition. Their valuation corresponds to fair value and the gain or loss originated from the change between their initial recognition and fair value is recorded directly in equity, unless an impairment loss is recorded. When the financial instrument is sold, the gain or loss, previously recorded as a part of the equity, is transferred to the income statements of the period.

In the case of debt securities, previously to the valuation at fair value, the amortized cost is updated in the accounts applying the effective interest rate method, and the variation resulting of the amortized cost is used for the recognition of the gains and losses.

Held-to-maturity investments:

Their initial accounting is at fair value, including the transaction costs that are directly attributable to their acquisition. Their valuation corresponds to the amortized cost by applying the effective interest rate method.

Interests are recognized by applying the effective interest rate method, which includes both the receivable interest and the amortization of the premium or discount existing in the acquisition.

The difference between the revenues received from the disposal of these investments and their book value is recognized in the income statements.

Impairment assessment

SBS Resolution No. 7033-2012 establishes a standard methodology for the identification of the impairment of financial instruments classified as available-for-sale and held-to-maturity. Said methodology comprises a two-filter analysis, as described below:

First filter:

On a quarterly basis the following conditions on the entire portfolio of debt and equity investments must be assessed:

- Significant decrease of fair value: In case the fair value at the date of the financial statements has decreased below 50 percent of the purchasing cost.
- Prolonged decrease of fair value: In case the monthly average fair value decreases consecutively during the last 12 months, and the cumulative fall of the fair value in said period is at least 20 percent.

The aforementioned assessment is performed in the original currency of the instrument in order to isolate the exchange rate difference.

Second filter:

For the instruments that passed the first filter, the following circumstances related to qualitative aspects of the issuer are assessed:

- Impairment of the financial position or financial ratios of the issuer or its economic group.
- Adverse conditions of the investment and the issuer. Adverse conditions include adverse changes in the economic environment, technological or market in which the issuer or investment operates.
- Downgrading of the risk classification as consequence of additional factors to the aforementioned.
- Interruption of the interest or principal payments due to financial difficulties of the issuer.
- Interruption of transactions or of an active market due to financial difficulties of the issuer.
- Forced renegotiation of the contractual conditions of the instrument due to legal or economic factors related to the issuer.
- Evidence that the issuer will enter into a forced restructuring or bankruptcy process.
- Decrease in value due to legislation changes (taxes, regulatory or other governmental).

The entity does not have the intention and capability to hold the investment with losses up until the recovery of its value. In such case, it will be necessary to perform a forecast of the estimated time needed to recover the value and an assessment of the evidence that shows, on the basis of historical information and the financial position of the bank, whether there is the intention and capability to maintain the investment all through that period of time.

In accordance with the established in such SBS Resolutions, if at least two of the analyzed factors are affirmative, then impairment exists. Once a loss due to impairment is recognized, the following assessments are performed over the book value of the instruments, net of the impairment previously recognized. On the other hand, when the SBS considers necessary to establish any additional provision for any type of investment, such provision must be determined on the basis of each individual instrument, and should be recorded in the income statements of the period in which the SBS requires such provision as per SBS Resolution No. 7033-2012.

Recognition of exchange differences

Any gains or losses from currency exchange differences related to the amortized cost of debt instruments are recorded in the income statements, while those related to the difference between the amortized cost and the fair value are recorded in the statements of shareholders' equity as part of the unrealized results. In the case of equity instruments, they are considered non-monetary items and, consequently, they remain at their historical cost in local currency, which means that any exchange differences are part of their valuation and are recognized as part of the unrealized results in the statements of shareholders' equity.

Changes in classification category

In the case of changes in the classification category from available-for-sale investment to held-to-maturity investment, the fair value of the financial asset on the date of transaction becomes its new amortized cost. Any previous gain or loss of the asset that has been recognized in other comprehensive income shall be amortized over the remaining life of the investment using the effective interest method. Any difference between the new amortized cost and maturity amount shall be amortized using the interest rate method during the life of the financial instrument in a similar manner as the amortization of a premium or discount. If the asset subsequently becomes impaired, any gain or loss remaining in other comprehensive income shall be reclassified to profit or loss.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, when applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized when: (i) the rights to receive cash flows from the asset have expired; or (ii) the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and (iii) either the Bank has transferred substantially all the risks and rewards of the asset, or the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and a new liability is recognized, the difference between the carrying amount of the original and the new financial liability is recognized in the income statements.

Investments in Subsidiaries and Associates

This category includes only securities representing the capital acquired with the purpose of holding equity participation, control and/or significant influence in other entities or institutions.

These investments are initially accounted at fair value, including the transaction costs that are directly attributable to their acquisition. Subsequently to their original registration, these investments are measured through the equity method. In the case of investments quoted on security exchanges, when their market value shows a decreasing tendency for reasons considered non-temporary, the bank records a provision; nonetheless, the SBS can require additional provisions. Under the equity method, dividends declared by the subsidiaries and paid in cash are recorded by decreasing the value of the investment.

Repurchase agreements

Through SBS Resolution No. 5790-2014, in force since September 3, 2014, the SBS approved the new "Regulation for repo transactions applicable to financial entities which replaced the "Regulation for repo transaction and repurchase agreements" approved by Resolution No. 1067-2005 SBS and its amendment.

The resolution allows the performance of sales operations with repurchase agreements, simultaneous operations of sale and purchase of securities and operations of temporary transfer of securities; also, it establishes the accounting criteria applicable to said transactions.

The operations of currency repos performed by the Peruvian Central Bank are considered in accordance with the Circular Letter No. 002-2015-BCRP.

The funds in foreign currency and the securities delivered as guarantees are included in the captions "Cash and due from banks – Restricted funds" and "Available-for-sale investments", respectively, while the corresponding liabilities are presented in the "Payables from repurchase agreements" caption of the statements of financial position, reflecting the economic substance of the transaction as a loan received by the bank.

Income Tax

Current Income Tax

Current income tax is computed based on the taxable income determined for tax purposes, which is determined using criteria that differ from the accounting principles used by the Bank.

Deferred Income Tax

Current Income Tax is computed based on the taxable income determined for tax purposes, which is determined using criteria that differ from the accounting principles used by the Bank.

Therefore, the Bank has recorded deferred income taxes, considering the guidelines of IAS 12 "Income Tax". The deferred Income Tax reflects the effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts determined for tax purposes. Deferred assets and liabilities are measured using the tax rates expected to be applied to taxable income in the years when temporary differences are expected to be recovered or settled. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences which arise from the way in which the Bank expects to recover or eliminate the carrying amount of its assets and liabilities at the statements of financial position dates.

Deferred tax assets and liabilities are recognized regardless of when the temporary differences are likely to reverse. Deferred tax assets are recognized when it is probable that sufficient taxable income will be generated against which the deferred tax assets can be offset. At the date of each statements of financial position, management evaluates the non-recognized deferred assets and the carrying amount of the recognized deferred tax assets, recording deferred assets not previously recognized to the extent that probable future tax benefits will allow their recovery, or reducing a deferred asset to the extent that it is not likely that future tax benefits will be sufficient to allow the use of part or all of the deferred assets previously recognized.

In accordance with IAS 12, the bank determines its deferred tax considering the tax rate applicable to its non-distributed earnings; any additional tax on dividends distribution is recorded on the date a liability is recognized.

Contingencies

Contingent liabilities are not recorded in the financial statements. They are disclosed in the Notes to the Financial Statements, unless the possibility of an outflow of economic benefits is remote.

Contingent assets are not recognized in the financial statements; however, they are disclosed when their contingency degree is probable.

Results of Operations for the Nine months ended September 30, 2017 Compared to the Nine months ended September 30, 2016

The following table sets forth the principal components of our net income for the nine months ended September 30, 2017 and 2016.

	For the nine months ended September 30, (unaudited)		Change	
	2017	2016	(\$/ in millions)	%
Interest income	2,769.1	2,694.9	74.1	2.8%
Interest expenses	(756.3)	(727.9)	(28.4)	3.9%
Gross financial margin	2,012.8	1,967.0	45.8	2.3%
Provisions for loan losses, net of recoveries	(621.7)	(559.2)	(62.5)	11.2%
Net financial margin	1,391.1	1,407.8	(16.7)	(1.2%)
Income from financial services, net ⁽¹⁾	249.4	240.4	9.0	3.8%
Gain on financial transactions	252.1	221.7	30.5	13.8%
Operating margin	1,892.6	1,869.8	22.8	1.2%
Administrative expenses	(985.2)	(950.9)	(34.2)	3.6%
Depreciation	(47.1)	(45.7)	(1.4)	3.0%
Amortization	(47.9)	(42.3)	(5.5)	13.1%
Net operating income	812.5	830.8	(18.3)	(2.2%)
Provision for contingencies and other ⁽²⁾	(6.3)	(15.8)	9.4	(59.9%)
Other income, net	51.6	50.2	1.4	2.7%
Income before income tax	857.7	865.3	(7.5)	(0.9%)
Income tax	(220.6)	(228.7)	8.2	(3.6%)
Net income	637.2	636.5	0.6	0.1%

(1) Income from financial services and expenses for financial services.

(2) Provision for contingencies and other impairment of available-for-sale investments.

Net income slightly increased by 0.1% for the nine months ended September 30, 2017, compared to the corresponding period of 2016. This was mainly explained by increases in gross financial margin and in gain on financial transactions, in addition to lower provision for contingencies and other. However, these effects were partially offset by increases in provisions for loan losses and administrative expenses.

The increase in our gross financial margin was mainly driven by growth in interest on loans and on investments. The higher gain on financial transactions was mainly due to higher income from the sale and valuation of investments, net.

The increase in credit-related provisions was due to higher provisioning requirements on credit cards, while the growth in administrative expenses was related to services received from third parties, primarily associated with the outsourcing of our data center.

Interest Income

The following table presents the components of our interest income for the nine months ended September 30, 2017 and 2016.

	For the nine months ended September 30, (unaudited)		Change	
	2017	2016	(S/ in millions)	%
	(S/ in millions)			
Interest and commissions on loans portfolio ⁽¹⁾	2,623.5	2,582.8	40.8	1.6%
Interest on due from banks and interbank funds ..	17.6	14.0	3.6	25.5%
Interest on investments ⁽²⁾	125.9	96.1	29.8	31.0%
Other interest and similar income	2.1	2.1	-	(1.1%)
Total interest income	2,769.1	2,694.9	74.1	2.8%

(1) Includes fees on direct loans.

(2) Includes certificates of deposit issued by the Peruvian Central Bank.

The 2.8% increase in interest income for the nine months ended September 30, 2017 was mainly due to growth of 1.6% in interest and commissions on loans portfolio, and 31.0% in interest on investments. The increase in interest and commissions on loans portfolio and other interest and similar income was due to a 4.1% growth in the average loan volume, which was partially offset by a 33 basis point decline in the average yield. The higher average volume was a result of growth in both retail and commercial loans, while the decline in the average yield was mainly driven by lower rates on credit cards, as competition increased in the retail segment.

The increase in interest on investments was explained by growth of 24.7% in the average volume and 19 basis points in the average yield. The higher average volume was a result of growth of sovereign and global bonds, while the higher average yield was due to increased returns on Peruvian Central Bank certificates of deposit.

Interest Expenses

The following table presents the components of our interest expenses for the nine months ended September 30, 2017 and 2016

	For the nine months ended September 30, (unaudited)		Change	
	2017	2016	(S/ in millions)	%
	(S/ in millions)			
Interest and commissions on deposits and obligations.....	(360.8)	(299.2)	(61.6)	20.6%
Interest and fees on obligations with financial institutions.....	(164.2)	(190.1)	25.9	(13.6%)
Interest on bonds and other obligations	(222.8)	(232.1)	9.3	(4.0%)
Other expenses.....	(8.6)	(6.6)	(2.0)	29.8%
Total interest expense	(756.3)	(727.9)	(28.4)	3.9%

The 3.9% growth in interest expenses for the nine months ended September 30, 2017 was mainly due to a 20.6% increase in interest and commissions on deposits and obligations, partially compensated by contractions of 13.6% in interest and fees on obligations with financial institutions and 4.0% in interest on bonds and other obligations.

The increase in interest and commissions on deposits and obligations was a result of a 3.2% growth in the average volume and a 28 basis points higher average cost. Average volume growth was due to increases in retail, institutional and commercial deposits. The increase in the average cost was mainly driven by higher rates on commercial deposits.

The lower interest and fees on obligations with financial institutions was driven by a 12.5% contraction in the average volume, while the average cost decreased 5 basis points. The average volume reduction was mainly due to lower funding from abroad and from the Central Bank, partially offset by higher inter-bank funding.

The decrease in interest on bonds was mainly explained by a 1.8% contraction in the average volume, which was driven by an appreciation of the average exchange rate. This caused a decrease in the value of foreign currency instruments, which represented the majority of bonds outstanding.

Gross Financial Margin

Gross financial margin represents the difference between interest income and interest expenses. As a result of the factors discussed above, our gross financial margin grew 2.3% for the nine months ended September 30, 2017, compared to the corresponding period of 2016. Net interest margin slightly increased to 5.77% for the nine months ended in September, 2017, compared to the 5.76% for the corresponding period of 2016.

Provision for Loan Losses, Net of Recoveries

The following table presents the components of our provision for loan losses, net, for the nine months ended September 30, 2017 and 2016.

	For the nine months ended September 30, (unaudited)		Change	
	2017 (S/ in millions)	2016	(S/ in millions)	%
Provisions	759.8	687.7	72.1	10.5%
Recoveries of provisions.....	(138.1)	(128.5)	(9.6)	7.5%
Provision for loan losses, net of recoveries.....	621.7	559.2	62.5	11.2%

The 11.2% increase in provision expenses for the nine months ended September 30, 2017 was mainly explained by higher provisioning requirements on credit cards, partly an effect of the low growth in such product.

The following table presents the effect on allowance for loan losses, as recorded on our statements of financial position as of September 30, 2017 and 2016.

	For the nine months ended September 30, (unaudited)		Change	
	2017 (S/ in millions)	2016	(S/ in millions)	%
Balance at the beginning of year.....	1,325.9	1,232.9	93.0	7.5%
Provisions	759.8	687.7	72.1	10.5%
Recoveries of provisions.....	(138.1)	(128.5)	(9.6)	7.5%
Write-offs, loans and sales.....	(642.3)	(589.2)	(53.2)	9.0%
Recoveries of written-off loans.....	93.2	89.3	3.9	4.4%
Translation result and others.....	(7.3)	(1.2)	(6.1)	487.7%
Balance at year end ⁽¹⁾.....	1,391.1	1,291.0	100.1	7.8%
Provision for losses on indirect loan portfolio	53.6	59.9	(6.3)	(10.5%)

(1) Includes provisions for contingent loans.

The ratio of past due loans over total loans was 2.8% as of the nine months ended September 30, 2017, higher than the 2.6% registered in the corresponding period of 2016.

Net Financial Margin

Net financial margin represents gross financial margin less provisions for loan losses, net. As a result of the factors discussed above, our net financial margin decreased by S/16.7 million, or 1.2%, from S/1,407.8 million for the nine months ended September 30, 2016 to S/1,391.1 million in the corresponding period of 2017.

Income from Financial Services, Net

The following table sets forth the components of our income from financial services, net, for the nine months ended September 30, 2017 and 2016.

	For the nine months ended September 30, (unaudited)		Change	
	2017	2016	(S/ in millions)	%
Income from financial services	429.1	419.8	9.3	2.2%
Expenses for financial services	(179.7)	(179.4)	(0.3)	0.2%
Income from financial services, net	249.4	240.4	9.0	3.8%

Income from financial services, net, increased 3.8% mainly due to higher commissions on services, especially those related to saving accounts. This was partially compensated by lower interchange fees associated with the use of credit cards.

Gain on Financial Transactions

The following table sets forth the components of our gain on financial transactions for the nine months ended September 30, 2017 and 2016.

	For the nine months ended September 30, (unaudited)		Change	
	2017	2016	(S/ in millions)	%
Income from sale and valuation of investments, net	55.3	40.6	14.6	36.0%
Gain on exchange difference and exchange operations	162.7	210.9	(48.2)	(22.8%)
Gain (loss) from Trading derivatives, net	4.9	(57.7)	62.6	N/M
Equity share from investments in subsidiaries and associates.....	24.4	28.0	(3.6)	(12.8%)
Other ⁽¹⁾	4.9	(0.1)	5.0	N/M
Gain on financial transactions	252.1	221.7	30.5	13.8%

(1) Gain on sale of loans and other.

Gain on financial transactions increased 13.8% mainly due to a better result from trading derivatives and an increase of 36.0% in income from sale and valuation of investments, net.

Operating Margin

Operating margin represents the sum of net financial margin, income from financial services and gain on financial transactions. As a result of the factors discussed above, operating margin increased by S/22.8 million, or 1.2%, from S/1,869.8 million for the nine months ended September 30, 2016 to S/1,892.6 million in the corresponding period of 2017.

Administrative Expenses

The following table sets forth the components of our administrative expenses for the nine months ended September 30, 2017 and 2016.

	For the nine months ended September 30, (unaudited)		Change	
	2017	2016	(S/ in millions)	%
	(S/ in millions)			
Services received from third parties.....	(514.4)	(486.9)	(27.5)	5.7%
Personnel and board of directors expenses	(444.8)	(438.4)	(6.4)	1.5%
Taxes and contributions	(26.0)	(25.6)	(0.3)	1.3%
Total administrative expenses.....	(985.2)	(950.9)	(34.2)	3.6%

Administrative expenses grew 3.6% mainly explained by a 5.7% increase in expenses from third-party services, primarily associated with the outsourcing of our data center.

Our efficiency ratio is calculated by dividing administrative expenses plus depreciation and amortization of gross financial margin, income from financial services and gain on financial transactions. Our efficiency ratio increased to 43.0% for the nine months ended September 30, 2017, from 42.8% for the corresponding period of 2016. The higher efficiency ratio was mainly a result of the increase in administrative expenses described above.

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment increased to S/47.1 million for the nine months ended September 30, 2017, compared to S/45.7 million for the corresponding period of 2016, as a result of higher depreciation expenses related to equipment received from leasing operations.

Amortization

Amortization of intangibles increased by S/5.5 million to S/47.9 million for the nine months ended September 30, 2017, compared to S/42.3 million for the corresponding period of 2016, mainly due to higher amortization expenses related to software systems.

Net Operating Income

Net operating income represents operating margin less administrative expenses, depreciation of property, plant and equipment, amortization of intangibles and amortization of goodwill. As a result of the factors discussed above, our net operating income decreased by S/18.3 million, from S/830.8 million for the nine months ended September 30, 2016 to S/812.5 million in the corresponding period of 2017.

Provisions for Contingencies and Other

Provisions for contingencies and other decreased by S/9.4 million, from S/15.8 million for the nine months ended September 30, 2016 to S/6.3 million in the corresponding period of 2017, which reflects management's estimates of contingencies for which provisions are required in accordance with accounting rules.

Other Income, Net

The following table presents the components of our other income, net, for the nine months ended September 30, 2017 and 2016.

	For the nine months ended September 30, (unaudited)		Change	
	2017 (S/ in millions)	2016 (S/ in millions)	(S/ in millions)	%
Other income				
ATM rental income, services rendered to third parties and investment fund participation.....	30.6	31.3	(0.7)	(2.3%)
Insurance recovery.....	0.8	0.8	0.0	4.8%
Other income.....	40.7	37.6	3.1	8.3%
Total other income.....	72.1	69.6	2.4	3.5%
Other expenses				
Donations.....	(4.8)	(5.5)	0.7	(13.1%)
Other expenses.....	(15.7)	(13.9)	(1.8)	13.0%
Total other expenses.....	(20.5)	(19.4)	(1.1)	5.6%
Other income, net.....	51.6	50.2	1.4	2.7%

Other income, net, increased by S/1.4 million mainly due to higher release of provisions.

Income Tax

We are subject to Peruvian income tax and must calculate our income tax expense on a non-consolidated basis. As of September 30, 2017, the applicable corporate income tax was 29.5%, while for the corresponding period in 2016 it was 28.0%.

However, the effective tax rates including current and deferred income tax were 25.7% as of the nine months ended in September, 2017 and 26.4% for the corresponding period in 2016, which were lower than the applicable rates, due to tax-exempt items in our revenues and tax-deductible expenses.

Results of Operations for the Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015

The following table sets forth the principal components of our net income for the years ended December 31, 2016 and 2015.

	For the years ended December 31,		Change	
	2016 (S/ in millions)	2015 (S/ in millions)	(S/ in millions)	%
Interest income.....	3,631.3	3,284.7	346.6	10.6%
Interest expenses.....	(975.1)	(827.7)	(147.4)	17.8%
Gross financial margin.....	2,656.2	2,457.0	199.1	8.1%
Provisions for loan losses, net of recoveries.....	(750.7)	(662.4)	(88.3)	13.3%
Net financial margin.....	1,905.5	1,794.6	110.9	6.2%
Income from financial services, net ⁽¹⁾	323.7	308.9	14.9	4.8%
Gain on financial transactions.....	306.0	449.6	(143.6)	(31.9%)
Operating margin.....	2,535.3	2,553.1	(17.9)	(0.7%)
Administrative expenses.....	(1,287.5)	(1,268.4)	(19.0)	1.5%
Depreciation.....	(61.0)	(61.3)	0.2	(0.4%)
Amortization.....	(57.4)	(41.7)	(15.6)	37.5%
Net operating income.....	1,129.4	1,181.7	(52.2)	(4.4%)
Provision for contingencies and other ⁽²⁾	(18.9)	(21.2)	2.3	(10.9%)
Other income, net.....	60.3	8.4	51.9	615.0%
Income before income tax.....	1,170.9	1,169.0	2.0	0.2%
Income tax.....	(295.8)	(308.6)	12.8	(4.1%)
Net income.....	875.1	860.3	14.8	1.7%

- (1) Income from financial services and expenses for financial services.
(2) Provision for contingencies and other and impairment of available-for-sale investments.

Net income increased by 1.7% for 2016 compared to 2015. This was primarily due to an 8.1% growth in gross financial margin and substantially higher other income, net; partially offset by a 31.9% decline in gain on financial transactions and 13.3% higher provision expenses.

The increase in our gross financial margin was mainly driven by growth in interest on loans and on investments. Whereas the decline in our gain on financial transactions was mainly due to a reduction in income from foreign currency trading, in turn explained by lower exchange rate volatility compared to 2015.

Income before tax increased 0.2% in 2016. However, due to a lower effective tax rate, the increase in the net income was 1.7%. The effective tax rate decreased from 26.4% in 2015 to 25.3% in 2016, mainly due to certain tax efficiencies related to investments.

Interest Income

The following table presents the components of our interest income for the years ended December 31, 2016 and 2015.

	For the years ended December 31,		Change	
	2016	2015	(S/ in millions)	%
	(S/ in millions)		(S/ in millions)	%
Interest and commissions on loans portfolio ⁽¹⁾	3,473.6	3,169.9	303.8	9.6%
Interest on due from banks and interbank funds ..	18.9	10.6	8.3	78.7%
Interest on investments ⁽²⁾	135.5	100.6	34.9	34.7%
Other interest and similar income	3.3	3.7	(0.4)	(11.6%)
Total interest income	3,631.3	3,284.7	346.6	10.6%

- (1) Includes fees on direct loans.
(2) Includes certificates of deposit issued by the Peruvian Central Bank.

The 10.6% increase in our interest income in 2016 was due to growth of 9.6% in interest and commissions on loans portfolio, 78.7% in interest on due from banks and interbank funds, and 34.7% in interest on investments. The increase in interest and commissions on loans portfolio and other interest and similar income was driven by a 8.8% increase in the average balance and a 9 basis point increase in the average yield. The higher average volume was a result of growth in both retail and commercial loans, while the increase in the average yield was a result of a higher yield on commercial loans, partially offset by a lower return on retail loans. The improved return on commercial loans was due to higher yields on trade loans, partially offset by lower returns on short and medium-term loans. The average yield on retail loans decreased due to lower interest rates in credit cards, partially offset by better returns on mortgages and other consumer loans.

The increase in interest on due from banks and interbank funds was a result of a 22.5% increase in the average balance and a 6 basis point growth in the average yield. The higher average volume was mainly due to an increase in interbank funds, while the increase in the average yield was a result of higher returns on funds held at the Peruvian Central Bank.

The higher interest on investments was a result of growth of 7.6% in the average balance and 79 basis points in the average yield. The increase in the average balance was explained by growth in sovereign bonds and in bonds issued by financial institutions, while the increase in the average yield was due to better returns on Peruvian Central Bank certificates of deposit and on corporate bonds.

Interest Expenses

The following table presents the components of our interest expenses for the years ended December 31, 2016 and 2015.

	For the years ended December 31,		Change	
	2016	2015	(S/ in millions)	%
	(S/ in millions)			
Interest and commissions on deposits and obligations.....	(407.6)	(310.6)	(96.9)	31.2%
Interest and fees on obligations with financial institutions.....	(249.0)	(214.4)	(34.6)	16.2%
Interest on bonds and other obligations	(309.2)	(293.7)	(15.5)	5.3%
Other expenses.....	(9.3)	(9.0)	(0.4)	4.2%
Total interest expense	(975.1)	(827.7)	(147.4)	17.8%

The 17.8% increase in interest expenses in 2016 was explained by growth of 31.2% in expenses related to deposits and obligations, 16.2% in interest and fees on obligations with financial institutions and 5.3% in interest on bonds and other obligations. The increase in interest and commissions on deposits and obligations was a result of a 12.3% growth in the average volume and a 24 basis points higher average cost. Average volume growth was due to increases in commercial and retail deposits, partially offset by a decrease in institutional deposits. The increase in the average cost was driven by increases in the commercial and retail segments, partially offset by a lower proportion of institutional deposits over total deposits. This is explained by the fact that institutional deposits bear a higher average cost than the other components of our deposit base.

The higher interest and fees on obligations with financial institutions was driven by a 15.8% growth in the average volume, while the average cost remained relatively stable. Average volume growth was due to higher Peruvian Central Bank funding, partially offset by lower funding from correspondent banks.

The increase in interest on bonds was mainly explained by a 4.3% growth in the average volume, which in turn was driven by a depreciation of the average exchange rate. This caused an increase in the value of foreign currency instruments, which represented the majority of bonds outstanding.

Gross Financial Margin

Gross financial margin represents the difference between interest income and interest expenses. As a result of the factors discussed above, our gross financial margin grew 8.1% in 2016 compared to 2015. Net interest margin declined from 6.01% in 2015 to 5.77% in 2016, mainly due to a 14 basis point decrease in the return on interest-earning assets, as well as a 14 basis point increase in the average funding cost.

Provision for Loan Losses, Net of Recoveries

The following table presents the components of our provision for loan losses, net, for the years ended December 31, 2016 and 2015.

	For the years ended December 31,		Change	
	2016	2015	(S/ in millions)	%
	(S/ in millions)			
Provisions	921.4	756.7	164.6	21.8%
Recoveries of provision	(170.7)	(94.3)	(76.3)	80.9%
Provision for loan losses, net of recoveries.....	750.7	662.4	88.3	13.3%

The 13.3% increase in provision expenses in 2016 was mainly a result of higher provisioning requirements on consumer loans, especially credit cards.

The following table presents the effect on allowance for loan losses, as recorded on our statements of financial position as of December 31, 2016 and 2015.

	For the years ended December 31,		Change	
	2016	2015	(S/ in millions)	%
	(S/ in millions)			
Balance at the beginning of year	1,232.9	986.6	246.3	25.0%
Provision.....	921.4	756.7	164.6	21.8%
Recoveries of provisions.....	(170.7)	(94.3)	(76.3)	80.9%
Written-offs, loans and sales.....	(772.0)	(564.8)	(207.3)	36.7%
Recoveries of written-off loans.....	119.1	108.7	10.3	9.5%
Translation result and others.....	(4.7)	39.9	(44.7)	(111.8%)
Balance at year end ⁽¹⁾	1,325.9	1,232.9	93.0	7.5%
Provision for losses of indirect loan portfolio.....	59.9	51.7	8.2	15.9%

(1) Includes provisions for contingent loans.

The ratio of past due loans over total loans was 2.6% in 2016, higher than the 2.3% registered in 2015. The coverage ratio of past due loans decreased from 193.9% in 2015 to 179.8% in 2016.

Net Financial Margin

Net financial margin represents gross financial margin less provisions for loan losses, net. As a result of the factors discussed above, our net financial margin increased by S/110.9 million, or 6.2%, from S/1,794.6 million in 2015 to S/1,905.5 million in 2016.

Income from Financial Services, Net

The following table sets forth the components of our income from financial services, net, for the years ended December 31, 2016 and 2015.

	For the years ended December 31,		Change	
	2016	2015	(S/ in millions)	%
	(S/ in millions)			
Income from financial services.....	562.0	528.1	33.9	6.4%
Expenses for financial services.....	(238.3)	(219.2)	(19.1)	8.7%
Income from financial services, net	323.7	308.9	14.9	4.8%

Income from financial services, net, increased 4.8% mainly due to higher commissions on services, especially those related to credit card maintenance.

Gain on Financial Transactions

The following table sets forth the components of our gain on financial transactions for the years ended December 31, 2016 and 2015.

	For the years ended December 31,		Change	
	2016	2015	(S/ in millions)	%
	(S/ in millions)			
Income from sale and valuation of investments, net.....	44.6	33.6	11.0	32.7%
Gain on exchange difference and exchange operations.....	267.1	466.3	(199.2)	(42.7%)
Gain (Loss) from trading derivatives, net.....	(47.7)	(104.7)	57.0	(54.5%)
Equity share from investments in subsidiaries and associates.....	34.1	34.2	(0.1)	(0.3%)
Other ⁽¹⁾	7.9	20.3	(12.4)	(61.0%)
Gain on financial transactions	306.0	449.6	(143.6)	(31.9%)

(1) Gain on sale of loans and other.

Gain on financial transactions decreased 31.9%, mainly due to a 42.7% reduction in exchange difference, net, partially offset by a 54.5% decrease in trading derivatives losses. Netted against, both effects explained the lower income on foreign currency trading.

Operating Margin

Operating margin represents the sum of net financial margin, income from financial services and gain on financial transactions. As a result of the factors discussed above, operating margin decreased by S/17.9 million, or 0.7%, from S/2,553.1 million in 2015 to S/2,535.3 million in 2016.

Administrative Expenses

The following table sets forth the components of our administrative expenses for the years ended December 31, 2016 and 2015.

	For the years ended December 31,		Change	
	2016	2015	(S/ in millions)	%
	(S/ in millions)			
Services received from third parties.....	(663.2)	(663.0)	(0.3)	0.0%
Personnel and board of directors expenses	(590.0)	(572.2)	(17.8)	3.1%
Taxes and contributions.....	(34.2)	(33.3)	(0.9)	2.6%
Total administrative expenses.....	(1,287.5)	(1,268.4)	(19.0)	1.5%

Administrative expenses grew 1.5%, mainly due to a 3.1% increase in personnel and board of directors expenses, driven by a higher average headcount.

Our efficiency ratio is calculated by dividing administrative expenses plus depreciation and amortization of gross financial margin, income from financial services and gain on financial transactions. Our efficiency ratio slightly increased, from 42.6% in 2015 to 42.8% in 2016, mainly due to a 31.9% reduction in gain on financial transactions, which offset the 8.1% increase in gross financial margin.

"Administrative expenses" includes payroll expenses related with termination of employees, amounting to S/13.5 million and S/9.9 million for the years ended December 31, 2016 and 2015, respectively. These figures were reclassified from "Other income, net".

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment slightly decreased to S/61.0 million in 2016 compared to S/61.3 million in 2015 as a result of lower depreciation expenses related to equipment in 2016.

Amortization

Amortization increased by S/15.6 million, from S/41.7 million in 2015 to S/57.4 million in 2016, due to higher amortization expenses related to software systems in 2016.

Net Operating Income

Net operating income represents operating margin less administrative expenses, depreciation of property, plant and equipment, amortization of intangibles and amortization of goodwill. As a result of the factors discussed above, our net operating income decreased by S/52.2 million, from S/1,181.7 million in 2015 to S/1,129.4 million in 2016.

Provisions for Contingencies and Other

Provisions for contingencies and other decreased by S/2.3 million, from S/21.2 million in 2015 to S/18.9 million in 2016, which reflects management's estimates of contingencies for which provisions are required in accordance with accounting rules.

Other Income, Net

The following table presents the components of our other income, net, for the years ended December 31, 2016 and 2015.

	For the years ended December 31,		Change	
	2016	2015	(S/ in millions)	%
	(S/ in millions)		(S/ in millions)	%
Other income				
ATM rental income, services rendered to third parties and investment fund participations	43.4	32.2	11.2	34.7%
Insurance recovery	0.8	1.7	(0.9)	(54.9%)
Other income	39.7	23.7	15.9	66.9%
Total other income	83.8	57.7	26.1	45.3%
Other expenses				
Donations	(5.9)	(4.5)	(1.4)	31.3%
Other expenses	(17.5)	(44.7)	27.2	(60.8%)
Total other expenses	(23.5)	(49.2)	25.8	(52.3%)
Other income, net	60.3	8.4	51.9	615.0%

Other income, net, increased by S/51.9 million mainly due to higher ATM rental income, services rendered to third parties, investment fund participation and other miscellaneous income.

Income Tax

We are subject to Peruvian income tax and must calculate our income tax expense on a non-consolidated basis. As of December 31, 2016 and 2015, the applicable corporate income tax rate was 28.0% of taxable income.

However, the effective tax rate including current and deferred income tax was 25.3% in 2016 and 26.4% in 2015, which were lower than the applicable rate of 28.0%, due to tax-exempt items in our revenues and tax-deductible expenses.

Results of Operations for the Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014

The following table sets forth the principal components of our net income for the years ended December 31, 2015 and 2014.

	For the years ended December 31,		Change	
	2015	2014	(S/ in millions)	%
	(S/ in millions)		(S/ in millions)	%
Interest income	3,284.7	2,810.5	474.2	16.9%
Interest expenses	(827.7)	(705.8)	(121.9)	17.3%
Gross financial margin	2,457.0	2,104.7	352.3	16.7%
Provisions for loan losses, net of recoveries	(662.4)	(445.1)	(217.3)	48.8%
Net financial margin	1,794.6	1,659.6	135.0	8.1%
Income from financial services, net ⁽¹⁾	308.9	284.4	24.4	8.6%
Gain on financial transactions	449.6	287.5	162.1	56.4%
Operating margin	2,553.1	2,231.6	321.6	14.4%
Administrative expenses	(1,268.4)	(1,146.5)	(121.9)	10.6%

	For the years ended December 31,		Change	
	2015	2014	(S/ in millions)	%
Depreciation.....	(61.3)	(68.5)	7.2	(10.5%)
Amortization.....	(41.7)	(40.5)	(1.2)	2.9%
Net operating income	1,181.7	976.0	205.7	21.1%
Provision for contingencies and other ⁽²⁾	(21.2)	(10.0)	(11.2)	112.7%
Other income, net.....	8.4	18.7	(10.2)	(54.8%)
Income before income tax	1,169.0	984.7	184.3	18.7%
Income tax.....	(308.6)	(276.0)	(32.6)	11.8%
Net income	860.3	708.7	151.6	21.4%

(1) Income from financial services and Expenses for financial services.

(2) Provisions for contingencies and other impairment of available-for-sale investments.

Our net income increased by 21.4% for 2015 compared to 2014, primarily due to growth of 16.7% in gross financial margin and 56.4% in gain on financial transactions, partially offset by increases of 48.8% in provision expense and 10.6% in administrative expenses.

The higher gross financial margin was mainly driven by a 16.3% growth in interest and commissions on loans, while the increase in gain on financial transactions was mainly a result of higher income from foreign currency trading. Provisions grew due to higher requirements in retail loans, while the increase in administrative expenses was a result of higher expenses from third-party services and personnel expenses.

Income before tax increased 18.7% in 2015. However, due to a lower effective tax rate, the increase in the net income was 21.4%. The effective tax rate decreased from 28.0% in 2014 to 26.4% in 2015, as a result of a decrease in the income tax rate, from 30.0% to 28.0%, and of certain tax efficiencies related to investments in sovereign bonds.

Interest Income

The following table presents the components of our interest income for the years ended December 31, 2015 and 2014.

	For the years ended December 31,		Change	
	2015	2014	(S/ in millions)	%
Interest and commissions on loans portfolio ⁽¹⁾	3,169.9	2,726.5	443.4	16.3%
Interest on due from banks and inter-bank funds .	10.6	9.9	0.7	6.8%
Interest on investments ⁽²⁾	100.6	71.9	28.7	40.0%
Other interest and similar income.....	3.7	2.2	1.5	65.2%
Total interest income	3,284.7	2,810.5	474.2	16.9%

(1) Includes fees on direct loans.

(2) Includes certificates of deposit issued by the Peruvian Central Bank.

The 16.9% increase in interest income in 2015 was mainly due to growth of 16.3% in interest and commissions on loans portfolio and 40.0% in interest on investments. Higher interest and commissions on loans portfolio and other interest and similar income was driven by a 12.0% increase in the average balance and a 52 basis point increase in the average yield. The higher average volume was a result of growth in both retail and commercial loans. Average yields also increased in the two loan portfolios. The higher yield on retail loans was mainly explained by improved interest rates in credit cards and a larger proportion of this product over the total volume of retail loans. However, this was partially offset by a lower yield on other consumer loans. The increase in the average rate on commercial loans was driven by a higher yield on trade loans.

Our higher interest on investments was a result of a 38.3% increase in the average balance and a 4 basis point increase in the average yield. The growth in the average balance was due to increases in Peruvian Central

Bank certificates of deposit and in sovereign bonds, while the higher average yield was driven by improved returns on sovereign bonds and on corporate bonds.

Interest Expenses

The following table presents the components of our interest expenses for the years ended December 31, 2015 and 2014.

	For the years ended December 31,		Change	
	2015	2014	(S/ in millions)	%
	(S/ in millions)		(S/ in millions)	
Interest and commissions on deposits and obligations.....	(310.6)	(303.6)	(7.0)	2.3%
Interest and fees on obligations with financial institutions.....	(214.4)	(141.1)	(73.3)	52.0%
Interest on bonds and other obligations	(293.7)	(250.5)	(43.2)	17.2%
Other expenses.....	(9.0)	(10.6)	1.6	(15.4%)
Total interest expense	(827.7)	(705.8)	(121.9)	17.3%

The 17.3% increase in interest expenses in 2015 was a result of growth of 52.0% in interest and fees on obligations with financial institutions, 17.2% in interest on bonds and other obligations, and 2.3% in interest and commissions on deposits and obligations.

The increase in interest and fees on obligations with financial institutions was explained by a 73.3% growth in the average volume, partially offset by a 60 basis point decrease in the average cost. The higher average volume was driven by an increase in local currency funding through repurchase operations with the Peruvian Central Bank, and also from COFIDE. The lower average cost was due to a lower proportion of funding from COFIDE, which had a higher cost, over the total of due to banks.

The increase in interest on bonds and other obligations was a result of growth of 14.8% in the average volume and 14 basis points in the average cost. The higher average volume was associated to the annual depreciation of the average exchange rate, which resulted in an increase in the value of foreign currency instruments, which represented the majority of bonds outstanding. The increase in the average cost was explained by the issuance of a subordinated bond for US\$300.0 million in March 2014. The interest expense of this bond was partially recorded in 2014 and entirely in 2015.

The higher interest and commissions on deposits and obligations was a result of an 11.1% increase in the average volume, partially offset by a 12 basis point decrease in the average cost. The larger volume was driven by growth in retail and commercial deposits. Whereas the decrease in the average cost was driven by a lower rate paid on retail deposits and a lower proportion of institutional deposits, which have a lower average cost than the other components of our deposit base, over total deposits. Both effects were partially offset by an increase in the cost of commercial deposits.

Gross Financial Margin

Gross financial margin represents the difference between interest income and interest expenses. As a result of the factors discussed above, our gross financial margin grew 16.7% in 2015 compared to 2014. Net interest margin declined from 6.12% in 2014 to 6.01% in 2015, driven by a larger proportion of cash and due from banks over total interest-earning assets, given that cash and due from banks earn a much lower return than the other components. The increase in the volume of cash and due from banks was due to higher deposits at the Central Bank, related to repurchase operations used to secure local currency funding.

Provision for Loan Losses, Net of Recoveries

The following table presents the components of our provision for loan losses, net, for the years ended December 31, 2015 and 2014.

	For the years ended December 31,		Change	
	2015	2014	(S/ in millions)	%
	(S/ in millions)			
Provision.....	756.7	513.0	243.7	47.5%
Recoveries of provisions.....	(94.3)	(67.9)	(26.4)	38.9%
Provision for loan losses, net of recoveries.....	662.4	445.1	217.3	48.8%

The 48.8% increase in provision expenses in 2015 was mainly a result of our growth in retail loans, especially in credit cards and other consumer loans, as well as higher provisioning for internal and external alignment. These effects were partially offset by higher reversals and lower provision requirements in commercial loans.

The following table presents the effect on allowance for loan losses, as recorded on our statements of financial position as of December 31, 2015 and 2014.

	For the years ended December 31,		Change	
	2015	2014	(S/ in millions)	%
	(S/ in millions)			
Balance at the beginning of year.....	986.6	838.9	147.7	17.6%
Provision.....	756.7	513.0	243.7	47.5%
Recoveries of provisions.....	(94.3)	(67.9)	(26.4)	38.9%
Written-offs, loans and sales.....	(564.8)	(406.5)	(158.3)	38.9%
Recoveries of written-off loans.....	108.7	94.0	14.7	15.6%
Translation result and others.....	39.9	15.2	24.9	163.6%
Balance at year end⁽¹⁾.....	1,232.9	986.6	246.3	25.0%
Provision for losses on indirect loan portfolio.....	51.7	45.1	6.6	14.6%

(1) Includes provisions for contingent loans.

The ratio of past due loans over total loans was 2.3% in 2015, lower than the 2.5% registered in 2014. The past due loans ratio was affected in 2014 by the impairment of certain commercial loans by the end of the year. This situation was solved in 2015 and resulted in a significant increase in the coverage ratio of past due loans, from 167.9% in 2014 to 193.9% in 2015.

Net Financial Margin

Net financial margin represents gross financial margin less provisions for loan losses, net. As a result of the factors discussed above, our net financial margin increased by S/135.0 million, or 8.1%, from S/1,659.6 million in 2014 to S/1,794.6 million in 2015.

Income from Financial Services, Net

The following table sets forth the components of our income from financial services, net, for the years ended December 31, 2015 and 2014.

	For the years ended December 31,		Change	
	2015	2014	(S/ in millions)	%
	(S/ in millions)			
Income from financial services.....	528.1	483.6	44.5	9.2%
Expenses for financial services.....	(219.2)	(199.2)	(20.0)	10.1%
Income from financial services, net.....	308.9	284.4	24.4	8.6%

Income from financial services, net grew 8.6% due to an increase in commissions from the sale of insurance associated to loans and to higher income on contingent operations. The growth in commissions on insurance was driven by an increase in the average balances of mortgages and other customer credits, while the higher income on contingent operations was due to an increase in the origination of letters of guarantee.

Gain on financial transactions

The following table sets forth the components of our gain on financial transactions for the years ended December 31, 2015 and 2014.

	For the years ended December 31,		Change	
	2015	2014	(S/ in millions)	%
	(S/ in millions)			
Income from sale and valuation of investments, net	33.6	39.2	(5.5)	(14.1%)
Gain on exchange difference and exchange operations	466.3	191.7	274.5	143.2%
Gain (loss) from trading derivatives, net.....	(104.7)	10.9	(115.6)	N/M
Equity share from investment in subsidiaries and associates	34.2	33.2	1.0	3.0%
Other ⁽¹⁾	20.3	12.6	7.6	60.4%
Gain on financial transactions	449.6	287.5	162.1	56.4%

(1) Gain sale of loans and other.

Gain on financial transactions increased by S/162.1 million, or 56.4%, mainly due to a 143.2% increase in exchange difference, net, driven by higher income on trading operations, forward and spot.

Operating Margin

Operating margin represents the sum of net financial margin, income from financial services and gain on financial transactions. As a result of the factors discussed above, operating margin increased by S/321.6 million, or 14.4%, from S/2,231.6 million in 2014 to S/2,553.1 million in 2015.

Administrative Expenses

The following table sets forth the components of our administrative expenses for the years ended December 31, 2015 and 2014.

	For the years ended December 31,		Change	
	2015	2014	(S/ in millions)	%
	(S/ in millions)			
Services received from third parties.....	(663.0)	(582.2)	(80.7)	13.9%
Personnel and board of directors expenses	(572.2)	(533.9)	(38.2)	7.2%
Taxes and contributions	(33.3)	(30.4)	(3.0)	9.7%
Total administrative expenses	(1,268.4)	(1,146.5)	(121.9)	10.6%

The 10.6% increase in our administrative expenses was due to a 13.9% increase in expense on services received from third parties and a 7.2% increase in personnel and board of directors expenses.

Our efficiency ratio is calculated by dividing administrative expenses plus depreciation and amortization of gross financial margin, income from financial services and gain on financial transactions. Our efficiency ratio improved to 42.6% in 2015 from 46.9% in 2014. The decline in our efficiency ratio was a result of a 56.4% increase in gain on financial transactions and a 16.7% growth in gross financial margin, which offset the 10.6% increase in administrative expenses.

"Administrative expenses" includes payroll expenses related with termination of employees, amounting to S/9.9 million and S/7.9 million for the years ended December 31, 2015 and 2014, respectively. These figures were reclassified from "Other income, net".

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment decreased to S/61.3 million in 2015 compared to S/68.5 million in 2014 as a result of lower depreciation expenses related to equipment and improvements in leased properties.

Amortization

Amortization of intangibles increased by S/1.2 million, from S/40.5 million in 2014 to S/41.7 million in 2015, due to higher amortization expenses related to software systems in 2015.

Net Operating Income

Net operating income represents operating margin less administrative expenses, depreciation of property, plant and equipment, amortization of intangibles and amortization of goodwill. As a result of the factors discussed above, our net operating income increased by S/205.7 million, from S/976.0 million in 2014 to S/1,181.7 million in 2015.

Provisions for Contingencies and Other

Provisions for contingencies and other increased by S/11.2 million, from S/10.0 million in 2014 to S/21.2 million in 2015, which reflects management's estimates of contingencies for which provisions are required in accordance with accounting rules.

Other Income, Net

The following table presents the components of our other income, net, for the years ended December 31, 2015 and 2014.

	For the years ended December 31,		Change	
	2015	2014	(S/ in millions)	%
	(S/ in millions)		(S/ in millions)	
Other income				
ATM rental income, services rendered to third parties and investment fund participation.....	32.2	29.5	2.8	9.3%
Insurance recovery.....	1.7	1.6	0.1	3.5%
Other income.....	23.7	9.1	14.6	160.4%
Total other income.....	57.7	40.2	17.4	43.3%
Other expenses				
Donations.....	(4.5)	(7.0)	2.5	(35.5%)
Other expenses.....	(44.7)	(14.6)	(30.1)	207.0%
Total other expenses.....	(49.2)	(21.6)	(27.7)	128.2%
Other income, net.....	8.4	18.7	(10.2)	(54.8%)

Other income, net, decreased by S/10.2 million, or 54.8%, mainly due to higher miscellaneous expenses.

Income Tax

We are subject to Peruvian income tax and must calculate our income tax expense on a non-consolidated basis. As of December 31, 2015, the applicable corporate income tax rate was 28.0% of taxable income, while as of December 31, 2014, the applicable corporate income tax rate was 30.0% of taxable income.

However, the effective tax rate including current and deferred income tax was 26.4% in 2015 and 28.0% in 2014, which were lower than the corresponding applicable rates of 28.0% and 30.0%, respectively, due to tax-exempt items in our revenues and tax-deductible expenses.

Liquidity and Capital Resources

Sources of Funds

The following table presents Interbank's primary sources of funds as of September 30, 2017 and 2016.

	As of September 30, (unaudited)		Change	
	2017	2016	(S/ in millions)	%
	(S/ in millions)			
Deposits and obligations.....	25,566.1	25,355.2	210.9	0.8%
Deposits from financial entities	280.2	202.3	77.9	38.5%
Inter-banks funds	86.0	238.0	(152.0)	(63.9%)
Payables from repurchase agreements	2,696.9	3,039.2	(342.3)	(11.3%)
Debts and financial obligation	2,974.3	2,876.0	98.3	3.4%
Securities bonds and obligation outstanding.....	4,601.2	4,683.9	(82.8)	(1.8%)
Total.....	36,204.7	36,394.6	(189.9)	(0.5%)

Our primary sources of funds have traditionally consisted of deposits and obligations, which amounted to S/25,566.1 million as of September 30, 2017. Interbank's deposits include retail and commercial deposits, generated mainly through its financial stores distribution network, and its relationships with commercial clients.

Interbank is required to maintain deposits with the Peruvian Central Bank, as legal reserves, in an amount determined by the percentage of the deposits and other liabilities owed to its clients. For a description of the *encaje legal* (legal reserves) regulations, see "Regulation and Supervision—Banking Regulation and Supervision—Reserve Requirements from the Peruvian Central Bank".

At times, Interbank has utilized Peru's short-term interbank loans market to satisfy liquidity needs. The Peruvian Central Bank's discount window, which makes short-term loans to banks at premium rates, is another potential, short-term funding source, although Interbank has used it infrequently. As part of Interbank's liquidity management, it sometimes enters into repos on Peruvian Central Bank certificates of deposit, which are a cost and tax efficient source of funds in Peruvian currency.

Inter-banks funds, payables from repurchase agreements and Debt and financial obligation, decreased in an aggregated amount of S/396.0 million, or 6.4%, to S/5,757.2 million as of September 30, 2017 from S/6,153.2 million as of September 30, 2016, as a result of a decrease in short-term funding received from foreign entities and medium-term funding from the Peruvian Central Bank, partially offset by an increase in deposits and obligations. See note 10 to our audited annual financial statements.

Interbank has issued senior, senior-subordinated, junior-subordinated, mortgage and leasing bonds in the Peruvian and international capital markets. Interest payable accounted for an additional S/98.2 million of Interbank's bonds and other obligations. See note 11 to our audited annual financial statements. See note 9 to our unaudited interim condensed financial statements.

Outstanding Indebtedness

As of September 30, 2017, Interbank's outstanding indebtedness included the following:

- US\$200 million aggregate principal amount of 8.500% Non-Cumulative Fixed/Floating Rate Step-up Junior Subordinated Notes due 2070 issued by Interbank through its Panamanian branch on April 23, 2010.
- US\$300 million aggregate principal amount of 6.625% Fixed-to-Floating Rate Subordinated Notes due 2029 issued by Interbank on March 18, 2014.
- US\$400 million aggregate principal amount of 5.750% Senior Notes due 2020 issued by Interbank through its Panamanian branch on October 7, 2010. These Senior Notes limit, among other things, the

ability of Interbank to: (i) enter into transactions with affiliates; and (ii) consolidate or merge with, or convey, transfer or lease all or substantially all of our assets, to another person.

- US\$250 million aggregate principal amount of 5.750% Senior Notes due 2020 issued by Interbank through its Panamanian branch on September 27, 2012. These Senior Notes consolidate and form a single series with the US\$400 million principal amount of the notes originally issued on October 7, 2010. The aggregate principal amount of our 5.750% Senior Notes due 2020 is US\$650,000,000.
- A US\$4.9 million loan under a Master Credit Agreement between Interbank and Banco Latinoamericano de Comercio Exterior, S.A. (BLADEX) dated as of January 30, 2013. The Master Credit Agreement contains certain covenants which limit, among other things, the ability of Interbank to: (i) enter into transactions with affiliates; (ii) create, incur or assume any liens or other encumbrance on any of its property; and (iii) merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of all or substantially all of its assets, to another person.
- A US\$40 million Tranche A loan and a US\$10 million Tranche B loan under the Terms Supplement No. 2 of a Master Facility Agreement between Interbank and Wells Fargo Bank, N.A. dated as of November 19, 2013, as amended. The Master Facility Agreement contains certain covenants which limit, among other things, the ability of Interbank to: (i) create, agree to create, incur, assume or suffer to exist any lien upon or with respect to any property; (ii) wind up, liquidate or dissolve its affairs or enter into any merger or consolidation, or convey, sell, lease or otherwise dispose of all or substantially all of its assets; and (iii) enter into any transactions or series of related transactions with any affiliates.
- A US\$50 million loan under a General Agreement on Trade Finance Loans between Interbank and HSBC Bank Plc dated as of October 22, 2015.
- A US\$40 million loan under a Letter Agreement between Interbank and J.P. Morgan Chase Bank, N.A. dated as of July 1, 2016. The Letter Agreement contains certain covenants which limit, among other things, the ability of Interbank to: (i) enter into transactions with affiliates, (ii) create, incur, assume or suffer to exist any lien upon any property, assets or revenues, or (iii) merge, dissolve, liquidate, consolidate with or into another person, or dispose of all or substantially all of its assets.

The following represents individual amounts of subordinated debt from a total amount of US\$95.1 million and S/401.2 million (US\$122.9 million) of local bonds which qualify as second tier equity ("Tier 2") in the determination of the regulatory capital, according to SBS. These bonds do not have specific guarantees:

- US\$30 million aggregate principal amount of 9.500% Fixed Rate Subordinated Notes due 2023 issued by Interbank on October 31, 2008. The issuance contains certain covenants which limit, among other things, the ability of Interbank to: (i) pay dividends in case an event of default under the Notes occurs (ii) enter into transactions with affiliates in non-market conditions (ii) maintain indebtedness levels in accordance with article 199 of the Peruvian Banking and Insurance Law.
- S/110 million aggregate principal amount of VAC+ 3.500% Floating Rate Subordinated Notes due 2023 issued by Interbank on September 10, 2008. The issuance contains certain covenants which limit, among other things, the ability of Interbank to: (i) pay dividends in case an event of default under the Notes occurs (ii) enter into transactions with affiliates in non-market conditions (ii) maintain indebtedness levels in accordance with article 199 of the Peruvian Banking and Insurance Law.
- S/3.3 million aggregate principal amount of 8.500% Fixed Rate Subordinated Notes due 2019 issued by Interbank on July 17, 2009. The issuance contains certain covenants which limit, among other things, the ability of Interbank to: (i) pay dividends in case an event of default under the Notes occurs (ii) enter into transactions with affiliates in non-market conditions (ii) maintain indebtedness levels in accordance with article 199 of the Peruvian Banking and Insurance Law.

- US\$15.1 million aggregate principal amount of 8.156% Fixed Rate Subordinated Notes due 2019 issued by Interbank on July 17, 2009. The issuance contains certain covenants which limit, among other things, the ability of Interbank to: (i) pay dividends in case an event of default under the Notes occurs (ii) enter into transactions with affiliates in non-market conditions (ii) maintain indebtedness levels in accordance with article 199 of the Peruvian Banking and Insurance Law.
- S/137.9 million aggregate principal amount of 6.906% Fixed Rate Subordinated Notes due 2022 issued by Interbank on June 25, 2012. The issuance contains certain covenants which limit, among other things, the ability of Interbank to: (i) pay dividends in case an event of default under the Notes occurs (ii) enter into transactions with affiliates in non-market conditions (ii) maintain indebtedness levels in accordance with article 199 of the Peruvian Banking and Insurance Law.
- S/150 million aggregate principal amount of 5.813% Fixed Rate Subordinated Notes due 2023 issued by Interbank on January 11, 2013. The issuance contains certain covenants which limit, among other things, the ability of Interbank to: (i) pay dividends in case an event of default under the Notes occurs (ii) enter into transactions with affiliates in non-market conditions (ii) maintain indebtedness levels in accordance with article 199 of the Peruvian Banking and Insurance Law.
- US\$50 million aggregate principal amount of 7.500% Fixed Rate Subordinated Notes due 2023 issued by Interbank on December 13, 2013. The issuance contains certain covenants which limit, among other things, the ability of Interbank to: (i) pay dividends in case an event of default under the Notes occurs (ii) enter into transactions with affiliates in non-market conditions (ii) maintain indebtedness levels in accordance with article 199 of the Peruvian Banking and Insurance Law.

Additional outstanding indebtedness is mainly related to short term bank facilities for working capital and general purposes.

Regulatory Capital

Interbank is required to maintain minimum regulatory capital pursuant to guidelines issued by the SBS.

As of September 30, 2017, the total regulatory capital as a percentage of risk-weighted assets for Interbank was 16.5%, the highest among the largest four banks in Peru and its ratio of basic regulatory capital to total risk weighted assets was 11.6%. As of December 31, 2016, Interbank's ratio of total regulatory capital to risk-weighted assets was 15.9%, the highest among the largest four banks in Peru. As of December 31, 2016, the basic regulatory capital as a percentage of risk-weighted assets for Interbank was 10.7%. See note 13 to our audited annual financial statements and "Regulation and Supervision—Banking Regulation and Supervision" section of this Offering Memorandum for a discussion of regulatory capital requirements applicable to Interbank.

The following table presents Interbank's regulatory capital for the nine months ended September 30, 2017 and 2016, and as of December 31, 2016 and 2015 in accordance with Peruvian GAAP, as required by the Peruvian Banking and Insurance Law.

	As of September 30, (unaudited)		As of December 31,	
	2017	2016	2016	2015
	(S/ in millions)		(S/ in millions)	
Capital Stock	3,064.5	2,670.7	2,670.7	2,291.2
Legal and special reserves	704.5	617.0	617.0	532.7
Treasury stock	(33.9)	(33.9)	(33.9)	(33.9)
Earnings with capitalization agreement ⁽¹⁾ ..	199.6	220.2	220.2	366.7
Unrealized gains in investments in associates and subsidiaries	-	-	-	(0.4)
Subordinated bonds	587.7	613.2	613.2	554.1
Investment in parent company (IFS) ⁽²⁾	(277.0)	(196.1)	(257.5)	(196.8)
Others	(38.5)	(39.4)	(40.4)	(59.3)

	As of September 30, (unaudited)		As of December 31,	
	2017	2016	2016	2015
	(S/ in millions)		(S/ in millions)	
Basic Regulatory Capital (Level 1)	4,206.9	3,851.7	3,789.3	3,454.2
Subordinated bonds	1,721.2	1,808.5	1,783.9	1,846.7
Generic allowances for loan losses	373.9	367.1	363.5	366.1
Investment in parent company (IFS) ⁽²⁾	(277.0)	(196.1)	(257.5)	(196.8)
Others	(38.5)	(39.4)	(40.4)	(42.3)
Supplementary Regulatory Capital (Level 2)	1,779.6	1,940.1	1,849.5	1,973.7
Total Regulatory Capital	5,986.5	5,791.8	5,638.9	5,427.9
Total risk-weighted assets and credits.....	36,331.1	35,921.4	35,475.3	34,951.5
Global regulatory capital ratio	16.5%	16.1%	15.9%	15.5%

(1) Corresponds to retained earnings to be capitalized as directed by the board of directors.

(2) Pursuant to SBS rules, all investments in shares issued by an affiliate, including the parent company, must be deducted half from TIER 1 and half from TIER 2 capital. For all periods reported, deductions mainly correspond to the cost of IFS shares held by Interbank. See "Regulation and Supervision—Banking Regulation and Supervision—Capital Adequacy Requirements-Basel II".

Commitments and Contractual Obligations

We enter into various commitments and contractual obligations that may require future cash payments. The following table summarizes our commitments and contractual obligations as of September 30, 2017(unaudited).

	Remaining Maturity as of September 30, 2017 (unaudited)				
	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
	(S/ in millions)				
Deposits and obligations ⁽¹⁾	14,640.4	11,073.3	105.4	27.2	25,846.4
Inter-bank funds, due to banks and correspondents and payables from repurchase agreements	3,576.0	1,034.8	253.9	892.5	5,757.2
Securities, bonds, notes and other obligations.....	98.2	52.6	2,921.3	1,529.0	4,601.2
Accounts payable, provisions and other liabilities.....	594.2	99.6	74.0	193.8	961.6
Total	18,908.8	12,260.4	3,354.5	2,642.6	37,166.3
% of Total	50.9%	33.0%	9.0%	7.1%	100.0%

(1) Included Deposits from financial entities

Capital Expenditures Program

Interbank has made substantial investments in recent years targeting both digital and physical infrastructure. Some of the key investments include:

- Significant improvements in our mobile banking and internet banking platforms, including new functionalities and a complete new customer interface aimed to enhance user experience, in both retail and commercial segments;
- Building up of data and implementation of tools to improve our CRM and risk analytical capabilities to better understand our customers;

- Strengthening our data center through an outsourcing contract with IBM;
- Development of the modern "Imagine" format in our branch network, which aims at improving productivity, service level, and client education of new digital channels;
- The renewal of a large portion of our ATM's network to be able to provide new functionalities with an omni-channel approach; and,
- Improvement of our operational efficiency to world-class levels.

Interbank believes that it has built the foundations to capture current and future market opportunities and continue to grow. It has a capital expenditure plan to ensure the accomplishment of its medium term strategic plan, as it believes that not only operating efficiency and the proximity to its customers, but also digital transformation and innovation, are key competitive advantages.

Interbank's budget for capital expenditures for the next three years is approximately S/600 million, 85% of which is related to information technology expenditures. Some of the key purposes of technological expenditures include:

- Develop new business ideas and business models;
- Intensify analytical capabilities through data, big data, and artificial intelligence, to enrich our understanding of Peruvian clients;
- Improve customer experience through digital solutions, including products, services, and processes;
- Strengthen operational efficiency;
- Update our cybersecurity standards to protect our customers.

Off-Balance Sheet Arrangements

We have various contractual arrangements, such as contingent operations, that are not recognized as liabilities in our financial statements but are required to be recorded as off-balance sheet items (i.e., indirect loans). We enter into contingent operations to generate fees from guarantees, stand-by letters of credit, export and import letters of credit, due from bank acceptances and foreign currency forward obligations and interest rate swaps.

The following table presents our off-balance sheet arrangements as of the dates indicated.

	As of September 30, (unaudited)		Change in 2017/2016		As of December 31,		Change in 2016/2015	
	2017	2016			2016	2015		
	(S/ in millions)	(S/ in millions)	(S/ in millions)	%	(S/ in millions)	(S/ in millions)	(S/ in millions)	%
Contingent operations (indirect loans)								
Bank letters of guarantee and stand-by letters of credit	4,139.8	4,567.6	(427.8)	(9.4%)	4,187.9	4,643.5	(455.6)	(9.8%)
Import and export letters of credit.....	207.0	291.0	(84.0)	(28.9%)	231.6	283.2	(51.6)	18.2%
Due from bank acceptances	36.9	28.6	8.3	29.1%	16.4	27.1	(10.7)	(39.6%)
	4,383.7	4,887.2	(503.5)	(10.3%)	4,435.9	4,953.8	(518.0)	(10.5%)
Financial derivative instruments operations								
Forward contracts (nominal amounts)	6,734.1	6,113.4	620.7	10.2%	3,961.1	5,131.8	(1,170.7)	(22.8%)
Options (nominal amounts).....	353.6	302.3	51.4	17.0%	192.6	459.1	(266.5)	(58.0%)
Cross currency swaps (nominal amounts) ...	1,396.0	1,806.6	(410.6)	(22.7%)	1,661.8	3,782.6	(2,120.8)	(56.1%)
Exchange interest rates transactions (nominal amounts)	3,012.4	3,133.4	(121.1)	(3.9%)	3,230.9	3,000.0	230.9	7.7%
	11,496.1	11,355.7	140.5	1.2%	9,046.4	12,373.6	(3,327.2)	(26.9%)
Other								

	As of September 30, (unaudited)				As of December 31,			
	2017	2016	Change in 2017/2016		2016	2015	Change in 2016/2015	
	(\$/ in millions)		(\$/ in millions)	%	(\$/ in millions)		(\$/ in millions)	%
Responsibilities for credit line	7,812.4	8,385.8	(573.4)	(6.8%)	8,423.4	7,463.8	959.6	12.9%
Responsibilities for credit lines commercial and others	468.8	463.2	5.6	1.2%	577.4	622.4	(45.0)	(7.2%)
Other contingent operations	309.2	286.2	23.1	8.0	285.0	1,314.8	(1,029.8)	(78.3%)
	8,590.5	9,135.1	(544.7)	(6.0%)	9,285.9	9,401.1	(115.2)	(1.2%)
Total contingent operations.....	24,470.3	25,378.0	(907.7)	(3.6%)	22,768.1	26,728.5	(3,960.3)	(14.8%)
Other off-balance sheet accounts								
Guarantees received	32,518.5	30,549.9	1,968.6	6.4%	31,590.9	28,273.2	3,317.7	11.7%
Consumer credit cards lines	10,690.3	11,691.2	(1,000.9)	(8.6%)	11,534.3	10,762.4	772.0	7.2%
Written-off loans	11,674.6	9,946.6	1,728.0	17.4%	10,016.7	9,746.9	269.8	2.8%
Securities in custody	4,087.3	3,522.0	565.3	16.1%	3,634.7	3,043.3	591.3	19.4%
Foreign bank lines available.....	4,926.9	3,132.8	1,794.1	57.3%	3,351.6	2,969.8	381.8	12.9%
Trusts	8,416.0	5,505.1	2,910.9	52.9%	6,680.8	4,209.8	2,471.1	58.7%
Collections on behalf of third parties.....	309.6	238.6	71.0	29.8%	269.3	306.6	(37.3)	(12.2%)
Loan portfolio sold.....	68.3	71.1	(2.8)	(4.0%)	70.2	71.3	(1.1)	(1.5%)
Suspended interests	441.4	323.1	118.3	36.6%	351.2	307.7	43.4	14.1%
Other	12,245.3	10,779.1	1,466.3	13.6%	11,160.7	9,209.2	1,951.5	21.2%
Total other off-balance sheet accounts.....	85,378.2	75,759.5	9,618.7	12.7%	78,660.4	68,900.3	9,760.1	14.2%
Total off-balance sheet accounts.....	109,848.5	101,137.5	8,711.0	8.6%	101,428.5	95,628.8	5,799.8	6.1%

Guarantees and stand-by letters of credit decreased by \$/427.8 million, or 9.4%, to \$/4,139.8 million in the nine months ended September 30, 2017 from \$/4,567.6 million in the nine months ended September 30 2016. Import and export letters of credit decreased by \$/84.0 million during the same period as a result of lower international trade activity.

Forward contracts, including purchase and sale agreements, increased \$/620.7 million, or 10.2%, to \$/6,734.1 million in the nine months ended September 30 2017 from \$/6,113.4 million in the nine months ended September 30, 2016. These agreements were executed to satisfy client requirements and not for speculative purposes. Foreign currency forward transactions also include cross currency swaps for trading purposes and for hedging our balance sheet against market risk exposure.

Obligations under credit line agreements decreased by \$/567.7 million, or 6.4%, to \$/8,281.2 million in the nine months ended September 30, 2017 from \$/8,849 million in the nine months ended September 30, 2016 as a result of more credit lines available. Obligations under credit agreements considered contingent operations include all credit lines made available to us and not used by us. However, these undrawn obligations do not generate any risk exposure.

Guarantees received, which corresponds to items received as collateral for loan obligations, increased by \$/1,968.6 million, or 6.4%, to \$/32,518.5 million in the nine months ended September 30, 2017 from \$/30,549.9 million in the nine months ended September 30, 2016. Such items, as well as securities in custody which increased by \$/565.3 million in the nine months ended September 30, 2017, are recorded at the value agreed as of the date of the corresponding loan contract, which does not necessarily represent their market value.

Guarantees and stand-by letters of credit decreased by \$/455.6 million, or 9.8%, to \$/4,187.9 million in 2016 from \$/4,643.5 million in 2015. Import and export letters of credit increased by \$/51.6 million during the same period as a result of lower international trade activity.

Forward contracts, including purchase and sale agreements, decreased \$/1,170.7 million, or 22.8%, to \$/3,961.1 million in 2016 from \$/5,131.8 million in 2015. These agreements were executed to satisfy client requirements and not for speculative purposes. Foreign currency forward transactions also include cross currency swaps for trading purposes and for hedging our financial position against market risk exposure.

Obligations under credit line agreements increased by \$/914.6 million, or 11.3%, to \$/9,000.8 million in 2016 from \$/8,086.3 million in 2015, as a result of more credit lines available. Obligations under credit agreements

considered contingent operations include all credit lines made available to us and not used by us. However, these undrawn obligations do not generate any risk exposure.

Guarantees received, which corresponds to items received as collateral for loan obligations, increased by S/3,317.7 million, or 11.7%, to S/31,590.9 million in 2016 from S/28,273.2 million in 2015. Such items, as well as securities in custody which increased by S/591.3 million in 2016, are recorded at the value agreed as of the date of the corresponding loan contract, which does not necessarily represent their market value.

Quantitative and Qualitative Disclosures about Market Risk

For a discussion of quantitative and qualitative market risk, see note 24.2 to our audited annual financial statements.

BUSINESS

Overview

We are a leading provider of a wide range of financial products and banking services for retail customers and commercial clients in Peru, through one of the largest distribution networks (financial stores, ATMs and correspondent agents) in the country, dedicated sales force, and digital channels (internet banking and mobile banking).

We have built a business platform that leverages our capabilities and value propositions for our customers, while allowing us to effectively expand and consolidate our market position in the developing and under-penetrated Peruvian financial system.

We are the second largest provider of gross consumer loans (retail loans other than mortgages) in Peru as of September 30, 2017, according to the SBS. Within the consumer loan business in Peru, we are the second largest provider of gross credit card loans and the largest private bank provider of gross payroll deductible loans to public sector employees, as of September 30, 2017. Additionally, we are the fourth largest bank in Peru in terms of retail mortgages and commercial lending, as well as overall deposits and total assets. We have built one of the most convenient retail banking distribution networks in Peru with a total of 283 financial stores, more than 2,000 ATMs and more than 2,450 correspondent agents, as of September 30, 2017. Moreover, we have developed state-of-the-art and user friendly digital platforms to better serve our clients' needs.

For the nine months ended September 30, 2017 and 2016, our net income was S/637.2 million (approximately US\$195.1 million) and S/636.5 million, respectively. As of September 30, 2017 and 2016, we had shareholders' equity of S/4.5 billion (approximately US\$1,380.3 million) and S/4.0 billion, respectively. Our annual ROE for the nine months ended September 30, 2017 and 2016 was 20.1% and 23.1%, respectively, and our annual ROA for the nine months ended September 30, 2017 and 2016 was 2.1% and 2.1%, respectively.

For the years ended December 31, 2016, 2015 and 2014, our net income was S/875.1 million (approximately US\$260.8 million), S/860.3 million and S/708.7 million, respectively. As of December 31, 2016 and 2015, we had shareholders' equity of S/4.2 billion (approximately US\$1,246.8 million) and S/3.6 billion, respectively. Our annual ROE for the years ended December 31, 2016, 2015 and 2014 was 23.2%, 26.6% and 25.5%, respectively, and our annual ROA for the years ended December 31, 2016, 2015 and 2014 was 2.2%, 2.4% and 2.3%, respectively.

Competitive Strengths

Leading financial services provider focused on highly attractive businesses

We target thriving and profitable businesses in Peru. Interbank focuses on retail banking, with 53.1% of its loan portfolio constituting retail loans, compared to 34.9% for the Peruvian banking system, as of September 30, 2017, according to the SBS. Interbank is the second largest provider of gross consumer loans (retail loans other than mortgage loans) among banks in Peru, with a 21.1% market share as measured by gross consumer loans as of September 30, 2017. Interbank is also the second largest provider of gross credit card loans among banks in Peru, with a 22.7% market share by gross credit card loans, and the largest gross private bank provider of payroll deductible loans to public sector employees, with a 23.7% market share by gross payroll deductible loans, in each case as of September 30, 2017.

Low delinquency rates on our payroll loans reduce the overall credit risk exposure resulting on our consumer loans portfolio. Payroll loans historically have yielded relatively high margins and low non-performing loan ratios. Interbank has one of the highest ratios of gross financial margin to average earning assets of the Peruvian banking system, due to its stronger focus on retail banking when compared to its peers. For the nine months ended September 30, 2017, this ratio was 7.6% for Interbank, 117 basis points higher than the average of 6.4% for the four largest Peruvian Banks, according to the SBS.

Track record of sustained growth supported by our strong market share and high profitability

Our strong track record of growth is supported by our strong market share and high profitability across our businesses. At Interbank, we are focused primarily on retail banking because we believe that it presents significant growth opportunities and higher margins. In retail banking, Interbank's total retail loans outstanding, including consumer and mortgage loans, achieved a CAGR of 12.8%, compared to 11.4% for the Peruvian banking system, for the three-year period ended December 31, 2016, according to the SBS. Interbank has held a strong market positioning across retail products, with market shares of 17.0% and 17.3% in 2014 and September 30, 2017, respectively. With respect to mortgage loans, Interbank's market share increased from 12.7% in 2014 to 13.4% on September 30, 2017.

Interbank's increasing market shares have been accompanied by high profitability and reliable cash flow generation, with ROE averaging 25.1% compared to 20.7% for the Peruvian banking system, for the three-year period ended December 31, 2016.

Convenient and innovative distribution network and digital channels with a customer-oriented approach

We believe that our convenient and innovative retail distribution network, together with dedicated sales force, allow us to better reach our customers, and has differentiated us from our competitors. Moreover, we believe that our strong focus on building digital capabilities will allow us to help our customers to interact with us in an easier and more efficient way, and will allow clients to migrate from the use of physical infrastructure to digital platforms for sales and services.

Interbank has built a convenient omni-channel distribution network in Peru, serving over 2.3 million customers. As of September 30, 2017, Interbank had 283 financial stores and operated the second-largest ATM network in Peru with more than 2,000 ATMs, which includes the largest out-of-branch ATM network (under our Global Net brand). Interbank has the largest number of financial stores inside supermarkets in Peru, which are open for extended hours of operation. Moreover, to provide customers with more convenient services, Interbank operates a network of correspondent agents, called "Interbank Agentes", which consists of low-cost electronic terminals located at strategic commercial establishments that allow customers to complete basic financial transactions such as transfers and deposits. As of September 30, 2017, Interbank had over 2,450 correspondent agents.

Though we believe physical channels are still necessary in an underpenetrated financial system like Peru's, we are confident that our digital channels, specifically mobile banking, will continue to substantially increase its share of customer interaction with the bank and provide new business opportunities to build on consumer loyalty and cross-sell services.

With this purpose, since 2013, we have implemented a profitability model for financial stores and ATMs which ranks them according to certain profitability metrics relevant to each distribution channel. This has allowed us to identify the less profitable units in order to close them, and to prioritize new openings in more strategic locations with higher demand for value-added financial services. As a result, the number of financial stores, which peaked at 289 in 2016, has decreased to 283 as of September 30, 2017, while productivity of financial stores and service levels have increased. Similarly, the number of ATMs has decreased to 2,075 from 2,159 in 2016. The savings achieved by this strategy have helped us increase our capital expenditure in technology and digital-related projects. We have introduced new technologies and development processes in order to substantially speed up time-to-market of new products and services and are currently working with 11 "agile" teams and 19 "squads" in a number of projects, ranging from apps, digital products, new functionalities, different customer segments and big data and analytics.

Prudent risk management resulting in high asset quality, strong liquidity and high investment returns

Risk management has been and will continue to be a primary focus of our operations and at the center of our culture. Our experienced risk management teams focus on monitoring and managing risks across all business areas, including credit, market, liquidity and operational risks, among others. We believe our risk management expertise has allowed us to achieve strong asset quality and high investment returns.

Interbank's underwriting procedures are based on strong analytics and proprietary models. These models, along with the risk management skills of our experienced risk management team, provide Interbank with competitive advantages. Our credit risk policies are approved by our risk committee and board of directors and are reviewed on an annual basis. Despite our concentration in retail loans, which tend to have higher levels of delinquency, Interbank's past-due loans as a percentage of total gross loans ratio as of September 30, 2017 was 2.8%, the lowest among the four largest banks in Peru and lower than the industry average of 3.1%. Notably, this ratio has increased in Peru in recent years, mainly as a consequence of the economic deceleration seen since 2014. As of September 30, 2017, Interbank's past-due loans coverage ratio was 170.3%, which compares favorably with the average for the Peruvian banking system of 154.4%.

Our capitalization ratio, which is calculated as our regulatory capital divided by our risk-weighted assets, was the highest among the four largest banks in Peru as of September 30, 2017, at 16.5% as compared to 15.8% for the Peruvian banking system. The minimum capitalization ratio required by Peruvian banking regulations is 10.0% plus an additional capital requirement which depends on certain levels of loan concentration in each institution. For Interbank, this additional capital requirement amounts to 1.9% as of September 30, 2017, compared to 2.2% for the Peruvian banking system.

Our strong asset quality and capital and liquidity position have resulted in a local rating of A+ by Class & Asociados, and A by both Equilibrium and Apoyo & Asociados Internacionales. These ratings, which are the two highest local ratings levels possible, allowed us to secure funding through the issuance of short-term and long-term debt securities in the Peruvian capital markets.

Efficient operational platform supported by world-class technology and new digital capabilities

Through the use of advanced technology, we are focused on providing high-quality services to our customers in an efficient manner. On our digital platform, we offer retail customers different options for performing transactions, including state-of-the-art mobile and internet banking, as well as ATMs. For our commercial clients, we offer an integral solution through a web page to carry out digital operations in a quick and secure manner directly from their offices and also through their phones. For the nine months ended September 30, 2017, approximately 89% of our total banking transactions were conducted in off-branch-transactions.

Our retail banking activities are supported by our Business Analytics platform. We believe that our data and analytic models provide us with a competitive advantage and we are committed and working on taking advantage of all the new data & information technology and possibilities that digital can offer, including big data, artificial intelligence, event-based marketing and machine learning.

Diversified funding base with competitive funding cost

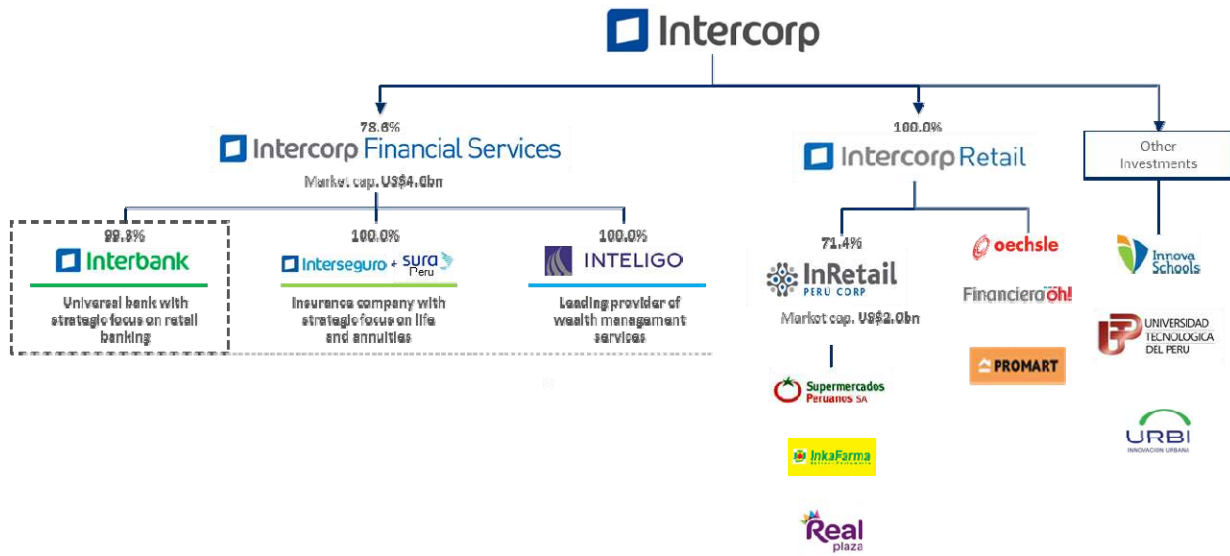
We have access to diverse sources of funding, including traditional deposits and debt securities placed in local and international capital markets. As of September 30, 2017, 71.4% of our total funding base was comprised of traditional deposits. Our deposit base is broad and fragmented, such that we are not dependent on a certain type of client, which provides us with a competitive and consistent average cost of funding of 9.5% for the nine months ended September 30, 2017 and 9.3% for the nine months ended September 30, 2016. A stable, low-cost source of funding also provides us an opportunity to cross-sell other products and services.

Interbank has been a significant player in the Peruvian banking industry with a market share of demand, savings, and term deposits of 11.6%, 15.2%, and 8.9% respectively, as of September 30, 2017, according to SBS.

Affiliation with the Intercorp Peru group

Our ultimate parent company, Intercorp Perú, is one of Peru's largest economic conglomerates, with activities spanning financial services, retail, education and real estate, among others. In 2016, Intercorp Peru's businesses represented approximately 2.1% of Peru's GDP, while generating US\$4,208.0 million in revenues. We believe that being part of this group gives us a competitive edge, because of the group's deep knowledge of the Peruvian consumer, extensive focus and know-how in the Peruvian retail market, highly visible in-country presence and rapid decision-making capabilities. Intercorp represents a significant distribution channel for our controlling shareholder, IFS, and IFS also helps to boost the retail business of Intercorp through the consumer credit segment. IFS is also the controlling shareholder of Interseguro, a leading insurance company in Peru, and Inteligo, a provider of wealth management services.

The below graphic shows a simplified corporate structure of the group:



Experienced management team with proven ability to foster a merit-based culture and a highly motivated work force

We benefit from an experienced, diverse and talented management team. Most of the members of our senior management have held management positions with other major financial institutions in the United States, Latin America and Europe.

We are focused on attracting, developing and maintaining highly qualified personnel and believe that a merit-based culture that emphasizes teamwork enables us to maintain a motivated workforce that delivers high-quality service. Interbank is the only Peruvian company that has been chosen by the Peruvian Great Place to Work Institute as one of the 20 best places to work in Peru for the past 16 consecutive years and one of the top 20 places to work in Latin America in the past seven years. Additionally, Interbank was named one of the top 10 best places to work in Latin America among Latin American companies with greater than 1,000 employees by the Latin American Great Place to Work Institute in 2013 and 2017. Also, Interbank was named as one of the Top Ten Most Admired Companies in Peru by the “G de Gestión” magazine and PricewaterhouseCoopers between 2012 and 2017 and third in the Rating of companies with the best overall reputation in 2017 by Merco (*Monitor Empresarial de Reputación Corporativa*). Finally, in the most recent rankings, Interbank was selected number two best company to work for in Peru (2017), number seven in Latin America (2017) and Bank of the Year (2017) by Latin Finance.

Strategy

We aim to maintain our position as a leading provider of financial services in Peru with our strategy of focusing on customers first, use of analytics, digital innovation and high-quality risk-management. We strive to provide the best experience to our customers through convenient, agile and friendly service, which we believe leads to customer loyalty and satisfaction, to expand our customer base and to further potential for cross-selling.

Our strategic priorities are as follow:

Provide superior customer experience

We are committed to providing the best possible customer experience for our clients.

Interbank aims to provide the most convenient, friendly and agile experience for its customers through a wide variety of products, services and distribution channels, in order to be considered the main bank for our customers. We plan to continue to develop a best-in-class experience across multiple devices, including PCs, mobile phones and ATMs.

Moreover, we will continue to integrate our business analytics and digital marketing capabilities to foster online sales, transactions and post-sale services of traditional and innovative products. To strengthen Interbank's digital offering, we will continue to heavily invest in our digital channels.

Have a deep understanding of Peruvian clients

Developing advanced analytics and improving our CRM capabilities are two of our highest priorities. We aim to be recognized as the company that best knows Peruvian clients, as we believe that a deep knowledge of clients and their particular characteristics is important in order to better understand them, and to be able to offer them with the best solutions for their needs and risk profile.

In this context, and taking advantage of what new technologies are bringing to us, we are strongly working on information technology big data, event-based marketing, machine learning, artificial intelligence and alternative models in order to substantially improve our commercial offering and risk profiling.

Moreover, we have an experienced team focused on monitoring and managing risks across all business areas, including operational, market, liquidity and credit risks. See, "Regulation and Supervision—Banking Regulation and Supervision—Integral Risk Management". Historically, we have experienced stable, low past-due loan ratios, well below the average past-due loan ratios for the Peruvian industry. Our overall past-due loan ratio as of September 30, 2017 was 2.8%, which compared to 3.1% for the Peruvian banking system.

Achieve digital excellence for our customers and employees

We are committed to being the best digital financial service provider in Peru. For this reason, we have been investing and will continue to heavily invest in advanced technologies in order to provide excellent customer experiences to our clients.

The first phase of investments of the past three years included new mobile and internet banking platforms for retail customers, a new internet platform for our commercial customers, investments in data & information technologies, and also strong investments in our core infrastructure and applications to guarantee the stability and operational efficiency needed for supporting a digital strategy, including the outsourcing of data centers with an accelerated investment program.

Currently, we are focusing our efforts on advanced analytics working together with world-class-partners (including big data, event-based marketing and machine learning), in order to develop capabilities to serve clients throughout its life-cycle digitally, and to explore new business opportunities. In addition, we will continue to improve our operational efficiency and stability through the investment and use of new technologies, as well as to protect our customers with the implementation of advanced cybersecurity strategies.

In order to be able to execute this fast, we are currently working with 19 squads under *agile* methodologies which have allowed us to substantially decrease time-to-market. Moreover, we have an Innovation Lab working with *Design Thinking* methodologies developed together with IDEO to further accelerate the development of new business ideas using new technologies.

Be a great place to work by maintaining a highly motivated team with a strong culture aligned to our strategy

We believe that a motivated workforce leads to high-quality customer service, which in turn leads to satisfied customers and better results. Our commitment to fostering a motivated workforce and merit-based culture is demonstrated by being ranked among the top Peruvian and Latin American companies by the Great Place to Work Institute.

We will continue our efforts to attract, develop and retain highly qualified personnel and to maintain a merit-based culture that emphasizes teamwork to keep a motivated workforce that delivers high-quality service.

Foster clients, revenue and earnings growth

Interbank plans to continue to balance its growth between retail and commercial banking, as it believes that both retail and commercial lending will continue to exhibit good levels of growth in the coming years.

Within retail banking, we will continue to focus on the Peruvian middle-class, and we will deepen our efforts on the mass affluent customers as we believe the new digital business models allow us to have a better value proposition for them. In terms of products, we aim at maintaining strong market shares in credit cards, payroll-deductible loans for public sector employees and deposits while increasing market shares on mortgages and payroll loans and accounts to the private retail clients.

We believe there are significant opportunities for Interbank in commercial banking, as well, focusing on maintaining our market share with corporates while increasing our market share in medium-size and small-size companies, where altogether Interbank has a lower market share (8.2% in terms of gross loans as of September 30, 2017 according to the SBS) when compared to its retail business. Interbank focuses on high margin and fee generating products such as leasing, structured finance, cash management, trade finance and factoring in its commercial lending business.

Moreover, we are exploring different new business ideas using new technologies that could result in further revenue and income sources in the future.

Actively pursue cross-selling opportunities to leverage our customer base across IFS and Intercorp Peru

We intend to benefit from cross-selling opportunities, including, primarily, the sale of insurance products by Interseguro to our banking clients. We plan to leverage more of our and Intercorp Peru's retail presence to cross-sell products across Interbank, Interseguro and Inteligo. We believe that Interbank's current 2.3 million customers represent a significant opportunity to sell additional banking products and services, as well as Interseguro's insurance products and Inteligo's brokerage services. For this purpose, we plan to continue investing in digital and analytics capabilities.

Additionally, we plan to capitalize on the future growth of Intercorp Peru's retail business through its shopping malls, supermarkets, pharmacies and home improvement stores, by sharing data to the extent possible and in compliance with the applicable law to capture the cross-selling opportunities that those channels represent for Interbank.

Market Opportunity

We believe that the ongoing growth of the Peruvian economy, the expanding middle class, the steady growth of private wealth creation in Peru, the low penetration of financial services and the healthy and profitable Peruvian financial system offer significant opportunities for our continued growth. These market opportunities are further described below.

Growing economy with strong macroeconomic fundamentals

According to the World Bank, Peru's average GDP growth rate was 4.6% between 2011 and 2016, which is higher than the growth rate of each of the peer countries in Latin America during the same period (Colombia at 4.2%, Mexico at 2.8%, Chile at 3.5%, and Brazil at 0.3%). Additionally, Peru's average inflation rate was 3.4% between 2011 and 2016, which is one of the lowest inflation rates compared to inflation rates of each of the peer countries in Latin America during the same period (Colombia at 4.0%, Mexico at 3.5%, Chile at 3.4%, and Brazil at 7.1%). The Peruvian government's prudent management of the economy, conservative fiscal policy, coupled with the Peruvian Central Bank's cautious management of inflation and international reserves, have resulted in economic development, increased internal consumption and strong macroeconomic fundamentals, including low levels of public debt, low inflation, low fiscal deficit and high levels of international reserves. Peru's strong track record of macroeconomic policy credibility, consistency and flexibility has helped it to achieve investment grade ratings of A3 by Moody's, BBB+ by S&P and BBB+ by Fitch as of September 30, 2017. In its most recent forecast as of December 2017, the Peruvian Central Bank has estimated real GDP growth for Peru of 2.7% and 4.2% in 2017 and 2018, respectively, showing a recovery of healthier levels of growth when compared to the past two years. According to the Peruvian Central Bank growth in domestic demand was 2.2% in 2014, 2.9% in 2015, 1.1% in 2016, and was forecast to be (according to the "Reporte de Inflación – Diciembre de 2016" by the Peruvian Central Bank) 2.2% in 2017, and 4.4% in 2018.

Expansion of middle and upper socioeconomic segments

According to INEI, the poverty rate in Peru has declined to 20.7% in 2016, from 27.8% in 2011, and GDP per capita in U.S. dollars has grown 15.5% during the same period, pursuant to information from the World Bank. According to the *Asociación Peruana de Empresas de Investigación de Mercados (APEIM)*, Peru's middle and upper socioeconomic segments (A, B and C) have significantly expanded and, as of 2016, represented 51% of the population compared to 29% in 2004. We believe that the increase in the number of people belonging to the middle and upper classes creates the need for financial services, particularly for increasingly sophisticated banking products.

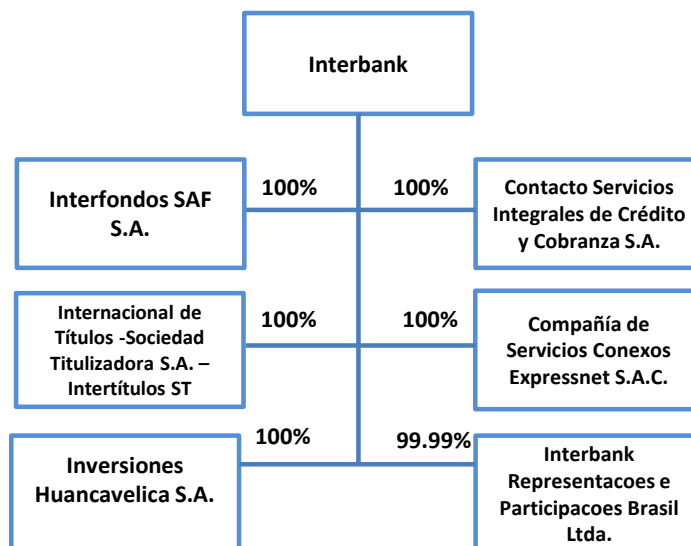
Low penetration of financial services

Despite the recent deceleration, we believe that growth potential in Peru's financial services sector continues to be significant. Banking penetration in Peru, measured as the ratio of loans-to-GDP, was 36.3% as of December 31, 2016, according to the SBS, below the average ratio of 53.1% for the group of peer countries in Latin America according to the EIU, the Chilean Superintendency of Banks and Financial Institutions (*Superintendencia de Bancos e Instituciones Financieras*), the Central Bank of Brazil (*Banco Central do Brasil*), the Colombian Financial Superintendency (*Superintendencia Financiera de Colombia*), and the Mexican Commission for Banking and Securities (*Comisión Nacional Bancaria y de Valores*). In addition, it was less than half of the 90.6% ratio for Chile. We believe that penetration potential is even more significant in retail banking. In terms of retail loan penetration, including credit cards and branches per inhabitant, Peru is well below its peer countries in Latin America. As of December 31, 2016, the estimated total number of credit cards per capita in Peru was 0.3 as compared to 0.7 credit cards per capita in Chile. The ratio of retail loans-to-GDP in Peru was 12.4%, and in Chile 36.6% while the averages for the group of peer countries in Latin America was 23.0%, as of December 31, 2016. In 2016, the retail loans per capita stood at US\$5,107 in Chile in 2016 compared to US\$755 in Peru. Furthermore, as of December 31, 2016, there were approximately 0.2 million mortgages outstanding in Peru, according to ASBANC, for a population of approximately 31.8 million, compared to approximately 1.4 million mortgages outstanding in Chile, according to SBIF, for a population of approximately 17.9 million.

Healthy and profitable financial system

As a result of sound regulation, the Peruvian financial system is healthy and profitable according to figures published by the SBS. Gross loans in Peru have grown at a CAGR of 12.9% for the five-year period ended December 31, 2016, and 2.2% between September 2016 and September 2017, while the banking system's asset quality has remained strong with a ratio of past-due loans as a percentage of total gross loans of 3.1% and a ratio of allowance for loan losses as a percentage of past-due loans of 154.4% as of September 30, 2017, according to the SBS, with a slight deterioration in the past months due to the deterioration of the Peruvian economy in the past two years. Capitalization of the Peruvian banking system has consistently been well above regulatory requirements in

the last five years with a total capital ratio of the banking system of 15.8% as of September 30, 2017, according to the SBS. Furthermore, profitability remains high with a 18.3% annualized ROE for the banking system for the nine months ended September 30, 2017, according to the SBS.



Banking

Interbank provides retail and commercial banking services to over 2.3 million customers as of September 30, 2017. It is the fourth largest bank in Peru in terms of total assets, total gross loans and total deposits, with market shares of 11.5%, 10.9% and 11.4%, respectively, as of September 30, 2017 and in accordance with the SBS. Interbank is focused on fast-growing and highly profitable retail banking businesses, such as credit card financing, payroll loans to public employees and mortgages, as well as Peruvian corporates and medium-size companies within commercial banking.

Given this focus, 53.1% of Interbank's gross loans as of September 30, 2017 correspond to retail banking, compared to 34.9% for the Peruvian banking system, according to the SBS. Interbank is the second-largest provider of consumer financing (retail loans other than mortgages), the leading player among private banks in payroll loans to public sector employees, the second-largest provider of credit card financing and the third-largest bank in retail loans in Peru. As part of its strategy to serve retail banking customers, Interbank has one of the most convenient and extensive retail banking distribution networks in Peru and is currently present in 23 of Peru's 25 regions. Interbank serves its customers through 283 financial stores, more than 2,000 ATMs throughout Peru, which is the second largest ATM network nationwide and the largest out-of-branch ATM network, and more than 2,400 correspondent agents.

In the commercial banking line of business, which represents 46.9% of Interbank's gross loans as of September 30, 2017 according to Peruvian GAAP, Interbank focuses on high margin and fee generating products such as leasing, structured finance, cash management, trade finance and factoring in its commercial lending business. These products and services are attractive not only for the financial margins they offer, but also for the fee income they generate. In addition, these products and services enhance customer loyalty and provide significant cross-selling opportunities.

The table below provides a breakdown of Interbank's loan portfolio under Peruvian GAAP as of the dates indicated.

	As of September 30, (Unaudited)		As of December 31,	
	2017	2016	2016	2015
	(S/ in millions)			
Retail loans				
Credit Cards.....	4,123	4,335	4,249	4,022
Other consumer loans.....	4,918	4,630	4,639	4,394
Mortgage loans.....	5,378	5,015	5,040	4,765
Total retail gross loans.....	14,419	13,980	13,928	13,181
Total commercial gross loans.....	12,761	12,100	12,299	11,899
Percentage retail loans.....	53.1%	53.6%	53.1%	52.6%
Percentage commercial loans.....	46.9%	46.4%	46.9%	47.4%

Source: SBS.

For the nine months ended September 30, 2017, Interbank's net profit was S/637.1 million (US\$195.1 million). As of September 30, 2017, Interbank had shareholders' equity of S/4.6 billion (US\$1.4 billion). Interbank's annualized ROE for the nine months ended September 30, 2017 was 20.1%, and its annualized ROA for the nine months ended September 30, 2017 was 2.1%.

For the years ended December 31, 2016, 2015 and 2014, Interbank's net profit was S/875 million (US\$ 260.7 million), S/860.3 million and S/708.7 million, respectively. As of December 31, 2016, 2015 and 2014, Interbank had shareholders' equity of S/4.2 billion (US\$ 1.2 billion), S/3.6 billion and S/3.1 billion, respectively. Interbank's ROE for the years ended December 31, 2016, 2015 and 2014 was 23.2%, 26.6% and 25.5%, respectively, and its ROA for the years ended December 31, 2016, 2015 and 2014 was 2.2%, 2.4% and 2.3%, respectively.

History

Interbank is a Peruvian bank in the form of an open-stock corporation (*sociedad anónima abierta*). Interbank was incorporated in Lima, Peru in 1897 with an indefinite duration, and formerly conducted business under the names "Banco Internacional del Perú S.A." and "Interbanc". In August 1994, as part of the government's privatization efforts, 91% of Interbank's share capital was acquired by Corporación Interbank, which subsequently transferred its holdings in Interbank to the Rodríguez-Pastor family through Intercorp Peru, a limited liability company organized under the laws of the Commonwealth of The Bahamas that is listed on the BVL. After Interbank's acquisition by Intercorp Peru in 1994, it began conducting business under the name "Interbank" as part of a rebranding and modernization effort, and has become a leading universal bank in Peru.

Business Lines

Interbank has three business lines: (1) retail banking, (2) commercial banking and (3) treasury and institutional.



Retail Banking

Interbank's retail banking business line provides a variety of financial products and services to individuals including retail loans and retail deposits. Interbank's retail banking strategy consists of providing the best customer experience through convenient, agile and friendly service. Interbank's key objectives include increasing its market share in its core products through increasing its share of wallet and cross-selling products to its existing customers.

Interbank seeks to meet the financial service needs of Peru's growing middle class who only recently have had sufficient disposable income to become integrated into the financial system. Interbank believes the retail banking sector presents significant opportunities to continue to grow and sustain high margins, while assuming reasonable risk.

As of September 30, 2017, retail loans represented 53.1% of Interbank's total loan portfolio outstanding as compared to 34.9% for the Peruvian banking system under Peruvian GAAP. Furthermore, Interbank's strategy also seeks to continue capturing low-cost funding through a stable and diversified deposit base.

Retail Loans

Retail loans consist of consumer and mortgage loans. Interbank classifies its consumer loans into two categories: (i) credit cards; and (ii) payroll deduction and other consumer loans.

Consumer Loans

Credit cards. Credit cards represent the largest portion of Interbank's consumer loan portfolio in terms of outstanding loans. Interbank offers its retail customers all three major credit cards: VISA, MasterCard and American Express. Interbank has an exclusivity agreement with American Express for its Centurion line of credit cards. Interbank also offers other credit cards with different value propositions catering to each customer segment.

Interbank's credit card loans had a five-year CAGR of 13.0% for the period ended December 31, 2016 and represented a market share of 23.0%. For the nine months ended September 30, 2017, credit card loans decreased by 5.7% compared to the corresponding period in 2016, and represented a market share of 22.7%. As of December 31, 2016, credit cards represented approximately 30.5% of Interbank's retail loan portfolio as compared to approximately 22.9% for the Peruvian banking system, and its past-due loan ratio in credit cards stood at 5.0%. Interbank's past-due loan ratio results from its strategy of targeting customers through enhanced and proprietary credit scores and offering differentiated pricing based on each customer's risk profile through improved credit scoring and origination models.

Payroll deduction and other consumer loans. Payroll deduction loans to public sector employees represent the second largest portion of Interbank's consumer loans, after credit cards. Interbank ranks first among private banks in Peru in terms of payroll deduction loans to public sector employees, with a market share of 23.7% as of September 30, 2017.

The risk of default under payroll deduction loans is lower, particularly because the employer deducts the loan payments from the employee's salary and makes payments to Interbank directly. Additionally, by law, these loans are insured by an insurance company against the death and disability of the borrower. Interseguro provides substantially all of the insurance policies for these loans although customers are free to purchase insurance from other providers. In addition to payroll deduction loans, Interbank offers other loans to individuals, including auto loans and unsecured personal loans.

Mortgage Loans

Interbank offers fixed rate mortgage loans with an average term of 20 years, denominated in either U.S. dollars or *soles*.

Interbank's mortgage loans outstanding grew at a five-year CAGR of 16.7% for the period ended December 31, 2016 compared to 14.9% CAGR for the Peruvian banking system over the same period. For the nine months ended September 30, 2017, Interbank's growth in mortgage loans outstanding was 7.2% compared to the corresponding period in 2016, compared to 4.3% for the Peruvian banking system over the same period. As of September 30, 2017, 86.5% of Interbank's mortgage loans outstanding were denominated in *soles* and the remaining 13.5% in U.S. dollars. For the nine months ended September 30, 2017, Interbank's mortgage loan disbursements amounted to approximately S/988 million, of which 88% were denominated in *soles* and the remaining 12% in U.S. dollars.

Interbank also provides residential construction loans to real estate developers. Although these loans are reported within the commercial banking portfolio, they are managed together with retail banking mortgages because of the synergies between the businesses. Financing real estate projects provides Interbank with an opportunity to market mortgage loans to home buyers.

In 2001, the Peruvian government launched the *Nuevo Crédito Mivivienda* program, a social initiative to promote the construction of low-income housing, of which Interbank is an active participant. As of September 30, 2017, the *Mivivienda* program had successfully disbursed approximately 125,521 loans between January 1 and September 30, 2017, mainly to develop multi-family buildings. The *Nuevo Crédito Mivivienda* program provides direct funding to match each loan underwritten by banks, as well as credit risk coverage for 1/3 of any realized loss. Furthermore, the program subsidizes interest rates by rewarding the end customer with direct financial incentives if payments are kept current.

Retail Deposits

Interbank offers a wide range of sol and U.S. dollar denominated transactional, savings and investment accounts through one of the largest distribution networks (as measured by total financial stores, ATMs and correspondent agents). These products satisfy key consumer needs and position Interbank as an attractive financial institution for retail customers.

Transactional accounts

Within retail deposits, Interbank offers transactional accounts with different interest rates, maintenance fees and options for accessing funds, such as checkbooks, debit cards and Internet access.

Cuenta Sueldo is a payroll account into which an employer may deposit an accountholder's salary on a regular basis. These payroll accounts provide debit cards for employees, as well as monthly interest on account balances and discounts at restaurants and retailers, among other benefits. Interbank offers these payroll account services to employers in conjunction with other commercial banking products, and also markets directly to employees.

Cuenta Ágil is a transactional account that permits unlimited transactions in financial stores and electronic channels and carries no monthly maintenance fee as long as the account carries a minimum average balance of either US\$200 or S/500 on a monthly basis.

Cuenta Simple is used by customers for their everyday banking needs and does not have a maintenance fee. Transactions are free of charge for up to a certain number of monthly transactions through physical channels. In addition, all transactions performed through online banking and other electronic devices are free of charge. This transactional account is of low cost for Interbank as most of the transactions are conducted through electronic channels. Customers are also able to receive incoming wire transfers in this account.

Órdenes de Pago are instructions to transfer funds at the request of a retail account holder in favor of a third party, which could be either client or non-client.

Cuenta Corriente is a checking account used primarily by small business owners and independent professionals to pay for expenses.

Savings accounts

Interbank offers savings accounts with a variety of interest rates, maintenance charges and options for alternative access channels, such as ATM cards, Internet access and mobile access.

Cuenta Millonaria is one of Interbank's fastest growing savings accounts, which may be denominated in soles or U.S. dollars. The *Cuenta Millonaria* account allows accountholders to participate in sweepstakes to win apartments and cars.

Cuenta Ahorro are savings accounts that permit unlimited transactions in electronic channels, carry no monthly maintenance fee and provide additional benefits tailored to the needs of different customer types.

Ahorro Casa allows customers to make monthly deposits to finance home purchases. Once an account holder reaches a pre-established balance in the account and demonstrates savings and payment capacity, the account holder may apply for a mortgage loan with Interbank's mortgage division.

Investment accounts

Interbank offers time deposits, certificates of deposit (CDs) and CTS accounts denominated in *soles* and U.S. dollars, to customers who may or may not have a checking or savings account with Interbank.

Interbank offers time deposits and CDs, with maturities ranging from 31 days to 10 years. Time deposits with maturities of 31 days or more may be opened with a minimum initial balance of S/2,000 or US\$1,000. Time deposits with maturities ranging from 990 days to 10 years are only offered in *soles* and can be opened with a minimum initial balance of S/50,000.

Compensation for service time accounts ("CTS", by its Spanish acronym) are severance accounts that employers must open for the benefit of their employees pursuant to Peruvian law. Employers must deposit into these accounts twice a year (in May and November) an amount equal to one half of an employee's month salary. Employees may withdraw from their CTS account any amount exceeding the sum of such employee's four months' salary calculated based on the most recent monthly salary.

Commercial Banking

Interbank's commercial banking business line primarily targets Peruvian corporates and medium-size companies. The commercial banking unit has three business units: corporate, medium-size business and small business.

Interbank markets its cash management services, including payroll services, collection and account payments, to commercial clients that provide it with opportunities to cross-sell retail products. As of September 30, 2017, Interbank was the fourth largest bank in terms of commercial loans outstanding, with a total commercial loan portfolio amounting to S/12,761 billion, representing a 8.2% market share, while its past-due loan ratio stood at 1.9%, the lowest among the largest four banks in Peru. Other traditional products offered to Interbank's commercial clients include working capital loans and letters of credit.

Corporate Banking

Interbank's corporate banking unit is primarily responsible for providing services to companies with annual sales exceeding S/100.0 million or are part of a large economic group. Interbank's corporate banking unit provides investment banking, structured finance and other sophisticated banking products to meet the needs of its target clients. Furthermore, Interbank focuses on developing a relationship with each client and promoting fee-related and low-risk products, such as letters of credit, collections, transfers and foreign exchange services, tailored to meet the particular requirements of each client.

Medium-Size Business Banking

Interbank's medium-size business banking unit offers many of the same products as those of the corporate banking unit mainly to medium-size enterprises with annual sales between S/3.0 million and S/100.0 million. The unit primarily provides Interbank's clients with working capital loans secured by accounts receivable and other products, including financing for medium and long-term investment programs. Medium-size businesses also constitute an important source of deposits.

Medium-size enterprises in Peru generally do not have access to financing through local or international capital markets or to term loans from foreign banks. Interbank expects to capitalize on the significant growth opportunities in this sector and to profit from the margins that it offers when taking into account the reasonable degree of risk involved. We believe that this sector will continue to grow along with the Peruvian economy. In this sector, financial entities are the main competitors of banks.

Small Business Banking

Interbank's small business banking unit serves companies with annual sales between S/300,000 and S/3.0 million. Interbank offers working capital loans, fixed asset financing, revolving lines of credit and transactional accounts to small businesses. Interbank has invested in building an experienced team and developing a strong IT platform, with online and automated processes to better serve these customers.

Main Commercial Banking Products

Leasing. Interbank provides financial leasing including commercial real estate, vehicles, machinery and other goods. At the end of the term of a leasing agreement, the customer has the option to purchase the leased assets. As of September 30, 2017, Interbank's market share was 8.6% by gross loans according to the SBS. Leasing products generate high margins and present lower credit risk compared to other financial products.

In recent years, the growth in Interbank's leasing business has been driven by economic growth and related private sector investments. We expect this trend to continue in the future. Furthermore, Interbank is actively pursuing leasing and financing opportunities for machinery and equipment to grow its leasing business.

Cash management. Interbank offers products and services that strengthen its relationship with clients, build loyalty and reduce costs by using electronic channels and by increasing fee income. Services managed by this unit include collection services (automated trade bill collection), automated payments (payroll and payments to suppliers) and digital banking and cash management. Interbank earns fees from cash management services by charging its clients a fixed fee and a variable fee based on the volume and frequency of the transactions.

Trade finance. Interbank provides short-term loans for trade, funded with internal resources or with credit lines from foreign banks. In addition, the trade finance unit offers medium-term credit lines using funds granted by international commercial banks and foreign governmental institutions. The trade finance unit also earns fees by providing customers with letters of credit, international collection and foreign exchange services.

As of September 30, 2017, Interbank had a market share of 7.9% in the trade finance business according to the SBS.

Interbank intends to capitalize on the growing importance of China to Peru's foreign trade by facilitating trade and investment with both countries. In 2007, Interbank established a Commercial Representative Office in China in order to meet the needs of Peruvian and Chinese firms wishing to access these markets.

Factoring. Through its electronic factoring product, customers are able to send their invoices to Interbank on a continuous basis up to a certain credit limit and borrow against these invoices. Once the customer reaches this limit and no additional receivables are generated, the customer stops receiving advances from Interbank.

Treasury and Institutional

The main activities of Interbank's treasury and institutional business line include treasury and institutional banking, as well as mutual funds through Interfondos S.A. ("Interfondos") and securitization services through Internacional de Títulos Sociedad Titulizadora S.A. ("Intertítulos").

Treasury

Interbank is an active participant in the money and foreign exchange trading markets in Peru. Its money market desk plays an active role in the *Sol* and foreign currency short-term money markets. In addition, the money market desk participates in the auction of certificates of deposit issued by the Peruvian Central Bank. Interbank's proprietary trading activities focus on foreign exchange trading and short-term investments in securities, which primarily include certificates of deposit of the Peruvian Central Bank, Peruvian global bonds and sovereign debt instruments.

Institutional Banking

Interbank's institutional banking unit serves primarily non-profit public and private organizations, international entities, educational institutions and nongovernmental organizations. As of September 30, 2017, the institutional banking unit had more than 550 clients and S/4.9 billion in deposits, accounting for 19% of Interbank's total deposits.

The institutional banking unit is strategically important to Interbank as it provides Interbank with a stable and low-cost deposit base, as well as opportunities for fee income generation. The clients for the institutional banking unit require mainly transactional products, such as remote office banking, collection services, automated payroll payment services and investment management. Interbank's strategy is focused on building customer loyalty with these clients by offering customized services at competitive rates and by providing high-quality customer service.

Mutual Funds

Interbank provides asset management services through its wholly-owned subsidiary, Interfondos. As of September 30, 2017, Interfondos had assets under management of approximately S/4.0 billion and was the fourth largest mutual fund manager in Peru with a 14.2% market share based on assets under management. Through Interfondos, Interbank expects to continue to benefit from the growth in the mutual fund industry. Mutual fund penetration in Peru is relatively low compared to other countries in the region. Mutual fund assets under management in Peru represented only 3.8% of GDP as of December 31, 2016 as compared to approximately 19% in Chile, according to the SMV and the Association of Mutual Funds of Chile (*Asociación de Administradoras de Fondos Mutuos de Chile*).

Securitization Services

In addition, Interbank provides securitization services through its wholly-owned subsidiary, Intertítulos, which is regulated by the SMV. Intertítulos, acting as a trustee, enables its clients to issue securities in order to obtain funds directly from financial markets.

Distribution Channels

Interbank has built an omni-channel distribution network in Peru, serving over 2.3 million customers. As of September 30, 2017, Interbank had 283 financial stores and operated the second-largest ATM network in Peru with more than 2,000 ATMs, which includes the largest out-of-branch ATM network (under our *Global Net* brand). Interbank has the largest number of financial stores inside supermarkets in Peru. Moreover, with the intention of providing underserved customers with more convenient services, Interbank operates a network of correspondent agents, called *Interbank Agentes*. The correspondent agents concept consists of providing commercial establishments with low-cost electronic terminals which allow customers to perform basic transactions. As of September 30, 2017, Interbank had over 2,400 correspondent agents.

Financial Stores

As of September 30, 2017, Interbank had 283 financial stores, of which 171 were located throughout Lima and 112 in the rest of Peru. Interbank has the fourth highest number of financial stores outside of Lima among Peruvian banks covering 23 of Peru's 25 regions. A large number of the financial stores are located in convenient, high traffic areas, such as supermarkets and shopping malls to maximize client coverage. Interbank has 76 financial stores that are open every day from 9:00 am to 9:00 pm.

In May 2013, Interbank introduced "Imagine" financial stores, a concept jointly developed with IDEO, a design and innovation consulting firm. "Imagine" fosters a more pleasant and inviting environment to Interbank's customers, and is designed to educate customers on the use of electronic and Internet banking tools in order to migrate low value transactions to electronic channels, while continuing to capture new customers and exploit cross-selling opportunities. Furthermore, Interbank has a full-time financial store functioning as an innovation lab (Explora), allowing it to constantly test new ideas and concepts. These types of initiatives, among others, have

allowed Interbank to receive several awards for creativity and innovation since 1998 from *Creatividad Empresarial*, a consortium comprised of local journalists and scholars; this is more than any other bank in Peru.

ATMs

Interbank's strategy is to offer its customers increased convenience by locating approximately 60% of its ATMs away from its financial stores. As of September 30, 2017, Interbank had the second largest ATM network in Peru, with more than 2,000 ATMs distributed across Peru marketed under the *Global Net* brand. Some of Interbank's ATMs have advanced features, including the ability to receive cash and check deposits, as well as pre-approved cash loans. Interbank has 1,240 ATMs at out-of-branch locations, the largest number in Peru, while its closest competitor has only 898 according to ASBANC.

Correspondent Agents

Interbank Agente consists of providing commercial establishments with low-cost electronic terminals which allow customers to perform basic transactions, such as withdrawals, deposits and payment of utility bills, with the intention of providing underserved customers with more convenient services. As of September 30, 2017, we had over 2,400 correspondent agents.

Electronic Banking

Interbank offers online banking to its clients through its website, www.interbank.com.pe. As of September 30, 2017, Interbank had more than 550,000 online banking users. During the nine months ended September 30, 2017, a monthly average of 208,500 monetary transactions were conducted online using its website.

Interbank also offers mobile banking services, which include, account balance and transaction inquiries, transfers between accounts, credit card, cell phone and loan payment options.

Additionally, as of September 30, 2017, 37.2% of our retail customers were digital customers, meaning they also access to Interbank's services through internet and mobile banking, while 90.0% of total transactions were off-branch transactions, meaning they were performed outside branches. The evolution of these indicators is described in the following table.

As of the end of each month

	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Set-17
Digital customers	30.5%	30.8%	31.6%	32.8%	33.8%	34.9%	36.0%	36.7%	37.2%
Transaction branches	11.6%	12.4%	11.3%	10.9%	11.2%	12.3%	10.7%	10.2%	10.0%
Transaction off-branch	88.4%	87.6%	88.7%	89.1%	88.8%	87.7%	89.3%	89.8%	90.0%

Security is an important factor in electronic and online banking and Interbank continues to enhance its fraud prevention and security features.

Other Channels

In-bound Call Center

Interbank offers its customers telephone banking services 24 hours a day, seven days a week. Through telephone banking, Interbank's customers can obtain balance information, make credit card payments, transfer money between accounts and pay their utilities, insurance, tuition and cellular phone bills.

Interbank has a state-of-the-art call center, which manages an average of 493,182 calls per month, answering inquiries from clients, offering assistance and information and selling new products to customers.

Out-bound Call Center

As of September 30, 2017, Interbank had a dedicated telephone sales force of 323 employees, which primarily sells credit cards and some other retail products. The dedicated sales force is a key resource for customers' acquisition and for our cross-selling campaigns.

Information Technology Unit

Interbank continuously invests in new technology and the maintenance of its existing equipment and infrastructure in order to improve its value proposition to its customers, increase its efficiency and support business growth. The IT unit focuses on assuring 24x7 channel availability, enhancing the timeliness of data processing, guaranteeing data protection and anti-fraud security, updating and maintaining hardware platforms and software versions, developing contingency plans and implementing technology projects. Interbank's IT network also processes credit card, personal and commercial loans, and electronic transactions.

In order to comply with business and regulatory requirements, Interbank has strengthened its IT governance model incorporating best practices for IT quality assurance, risk evaluation, projects management and focused responsibilities for teams operating the technology and teams developing new solutions. It has also fortified its business continuity program through increased redundancy programs and upgraded hardware and software components. This model includes establishing operating partnerships with various leading world-class IT vendors.

Interbank has also made significant investments to upgrade its data centers and central technology platforms. These platforms provide a stable and secure environment for Interbank's operations, a better understanding of cost drivers, and improve its processes. They also manage Interbank's current commercial portfolio, allow product and services innovation and the adequate assessment of Interbank's business lines profitability. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Outstanding Indebtedness—Capital Expenditures Program".

Interbank continues to invest in new and ongoing IT projects in order to improve the quality and responsiveness of internal operating processes and provide business solutions to improve Interbank's CRM, cash management platform, among others.

Employees

As of September 30, 2017, Interbank had 6,729 employees, of whom 3,208 work in financial stores, 2,751 at the headquarters and in operational centers of Interbank, and 770 in the sales force. Interbank's employees are not unionized, are not a party to any collective bargaining agreement and, since Interbank's privatization in 1994, have never been involved in a strike or work stoppage.

Interbank and its subsidiaries are focused on attracting, developing and maintaining highly qualified personnel and believe that a merit-based culture that emphasizes teamwork enables them to maintain a motivated workforce that delivers high-quality service. Interbank is the only Peruvian company that has been chosen by the Peruvian Great Place to Work Institute as one of the 20 best places to work in Peru for the past 16 consecutive years and one of the top 20 places to work in Latin America in the past seven years. Additionally, Interbank was named one of the top 10 best places to work in Latin America among Latin American companies with greater than 1,000 employees by the Latin American Great Place to Work Institute in 2013 and 2017. Also, Interbank was named as one of the Top Ten Most Admired Companies in Peru by the "G de Gestión" magazine and PricewaterhouseCoopers between 2012 and 2017 and third in the Rating of companies with the best overall reputation in 2017 by Merco (*Monitor Empresarial de Reputación Corporativa*). Finally, in the most recent rankings, Interbank was selected number two best company to work for in Peru (2017), number seven in Latin America (2017) and Bank of the Year (2017) by Latin Finance.

Facilities

Interbank owns its headquarters, the Interbank Tower, located at Av. Carlos Villarán 140, Urbanización, Santa Catalina, La Victoria, Lima 13, Peru. Although most of its financial store facilities are leased, Interbank owned 51 financial store facilities as of September 30, 2017.

Legal Proceedings

We are not involved in any legal or arbitration proceedings which could have a material adverse effect on our financial position.

Interbank is involved in a number of legal proceedings in the ordinary course relating to its banking activities. Interbank is also a party to a number of legal proceedings related to labor disputes with former employees.

Anti-Money Laundering Policies

Anti-Money Laundering

Peru has long-standing laws criminalizing money laundering activities, and such laws were further strengthened in 1996 with the adoption of the Peruvian Banking and Insurance Law, which incorporated the guidelines of the Organization of American States directly into Peruvian law, and Law No. 28306, which revised functions assigned to the Financial Intelligence Unit (*Unidad de Inteligencia Financiera*, or "UIF"), a public entity responsible for directing anti-money laundering actions and monitoring information that public and private companies are required to provide, which is part of the SBS. The UIF has the authority to request detailed reports with respect to the movement of funds and the identity of depositors. In accordance with certain regulations, mainly Law No. 28306 and SBS Resolution No. 2660-2015, companies must have a system aimed to prevent products and/or services offered to the public from being used for illegal purposes related to money laundering and/or terrorist financing, subject to warnings, fines, withdrawal of operating license and even imprisonment.

We have developed an Anti-Money Laundering program complying with the applicable rules and regulations, the Financial Action Task Force (FATF) recommendations and resolutions issued by the United Nations.

This program is focused mainly on the following:

- Allowing the detection of unusual transactions and prevention or timely detection of suspicious transactions or any such attempted transactions, in order to inform the Financial Intelligence Unit within relevant legal deadlines.
- Developing training programs in order to educate employees about the standards in effect for the prevention of money laundering and terrorist financing.
- The commitment of all directors, executives, employees and any authorized representatives to the implementation of a code of conduct approved by the board of directors.
- Requiring relevant information from individuals and/or companies and verifying any information obtained by visits to the homes or offices of such individuals and/or companies, by conducting personal interviews.
- Identifying and registering clients that in the course of the business relationship show a transactional pattern that does not match such client's business profile.
- Reporting to the UIF any operations that have occurred or that have been attempted, and which in our judgment are suspicious, regardless of the amounts involved, within a period not exceeding 30 calendar days after any such operation has been identified.

Corporate Compliance System

The Corporate Compliance System consists of policies and procedures to properly manage compliance with applicable local and international laws. In order to ensure proper compliance with any new and changing laws and regulations, our efforts focus on the identification of any new or changed requirements and the establishment of internal deadlines for the implementation of any compliance measure in a timely manner.

In addition, the Corporate Compliance System has a risk-based approach, which focuses on reducing the level of exposure to fines or other penalties that could negatively impact our reputation.

The Corporate Compliance System includes the Anti-Money Laundering program and other compliance programs, including:

- Protection of Personal Information
- Safety and Security at Work
- Regulatory Compliance
- Foreign Corrupt Practices Act (FCPA)
- Foreign Account Tax Compliance Act (FATCA)
- Dodd Frank Act

The Corporate Compliance System provides specialized courses and virtual training for employees and is permanently monitored by regulators and internal and external auditors.

Competitive Environment

Peruvian Banking System and Competition

During the 1990s, the Peruvian economy underwent a major transformation, from a highly protected and regulated system to a free market economy. During this period, protectionist and interventionist laws and policies were gradually eliminated to create a liberal economy dominated by the private sector. Similarly, the Peruvian financial industry underwent deep structural changes that resulted in a significant expansion of credit. From 1993 to 1998, performing loans in the Peruvian financial system grew at a five-year CAGR of 45.9%, and banking penetration in Peru, measured as the ratio of loans-to-GDP, rose from 10.2% to 26.4% according to the SBS.

In 1998, the rise in international interest rates that followed the Russian default led to large capital outflows from Peru, resulting in a 15.8% depreciation of the *sol*. The depreciation of the *sol*, coupled with the strong dollarization of the Peruvian banking system at that time (81% of the loans were denominated in U.S. dollars) led to a sharp deterioration of the system's loan portfolio quality and to a contraction in total loans. Past-due loans peaked at 9.4% of total gross loans as of January 31, 2000, resulting in increased provisions and large capital losses for financial institutions.

However, from 2001 onwards, as macroeconomic conditions improved, the general banking industry indicators in Peru began also to improve. Past-due loans dropped from 9.0% of total gross loans as of December 31, 2001 to 3.7% as of December 31, 2004, and loan reserves over past-due loans increased from 118.9% as of December 31, 2001 to 176.5% as of December 31, 2004 according to the SBS.

From 2005 to 2008, fostered by a steady and sustained improvement in Peru's macroeconomic indicators, credit expanded again, with performing loans growing 25.2% in 2005, 18.0% in 2006, 34.7% in 2007 and 38.2% in 2008. The global financial crisis that started in late 2008 temporarily reduced credit growth as performing loans remained flat in 2009.

From December 31, 2011 to December 31, 2016, the banking system in Peru experienced a significant expansion of credit. During this period, gross loans grew at a five-year CAGR of 12.9% and banking penetration in Peru, measured as the ratio of loans-to-GDP, rose from 27.6% to 35.7%, according to the SBS and the Central Reserve Bank of Peru. The growth of gross loans in the Peruvian banking system between September 30, 2016 and September 30, 2017 was 2.2%, according to the SBS and the Central Reserve Bank of Peru. A significant part of the growth experienced by the Peruvian financial system since 2011 has been generated by the retail banking sector. Retail loans (including consumer loans and mortgages) grew at a five-year CAGR of 13.9% for the period ended December 31, 2016, and grew 4.3% between September 30, 2016 and September 30, 2017.

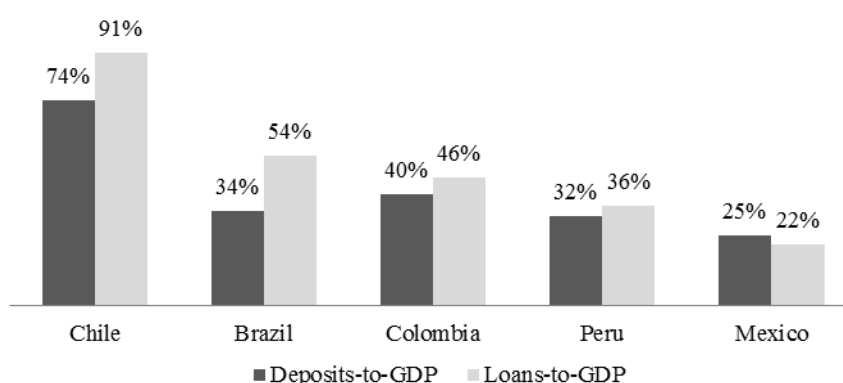
As of December 31, 2016, approximately 34.2% of the Peruvian banking sector's total loans were retail loans, up from 32.7% as of December 31, 2011, while as of September 30, 2017, 34.9% of the Peruvian banking sector's loans were retail loans. In particular, consumer loans, in which Interbank is one of the leading banks, grew at a five-year CAGR of 13.1% for the period ended December 31, 2016, and grew 4.4% between September 30, 2016 and September 30, 2017.

Despite this growth, the Peruvian banking system remains underpenetrated in comparison to the banking systems from the group of peer countries in Latin America. As of December 31, 2016, Peru's loans-to-GDP ratio was 35.7%, below the average ratio of 53.1% for the group of peer countries in Latin America (Chile, Brazil, Colombia and Mexico) and less than half the ratio of 90.6% for Chile, according to the IMF and local regulators.

Foreign-owned banks are beginning operations in the Peruvian market. For example, Itaú Unibanco, Bladex, Morgan Stanley Bank, Bank of Tokyo Mitsubishi and Sumitomo Mitsui Banking opened representative offices in Peru. As of September 2017, Peru's rating was confirmed at 'BBB+', 'BBB+' and 'A-3' by Fitch, S&P and Moody's, respectively.

The following chart shows banking penetration as of December 31, 2016 as measured by deposits-to-GDP and loans-to-GDP.

Deposits-to-GDP and loans-to-GDP



Source: EIU, the local bank regulators, local national institutes of statistics and local central banks.

The Peruvian banking system is highly concentrated in a small number of relatively large participants. The four largest banks accounted for 82.8% of total gross loans and 82.0% of total deposits in the system as of September 30, 2017. Furthermore, foreign banks play a significant role in the Peruvian financial system. As of September 30, 2017, BBVA and Scotiabank, two of the four largest banks in the system, which accounted for a combined 38.9% of total gross loans and 37.4% of total deposits, according to the SBS, were under foreign control. Although other major global banks such as BNP Paribas, Standard Chartered, Intesa (Sudameris) and BankBoston have ceased operations in Peru over the past fifteen years, other foreign banks have entered or have shown interest in entering or increasing their exposure in the Peruvian market.

Interbank is currently the fourth-largest bank in Peru, as measured by total gross loans and deposits, as of September 30, 2017, and has faced strong competition, including increased pressure on margins, primarily as a result of the presence of commercial banks in the Peruvian market with substantial capital, technology and marketing resources, as well as from Peruvian pension funds that lend to Interbank's current and potential commercial customers. This increased competition has affected the average interest rates that Interbank has been able to charge its customers. Despite being the fourth-largest bank in Peru, Interbank is strongly positioned in the consumer segment, being the second largest bank in Gross Consumer Loans and Gross Consumer Credit Cards, as of September 30, 2017.

The following tables show Interbank's main competitors and their respective market shares as of September 30, 2017.

As of September 30, 2017									
	Assets			Deposits			Total Gross Loans		
	Balance	Market Share %	Rank	Balance	Market Share %	Rank	Balance	Market Share %	Rank
	(S/ in millions)			(S/ in millions)			(S/ in millions)		
BCP	123,768.3	34.1%	1	73,145.0	33.2%	1	77,614.9	32.5%	1
BBVA	76,643.3	21.1%	2	49,475.1	22.4%	2	51,447.9	21.6%	2
Scotiabank	60,086.2	16.5%	3	33,050.5	15.0%	3	41,256.2	17.3%	3
Interbank	41,672.9	11.5%	4	25,261.1	11.5%	4	27,179.8	11.4%	4
BanBif	13,402.9	3.7%	5	9,122.7	4.1%	5	9,234.1	3.9%	5
Mibanco ⁽¹⁾	11,825.5	3.3%	6	6,889.5	3.1%	6	9,043.1	3.8%	6
Financiero	8,732.3	2.4%	7	5,434.5	2.5%	7	6,420.2	2.7%	7
GNB	5,259.8	1.4%	8	3,994.3	1.8%	8	3,895.7	1.6%	8
Santander	4,883.3	1.3%	9	3,343.5	1.5%	9	2,873.9	1.2%	10
Citibank	4,869.3	1.3%	10	3,141.1	1.4%	10	1,859.2	0.8%	11
Falabella	4,574.0	1.3%	11	2,596.2	1.2%	11	3,466.2	1.5%	9
Ripley	2,290.2	0.6%	12	1,297.2	0.6%	14	1,783.6	0.7%	12
Comercio	2,016.5	0.6%	13	1,455.3	0.7%	13	1,380.9	0.6%	13
ICBC	1,876.8	0.5%	14	1,577.5	0.7%	12	245.7	0.1%	16
Cencosud	693.6	0.2%	15	450.2	0.2%	15	528.5	0.2%	14
Azteca	546.0	0.2%	16	353.8	0.2%	16	381.7	0.2%	15
Total	363,140.8	100.0%		220,587.5	100.0%		238,611.5	100.0%	

(1) Mibanco is a subsidiary of BCP.
Source: SBS.

As of September 30, 2017							
Gross Consumer Loans ⁽¹⁾				Gross Consumer Credit Cards			
Bank	Balance	Market Share (%)	Rank	Bank	Balance	Market Share (%)	Rank
	(S/ in millions)				(S/ in millions)		
BCP	10,389.6	24.2%	1	BCP	4,273.8	23.5%	1
Interbank	9,040.7	21.1%	2	Interbank	4,134.3	22.7%	2
Scotiabank	7,172.8	16.7%	3	Falabella	3,337.8	18.3%	3
BBVA	4,581.1	10.7%	4	Scotiabank	2,492.6	13.7%	4
Falabella	3,461.9	8.1%	5	BBVA	1,825.3	10.0%	5
Financiero	1,831.9	4.3%	6	Ripley	837.0	4.6%	6
Ripley	1,783.6	4.2%	7	Cencosud	528.5	2.9%	7
BanBif	1,126.6	2.6%	8	Financiero	351.6	1.9%	8
Comercio	1,090.9	2.5%	9	BanBif	293.3	1.6%	9
GNB	906.2	2.1%	10	Azteca	67.9	0.4%	10
Mibanco	640.7	1.5%	11	GNB	65.4	0.4%	11
Cencosud	528.5	1.2%	12	Comercio	2.2	0.0%	12
Azteca	381.7	0.9%	13	Citibank	0.0	0.0%	13
Santander	1.1	0.0%	14	Mibanco	0.0	0.0%	14
Citibank	0.0	0.0%	15	Santander	0.0	0.0%	15
ICBC	0.0	0.0%	16				
Total	42,937.3	100.0%		Total	18,209.8	100.0%	

(1) Gross consumer loans do not include mortgage loans.
Source: SBS and ASBANC.

As of September 30, 2017

Gross Commercial Loans				Gross Mortgage Loans			
Bank	Balance	Market Share (%)	Rank	Bank	Balance	Market Share (%)	Rank
	(S/ in millions)				(S/ in millions)		
BCP	54,511.2	35.1%	1	BCP	12,714.1	31.6%	1
BBVA	35,183.6	22.6%	2	BBVA	11,683.2	29.0%	2
Scotiabank	27,873.8	17.9%	3	Scotiabank	6,209.6	15.4%	3
Interbank	12,760.9	8.2%	4	Interbank	5,378.3	13.4%	4
Mibanco	7,952.6	5.1%	5	BanBif	1,602.4	4.0%	5
BanBif	6,505.1	4.2%	6	GNB	1,201.5	3.0%	6
Financiero	3,590.3	2.3%	7	Financiero	998.0	2.5%	7
Santander	2,872.8	1.8%	8	Mibanco	449.7	1.1%	8
Citibank	1,859.2	1.2%	9	Comercio	33.0	0.1%	9
GNB	1,788.1	1.2%	10	Falabella	4.3	0.0%	10
Comercio	257.0	0.2%	11	Citibank	0.0	0.0%	11
ICBC	245.7	0.2%	12	ICBC	0.0	0.0%	12
Ripley	0.0	0.0%	13	Santander	0.0	0.0%	13
Falabella	0.0	0.0%	14	Ripley	0.0	0.0%	14
Azteca	0.0	0.0%	15	Azteca	0.0	0.0%	15
Cencosud	0.0	0.0%	16	Cencosud	0.0	0.0%	16
Total	155,400.2	100.0%		Total	40,274.0	100.0%	

Source: SBS.

Over the past few years, Interbank has steadily increased the percentage of loans that are denominated in local currency, from 63.4% of gross loans in 2014 to 74.1% as of September 30, 2017. This represents a higher percentage than the Peruvian banking system as a whole, which had 67.2% of its gross loans in local currency as of September 30, 2017. Within Interbank's retail loan portfolio, the percentage of gross loans denominated in local currency is 92.3% as of September 30, 2017, while its commercial loan portfolio is more evenly split, with 53.4% of gross loans in local currency as of September 30, 2017.

Interbank's percentage of total deposits in local currency has increased since 2014. The percentage of total deposits in local currency was 55.9% in 2014, but as of September 30, 2017, it is 62.0%. This represents a higher percentage than the Peruvian banking system as a whole, which had 57.2% of its total deposits in local currency as of September 30, 2017. The percentage of Interbank's retail and commercial deposits in local currency as of September 30, 2017 was 58.8% for retail deposits and 64.8% for commercial deposits, respectively.

Regarding the financial system, the cajas municipales de ahorro y crédito (CMACs) are microfinance institutions that belong to municipal governments in Peru; however, those do not have the majority control since the decisions are made by a board that gathers diverse members among the civil society. Currently, there are 12 CMACs with more than 500 offices spread over the 25 regions of Peru, as shown in the following table with information as of September 30, 2017. Initially, the CMACs offered only pledge credits and their operations were limited to their city or region. Now, they provide loans to microenterprises and small businesses, offer savings accounts and other savings instruments. Additionally, since 2002, they offer a wide range of banking services across different regions. In July 2017, with the purpose of modernizing the unique legal framework of the CMACs, the Peruvian law No. 30607 was promulgated which modifies the Supreme Decree 157-90-EF and aims at strengthening the functioning of the CMACs. In this way, these entities now have similar mechanisms and conditions as private micro-financial institutions to successfully adapt to the new economic context where competition and innovation prevail.

As of September 30, 2017

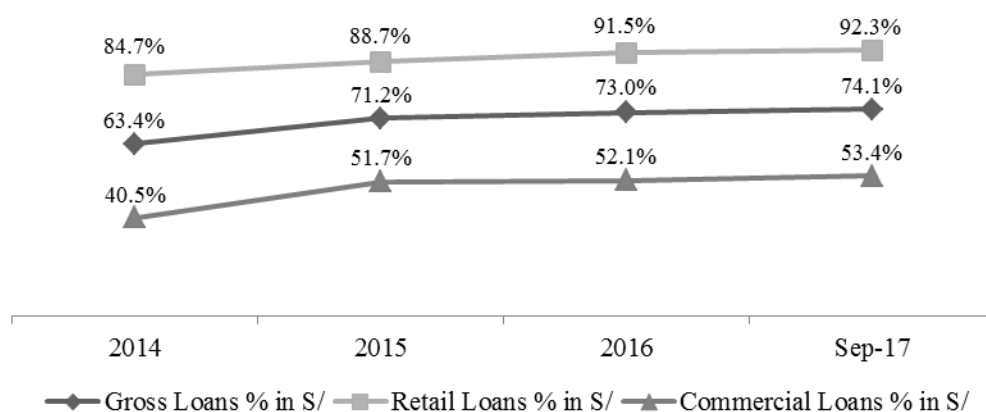
	Assets			Deposits			Total Gross Loans		
	Balance	Market Share	Rank	Balance	Market Share	Rank	Balance	Market Share	Rank
	(S/ in millions)	%		(S/ in millions)	%		(S/ in millions)	%	
CMAC Arequipa	4,959.9	21.2%	1	3,924.0	21.5%	1	4,044.9	21.7%	1
CMAC Piura	3,837.6	16.4%	2	3,123.5	17.1%	2	2,990.6	16.0%	2
CMAC Huancayo	3,370.0	14.4%	3	2,599.5	14.2%	3	2,861.1	15.3%	3
CMAC Sullana	3,445.6	14.7%	4	2,584.1	14.2%	4	2,716.1	14.5%	4
CMAC Cusco	2,601.4	11.1%	5	2,016.5	11.0%	5	2,213.7	11.9%	5
CMAC Trujillo	2,021.5	8.6%	6	1,538.2	8.4%	6	1,509.1	8.1%	6
CMAC Ica	993.6	4.2%	7	754.4	4.1%	8	795.7	4.3%	7
CMAC Tacna	925.2	3.9%	8	757.0	4.1%	7	726.6	3.9%	8
CMCP Lima	495.8	2.1%	9	342.6	1.9%	9	226.6	1.2%	10
CMAC Maynas	409.7	1.7%	10	320.1	1.8%	10	325.4	1.7%	9
CMAC Paita	193.0	0.8%	11	147.0	0.8%	12	132.7	0.7%	11
CMAC Del Santa	183.8	0.8%	12	154.2	0.8%	11	131.3	0.7%	12
Total	23,437.0	100.0%		18,261.1	100.0%		18,673.8	100.0%	

Source: SBS.

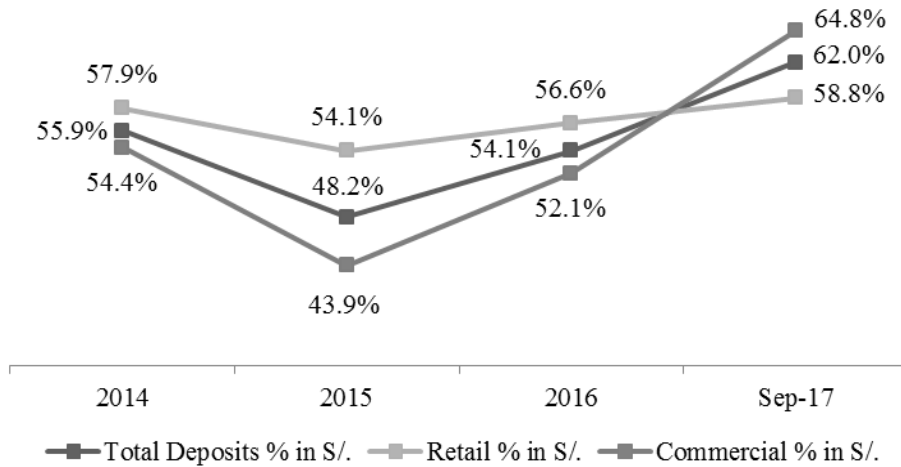
Hence, Interbank also faces increasing competition from CMACs. Initially, those were intentionally oriented towards a segment of the market that was outside the interest of the conventional sector and never sought to compete with commercial banks. When commercial banks realized the profitability of the CMACs in a niche of the market that they had ignored, they also began to offer microfinance products and opened specialized departments to manage the new business. Still, the CMACs compete in the local consumer banking market, and most of their activity is seen in regions other than the capital.

The following two charts show Interbank's loans and deposits by segment and percentage in *soles* for the periods indicated:

Interbank's Gross Loans by Segment and Percentage in S/

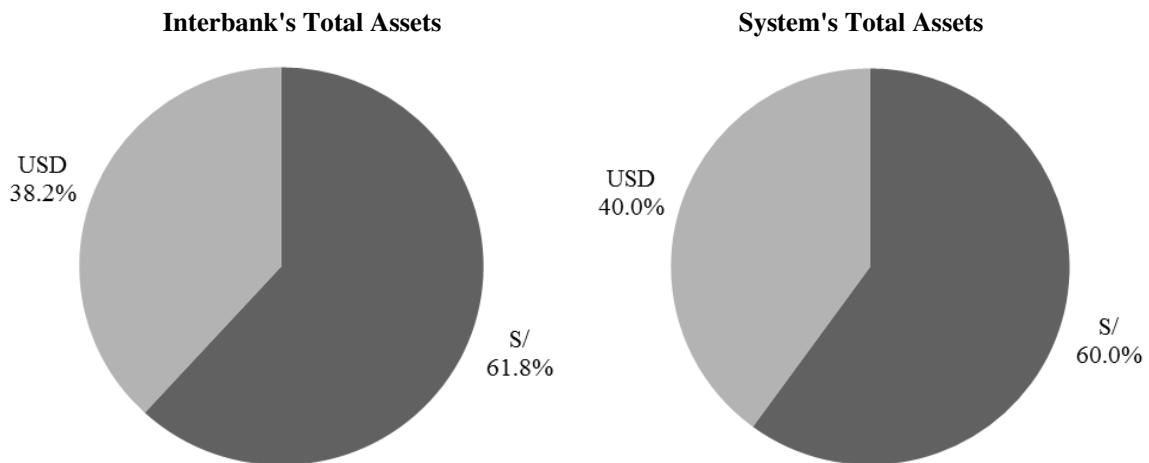


Interbank's Deposits by Segment and Percentage in S/



Source: SBS and Asbanc.

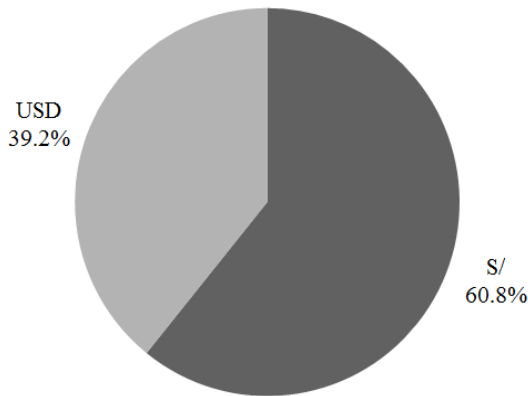
Interbank's percentage of total assets in local currency is in line with the Peruvian banking system as a whole. As of September 30, 2017, 61.8% of Interbank's total assets are in *soles*, compared to 60.0% for the Peruvian banking system. The following charts show the currency mix of Interbank's total assets compared to the Peruvian banking system as of September 30, 2017:



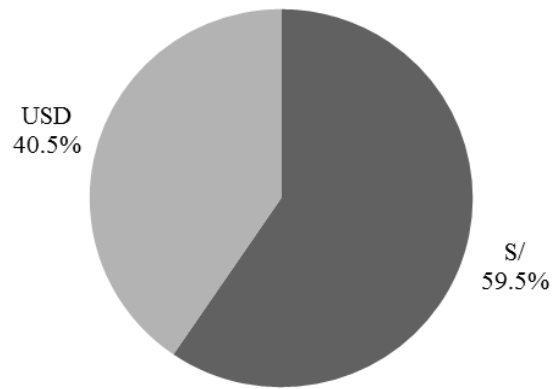
Source: SBS.

Interbank's percentage of total liabilities and equity in local currency is in line with the Peruvian banking system as a whole. As of September 30, 2017, 60.8% of Interbank's total liabilities and equity are in *soles* compared to 59.5% for the system. The following charts show the currency mix of Interbank's liabilities and equity compared to the system as of September 30, 2017:

Interbank's Liabilities and Equity



System's Liabilities and Equity

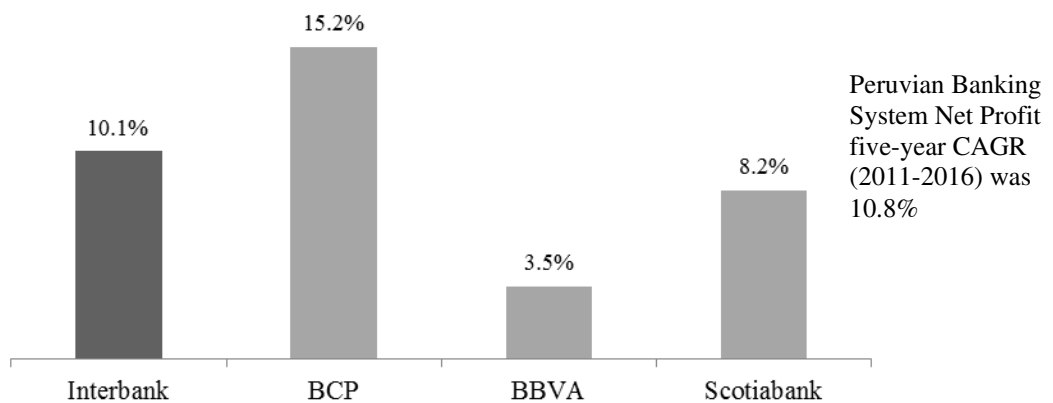


Source: SBS.

Among the four largest banks, Interbank is one of the fastest growing ones in terms of net profit with a five-year CAGR of 10.1% for the period ended December 31, 2016, under Peruvian GAAP. Interbank's five-year CAGR was higher than BBVA (3.5%) and Scotiabank (8.2%). For the year ended December 31, 2016, Interbank grew 1.7% year-over-year in terms of net profit, faster than BBVA (-2.5%), one of its closest competitors. For the nine months ended September 30, 2017, Interbank's net profit increased 0.1% compared to the same period in 2016, while Banco de Crédito del Perú's, BBVA's and Scotiabank's net profit increased 3.9%, 2.2% and 5.2% respectively, each under Peruvian GAAP.

The following chart sets forth the five-year CAGR in net profit for the period ended December 31, 2016 for the four largest banks in Peru:

Net profit five-year CAGR (2011 - 2016)

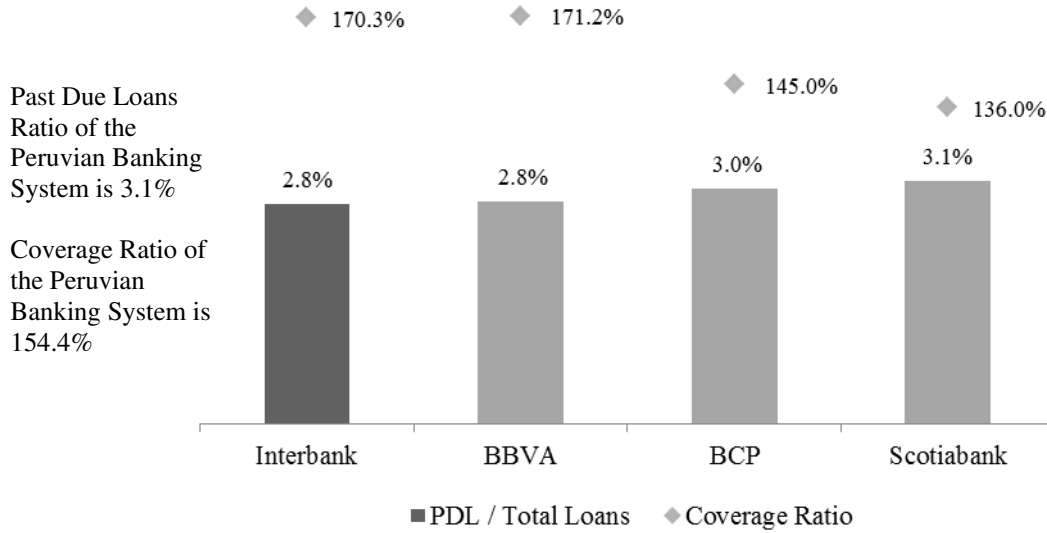


Source: SBS.

Interbank's share of the Peruvian banking system's net profit decreased from 12.1% for the year ended December 31, 2016 to 11.7% for the nine months ended September 30, 2017.

Interbank's asset quality is among the best when compared to the four largest banks in Peru on the basis of past-due loan and coverage ratios. Interbank's and BBVA's past-due loan ratios were the lowest among the four largest Peruvian banks and lower than the banking system's average of 3.1% as of September 30, 2017. The following chart sets forth the past-due loan and coverage ratios under Peruvian GAAP for the four largest banks in Peru as of September 30, 2017:

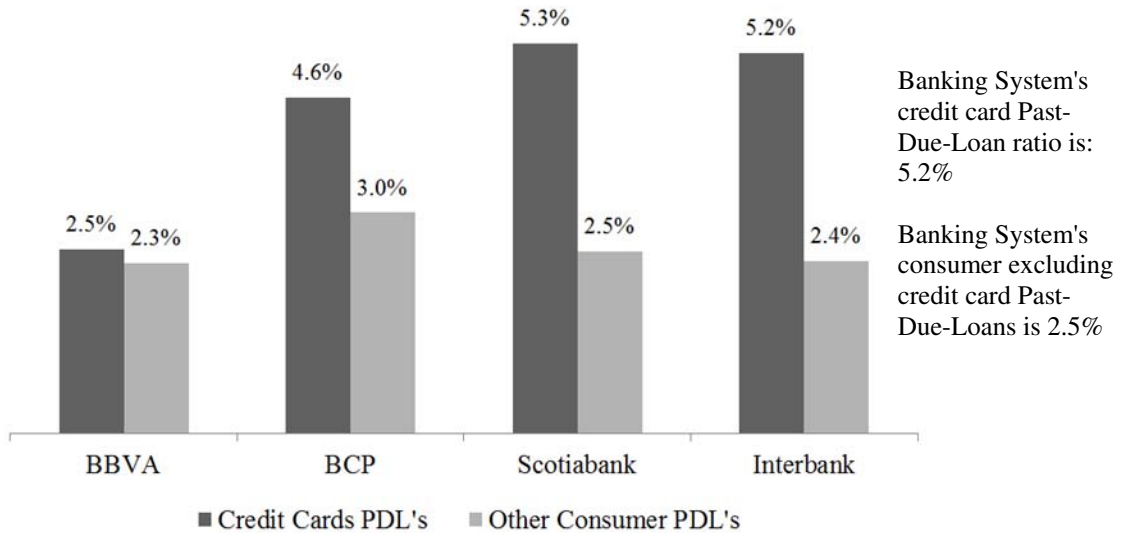
Past-due loan and coverage ratios



Source: SBS.

As of September 30, 2017, Interbank's Credit Cards past-due loan ratio was 5.7 %, and the Consumer Loans (excluding credit cards) past-due loan ratio was 2.4%.

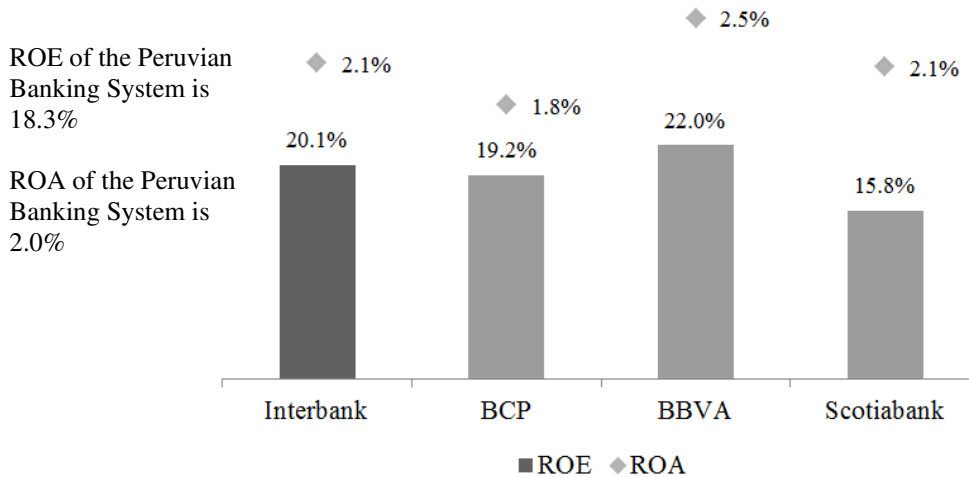
Total loan past-due loan ratio for consumer Credit Cards and for Consumer Loans (excluding credit cards)



Source: SBS.

For the nine months ended September 30, 2017, Interbank had the second highest annualized ROA and third highest annualized ROE among the four largest banks. The following chart sets forth the annualized ROE and ROA for the four largest banks in Peru for the nine months ended September 30, 2017 under Peruvian GAAP. For the nine months ended September 30, 2017, Interbank's annualized ROE was 20.0%.

ROE and ROA (September 2017 annualized)

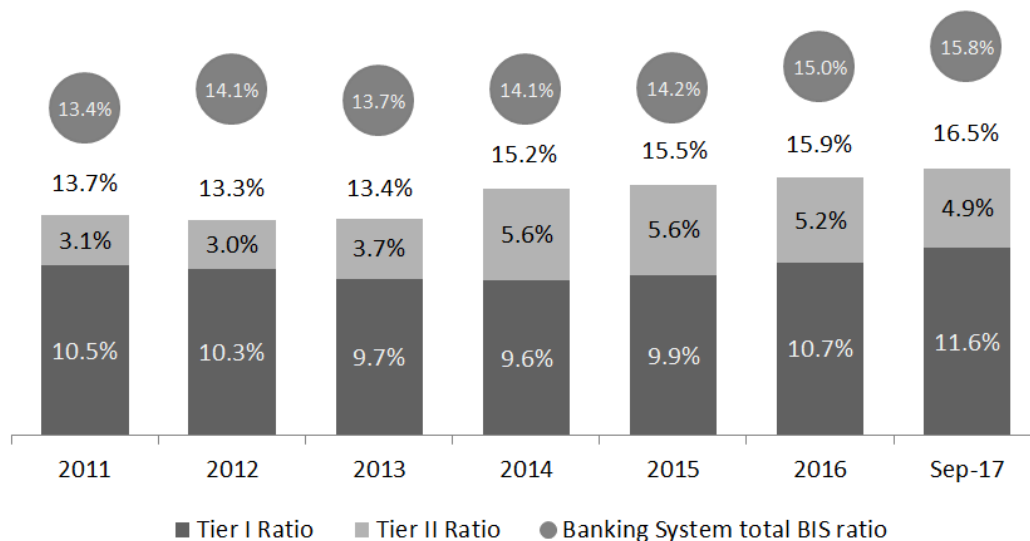


Source: SBS.

ROE is calculated as net profit as a percentage of average shareholders' equity, computed as the simple average of the quarterly balances from December of the previous year to the date as of calculation, in this case, September 2017. ROE for the nine months ended September 30, 2017 is annualized. ROA is calculated as net profit as a percentage of average total assets, computed as the simple average of the quarterly balances from December of the previous year to the date as of calculation. ROA for the nine months ended September 30, 2017 is annualized.

The following chart sets forth Interbank's BIS ratio compared to the Peruvian banking system's total capital ratio from 2011 to September 30, 2017:

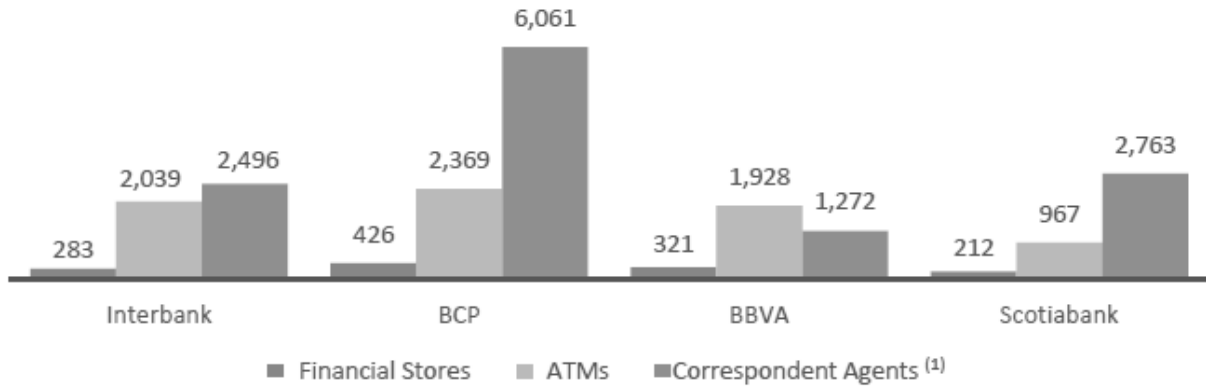
Historical Interbank Capitalization Ratio



Source: SBS.

Distribution Networks

The following chart shows Interbank's distribution network and that of certain of its competitors:



Source: SBS and company information as of September 2017.

(1) Correspondent Agents for BBVA and Scotiabank excludes third party agents (Globokas and Kasnet).

REGULATION AND SUPERVISION

General Overview of the Peruvian Financial Regulatory Framework

Peruvian banking regulation follows the standards set by the Basel Committee on Banking Supervision. Peruvian banks and other Peruvian financial institutions are primarily governed by two banking regulatory authorities: the SBS and the Peruvian Central Bank. The Peruvian Constitution establishes that the SBS's main function and responsibility is to protect depositors of the Peruvian financial system, while the main function of the Peruvian Central Bank is to preserve monetary stability. Also, Peruvian banks are subject to certain regulations of the SMV.

The regulatory framework for the operation of the Peruvian financial and insurance sector is set in the Peruvian Banking and Insurance Law (*Ley General del Sistema Financiero y del Sistema de Seguros y Orgánica de la Superintendencia de Banca y Seguros*), which was enacted in December 1996. The Peruvian Banking and Insurance Law regulates Peruvian financial and insurance companies and private pension funds administrators. In accordance with the Peruvian Banking and Insurance Law, the SBS is responsible for issuing banking regulations and for monitoring the Peruvian banking financial and insurance sector. The SBS supervises and regulates financial institutions such as commercial banks, financial companies, financial leasing companies, small business financial companies, savings and loan corporations, financial services companies such as trust companies and investment banks, insurance companies and private pension fund managers (other financial institutions such as stock brokerage houses and mutual fund managers are subject to different legal frameworks and to the supervision of the SMV). The SBS became operational in 1931.

Financial and insurance institutions must seek the authorization of the SBS before initiating operations. The SBS has administrative and financial autonomy, and its head office is located in Lima. The current chairman of the SBS, María del Socorro Heysen Zegarra, was appointed by President Kuczynski in August 2016.

In June 2008, as a way to facilitate the adoption process to the Basel II standards, the Peruvian Banking and Insurance Law was amended by Legislative Decree No. 1028 and Legislative Decree No. 1052, to comply with the international standards. The changes introduced have been designed to be implemented progressively. The SBS, by use of its regulatory attributes, has issued several regulations that seek to adapt the Peruvian Financial System to the new Basel Capital Accord.

As noted, Peruvian banks, financial institutions and insurance companies are mainly regulated and supervised by the following administrative institutions:

The SBS

The SBS is the regulatory authority charged with the implementation and enforcement of the requirements contained in the Peruvian Banking and Insurance Law approved by Law No. 26702, and, more generally, with the regulation and supervision of all financial and insurance companies in Peru and, since July 2005, the private pension funds administrators.

Its objectives include: (i) protecting the public interest; (ii) safeguarding the financial stability of the institutions over which it has authority; and (iii) punishing violators of its regulations.

Its main responsibilities include: (i) reviewing and approving, with the assistance of the Peruvian Central Bank, the establishment, organization and operations of the institutions it regulates and their subsidiaries; (ii) overseeing mergers, dissolutions and reorganizations of banks, financial institutions and insurance companies; (iii) supervising financial, insurance and related companies from which information on an individual or consolidated basis is required, through changes in ownership and management control (this supervision also applies to non-bank holding companies, such as us and Intercorp Peru); (iv) reviewing the by-laws and amendments thereto of these companies; (v) setting forth criteria governing the transfer of bank shares, when permitted by law, for valuation of assets and liabilities and for minimum capital requirements; (vi) controlling the *Central de Riesgos* (Bank Risk Assessment Center), to which all banks are legally required to provide information regarding all businesses and individuals with whom they deal without regard to the amount of credit risk (the information provided is made

available to all banks to allow them to monitor individual borrowers' overall exposure to Peru's financial system); and (vii) supervising the anti-money laundering system through the financial intelligence unit.

The SBS enforces the Peruvian Banking and Insurance Law on an ongoing basis through periodic resolutions. The Peruvian Banking and Insurance Law provides for stringent loan loss reserve standards, brings asset risk weighing in line with the Basel Committee on Banking Supervision guidelines and includes the supervision of holding companies of financial institutions by the SBS.

For the foregoing purpose, the SBS requires banks, financial and insurance companies to report, on a periodic basis, all relevant information necessary for off-site evaluation of its financial performance. The relevant information for off-site evaluation includes audited financial statements on a consolidated basis, board of directors' reports, auditor's reports and any other reports which reflect the operation of a bank's business. Under current practice, such reporting is required on a daily, weekly, monthly, quarterly and semi-annual basis, depending on the nature of the reported information.

The SBS is also responsible for conducting on-site examinations of banks on an annual basis, implementing the provisions of the Peruvian Banking and Insurance Law and other related legislation, examining all banking and insurance operations, and analyzing the relationship between assets, liabilities, net worth, profit and loss accounts and all other factors affecting a bank's financial structure.

The SBS has the power to impose administrative sanctions on financial institutions and their directors and employees as a result of any violation of the Peruvian financial and insurance system rules. Sanctions vary from monetary fines to license cancellation. The SBS may also sanction directors and other officers of financial institutions for breach of regulations under the supervision of the SBS.

The Peruvian Central Bank

The Peruvian Central Bank was incorporated in 1922 and performs the functions common to a central or reserve bank, such as issuing bank notes, implementing governmental monetary policies, regulating the money supply, managing official gold and foreign exchange reserves and managing the interbank cash clearance system. The Peruvian Central Bank exercises its power and authority independently and is responsible for its affairs in accordance with the government's policies. The Peruvian Central Bank is empowered to determine the inflation target and to adopt a monetary policy in accordance thereof and is also responsible for establishing mandatory minimum liquidity reserves. The Peruvian Central Bank manages Peruvian international reserves and gathers and publishes data on its finances and is also the sole issuer of Peruvian currency.

The Capital Markets Superintendency

The SMV is the Peruvian securities market regulatory authority, attached to the *Ministerio de Economía y Finanzas* (Ministry of Economy and Finance). The main purpose of the SMV is promoting, overseeing and regulating the securities market, supervising and controlling all individuals and entities that intervene in such market, controlling compliance with the provisions of the Peruvian Securities Market Law and its regulations and sanctioning the breach thereof.

Pursuant to article 29 of the Peruvian Banking and Insurance Law, the issued and outstanding shares of Peruvian banks must be registered before the SMV and listed with the BVL. Therefore, according to the Peruvian Securities Market Law and its regulations, banks are required to file before the SMV and the BVL, in Spanish and on a going forward basis, quarterly and annual reports and notices of material events (*hechos de importancia*).

Banking Regulation and Supervision

Banking regulations and capital adequacy in Peru take into account the recommendations of the Basel Committee. The SBS has adopted the principles and guidelines of Basel II and Basel III. So far, in adopting certain Basel III recommendations approved in September 2010, the SBS has increased the minimum regulatory capital required for Peruvian banks. However, Basel III has not yet been totally implemented, and we cannot provide any assurances whether or as to the extent to which the SBS may adopt it.

Implementation of Basel II Principles

To carry out the implementation of Basel II, the SBS has approved a schedule of two (2) phases: a first mandatory phase and a second voluntary phase. During the first phase, which started in 2008 and ended in June 2009, the SBS performed quantitative impact studies and drafted the most important regulations. On June 22, 2008, Legislative Decree No. 1028 was issued, which contains certain amendments to the current Peruvian Banking and Insurance Law, most of which were aimed to adapt it to Basel II standards.

In order to conform to Basel II standards, the methodology for measuring credit, market and operational risks has been amended to allow both standardized and internal model-based methods for measuring market and credit risks. All Peruvian financial institutions and insurance companies were to have implemented the standardized approach methodology by June 2009. Financial institutions and insurance companies will have the opportunity to request the validation and approval to implement the internal rating-based ("IRB") methodology. Only those financial institutions and insurance companies that apply to use the IRB methodology will follow the second phase of implementation of Basel II standards.

The second phase consists of a validation process of the IRB methodology by the SBS and its subsequent approval. Once the IRB methodology has been validated and approved by the SBS, the pertinent financial institution will use regulatory capital floors to calculate their capital requirements. The amount of required capital may not be less than the percentage of capital requirements obtained under the previous methodology.

	<u>First Year</u>	<u>Second Year</u>	<u>Third Year</u>
Basic IRB and Internal Models of Credit Risk.....	95%	90%	80%
Advanced Models of Credit Risk and/or Operational Risk.....	90%	90% ⁽¹⁾	—

(1) 80% for operational risk.

Capital Adequacy Requirements—Basel II

Under the amended provisions of Article 199 of the Peruvian Banking and Insurance Law, and on an unconsolidated basis, the regulatory capital (*patrimonio efectivo*) may not be lower than 10% of its total risk-weighted assets, the latter being defined as the sum of: (i) ten times the regulatory capital allocated to cover market risks; (ii) ten times the regulatory capital allocated to cover operational risks; and (iii) the total amount of credit risk-weighted assets.

According to the amended provisions of Articles 184 and 185 of the Peruvian Banking and Insurance Law, regulatory capital is defined as the sum of: (i) Tier I Regulatory Capital or Basic Capital; and (ii) Supplementary Capital.

Basic Capital or Tier I Regulatory Capital is comprised of paid-in capital (which includes common stock and non-cumulative perpetual preferred shares), legal reserves, supplementary capital premiums, voluntary reserves distributable only with prior SBS approval and retained earnings of past years and of the current year, which are committed for capitalization. It also includes instruments having the characteristics of permanence and loss absorption issued in compliance with regulations recently enacted by the SBS. Basic Capital is subject to the following deductions: losses of prior years and of the current year, any deficit due to allowances, and goodwill resulting from corporate reorganizations and acquisitions. Basic Capital is also subject to certain additional deductions (e.g., 50% of the investments in shares and subordinated debt issued by other local or foreign financial institutions or financial insurance companies, etc.).

Supplementary Capital is constituted by the sum of Tier II and Tier III Regulatory Capital. Tier II Regulatory Capital consists of voluntary reserves (which may be reduced without prior consent from the SBS), the eligible portion of redeemable subordinated debt instruments that have mixed debt and equity features, and the generic loan loss provision (up to certain limits). Tier II Regulatory Capital is subject to certain deductions under the law (e.g., 50% of the investments in shares and subordinated debt issued by other local or foreign financial institutions or financial insurance companies, etc.). Tier III Regulatory Capital consists of redeemable subordinated debt that is incurred for the exclusive purpose of covering market risk.

Banks are required to prepare and submit to the SBS, within the first 15 days of each month, a report analyzing the bank's assets for the previous month and the total amount of the bank's regulatory capital. Foreign currency denominated assets are valued in *soles* at an average exchange rate published by the SBS in effect as of the date of such report.

In February 2016, the SBS issued SBS Resolution No. 975-2016, which changed the conditions that subordinated debt must meet in order to be considered in the calculation of additional capital and the calculation methodology applicable to risk-weighted assets. This resolution is applicable to subordinated debt incurred or created from the date of its approval. However, as established in this regulation, subordinated debt incurred or created prior to its approval (and which does not meet the requirements of this new regulation) will still be considered in the calculation of regulatory capital, subject to certain rules specified therein.

Implementation of Basel III Principles

In order to implement the Basel III principles, in July 2011 the SBS approved SBS Resolution No. 8425-2011, which requires additional regulatory capital based on the risk profile of each financial institution in accordance with the guidelines approved by the SBS, to cover risks not contemplated in Pillar I of Basel II. The new resolution also includes capital requirements based on the Basel III principles related to capital conservation in order to mitigate the following risks: (a) economic cycle risk, (b) business concentration risk (by individual Section and/or region), (c) market concentration risk, (d) interest risk on the banking book and (e) other risks. The regime is being gradually implemented in phases over a period of five years, starting in July 2012. Nevertheless, the SBS has not fully adopted Basel III. These additional requirements were fully implemented in July 2016.

As of the date of this offering memorandum, Interbank is in compliance with the additional regulatory capital requirement approved by the SBS.

Liquidity Requirement of Basel III Principles

In December 2012, the SBS approved SBS Resolution No. 9075-2012, requiring a new calculation of the liquidity ratio coverage. The liquidity ratio coverage is a ratio for financial institutions to ensure the maintenance of adequate levels of high-quality liquidity assets that could easily be converted into cash to meet liquidity needs, for a 30 calendar day period, under a stress liquidity scenario. High-quality liquidity assets are defined as assets that are easily and immediately converted into cash.

To date, Interbank is in full compliance with all regulatory limits. In addition, Interbank's alert system monitors any deviations so Interbank may take any preventive measures.

For the implementation of this ratio, pursuant to SBS Resolution No. 6694-2015, the SBS has defined an adequation plan, as detailed below:

	Period Jan, 2014-Dec. 2017	Period Jan. 2018-Dec. 2018	Period Jan. 2019- forward
Liquidity Ratio Coverage Ratio.....	80%	90%	100%

Classification of the Loan Portfolio

According to SBS regulations, the provision for loan losses is calculated and recorded following SBS Resolution No. 11356-2008, which sets parameters to determine the calculation of provisions which is based on formulas and the use of specific percentages over the balances of loans and collateral received. For example, banks must consider certain criteria with respect to the borrower, including securities; credit category; borrower's liquidity, borrower's equity and outstanding debt, among others. Also, it requires constitution of generic provisions based on total loan portfolio, including generic provisions on not-impaired loans. The loan portfolio provisions which result from such classification differ materially from the loan portfolio provisions which result from our application of IFRS. For a discussion of our loan portfolio classification policies and the resulting allowances, see "Selected Statistical Information—Classification of our Loan Portfolio" and "Selected Statistical Information—Allowance for

Loan Losses" and note 29.1(d) to our audited annual financial statements and note 22(a) to our unaudited interim condensed financial statements.

Loan Loss Reserves

Procedures relating to loan loss reserves and loan portfolio classification are set out in regulations issued by the SBS. Pursuant to SBS Resolution No. 11356-2008, enacted in November 2008 and in force since July 2010, as amended, banks must consider certain criteria with respect to the borrower, including the securities; the credit category; the borrower's liquidity, including whether the borrower has adequate equity and a low amount of outstanding debt relative to their ability to generate profits; whether the borrower or its industry is susceptible to significant variation in cash flow; whether the borrower has a history of prompt payments on its debt; and whether the borrower is part of an economic sector that demonstrates a trend towards growth. Additional criteria regarding financial institutions' operational risk losses' database, was established by SBS through Circular No. G-191-2017, issued January 25, 2017, which entered into force in January 1, 2018.

Banks are required to classify such borrowers in any of the following categories:

- Normal (*Normal*). Debtors of commercial loans or credits that fall into this category have complied in a timely manner with their obligations and at the time the credit is evaluated there is no reason to doubt that interest and principal on the loan will be paid in a timely fashion or that the status will change before the next evaluation. To place a loan or credit in the Normal (*Normal*) category, a clear understanding of the use of proceeds and the origin of the cash flows to be used by the debtor to repay the loan or credit is required. Included in this category are: (i) small-sized company, micro-business loans, revolving consumer loans and non-revolving consumer loans with payment delays of up to eight days; and (ii) residential mortgage loans with payment delays of up to 30 days. Corporate loans, large-sized loans and residential mortgage loans in this category require a reserve of 0.7%, while medium-sized company and small-sized company loans, micro-business loans, revolving consumer loans and non-revolving consumer loans in this category require a reserve of 1.0%.
- Potential Problem (*Problema Potencial*): Loans or credits in this category are known as credits with "potential problems". Commercial loans or credits included in this category are those that at the time of evaluation demonstrate certain deficiencies, which, if not corrected in a timely manner, imply risks with respect to the recovery of the loan. Certain common characteristics of loans or credits in this category include: frequent delays in loan payments that are promptly cured, lack of information required to analyze the debtor, outdated financial information, temporary economic or financial imbalances on the part of the debtor that could affect its ability to repay the loan, market conditions that could affect the economic sector in which the debtor operates, material overdue debts or pending judicial collection actions initiated by other financial institutions, noncompliance with the original contractual terms and conditions, conflicts of interest within the debtor company, labor problems, unfavorable credit history, the debtor's noncompliance with its internal policies, excessive reliance on one source of raw materials or one buyer of the debtor's products and low inventory turnover ratios or large inventories that are subject to competitive challenges or technological obsolescence. Included in this category are: (i) corporate loans, large-sized and medium-sized company with payment delays of up to 60 days; (ii) small-sized company, micro-business loans, revolving consumer loans and non-revolving consumer loans with payment delays of 9 to 30 days; and (iii) residential mortgage loans with payment delays of 31 to 60 days. A 5.0% reserve on total loans outstanding under this category is required to cover risks of loss that have not been specifically identified. Except for consumer loans (revolving and non-revolving), when the loan, or a portion thereof, is secured with "preferred" collateral, the required reserve is 2.5%, and when secured with "readily liquidated preferred" guarantees, the required reserve is 1.25%.
- Substandard (*Deficiente*): Loans or credits in this category are known as "substandard" credits. Debtors of commercial loans or credits placed in this category demonstrate serious financial

weakness, often with operating profits or available income insufficient to cover financial obligations on agreed upon terms, with no reasonable short-term prospects for a strengthening of the debtor's financial capacity. Loans or credits demonstrating the same deficiencies as a Potential Problem (*Problema Potencial*) are considered Substandard (*Deficiente*) if such deficiencies are not corrected in the near term, or if they could impede the recovery of principal and interest on the loan on the originally agreed terms. Included in this category are: (i) corporate debtors, large-sized company loan debtors and medium-sized company loan debtors with payment delays of 61 to 120 days; (ii) small-sized company loan debtors, micro-business loan debtors, revolving consumer loan debtors and non-revolving consumer loan debtors with payment delays of 31 to 60 days; and (iii) residential mortgage loan debtors with payment delays of 61 to 120 days. Loans or credits included in this category require a reserve equal to 25.0% of the outstanding principal amount of the loan that is not secured by collateral. A 25.0% reserve on total loans outstanding in this category is required to cover risks of loss that have not been specifically identified. Except for consumer loans (revolving and non-revolving), when the loan, or a portion thereof, is secured with "preferred" collateral, the required reserve is 12.5%, and when secured with "readily liquidated preferred" guarantees, the required reserve is 6.25%.

- **Doubtful (*Dudoso*):** Loans or credits included in this category are known as "doubtful" credits. Debtors of commercial loans or credits included in this category present characteristics of actual credit risk that make the recovery of the loan doubtful. Although the loan recovery is doubtful, if there is a reasonable likelihood that in the near future the creditworthiness of the debtor might improve, a Doubtful (*Dudoso*) categorization is appropriate. These credits are distinguished from Loss (*Pérdida*) credits by the requirement that the debtor continue to operate its business, generate cash flow, and make payments on the loan, albeit at a rate less than that specified in its contractual obligations. Included in this category are: (i) corporate debtors, large-sized company and medium-sized company loan debtors with delays of 121 to 365 days; (ii) small-sized company loan debtors, micro-business loan debtors, revolving consumer loan debtors and non-revolving consumer loan debtors with payment delays of 61 to 120 days; and (iii) residential mortgage loan debtors with payment delays of 121 to 365 days. A 60.0% reserve on total loans outstanding in this category is required to cover risks of loss that have not been specifically identified. Except for consumer loans (revolving and non-revolving), when the loan, or a portion thereof, is secured with "preferred" collateral, the required reserve is 30.0%, and when secured with "highly liquid preferred" guarantees, the required reserve is 15.0%.
- **Loss (*Pérdida*):** Loans or credits in this category are known as "loss" credits. Commercial loans or credits that are considered unrecoverable or that for any other reason should not appear on our books as an asset based on the originally contractual terms fall into this category. Included in this category are: (i) corporate debtors, large-sized and medium-sized company loan debtors with occasional and reduced payment delays of more than 365 days; (ii) small-sized company loan debtors, micro-business loan debtors, revolving consumer loan debtors and non-revolving consumer loan debtors with payment delays of more than 120 days; and (iii) residential mortgage loan debtors with payment delays of more than 365 days. A 100% reserve on total loans outstanding in this category is required to cover risks of loss that have not been specifically identified. Except for consumer loans (revolving and non-revolving), when the loan, or a portion thereof, is secured with "preferred" collateral, the required reserve is 60.0%, and when secured with "readily liquidated preferred" guarantees, the required reserve is 30.0%.

SBS regulations require Peruvian banks and other regulated institutions to maintain two types of loan loss reserves: (a) general loan loss reserves (*provisiones genéricas*) on their total direct and indirect loan portfolio that is classified as "Normal" (Normal), with an allowance rate of a minimum of 0.7% for corporate loans, large-sized business loans and residential mortgage loans, and (b) specific reserves (*provisiones específicas*) on their total direct and indirect loan portfolio classified under the Potential Problem, Substandard, Doubtful and Loss categories, at an allowance rate of 5%, 25%, 60% and 100%, respectively. These percentages may be reduced if the loans are

secured with certain types of collateral and for certain special types of loans, provided that certain requirements are satisfied.

As of December 31, 2008, banks were required to make dynamic loan loss reserves (*provisiones procíclicas*) based on the behavior of Peru's annualized average GDP over the last 30 months as determined and published by the Peruvian Central Bank. On September 10, 2009, the SBS, through Circular No. B-2181-2009, announced the suspension of the pro-cyclical requirements. This suspension was lifted by the SBS on September 28, 2010, through Circular No. B-2193-2010.

On November 27, 2014, the SBS, through Circular No. B-2224-2014, announced the suspension of the procyclical requirements. As a result, pro-cyclical provisions may be reassigned to cover mandatory reserves. Pro-cyclical provisions, however, may not be used to increase the banks' dividends.

Banks must report loan classifications on a monthly basis to the SBS. The worst classification assigned to a single person by any bank affects classification and allowance requirements for all other banks, which means that all banks are bound by the worst classification that is assigned to any given debtor by any bank in the Peruvian banking and financial sector.

Risk of Over-Indebtedness by Consumer Banking Customers

According to SBS Resolution No. 6941-2008, as amended, banks and other financial entities must adopt a system to manage the risk of over-indebtedness that (a) allows the mitigation of such risk before and after making the loan, (b) permits the performance of a permanent monitoring of the portfolio to identify over-indebted borrowers and (c) includes the periodic evaluation of the control mechanisms being used and of the corrective actions or required improvements, as the case may be. The board of directors of such banks and other financial entities are responsible for (i) establishing and reviewing the policies and proceedings for the identification, measuring, treatment, control, reporting and monitoring of the risk from the level of indebtedness of its consumer banking customers and (ii) causing the management to adopt the necessary measures to monitor and control such risks. In addition, the board of directors must cause the bank and/or financial entity to have an organizational structure that guarantees total independence between the risk and the commercial divisions and that the incentive schemes for employees' performance does not cause a conflict of interest with risk management policies.

Banks and financial entities that are not able to monitor, control and identify the risk of over-indebtedness are obliged to maintain a special loan loss reserve. Banks and financial entities that comply with the requirements described above are not required to maintain any such specific allowance.

Legal Reserve Requirements

Pursuant to Article 67 of the Peruvian Banking and Insurance Law, all banks must create a legal reserve. Each year a bank must allocate 10% of its net profit to its legal reserve until its legal reserve is equal to 35% of its paid-in capital. Any subsequent increases in paid-in capital will imply a corresponding increase in the required level of the legal reserves to be funded as described above.

Lending Limits

Under Article 206 of the Peruvian Banking and Insurance Law, the total amount of direct and indirect credits and financings granted in favor of a person shall not exceed 10% of the bank's regulatory capital. A person is defined for the purposes therein as a person or group of persons or entities representing a common or single risk.

The SBS has issued special regulations establishing the guidelines that must be followed by banks when determining legal reserves for legal proceedings for past-due loans and foreclosures.

For purposes of Peruvian Banking and Insurance Law, a single borrower includes an individual or an economic group. An economic group constituting a single or common risk, according to Peruvian Banking and Insurance Law, includes a person, such person's close relatives and companies in which such person or close relatives have significant share ownership or decision-making capability. According to current regulations, shareholders who own or control directly or indirectly at least one-tenth of a company's shares are considered

significant shareholders. Significant decision-making capability is deemed to be present when, among others, a person or group can exercise material and continuous influence upon the decisions of a company, when a person or company holds seats on the board of directors or has principal officers in another company, or when it can be assumed that one company or person is the beneficial recipient of credit facilities granted to another company.

The 10% limit indicated above may be raised to 15%, 20% and 30%, depending on the type of collateral securing the excess over each limit. For instance, the limit can be extended to 15% when the excess is secured by a mortgage; it may be raised to 20% when the excess is collateralized with securities listed in the Selective Index of the BVL (ISBVL); and it may be raised to 30% when the excess is secured with deposits that are maintained and pledged with the bank.

Other special lending limits must also be taken into account, such as lending to related parties or affiliates (30% of regulatory capital), to local banks (30%), and to foreign banks (from 5% for non-regulated banks to 30% for first category international banks, which may also be raised to 50% when backed by letters of credit). There are other limits that require banks to diversify their portfolio through different types of assets, benefiting liquid and low-risk assets.

Lending to Related Parties

The Peruvian Banking and Insurance Law regulates and limits transactions with related parties and affiliates of financial institutions, on an unconsolidated basis. In 2015, the SBS and the SMV enacted new regulations containing definitions of indirect ownership, related parties and economic groups, which serve as the basis for determining limits on transactions with related parties and affiliates. These regulations also provide the basis for the subsequent development of specific supervision standards of financial institutions and conglomerates formed by financial institutions.

Additionally, pursuant to Article 202 of the Peruvian Banking and Insurance Law, the aggregate amount of loans to related party borrowers may not exceed 30% of a bank's regulatory capital (except that according to Circular B-2148-2005, as amended, the amount of loans to related parties may not exceed 50% of a bank's regulatory capital if the excess of 30% is secured by credit letters from foreign financial institutions). For purposes of this test, related party borrower includes any person or an affiliate of that person holding, directly or indirectly, 4% or more of a bank's capital stock or with material influence in its management, directors, certain of the bank's principal executive officers or other persons in more junior positions affiliated with the bank's management.

All loans to related parties must be made on an arm's-length basis with terms no more favorable than the best terms that Interbank would offer to the public.

In addition, under Article 201 of the Peruvian Banking and Insurance Law, the total amount of loans extended to directors, officers, employees or close relatives of any such persons may not exceed 7% of a bank's regulatory capital. All loans made to any single such related party borrower may not exceed 0.35% of a bank's regulatory capital (i.e., 5% of the overall 7% limit) per each person, including such person's spouse and relatives. In addition, the Peruvian Banking and Insurance Law generally provides that banks may not extend credit to or guarantee the obligations of employees or members of the board of directors, except for home mortgage loans to employees and directors.

Country Risk Reserve Requirements

SBS Resolution No. 07932-2015, enacted in December 2015, requires the funding of reserves to cover exposure to country risk, which is defined to include sovereign risk, transfer risk and expropriation or nationalization risk, all of which may affect operations with companies or individuals in foreign countries. The SBS has also established guidelines indicating the procedures and responsibilities necessary for coping with country risk.

Integral Risk Management

SBS Resolution No. 037-2008, enacted in January 2008, contains guidelines for integral risk management of financial institutions. Integral risk management is a process intended to identify potential events that can affect banks and to manage those events according to their nature and risk level. This regulation covers all kinds of risks

that could affect a banking operation, such as operational, market, credit, strategic, liquidity, legal and reputational risks. In January 2017, the SBS enacted the SBS Resolution No. 272-2017, which will replace SBS Resolution No. 037-2008 as of April 2018. SBS Resolution No. 272-2017 introduces various changes, focusing on corporate governance practices including the following: (i) two or more independent directors must be appointed when boards are integrated by six or more members, (ii) a remunerations committee must be formed and (iii) concepts such as 'risk appetite', 'risk capacity' and 'risk limits' have been modeled after the Principles for an Effective Risk Appetite Framework of the Financial Stability Board.

Credit Risk

According to the Peruvian Banking and Insurance Law, as of July 1, 2009, financial institutions would have been allowed to use the IRB methodology instead of the standardized methodology for calculating their regulatory capital requirement for credit risk, after receiving prior approval from the SBS. However, regulations required for the full implementation of both standardized and IRB methodologies by Peruvian financial institutions were not enacted until November 4, 2009, with SBS Resolution No. 14354-2009.

Under SBS Resolution No. 14354-2009, enacted in November 2009, financial institutions are allowed to use the standardized methodology and, with the prior approval of the SBS, IRB methodologies for calculating their regulatory capital requirement for credit risk. Interbank has not decided if it will request approval from the SBS to adopt the IRB methodology.

In addition, according to SBS Resolution No. 3780-2011, financial institutions are required to implement an organizational structure and certain procedures in connection with control on interests management and strategic needs procedures in order to adequately manage credit risk.

Market Risk

Regulations for the supervision of market risks, enacted in May 1998, require banks to establish internal policies and procedures to monitor these risks, as well as market risk exposure limits. Regulations define market risk as the probability of loss derived from exposure to various classes of commodities, securities, foreign exchange, derivative operations or commercial assets that banks may hold in their portfolio, which may, or may not, be accounted for in their statements of financial position. In June 2009, the SBS enacted SBS Resolution No. 6328-2009, which defines the methodology to be applied, and the requirements to be satisfied, to calculate the regulatory capital requirement for market risks under the standard methodology and the IRB methodology.

Since July 1, 2009, financial institutions have been allowed to use IRB methodology (subject to prior approval by the SBS) in substitution of the standardized methodology.

Operational Risk

SBS Resolution No. 2115-2009, enacted in April 2009, defines the methodology to be applied, and the requirements to be satisfied, by financial institutions in calculating their regulatory capital requirement for operational risk under the IRB methodology, the alternative standardized methodology and the advanced methodologies. The IRB methodology uses a bank's gross operational margin as an "exposure indicator", and its application does not require the prior approval of the SBS. Application of the alternative standardized methodology or the advanced methodologies requires compliance with certain provisions included in SBS Resolution No. 2115-2009 and prior approval from the SBS.

SBS Resolution No. 2116-2009, enacted in April 2009, which approves the guidelines for managing operational risk, defines "operational risk" as the possibility of suffering losses due to inadequate procedures, failures of personnel, IT or external events, including, without limitation, legal risks (but excluding strategic and reputational risk). It also establishes that a bank's board of directors is responsible for designing the general policies to manage operational risk and that a bank's management is in charge of implementing such policies. Finally, it provides that each bank is obligated to create a database of all of such bank's losses due to operational risk, classifying such losses by event.

Investments in Financial Instruments

Investment in financial instruments by Peruvian banks is restricted to those financial instruments listed in the Peruvian Banking and Insurance Law, such as equity instruments traded on a stock exchange, debt instruments (to the extent that certain requirements are satisfied), sovereign debt instruments and quotas in mutual and investment funds, among others.

Pursuant to SBS Resolution No. 7033-2012, investments in financial instruments by Peruvian banks shall be classified into any of the following categories: (a) investments at fair value with changes in results (short-term), (b) investments available-for-sale, (c) investments until maturity (long-term) and (d) investments in subsidiaries and affiliates.

Reserve Requirements from the Peruvian Central Bank

Under the Peruvian Banking and Insurance Law, all financial institutions regulated by the SBS (except for small-business development non-bank institutions) are required to maintain a legal reserve (*encaje*) for certain obligations. The Peruvian Central Bank may require additional marginal reserves. The exact level and method of calculation of these reserve requirements is set by the Peruvian Central Bank, which has issued different sets of regulations for foreign and local currency-denominated obligations of banks. The following liabilities are subject to the reserve requirement: demand and time deposits, savings accounts, certain obligations, securities, certain bonds and funds administered by the bank. Subject to certain requirements, the regulation excludes mid-term and long-term funding (i.e., more than two years) from foreign financial institutions, other central banks, governments or multilateral lending agencies.

In April 2004, the Peruvian Central Bank began requiring reserves on amounts due to foreign banks and other foreign financial institutions, which were not previously considered obligations.

Currently, the minimum legal reserve requirement for local and foreign currency deposits is 5.0% and 9.0%, respectively. Foreign currency deposits collected from the general public are subject to a marginal rate of 40% for funds that exceed a certain level set by the Peruvian Central Bank. Local and foreign currency borrowings from certain foreign sources with an original maturity of two years or less are subject to a 50% special rate. Financial institutions may satisfy the minimum reserve requirements with funds that they hold in vaults or that they have deposited in their accounts at the Peruvian Central Bank.

Subject to certain requirements, the regulation excludes from the reserve requirement mid-term and long-term funding (i.e., liabilities with a minimum average maturity of more than two years, subject to other conditions) through the issuance of securities such as the notes.

They must also keep at least 1.0% and 3.0% of their local and foreign currency deposited in the Peruvian Central Bank, respectively. The Peruvian Central Bank oversees compliance with the reserve requirements.

The Peruvian Central Bank also establishes the interest rate payable on reserves that exceed the minimum legal reserve requirement applicable to both local and foreign currency deposits. The current applicable interest rate: (a) for local currency reserves, different from those described below, is the overnight deposits interest rate, minus 195 basis points; and, (b) for foreign currency deposits, is a 25% of the one-month LIBOR interest rate. Currently, no interest rate is payable in respect of local currency deposits to certain foreign sources, such as financial institutions, hedge funds, brokerage firms, pension funds and others with a foreign parent company, except for those authorized by the SBS to collect deposits from the general public in Peru. The applicable interest rate is expected to be periodically revised by the Peruvian Central Bank in accordance with monetary policy objectives.

In the past, the Peruvian Central Bank has on numerous occasions changed the deposit reserve requirements applicable to Peruvian commercial banks and both the rate of interest paid on deposit reserves and the amount of deposit reserves on which no interest is payable by the Peruvian Central Bank.

Deposit Insurance Fund

Bank deposits are protected by the *Fondo de Seguros de Depósito* (Deposit Insurance Fund), against bank failure. Specifically, savings deposit by individuals, savings deposit accounts maintained by non-profit entities and checking accounts are covered in full up to an amount that is revised quarterly by the SBS. For the period between December 2017 and February 2018, the maximum coverage amount is S/97,529 (approximately US\$29,061.1) per person per bank.

The Deposit Insurance Fund was established in 1991 and was organized as a private corporation in 1996. The Deposit Insurance Fund's governing body is led by a representative of the SBS. The additional members are appointed by the Peruvian Central Bank (one member), the MEF (one member) and by the banks (three members). SBS provides the necessary administrative members and operational resources for the Deposit Insurance Fund.

The financial resources available to the Deposit Insurance Fund pursuant to the Peruvian Banking and Insurance Law include, among others, the original contribution from the Peruvian Central Bank, insurance premiums paid by banks, unclaimed bank deposits (after ten years) and fines imposed by the SBS for violations of the Peruvian Banking and Insurance Law.

In addition, the Deposit Insurance Fund may, in extraordinary situations, borrow funds with authorization from the Peruvian treasury, or it may borrow long-term government securities from the Peruvian treasury.

Anti-Money Laundering Rules

Money laundering is considered a criminal act in Peru. A special legal framework was established in April 2002, which follows the 40 recommendations of the Financial Action Task Force on Money Laundering, or "FATF", established by the G-7. Since then, this legal framework has been amended in order to improve and increase the efficiency of the Peruvian anti-money laundering system.

Money laundering includes a wide range of serious offenses such as tax evasion, terrorism, drug trafficking, corruption and other criminal activities. A special set of anti-money laundering rules applies specifically to banks, which includes specific rules for customer and employee due diligence and recordkeeping. In March 2008, the SBS enacted additional anti-money laundering provisions, pursuant to which, among other things, banks must establish a set of policies and procedures specifically aimed to prevent asset laundering and the financing of terrorist activities. In November 2008, the SBS modified the anti-money laundering provisions to include, among other changes, the obligations of Peruvian banks to verify that their branches and foreign subsidiaries comply with the anti-money laundering and terrorism financing provisions enacted by the SBS and with the recommendations of the FATF.

On February 17, 2011, the SBS modified current anti-money laundering provisions through SBS Resolution No. 2108-2011, as amended, in order to adapt these provisions to international standards established by the Financial Action Task Force of South America (*Grupo de Acción Financiera de Sudamerica*, or "GAFISUD"), in relation to due diligence in the identification of clients according to their risk and profile level, among other considerations. In May 2015, the SBS further amended the aforementioned provisions through SBS Resolution No. 2660-2015.

The government agency responsible for supervising the anti-money laundering system is the UIF, which was made part of the SBS in July 2007. The chairman of this agency is appointed by the chairman of the SBS.

Additionally, Law N° 30424, enacted in April 2016 and which took effect on January 1, 2018, as amended, attributes criminal administrative liability to legal entities when money laundering, terrorist financing and/or bribery (including multinational bribery) crimes are committed on its behalf or in its benefit by any legal representative or *de facto* or *de iure* executive. Such regulation establishes that criminal administrative liability will be exempted or mitigated if the legal entity has adopted an adequate and suitable prevention model following the criteria and minimum guidelines outlined in Law N° 30424.

Disclosure of Material Information

All banks that are organized as corporations (the only exception being the Peruvian branches of foreign banks) are listed on the BVL. As a result, they are subject to the disclosure and reporting rules contained in the Peruvian Securities Market Law and the internal regulations of the SMV and the BVL.

Under these rules, listed companies such as banks are required to disclose to the market in a timely manner (on the same day when the event occurs) all information that investors are reasonably likely to consider material. Specific regulations provide for specific parameters to determine what is considered material information in connection with the Company, its securities and its business. Banks are also subject to full disclosure and reporting obligations under the banking regulatory framework.

In March 2014, regulations related to disclosure of material information were amended. By virtue of such regulations, issuers under supervision of the SMV are required to disclose all material information in connection with the issuer of registered securities (such as our common shares) and its activities or securities issued or secured by such issuer which may influence the liquidity or price of such securities.

Intervention by the SBS and Liquidation

Pursuant to the Peruvian Banking and Insurance Law, the SBS has the power to interrupt the operations of a bank in order to prevent, or to control and reduce the effects of, a bank failure. Accordingly, the SBS may intervene in a bank's business by adopting either a temporary surveillance regime or a definitive intervention regime ("Intervention") depending on how critical the situation is deemed to be by the SBS. Intervention will be taken upon the occurrence of certain events, including (a) suspension of payments, (b) failure to comply with the restructuring plan during the surveillance regime, (c) regulatory capital is less than 50% of the minimum regulatory capital required or (d) deficit or reduction of more than 50% of its regulatory capital in a 12-month period. Less drastic measures, such as (1) placing additional requirements, (2) ordering a capital increase or an asset divestiture or (3) imposing a financial restructuring plan, also may be adopted by the SBS when the situation allows for them.

An Intervention may halt a bank's operations for up to 45 days, and may be extended for a second period of up to 45 additional days, during which time the SBS may institute measures such as: (a) canceling losses by reducing reserves, capital and subordinated debt, (b) segregating certain assets and liabilities for transfer to another financial institution and (c) merging the intervened bank with another acquiring institution. After an Intervention, the SBS will proceed to dissolve and liquidate the bank unless the preceding option (c) was applied.

Beginning on the date on which a resolution of the SBS subjecting a bank to an Intervention regime is issued, and continuing until such Intervention is concluded (which period ends when the liquidation process begins), the Peruvian Banking and Insurance Law prevents any creditor of the bank from (a) initiating any judicial or administrative procedure for the collection of any amount owed by the bank, (b) enforcing any judicial decision rendered against the bank to secure payment of any of its obligations, (c) constituting a lien or attachment over any of the assets of the bank to secure payment of any of its obligations or (d) making any payment, advance or compensation or assuming any obligation on behalf of the bank, with the funds or assets that may belong to it and are held by third parties, except for (i) set-off compensation payments that are made between regulated entities of the Peruvian banking and financial sector and insurance industry and (ii) set-off of reciprocal obligations arising from repurchase agreements and operations with financial derivatives entered into with local or foreign financial and insurance institutions.

During liquidation, claims of bank creditors rank as follows:

First order—Labor claims:

- *1st* Employee remunerations.
- *2nd* Social benefits, contributions to the private and public pension system and other labor claims against the bank accrued until the date when the dissolution is declared, retirement pensions or the capital required to redeem those pensions or to secure them by purchasing annuities.

Second order—Claims for bank deposits and other types of saving instruments provided under the Peruvian Banking and Insurance Law, in the portion not covered by the Deposit Insurance Fund and the contributions and resources used by such Deposit Insurance Fund to cover the above described claims for bank deposits and other types of saving instruments.

Third order—Taxes:

- *1st* Claims by the Peruvian social security administration (*Seguro Social de Salud del Perú EsSalud*) related to health care benefits for which the bank is responsible as employer.
- *2nd* Taxes.

Fourth order—Unsecured and non-privileged credits:

- *1st* All unsecured and non-privileged credits against the bank, ranked on the basis of (i) the date they were assumed or incurred by the bank, whereby obligations assumed or incurred on an earlier date shall rank senior in right of payment to obligations assumed or incurred by the bank at a later date (unless otherwise agreed in such instances amongst creditors), and (ii) obligations assumed or incurred by the bank on a date that cannot be determined shall rank junior in right of payment to all the obligations comprised in (i) above and *pari passu* among themselves.
- *2nd* The legal interest on the bank's obligations that may accrue during the liquidation.
- *3rd* Subordinated debt.

Except for the first and second categories under unsecured and non-privileged credits (unless otherwise agreed in such instances amongst creditors), all claims within an order will be ranked *pari passu* among themselves. Each category of creditors will collect in the order indicated above, whereby distributions in one order will be subject to completing full distribution in the prior order. Any security interest created before the issuance of the resolution declaring the bank's dissolution and the initiation of the liquidation process shall survive in order to guarantee the obligation it secures. The secured creditors shall retain the right to collect from the proceeds of the sale of the collateral, on a preferred basis (except with respect to labor claims, savings and deposits, which are privileged claims), subject to certain rules established under Article 119 of the Peruvian Banking and Insurance Law.

In the event the bank becomes subject to liquidation, the SBS will limit the rate at which interest will accrue on the notes during such liquidation process to the legal interest rate for US\$-denominated indebtedness determined by the Peruvian Central Bank. Historically, this rate has been the average rate paid by Peruvian banks on their US\$-denominated deposits as published by the SBS on a daily basis.

Peruvian banks are not subject to the regime of insolvency and bankruptcy otherwise applicable to corporations in general.

MANAGEMENT

Board of Directors

Interbank's board of directors consists of ten members, seven of whom are independent. The business address of Interbank's board of directors is Av. Carlos Villarán 140, Urbanización Santa Catalina, La Victoria, Lima 13, Peru. The following table sets forth certain information about our directors as of the date of this offering memorandum.

Name	Position	Year of Birth	Year Appointed
Carlos Rodríguez-Pastor Persivale	Chairman	1959	1995
Ramón Barúa Alzamora	Director	1946	1994
Alfonso de los Heros Pérez-Albela ⁽¹⁾	Director	1939	1994
David Fischman Kalincausky ⁽¹⁾	Director	1958	2003
Felipe Morris Guerinoni.....	Director	1953	2000
Ricardo Briceño Villena ⁽¹⁾	Director	1947	2010
Alfonso Bustamante y Bustamante ⁽¹⁾	Director	1941	2007
Carmen Rosa Graham Ayllón ⁽¹⁾	Director	1958	2007
Carlos Heeren Ramos ⁽¹⁾	Director	1968	2015
Hugo Santa María Guzmán ⁽¹⁾	Director	1963	2016

(1) Independent director.

The following sets forth selected biographical information for each of the members of Interbank's board of directors.

Carlos Rodríguez Pastor Persivale has served as Interbank's chairman since 1995 and was Interbank's interim Chief Executive Officer during 2010. In addition, Mr. Rodríguez Pastor serves as IFS's chairman since 2007 and as director of Intercorp Peru, Inteligo Bank, Interseguro, Supermercados Peruanos, InRetail Peru Corp. and Financiera Uno S.A. Mr. Rodríguez Pastor received a bachelor's degree in social science from the University of California at Berkeley and a master's degree in business administration from the Amos Tuck School of Business at Dartmouth College.

Ramon Barúa Alzamora has served as one of Interbank's directors since 1994. In addition, Mr. Barúa is the Chief Executive Officer of Intercorp Peru, IFS's Treasurer and serves as a director of Intercorp Peru, Inteligo Bank, Interseguro, Intertítulos, Interfondos, Urbi Propiedades S.A., InRetail Peru Corp. and Financiera Uno S.A. Mr. Barúa received a degree in industrial engineering from the Universidad Nacional de Ingeniería in Lima and a degree in economics from the Université Catholique de Louvain in Belgium.

Alfonso de los Heros Pérez-Albela has served as one of Interbank's directors since 1994. Mr. de los Heros has been Prime Minister of Peru (1991–1992) and was formerly a partner at Estudio Echecopar. He also serves as a director of IFS and various Peruvian companies. Mr. de los Heros received a degree in law from the Pontificia Universidad Católica del Perú.

David Fischman Kalincausky has served as one of Interbank's directors since 2003. Mr. Fischman also serves as a director of Supermercados Peruanos. Mr. Fischman received a degree in civil engineering from Georgia Tech University and a master's degree in business administration from Boston University.

Felipe Morris Guerinoni has served as one of Interbank's directors since 2000. Mr. Morris also serves as Interseguro's Chairman, IFS's Secretary and serves as a director of Intercorp Peru, Inteligo Bank, Interseguro, and Financiera Uno S.A. Mr. Morris received a degree in economics from the Universidad del Pacífico in Lima, a master's in economics from the University of Pittsburgh and a master's degree in finance from American University.

Ricardo Briceño Villena has served as one of Interbank's directors since 2010. Mr. Briceño presided the National Mining, Petroleum and Energy Association (2001–2002) and was President of the National Confederation of Private Companies (CONFIEP) for the period 2009–2011. Mr. Briceño holds a degree as an industrial engineer from the Universidad Nacional de Ingeniería, in Lima; a Diploma in economic development from the Université

Catholique de Louvain in Belgium, and a master's degree in development planning and public finance from the Universiteit Antwerpen.

Alfonso Bustamante y Bustamante has served as one of Interbank's directors since 2007. Mr. Bustamante is the President of the Board of Corporación Financiera de Inversiones S.A., Indeco S.A., and also serves as a director of IFS and several other Peruvian companies, including Agrícola Cerro Prieto S.A.C. and San Miguel Industrias Pet S.A. Mr. Bustamante has been Prime Minister of Peru and Minister of Industry, Tourism, Integration and International Commercial Relations (1993–1994), President of Prom Perú, President of ASBANC, and President of the Board of Directors of Telefónica del Perú and Bancosur, which is currently known as Banco Santander. Mr. Bustamante received a degree in agricultural engineering from the Universidad Nacional Agraria La Molina in Lima and pursued his graduate studies at the University of Michigan, Ann Arbor.

Carmen Rosa Graham Ayllón has served as one of Interbank's directors since 2007. Ms. Graham is a business consultant and a member of the board of directors of Entel Perú S.A., Unión de Cervecerías Peruanas Backus y Johnston, and Camposol S.A. Ms. Graham was President of Universidad del Pacífico (2007–2009). From 1981 to 2005, Ms. Graham worked for IBM, where she was CEO of IBM Colombia (from 1999–2001), CEO of IBM Perú and Bolivia (from 2001–2003) and Regional Director of Strategy (2004–2005). Ms. Graham received a bachelor's degree in business administration from the Universidad del Pacífico in Lima and a master's degree in business administration from Adolfo Ibañez School of Business in Florida. Ms. Graham has completed several management trainings at IBM Corporation and advanced programs at Georgetown University, Harvard University, Universidad Monterrey and Universidad de Piura.

Carlos Heeren Ramos has served as one of Interbank's directors since 2015. Mr. Heeren also serves as an executive director of Universidad de Ingeniería y Tecnología (UTEC) and TECSUP, as well as director in many non-profit organizations and educational institutions. Previously, he was partner in Apoyo Consultoría, being responsible for the business consulting practice. Mr. Heeren received a bachelor's degree in economics from Universidad del Pacífico and a master's degree in economics from University of Texas, Austin.

Hugo Santa María Guzmán has served as one of Interbank's directors since 2016. Mr. Santa María also serves as manager of economic studies of Apoyo Consultoría, being in charge of Servicio de Asesoría Empresarial (SAE). He is also a member of the board of directors of Agrícola Viru S.A. and Colegios Peruanos S.A., and member of the consulting board of Edycle – Chile and Asociación Cultural La Tarumba. Previously, Mr. Santa María was a director of Banco Santander Perú, Santander Consumo, Grupo ACP and also served as Mibanco's chairman. He also worked as an economist in Inter-American Development Bank in Washington D.C. Mr. Santa María received a bachelor's degree in economics from Universidad del Pacífico and a Ph.D. degree in economics from Washington University in Saint Louis.

Executive Officers

The business address of Interbank's executive officers is Av. Carlos Villarán 140, Urbanización Santa Catalina, La Victoria, Lima 13, Peru. The following table sets forth certain information about Interbank's executive officers as of the date of this offering memorandum.

Name	Position	Year of Birth	Year Appointed
Luis Felipe Castellanos López Torres .	Chief Executive Officer	1970	2011
Michela Casassa Ramat.....	Chief Financial Officer	1973	2012
Carlos Tori Grande.....	Vice President of Retail Business Vice President of Risk Management	1976	2016
Gabriela Prado Bustamante	Vice President of Commercial Banking	1970	2008
Victor Cárcamo Palacios	Vice President of Operations	1972	2016
César Andrade Nicolini	Vice President of Capital Markets	1971	2015
Giorgio Bernasconi Carozzi	Vice President of Distribution Channels	1961	2009
Alfonso Díaz Tortoya.....	General Counsel	1979	2016
Zelma Acosta-Rubio Rodríguez.....		1965	2007

Name	Position	Year of Birth	Year Appointed
Susana Llosa de Cárdenas	Manager of Human Resources	1955	2000

Luis Felipe Castellanos López Torres has served as Interbank's Chief Executive Officer since January 2011 and as IFS's Chief Executive Officer since 2013. Mr. Castellanos joined Interbank in 2006 as the Chief Executive Officer of Interfondos. He has served as Interbank's Vice President for Retail Banking and Manager of the Mortgage and Real Estate Division. Previously, he was a Director in the investment banking division at Citigroup Global Markets in New York. Before joining Citigroup, Mr. Castellanos was responsible for the treasury department at Minera Yanacocha S.A. Mr. Castellanos received a bachelor's degree in business administration from the Universidad del Pacífico and a master's degree in business administration from the Amos Tuck School of Business at Dartmouth College.

Michela Casassa Ramat has served as Interbank's Chief Financial Officer since September 2012 and as IFS's Chief Financial Officer since 2012. Mrs. Casassa joined Interbank in September 2011 as Head of Strategic Planning. Prior to joining Interbank, she served as Head of Strategy for Corporate and Investment Banking at Banco de Crédito del Perú in Lima and Unicredit in Munich, and Head of Strategy for the International Division of Unicredit in Milan and Istanbul. She has also worked at The Boston Consulting Group in Milan and Citibank in Lima. Mrs. Casassa holds a bachelor's degree in business administration from the Universidad de Lima and an MBA with a specialization in finance from the SDA Bocconi in Milan.

Carlos Tori Grande has served as Interbank's Vice President of Retail Business since December 2016. Previously, Mr. Tori was responsible for Interbank's Distribution Channels Division and served as manager of the corporate banking and corporate finance division. Mr. Tori currently serves as a director in several companies related to Interbank, including Interfondos SAF, Expressnet S.A.C. and Servicio de Transferencia Electrónica de Beneficios y Pagos S.A.C. Before joining Interbank, Mr. Tori also worked at Merrill Lynch, Citigroup and Bank Boston. Mr. Tori received a bachelor's degree in business administration from Texas A&M University and a master's degree in business administration from Amos Tuck School, Dartmouth University.

Gabriela Prado Bustamante has served as Interbank's Vice President of Risk Management since July 2008. Previously, Ms. Prado was responsible for Interbank's Special Asset Management Division. From 2000 to 2004, Ms. Prado served as Manager of Interbank's Risk Management Division, which is responsible for monitoring customer performance. Ms. Prado received a bachelor's degree in business administration from the Universidad de Lima, and a graduate degree in business administration from the INCAE Business School.

Víctor Cárcamo Palacios has served as Interbank's Vice President of Commercial Banking since January 2016. Previously, Mr. Carcamo served as manager of Interbank's corporate banking and corporate finance division. Before joining Interbank, Mr. Carcamo worked in Banco Santander – México. Mr. Carcamo received a bachelor's degree in economics from Universidad de Lima and a master's degree in business administration from Universidad Adolfo Ibáñez, having also completed the General Management Program from Harvard Business School.

César Andrade Nicolini has served as Interbank's Vice President of Operations since May 2015. Before joining Interbank, Mr. Andrade served as director in the Salesforce strategy division of LATAM Airlines, commercial director of Lan Perú Commercial, Vice President of Movistar Colombia and Consumer Segment Vice President of Telefónica del Perú. Mr. Andrade received a bachelor's degree in economics from Universidad del Pacífico and a master's degree in business administration from Kellogg School of Management.

Giorgio Bernasconi Carozzi has served as Interbank's Vice President for Capital Markets since March 2009. Prior to joining Interbank, Mr. Bernasconi served as Director in Strategy and Marketing, Global Markets and Distribution for Latin America and was responsible for Latin American capital markets at BBVA Bancomer in México. From 1997 to 2006, he was Deputy General Manager for BBVA Banco Continental. He previously served as Treasury Vice President for Citibank Lima. Mr. Bernasconi has a bachelor's degree in administration from the Pontificia Universidad Católica del Perú.

Alfonso Díaz Tordoya has served as Interbank's Vice President of Distribution Channels since December 2016. Previously, Mr. Díaz was responsible for Interbank's Alternative Channels Management Division. Before joining Interbank, Mr. Diaz worked in AT Kearney - Brasil, Tarpon Investment – Brasil and Citigroup. Mr. Diaz

received a bachelor's degree in industrial engineering from Universidad de Lima and a master's degree in business administration from Harvard Business School.

Zelma Acosta-Rubio Rodríguez has served as Interbank's General Counsel and Secretary of the Board of Directors since April 2007. Mrs. Acosta-Rubio also serves as a director of several related companies of Interbank, including, La Fiduciaria S.A. and Intertitulos S.A. Before joining Interbank, Mrs. Acosta Rubio worked at Clifford Chance in London and Milbank, Tweed, Hadley & McCloy in New York. Mrs. Acosta Rubio received a law degree from the Universidad Católica Andrés Bello in Caracas, a master's degree in comparative jurisprudence from New York University, a master's degree in international banking law from Morin Center for Banking and Financial Law at Boston University and a master's degree in business administration from the Management School at Universidad de Piura. Mrs. Acosta Rubio is admitted to the Caracas and New York State Bar.

Susana Llosa de Cárdenas has served as Interbank's Human Resources Manager since 2000. Previously, Ms. Llosa served as a Customer Service Quality Manager. Before joining Interbank, Ms. Llosa was a small business entrepreneur. Ms. Llosa has a degree in small business administration from the Universidad del Pacífico in Lima and a master's degree in business administration from the INCAE Business School.

Compensation

Compensation of our directors for board attendance is set annually by shareholders resolution. Our directors receive a fixed payment per meeting. In 2016, annual compensation to our board members totaled S/1,469,999.9 (approximately US\$438,021.4) in the aggregate.

Executive Long-Term Incentive Plan

We have not yet adopted an executive long-term incentive plan. We expect that our management and directors will consider alternatives for the implementation of an executive long-term incentive plan with a view toward adopting a plan or plans suitable for us, subject to necessary approvals.

Board Committees

Executive Committee

Our executive committee is comprised of the following four members of the board of directors: Messrs. Carlos Rodríguez-Pastor (Chairman), Ramón Barúa, Ricardo Briceño, and Felipe Morris Guerinoni.

The executive committee's primary responsibility is to support the board of directors in following up on its objectives and in the implementation of its resolutions. The executive committee also supports the board of directors by reviewing and analyzing certain matters delegated to them by the board of directors and presenting its conclusions to the board of directors for further consideration. The executive committee meets on a monthly basis.

Audit Committee

Our audit committee was established in March 2000. According to SBS regulations, the audit committee must be comprised of at least three board members who do not hold management positions, one of whom must be an independent member. Currently, the members of the audit committee are Felipe Morris, David Fischman Kalincausky, and Carlos Heeren.

Pursuant to SBS regulations, the audit committee is responsible for reviewing compliance with the internal auditing program, informing the board of directors about compliance with internal policies and procedures and the internal auditing program and informing the board of directors about any action taken to correct any situation that is not in compliance with the internal auditing program. In addition, the audit committee is responsible for evaluating the performance of the external auditors and coordinating on a continuous basis with the external auditors any matters relating to the internal auditing program.

Under Peruvian regulations, the audit committee must have a charter that establishes the policies and procedures used to complete its functions. This charter is to establish, among other things, criteria for avoiding conflicts of interest, incompatibility of duties, periodicity of its meetings, organization, scope of its activities and

responsibilities. The SBS requires the audit committee to record its resolutions on minutes which must be made available at any time to the SBS.

Credit Directive Committee

Our credit directive committee is comprised of five members and led by a member of the board of directors. Two of the committee members, including the committee leader, are from our board of directors and rotate annually. One of those director members leads the committee. In addition, the committee is composed of representatives of: (i) the chief executive officer; (ii) the Vice-Presidents of Risk Management, and (iii) a representative of the Vice-Presidents of Commercial Banking, the Vice-Presidents of Retail Banking or the Vice-Presidents of Capital Markets. If necessary, a business executive related to credit operation may participate in the committee.

Corporate Governance Committee

Our corporate governance committee is currently comprised of the following three members of our board of directors: Messrs. Felipe Morris Guerinoni, David Fischman and Alfonso de los Heros Pérez Albela.

The corporate governance committee supports the board of directors in the adoption, implementation and supervision of corporate governance practices. The corporate governance committee is also responsible for creating an annual report on corporate governance and proposing actions in order for the board of directors to obtain the highest standards of corporate governance practices.

Compensation Committee

Our compensation committee is currently comprised of the following three members of the board of directors: Messrs. Carlos Rodríguez Pastor, Alfonso Bustamante y Bustamante and Alfonso de los Heros Pérez Albela.

This committee is responsible for assessing and approving new benefits programs, determining compensation packages and identifying potential collaborators or managers. The board of directors may grant additional responsibilities to the compensation committee.

Related Parties Transactions Committee

Our related parties transactions committee is currently comprised of the following two members, Messrs. Carmen Rosa Graham Ayllón and Hugo Santa María Guzmán, along with three alternate members, Alfonso de los Heros Pérez Albela, Ramón Barúa and Alfonso Bustamante y Bustamante. These directors are independent from management of the companies of the group. The related parties transaction committee is responsible for assessing and approving all credit transactions granted to parties related to the bank.

Integral Risk Committee

Our integral risk committee is currently comprised of two members of the board of directors (two alternate in their absence) and most members of the Executive Committee. To date, the integral risk committee is comprised of Messrs. Ricardo Briceño and Hugo Santa María Guzmán, and as alternates, Alfonso Bustamante y Bustamante and Ramón Barúa; and the Chief Executive Officer, Chief Financial Officer; Vice President for Risk Management; Vice President for Commercial Banking; Vice President for Operations; Vice President for Retail Banking; Vice-President for Distribution Channels; Vice President for Capital Markets and our General Legal Counsel. The integral risk committee is responsible for: (i) approving our general risk policies; (ii) defining our risk level tolerance and our grade of risk exposure; (iii) deciding and implementing any required corrective actions; (iv) approving exhibitions involving significant variations in the defined risk profile; (v) evaluating our levels of capital in order for us to address the risk and warn of possible weaknesses; and (vi) suggesting measures to improve the integral risk management.

RELATED PARTY TRANSACTIONS

In the ordinary course of business, we and our subsidiaries engage in a variety of transactions among ourselves and with certain of our affiliates and related parties. All material transactions between us or our subsidiaries and our other affiliates or related parties are evaluated by our senior management and our board in accordance with specific regulations and internal rules applicable to all third-party transactions. These transactions are subject to prevailing market conditions and transfer pricing regulations.

Interbank extends loans to related parties, including its executive officers and directors and executive officers and directors of our affiliates, in accordance with Peruvian law and regulations established by the SBS. According to the SBS, loans to related parties cannot be made on more favorable terms than those offered to the public, with the exception of mortgage loans granted to workers for housing purposes. As a result, all related-party loans have been made in the ordinary course of business, on an arm's-length basis and on substantially the same terms, including with respect to interest rates and collateral, as those prevailing at the time for comparable transactions offered to the public. In addition, related-party loans do not involve greater collection risk nor present other features unfavorable to Interbank as compared to loans offered to the public. Peruvian law and SBS regulations also set forth limitations on the amount of credit loans that may be extended to related parties based on Article 201 and Article 202 of the Peruvian Banking and Insurance Law. The law establishes that the total amount of loans to be extended to directors, employees and close relatives of any such persons may not exceed 7.0% of the bank's regulatory capital. All loans extended to any director or employee of the company (including close relatives of such person) may not exceed 0.35% of the regulatory capital (i.e., 5.0% of the overall 7.0% limit discussed above).

In addition, under Article 202 of the Peruvian Banking and Insurance Law, no loans extended to related parties or affiliates may exceed 30.0% of a bank's regulatory capital. Under these laws, related-party borrowers include any corporation holding, directly or indirectly, 4.0% or more of a bank's shares, such bank's directors, certain of its principal executive officers or other persons affiliated with such bank's management or any individual or entity that is deemed to have a significant influence in its operations.

Furthermore, under Peruvian law, board members and executive officers of a publicly-held company subject to the regulations of the SMV, such as us, may not (i) engage in transactions with the company unless approved by the board of directors, (ii) appropriate for their own benefit a business opportunity that belongs to the company, (iii) disclose or use, inappropriately, for their own benefit, privileged information, and (iv) participate in any corporate decision that presents a conflict of interest with the company. In all cases, the execution of agreements that involve at least 5.0% of the assets of the company with persons or entities related to directors, managers or shareholders that own, directly or indirectly, more than 10.0% of the share capital requires the prior authorization of the board of directors (with no participation of the director(s) involved in the transaction, if any). In addition, the execution of agreements with a party controlled by the company's controlling shareholder requires the prior authorization of the board of directors and an evaluation of the terms of the transaction by an external independent company (audit companies or other evaluator to be determined by the SMV).

For additional information about loans to, and certain other transactions with, related parties and affiliates including directors and officers, see note 22 to our audited annual financial statements and note 18 to our unaudited condensed interim financial statements.

Lease Agreements between Interbank and Supermercados Peruanos

In December 27th, 2003, Interbank and Supermercados Peruanos entered into a master area assignment agreement, as amended, pursuant to which Supermercados Peruanos agreed to lease 1,000 square meters of floor space, at US\$80.0 plus taxes per square meter per month for the first five years (2004-2009); US\$92.0 plus taxes for the following five years (2009-2014); and US\$113.3 plus taxes, for the last five years (2014-2019) of the term of the agreement. Under the terms of such agreement, the assignee granted to Interbank, for a term of 15 years, the right to use an area in its supermarkets for the operation of its financial stores. Interbank made an advanced payment of US\$8 million to be applied to the monthly rental payments, and a security deposit of US\$2 million also to be applied, among others, as warranty of the payment of the monthly consideration.

In September 1st, 2009, Interbank and Supermercados Peruanos entered into a second amendment to the agreement, pursuant to which Supermercados Peruanos agreed to assign 1,038 square meters of additional floor space, corresponding to areas in new supermarkets, at US\$80 per square meter per month, plus taxes. Interbank made an advanced payment of US\$6.0 million, to be applied to the first 80 monthly rental payments.

Loan Agreement between Interbank and GTP Inversionistas S.A.C.

In May 2017, Interbank and GTP Inversionistas S.A.C. entered into a loan agreement under which Interbank disbursed to the latter US\$32,560,000 for the indirect acquisition of 25.0% of the capital stock of Universidad Tecnológica del Perú S.A.C. ("UTP"). The loan was granted for a term of 5 years to be repaid in 5 annual payments with an effective annual interest rate of 7.9%. The collateral granted consisted on a pledge agreement of 25.0% of the capital stock of UTP.

Financial Leasing Agreements with Supermercados Peruanos

Interbank and Supermercados Peruanos have entered into several leasing agreements to finance the acquisition of real estate property, machinery and equipment. The total outstanding debt for such leasing agreements amounts to S/138,734,560.1 as of September 30, 2017.

Financial Leasing Agreements with Homecenters Peruanos

Interbank and Homecenters Peruanos have entered into several leasing agreements to finance the acquisition of machinery and equipment. The total outstanding debt for such leasing agreements amounts to S/48,987,393.6 as of September 30, 2017.

Loan Agreement between Interbank, Nessus Hoteles SA and Nessus Hoteles Perú Selva SA

In November 2017, Interbank, Nessus Hoteles Perú SA and Nessus Hoteles Perú Selva SA entered into a loan agreement under which Interbank disbursed to the latter US\$23,541,545.4. The loan was granted for a term of 6 years to be paid in 72 monthly payments with an effective annual interest of 4.80%. The collateral granted consisted of four mortgages and a cash flows trust.

DESCRIPTION OF THE NOTES

We will issue the notes pursuant to an indenture to be entered into by us, The Bank of New York Mellon, as trustee, registrar, paying agent and transfer agent, and The Bank of New York Mellon SA/NV, Luxembourg Branch, as Luxembourg paying agent and Luxembourg transfer agent. We will, under the indenture, appoint a registrar, paying agents and transfer agents, which are identified on the inside back cover page of this offering memorandum. A copy of the indenture will be available for inspection during normal business hours at the offices of the trustee and any other paying agent. You should refer to the indenture for a complete description of the terms and conditions of the notes and the indenture, including our obligations and your rights.

You will find the definitions of capitalized terms used in this section under "—Definitions". For purposes of this section of this offering memorandum, references to "Interbank", "we", "us" and "our" refer only to Banco Internacional del Perú S.A.A., and not to its subsidiaries.

General

The notes:

- will be senior unsecured obligations of Interbank;
- will initially be limited to an aggregate principal amount of US\$200 million;
- will mature on January 18, 2023;
- will not be subject to redemption prior to maturity at the option of Interbank except as described under "—Optional Redemption—Make-Whole Redemption" and "—Optional Redemption — Tax Redemption";
- will be issued in denominations of US\$150,000 and integral multiples of US\$1,000 in excess thereof; and
- will be represented by registered notes in global form and may be exchanged for notes in certificated form only in limited circumstances.

Interest on the notes:

- will accrue on their outstanding principal amount at the rate of 3.375% per year;
- will accrue from the date of issuance or from the most recent interest payment date;
- will be payable in cash semi-annually in arrears on January 18 and July 18 of each year, commencing on July 18, 2018;
- will be payable to the holders of record on January 13 and July 13 immediately preceding the related interest payment dates (whether or not a business day); and
- will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Interbank may from time to time, without notice or consent of the holders of the notes, create and issue an unlimited principal amount of additional notes having the same terms and conditions (except for issue date, issue price and, if applicable, the first interest payment date) as, and forming a single series with, the notes initially issued in this offering.

Ranking

The notes will constitute Interbank's direct, unsecured and senior obligations. The notes are at least *pari passu* in right of payment with all other existing and future unsecured unsubordinated obligations of Interbank (other than obligations preferred by statute or by operation of law) that by its terms is *pari passu* with the notes, and

Interbank covenants, for the benefit of the holders, that the notes shall rank at all times at least *pari passu* with any other future unsecured unsubordinated Debt of Interbank, to the fullest extent permitted by applicable law.

The notes will be effectively subordinated to (i) all of Interbank's existing and future secured indebtedness to the extent of the value of assets securing such indebtedness, (ii) all of the existing and future liabilities of Interbank's subsidiaries, and (iii) certain other obligations that in the event of Interbank's insolvency are granted preferential treatment under Peruvian law, as described in "Regulation and Supervision". Under the Peruvian Banking Law, all existing and future depositors of Interbank will have a general priority right over holders of notes. See "Risk Factors—Risks Relating to the Notes—The notes will be effectively subordinated to the rights of our depositors and our secured and other creditors".

Optional Redemption

The notes will not be redeemable at the option of Interbank prior to maturity, except as described below.

Make-Whole Redemption

The notes will be redeemable at the option of Interbank, in whole or in part, at any time and from time to time, on and after February 19, 2020 (or earlier if approved by the Banco Central de Reserva del Perú (the "Peruvian Central Bank")) and prior to October 18, 2022 (the date that is three months prior to the maturity date (the "Par Call Date")) at a redemption price equal to the greater of (1) 100% of the outstanding principal amount of the notes, and (2) the sum of the present values of the remaining scheduled payments of principal and interest on the notes through the Par Call Date, as if the notes were redeemed on the Par Call Date, discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the applicable Treasury Rate plus 15 basis points, in each case plus accrued and unpaid interest to the date of redemption and any Additional Amounts (as defined below).

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the period from the redemption date to the Par Call Date that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the Par Call Date.

"Comparable Treasury Price" means, with respect to the redemption date, (1) the average of five Reference Treasury Dealer Quotations for the redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (2) if the Independent Investment Banker obtains fewer than five such Reference Treasury Dealer Quotations, the average of all such quotations.

"Independent Investment Banker" means one of the Reference Treasury Dealers reasonably designated by Interbank.

"Reference Treasury Dealer" means Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities LLC or their affiliates which are primary United States government securities dealers and not less than three other leading primary U.S. government securities dealers in New York City reasonably designated by Interbank; provided that if any of the former cease to be a primary U.S. government securities dealer in New York City (a "Primary Treasury Dealer"), Interbank will substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and a redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at or about 3:30 p.m., New York City time, on the third business day preceding such redemption date.

"Treasury Rate" means, with respect to a redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the redemption date.

Par Redemption

The notes will be redeemable, at the option of Interbank, in whole or in part, on and after the Par Call Date at a redemption price equal to 100% of the outstanding principal amount of the notes to be redeemed plus accrued and unpaid interest to the redemption date and any Additional Amounts.

Tax Redemption

The notes will be redeemable at the option of Interbank, in whole but not in part, at any time on and after February 19, 2020 (or earlier if approved by the Peruvian Central Bank) at 100% of their outstanding principal amount plus accrued and unpaid interest to the date of redemption and any Additional Amounts (as defined under "—Additional Amounts") payable with respect thereto, only if (1) on the next interest payment date Interbank would, for reasons outside of its control, be obligated to pay Additional Amounts with respect to Peruvian taxes in excess of the Additional Amounts that Interbank would pay if payments in respect of the notes were subject to deduction or withholding for Peruvian taxes at a rate of 4.99% (or, in the case of a successor entity or the appointment of an additional paying agent in a jurisdiction outside of Peru, Additional Amounts in excess of the withholding tax rate in effect in such jurisdiction as of the date of such entity succession or appointment of additional paying agent) (determined without regard to any interest, fees, penalties or other additions to tax) as a result of any change in, or amendment to, the laws or regulations of any Taxing Jurisdiction or any authority or agency thereof or therein having power to tax, or any change in, or a pronouncement by competent authorities of the relevant Taxing Jurisdiction with respect to, the official application or official interpretation of such laws or regulations, which change, amendment or pronouncement occurs after the date of the indenture (or, in the case of any withholding taxes imposed by the jurisdiction of a successor entity or a paying agent, after the date of such entity's succession or the appointment of such paying agent), and (2) such obligation cannot be avoided by Interbank taking reasonable measures available to it; provided that for this purpose reasonable measures shall not include any change in Interbank's jurisdiction of organization or locations of principal executive office. No such notice of redemption will be given earlier than 60 days prior to the earliest date on which Interbank would be obligated to pay such Additional Amounts if a payment in respect of the notes were then due.

Prior to giving any notice of redemption of the notes as described below, Interbank must deliver to the trustee an officers' certificate confirming that it is entitled to exercise such right of redemption. Interbank will also deliver an opinion of legal counsel of recognized standing stating that Interbank would be obligated to pay Additional Amounts due to the changes in tax laws or regulations or changes in, or pronouncements with respect to, the official application or official interpretation of such laws or regulations. The trustee will accept this certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set forth in clauses (1) and (2) above, in which event it will be conclusive and binding on the holders.

Redemption Procedures

Interbank will give a notice of redemption to each holder of notes to be redeemed at least 10 days and not more than 60 days prior to the redemption date as described under "—Notices." A notice of redemption will be irrevocable.

Unless Interbank defaults in the payment of the redemption price, interest will cease to accrue on the notes on and after the redemption date.

Open Market Purchases

Interbank or any of its Subsidiaries or Affiliates may at any time purchase notes in the open market or otherwise at any price. Any such notes purchased by Interbank or any of its Subsidiaries or Affiliates may not be reissued or resold except in accordance with applicable securities and other laws.

Payments

Interbank will make all payments on the notes exclusively in the currency of the United States as at the time of payment will be legal tender for the payment of public and private debts.

Interbank will make payments of principal, premium, if any, and interest on the notes to the paying agents. The trustee will initially act as a paying agent with respect to the notes. So long as the notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF market, Interbank will also maintain a paying agent in Luxembourg.

Interbank will pay interest on the outstanding principal amount of the notes to the Persons in whose name the notes are registered on the relevant record date (which, in the case of global notes, will be DTC or its nominee). Payments of principal, premium, if any, and interest in respect of each non-global note will be made by the paying agents by U.S. dollar check drawn on a bank in New York City and mailed to the Person entitled thereto at its registered address. Upon written notice from a holder of certificated notes to the specified office of any paying agent not less than 15 days before the due date for any payment in respect of a note, such payment may be made by wire transfer to a U.S. dollar account maintained by the payee with a bank in New York City. Interbank will make payments of principal and premium, if any, upon surrender of the relevant notes at the specified office of the trustee or any of the paying agents. Payments to holders of global notes will be made to DTC in accordance with its applicable procedures.

Under the terms of the indenture, payment by Interbank of any amount payable under the notes to the paying agents in accordance with the indenture will satisfy the obligation of Interbank to make such payment; provided that the liability of any paying agent will not exceed any amounts paid to it by Interbank, or held by it, on behalf of the holders under the indenture. Interbank shall agree in the indenture to indemnify the holders in the event that there is subsequent failure by the trustee or any paying agent to pay any amount due in respect of the notes in accordance with the indenture as will result in the receipt by the holders of such amounts as would have been received by them had no such failure occurred.

All payments will be subject in all cases to any applicable tax or other laws and regulations, but without prejudice to the provisions of "—Additional Amounts". No fees or expenses will be charged to the holders in respect of such payments.

Subject to applicable law, the trustee and the other paying agents will pay to Interbank upon request any monies held by them for the payment of principal, premium, if any, or interest that remains unclaimed for two years, and, thereafter, holders entitled to such monies must look to Interbank for payment as general creditors. After the return of such monies by the trustee or the other paying agents to Interbank, neither the trustee nor the other paying agents will be liable to the holders in respect of such monies.

Form, Denomination and Title

The notes will be issued in fully registered form without coupons attached in minimum denominations of US\$150,000 and integral multiples of US\$1,000 in excess thereof.

Notes sold in offshore transactions in reliance on Regulation S will be represented by one or more permanent global notes in fully registered form without coupons deposited with a custodian for and registered in the name of a nominee of DTC. Notes sold in reliance on Rule 144A will be represented by one or more permanent global notes in fully registered form without coupons deposited with a custodian for and registered in the name of a nominee of DTC. Notes represented by the global notes will trade in DTC's Same-Day Funds Settlement System and secondary market trading activity in such notes will therefore settle in immediately available funds. We can provide no assurance as to the effect, if any, of settlements in immediately available funds on trading activity in the notes. Beneficial interests in the global notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream. Except in certain limited circumstances, definitive registered notes will not be issued in exchange for beneficial interests in the global notes. See "—Form of the Notes—Global Notes".

Title to the notes will pass by registration in the register. The holder of any note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, writing on, or theft or loss of, the definitive note issued in respect of it) and no Person will be liable for so treating the holder.

Transfer of Notes

Notes may be transferred in whole or in part in an authorized denomination upon the surrender of the note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the registrar or any transfer agent. Transfer of beneficial interests in the global notes will be effected only through records maintained by DTC and its participants. See "—Form of the Notes". Notes will be subject to certain restrictions on transfer as more fully set out in the indenture. See "Transfer Restrictions". The trustee will initially act as the registrar and as a transfer agent with respect to the notes. So long as the notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF market and the rules of such exchange so require, Interbank will also maintain a transfer agent in Luxembourg.

Transfer will be effected without charge by or on behalf of Interbank, the registrar or the transfer agents, but upon payment, or the giving of such indemnity as the registrar or the relevant transfer agent may require, in respect of any tax or other governmental charges which may be imposed in relation to it.

Interbank is not required to transfer or exchange any note selected for redemption. No holder may require the transfer of a note to be registered during the period of 15 days ending on the due date for any payment of principal, premium, if any, or interest on that note.

Additional Amounts

All payments to a noteholder in respect of the notes will be made free and clear of and without any withholding or deduction for or on account of any present or future Taxes (as defined below), unless the withholding or deduction of such Taxes is required by law. If Interbank shall be required by any law of any Taxing Jurisdiction (as defined below) to withhold or deduct any Taxes from or in respect of any sum payable under the notes, Interbank will (a) pay such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts receivable by holders of any notes after such withholding or deduction equals the respective amounts which would have been receivable by such holder in the absence of such withholding or deduction, (b) make such withholding or deduction, and (c) pay the full amount withheld or deducted to the relevant tax or other authority in accordance with applicable law, except that no such Additional Amounts will be payable in respect of any note:

(i) to the extent that such Taxes are imposed or levied by reason of such holder (or the beneficial owner) having some connection with the Taxing Jurisdiction other than the mere holding (or beneficial ownership) of such note or receiving principal or interest payments on the notes (including but not limited to citizenship, nationality, residence, domicile, or existences of a business, permanent establishment, a dependent agent, a place of business or a place of management present or deemed present in the Taxing Jurisdiction);

(ii) to the extent that any Tax is imposed other than by deduction or withholding from payments of principal or of premium, if any, or interest with respect to the notes;

(iii) in the event that the holder (or beneficial owner) fails to comply with any certification, identification or other reporting requirement concerning nationality, residence, identity or connection with the Taxing Jurisdiction if (1) compliance is required by applicable law, regulation, administrative practice or treaty as a precondition to exemption from all or part of the Taxes, (2) the holder (or beneficial owner) is able to comply with these requirements without undue hardship and (3) Interbank has given the holders (or beneficial owners) at least 30 days prior notice that they will be required to comply with such requirement;

(iv) in the event that the holder fails to surrender (where surrender is required) its note for payment within 30 days after Interbank has made available a payment of principal or interest, provided that Interbank will pay Additional Amounts to which a holder would have been entitled had the note been surrendered on the last day of such 30-day period;

(v) to the extent that such Taxes are imposed by reason of an estate, inheritance, gift, personal property, use or sales tax or any similar taxes, assessments or other governmental charges;

(vi) for any Taxes or equivalent thereof imposed pursuant to Sections 1471 through 1474 of the Internal Revenue Code of 1986 as of the issue date, any current or future regulations promulgated thereunder or

other official administrative interpretations thereof and any agreements entered into pursuant to current Section 1471(b)(1) of the Internal Revenue Code of 1986 as of the issue date (or any amended or successor version described above), and including (for the avoidance of doubt) any intergovernmental agreements (and any law, regulation, rule or practice implementing any such intergovernmental agreement) in respect of the foregoing; or

(vii) any combination of items (i) through (vi) above.

Furthermore, no Additional Amounts will be paid to a holder that is a fiduciary or a partnership or not the sole beneficial owner of such payment to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or such beneficial owner would not have been entitled to receive the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the holder.

"Taxes" means, with respect to payments on the notes, all taxes, withholdings, duties, assessments or governmental charges of whatever in the nature of a tax imposed or levied by or on behalf of Peru, or the jurisdiction of incorporation of any successor entity of Interbank, or, in the event that Interbank appoints additional paying agents, by the jurisdictions of such additional paying agents or, in each case, any political subdivision thereof or any authority or agency therein or thereof having power to tax (each, a "Taxing Jurisdiction").

Interbank will provide the trustee with the official acknowledgment of the relevant taxing authority (or, if such acknowledgment is not available, other reasonable documentation) evidencing any payment of any Taxes in respect of which Interbank has paid any Additional Amounts. Copies of such documentation will be made available to the holders of the notes or the paying agents, as applicable, upon request therefor.

All references in this offering memorandum to principal, premium, if any, and interest on the notes will include any Additional Amounts payable by Interbank in respect of such principal, premium, if any, and interest.

Covenants

The indenture contains the following covenants:

Limitation on Transactions with Affiliates

Interbank will not, and will not permit any Subsidiary to, enter into any transaction or series of related transactions with or with respect to any Affiliate of Interbank unless (A) such transaction or series of related transactions are no less favorable to Interbank than those that could be obtained at the time in a comparable transaction or series of related transactions in arm's-length dealings with an unrelated third Person, and (B) in the case of a transaction or series of related transactions that are loans, advances or guarantees, Interbank complies with any limits and reporting requirements with respect thereto established by the Peruvian Banking Law and regulations of the SBS (which currently restrict the total amount of such loans, advances and guarantees to 30% of Regulatory Capital according to the terms and conditions of article 202 of the Peruvian Banking Law and require monthly reports of such transactions). The preceding sentence (A) will not apply to:

- (1) the performance of any transaction under the terms of any agreement as in effect on the date of the indenture and described in this offering memorandum;
- (2) any transactions with a Subsidiary of Interbank;
- (3) any employment agreement, employee benefit plan, officer or director indemnification agreement or similar agreement entered into by Interbank or any of its Subsidiaries in the ordinary course of business consistent with past practices;
- (4) loans or advances to directors, officers and employees in the ordinary course of business consistent with past practices (other than clause (B) above); or
- (5) the payment of reasonable and customary fees paid to, and indemnity provided on behalf of, directors of Interbank or any of its Subsidiaries.

Limitation on Consolidation, Merger or Transfer of Assets

Interbank will not consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, unless:

(1) the resulting, surviving or transferee Person (if not Interbank) is a Person organized and existing under the laws of Peru, and expressly assumes, by a supplemental indenture to the indenture, executed and delivered to the trustee, all the obligations of Interbank under the indenture and the notes;

(2) immediately prior to such transaction and immediately after giving effect to such transaction, no Default or Event of Default will have occurred and be continuing; and

(3) Interbank delivers to the trustee an officers' certificate and an opinion of counsel of recognized standing, each stating that such consolidation, merger, conveyance, transfer or lease and such supplemental indenture, if any, comply with the indenture and with the requirements of the Peruvian Banking Law and regulations of the SBS.

The trustee will be entitled to rely exclusively on and will accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set forth in this covenant, in which event it will be conclusive and binding on the holders.

Reporting Requirements

Interbank will provide or cause to be provided to the trustee any financial statements which Interbank may file with the SMV or the SEC, or which are otherwise made available to the public in such language or form as such financial statements are prepared. In addition to the foregoing (and without duplication), Interbank will cause to be provided to the trustee (i) in English (or accompanied by an English translation thereof) as soon as available and in any case within 45 days after the end of each fiscal quarter (other than the fourth quarter), its unaudited balance sheet, statement of income, statement of changes in stockholders' equity and statements of cash flow calculated in accordance with Peruvian Banking GAAP or U.S. GAAP or such other accounting standards as may from time to time be required for Peruvian banks and (ii) in English (or accompanied by an English translation thereof) as soon as available and in any case within 90 days after the end of each fiscal year, its audited balance sheet, statement of income, statement of changes in stockholders' equity and statement of cash flow calculated in accordance with Peruvian Banking GAAP or U.S. GAAP or such other accounting standards as may from time to time be required for Peruvian banks and accompanied by a report thereon by an independent public accountant of recognized international standing, together in all cases under (i) and (ii) with a management description and analysis of Interbank's financial condition and results of operations substantially in the form set forth under "Management's Description and Analysis of Financial Condition and Results of Operations" in this offering memorandum.

For as long as the notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, Interbank will furnish to any holder of notes issued under Rule 144A, or to any prospective purchase designated by such holder of notes, upon request of such holder of notes, financial and other information described in paragraph (d)(4) of Rule 144A with respect to Interbank to the extent required in order to permit such holder of notes to comply with Rule 144A with respect to any resale of its note, unless during that time, Interbank is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, or is exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act and no such information about Interbank is otherwise required pursuant to Rule 144A.

Events of Default

An "Event of Default" occurs if:

1) Interbank defaults in any payment of interest (including any related Additional Amounts) on any note when the same becomes due and payable, and such default continues for a period of 30 days;

2) Interbank defaults in any payment of principal (including premium, if any, and any related Additional Amounts) of any note when the same becomes due and payable upon its Stated Maturity, upon redemption, or otherwise;

3) Interbank fails to comply with any of its covenants or agreements in the notes or the indenture (other than those referred to in clauses (1) and (2) above), and such failure continues for 60 days after the notice specified below;

4) Interbank or any Subsidiary defaults with respect to any of its Debt (whether such Debt now exists or is created after the date of the indenture), which default (a) is caused by failure to pay principal of or premium, if any, or interest on such Debt after giving effect to any grace period provided in such Debt on the date of such default ("Payment Default") or (b) results in the acceleration of such Debt prior to its express maturity and, in each case, the principal amount of any such Debt, together with the principal amount of any other such Debt under which there has been a Payment Default or the maturity of which has been so accelerated, totals US\$20 million (or the equivalent thereof at the time of determination) or more in the aggregate;

5) one or more final judgments or decrees for the payment of money of US\$20 million (or the equivalent thereof at the time of determination) or more in the aggregate are rendered against Interbank or any Subsidiary and are not paid (whether in full or in installments in accordance with the terms of the judgment) or otherwise discharged and, in the case of each such judgment or decree, either (a) an enforcement proceeding has been commenced by any creditor upon such judgment or decree and is not dismissed within 30 days following commencement of such enforcement proceedings or (b) there is a period of 60 days following such judgment during which such judgment or decree is not discharged, waived or the execution thereof stayed;

6) any Peruvian government or governmental authority condemns, nationalizes, seizes, or otherwise expropriates all or any substantial portion of Interbank's consolidated assets or property or Interbank's or any Material Subsidiary's Share Capital, or assumes custody or control of such consolidated assets or property or of Interbank's or any Material Subsidiary's business or operations or Share Capital, or takes any action that would prevent Interbank or any Material Subsidiary or their respective officers from carrying on a substantial portion of Interbank or such Material Subsidiary's business or operations for a period longer than 60 days and the result of any such action materially prejudices Interbank's ability to perform its obligations under the indenture and notes;

7) Interbank or any Material Subsidiary or, any Peruvian government or governmental authority, declares a general suspension of payment or a moratorium on the payment of Interbank's or any Material Subsidiary's debt;

8) a resolution is passed or adopted by the board of directors or shareholders of Interbank or any of its Material Subsidiaries or by the SBS or any similar Peruvian governmental authority, or a judgment of a court of competent jurisdiction is made, that Interbank or any of its Material Subsidiaries be wound up or dissolved (otherwise than for the purposes of, or pursuant to, or in connection with, a consolidation or merger or other transaction in accordance with the terms of the indenture described in "—Covenants—Limitation on Consolidation, Merger or Transfer of Assets");

9) a resolution by the SBS or any similar Peruvian governmental authority is issued with respect to Interbank or any of its Material Subsidiaries ordering intervention (*régimen de intervención*) and such resolution continues undischarged for a period of 45 days;

10) any proceeding is instituted by or against Interbank or any of its Material Subsidiaries seeking to adjudicate Interbank or any of its Material Subsidiaries bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of any Debt under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for Interbank or any of its Material Subsidiaries or for any substantial part Interbank or any of its Material Subsidiaries' property and, in the case of any of the foregoing actions instituted against Interbank or any of its Material Subsidiaries, such proceeding or action is not dismissed or discharged and remains in effect for 60 days; or Interbank or any of its Material Subsidiaries takes corporate action to authorize any of the actions set forth above in this clause (10); or

11) any material provision of the indenture or the notes cease to be in full force and effect or binding and enforceable against Interbank, it becomes unlawful for Interbank to perform any material obligation under indenture or the notes, or Interbank contests the enforceability of any of the indenture or the notes or denies that Interbank has liability under the indenture or the notes.

A Default under clause (3) above will not constitute an Event of Default until the trustee or the holders of at least 25% in principal amount of the notes outstanding notify Interbank of the Default and Interbank does not cure such Default within the time specified after receipt of such notice.

If an Event of Default (other than an Event of Default specified in clauses (6), (7), (8), (9) or (10) above) occurs and is continuing, the trustee or the holders of not less than 25% in principal amount of the notes then outstanding may declare all unpaid principal of and accrued interest on all notes to be due and payable immediately, by a notice in writing to Interbank, and upon any such declaration such amounts will become due and payable immediately. If an Event of Default specified in either clause (6), (7), (8), (9) or (10) above occurs and is continuing, then the principal of and accrued interest on all notes will become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder.

The trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request or direction of any of the holders, unless such holders will have offered to the trustee indemnity satisfactory to the trustee. Subject to such provision for the indemnification of the trustee and certain other conditions set forth in the indenture, the holders of a majority in aggregate principal amount of the outstanding notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee.

Defeasance

Interbank may at any time terminate all of its obligations with respect to the notes ("defeasance"), except for certain obligations, including those regarding any trust established for a defeasance and obligations to register the transfer or exchange of the notes, to replace mutilated, destroyed, lost or stolen notes and to maintain agencies in respect of notes. Interbank may at any time terminate its obligations under certain covenants set forth in the indenture, and any omission to comply with such obligations will not constitute a Default or an Event of Default with respect to the notes issued under the indenture ("covenant defeasance"). In order to exercise either defeasance or covenant defeasance, Interbank must irrevocably deposit in trust, for the benefit of the holders of the notes, with the trustee money or U.S. government obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of an nationally recognized investment bank, appraisal firm or firm of independent public accountants expressed in a written certificate delivered to the trustee, without consideration of any reinvestment, to pay the principal of, the premium, if any, and interest on the notes to redemption or maturity and comply with certain other conditions, including the delivery of an opinion of counsel as to certain tax matters; provided, however that such opinion will not be required if Interbank has irrevocably deposited with the trustee, in trust, for the benefit of the holders, cash in U.S. dollars in an amount sufficient without reinvestment, to pay the principal of, the premium, if any, and interest on the notes to redemption or maturity.

Amendment, Supplement, Waiver

Subject to certain exceptions, the notes and the indenture may be amended or supplemented with the written consent of the holders of at least a majority in principal amount of the notes then outstanding, and any Default or Event of Default and its consequences may be waived with the consent of the holders of at least a majority in principal amount of the notes then outstanding. However, without the consent of each holder of an outstanding note affected thereby, no amendment may:

- 1) reduce the rate of or extend the time for payment of interest on any note (for the avoidance of doubt, changing the period provided for any notice under the indenture and the notes is not limited by this clause);
- 2) reduce the principal of or change the Stated Maturity of any note;

- 3) reduce the amount payable upon the redemption of any note or change the time at which any note may be redeemed (for the avoidance of doubt, changing the period provided for any notice under the indenture and the notes is not limited by this clause);
- 4) change the currency for payment of principal of, premium, if any, or interest on, any note;
- 5) impair the right to institute suit for the enforcement of any payment on or with respect to any note;
- 6) waive a Default or Event of Default in the payment of principal of, premium, if any, and interest on the notes;
- 7) reduce the principal amount of notes whose holders must consent to any amendment, supplement or waiver; or
- 8) make any change in the amendment or waiver provisions which require each holder's consent.

The holders of the notes will receive prior notice as described under "—Notices" of any proposed amendment to the notes or the indenture described in this paragraph. After an amendment described in the preceding paragraph becomes effective, Interbank is required to give to the holders a notice briefly describing such amendment. However, the failure to give such notice to all holders of the notes, or any defect therein, will not impair or affect the validity of the amendment.

The consent of the holders of the notes is not necessary to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

Interbank and the trustee may, without notice to or the consent or vote of any holder of the notes, amend or supplement the notes or the indenture for the following purposes:

- (1) to cure any ambiguity, omission, defect or inconsistency (including, without limitation, any inconsistency between the text of the indenture or the notes and the description of the indenture and the notes contained in this offering memorandum);
- (2) to comply with the covenant described under "—Covenants—Limitation on Consolidation, Merger or Transfer of Assets";
- (3) to add guarantees or collateral with respect to the notes;
- (4) to add to the covenants of Interbank for the benefit of holders of the notes;
- (5) to surrender any right conferred by the indenture upon Interbank;
- (6) to evidence and provide for the acceptance of an appointment by a successor trustee;
- (7) to provide for the issuance of additional notes; or
- (8) to make any other change that does not materially and adversely affect the rights of any holder of the notes.

Any notes owned by Interbank or any of its Subsidiaries or Affiliates will be disregarded for purposes of determining whether holders of the requisite principal amount of notes outstanding have given any request, demand, authorization, direction, consent or waiver under the indenture.

Notices

For so long as notes in global form are outstanding, notices to be given to holders will be given to DTC, in accordance with its applicable policies as in effect from time to time. If notes are issued in individual certificated form, notices to be given to holders will be deemed to have been given upon the mailing by first class mail, postage prepaid, of such notices to holders of the notes at their registered addresses as they appear in the register maintained by the registrar. In addition, so long as the notes are listed on the Luxembourg Stock Exchange for trading on the

Euro MTF market and the rules of such exchange so require, notices will also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be Luxemburger Wort) or on the website of the Luxembourg Stock Exchange (www.bourse.lu). Any such notice will be deemed to have been delivered on the date of first publication.

Interbank shall also cause all other such publications of such notices as may be required from time to time by applicable Peruvian law, including, without limitation, those required under the applicable Peruvian regulations issued by the SBS or any other applicable Peruvian regulator.

Trustee

The Bank of New York Mellon is the trustee under the indenture.

The indenture contains provisions for the indemnification of the trustee and for its relief from responsibility. The obligations of the trustee to any holder are subject to such immunities and rights as are set forth in the indenture.

Except during the continuance of an Event of Default, the trustee need perform only those duties that are specifically set forth in the indenture and no others, and no implied covenants or obligations will be read into the indenture against the trustee. In case an Event of Default has occurred and is continuing, the trustee shall exercise those rights and powers vested in it by the indenture, and use the same degree of care and skill in their exercise, as a prudent Person would exercise or use under the circumstances in the conduct of such Person's own affairs. No provision of the indenture will require the trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties thereunder, or in the exercise of its rights or powers, unless it receives indemnity satisfactory to it against any loss, liability or expense.

Interbank and its Affiliates may from time to time enter into normal banking and trustee relationships with the trustee and its Affiliates.

The trustee may hold notes in its own name.

Registrar, Transfer Agent and Paying Agents

The trustee will initially act as registrar for the notes. The trustee will also act as transfer agent and paying agent for the notes. Interbank has the right at any time to change or terminate the appointment of the registrar, any paying agents or any transfer agents and to appoint a successor registrar or additional or successor paying agents or transfer agents in respect of the notes. Registration of transfers of the notes will be effected without charge, but upon payment (with the giving of such indemnity as Interbank may require) in respect of any tax or other governmental charges that may be imposed in relation to it. Interbank will not be required to register or cause to be registered the transfer of notes after all the notes have been called for redemption.

For so long as the notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF market, Interbank will maintain a paying agent and transfer agent in Luxembourg. Interbank has initially appointed The Bank of New York Mellon SA/NV, Luxembourg Branch as Luxembourg paying agent and Luxembourg transfer agent.

Governing Law, Submission to Jurisdiction and Claims

The notes and the indenture will be governed by, and construed in accordance with, the laws of the State of New York.

Interbank will submit to the jurisdiction of the U.S. federal and New York state courts located in the Borough of Manhattan, New York City for purposes of all legal actions and proceedings instituted in connection with the notes and the indenture. Interbank has appointed Corporation Service Company, 1180 Avenue of the Americas, Suite 210, New York, New York 10036, as its authorized agent upon which process may be served in any such action.

According to the laws of the State of New York, claims against Interbank for the payment of principal of and premium, if any, and interest on the notes must be made within six years from the due date for payment thereof.

Waiver of Immunities

To the extent that Interbank may claim for itself or its assets immunity from a suit, execution, attachment, whether in aid of execution, before judgment or otherwise, or other legal process in connection with the notes or the indenture and to the extent that in any jurisdiction there may be immunity attributable to Interbank or its assets, whether or not claimed, Interbank will for the benefit of the holders irrevocably waive and agree not to claim such immunity to full extent permitted by law.

Currency Indemnity

U.S. dollars are the sole currency of account and payment for all sums payable by Interbank under or in connection with the notes, including damages. Any amount received or recovered in a currency other than dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of Interbank or otherwise) by the trustee or any holder of a note in respect of any sum expressed to be due to it from Interbank will only constitute a discharge of Interbank to the extent of the dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that dollar amount is less than the dollar amount expressed to be due to the recipient under the indenture or any note, Interbank will indemnify such holder against any loss sustained by it as a result. In any event, Interbank will indemnify the recipient against the cost of making any such purchase.

For the purposes of the preceding paragraph, it will be sufficient for the recipient to certify in a satisfactory manner (indicating the sources of information used) that it would have suffered a loss had an actual purchase of dollars been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of dollars on such date had not been practicable, on the first date on which it would have been practicable, it being required that the need for a change of date be certified in the manner mentioned above). These indemnities constitute a separate and independent obligation from the other obligations of Interbank, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by the trustee or any holder of a note and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under the indenture or any note.

Definitions

The following is a summary of certain defined terms used in the indenture. Reference is made to the indenture for the full definition of all such terms.

"Affiliate" means, with respect to any specified Person, (a) any other Person who, directly or indirectly, is in control of, is controlled by or is under common control with such specified Person or (b) any other person who is a director or officer of (i) such specified Person, (ii) any subsidiary of such specified Person or (iii) any Person described in clause (a) above. For purposes of this definition, control of a Person means the power, direct or indirect, to direct or cause the direction of the management and policies of such Person whether by contract or otherwise and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Debt" means, with respect to any Person, without duplication:

- (a) indebtedness for money borrowed and premium, if any, and accrued interest in respect thereof;
- (b) liabilities under or in respect of any acceptance or credit;
- (c) the principal and premium, if any, and any accrued and unpaid interest in respect of any bonds, notes, debentures, certificates of deposit or other securities (whether issued for cash or in whole or in part for consideration other than cash);

- (d) all obligations issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement (but excluding trade accounts payable in the ordinary course of business);
- (e) guarantees and other contingent obligations in respect of Debt referred to in clauses (a) through (d) above; and
- (f) any other obligations of such Person which are required to be, or are in such Person's financial statements, recorded or treated as indebtedness under Peruvian Banking GAAP.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Debt or other obligation of any Person and any obligation, direct or indirect, contingent or otherwise, of such Person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation of such Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (b) entered into for purposes of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided that the term "guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "guarantee" used as a verb has a corresponding meaning.

"holder" means the Person in whose name a note is registered in the register.

"Material Subsidiary" means any Subsidiary of Interbank which at the time of determination either (i) had assets which, as of the date of Interbank's most recent quarterly consolidated balance sheet, constituted at least 10% of Interbank's total assets on a consolidated basis as of such date, or (ii) had revenues for the 12-month period ending on the date of Interbank's most recent quarterly consolidated statement of income which constituted at least 10% of Interbank's total revenues on a consolidated basis for such period.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"Peruvian Banking GAAP" means the generally accepted accounting principles in Peru prescribed by the SBS for financial institutions subject to supervision by the SBS.

"Peruvian Banking Law" means the Peruvian General Law of the Financial and Insurance Systems and Organic Law of the Superintendence of Banking and Insurance (*Ley General del Sistema Financiero y del Sistema de Seguros y Orgánica de la Superintendencia de Banca y Seguros*), No. 26702, as amended, or any successor laws thereto, as in effect from time to time.

"Regulatory Capital" (*patrimonio efectivo*) has the meaning assigned to such term under the Peruvian Banking Law and in regulations issued by the SBS, as the same may be amended, restated, supplemented or replaced from time to time.

"SBS" means the Peruvian Superintendence of Banks, Insurance and Pension Funds Administrators (*Superintendencia de Banca, Seguros y Administradoras de Fondos de Pensiones*), or any successor thereto.

"SEC" means the U.S. Securities and Exchange Commission, or any successor thereto.

"Share Capital" means, with respect to any Person, any and all shares of stock, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated, whether voting or non-voting), such Person's equity including any preferred stock, but excluding any debt securities convertible into or exchangeable for such equity.

"SMV" means the Peruvian Capital Markets Superintendence (*Superintendencia del Mercado de Valores*), or any successor thereto.

"Stated Maturity" means, with respect to any security, the date specified in such security as the fixed date on which any principal of such security is due and payable, including pursuant to any mandatory redemption or purchase provision (but excluding any provision providing for the purchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

"Subsidiary" means any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Share Capital or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by (a) Interbank, (b) Interbank and one or more Subsidiaries or (c) one or more Subsidiaries.

Form of the Notes

Notes sold pursuant to Regulation S will be represented by a global note in fully registered form without interest coupons (the "Regulation S Global Note") and will be registered in the name of a nominee of DTC and deposited with a custodian for DTC. Notes sold pursuant to Rule 144A will be represented by a global note in fully registered form without interest coupons (the "Rule 144A Global Note" and, together with the Regulation S Global Note, the "global notes") and will be deposited with a custodian for DTC and registered in the name of a nominee of DTC.

The notes are being offered and sold in this initial offering in the United States solely to "qualified institutional buyers" under Rule 144A under the Securities Act and in offshore transactions to persons other than U.S. persons, as defined in Regulation S under the Securities Act, in reliance on Regulation S. Following this offering, the notes may be sold:

- to qualified institutional buyers under Rule 144A;
- to non-U.S. persons outside the United States pursuant to Regulation S; and
- under other exemptions from, or in transactions not subject to, the registration requirements of the Securities Act, as described under "Transfer Restrictions".

Prior to the 40th day after the date of original issuance of the notes, any resale or transfer of beneficial interests in the Regulation S Global Note to U.S. persons will not be permitted unless such resale or transfer is made pursuant to Rule 144A or Regulation S.

Exchanges between the Global Notes

Transfers by an owner of a beneficial interest in a Regulation S Global Note to a transferee, who takes delivery of that interest through a note offered and sold in the United States to qualified institutional buyers pursuant to Rule 144A Global Note, will be made only in accordance with applicable procedures and upon receipt by the trustee of a written certification from the transferee of the beneficial interest in the form provided in the indenture to the effect that the transfer is being made to a qualified institutional buyer within the meaning of Rule 144A in a transaction completing the requirements of Rule 144A transfers by an owner of a beneficial interest in a Rule 144A Global Note to a transferee who takes delivery of the interest through a Regulation S Global Note will be made only upon receipt by the trustee of a certification from the transferor (in the form provided in the indenture) that the transfer is being made outside the United States to a non-U.S. person in accordance with Regulation S.

Any beneficial interest in one of the global notes that is transferred to a person who takes delivery in the form of an interest in another global note will, upon transfer, cease to be an interest in that global note and become an interest in the other global note and, accordingly, will then be subject to any transfer restrictions and other procedures applicable to beneficial interests in the other global note.

Global Notes

Upon receipt of the Regulation S Global Note and the Rule 144A Global Note, DTC will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such global note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the initial purchasers. Ownership of beneficial interests in a global note will be limited to persons who have accounts with DTC ("DTC Participants") or persons who hold interests through DTC Participants. Ownership of beneficial interests in the global notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC Participants) and the records of DTC Participants (with respect to interests of persons other than DTC Participants).

So long as DTC, or its nominee, is the registered owner or holder of a global note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the notes represented by such global note for all purposes under the indenture and the notes. Except as described in "Certificated Notes", owners of beneficial interests in a global note will not be entitled to have any portions of such global note registered in their names, will not receive or be entitled to receive physical delivery of notes in certificated form and will not be considered the owners or holders of the global note (or any notes represented thereby) under the indenture or the notes. In addition, no beneficial owner of an interest in a global note will be able to transfer that interest except in accordance with DTC's applicable procedures (in addition to those under the indenture referred to herein and, if applicable, those of Euroclear Bank S.A./N.V., as operator of Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream")).

Investors may hold interests in the Regulation S Global Note through Euroclear or Clearstream, if they are participants in such systems. Euroclear and Clearstream will hold interests in the Regulation S Global Note on behalf of their account holders through customers' securities accounts in their respective names on the books of their respective depositories, which, in turn, will hold such interests in the Regulation S Global Note in customers' securities accounts in the depositories' names on the books of DTC. Investors may hold their interests in the Rule 144A Global Note directly through DTC, if they are DTC Participants, or indirectly through organizations which are DTC Participants, including Euroclear and Clearstream.

Payments of the principal of and interest on global notes will be made to DTC or its nominee as the registered owner thereof. Neither we, any initial purchaser, the trustee or any of their respective agents will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the global notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. We anticipate that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a global note representing any notes held by its nominee, will immediately credit DTC Participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global note as shown on the records of DTC or its nominee. We also expect that payments by DTC Participants to owners of beneficial interests in such global note held through such DTC Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC Participants.

Transfers between DTC Participants will be effected in accordance with DTC's procedures, and will be settled in same-day funds. The laws of some jurisdictions require that certain persons take physical delivery of securities in certificated form. Consequently, the ability to transfer beneficial interests in a global note to such persons may be limited. Because DTC can only act on behalf of DTC Participants, who in turn act on behalf of indirect participants and certain banks, the ability of a person having a beneficial interest in a global note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificated note in respect of such interest. Transfers between account holders in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions available to the notes described above, crossmarket transfers between DTC participants, on the one hand, and directly or indirectly through Euroclear or Clearstream account holders, on the other hand, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depository; however, such cross-market transactions will require

delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in the Regulation S Global Note in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Euroclear and Clearstream account holders may not deliver instructions directly to the depositories for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream account holder purchasing an interest in a global note from a DTC Participant will be credited during the securities settlement processing day (which must be a business day for Euroclear or Clearstream, as the case may be) immediately following the DTC settlement date and such credit of any transactions in interests in a global note settled during such processing day will be reported to the relevant Euroclear or Clearstream account holder on such day. Cash received in Euroclear or Clearstream as a result of sales of interests in a global note by or through a Euroclear or Clearstream account holder to a DTC Participant will be received for value and the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC.

DTC has advised that it will take any action permitted to be taken by a holder of notes (including the presentation of notes for exchange as described below) only at the direction of one or more DTC Participants to whose account or accounts with DTC interests in the global notes are credited and only in respect of such portion of the aggregate principal amount of the notes as to which such DTC Participant or DTC Participants has or have given such direction. However, in the limited circumstances described above, DTC will exchange the global notes for certificated notes (in the case of notes represented by the Rule 144A Global Note, bearing a restrictive legend), which will be distributed to its participants. Holders of indirect interests in the global notes through DTC Participants have no direct rights to enforce such interests while the notes are in global form.

The giving of notices and other communications by DTC to DTC Participants, by DTC Participants to persons who hold accounts with them and by such persons to holders of beneficial interests in a global note will be governed by arrangements between them, subject to any statutory or regulatory requirements as may exist from time to time.

DTC has advised as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for DTC Participants and to facilitate the clearance and settlement of securities transactions between DTC Participants through electronic book-entry changes in accounts of DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include security brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly ("indirect participants").

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures in order to facilitate transfers of interests in the Regulation S Global Note and in the Rule 144A Global Note among participants and account holders of DTC, Euroclear and Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither we nor the initial purchaser will have any responsibility for the performance of DTC, Euroclear or Clearstream or their respective participants, indirect participants or account holders of their respective obligations under the rules and procedures governing their operations.

Certificated Notes

If (1) DTC or any successor to DTC is at any time unwilling or unable to continue as a depository for a global note and a successor depository is not appointed by us within 90 days, (2) any of the notes has become immediately due and payable in accordance with "Description of the Notes—Events of Default" or (3) if we, at our sole discretion, determine that the global notes will be exchangeable for certificated notes and we notify the trustee

thereof, we will issue certificated notes in registered form in exchange for the Regulation S Global Note and the Rule 144A Global Note, as the case may be. Upon receipt of such notice from DTC or the trustee, we will use our best efforts to make arrangements with DTC for the exchange of interests in the global notes for certificated notes and cause the requested certificated notes to be executed and delivered to the trustee in sufficient quantities and authenticated by the trustee for delivery to holders. Persons exchanging interests in a global note for certificated notes will be required to provide the trustee with (a) written instruction and other information required by us and the trustee to complete, execute and deliver such certificated notes and (b) certification that such interest is being transferred in compliance with the Securities Act. In all cases, certificated notes delivered in exchange for any global note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by DTC.

Certificated notes will not be eligible for clearing and settlement through the DTC, Euroclear or Clearstream.

TAXATION

The following discussion summarizes certain Peruvian and U.S. federal income tax considerations that may be relevant to you if you invest in the notes. This summary is based on laws, regulations, rulings and decisions now in effect in Peru and the United States, which, in each case, may change. Any change could apply retroactively and could affect the continued validity of this summary.

This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules. You should consult your tax advisors about the tax consequences of holding the notes, including the relevance to your particular situation of the considerations discussed below, as well as of state, local and other tax laws.

Peruvian Tax Considerations

The discussion in this offering memorandum regarding Peruvian tax considerations is not intended or written to be used, and cannot be used or relied upon by any person, for the purpose of avoiding Peruvian taxation, and was written to support the promotion or marketing of this offering. Prospective investors should consult an independent tax advisor with respect to the Peruvian tax consequences of acquiring, owning or disposing of the notes.

The following is a general summary of certain material Peruvian tax consequences that may be relevant with respect to the purchase, ownership or disposition of the notes by non-Peruvian holders. This summary is not intended to be a comprehensive description of all of the Peruvian tax considerations that may be relevant to a decision by non-Peruvian holders to make an investment in the notes.

For purposes of this section, "non-Peruvian holder" means (i) any individual who is not domiciled in Peru; and (ii) any legal entity incorporated outside of Peru, *provided* that it does not conduct any trade or business through a permanent establishment in Peru or hold the notes through a Peruvian branch. A non-Peruvian individual will be deemed domiciled in Peru for tax purposes if such individual has resided or has remained in Peru for more than 183 calendar days during any 12-month period. The change on the condition of residence will be effective as of January 1 of the following calendar year.

The following considerations are general and consequences may vary if a tax treaty signed by Peru is applicable. The tax treaties currently in force are those signed with Chile, Canada, Brazil, Portugal, Mexico, Korea, Switzerland and the Decision 578 applicable to countries that are members of the Andean Community (Colombia, Ecuador, Bolivia and Peru). If a non-Peruvian holder of the notes is a resident of any of those countries, we recommend consulting an independent tax advisor.

Income Tax

Payment of interest on the notes

Interest paid on the notes to non-Peruvian holders (which, in the case of global notes, will be DTC) will be treated as Peruvian-source income and will be subject to a Peruvian withholding income tax at a rate of 4.99%, unless the non-Peruvian holder (which, in the case of global notes, will be DTC) is considered to be related to us under Peruvian tax laws or if the non-Peruvian holder is an individual and the interest derives from or passes through a tax haven jurisdiction, in which cases the withholding income tax rate will be 30%.

We are required to act as the withholding agent for the income tax payable in connection with interest paid on the notes to non-Peruvian holders.

Sale of beneficial interest in a global note and sale of certificated note

So long as the notes are issued in global form and are held by DTC (or its nominee), proceeds received by a non-Peruvian beneficial owner on a sale, repurchase, exchange or disposition of a beneficial interest in the global notes will not be subject to any Peruvian withholding or capital gains tax.

In the event that the beneficial interests in the global notes are exchanged for certificated notes, any capital gain arising from the sale, repurchase, exchange or other disposition of these certificated notes by non-Peruvian holders would be subject to Peruvian income tax at a preferential rate of 5% if the following requirements are satisfied: (i) the certificated notes are registered with the Peruvian Securities Public Registry, and (ii) the certificated notes are negotiated in a Peruvian Stock Market. Otherwise, capital gains will be taxable at a 30% rate.

A capital gain will be equal to the difference between (i) the amount realized on the sale, exchange or disposition of the certificated notes, and (ii) the purchase price paid for the notes, which must be certified by the Peruvian tax administration pursuant to a form submitted by the seller along with back-up documentation evidencing, among others, that the purchase price has been paid in a Peruvian bank account, unless the sale, exchange or disposition is made through the Peruvian Stock Market.

Redemption of the notes

Any premium received upon redemption of the notes in accordance with the indenture will be subject to a withholding tax at a rate of either 4.99% or 30% depending on whether the premium is characterized as interest or capital gain. However, a 30% withholding tax rate will apply to any premium received if the non-Peruvian holder (which, in the case of global notes, will be DTC) of the notes is considered to be related to us.

We have agreed, subject to specific exceptions and limitations, to pay Additional Amounts in respect of certain Peruvian income taxes mentioned above. See "Description of the Notes —Additional Amounts."

Value Added Tax

Interest paid on the notes is not subject to Peruvian value added tax (*Impuesto General a las Ventas*) ("VAT").

The sale, exchange or disposition of the notes is not subject to VAT.

Financial Transactions Tax

In Peru, there is a financial transactions tax ("FTT"), which taxes at a rate of 0.005% any debit or credit made in an account opened with a Peruvian bank or any other financial institution, either in Peruvian or foreign currency. Therefore, if the issue price paid for the notes is deposited in a Peruvian Financial System ("PFS") bank account, such credit will be subject to FTT, and also the subsequent withdrawal of such amount. Likewise, interest and principal paid from or deposited in a PFS bank account will also be subject to the FTT. The taxpayer of the FTT is the holder of the PFS bank account.

U.S. Federal Income Tax Considerations

The following discussion is a summary of certain U.S. federal income tax consequences of acquiring, owning and disposing of the notes. Except where otherwise noted, this discussion applies only to U.S. Holders (as defined below) of notes that purchase the notes at the initial issue price indicated on the cover of this offering memorandum and that hold the notes as "capital assets" (generally, property held for investment). This discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing final, temporary and proposed U.S. Treasury regulations, administrative pronouncements by the Internal Revenue Service (the "IRS"), published rulings and judicial decisions, all as of the date hereof and all of which are subject to change (possibly on a retroactive basis) and to different interpretations. This discussion assumes that the notes will not be issued with more than a *de minimis* amount of original issue discount for U.S. federal income tax purposes.

This discussion does not purport to address all U.S. federal income tax consequences that may be relevant to a particular holder and holders are urged to consult their own tax advisors regarding their specific tax situations. The discussion does not address the tax consequences that may be relevant to holders subject to special tax rules, including, for example:

- insurance companies;
- individual retirement accounts and other tax-deferred accounts;
- tax-exempt organizations;
- dealers in securities or currencies;
- traders in securities that elect the mark-to-market method of accounting with respect to their securities holdings;
- banks or other financial institutions;
- partnerships or other pass-through entities or arrangements treated as partnerships for U.S. federal income tax purposes or partners therein;
- U.S. Holders whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- U.S. expatriates; or
- holders that hold the notes as part of a hedge, straddle, conversion or other integrated transaction.

Further, this discussion does not address the U.S. federal estate and gift tax, or alternative minimum tax consequences, or the Medicare tax on net investment income, or any state, local and non-U.S. tax consequences of acquiring, owning and disposing of the notes.

As used herein, the term "U.S. Holder" means a beneficial owner of the notes that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation, or any other entity taxable as a corporation, created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust if (i) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) the trust has an election in effect under U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (or any other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to its consequences of acquiring, owning and disposing of the notes.

Stated Interest

Stated interest paid to a U.S. Holder on a note, including any amount withheld in respect of any taxes and any Additional Amounts, will be includible in such U.S. Holder's gross income as ordinary interest income at the time such payments are received or accrued in accordance with such U.S. Holder's usual method of tax accounting for U.S. federal income tax purposes. In addition, interest on the notes generally will be treated as foreign source income for U.S. federal income tax purposes and generally will constitute "passive category" income for most U.S. Holders. Subject to generally applicable restrictions and conditions (including a minimum holding period requirement), a U.S. Holder generally will be entitled to a foreign tax credit in respect of any foreign income taxes withheld on interest payments on the notes. Alternatively, the U.S. Holder may deduct such taxes in computing

taxable income for U.S. federal income tax purposes *provided* that the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued by the U.S. Holder for the relevant taxable year. The rules governing the foreign tax credit and deduction are complex. U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit or deduction under their particular circumstances.

Sale, Exchange or Other Taxable Disposition

Upon the sale, exchange or other taxable disposition (including a redemption) of a note, a U.S. Holder generally will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or other taxable disposition (other than accrued but unpaid stated interest or Additional Amounts which will be taxable as ordinary income to the extent not previously included in gross income) and the U.S. Holder's adjusted tax basis in the note. A U.S. Holder's adjusted tax basis in a note generally will equal the cost of the note to the U.S. Holder. Any such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if the note has been held for more than one year at the time of its sale, exchange or other taxable disposition. Certain non-corporate U.S. Holders (including individuals) may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deductibility of capital losses is subject to limitations under the Code.

Any gain or loss realized on the sale, exchange or other taxable disposition of a note generally will be treated as U.S. source gain or loss, as the case may be. If any gain from the sale, exchange or other taxable disposition of notes is subject to foreign income tax, U.S. Holders may not be able to credit such tax against their U.S. federal income tax liability under the U.S. foreign tax credit limitations of the Code (because such gain generally would be U.S. source income) unless such income tax can be credited (subject to applicable limitations) against U.S. federal income tax due on other income that is treated as derived from foreign sources. Alternatively, the U.S. Holder may be able to deduct such taxes in computing taxable income for U.S. federal income tax purposes *provided* that the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued for the relevant taxable year. The rules governing the foreign tax credit and deduction are complex. U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit or deduction under their particular circumstances.

U.S. Backup Withholding and Information Reporting

Backup withholding and information reporting requirements generally apply to payments of principal of, and interest on, a note and to proceeds of the sale or redemption of a note, to U.S. Holders. Information reporting generally will apply to payments of principal of, and interest on, notes (including Additional Amounts, if any), and to proceeds from the sale or redemption of notes within the United States, or by a U.S. payor or U.S. middleman, to a U.S. Holder (other than an exempt recipient). Backup withholding will be required on payments made within the United States, or by a U.S. payor or U.S. middleman, on a note to a U.S. Holder, other than an exempt recipient, if the U.S. Holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements.

Backup withholding is not an additional tax. A holder of notes generally will be entitled to credit any amounts withheld under the backup withholding rules against its U.S. federal income tax liability or to obtain a refund of the amounts withheld *provided* the required information is furnished to the IRS in a timely manner.

In addition, certain U.S. Holders are required to report information relating their ownership of "specified foreign financial assets," which may include the notes, subject to certain exceptions (including an exception for notes held in accounts maintained by certain financial institutions). U.S. Holders should consult their tax advisors regarding the effect, if any, of these rules on their ownership and disposition of the notes.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of notes. Prospective purchasers of notes should consult their own tax advisors concerning the tax consequences of their particular situations.

PLAN OF DISTRIBUTION

Subject to the terms and conditions contained in a purchase agreement dated the date of this offering memorandum between us and the initial purchasers, we have agreed to sell to the initial purchasers, and each of the initial purchasers has, severally and not jointly, agreed to purchase from us, the principal amount of the notes offered hereby that appears opposite its name in the table below.

Initial Purchasers	Principal Amount
J.P. Morgan Securities LLC	US\$100,000,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	US\$100,000,000
Total	US\$200,000,000

The purchase agreement provides that the obligation of the initial purchasers to purchase the notes is subject to certain conditions precedent and that the initial purchasers will purchase all of the notes offered hereby if any of such notes offered hereby are purchased. The initial purchasers may offer and sell the notes through any of their affiliates.

We have been advised that the initial purchasers propose to resell the notes at the offering price set forth on the cover page of this offering memorandum. The price at which the notes are offered may be changed at any time without notice.

We have agreed to indemnify the initial purchasers against certain liabilities, including liabilities under U.S. securities laws, and to contribute to payments that the initial purchasers may be required to make in respect of any of these liabilities.

The notes offered hereby have not been and will not be registered under the Securities Act. The initial purchasers have agreed that they will offer or sell the notes in the United States only to qualified institutional buyers pursuant to Rule 144A under the Securities Act and outside the United States pursuant to Regulation S under the Securities Act. See "Transfer Restrictions".

Listing of Securities

Application has been made to list the notes on the Luxembourg Stock Exchange for trading on the Euro MTF Market. The initial purchasers may make a market in the notes after completion of the offering, but will not be obligated to do so, and may discontinue any market-making activities at any time without notice. Neither we nor the initial purchasers can provide any assurance as to the liquidity of the trading market for the notes. If an active public trading market for the notes is not maintained, the market price and liquidity of the notes may be adversely affected.

No Sales of Similar Securities

We have agreed that we will not, for a period of 180 days after the date of this offering memorandum, without the prior written consent of the initial purchasers, offer, sell, contract to sell or otherwise dispose of any debt securities substantially similar to the notes offered hereby in the international capital markets, except for the notes sold to the initial purchasers pursuant to the purchase agreement.

Stabilization Transactions

In connection with the offering of the notes, the initial purchasers (or persons acting on their behalf) may over-allot notes or effect transactions with a view to supporting the market price of the notes at a level higher than that which might otherwise prevail. However, there is no assurance that the initial purchasers (or persons acting on their behalf) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the notes is made and, if begun may be ended at any time, but it must end no later than 30 days after the date on which the issuer received the proceeds of the issue, or no later than 60 days after the date of allotment of the relevant securities, whichever is the earlier.

Over-allotment involves sales in excess of the offering size, which creates a short position for the initial purchasers. Stabilizing transactions involve bids to purchase the notes in the open market for the purpose of pegging, fixing or maintaining the price of the notes. Stabilizing transactions may cause the price of the notes to be higher than it would otherwise be in the absence of those transactions.

Sales Outside the United States

Neither we nor the initial purchasers are making an offer to sell, or seeking offers to buy, the notes in any jurisdiction where the offer and sale is not permitted. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the notes or possess or distribute this offering memorandum, and you must obtain any consent, approval or permission required for your purchase, offer or sale of the notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither we nor the initial purchasers will have any responsibility therefor.

Peru

The Notes will not be subject to a public offering in Peru. The Notes and the information contained in this offering memorandum have not been and will not be registered with or approved by the SMV or the BVL. Accordingly, the Notes cannot be offered or sold in Peru, except if (i) the Notes were previously registered with the SMV, or (ii) such offering is considered a private offering under the securities laws and regulations of Peru. The Peruvian securities laws establish, among other things, that an offer directed exclusively at institutional investors (as defined by Peruvian law) qualifies as a private offering. In making an investment decision, institutional investors (as defined by Peruvian law) must rely in their own examination of the terms of the offering of the Notes to determine their ability to invest in the Notes.

No offer or invitation to subscribe for or sell the notes or beneficial interests therein can be made in the Republic of Peru except in compliance with the securities law thereof.

European Economic Area

In relation to each member state of the European Economic Area, no offer of the notes which are the subject of the offering has been or will be made to the public in that member state of the European Economic Area, other than under the following exemptions under the Prospectus Directive:

- (i) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (ii) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the initial purchasers for any such offer; or
- (iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of the notes referred to in (i) to (iii) above shall result in a requirement for us or any initial purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person located in a member state of the European Economic Area to whom any offer of the notes is made, or who initially acquires any notes, will be deemed to have represented, warranted, acknowledged and agreed to and with each initial purchaser and us that (1) it is a "qualified investor" within the meaning of the law in that member state of the European Economic Area implementing Article 2(1)(e) of the Prospectus Directive; and (2) in the case of any notes acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, the notes acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any member state of the European Economic Area other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the initial purchasers has been given to the offer or resale.

We, the initial purchasers and our and their respective affiliates, will rely upon the truth and accuracy of the foregoing representations, acknowledgments and agreements.

This offering memorandum has been prepared on the basis that any offer of the notes in any member state of the European Economic Area will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of the notes. Accordingly, any person making or intending to make an offer in that member state of the European Economic Area of notes which are the subject of the offering contemplated in this offering memorandum, may only do so in circumstances in which no obligation arises for us or any of initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither we nor the initial purchasers have authorized, nor do they authorize, the making of any offer of the notes in circumstances in which an obligation arises for us or the initial purchasers to publish a prospectus for such offer.

For the purposes of this provision, the expression an "offer of the notes to the public", in relation to any notes in any member state of the European Economic Area, means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered, so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that member state of the European Economic Area by any measure implementing the Prospectus Directive in that member state of the European Economic Area, the expression "Prospectus Directive" means Directive 2003/71/EC (as amended) and includes any relevant implementing measure in each member state of the European Economic Area.

Prohibition of Sales to EEA Retail Investors

Each Agent has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any notes to any retail investor in the European Economic Area. For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (ii) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
- (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "Prospectus Directive").

Consequently no key information document required by Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") for offering, selling or distributing any notes or otherwise making them available to retail investors in the European Economic Area has been prepared and therefore offering, selling or distributing the any notes or otherwise making them available to any retail investor in the European Economic Area may be unlawful under the PRIIPs Regulation.

United Kingdom

In the United Kingdom, this offering memorandum is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are "qualified investors" (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this offering memorandum relates is only available to, and will be engaged in with, relevant persons.

Hong Kong

The notes may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), and no

advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Japan

The notes offered in this offering memorandum have not been, and will not be, registered under the Financial Instruments and Exchange Law of Japan.

Each Initial Purchaser has represented and agreed that the notes have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan (which term, as used in this paragraph, means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), except (i) pursuant to an exemption from the registration requirements of the Financial Instruments and Exchange Law and (ii) in compliance with any other applicable requirements of Japanese law.

Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor), the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor), whose sole purpose is to hold investments, and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the notes under Section 275 except (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA, (2) where no consideration is given for the transfer or (3) by operation of law.

Chile

The offer of the notes will begin on January 9, 2018 and is subject to General Rule No. 336 of the Chilean Securities Commission (*Superintendencia de Valores y Seguros de Chile*, or the "SVS"). The notes being offered are not registered in the Securities Registry (*Registro de Valores*) or in the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the SVS and, therefore, the notes are not subject to the supervision of the SVS. As unregistered securities, we are not required to disclose public information about the notes in Chile. The notes may not be publicly offered in Chile unless they are registered in the corresponding securities registry.

La oferta de los valores comienza el 9 de enero de 2018 y está acogida a la Norma de Carácter General número 336 de fecha 27 de junio de 2012 de la Superintendencia de Valores y Seguros de Chile (la "SVS"). La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, por lo que los valores no están sujetos a la fiscalización de dicho organismo. Por tratarse de valores no inscritos, no existe obligación por parte del emisor de entregar en Chile información pública respecto de los valores. Estos valores no pueden ser objeto de oferta pública a menos que sean inscritos en el registro de valores correspondiente.

Colombia

The notes will not be authorized by the Colombian Superintendency of Finance (*Superintendencia Financiera de Colombia*) and will not be registered under the Colombian National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*) and, accordingly, the notes will not be offered or sold to persons in Colombia except in circumstances which do not result in a public offering under Colombian law.

Canada

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, *provided* that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("NI 33-105"), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Other Relationships

In the ordinary course of business, the initial purchasers and their affiliates have provided, and may in the future provide, investment banking, commercial banking, cash management, foreign exchange or other financial services to us and our affiliates for which they have received customary compensation and may receive compensation in the future.

In addition, in the ordinary course of their business activities, the initial purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. If any of the initial purchasers or their affiliates has a lending relationship with us, certain of those initial purchasers or their affiliates routinely hedge, and certain other of those initial purchasers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Interbank will act as joint bookrunning manager in connection with the offering of the notes.

Settlement

Delivery of the notes offered hereby occurred on January 18, 2018.

TRANSFER RESTRICTIONS

The notes have not been registered, and will not be registered, under the Securities Act or any state securities laws, and the notes may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act. Accordingly, the notes are being offered and sold only:

- in the United States to qualified institutional buyers (as defined in Rule 144A) pursuant to Rule 144A under the Securities Act; and
- outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

This offering memorandum and the notes have not been and will not be registered with or approved by the SMV or the BVL. Accordingly, no offer or invitation to subscribe for or sell the notes or beneficial interests therein can be made in the Republic of Peru, except in compliance with the applicable Peruvian securities laws.

This offering memorandum and the notes have not been and will not be registered with or approved by the SMV, the BVL or any other regulatory authority in Peru, nor have any such authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this offering memorandum. Such registration is not required where the distribution of notes is made in accordance with the laws and rules of the countries in which the distribution is made; *provided, however*, that this offering memorandum may not be publicly distributed in Peru and the notes cannot be offered or sold in Peru, except if such offering is considered a private offering under the securities laws and regulations of Peru. The notes may not be offered for sale or sold in Peru, or in any other jurisdiction except in compliance with the applicable securities laws.

Purchasers' Representations and Restrictions on Resale and Transfer

Each purchaser of the notes (other than the Initial Purchasers in connection with the initial issuance and sale of the notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

- it is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made pursuant to Rule 144A or (b) a non-U.S. person that is outside the United States;
- it acknowledges that the notes have not been registered under the Securities Act or with any securities regulatory authority of any state and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- it understands and agrees that the notes initially offered in the United States to qualified institutional buyers will be represented by a global note, and that the notes offered outside the United States pursuant to Regulation S will also be represented by a Global Note;
- it will not resell or otherwise transfer any of such notes except (a) to any of its subsidiaries, (b) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or 904 of Regulation S under the Securities Act, (d) pursuant to an exemption from registration under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States and other jurisdictions;
- it agrees that it will give to each person to whom it transfers the notes notice of any restrictions on transfer of such notes;

- it acknowledges that prior to any proposed transfer of the notes (other than pursuant to an effective registration statement) the holder of such notes may be required to provide certifications relating to the manner of such transfer as provided in the indenture including transfers pursuant to Rule 144A or Regulation S;
- it acknowledges that the trustee, registrar or any transfer agent for the notes may not be required to accept for registration or transfer of any notes acquired by it, except upon presentation of evidence satisfactory to us that the restrictions set forth herein have been complied with;
- it acknowledges that we, the initial purchasers and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the notes are no longer accurate, it will promptly give notice to us and the initial purchasers; and
- if it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account, and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

Legends

The following is the form of restrictive legend that will appear on the face of the Rule 144A Global Note and that will be used to notify transferees of the foregoing restrictions on transfer. This legend will only be removed with our consent.

"This note has not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any other securities laws. The holder hereof, by purchasing this note, agrees that this note or any interest or participation herein may be offered, resold, pledged or otherwise transferred only (1) to us, (2) so long as this note is eligible for resale pursuant to Rule 144A under the Securities Act ("Rule 144A"), to a person who the seller reasonably believes is a qualified institutional buyer (as defined in Rule 144A) in accordance with Rule 144A, (3) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the Securities Act, (4) pursuant to an exemption from registration under the Securities Act (if available) or (5) pursuant to an effective registration statement under the Securities Act, and in each of such cases in accordance with any applicable securities laws of any state of the United States or other applicable jurisdiction. The holder hereof, by purchasing this note, represents and agrees that it will notify any purchaser of this note from it of the resale restrictions referred to above.

This legend may be removed solely in the discretion and at the direction of the issuer".

The following is the form of restrictive legend which will appear on the face of the Regulation S Global Note and which will be used to notify transferees of the foregoing restrictions on transfer:

"This note has not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), any U.S. state securities laws or any other securities laws. The holder hereof, by purchasing this note, agrees that neither this note nor any interest or participation herein may be offered, resold, pledged or otherwise transferred in the absence of such registration unless such transaction is exempt from, or not subject to, such registration, and in accordance with any applicable securities laws of any other applicable jurisdiction.

The foregoing legend may be removed from this Note after 40 days beginning on and including the later of (a) the date on which the notes are offered to persons other than distributors (as defined in Regulation S under the Securities Act) and (b) the original issue date of this Note".

LEGAL MATTERS

The validity of the notes will be passed upon for us by Shearman & Sterling LLP, our U.S. counsel, and for the initial purchasers by Skadden, Arps, Slate, Meagher & Flom LLP, their U.S. counsel. Certain matters of Peruvian law relating to the notes will be passed upon for us by Estudio Ehecopar, member firm of Baker & McKenzie International, our Peruvian counsel, and for the initial purchasers by J&A Garrigues Perú S. Civil de R.L., Peruvian counsel to the initial purchasers.

INDEPENDENT AUDITORS

The financial statements of Banco Internacional del Perú S.A.A. as of December 31, 2016 and 2015, and our results of operations for each of the three years ended December 31, 2016, 2015, and 2014, included in this offering memorandum have been audited by Paredes, Burga & Asociados S.C.R.L., a member firm of Ernst & Young Global Limited, independent auditors, as stated in their report appearing herein.

LISTING AND GENERAL INFORMATION

1. The creation and issuance of the notes has been duly authorized by the resolutions of our Shareholder's Meeting dated December 19, 2017.
2. Except as disclosed herein, there are no litigation or arbitration proceedings against or affecting us or any of our assets, and we are not aware of any pending or threatened proceedings which are or might reasonably be expected to be material in the context of the issuance of the notes.
3. Except as disclosed herein, there has been no adverse change, or any development reasonably likely to involve an adverse change, in our condition (financial or otherwise) or general affairs since December 31, 2016 (the end of the most recent fiscal year for which audited financial statements have been prepared) that is material in the context of the issuance of the notes.
4. For so long as any notes remain outstanding, copies of the indenture under which the notes will be issued may be inspected free of charge during normal business hours at the offices of the Luxembourg paying agent and our principal office, at the addresses listed on the inside back cover page of this offering memorandum.
5. For so long as any notes remain outstanding, copies of the following documents (together, where necessary, with English translations thereof) may be obtained free of charge during normal business hours at the offices of the Luxembourg paying agent and our principal office, at the addresses listed on the inside back cover page of this offering memorandum:
 - this offering memorandum;
 - our latest published audited annual financial statements and unaudited financial statements; and
 - our by-laws.
6. We accept responsibility for the information contained in this offering memorandum. To the best of our knowledge, having taken all reasonable care to ensure that such is the case, the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.
7. The notes have been accepted for clearance and settlement through DTC and its direct and indirect participants' accounts for Euroclear and Clearstream. The CUSIP and ISIN, as applicable, for the notes are as follows:

Rule 144A Global Note CUSIP: 05968D AB6	Regulation S Global Note CUSIP: P13435 AB1
Rule 144A Global Note ISIN: US05968DAB64	Regulation S Global Note ISIN: USP13435AB16
Rule 144A Global Note Common Code: 175237003	Regulation S Global Note Common Code: 175237020

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Banco Internacional del Perú S.A.A. - Interbank

Unaudited interim condensed financial statements as of
September 30, 2017, and for the nine-month period then ended

Banco Internacional del Perú S.A.A. - Interbank

Unaudited interim condensed financial statements as of
September 30, 2017, and for the nine-month period then ended

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Banco Internacional del Perú S.A.A. - Interbank

Interim condensed statements of financial position

As of September 30, 2017 (unaudited) and December 31, 2016 (audited)

	Note	As of September 30, 2017 S/(000)	As of December 31, 2016 S/(000)
Assets			
Cash and due from banks	3		
Cash and clearing		1,862,867	1,545,594
Deposits in the Central Reserve Bank of Peru		3,290,714	5,304,901
Deposits in local and foreign banks		540,219	840,547
Restricted funds		2,482,925	3,266,161
		<u>8,176,725</u>	<u>10,957,203</u>
Inter-bank funds		231,044	5,002
Investments at fair value through profit or loss		-	10,909
Available-for-sale investments	4(a)	4,421,797	3,927,729
Held-to-maturity investments	4(d)	1,232,387	611,293
Loan portfolio, net	5	26,107,744	25,226,907
Investments in subsidiaries and associates		130,582	131,318
Property, furniture and equipment, net		406,410	416,015
Other assets, net	6	905,903	869,017
Deferred income tax, net		60,344	77,365
Total assets		<u>41,672,936</u>	<u>42,232,758</u>
Contingent risks and commitments	12	<u>24,470,340</u>	<u>22,768,142</u>

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

Banco Internacional del Perú S.A.A. – Interbank

Interim condensed income statements

For the nine-month periods ended September 30, 2017 and 2016 (unaudited)

	Note	2017 S/(000)	2016 S/(000)
Interest income	13	2,769,079	2,694,935
Interest expenses	13	(756,311)	(727,939)
Gross financial margin		2,012,768	1,966,996
Provision for loan losses, net of recoveries	5(c)	(621,675)	(559,213)
Net financial margin		1,391,093	1,407,783
Income from financial services	14	429,142	419,810
Expenses for financial services	14	(179,742)	(179,432)
Financial margin, net of income and expenses for financial services		1,640,493	1,648,161
Gain on financial transactions	15	252,148	221,662
Administrative expenses		(985,159)	(950,926)
Depreciation		(47,132)	(45,741)
Amortization		(47,850)	(42,322)
Amortization of interest premiums		(14)	-
Net operating income		812,486	830,834
Provision for contingencies and other		(8,558)	(15,753)
Impairment of available-for-sale investments		2,243	-
Operating income		806,171	815,081
Other income, net	16	51,555	50,193
Income before income tax		857,726	865,274
Income tax	11(c)	(220,566)	(228,732)
Net income		637,160	636,542
Basic and diluted earnings per share (in Soles)	17	0.209	0.209
Weighted average number of outstanding shares (in thousands of units)	17	3,046,122	3,046,122

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

Banco Internacional del Perú S.A.A. - Interbank

Interim condensed statements of other comprehensive income

For the nine-month periods ended September 30, 2017 and 2016 (unaudited)

	2017	2016
	S/(000)	S/(000)
Net income	637,160	636,542
Other comprehensive income:		
Net gain on available-for-sale investments	47,382	211,273
Net movement of cash flow hedges	(2,930)	466
Equity participation in subsidiaries and associates	255	(2,395)
Income tax	34,373	(43,653)
	<hr/>	<hr/>
Other comprehensive income for the period, net of income tax	79,080	165,691
	<hr/>	<hr/>
Total comprehensive income for the period, net of income tax	716,240	802,233
	<hr/>	<hr/>

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

Banco Internacional del Perú S.A.A. - Interbank

Interim condensed statements of changes in equity

For the nine-month periods ended September 30, 2017 and 2016 (unaudited)

	Number of shares		Capital stock S/(000)
	Issued (in thousands)	In treasury (in thousands)	
Balances as of January 1, 2016	2,291,199	18,387	2,291,199
Changes in shareholders' equity for 2016			
Net income	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income	-	-	-
Transfer of retained earnings to reserves, Note 10(c)	-	-	-
Capitalization of net income, Note 10(a)	379,526	-	379,526
Dividends declared and paid, Note 10(a)	-	-	-
Balances as of September 30, 2016	<u>2,670,725</u>	<u>18,387</u>	<u>2,670,725</u>
Balances as of January 1, 2017	2,670,725	18,387	2,670,725
Changes in shareholders' equity for 2017			
Net income	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income	-	-	-
Transfer of retained earnings to reserves, Note 10(c)	-	-	-
Capitalization of net income, Note 10(a)	393,784	-	393,784
Dividends declared and paid, Note 10(a)	-	-	-
Balances as of September 30, 2017	<u>3,064,509</u>	<u>18,387</u>	<u>3,064,509</u>

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

Banco Internacional del Perú S.A.A. - Interbank

Interim condensed statements of cash flows

For the nine-month periods ended September 30, 2017 and 2016 (unaudited)

	2017 S/(000)	2016 S/(000)
Cash flows from operating activities		
Net profit for the period	637,160	636,542
Adjustments to reconcile profit to net cash flows:		
Provision for loan losses, net of recoveries	621,675	559,213
Depreciation and amortization	94,982	88,063
Provision for contingencies and others	8,558	15,753
Impairment of available-for-sale investments	(2,243)	-
Deferred Income Tax	(8,797)	11,795
Income from sale and valuation of investments, net	(55,255)	(40,625)
Participation from investments in subsidiaries and associates	(24,367)	(27,952)
(Gain) loss from sale of assets received as payment and seized through legal actions	(1,029)	5
Net changes in assets and liabilities		
Net increase in loan portfolio	(1,504,488)	(1,493,091)
Net increase in investments	(952,926)	(274,404)
Net decrease in deposits and obligations	(1,158,605)	(338,912)
Net increase (decrease) in deposits from financial entities	79,919	(6,082)
Decrease in accrued interest	14,614	21,526
Increase (decrease) in accrued interest payable	30,540	(21,990)
Decrease in restricted funds	783,236	252,494
Decrease (increase) in other assets, net	10,357	(294,373)
Increase in provisions and other liabilities	200,265	191,967
Net cash used in operating activities	<u>(1,226,404)</u>	<u>(720,071)</u>

Interim condensed statements of cash flows (continued)

	2017 S/(000)	2016 S/(000)
Cash flows from investing activities		
Purchase of property, furniture and equipment	(59,807)	(29,933)
Purchase of intangible assets	(93,856)	(59,387)
Sale of assets received as payment and seized through legal actions, and property, furniture and equipment	22,280	241
Net cash used in investing activities	<u>(131,383)</u>	<u>(89,079)</u>
Cash flows from financing activities		
Net decrease in payables from repurchase agreements	(393,059)	(11,478)
Net increase (decrease) in debts and financial obligations	805,325	(158,591)
Net decrease in securities, bonds and obligations outstanding	(28,980)	(38,079)
Net (increase) decrease in receivable inter-bank funds	(226,042)	15,001
Net (decrease) increase in payable inter-bank funds	(246,239)	238,003
Collection of dividends, net of decrease in investments in subsidiaries and associates	25,358	36,240
Payment of dividends	(393,784)	(379,527)
Net cash used in financing activities	<u>(457,421)</u>	<u>(298,431)</u>
Net decrease in cash before the effect of changes in the exchange rate	(1,815,208)	(1,107,581)
Effect of changes in exchange rate on cash and cash equivalents	(182,550)	(22,631)
Net cash decrease	(1,997,758)	(1,130,212)
Balance of cash at the beginning of the year	<u>7,391,301</u>	<u>8,195,005</u>
Balance of cash as of September 30	<u>5,393,543</u>	<u>7,064,793</u>

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

Banco Internacional del Perú S.A.A. - Interbank

Notes to the interim condensed financial statements

As of September 30, 2017 (unaudited) and December 31, 2016 (audited)

1. Operations

Banco Internacional del Perú S.A.A. - Interbank (henceforth "the Bank") is a Subsidiary of Intercorp Financial Services Inc. (henceforth "IFS"), a holding corporation incorporated in the Republic of Panama in September 2006 that owns 99.30 percent of the Bank's capital stock as of September 30, 2017 and December 31, 2016. On the other hand, IFS is a subsidiary of Intercorp Perú Ltd.

The Bank is authorized by the Superintendencia of Banking, Insurance and Private Pension Funds Administrators (henceforth "SBS" by its Spanish acronym) to perform multiple banking activities in accordance with Peruvian legislation. The Bank's operations are governed by the "Ley General del Sistema Financiero y de Seguros y Orgánica de la SBS (General Act of the Financial and Insurance System and Organic of the SBS - Act No.26702 and amendments), which establishes the requirements, rights, obligations, guarantees, restrictions and other operating conditions to which legal entities operating in the financial and insurance system are subject.

The Bank's legal domicile is Av. Carlos Villarán 140, Urb. Santa Catalina, La Victoria, Lima, Peru. As of September 30, 2017, the Bank operated 276 offices and a branch established in Panama (282 offices and a branch established in Panama as of December 31, 2016).

The financial statements as of December 31, 2016 were approved by the General Shareholders' Meeting held on March 27, 2017. The accompanying interim condensed financial statements as of September 30, 2017 and for the nine-month period then ended were approved by the Board of Directors on October 24, 2017.

2. Significant accounting policies

Basis of presentation and use of estimates

The interim condensed financial statements as of September 30, 2017, and for the nine-month period ended September 30, 2017 have been prepared in accordance with the regulations established by SBS in force in Peru and in a supplemental manner, in the absence of specific SBS regulations, with the International Financial Reporting Standards - IFRS approved in Peru through resolutions issued by the Peruvian Accounting Council (henceforth "CNC" for its Spanish acronym) in force in Peru. The SBS regulations regarding the notes to the interim condensed financial statements follows IAS 34 "Interim Financial Reporting".

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Bank's audited financial statements as of December 31, 2016 and 2015 (henceforth "2016 Annual Financial Statements"), dated February 15, 2017, which have been prepared following regulations established by the SBS.

Income tax in the interim periods are accrued using the tax rate that would be applicable to excepted total annual profit or loss.

Notes to the interim condensed financial statements (continued)

The interim condensed financial statements have been prepared on a historical cost basis, except for derivative financial instruments, investments at fair value through profit or loss (trading securities) and available-for-sale investments, which have been measured at fair value. The interim condensed financial statements are presented in Soles and all values are rounded to the nearest thousand (S/(000)), except when otherwise indicated.

The preparation of the interim condensed financial statements, requires Management to make estimations and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of significant events in the notes to the interim condensed financial statements.

Estimates and criteria are continually assessed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. Existing circumstances and assumptions about future developments, however, may change due to markets' behavior or circumstances arising beyond the control of the Bank. Such changes are reflected in the assumptions when they occur. Actual results could differ from those estimates. The most significant estimates comprised in the accompanying interim condensed financial statements are related to the computation of the allowance for loan losses, the fair value measurement of investments and the fair value measurement of derivative financial instruments; in addition, there are other estimates such as the estimated useful life of tangible and intangible assets, and the estimation of deferred income tax assets and liabilities.

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the 2016 Annual Financial Statements.

Following SBS Resolution No.3274-2017, since November 1, 2017, certain commissions on credit cards must be recorded in the caption "Income from financial services" of the interim condensed income statements; until said date, these commissions were recorded in the caption "Interest income". The accumulated amount of said commissions is S/270,406,000 and S/253,105,000 for the nine-month periods ended September 30, 2017 and 2016, respectively.

The accompanying interim condensed financial statements do not include the effects of the consolidation of the Bank with its subsidiaries, because their non-consolidation, individually or in aggregate, does not significantly affect the Bank's financial position, operating results and cash flows. As of September 30, 2017, there were no changes in the composition and ownership of the Bank's investments in subsidiaries and associates as compared to the information presented in the 2016 Annual Financial Statements.

Notes to the interim condensed financial statements (continued)

3. Cash and due from banks

As of September 30, 2017, the “Cash and due from banks” caption of financial statements position includes approximately US\$1,213,770,000 and S/905,470,000 (US\$1,588,248,000 and S/856,453,000 as of December 31, 2016), which represent the legal reserve that the Bank must establish for deposits received from third parties. These funds are kept in the Bank’s vaults and in the BCRP. The Bank maintains said legal reserve within the limits required by prevailing regulations.

The reserve funds which represent the minimum mandatory do not earn interest; however, the excess of the mandatory reserve deposited in BCRP earns interest at a nominal rate established by the BCRP.

As of September 30, 2017, the monthly excess in foreign currency amounts to approximately US\$335,639,000, equivalent to approximately S/1,095,863,000, and accrued interests in US dollars at an annual average rate of 0.31 percent (US\$345,688,000, equivalent to S/1,160,129,000, at an annual average rate of 0.18 percent as of December 31, 2016), while the excess in local currency amounted to approximately S/7,291,583,000, accrued interest at an annual average rate of 0.38 percent (S/2,429,162,000 at an annual average rate of 1.05 percent as of December 31, 2016).

Deposits in local and foreign banks correspond mainly to balances in Soles and US dollars, are unrestricted and earn interest at market rates. As of September 30, 2017 and December 31, 2016, the Bank does not have significant deposits in any specific financial institution.

As of September 30, 2017 and December 31, 2016, the balance of restricted funds included US\$723,933,000 (equivalent to S/2,363,642,000) and US\$915,204,000 (equivalent to S/3,071,424,000), respectively, corresponding to deposits in the BCRP which guarantee loans from this entity, which are presented as “Payable from repurchase agreements” in the interim condensed statements of financial position, for an amount of S/2,367,758,000; these loans have maturities between November 2017 and June 2019, and bear interest at effective rates between 3.00 and 6.38 percent (guaranteed loans for an amount of S/2,990,031,000, which have maturities between January 2017 and March 2019, and bear interest at effective rates between 3.00 and 6.38 percent, as of December 31, 2016).

Likewise, as of September 30, 2017 and December 31, 2016, this caption includes restricted funds for approximately US\$36,534,000 (equivalent to S/119,283,000) and US\$58,027,000 (equivalent to S/194,737,000), respectively, which mainly correspond to requirements from counterparties of derivative financial instruments transactions, see Note 6(b).

Notes to the interim condensed financial statements (continued)

4. Available-for-sale investments and held-to-maturity investments

(a) The detail of available-for-sale investments as of September 30, 2017 and December 31, 2016 is as follows:

	Amortized cost S/(000)	As of September 30, 2017	
		Unrealized gross amo Gains S/(000)	Losses S/(000)
Negotiable Certificates of Deposit issued by BCRP (c)	1,587,152	682	
Corporate and financial bonds (b)	757,596	5,829	
Peruvian Sovereign Bonds	487,880	5,435	
Certificates of deposits payable in US Dollars issued by BCRP	353,969	-	
Global Bonds of the Republic of Peru	237,203	-	
Global Bonds of the Republic of Colombia	152,987	-	
United States of America Treasury Bonds	75,098	-	
Global Bonds of the United Mexican States	20,776	-	
Treasury Public Bills of the Republic of Peru	2,461	4	
Indexed Certificates of Deposit issued by BCRP	-	-	
Total	3,675,122	11,950	
Listed shares			
Intercorp Financial Services Inc. (IFS) (*)	517,354	207,156	
Other	72	126	
Non-listed shares and participations	943	675	
	<u>518,369</u>	<u>207,957</u>	
	<u>4,193,491</u>	<u>219,907</u>	
Accrued Interest			
Total			

(*) As of September 30, 2017 and December 31, 2016, it includes 5,996,000 and 5,496,000 shares of IFS at their market values, stock.

Notes to the interim condensed financial statements (continued)

- (b) The Bank has determined that the unrealized losses as of September 30, 2017 and December 31, 2016 are of temporary nature. The Bank intends and has the ability to hold each investment for a period of time sufficient to allow for an anticipated recovery in fair value, until the maximum period for anticipated recovery or maturity.
- (c) As of December 31, 2016, Interbank held Negotiable Certificates of Deposit issued by BCRP amounting to approximately S/101,054,000, respectively, as a guarantee for loans received from said entity, which are presented as "Payable from repurchase agreements" in the interim condensed statements of financial position, for an amount of S/99,925,000. These loans matured in 2017.
- (d) As of September 30, 2017 and December 31, 2016, held-to-maturity investments are entirely comprised of Peruvian Sovereign Bonds issued in soles.

As of September 30, 2017, these investments have maturities between August 2020 and August 2037, and accrued interest at effective annual rates between 4.05 and 6.33 percent (maturities between August 2020 and August 2037 and accrued interest at effective annual rates between 5.34 and 6.33 percent as of December 31, 2016).

During 2016 and 2015, Interbank reclassified Peruvian Sovereign Bonds classified as available-for-sale investments into held-to-maturity investments. At the reclassification dates, the carrying values amounted to approximately S/129,548,000 and S/295,041,000, respectively, and the unrealized gains and losses accumulated in the shareholders' equity amounted to S/220,000 and S/25,208,000, respectively. The unrealized gains and losses will be transferred to future periods' results through the remaining term of the instruments. As a result of these transfers, Interbank has recorded a net loss of approximately S/1,957,000 and S/1,887,000 in the interim condensed income statements for the nine-month periods ended September 30, 2017 and 2016, respectively.

As of September 30, 2017, Interbank holds Peruvian Sovereign Bonds amounting to approximately S/357,843,000, including accrued interests, as a guarantee for loans received from BCRP, which are presented as "Payable from repurchase agreements" in the interim condensed statements of financial position, for an amount of S/329,139,000.

Notes to the interim condensed financial statements (continued)

5. Loan portfolio, net

(a) This caption is made up as follows:

	As of September 30, 2017	As of December 31, 2016
	S/(000)	S/(000)
Direct loans		
Loans	11,892,709	11,350,482
Mortgage loans for housing	5,179,069	4,871,127
Credit cards	3,729,505	3,855,401
Leasing receivables	1,751,240	1,760,812
Foreign trade loans	1,506,924	1,446,139
Cash loans	1,206,478	1,058,900
Discounted notes	464,011	407,435
Vehicular loans	218,814	254,564
Factoring	154,039	201,896
Advances and overdrafts	29,877	30,925
Refinanced loans	276,501	296,485
Past due and under legal collection loans	770,667	693,320
	<u>27,179,834</u>	<u>26,227,486</u>
Plus (minus)		
Accrued interest from performing loans	271,097	272,252
Unearned interest and interest collected in advance	(30,571)	(26,509)
Allowance for loan losses	(1,312,616)	(1,246,322)
	<u>26,107,744</u>	<u>25,226,907</u>
Total direct loans, net		
	<u>26,107,744</u>	<u>25,226,907</u>
Indirect loans, Note 12(a)	<u>4,383,769</u>	<u>4,435,854</u>

(b) As of September 30, 2017 and December 31, 2016, financial entities in Peru must constitute provisions for loan losses considering the risk classification and using the percentages indicated by SBS Resolutions N°11356-2008 and N°6941-2008, as detailed in Note 5 "Loan portfolio, net" to the 2016 Annual Financial Statements.

Notes to the interim condensed financial statements (continued)

- (c) The changes in the allowance for loan losses (direct and indirect) are as follows:

	2017 S/(000)	2016 S/(000)
Balance as of January 1	1,325,908	1,232,909
Provision	759,756	687,696
Recoveries of provisions	(138,081)	(128,483)
Recoveries of written-off loans	93,222	89,289
Written-off loans and sales	(642,339)	(589,176)
Translation result and others	(7,329)	(1,247)
	<hr/>	<hr/>
Balance as of September 30 (*)	1,391,137	1,290,988
	<hr/>	<hr/>
Balance as of December 31, 2016		1,325,908
		<hr/>

- (*) The allowance for loan losses includes the allowance for direct and indirect loans amounting to S/1,312,616,000 and S/78,521,000, respectively, as of September 30, 2017 (S/1,246,322,000 and S/79,586,000, respectively as of December 31, 2016 and S/1,206,986,000 and S/84,002,000, respectively, as of September 30, 2016). The allowance for loan losses for indirect loans is presented in the "Accounts payable, provisions and other liabilities" caption of the interim condensed statements of financial position; see Note 6(a).

- (d) In Management's opinion, the allowance for loan losses recorded as of September 30, 2017 and 2016, and as of December 31, 2016 has been established in accordance with SBS regulations in force as of those dates.

Notes to the interim condensed financial statements (continued)

6. Other assets, net and provisions and other liabilities

(a) This caption is made up as follows:

	As of September 30, 2017 S/(000)	As of December 31, 2016 S/(000)
Other assets, net		
Financial instruments		
Accounts receivable from sale of investments	217,489	105,029
Accounts receivable related to derivative financial instruments (b)	124,697	208,965
Other accounts receivable, net	87,693	86,766
Operations in process	41,922	36,409
Credit card commissions receivable	16,383	14,845
Investment fund participation	1,075	18,005
Total	<u>489,259</u>	<u>470,019</u>
Non-financial instruments		
Intangible assets, net	284,818	238,812
Deferred charges	54,955	36,923
Value Added Tax credit	36,626	51,354
Prepaid income tax	13,305	40,022
Rights paid to related entity	11,495	13,390
Prepaid leases	7,650	8,633
Others	7,795	9,864
	<u>416,644</u>	<u>398,998</u>
Total	<u>905,903</u>	<u>869,017</u>
Accounts payable, provisions and other liabilities		
Financial instruments		
Other accounts payable	340,305	302,064
Accounts payable related to derivative financial instruments (b)	152,639	226,128
Operations in process	112,833	113,419
Workers' profit sharing and salaries payable	90,927	92,426
Accounts payable for acquisition of investments	86,069	7,874
Provision for losses on indirect loan portfolio (contingent loans) and over-indebtedness risk, Note 5(c)	78,521	79,586
Dividends payable	187	161
	<u>861,481</u>	<u>821,658</u>
Non-financial instruments		
Provision for other contingencies	38,237	39,704
Deferred income	20,044	20,780
Taxes payable	14,463	17,000
Others	27,354	33,616
	<u>100,098</u>	<u>111,100</u>
Total	<u>961,579</u>	<u>932,758</u>

Notes to the interim condensed financial statements (continued)

- (b) The following table presents as of September 30, 2017 and December 31, 2016, the fair value of derivative financial instruments, the derivative's underlying asset and it is the base over which changes in the fair value of derivatives are measured:

	As of September 30, 2017			Maturity
	Assets S/(000)	Liabilities S/(000)	Notional amount S/(000)	
Derivatives held for trading				
Foreign exchange forward contracts	37,331	25,719	6,734,057	Between October 2017 and September 2018
Interest rate swaps	17,017	12,983	2,555,267	Between December 2017 and December 2018
Currency swaps	67,103	60,182	1,138,573	Between October 2017 and January 2018
Options	1,635	2,020	353,639	Between October 2017 and April 2018
Cross currency swaps	-	48,661	192,172	January 2023
	<u>123,086</u>	<u>149,565</u>	<u>10,973,708</u>	
Derivatives held as hedges				
Cash flow hedges:				
Interest rate swaps	218	-	163,250	January 2018
Interest rate swaps	865	-	163,250	October 2018
Interest rate swaps	528	-	130,600	August 2018
Cross currency swaps (*)	-	3,074	65,300	October 2020
	<u>1,611</u>	<u>3,074</u>	<u>522,400</u>	
	<u>124,697</u>	<u>152,639</u>	<u>11,496,108</u>	

- (*) In June 2017, the Bank signed two cross currency swap contracts for a nominal amount of US\$20,000,000 (equivalent to S/6,000,000). Through this transaction, part of said bonds was economically converted into Soles.

Notes to the interim condensed financial statements (continued)

7. Deposits and obligations

(a) This caption is made up as follows:

	As of September 30, 2017	As of December 31, 2016
	S/(000)	S/(000)
Savings deposits	8,891,286	8,876,279
Demand deposits	7,790,403	7,833,997
Time deposits	6,840,666	7,952,674
Compensation for service time deposits	1,443,035	1,490,213
Deposits in guarantee	587,872	565,889
Other obligations	12,886	5,701
Total	<u>25,566,148</u>	<u>26,724,753</u>

(b) Interest rates applied to deposits and obligations are determined by the Bank based on interest rates prevailing on the Peruvian market. The Bank has established a policy to pay interests on demand deposits and savings deposits according to a sliding interest rate scale, based on the average balance maintained in those accounts. Additionally, according to such policy, it was established that accounts having balances lower than a determined amount do not bear interest.

8. Debts and financial obligations

(a) This caption is made up as follows:

	As of September 30, 2017	As of December 31, 2016
	S/(000)	S/(000)
By type		
Promotional credit lines	1,498,295	1,610,587
Loans received from foreign entities (b)	1,470,603	552,986
	<u>2,968,898</u>	<u>2,163,573</u>
Interest and commissions payable	5,371	5,956
	<u>2,974,269</u>	<u>2,169,529</u>
By term		
Short term	1,417,715	177,921
Long term	1,556,554	1,991,608
Total	<u>2,974,269</u>	<u>2,169,529</u>

Notes to the interim condensed financial statements (continued)

(b) As of September 30, 2017 and December 31, 2016, includes the following:

Entity	Country	Final maturity	As of September 30, 2017 S/(000)	As of December 30, 2016 S/(000)
Sumitomo Bank	United States of America	2017	244,875	33,560
Corporación Andina de Fomento	Multilateral	2018	244,875	-
HSBC Bank PLC	United Kingdom	2018	163,250	167,800
Wells Fargo Bank & Co.	United States of America	2018	163,250	167,800
JP Morgan Chase & Co.	United States of America	2018	130,600	134,240
Banco del Estado de Chile	Chile	2017	130,600	-
Bank of Montreal	Canada	2017	130,600	-
Bank of America	United States of America	2017	97,950	-
Standard Chartered	United States of America	2017	83,223	-
Citibank N.A.	United States of America	2017	65,300	-
Banco Latinoamericano de Exportaciones - BLADEX	Supranational	2018	16,080	49,586
			<u>1,470,603</u>	<u>552,986</u>

As of September 30, 2017 and December 31, 2016, transactions with foreign entities bore an annual effective average interest rate of 2.23 percent and 2.57 percent, respectively.

Notes to the interim condensed financial statements (continued)

9. Securities, bonds and obligations outstanding

(a) This caption is made up as follows:

	Outstanding balances	
	As of September 30, 2017	As of December 31, 2016
	S/(000)	S/(000)
Local issuances		
Subordinated bonds – Interbank – First program	432,788	433,730
Subordinated bonds – Interbank – Second program	312,575	317,044
Total local issuances	<u>745,363</u>	<u>750,774</u>
International issuances		
Senior bonds (*)	2,136,029	2,116,298
Subordinated bonds	973,934	1,000,573
Junior subordinated notes (*)	647,625	664,287
Total international issuances	<u>3,757,588</u>	<u>3,781,158</u>
Total local and international issuances	<u>4,502,951</u>	<u>4,531,932</u>
Interest payable	98,221	67,095
Total	<u>4,601,172</u>	<u>4,599,027</u>

(*) Issued through Interbank Panamanian Branch.

(b) Local and international issuances maintain certain financial and operating covenants, which, in Management's assessment, the Bank has complied with as of September 30, 2017 and December 31, 2016.

Notes to the interim condensed financial statements (continued)

10. Shareholder's equity

(a) Capital stock -

As of September 30, 2017, December 31, 2016 and 2015, the Bank's capital stock is represented by approximately 3,064,509,000, 2,670,725,000 and 2,291,199,000 common shares, respectively, which are fully subscribed and paid-in, each with a nominal value of one Sol.

The General Shareholders' Meeting held on March 27, 2017, agreed to capitalize the earnings generated in 2016, net of legal reserve and distribution of dividends, for approximately S/393,784,000. Dividends distributed amounted to approximately S/393,784,000. Also, in said Meeting, it was agreed the commitment to capitalize the earnings generated in the first quarter of 2017, which amounted to approximately S/199,618,000.

The General Shareholders' Meeting held on March 31, 2016, agreed to capitalize the earnings generated in 2015, net of legal reserve and distribution of dividends, for approximately S/379,526,000. Dividends distributed amounted to approximately S/379,527,000.

The General Shareholders' Meeting held on March 31, 2016, approved the Bank's dividend policy for the years 2016 to 2018, which establishes the distribution of at least 20 percent of earnings recorded in each of said periods; which will be subject to the annual approval of the General Shareholders' Meeting.

Under current regulations, there are no restrictions or distributions abroad or the repatriation of foreign capital.

(b) Shareholders' equity for legal purposes (Regulatory capital) -

As of September 30, 2017 and December 31, 2016, in application of Legislative Decree No.1028 and amendments, the Bank presents the following amounts related to weighted assets and contingent credits by total risk and regulatory capital (basic and supplementary), in thousands of soles:

	As of September 30, 2017 S/(000)	As of December 31, 2016 S/(000)
Total risk weighted assets and credits	36,331,144	35,475,270
Total regulatory capital	5,986,584	5,638,867
Basic regulatory capital (Tier 1)	4,206,967	3,789,347
Supplementary regulatory capital (Tier 2)	1,779,617	1,849,520
Global regulatory capital ratio	16.48%	15.90%

As of September 30, 2017 and December 31, 2016, the Bank has complied with the SBS Resolutions No.2115-2009, No.6328-2009 and No.14354-2009, Regulations for Regulatory Capital Requirements for Operational Risk, Market Risk and Credit Risk, respectively, and their amendments. These resolutions establish, mainly, the methodologies to be applied by financial entities to calculate the weighted assets and credits for each type of risk.

Notes to the interim condensed financial statements (continued)

On July 20, 2011, the SBS issued Resolution N°8425-2011 requiring an additional regulatory capital, which is the addition of each of the following components: economic cycle risk, concentration risk, market concentration risk, interest rates risk and others. As of September 30, 2017 and December 31, 2016, the level of adoption established by SBS is 100 percent, as a result, the additional required estimated regulatory capital amounts to approximately S/698,689,000 and S/657,852,000, respectively.

In Management's opinion, the Bank is complying with the requirements established by Resolution N°8425-2011.

(c) Legal and special reserves -

Pursuant to current legislation, the Bank is required to establish a legal reserve for an amount equivalent to at least 35 percent of its paid-in capital; this legal reserve is funded through an annual appropriation of at least 10 percent of net income and can only be used to absorb losses or be capitalized. In both cases, the Bank is required to replenish it.

The General Shareholders' Meetings held on March 27, 2017 and March 31, 2016, approved the appropriation of legal reserves for approximately S/87,507,000 and S/84,339,000, respectively.

Notes to the interim condensed financial statements (continued)

11. Tax situation

- (a) The Bank is subject to the Peruvian tax legislation. As of September 30, 2017, the applicable Income Tax rate was 29.5 percent on taxable income (28 percent as of December 31, 2016).

Also, as of September 30, 2017 the rate applicable to dividends and any other form of distribution of Peruvian source income was 5 percent (6.8 percent to retained earnings or other items likely to generate taxable dividends obtained between January 1, 2015 and December 31, 2016).

See more details on applicable taxes in the 2016 Annual Financial Statements.

- (b) The Tax Authority (henceforth "SUNAT", by its Spanish acronym) is legally entitled to review, and, if applicable, amend the annual income tax returns for up to four years subsequent to the date on which the tax return must be filed.

The Value-Added-Tax and Income Tax returns of the Bank for 2012 to 2016 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, the Bank was notified with Tax Assessments and Fine Imposing Resolutions regarding mainly the assessments of the income tax for the fiscal years 2000 to 2006, for which it filed Tax Claims and Tax Appeals. In March 2009, August 2010 and December 2011, SUNAT issued Intendancy Resolutions regarding the fiscal years 2000 to 2006 for which the Bank filed the corresponding appeals. In December 2014, SUNAT issued Resolution of Intendancy No. 0150140011647 declaring partly accepted the appeal filed by the Bank corresponding to the 2001 income tax. On the part not accepted by SUNAT, the Bank filed a new appeal. In February 2016, the Bank obtained the Tax Court Resolution No.00783-3-2016, which declares as partially founded the case concerning the 2001 income tax. In February 2017, the Lima Superior Court of Justice declared invalid the judgment in first instance ordering the judge to re-issue a new decision about the case concerning to the 2002 income tax. In the opinion of Management and its legal advisors, any possible additional tax assessment would not have any material effect on the Bank's financial statements as of September 30, 2017 and December 31, 2016.

As of September 30, 2017, SUNAT is conducting a review of the Bank's 2013 income tax return.

In February 2017, SUNAT concluded the audit review process corresponding to the 2010 income tax return; and, as a result, no material additional payments of such tax were determined.

During the years 2013 and 2014, SUNAT concluded the audit review processes corresponding to the 2007, 2008 and 2009 income tax return, respectively, thus issuing a series of Assessment Resolutions without any additional settlement of said tax.

In January 2016, SUNAT closed a partial review process corresponding to the fiscal year 2013 on the withholding of Income Tax from non-domiciled beneficiaries, issuing a series of Final Assessment Resolutions without any additional payment.

Notes to the interim condensed financial statements (continued)

Since tax regulations are subject to interpretation by SUNAT, it is not possible to determine to date whether such tax review procedures would result in additional liabilities for the Bank or not. Therefore, any unpaid tax, penalties or interest that might result from said review 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 financial statements as of September 30, 2017 and December 31, 2016.

- (c) The Bank calculates the period's Income Tax expense using the best estimate of the weighted average annual tax rate expected for the full annual earnings. The table below presents the amounts reported in the interim condensed income statements for the nine-month period ended September 30, 2017 and 2016:

	2017 S/(000)	2016 S/(000)
Current – Expense	229,363	216,937
Deferred – (Income) expense	(8,797)	11,795
	<u>220,566</u>	<u>228,732</u>

12. Contingent risks and commitments

- (a) This caption is comprised of the following:

	As of September 30, 2017 S/(000)	As of December 31, 2016 S/(000)
Contingent risks and commitments (b)		
Indirect loans, Note 5(a)		
Bank letters of guarantee and stand-by letters of credit	4,139,811	4,187,856
Import and export letters of credit	207,021	231,606
Due from bank acceptances	36,937	16,392
	<u>4,383,769</u>	<u>4,435,854</u>
Financial derivative instruments operations, Note 6(b)	11,496,108	9,046,400
Responsibilities for credit lines (c)	7,812,428	8,423,434
Responsibilities for credit lines – commercial and others (d)	468,802	577,449
Other contingent operations	309,233	285,005
Total	<u>24,470,340</u>	<u>22,768,142</u>

- (b) In the normal course of its operations, the Bank performs contingent operations (indirect loans). These transactions expose the Bank to additional credit risk beyond the amounts recognized in the statements of financial position. See more details on credit risk of contingent risks and commitments in the 2016 Annual Financial Statements.

Notes to the interim condensed financial statements (continued)

- (c) The consumer credit lines and other consumer loans (credit cards) granted to customers are cancelable when the customer receives notice to that effect.
- (d) It corresponds to commitments to fund future loans that the Bank has agreed to make, provided that the borrower complies with the obligations under the loan agreements
- (e) The Bank provides services of custody, trustee, corporate administration, investment management and consulting to third parties, in which transactions are executed by the Bank on behalf of its customers but the bank do not bear any responsibility regarding those decisions. Said assets are not included in these financial statements.

13. Interest income and expenses

This caption is comprised of the following:

	For the nine-month periods ended September 30,	
	2017 S/(000)	2016 S/(000)
Interest and similar income		
Interest and commissions on loan portfolio	2,623,534	2,582,761
Interest on investments	125,935	96,112
Interest on due from banks and inter-bank funds	17,559	13,988
Other interest and similar income	2,051	2,074
Total	2,769,079	2,694,935
Interest and similar expenses		
Interest and commissions on deposits and obligations	360,786	299,232
Interest on bonds and other obligations	222,766	232,052
Interest and fees on obligations with financial institutions	164,198	190,057
Other expenses	8,561	6,598
Total	756,311	727,939

Notes to the interim condensed financial statements (continued)

14. Income and expenses from financial services

This caption is comprised of the following:

	For the nine-month periods ended September 30,	
	2017 S/(000)	2016 S/(000)
Income from financial services		
Commission for services	315,706	300,609
Commissions on contingent operations	44,022	45,358
Fee for collection services	24,672	22,252
Income from financial advisory services	21,826	17,393
Other income related to statements issuances	3,173	13,847
Other	19,743	20,351
Total	<u>429,142</u>	<u>419,810</u>
Expenses related to financial services		
Insurances	119,393	122,874
Premiums paid to the Deposit Insurance Fund	27,770	26,071
Fees paid to foreign banks	8,249	7,421
Other	24,330	23,066
Total	<u>179,742</u>	<u>179,432</u>
Net	<u>249,400</u>	<u>240,378</u>

15. Gain on financial transactions

(a) This caption is comprised of the following:

	For the nine-month periods ended September 30,	
	2017 S/(000)	2016 S/(000)
Gain on exchange difference and exchange operations	162,747	210,924
Income from sale and valuation of investments, net	55,255	40,625
Equity share from investments in subsidiaries and associates	24,367	27,952
Gain on sale of loans	5,093	85
Gain (loss) from trading derivatives, net	4,900	(57,697)
Other	(214)	(227)
Results on financial operations	<u>252,148</u>	<u>221,662</u>

(b) For the nine-month periods ended September 30, 2017 and 2016, the Bank sold written-off loans, which amounted to S/183,446,000 and S/1,672,000, respectively. These sales were paid in cash and performed with unrelated third parties.

Notes to the interim condensed financial statements (continued)

16. Other income (expenses), net

This caption is comprised of the following:

	For the nine-month periods ended September 30,	
	2017 S/(000)	2016 S/(000)
ATM rental income	18,266	17,453
Services rendered to third parties	12,316	10,911
Incentives for credit card operations	3,148	9,921
Provisions of assets received as payment and seized through legal actions	(192)	(501)
Investment fund participation	17	2,946
Insurance recovery	-	268
Donations	(4,816)	(5,542)
Other income	22,816	14,737
Total other income, net	51,555	50,193

17. Basic and diluted earnings per share

The following table reflects the basic and diluted earnings per share computations:

	Outstanding shares (in thousands)	Shares considered in computation (in thousands)	Effective days in the period	Weighted average number of shares (in thousands)
2016				
Balance as of January 1, 2016	2,272,812	2,272,812	270	2,272,812
Capitalization of retained earnings performed in 2016 Note 10(a)	379,526	379,526	270	379,526
Capitalization of retained earnings performed in 2017 Note 10(a)	-	393,784	270	393,784
Balance as of September 30, 2016	2,652,338	3,046,122		3,046,122
Net earnings as of September 30, 2016 S/(000)				636,542
Basic and diluted earnings per share (Soles)				0.209
2017				
Balance as of January 1, 2017	2,652,338	2,652,338	270	2,652,338
Capitalization of retained earnings performed in 2017 Note 10(a)	393,784	393,784	270	393,784
Balance as of September 30, 2017	3,046,122	3,046,122		3,046,122
Net earnings as of September 30, 2017 S/(000)				637,160
Basic and diluted earnings per share (Soles)				0.209

Notes to the interim condensed financial statements (continued)

18. Transactions with related parties

(a) The table below presents the main balances of the Bank with its shareholders, subsidiaries and related parties as of September 30, 2017.

	As of September 30, 2017		
	Shareholders (*) S/(000)	Subsidiaries S/(000)	Related parties S/(000)
Assets			
Cash and due from banks	-	-	14,672
Loan portfolio, net (b)	-	7	801,521
Available-for-sale investments	731,982	-	10,999
Other assets	4	9,724	18,873
Liabilities			
Deposits and obligations	50,842	27,229	349,877
Securities, bonds and other obligations outstanding	-	750	5,459
Other liabilities	-	17	134
Off-balance sheet accounts			
Indirect loans	-	6,500	200,624
Derivatives held for trading	-	-	131,451
As of September 30, 2017			
	Shareholders (*) S/(000)	Subsidiaries S/(000)	Related parties S/(000)
Income (expenses)			
Interest income	6,235	1	43,966
Interest expenses	(420)	(505)	(8,082)
Other, net	988	21,595	(52,343)

(*) Includes the balances and transactions with direct and indirect shareholders. The loan portfolio balance corresponds to Interest Income.

Under Peruvian legislation, all loans to related parties must be granted on terms not more favorable than terms that the Bank has fulfilled with all requirements set forth in prevailing regulation governing transactions carried out by and between the Bank and its related parties.

Notes to the interim condensed financial statements (continued)

(b) As of September 30, 2017 and December 31, 2016, the detail of loans to shareholders and related entities is the follow

	As of September 30, 2017		
	Direct loans S/(000)	Indirect loans S/(000)	Total S/(000)
Supermercados Peruanos S.A.	185,604	4,364	189,968
GTP Inversionistas S.A.C.	106,308	-	106,308
Homecenters Peruanos S.A.	63,959	15,534	79,493
Nessus Hoteles Perú S.A.	69,868	6	69,874
Cineplex S.A.	46,916	13,494	60,410
Agrícola Don Ricardo S.A.C.	7,698	50,608	58,306
Colegios Peruanos S.A.C.	50,007	816	50,823
Tiendas Peruanas S.A.	36,313	4,062	40,375
San Miguel Industrias PET S.A.	9,750	29,568	39,318
San Miguel Industrias Ecuador	32,500	-	32,500
Procesos de Medios de Pago S.A.	11,154	19,917	31,071
Bembos S.A.C.	27,802	995	28,797
Eckerd Perú S. A.	20,845	4,897	25,742
Financiera Oh! S.A.	25,018	323	25,341
PF Interproperties Perú (Inretail Perú Corp.)	-	21,376	21,376
Domus Hogares del Norte S.A.	19,267	1,337	20,604
EP de Franquicias S.A.C.	13,026	311	13,337
EP de Restaurantes S.A.C.	12,775	264	13,039
Corporación Peruana de Restaurantes S.A.	11,471	458	11,929
Urbi Propiedades S.A.	10,609	1,040	11,649
Interseguro Compañías de Seguro de Vida S.A.	74	10,090	10,164
Alert del Perú S.A.	9,246	897	10,143
Alameda Colonial S.A.	-	9,507	9,507
Homecenters Peruanos Oriente S.A.C.	9,259	-	9,259
Nessus Hoteles Perú Selva S.A.	8,914	-	8,914
Servicio de Transferencia Electrónica de Beneficios y Pagos S.A.	630	7,824	8,454
Intercorp Perú Ltd.	-	-	-
Others	12,515	9,436	21,951
	<u>801,528</u>	<u>207,124</u>	<u>1,008,652</u>

(*) Includes the balances and transactions with direct and indirect shareholders. The loan portfolio balance corresponds to Inter

Notes to the interim condensed financial statements (continued)

(c) Loans to personnel -

The Bank grants loans to its employees and officers under terms that are similar to those offered to third parties for the various types of loans and other financial products available. Loans granted to employees mainly relate to mortgage loans and are presented in the "Loan portfolio, net" caption in the statements of financial position. The interest rates applied to employee loans are generally lower than market interest rates; however, all other terms of the loans are substantially the same as those prevailing in the market. As of September 30, 2017 and December 31, 2016, loans to employees amount to approximately S/161,187,000 and S/137,363,000, respectively.

Notes to the interim condensed financial statements (continued)

19. Financial instruments classification

Following are presented the carrying amounts of financial assets and liabilities in the statements of financial position, classified as follows:

	As of September 30, 2017				
Financial assets and liabilities designated at fair value	-				
	Held for trading or hedging S/(000)	Loans and accounts receivable S/(000)	Available-for-sale investments S/(000)	Held-to-maturity investments S/(000)	Financial liabilities at amortized cost S/(000)
Financial assets					
Cash and due from banks	-	8,176,725	-	-	-
Inter-bank funds	-	231,044	-	-	-
Investments at fair value through profit or loss – trading	-	-	-	-	-
Available-for-sale investments	-	-	4,421,797	-	-
Held-to-maturity investments	-	-	-	1,232,387	-
Loan portfolio, net	-	26,107,744	-	-	-
Other assets, net, Note 6(a)	124,697	364,562	-	-	-
	<u>124,697</u>	<u>34,880,075</u>	<u>4,421,797</u>	<u>1,232,387</u>	<u>-</u>
Financial liabilities					
Deposits and obligations	-	-	-	-	25,566,148
Inter-bank funds	-	-	-	-	86,016
Deposits from financial entities	-	-	-	-	280,200
Payables from repurchase agreements	-	-	-	-	2,696,897
Debts and financial obligations	-	-	-	-	2,974,269
Securities, bonds and obligations outstanding	-	-	-	-	4,601,172
Provision and other liabilities, Note 6(a)	152,639	-	-	-	708,842
	<u>152,639</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,913,544</u>

Notes to the interim condensed financial statements (continued)

20. Financial risk management

A full description of the Bank's financial risk management is presented in Note 24 "Financial Risk Management" of the 2016 Annual Financial Statement. This note covers credit risk, liquidity risk, interest rate risk, foreign exchange risk, portfolio and foreign exchange risk.

(a) Credit risk management for loans

The Bank classifies each client that is part of its loan portfolio into one of five risk categories, depending on the degree of delinquency characteristics and are related to clients classified as "Normal" and "with Potential problems"; (iv) doubtful - D and (v) loss – E; these categories are described on Note 24.1.(d) of the 2016 Annual Financial Statement.

The table below presents the summary of direct loans (without including accrued interest and interest to be accrued) of the Bank's loan portfolio as of September 30, 2017. The table is divided into two main categories: (i) Past-due loans, those past-due loans classified as "Substandard", "Doubtful" or "Loss". Also, the allowance for loan losses is presented.

Loan classification	September 30, 2017				
	Commercial loans S/(000)	Consumer loans S/(000)	Mortgage loans S/(000)	Small and micro-business loans S/(000)	Total S/(000)
Neither past due nor impaired -					
Normal	11,647,523	7,822,205	4,940,163	569,022	24,978,913
With potential problems	246,338	337,518	94,352	14,643	692,851
	<u>11,893,861</u>	<u>8,159,723</u>	<u>5,034,515</u>	<u>583,665</u>	<u>25,671,760</u>
Past due but not impaired -					
Normal	1,022	22	69	2	1,115
With potential problems	13,721	210	235	-	14,166
	<u>14,743</u>	<u>232</u>	<u>304</u>	<u>2</u>	<u>15,281</u>
Impaired -					
Substandard	57,325	237,078	78,134	9,506	382,043
Doubtful	36,337	376,384	81,579	10,453	504,753
Loss	121,579	267,299	183,732	33,383	605,993
	<u>215,241</u>	<u>880,761</u>	<u>343,445</u>	<u>53,342</u>	<u>1,492,789</u>
Total loan portfolio gross	<u>12,123,845</u>	<u>9,040,716</u>	<u>5,378,264</u>	<u>637,009</u>	<u>27,179,834</u>
Less: Provision for loan losses	<u>293,399 (*)</u>	<u>750,305</u>	<u>221,863 (*)</u>	<u>47,049</u>	<u>1,312,616</u>
Total, net	<u>11,830,446</u>	<u>8,290,411</u>	<u>5,156,401</u>	<u>589,960</u>	<u>25,867,218</u>

(*) Excludes the provision for the indirect loan portfolio amounting to S/78,521,000 and S/79,586,000, which is presented in the 2016 Annual Financial Statement.

The Banks considers loans as past-due: (i) after 15 days for corporate, large business and medium business loans; (ii) after 30 days for consumer, mortgage and leasing loans. In the case of consumer, mortgage and leasing loans, the past-due installments are considered past-due.

Notes to the interim condensed financial statements (continued)

As of September 30, 2017 and December 31, 2016, refinanced loans amounted to S/276,501,000 and S/296,485,000, respectively. Past due refinanced loans as of such dates amounted to S/43,741,000 and S/63,735,000, respectively, of which S/2,802,000 and S/309,000, respectively, are classified as past due but not impaired and S/40,939,000 and S/63,426,000, respectively, as impaired.

In accordance with Multiple Official Letter No.10250-2017-SBS issued in March 2017 and other related rules issued by the SBS, Interbank modified the contractual conditions of loans granted in areas affected by the climatological phenomena ("Evento del Niño Costero") that occurred in Peru during the first quarter of 2017, without the modification resulting in a "refinanced loan". The balance of the rescheduled loans amounted to approximately S/388,000,000, which following said Official Letter are not considered as "refinanced loans".

In addition, as of September 30, 2017 and December 31, 2016, the Bank holds loans (direct and indirect) entities related to the infrastructure sector that, in recent months, have been exposed to local and international events, for an amount of approximately S/592,229,000 (S/61,427,000 in direct loans and S/530,802,000 in indirect loans) and S/864,611,000 (S/80,693,000 in direct loans and S/783,918,000 in indirect loans), respectively. The performance of these instruments will depend on the future development of the aforementioned events, which are outside of the Bank control. However, it is important to mention that these instruments have guarantees and coverage that significantly reduce the credit risk.

Notes to the interim condensed financial statements (continued)

(b) Foreign exchange risk

Transactions in foreign currency are accounted for by using the exchange rates prevailing on the market.

As of September 30, 2017, the weighted market exchange rate published by the SBS for transactions in US dollars was S/3.265 per US dollar. As of September 30, 2017, the exchange rate for accounting asset and liability amounts in foreign currency set by the SBS was S/3.265 per US dollar.

The table below presents the detail of the Bank's currency position as of September 30, 2017 and December 31, 2016:

	As of September 30, 2017		
	US Dollars S/(000)	Soles S/(000)	Other currencies S/(000)
Assets			
Cash and due from banks	6,739,883	1,194,108	242,734
Inter-bank funds	-	231,044	-
Investments at fair value through profit or loss – trading	-	-	-
Available-for-sale investments	2,293,841	2,127,956	-
Held-to-maturity investments	-	1,232,387	-
Loan portfolio, net	6,855,327	19,252,417	-
Other assets, net	113,438	374,574	1,247
	<u>16,002,489</u>	<u>24,412,486</u>	<u>243,981</u>
Liabilities			
Deposits and obligations	9,486,513	15,843,939	235,696
Inter-bank funds	-	86,016	-
Deposits from financial entities	146,878	133,322	-
Payables from repurchase agreements	-	2,696,897	-
Debts and financial obligations	1,815,733	1,158,536	-
Securities, bonds and obligations outstanding	4,161,135	440,037	-
Other liabilities	194,061	659,649	7,771
	<u>15,804,320</u>	<u>21,018,396</u>	<u>243,467</u>
Forwards position, net	570,380	(571,749)	1,369
Currency swaps position, net	(138,703)	138,703	-
Options position, net	147,944	(136,371)	(11,573)
	<u>777,790</u>	<u>2,824,673</u>	<u>(9,690)</u>
Net monetary position	<u>777,790</u>	<u>2,824,673</u>	<u>(9,690)</u>

As of September 30, 2017, the Bank granted indirect loans (contingent operations) in foreign currency for approximately S/2,824,673 (equivalent to approximately US\$865,000 as of December 31, 2016).

Notes to the interim condensed financial statements (continued)

21. Fair value

- (a) Financial instruments measured at 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 the interim condensed statements of financial position in accordance with the criteria established by the SBS. See more

	As of September 30, 2017		
	Level 1 S/(000)	Level 2 S/(000)	Level 3 S/(000)
Financial assets -			
Securities	-	-	-
Available-for-sale investments			
Debt instruments	1,457,569	2,223,683	-
Shares			
InterCorp Financial Services Inc.	724,509	-	-
Other	199	-	1,618
Derivatives receivable	-	124,697	-
	<u>2,182,277</u>	<u>2,348,380</u>	<u>1,618</u>
Accrued interest			
Total financial assets			
Financial liabilities -			
Derivatives payable	-	152,639	-
Total financial liabilities	<u>-</u>	<u>152,639</u>	<u>-</u>

All financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, whole, as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is direct

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobs

As of September 30, 2017 and December 31, 2016, the net unrealized gain and loss on Level 3 financial instruments ar
September 30, 2017 and for the year 2016 there were no transfers of financial instrument from Level 3 to Level 1 or to L

Notes to the interim condensed financial statements (continued)

(b) Financial instruments not measured at fair value

The table below presents the disclosure of the comparison between the carrying amounts and fair values of the Bank's fair value:

	As of September 30, 2017			
	Level 1	Level 2	Level 3	Fair value
	S/(000)	S/(000)	S/(000)	S/(000)
Assets				
Cash and due from banks	-	8,176,725	-	8,176,725
Inter-bank funds	-	231,044	-	231,044
Held-to-maturity investments	1,275,565	-	-	1,275,565
Loan portfolio, net	-	26,107,744	-	26,107,744
Other assets, net	-	364,562	-	364,562
Total	1,275,565	34,880,075	-	36,155,640
Liabilities				
Deposits and obligations	-	25,566,148	-	25,566,148
Inter-bank funds	-	86,016	-	86,016
Deposits from financial entities	-	280,200	-	280,200
Payables from repurchase agreements	-	2,718,823	-	2,718,823
Debts and financial obligations	-	2,977,198	-	2,977,198
Securities, bonds and obligations outstanding	4,229,921	804,385	-	5,034,306
Provisions and other liabilities	-	775,412	-	775,412
Total	4,229,921	33,208,182	-	37,438,103

The methodologies and assumptions used to determine fair values depend on the terms and risk characteristics of the

- (i) Assets for which fair values approximate their carrying value - For financial assets and financial liabilities that approximate to their fair values. This assumption is also applied to demand deposits, savings accounts with
- (ii) Financial instruments at fixed rate – The fair value of the financial liabilities at fixed rate and at amortized cost market rates related to similar financial instruments. In the case of listed debt, the fair value is determined on a model is used based on a current interest rate yield curve appropriate for the remaining term to maturity. The 2014, correspond to its book value.

22. Subsequent events

The Bank has evaluated the period after the balance sheet date and determined there were no significant subsequent events

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Financial statements as of December 31, 2016 and 2015, together
with independent auditors' report

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Independent auditors' report

To the Shareholders of Banco Internacional del Perú S.A.A. - Interbank

We have audited the accompanying financial statements of Banco Internacional del Perú S.A.A. - Interbank (a Peruvian financial corporation, subsidiary of InterCorp Financial Services Inc. which in turn is subsidiary of InterCorp Perú Ltd.) which comprise the statements of financial position as of December 31, 2016 and 2015, as well as the income statements, statements of comprehensive income, statements of changes in shareholders' equity and statements of cash flows for the years ended December 31, 2016, 2015 and 2014, and a summary of significant accounting policies and other explanatory Notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting standards prescribed by the Superintendencia de Banca, Seguros y AFP (Superintendence of Banking, Insurance and Private Pension Funds Administrators) for Peruvian financial entities, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. Our audits were conducted in accordance with International Standards on Auditing as adopted for use in Peru by the Board of Peruvian Associations of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves applying procedures to obtain audit evidence about the amounts and the information disclosed in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of



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Independent auditors' report (continued)

accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Banco Internacional del Perú S.A.A.- Interbank, as of December 31, 2016 and 2015, and of its financial performance and its cash flows for each of the years ended December 31, 2016, 2015 and 2014, in accordance with accounting standards prescribed by the Superintendencia de Banca, Seguros y AFP for Peruvian financial entities, see Note 2.

Lima, Peru,
February 15, 2017

Countersigned by:

Paredes, Buzgá & Asoc.

Cristian Emmerich
C.P.C.C. Register No.39801

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Banco Internacional del Perú S.A.A. - Interbank

Statements of financial position

As of December 31, 2016 and 2015

	Note	2016 S/(000)	2015 S/(000)
Assets			
Cash and due from banks	3		
Cash and clearing		1,545,594	1,700,782
Deposits in the Central Reserve Bank of Peru		5,304,901	6,055,141
Deposits in local and foreign banks		840,547	439,110
Restricted funds		3,266,161	3,649,861
		<u>10,957,203</u>	<u>11,844,894</u>
Inter-bank funds		5,002	245,028
Investments at fair value through profit or loss		10,909	47,060
Available-for-sale investments	4(a)	3,927,729	3,069,075
Held-to-maturity investments	4(i)	611,293	479,561
Loan portfolio, net	5	25,226,907	24,172,949
Investments in subsidiaries and associates	6	131,318	134,152
Property, furniture and equipment, net	7	416,015	429,548
Other assets, net	8(a)	869,017	894,777
Deferred Income Tax, net	12	77,365	121,584
		<u>42,232,758</u>	<u>41,438,628</u>
Total assets			
Risks and commitments	15	<u>22,768,142</u>	<u>26,728,488</u>

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Banco Internacional del Perú S.A.A. - Interbank

Income statements

For the years ended December 31, 2016, 2015 and 2014

	Note	2016 S/(000)	2015 S/(000)	2014 S/(000)
Interest income	16	3,631,271	3,284,709	2,810,473
Interest expenses	16	(975,086)	(827,673)	(705,762)
Gross financial margin		<u>2,656,185</u>	<u>2,457,036</u>	<u>2,104,711</u>
Provision for loan losses, net of recoveries	5(e)	(750,692)	(662,406)	(445,120)
Net financial margin		<u>1,905,493</u>	<u>1,794,630</u>	<u>1,659,591</u>
Income from financial services	17	562,033	528,092	483,616
Expenses for financial services	17	(238,308)	(219,232)	(199,191)
Financial margin, net of income and expenses for financial services		<u>2,229,218</u>	<u>2,103,490</u>	<u>1,944,016</u>
Gain on financial transactions	18	306,045	449,646	287,541
Administrative expenses	19	(1,273,965)	(1,258,570)	(1,138,668)
Depreciation	7(a)	(61,025)	(61,274)	(68,477)
Amortization	8(f)	(57,356)	(41,635)	(37,291)
Amortization of interest premiums		(4)	(87)	(3,249)
Net operating income		<u>1,142,913</u>	<u>1,191,570</u>	<u>983,872</u>
Provision for contingencies and other		(18,869)	(18,816)	(9,960)
Impairment of available-for-sale investments	4(g)	-	(2,362)	-
Operating income		<u>1,124,044</u>	<u>1,170,392</u>	<u>973,912</u>
Other income (expenses), net	20	46,848	(1,436)	10,789
Income before Income Tax		<u>1,170,892</u>	<u>1,168,956</u>	<u>984,701</u>
Income Tax	12(b)	(295,817)	(308,615)	(276,015)
Net income		<u>875,075</u>	<u>860,341</u>	<u>708,686</u>
Basic and diluted earnings per share (in soles)	21	<u>0.330</u>	<u>0.324</u>	<u>0.267</u>
Weighted average number of shares outstanding (in thousands of units)	21	<u>2,652,338</u>	<u>2,652,338</u>	<u>2,652,338</u>

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Banco Internacional del Perú S.A.A. - Interbank

Statements of comprehensive income

For the years ended December 31, 2016, 2015 and 2014

	Note	2016 S/(000)	2015 S/(000)	2014 S/(000)
Net income		875,075	860,341	708,686
Other comprehensive income:				
Net gain (loss) on available-for-sale investments	13(e)	178,588	(119,694)	31,929
Net movement of cash flow hedges	13(e)	2,482	27,211	1,620
Effect on retained earnings on cash flow hedge	8(b) and 13(e)	-	(16,949)	-
Equity participation in subsidiaries and associates	13(e)	(864)	1,828	1,136
Income Tax	12(a) and 13(e)	(42,873)	22,515	(9,720)
Other comprehensive income for the year, net of Income Tax		<u>137,333</u>	<u>(85,089)</u>	<u>24,965</u>
Total comprehensive income for the year, net of Income Tax		<u>1,012,408</u>	<u>775,252</u>	<u>733,651</u>

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Statements of changes in shareholders' equity

For the years ended December 31, 2016, 2015 and 2014

	Number of shares		Capital stock S/(000)	Treas- stock S/(000)
	Issued (in thousands of units)	Treasury stock (in thousands of units)		
Balance as of January 1, 2014	1,680,226	18,387	1,680,226	(33)
Changes in shareholders' equity for 2014				
Net income	-	-	-	-
Other comprehensive income, Note 13(e)	-	-	-	-
Total comprehensive income	-	-	-	-
Transfer, Note 13(c)	-	-	-	-
Capitalization of net income, Note 13(a)	292,064	-	292,064	-
Dividends declared and paid, Note 13(a)	-	-	-	-
Balance as of December 31, 2014	1,972,290	18,387	1,972,290	(33)
Changes in shareholders' equity for 2015				
Net income	-	-	-	-
Other comprehensive income, Note 13(e)	-	-	-	-
Total comprehensive income	-	-	-	-
Transfer, Note 13(c)	-	-	-	-
Capitalization of net income, Note 13(a)	318,909	-	318,909	-
Dividends declared and paid, Note 13(a)	-	-	-	-
Balance as of December 31, 2015	2,291,199	18,387	2,291,199	(33)
Changes in shareholders' equity for 2016				
Net income	-	-	-	-
Other comprehensive income, Note 13(e)	-	-	-	-
Total comprehensive income	-	-	-	-
Transfer, Note 13(c)	-	-	-	-
Capitalization of net income, Note 13(a)	379,526	-	379,526	-
Dividends declared and paid, Note 13(a)	-	-	-	-
Balance as of December 31, 2016	2,670,725	18,387	2,670,725	(33)

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Banco Internacional del Perú S.A.A. - Interbank

Statements of cash flows

For the years ended December 31, 2016, 2015 and 2014

	2016 S/(000)	2015 S/(000)	2014 S/(000)
Cash flow from operating activities			
Net income	875,075	860,341	708,686
Adjustments to reconcile the net income with cash provided by operating activities – Plus (minus)			
Provision for loan losses, net of recoveries	750,692	662,406	445,120
Depreciation and amortization	118,381	102,909	105,768
Provisions for contingencies and others	18,869	18,816	9,960
Impairment of available-for-sale investments	-	2,362	-
Deferred Income Tax	1,346	(32,441)	(13,521)
Income from sale and valuation of investments, net	(44,633)	(33,624)	(39,156)
Participation from investments in subsidiaries and associates	(34,093)	(34,195)	(33,186)
Loss (gain) from sale of assets received as payment and seized through legal actions	66	1,242	(38)
Net changes in assets and liabilities			
Net increase in loan portfolio	(1,792,810)	(3,748,647)	(2,298,382)
Net increase in investments	(725,623)	(143,324)	(1,528,515)
Net increase in deposits and obligations	1,030,633	4,744,059	868,290
Net (decrease) increase in deposits from financial entities	(8,093)	17,835	6,747
Increase in accrued interest	(18,377)	(67,952)	(36,850)
(Decrease) increase in accrued interest payable	(11,429)	45,057	28,907
Decrease (increase) in restricted funds	383,700	(2,739,019)	(717,109)
Decrease (increase) in other assets, net	127,782	305,602	(237,003)
Decrease in provisions and other liabilities	(153,964)	(509,921)	(50,689)
	<hr/>	<hr/>	<hr/>
Net cash (used in) provided by operating activities	517,522	(548,494)	(2,780,971)
	<hr/>	<hr/>	<hr/>

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Statements of cash flows (continued)

	2016 S/(000)	2015 S/(000)	2014 S/(000)
Cash flows from investing activities			
Purchase of property, furniture and equipment	(50,949)	(58,908)	(60,845)
Purchase of intangible assets	(130,116)	(95,529)	(40,875)
Sale of assets received as payment and seized through legal actions, and property, furniture and equipment	3,457	2,552	624
Net cash used in investing activities	<u>(177,608)</u>	<u>(151,885)</u>	<u>(101,096)</u>
Cash flows from financing activities			
Net increase in payables from repurchase agreements	39,286	2,361,600	644,300
Net (decrease) increase in debts and financial obligations	(908,060)	520,153	(315,827)
Net (decrease) increase in securities, bonds and obligations outstanding	(90,504)	485,377	1,106,863
Net decrease (increase) in receivable inter-bank funds	240,026	65,002	(105,125)
Net increase (decrease) in payable inter-bank funds	332,255	-	(100,022)
Collection of dividends, net of decrease in investments in subsidiaries and associates	36,063	26,397	38,611
Payments of dividends	(379,527)	(318,908)	(290,317)
Net cash (used in) provided by financing activities	<u>(730,461)</u>	<u>3,139,621</u>	<u>978,483</u>
Net (decrease) increase in cash before the effect of changes in the exchange rate	(390,547)	2,439,242	(1,903,584)
Effect of changes in exchange rate on cash and cash equivalents	(113,157)	597,961	375,571
Net cash (decrease) increase	(503,704)	3,037,203	(1,528,013)
Balance of cash at the beginning of year, Note 2(t)	<u>8,195,005</u>	<u>5,157,802</u>	<u>6,685,815</u>
Balance of cash at the end of year, Note 2(t)	<u>7,691,301</u>	<u>8,195,005</u>	<u>5,157,802</u>

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Banco Internacional del Perú S.A.A. - Interbank

Notes to the financial statements

As of December 31, 2016 and 2015

1. Operations

Banco Internacional del Perú S.A.A. - Interbank (henceforth "the Bank") is a Subsidiary of InterCorp Financial Services Inc. (henceforth "IFS"), a holding corporation incorporated in the Republic of Panama in September 2006 that owns 99.30 percent of the Bank's capital stock as of December 31, 2016 and 2015. On the other hand, IFS is a subsidiary of InterCorp Perú Ltd.

The Bank is authorized by the Superintendence of Banking, Insurance and Private Pension Funds Administrators (henceforth "SBS" by its Spanish acronym) to perform multiple banking activities in accordance with Peruvian legislation. The Bank's operations are governed by the "Ley General del Sistema Financiero y de Seguros y Orgánica de la SBS (General Act of the Financial and Insurance System and Organic of the SBS - Act No.26702 and amendments), which establishes the requirements, rights, obligations, guarantees, restrictions and other operating conditions to which legal entities operating in the financial and insurance system are subject.

The Bank's legal domicile is Av. Carlos Villarán 140, Urb. Santa Catalina, La Victoria, Lima, Peru. As of December 31, 2016, the Bank operated 282 offices and a branch established in Panama (290 offices and a branch established in Panama as of December 31, 2015).

The financial statements as of December 31, 2015 were approved by the General Shareholders' Meeting held on March 31, 2016. The accompanying financial statements for the year 2016 were approved by Management on February 15, 2017, and will be submitted for approval by the Board of Directors and the Shareholders' Meeting that will be held within the deadline established by law. In Management's opinion, the accompanying financial statements will be approved by the Board of Directors and the General Shareholders' Meeting without modification.

2. Accounting principles and practices

In the preparation and presentation of the accompanying financial statements, Management has observed compliance with SBS rules in force in Peru as of December 31, 2016 and 2015. The following are the main accounting principles used in the preparation of these financial statements:

- (a) Basis for presentation and use of estimates -
The accompanying financial statements have been prepared in soles from the Bank's accounting records, which are maintained in nominal monetary terms at each transaction's date, in accordance with SBS regulations in effect in Peru as of December 31, 2016 and 2015, and in a supplemental manner, in the absence of specific SBS regulations, with the International Financial Reporting Standards - IFRS approved in Peru through resolutions issued by the Consejo Normativo de Contabilidad (Peruvian Accounting Council, henceforth "CNC" for its Spanish acronym) in force in Peru as of December 31, 2016 and 2015, see paragraph (v.1) below.

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Notes to the financial statements (continued)

The preparation of the accompanying financial statements requires that Management perform estimates that affect the reported amounts of assets, liabilities, income and expenses and the disclosure of material events in the Notes to the financial statements. Estimates are continually evaluated and are based on historical experience and other factors. The actual results may differ from those estimates.

The most significant estimates related to the accompanying financial statements correspond to the provision for loan losses, the valuation of derivative financial instruments, valuation and impairment of investments, the useful life and recoverable value of property, furniture and equipment and intangible assets, and the calculation of deferred Income Tax. The accounting criteria for each of these estimates are described below.

The accompanying financial statements do not include the effects of the consolidation of the Bank with its subsidiaries detailed in Note 6, because their non-consolidation, individually or in aggregate, does not significantly affect the Bank's financial position, operating results and cash flows. The subsidiaries are accounted using the equity method (see Note 2(h)) after adjustments to standardize their balances according to SBS rules. Their consolidation would not have changed the Bank's reported net income or equity as of December 31, 2016, 2015 and 2014.

Likewise, the financial statements of the Panama Branch have been standardized to the SBS accounting standards.

(b) Currency -

Functional and presentation currency -

The Bank considers the sol as its functional and reporting currency, because it reflects the nature of the economic events and the relevant circumstances of the Bank, given that its main operations and/or transactions such as: loans granted, financing obtained, financial revenue and expenses, as well as its main purchases, are established and settled in soles.

Transactions and balances in foreign currency -

Assets and liabilities in foreign currency are recorded at the exchange rate prevailing at the date that transactions are performed. Monetary assets and liabilities denominated in foreign currency are translated into soles at the closing exchange rate of the corresponding month using the exchange rate set by the SBS; Note 24.2(b)(ii). Gains or losses resulting from the translation of monetary assets and liabilities in foreign currency at the exchange rates prevailing at the date of the statements of financial position are recorded in the income statements of the period as "Gain on exchange difference and exchange operations" of the caption "Gain on financial transactions", see Note 18.

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Notes to the financial statements (continued)

The accounting records of the Bank's branch established abroad are maintained in US dollars and, for consolidation purposes, have been translated into soles at the exchange rate prevailing at the date of each statement of financial position, recording the effects of such translation in the income statements of each period.

(c) Financial instruments -

Financial instruments are classified as assets, liabilities or equity according to the substance of the respective contractual arrangements that originated them. Interests, dividends, gains and losses generated from a financial instrument classified as asset or liability are recorded as income or expense, respectively. Financial instruments are offset when the Bank has a legally enforceable right to offset them and Management has the intention to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and liabilities reported in the statements of financial position include cash and due from banks, inter-bank funds, investments at fair value through profit or loss, available-for-sale and held-to-maturity investments, loan portfolio, net, assets reported in the caption "Other assets, net", except for those identified as non-financial instruments, and liabilities in general, except for those identified as non-financial instruments presented in the caption "Provisions and other liabilities", see Note 8(a). Likewise, all indirect loans and derivative products are considered to be financial instruments.

The specific accounting policies for recognition and measurement of each of these items are disclosed in the respective accounting policies included in this Note.

(d) Recognition of revenues and expenses -

Revenues and expenses from interest are recorded in the income statements of the period in which they are incurred, based on the effective term of the underlying transactions and the interest rates freely agreed upon with customers; except for interest accrued on past due loans, refinanced, restructured or in legal collection, as well as loans classified as doubtful or loss, which interests are recognized as collected. When Management determines that the debtor's financial condition has improved and the loan is reclassified as current in the category of normal, potential problems or substandard, such interests are recognized again on an accrual basis.

Interest revenues include interest accrued on fixed income investments classified as available-for-sale and held-to-maturity, as well as income from discounts and premiums on the Bank's financial instruments. Dividends are recognized as income when declared.

Commissions from financial services related to the maintenance of loans granted are recognized as income when collected.

Commissions and expenses for loans structuration, credit facility, assessment and credit evaluation of direct and indirect loans are recorded as income on an accrual basis over the agreement period.

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Notes to the financial statements (continued)

Other income and expenses are recognized as earned or incurred in the period in which they accrue.

- (e) Loan portfolio and provision for loan losses -
Direct loans are recorded when the funds are disbursed in favor of the customers. In the case of credit cards operations, these are recorded as loans for the amount consumed and/or cash withdrawals made. Indirect loans (contingent loans) are recorded when documents supporting such facilities are issued.

In the case of financial leases, the Bank recognizes the present value of the lease payments as credit granted. The difference between the total amount of installments receivable and their present value is recorded as unrealized interest and is recognized over the term of the lease agreement using the effective interest method, which reflects a constant periodical rate of return. The Bank does not grant operating leases.

The provision for loan losses was determined following the guidelines established by SBS Resolution No.11356-2008 "Regulation for the evaluation and classification of the debtor and the requirement of provisions" and SBS Resolution No.6941-2008 "Regulation for the Managing of the Risk from Retail Debtors with High Leverage Levels". In general, these guidelines include the following three components: (i) the provision for loan losses resulting from the risk rating of the loan portfolio, (ii) the pro-cyclical rule activated by the SBS based on the behavior of specific domestic macro-economic variables, and (iii) the over-indebtedness provisions of the retail portfolio.

The provision for the risk rating of the portfolio is determined based on the assessment that Management periodically performs over the loan portfolio, classifying it into one of the following categories: normal, with potential problems, substandard, doubtful or loss, depending on the non-payment risk grade of each debtor.

For non-retail loans, the classification into one of each categories mentioned above considers, among other, the following factors: the debtor's payment experience, the payment history of the specific loan, the Bank's dealings history with the debtor's management, the debtor's operating history, repayment capability and availability of funds, the status of any collateral or guarantee received, the analysis of the debtor's financial statements, the risk classification given by other local financial institutions; plus other relevant factors. For retail loans, the classification is based, mainly, on how long payments are overdue.

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Notes to the financial statements (continued)

The provision is computed considering the risk classifications assigned and using specific percentages, which vary depending upon whether the customer's debts are backed by preferred self-liquidating guarantees – LWPSLG (cash deposits and rights over credit letters) or by preferred guarantees that may be readily liquidated – LWRLPG (treasury bonds issued by the Peruvian National Government, marketable securities listed within the Selective Index of the Lima Stock Exchange, among others) or by other preferred guarantees – LWPG (primary pledge on financial instruments and property, primary pledge on agricultural or mining concessions, insurance on export credits, among others). The guarantees received are considered at their net realizable value as determined by independent appraisers. Likewise, computing the provision must consider the credit classification of the guarantor or guaranteeing party for credits subject to counterparty substitution by a financial or insurance entity (CAC).

The provisions for customers classified as doubtful or loss for more than 36 and 24 months, respectively, is computed without considering the value of the guarantees.

For past due loans over 90 days, the expected loss is estimated and, if it is greater than the provision recorded, the Bank must record additional provisions.

The provision for indirect loans is determined on the basis of the "Exposure equivalent to credit risk", according to the credit conversion factor.

The pro-cyclical provision is calculated for loans classified as normal, based on the percentages established by the SBS. As of December 31, 2016 and 2015, the pro-cyclical component of the provision is suspended by the SBS; however, the Bank maintains a pro-cyclical provision amounting to S/137,339,000 and S/138,250,000; respectively, that at the date have not been reassigned to specific provision; see Note 5(d).

The provision for over-indebtedness of the retail loan portfolio requires that financial entities must establish a risk management system that reduces debt over-indebtedness risk before and after the granting of the loan; carry out permanent monitoring of the portfolio in order to identify the over-indebted debtors, which includes a periodic evaluation of control mechanisms used, as well as the corrective action or improvements required, as applicable. For provisioning purposes, the financial entities that fail to comply with this rule to the satisfaction of the SBS, must calculate the exposure equivalent to the credit risk by applying a 20 percent factor to the unused amount of revolving credit lines for micro-business and consumer debtors, and on the basis of said amount, compute the provision according to the debtor's classification. In application of this regulation, the Bank maintains provisions for approximately S/15,950,000 and S/18,361,000 as of December 31, 2016 and 2015, respectively.

The provision for loan losses for direct loans is presented as an asset deduction, while the provision for indirect loans is presented as a liability; see Note 5(e).

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Notes to the financial statements (continued)

- (f) Derivative financial instruments -
SBS Resolution No. 1737-2006 "Regulation for Trading and Accounting of Derivatives for Financial Entities" and its amendments establishes the criteria for the accounting of transactions with derivatives classified as trading and hedging, as well as embedded derivatives, as explained below:

Trading derivatives -

Derivative financial instruments are initially recognized in the statements of financial position at cost and are subsequently carried at fair value, recognizing an asset or liability in the statements of financial position and the correspondent gain or loss in the income statements. Also, transactions with derivative financial instruments are recorded in off-balance sheet accounts at its notional amount in the committed currency, Note 8(b).

The fair values are determined based on market exchange rates and interest rates.

Hedging derivatives -

A derivative financial instrument that seeks to achieve economic coverage of a certain risk is designated as accounting hedge if, on the date of its negotiation, it is expected that changes on its fair value or cash flows will be highly effective in offsetting changes in the fair value or cash flows of the item hedged from the inception, this expectation must be documented when the derivative instrument is first traded and throughout the period during which the hedge is in effect. A hedge is considered as highly effective if it is expected that changes in the fair value or cash flows of the hedged item and the hedging instrument ranges between 80 and 125 per cent.

As of December 31, 2016 and 2015, the Bank only held cash flow hedge instruments, Note 8(b). For this type of hedging instruments, the effective portion of changes in the fair value of hedging derivatives is recognized directly in equity, in the caption "Unrealized results" as a cash flow hedges reserve, net of the related taxes, and any gain or loss related to the ineffective portion is recognized immediately in the income statements. Amounts accumulated in equity for hedging cash flows are transferred to the income statements in the periods when the hedged item is recorded in the income statements or when an expected transaction occurs.

On the other hand, if the hedge instrument expires, is sold, settled or exercised, or at the moment that the hedge instrument does not comply with the required accounting criteria for hedges, the hedge is terminated in a prospectively manner and the balances recorded in the equity are transferred to the income statements during the hedged item's term.

Embedded derivatives -

According to SBS rules, as of December 31, 2016 and 2015, the Bank does not hold any financial instrument with embedded derivatives that must be separated.

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Notes to the financial statements (continued)

- (g) Investments at fair value through profit or loss, available-for-sale and held-to-maturity -
Investments are evaluated following Resolutions SBS No.10639-2008 and SBS No.7033-2012.

The criteria for the classification and valuation of said investments are as follows:

- Classification

- (i) Investments at fair value through profit and loss

This category has two sub-categories:

- Investments maintained for negotiation, which are acquired with the purpose of selling or repurchasing in the short term.
- Investments at fair value through profit and loss, since their inception, which are part of an identified portfolio of financial instruments that are managed together and for which there has been a demonstrated recent pattern of taking gains in the short term. As of December 31, 2016 and 2015, the Bank does not hold any instruments classified under this sub-category.

- (ii) Available-for-sale investments

Investments designated into this category are held for an indefinite period and may be sold for purposes of liquidity, changes in interest rates, exchange rates or cost of capital; or do not qualify to be registered as at fair value through profit and loss or held-to-maturity.

- (iii) Held-to-maturity investments

The financial instruments that are classified in this category must comply with the following requirements:

- Be acquired or reclassified for the purpose of holding them until their maturity date; except for the cases when their sale, assignment or reclassification are allowed by the SBS.
- They must have risk ratings as required by the SBS.

In order to classify their investments in this category, financial entities must assess they have the financial capability to hold them until their maturity. This capability must be evaluated at the closing date of each annual period.

- Initial recognition date -

Transactions must be recorded using the trading date; that is, the date at which the reciprocal obligations that must be performed within the term established by regulations and the usual practice on the market at which the operation takes place.

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Notes to the financial statements (continued)

- Initial recognition and measurement -
 - (i) Investments at fair value through profit or loss: Their initial accounting is carried out at fair value, recording the transaction costs as expenses. Their valuation corresponds to the fair value and the gain or loss originated from the change between their initial recognition and the fair value is directly recorded in the income statements.
 - (ii) Available-for-sale Investments: The initial accounting record is performed at fair value, including the transaction costs that are directly attributable to their acquisition. Their valuation corresponds to fair value and the gain or loss originated from the change between their initial recognition and fair value is recorded directly in equity, unless an impairment loss is recorded. When the financial instrument is sold, the gain or loss, previously recorded as a part of the equity, is transferred to the income statements of the period.

In the case of debt securities, previously to the valuation at fair value, the amortized cost is updated in the accounts applying the effective interest rate method, and the variation resulting of the amortized cost is used for the recognition of the gains and losses.
 - (iii) Held-to-maturity investments: Their initial accounting is at fair value, including the transaction costs that are directly attributable to their acquisition. Their valuation corresponds to the amortized cost by applying the effective interest rate method.

Interests are recognized by applying the effective interest rate method, which includes both the receivable interest and the amortization of the premium or discount existing in the acquisition.

The difference between the revenues received from the disposal of these investments and their book value is recognized in the income statements.

- Impairment assessment -

SBS Resolution No. 7033-2012 establishes a standard methodology for the identification of the impairment of financial instruments classified as available-for-sale and held-to-maturity. Said methodology comprises a two-filter analysis, as described below:

 - (i) First filter:

On a quarterly basis the following conditions on the entire portfolio of debt and equity investments must be assessed:

 - Significant decrease of fair value: In case the fair value at the date of the financial statements has decreased below 50 percent of the purchasing cost.

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Notes to the financial statements (continued)

- Prolonged decrease of fair value: In case the monthly average fair value decreases consecutively during the last 12 months, and the cumulative fall of the fair value in said period is at least 20 percent.

The aforementioned assessment is performed in the original currency of the instrument in order to isolate the exchange rate difference.

(ii) Second filter:

For the instruments that passed the first filter, the following circumstances related to qualitative aspects of the issuer are assessed:

- Impairment of the financial position or financial ratios of the issuer or its economic group.
- Adverse conditions of the investment and the issuer. Adverse conditions include adverse changes in the economic environment, technological or market in which the issuer or investment operates.
- Downgrading of the risk classification as consequence of additional factors to the aforementioned.
- Interruption of the interest or principal payments due to financial difficulties of the issuer.
- Interruption of transactions or of an active market due to financial difficulties of the issuer.
- Forced renegotiation of the contractual conditions of the instrument due to legal or economic factors related to the issuer.
- Evidence that the issuer will enter into a forced restructuring or bankruptcy process.
- Decrease in value due to legislation changes (taxes, regulatory or other governmental).
- The entity does not have the intention and capability to hold the investment with losses up until the recovery of its value. In such case, it will be necessary to perform a forecast of the estimated time needed to recover the value and an assessment of the evidence that shows, on the basis of historical information and the financial position of the Bank, whether there is the intention and capability to maintain the investment all through that period of time.

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Notes to the financial statements (continued)

In accordance with the established in such Resolution, if at least two of the analyzed factors are affirmative, then impairment exists. Once a loss due to impairment is recognized, the following assessments are performed over the book value of the instruments, net of the impairment previously recognized.

On the other hand, when the SBS considers necessary to establish any additional provision for any type of investment, such provision must be determined on the basis of each individual instrument, and should be recorded in the income statements of the period in which the SBS requires such provision.

- Recognition of exchange differences -
Any gains or losses from currency exchange differences related to the amortized cost of debt instruments are recorded in the income statements, while those related to the difference between the amortized cost and the fair value are recorded in the statements of shareholders' equity as part of the unrealized results. In the case of equity instruments, they are considered non-monetary items and, consequently, they remain at their historical cost in local currency, which means that any exchange differences are part of their valuation and are recognized as part of the unrealized results in the statements of shareholders' equity.
- Changes in classification category -
In the case of changes in the classification category from available-for-sale investment to held-to-maturity investment, the fair value of the financial asset on the date of transaction becomes its new amortized cost. Any previous gain or loss of the asset that has been recognized in other comprehensive income shall be amortized over the remaining life of the investment using the effective interest method. Any difference between the new amortized cost and maturity amount shall be amortized using the interest rate method during the life of the financial instrument in a similar manner as the amortization of a premium or discount. If the asset subsequently becomes impaired, any gain or loss remaining in other comprehensive income shall be reclassified to profit or loss. During 2016 and 2015, the Bank reclassified a group of available-for-sale investments into held-to-maturity investments category for an amount of S/129,548,000 and S/295,041,000, respectively, see Note 4(i).
- Derecognition of financial assets and liabilities -
Financial assets
A financial asset (or, when applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized when: (i) the rights to receive cash flows from the asset have expired; or (ii) the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and (iii) either the Bank has transferred substantially all the risks and rewards of the asset, or the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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Notes to the financial statements (continued)

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and a new liability is recognized, the difference between the carrying amount of the original and the new financial liability is recognized in the income statements.

(h) Investments in subsidiaries and associates -

This category includes only securities representing the capital acquired with the purpose of holding equity participation, control and/or significant influence in other entities or institutions.

These investments are initially accounted at fair value, including the transaction costs that are directly attributable to their acquisition. Subsequently to their original registration, these investments are measured through the equity method. In the case of investments quoted on security exchanges, when their market value shows a decreasing tendency for reasons considered non-temporary, the Bank records a provision; nonetheless, the SBS can require additional provisions. Under the equity method, dividends declared by the Subsidiaries and paid in cash are recorded by decreasing the value of the investment.

(i) Property, furniture and equipment -

Property, furniture and equipment are recorded at acquisition cost, plus the voluntary revaluations performed in previous years, authorized by the SBS, less accumulated depreciation. Considering that said revaluation was carried out only once, there is no intention that the revalued assets are reported at their fair value; therefore the revalued value is considered as cost of acquisition.

Depreciation is calculated on a straight-line basis, considering the following depreciation rates for each type of asset:

	Depreciation rate (%)
Buildings and facilities	3 – 10
Furniture and equipment	10 – 20
Vehicles	20

The depreciation of leasehold improvements is performed within the respective contracts terms.

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Notes to the financial statements (continued)

In-transit equipment and work-in-progress amounts are accounted for at cost, which includes facilities, furniture and equipment in transit or under construction this includes the acquisition or construction cost together with other costs directly attributable to the asset. These assets are not depreciated until the relevant assets are received or finished and placed into service.

Maintenance and repair costs are recorded as expenses. Renewals and improvements are capitalized only when these disbursements enhance the asset's condition. The cost and accumulated depreciation of assets sold or disposed are eliminated from the corresponding accounts and the related gain or loss is recorded in the income statements.

- (j) Assets received as payment and seized through legal actions -
Assets received as payment, seized through legal action and recovered (provided from terminated leasing contracts) are initially recorded at the value assigned to them through a legal proceeding, out-of-court settlement, market value or at the unpaid value of the debt, whichever the lowest, recognizing simultaneously, a provision equivalent to 20 percent of the assigned value. For this purpose, it is permitted to maintain the provision for loan losses that was originally provided for the related loan.

Subsequently, additional provisions are to be recorded using the following guideline:

- Non real estate assets: A monthly provision equivalent to one twelfth of the book value of the asset will be recognized starting from the first month of seizure or recovery, until reaching one hundred percent of the value of the seized or recovered asset.
- Real estate assets: A monthly provision over the net book value will be provided starting from the twelfth month. Additionally, the SBS Resolution No. 1535-2005 allows the granting of an extension of six months, in which case uniform monthly provisions must be provided for at the end of each month over the net book value obtained in the eighteenth month. In both cases, the provisions are to achieve one hundred percent of the net book value in a period of three and a half years, counted from the date on which it began to be the monthly provision.

An annual update of the market value of seized assets, determined by an independent appraiser is required, and it may imply only the constitution of an impairment provision, when necessary.

As of December 31, 2016 and 2015, the net book value of assets received as payment and seized through legal actions amount to approximately S/3,024,000 and S/2,986,000, respectively, and are presented in the caption "Other assets, net - Other" of the statements of financial position.

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Notes to the financial statements (continued)

- (k) Intangible assets with finite useful lives -
The intangible assets with finite useful lives that are included in the "Other assets, net" caption of the statements of financial position are related to the acquisition of computer software used by the Bank in its operations and other minor intangible assets. Amortization of assets with finite useful life is calculated following the straight-line method over a 5-year period, see Note 8(f).
- (l) Securities, bonds and obligations outstanding -
The liabilities from the issuance of outstanding securities, bonds and obligations are accounted for at their nominal value, recognizing accrued interest in the income statements. The discounts granted or incomes generated for its placement are deferred and presented net of its issue value and are amortized over the life of the securities, bonds and obligations outstanding by applying the effective interest method.
- (m) Income Tax-
Current Income Tax is computed based on the taxable income determined for tax purposes, which is determined using criteria that differ from the accounting principles used by the Bank.

Therefore, the Bank has recorded deferred income taxes, considering the guidelines of IAS 12 "Income Tax". The deferred Income Tax reflects the effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts determined for tax purposes. Deferred assets and liabilities are measured using the tax rates expected to be applied to taxable income in the years when temporary differences are expected to be recovered or settled. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences which arise from the way in which the Bank expects to recover or eliminate the carrying amount of its assets and liabilities at the statements of financial position dates.

Deferred tax assets and liabilities are recognized regardless of when the temporary differences are likely to reverse. Deferred tax assets are recognized when it is probable that sufficient taxable income will be generated against which the deferred tax assets can be offset. At the date of each statements of financial position, Management evaluates the non-recognized deferred assets and the carrying amount of the recognized deferred tax assets, recording deferred assets not previously recognized to the extent that probable future tax benefits will allow their recovery, or reducing a deferred asset to the extent that it is not likely that future tax benefits will be sufficient to allow the use of part or all of the deferred assets previously recognized.

In accordance with IAS 12, the Bank determines its deferred tax considering the tax rate applicable to its non-distributed earnings; any additional tax on dividends distribution is recorded on the date a liability is recognized.

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Notes to the financial statements (continued)

(n) Impairment of long-lived assets -

When there are events or economic changes which indicate that the value of property, furniture and equipment and intangible assets may not be recoverable, Management reviews those asset values in order to verify that there is no permanent impairment in their values. When the book value of the asset exceeds its recoverable value, an impairment loss is recognized in the income statements. The recoverable value is the higher between the net selling price and its value in use. The net selling price is the amount that can be obtained from the sale of an asset on a free market, while the value in use is the present value of the estimated future cash flows from the continuous use of an asset and its disposal at the end of its depreciation period. In Management's opinion, there is no evidence of impairment of said assets as of December 31, 2016 and 2015.

(o) Fiduciary operations -

Assets and revenues from fiduciary operations in which there is a commitment to return such assets to a customer and in which the Bank participates as a fiduciary, have been excluded from these financial statements because the Bank is not owner of such assets and cash flow and does not assume the risk and rewards that arise from their ownership; thus, they have been recorded, for fiduciary control purposes, as off-balance sheet accounts.

(p) Provisions -

Provisions are recognized only when the Bank has a present obligation (legal or implicit) as result of past events, it is probable that an outflow of resources will be required to settle such obligation, and the amount has been reliably estimated. Provisions are reviewed in each period and are adjusted to reflect their best estimate as of the date of the statements of financial position. When the effect of the time value of money is significant, the amount recorded as a provision is the present value of future payments required to settle the obligation.

(q) Contingencies -

Contingent liabilities are not recorded in the financial statements. They are disclosed in the Notes to the financial statements, unless the possibility of an outflow of economic benefits is remote.

Contingent assets are not recognized in the financial statements; however, they are disclosed when their contingency degree is probable.

(r) Earnings per share -

Basic and diluted earnings per share are calculated by dividing the net income by the weighted average number of shares outstanding at the statements of financial position dates, deducting treasury's stock. Shares that are issued due to the capitalization of retained earnings are deemed to be stock-splits; therefore, such shares have been considered as if they had always been outstanding, Note 21.

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Notes to the financial statements (continued)

As of December 31, 2016 and 2015, the Bank has no financial instruments with dilutive effects; therefore, basic and diluted earnings per share are the same.

(s) Repurchase agreements -

Through SBS Resolution No. 5790-2014, in force since September 3, 2014, the SBS approved the new "Regulation for repo transactions applicable to financial entities which replaced the "Regulation for repo transaction and repurchase agreements" approved by Resolution No. 1067-2005 SBS and its amendment.

The resolution allows the performance of sales operations with repurchase agreements, simultaneous operations of sale and purchase of securities and operations of temporary transfer of securities; also, it establishes the accounting criteria applicable to said transactions.

The operations of currency repos performed by the Central Reserve Bank of Peru (henceforth "BCRP", by its Spanish acronym) are considered in accordance with the Circular Letter No. 017-2014-BCRP.

As of December 31, 2016, the Bank holds currency and security repo transactions, according to the definition of the BCRP (as of December 31, 2015, the Bank only holds currency repo transactions). The funds in foreign currency and the securities delivered as guarantees are included in the captions "Cash and due from banks – Restricted funds" and "Available-for-sale investments", respectively, while the corresponding liabilities are presented in the "Payables from repurchase agreements" caption of the statements of financial position, reflecting the economic substance of the transaction as a loan received by the Bank.

(t) Cash and cash equivalents -

Cash and cash equivalents presented in the statements of cash flows correspond to "cash and due from banks" of the statements of financial position, which include deposits with less than a three-month maturity as of the acquisition date, BCRP time deposits, funds deposited in central banks and overnight deposits, excluding the interest accrued as well as restricted funds.

(u) Financial statements as of December 31, 2015 and 2014 -

When necessary, comparative figures have been reclassified to conform to the current year presentation. In Management's opinion, these reclassifications made in the Bank's financial statements are not significant considering the financial statements as a whole as of the aforementioned dates.

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Notes to the financial statements (continued)

(v) New pronouncements -

(v.1) IFRS issued and effective in Peru as of December 31, 2016:

During 2016, the Accounting Standards Board (hereinafter "CNC" for its Spanish acronym) issued the following resolutions, which formalized the following standards:

- Resolution No. 060-2016-EF/30 issued on February 14, 2016, which formalized the amendments to IFRS 15 "Revenue from Contracts with Customers", IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures".
- Resolution No. 061-2016-EF/30 issued on March 31, 2016, which formalized the amendments to IAS 12 "Income Taxes" and to IAS 7 "Statement of Cash Flows".
- Resolution No. 062-2016-EF/30 issued on June 9, 2016, which formalized IFRS 16 "Leases" and amendments to IFRS 15 "Revenue from Contracts with Customers".
- Resolution No. 063-2016-EF/30 issued on September 2, 2016, which formalized the 2016 version of the IAS, IFRS, IFRIC and SIC, as well as the Conceptual Framework for Financial Information.

The application of these standards begins the following date of the issuance of each resolution or after, as stipulated in each specific standard.

(v.2) IFRS issued internationally but not in force as of December 31, 2016 -

Issued in 2016:

- IFRS 16 "Leases" effective for annual periods beginning on or after January 1, 2019.
- IFRIC 22 "Foreign Currency Transactions and Advance Payments" effective for annual periods beginning on or after January 1, 2018.
- Amendments to IAS 7 "Statement of Cash Flows - Disclosures" effective for annual periods beginning on or after January 1, 2017.
- Amendments to IAS 12 "Income Tax - Tax Assets for Unrealized Losses" effective for annual periods beginning on or after January 1, 2017.
- Amendments to IAS 40 "Investment Property" effective for annual periods beginning on or after January 1, 2018.
- Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions", effective for annual periods beginning on or after January 1, 2018.
- Clarifications to IFRS 15 "Revenue from Contracts with Customers", effective for annual periods beginning on or after January 1, 2018.
- Improvements (cycles 2014 - 2016) to IFRS 12 "Disclosures about Investments in Other Entities", effective for annual periods beginning on or after January 1, 2017; and IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28

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Notes to the financial statements (continued)

"Investments in Associates and Joint Ventures", effective for annual periods beginning on or after January 1, 2018.

Issued until 2015:

- IFRS 9 "Financial Instruments: Classification and Measurement", effective for annual periods beginning on or after January 1, 2018.
- IFRS 15 "Revenue from Contracts with Customers ", effective for annual periods beginning on or after January 1, 2018.
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" effective for annual periods beginning on or after a date to be determined by the IASB.

Given that the standards detailed in (v.1) and (v.2) solely apply in a supplementary manner to the accounting regulation established by the SBS, they will not have any significant effect on the preparation of the accompanying financial statements, unless the SBS adopts them in the future through the modification of its Accounting Manual for Financial Entities or the issuance of specific rules thereon. The Bank has not estimated the effect on its financial statements if such rules were adopted by the SBS.

3. Cash and due from banks

As of December 31, 2016, the "Cash and due from banks" caption of financial statements position includes approximately US\$1,588,248,000 and S/856,453,000 (US\$1,929,852,000 and S/888,767,000 as of December 31, 2015), which represent the legal reserve that the Bank must establish for deposits received from third parties. These funds are kept in the Bank's vaults and in the BCRP. The Bank maintains said legal reserve within the limits required by prevailing regulations.

The reserve funds which represent the minimum mandatory do not earn interest; however, the excess of the mandatory reserve deposited in BCRP earns interest at a nominal rate established by the BCRP. As of December 31, 2016, the monthly excess in foreign currency amounts to approximately US\$345,688,000, equivalent to approximately S/1,160,129,000, and accrued interests in US dollars at an annual average rate of 0.18 percent (US\$241,115,000, equivalent to S/822,444,000, at an annual average rate of 0.09 percent as of December 31, 2015), while the excess in local currency amounted to approximately S/2,429,162,000, accrued interest at an annual average rate of 1.05 percent (S/3,708,920,000 at an annual average rate of 0.48 percent as of December 31, 2015).

Deposits in local and foreign banks correspond mainly to balances in soles and US dollars, are unrestricted and earn interest at market rates. As of December 31, 2016 and 2015, the Bank does not have significant deposits in any specific financial institution.

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Notes to the financial statements (continued)

As of December 31, 2016 and 2015, the balance of restricted funds included US\$915,204,000 (equivalent to S/3,071,424,000) and US\$960,688,000 (equivalent to S/3,276,907,000), respectively, corresponding to deposits in the BCRP which guarantee loans from this entity for an amount of S/2,990,031,000, these loans have maturities between January 2017 and March 2019, and bear interest at effective rates between 3.00 and 6.38 percent (guaranteed loans for an amount of S/3,050,670,000 which had maturities between February 2016 and March 2019, and bear interest at effective rates between 3.00 and 6.16 percent, as of December 31, 2015).

Likewise, as of December 31, 2016 and 2015, this caption includes restricted funds for approximately US\$58,027,000 (equivalent to S/194,737,000) and US\$109,339,000 (equivalent to S/372,954,000), respectively, which mainly correspond to requirements from counterparties of derivative transactions, see Note 8(b) (in addition, as of December 31, 2015, this caption also included funds from remittances received via SWIFT messages which guarantee the payment of the notes issued by IBK DPR Securitizadora; see Note10(h)).

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Note 26

Notes to the financial statements (continued)

4. Available-for-sale and held-to-maturity investments

(a) The detail of available-for-sale investments is as follows:

	2016				
	Amortized cost S/(000)	Unrealized gross amount		Estimated fair value S/(000)	Amortized cost S/(000)
		Gains S/(000)	Losses S/(000)		
Negotiable Certificates of Deposit issued by the BCRP (b)	1,709,845	2,523	(84)	1,712,284	877,1
Corporate and financial bonds (c)	782,637	2,115	(5,331)	779,421	440,5
Peruvian Sovereign Bonds (d)	468,173	1,659	(10,438)	459,394	414,3
Peruvian Global Bonds (d)	163,778	-	(5,637)	158,141	351,2
Mexican Global Bonds	88,371	-	(928)	87,443	6,8
Colombian Global Bonds	44,957	-	(1,091)	43,866	18,2
Indexed Certificates of Deposit issued by BCRP	39,414	51	-	39,465	668,6
United States of America Global Bonds	32,685	-	(410)	32,275	
Total	<u>3,329,860</u>	<u>6,348</u>	<u>(23,919)</u>	<u>3,312,289</u>	<u>2,777,2</u>
Listed shares					
Intercorp Financial Services Inc. (IFS) (e)	464,580	125,617	-	590,197	335,6
Other	75	130	-	205	
Non-listed shares	968	694	(129)	1,533	9
	<u>465,623</u>	<u>126,441</u>	<u>(129)</u>	<u>591,935</u>	<u>336,7</u>
	<u>3,795,483</u>	<u>132,789</u>	<u>(24,048)</u>	<u>3,904,224</u>	<u>3,113,9</u>
Add					
Accrued interest				<u>23,505</u>	
Total				<u>3,927,729</u>	

Translation of financial statements originally issued in Spanish - Note 26

Notes to the financial statements (continued)

- (b) As of December 31, 2016, the Bank has a loan with the BCRP for approximately S/99,925,000, including interest, which is guaranteed with Certificates of Deposit issued by the BCRP for an amount of approximately S/101,054,000; such operation accrued an interest rate of 4.58 percent and expired in January 2017.

- (c) This item is made up as follows:

	2016	2015
	S/(000)	S/(000)
Peruvian issuers -		
BBVA Continental S.A.	149,546	93,455
Banco de Crédito del Perú S.A.	113,071	54,222
Corporación Financiera de Desarrollo S.A.	42,973	47,702
Fondo MiVivienda S.A.	39,251	45,216
Hunt Oil Company of Peru S.A. – Securitization assets	34,111	33,418
Redesur y Tesur – Securitization assets	15,553	16,103
Volcán Compañía Minera S.A.A.	15,248	9,999
Unión Andina de Cementos S.A.A.	14,726	-
Cineplex S.A.	12,791	13,663
Minsur S.A.	7,502	6,751
Intercorp Perú Ltd.	7,349	7,780
Enersur S.A.	5,099	5,039
Pesquera Exalmar S.A.	4,973	4,153
Other	12,252	12,449
Foreign issuers -		
Bancolombia S.A.	117,314	-
Development Bank of Latin America – CAF	103,939	63,696
Corpbanca N.Y. S.A.	50,504	-
Banco de Bogotá S.A.	18,463	-
Banco Latinoamericano de Exportaciones – Bladex	14,756	10,086
Total	<u>779,421</u>	<u>423,732</u>

- (d) During 2016, the Bank participated in a securities exchange program carried out by the Peruvian Government, through which the Bank:
- Delivered global and sovereign bonds amounting to US\$52,360,000 (equivalent to approximately S/178,128,000) and S/74,152,000, respectively, which had maturities between March 2019 and July 2025 and accrued interests at effective annual rates between 1.50 and 2.59 percent, and 4.8 percent, respectively; and
 - Received sovereign bonds amounting to S/249,863,000, with maturity in August 2028 and effective interest rates between 6.35 and 6.38 percent.

Translation of financial statements originally issued in Spanish - Note 26

Notes to the financial statements (continued)

This exchange generated a net income of S/3,770,000 recorded in the caption "Income from sale and valuation of investments, net"; see Note 18. Likewise, as of the exchange's date, the Bank held an unrealized gain corresponding to the bonds delivered which amounted to S/1,997,000, which was transferred to the caption "Income from sale and valuation of investments, net" in the statements of income; see Note 18.

- (e) As of December 31, 2016 and 2015, it includes 5,496,000 and 4,287,000 shares of IFS at their market values, which amounted to US\$32.00 and US\$22.75 per share, respectively, and represents 4.86 percent and 3.79 percent of IFS capital stock.
- (f) As of December 31, 2016 and 2015, Management has estimated the fair value of the available-for-sale investments based on market quotations, and if not available, based on discounted cash flows using market rates that reflect their credit rating.
- (g) As a result of the assessment of impairment on available-for-sale investments, the Bank did not recognize any loss during 2016; however, as of December 31, 2015, the Bank recorded a loss of approximately S/2,362,000, which is presented in the caption "Impairment of available-for-sale investments" in the income statements.

Management has determined that the unrealized losses as of December 31, 2016 and 2015, are of temporary nature. The Bank has the intention and the ability to hold each of these investments for a period of time sufficient to allow a recovery in the fair value or until the maturity date.

Translation of financial statements originally issued in Spanish - Note 26

Notes to the financial statements (continued)

(h) As of December 31, 2016 and 2015, the maturities and the annual market rates of the available-for-sale investments are:

	Maturity		S. Min %
	2016	2015	
Negotiable Certificates of Deposits issued by BCRP	Jan-17/Mar-18	Jan-16 / Jun-17	4.25
Corporate and financial Bonds	Jan17/Apr-30	Jan-17 / Apr-30	4.33
Peruvian Sovereign Bonds	Feb-18/Aug-46	Aug-17/ Aug-46	1.90
Peruvian Global Bonds	Mar-19/Jul-25	Mar-19 / Jul-25	-
Mexican Global Bonds	Mar-22/Oct-23	Mar-22	-
Colombian Global Bonds	Mar-19/Jul-21	Jul-21	-
Indexed Certificates of Deposit issued by BCRP	Jan-17	Jan-16 / Mar-16	-
United States of America Global Bonds	Oct-23	-	-

(i) During 2016 and 2015, the Bank reclassified Peruvian Sovereign Bonds classified as available-for-sale investments into held-to-maturity investments to approximately S/129,548,000 and S/295,041,000, and the unrealized gain and loss accumulated in the shareholder's equity was transferred to each period's results through the remaining term of the instruments. As a result of these transfers, the Bank's net income for the periods ended December 31, 2016 and 2015, respectively. As of December 31, 2016 and 2015, the carrying amount of these investments was S/129,548,000 and S/295,041,000, respectively.

During 2015, the Bank acquired Sovereign Bonds of the Republic of Peru for S/175,201,000 which were classified as held-to-maturity investments for S/178,461,000 and S/178,825,000, respectively, which includes accrued yields of approximately S/13,105,000 and S/9,000,000, respectively.

As of December 31, 2016 and 2015, these investments have maturities between August, 2020 and August, 2037, have carrying amounts to approximately S/605,299,000 and S/440,645,000, respectively. Management has determined that the classification is appropriate in view of the nature, based upon the investments' risk rating (Peru "A-") and the Bank's intention and ability to hold each of these investments to maturity.

Translation of financial statements originally issued in Spanish -
Note 26

Notes to the financial statements (continued)

- (j) The table below presents the balance of available-for-sale and held-to-maturity investments as of December 31, 2016 and 2015, classified by contractual maturity (without considering accrued interest):

	2016		2015	
	Available-for-sale investments S/(000)	Held-to-maturity investments S/(000)	Available-for-sale investments S/(000)	Held-to-maturity investments S/(000)
Up to 3 months	454,873	-	869,554	-
More than 3 months to 1 year	1,315,440	-	569,895	-
More than 1 to 5 years	1,011,384	102,254	787,005	83,065
More than 5 years	530,592	495,934	487,843	386,675
Shares (without maturity)	591,935	-	333,380	-
Total	3,904,224	598,188	3,047,677	469,740

5. Loan portfolio, net

- (a) The table below presents the components of this caption:

	2016 S/(000)	2015 S/(000)
Direct loans		
Loans	11,350,482	10,441,226
Mortgage loans for housing	4,871,127	4,627,138
Credit cards receivables	3,855,401	3,704,992
Leasing receivables	1,760,812	1,990,444
Foreign trade loans	1,446,139	1,536,760
Cash loans	1,058,900	899,357
Discounted notes	407,435	438,044
Vehicular loans	254,564	342,714
Factoring receivables	201,896	213,824
Advances and overdrafts	30,925	47,240
Refinanced and restructured loans	296,485	249,216
Past due and under legal collection loans	693,320	589,106
	26,227,486	25,080,061
Plus (minus)		
Accrued interest from performing loans (f)	272,252	259,461
Deferred interest and interest collected in advance	(26,509)	(24,444)
Provision for loan losses (e)	(1,246,322)	(1,142,129)
Total direct loans	25,226,907	24,172,949
Indirect loans (c), Note 15(a)	4,435,854	4,953,806

Translation of financial statements originally issued in Spanish - Note 26

Notes to the financial statements (continued)

As of December 31, 2016, 51 percent of the direct and indirect loan portfolio corresponded to 1,314 customers (1,030 customers as of December 31, 2015). Loans were mainly granted to entities and individuals domiciled in Peru or to entities whose shareholders invest mainly in Peru.

(b) The table below presents the loan portfolio by type of loan:

	2016 S/(000)	2015 S/(000)
Commercial loans	11,729,154	11,366,668
Customer loans	8,888,561	8,416,071
Mortgage loans	5,039,892	4,764,986
Small and micro-business loans	569,879	532,336
Total	<u>26,227,486</u>	<u>25,080,061</u>

Translation of financial statements originally issued in Spanish -
Note 26

Notes to the financial statements (continued)

(c) As of December 31, 2016 and 2015, the credit risk classification of the Bank's loan portfolio according to SBS standards

Risk category	2016		
	Direct loans		Indirect loans
	S/(000)	%	S/(000)
Normal	24,088,747	91.8	4,320,353
With potential problems	733,702	2.8	90,637
Substandard	355,404	1.4	10,797
Doubtful	507,046	1.9	7,627
Loss	542,587	2.1	6,440
Total	26,227,486	100.0	4,435,854

Risk category	2015		
	Direct loans		Indirect loans
	S/(000)	%	S/(000)
Normal	23,277,565	92.8	4,898,008
With potential problems	576,069	2.3	36,132
Substandard	327,273	1.3	2,985
Doubtful	430,256	1.7	3,593
Loss	468,898	1.9	13,088
Total	25,080,061	100.0	4,953,806

Translation of financial statements originally issued in Spanish -
Note 26

Notes to the financial statements (continued)

- (d) As of December 31, 2016 and 2015, financial entities in Peru must constitute provisions for loan losses considering the risk classification mentioned above and using the percentages indicated by SBS Resolution N°11356-2008 and N°6941-2008, as detailed below:

- (i) Loans classified into the “Normal” category

Loan types	Fixed-rate %	Pro-cyclical component (*) %
Commercial loans -		
Corporate	0.70	0.40
Large-business	0.70	0.45
Medium-business	1.00	0.30
Small and micro-business loans -		
Small-business	1.00	0.50
Micro-business	1.00	0.50
Mortgage -		
	0.70	0.40
Consumer loans -		
Revolving consumer loans	1.00	1.50
Non-revolving consumer loans	1.00	1.00

- (*) In case the loan has highly liquid preferred guarantees (LWHLPG), the pro-cyclical component shall be 0, 0.25 or 0.30 percent, depending on the loan type.

Through Circular Letter N°B-2224-2014, dated November 27, 2014, the SBS informed the financial entities of the deactivation of the pro-cyclical component rates for the provision for direct and indirect loans of debtors classified as “Normal” since November 2014.

Translation of financial statements originally issued in Spanish -
 Note 26

Notes to the financial statements (continued)

- (ii) For debtors classified as “with potential problems”, “Substandard”, “Doubtful” or “Loss” depending on whether the loans are: Loans Without Guarantees (LWG), Loans With Preferred Guarantees (LWPG) Loans With Readily Preferred Guarantees (LWRPG) or Loans with Highly Liquid Preferred Guarantees (LWHLPG), as of December 31, 2016 and 2015, the following percentages are applied:

Risk category	LWG %	LWPG %	LWRLPG %	LWPSLG %
With potential problems	5.00	2.50	1.25	1.00
Substandard	25.00	12.50	6.25	1.00
Doubtful	60.00	30.00	15.00	1.00
Loss	100.00	60.00	30.00	1.00

For loans subject to substitution of credit counterparty, Note 2(e), the provision requirement depends on the classification of the respective counterparty, for the amount covered, regardless of the debtor’s credit risk classification, applying the percentages indicated above.

Translation of financial statements originally issued in Spanish - Note 26

Notes to the financial statements (continued)

(e) The changes in the provision for loan losses (direct and indirect) were as follows:

	Commercial S/(000)	Mortgage S/(000)
Balance at the beginning of the year	290,826	174,870
Provision recognized as year expenses, net of recovery of written-off balances	141,211	46,539
Provision recoveries	(89,748)	(21,486)
Recovery of written-off balances	527	1
Written-off portfolio and sales	(14,116)	(978)
Exchange difference, net	(2,689)	(1,112)
Balance at the end of the year	326,011	197,834

	Commercial S/(000)	Mortgage S/(000)
Balance at the beginning of the year	268,884	134,562
Provision recognized as year expenses, net of recovery of written-off balances	141,544	37,303
Provision recoveries	(84,145)	(4,392)
Recovery of written-off balances	5,161	-
Written-off portfolio and sales	(50,878)	(93)
Exchange difference, net	10,260	7,490
Balance at the end of the year	290,826	174,870

	Commercial S/(000)	Mortgage S/(000)
Balance at the beginning of the year	199,576	100,242
Provision recognized as year expenses, net of recovery of written-off balances	109,785	35,795
Provision recoveries	(45,374)	(4,366)
Recovery of written-off balances	1,347	-
Written-off portfolio and sales	(6,028)	(122)
Exchange difference, net	9,578	3,013
Balance at the end of the year	268,884	134,562

(*) The provision for loan losses includes the provisions for indirect loans and for credit risk related to over-indebtedness amount as of December 31, 2016, 2015 and 2014, respectively, which are presented in the "Provisions and other liabilities" caption of

In Management's opinion, the provision for loan losses recorded as of December 31, 2016, 2015 and 2014, is constituted as of those dates.

Translation of financial statements originally issued in Spanish -
 Note 26

Notes to the financial statements (continued)

- (f) Interest rates on loans are freely determined, based on the rates prevailing on the Peruvian market.
- (g) Interests, commissions and expenses over loans or installments that are refinanced, past due, under legal collection, or classified in the “Doubtful” or “Loss” categories, are recorded as “Suspended interest income” and are recognized in the income statements when effectively collected. The amounts not recognized as income for this concept amounted S/351,166,000, S/307,725,000 and S/226,656,000 as of December 31, 2016, 2015 and 2014, respectively.
- (h) The table below presents the direct loan portfolio as of December 31, 2016 and 2015, classified by maturity dates:

	2016 S/(000)	2015 S/(000)
Outstanding -		
Due within 1 month	2,730,423	2,468,435
More than 1 to 3 months	3,021,291	3,031,402
More than 3 months to 1 year	4,962,832	4,941,765
More than 1 to 5 years	10,057,821	9,532,393
More than 5 years	4,761,799	4,516,960
	<u>25,534,166</u>	<u>24,490,955</u>
Past due -		
Due within 4 months	155,765	155,341
More than 4 months	242,499	207,987
Loans in legal collection	295,056	225,778
	<u>26,227,486</u>	<u>25,080,061</u>

Translation of financial statements originally issued in Spanish -
Note 26

Notes to the financial statements (continued)

6. Investments in subsidiaries and associates

(a) This caption is made up as follows:

	Ownership percentage		Book value	
	2016 %	2015 %	2016 S/(000)	2015 S/(000)
Investments in subsidiaries				
Interfondos S.A. Sociedad Administradora de Fondos Mutuos (c)	100.00	100.00	55,468	60,532
Internacional de Títulos Sociedad Titulizadora S.A. – Intertítulos S.T.	100.00	100.00	9,719	8,881
Compañía de Servicios Conexos, Expressnet S.A.C.	100.00	100.00	7,864	8,674
Corporación Inmobiliaria de La Unión 600 S.A.	100.00	100.00	5,755	5,794
Contacto Servicios Integrales de Crédito y Cobranzas S.A.	100.00	100.00	442	442
Inversiones Huancavelica S.A.	100.00	100.00	100	100
Sub total			79,348	84,423
Investments in associates				
Procesos MC Perú S.A.	50.00	50.00	36,618	35,721
Compañía Peruana de Medios de Pago S.A.C. – Visanet	16.16	16.16	7,027	5,823
La Fiduciaria S.A.	35.00	35.00	4,835	4,780
Other	-	-	3,490	3,405
Sub total			51,970	49,729
Total			131,318	134,152

(b) During 2016, 2015 and 2014, as a result of applying the equity accounting method on its investments in subsidiaries and associates, the Bank recorded gains for approximately S/34,093,000, S/34,195,000 and S/33,186,000, respectively, which are included in the “Gain on financial transactions” caption in the income statements; Note 18. In 2016, 2015 and 2014, the Bank received dividends from its subsidiaries and associates amounting to approximately S/36,776,000, S/27,479,000 and S/39,528,000, respectively, decreasing the value of investments as indicated in Note 2(h).

(c) Interfondos S.A. Sociedad Administradora de Fondos was established in July 1994 with the purpose of undertaking the administration of mutual funds and investment funds authorized to operate by the Superintendencia del Mercado de Valores (Superintendence of the Securities Market, “SMV” by its Spanish acronym). As of December 31, 2016 and 2015, Interfondos managed mutual and investment funds which amounted to approximately S/3,511 million and S/2,927 million, respectively.

Translation of financial statements originally issued in Spanish - Note 26

Notes to the financial statements (continued)

(d) A summary of the main data of the financial statements of the Bank's major subsidiaries and associates as of December 31, 2016

	Activity	Assets	
		2016 S/(000)	2015 S/(000)
Subsidiaries -			
Interfondos S.A. - Sociedad Administradora de Fondos Mutuos	Funds management	61,497	61,497
Internacional de Títulos Sociedad Titulizadora S.A. – Intertítulos S.T.	Fiduciary services	10,142	10,142
Compañía de Servicios Conexos, Expressnet S.A.C.	Credit card management	34,467	34,467
Corporación Inmobiliaria de La Unión 600 S.A.	Real estate	5,716	5,716
Associate -			
Procesos MC Perú S.A.	Credit card management	190,985	190,985
Compañía Peruana de Medios de Pago S.A.C. - Visanet	Credit card management	238,426	238,426
La Fiduciaria S.A.	Fiduciary services	18,877	18,877

Translation of financial statements originally issued in Spanish -
Note 26

Notes to the financial statements (continued)

7. Property, furniture and equipment, net

(a) The movement of property, furniture and equipment and accumulated depreciation for the years ended December 31,

Description	Land S/(000)	Buildings and facilities S/(000)	Furniture and equipment S/(000)
Cost			
Balance as of January 1	76,115	486,103	491,846
Additions	-	1,916	22,117
Transfers	-	2,112	16,817
Disposals and write-offs	-	(11)	(20,848)
Balance as of December 31	<u>76,115</u>	<u>490,120</u>	<u>509,932</u>
Accumulated depreciation			
Balance as of January 1	-	344,451	358,039
Depreciation for the year	-	12,608	41,526
Disposals and write-offs	-	(9)	(20,425)
Balance as of December 31	<u>-</u>	<u>357,050</u>	<u>379,140</u>
Net book value	<u>76,115</u>	<u>133,070</u>	<u>130,792</u>

(b) Financial entities in Peru are prohibited from pledging their fixed assets.

(c) Management periodically reviews the depreciation method applied, in order to assure that it is consistent with the economic conditions of December 31, 2016, 2015 and 2014.

(d) With SBS authorization, in prior years the Bank recorded voluntary revaluations over certain fixed assets at their fair value, which generated a deferred Income Tax liability; see Note 12(a). As of December 31, 2016 and 2015, the value of the revaluations performed was S/130,792 and S/130,792, respectively.

Translation of financial statements originally issued in Spanish -
Note 26

Notes to the financial statements (continued)

8. Other assets, net and provisions and other liabilities

(a) This caption is made up as follows:

	2016 S/(000)	2015 S/(000)
Other assets, net		
Financial instruments		
Accounts receivable related to derivative financial instruments (b)	208,965	333,963
Accounts receivable from sale of investments (c)	105,029	16,471
Other accounts receivable, net	86,766	106,521
Transactions in process (d)	36,409	24,332
Investment fund participation (e)	18,005	26,990
Credit card commission receivables	14,845	17,863
	<u>470,019</u>	<u>526,140</u>
Non-financial instruments		
Intangible assets, net (f)	238,812	166,052
Value Added Tax credit (g)	51,354	121,117
Deferred charges	36,923	27,487
Paid tax to recover	40,022	17,973
Rights paid to related entity (h)	13,390	16,819
Prepaid leases	8,633	8,596
Other	9,864	10,593
	<u>398,998</u>	<u>368,637</u>
Total	<u>869,017</u>	<u>894,777</u>
Provisions and other liabilities		
Financial instruments		
Other accounts payable	302,064	325,574
Accounts payable related to derivate financial instruments (b)	226,128	366,487
Transactions in process (d)	113,419	80,400
Workers' profit sharing and salaries payable	92,426	100,070
Provision for losses on indirect loan portfolio (contingent loans) and over-indebtedness risk, Note 5(e)	79,586	90,780
Accounts payable for acquisition of investments (c)	7,874	46,672
Dividends payable	161	150
	<u>821,658</u>	<u>1,010,133</u>
Non-financial instruments		
Provisions for other contingencies (i)	21,704	21,644
Deferred income	20,780	25,153
Taxes payable	17,000	57,910
Other	51,616	40,757
	<u>111,100</u>	<u>145,464</u>
Total	<u>932,758</u>	<u>1,155,597</u>

Translation of financial statements originally issued in Spanish - Note 26

Notes to the financial statements (continued)

- (b) The risk of derivative contracts arises from the probability that the counterparty won't comply with the agreed terms and

The following table presents, as December 31, 2016 and 2015, the fair value of derivative financial instruments recorded on the balance sheet. The fair value of a derivative is the value of the derivative's underlying asset and is the base over which changes in the value of derivatives are measured.

	Note	2016			Maturity
		Assets S/(000)	Liabilities S/(000)	Notional amount S/(000)	
Derivatives held for trading -					
Forward exchange contracts		45,115	20,741	3,961,083	Between January 2017 and
Interest rate swaps		26,878	18,263	2,761,079	Between December 2017 and D
Currency swaps		134,693	121,655	1,464,297	Between January 2017 and J
Cross currency swaps (*)		-	64,545	197,528	January 2023
Options		432	924	192,573	Between January 2017 and
		<u>207,118</u>	<u>226,128</u>	<u>8,576,560</u>	
Derivatives held as hedges -					
Cash flow hedges:					
Interest rate swaps (IRS)	10(d)	499	-	167,800	January 2018
Interest rate swaps (IRS)	10(e)	967	-	167,800	October 2018
Interest rate swaps (IRS)	10(f)	381	-	134,240	August 2018
Interest rate swaps (IRS)	10(h)	-	-	-	-
		<u>1,847</u>	<u>-</u>	<u>469,840</u>	
		<u>208,965</u>	<u>226,128</u>	<u>9,046,400</u>	

- (*) This hedge was reversed as of December 31, 2015; in accordance with the guidelines established by the SBS, the unrealized derivative gains were transferred to the shareholders' equity which amounted to S/16,949,000 was transferred to the "Retained earnings" caption; therefore, since Ja

As of December 31, 2016 and 2015, the Bank holds forward exchange contracts and currency and interest rate swaps, (equivalent to S/192,137,000) and US\$98,652,000 (equivalent to S/336,504,000), respectively; see Note 3.

- (c) As of December 31, 2016 and 2015, corresponds to accounts receivable and payable from sales and acquisitions of tra month.
- (d) Transactions in process are related to deposits received, loans disbursed and collected, funds transferred and other si financial position in the following month. These transactions do not affect the Bank's results as of December 31, 2016 o

Translation of financial statements originally issued in Spanish - Note 26

Notes to the financial statements (continued)

(e) Corresponds to certificates of participation that the Bank holds in an investment fund dedicated to grant leases to local and according to SBS instructions, these certificates are recorded at their amortized cost, and are presented as an acc Bank recognized income as a yield of approximately S/4,680,000, S/2,932,000 and S/2,948,000, respectively, which net” caption in the income statements; see Note 20.

(f) The movement in intangible assets and accumulated amortization for the years ended December 31, 2016, 2015 and 20

Description	Software S/(000)	In-transit software S/(000)	Total 2016 S/(000)
Cost			
Balance as of January 1	355,824	21,768	377,592
Additions	43,785	86,331	130,116
Transfers	19,353	(19,353)	-
Balance as of December 31	<u>418,962</u>	<u>88,746</u>	<u>507,708</u>
Accumulated amortization			
Balance as of January 1	211,540	-	211,540
Amortization for the year	57,356	-	57,356
Balance as of December 31	<u>268,896</u>	<u>-</u>	<u>268,896</u>
Net book value	<u>150,066</u>	<u>88,746</u>	<u>238,812</u>

Management assesses periodically the amortization method applied with the purpose of ensuring that it is consistent with Management’s opinion, there is no evidence of impairment of the intangibles maintained by the Bank as of December

(g) Corresponds to the Value Added Tax (henceforth “IGV”, by its Spanish acronym) resulting from the purchase of goods carried out by the Bank, to be recovered through the collection of the corresponding lease installments.

(h) In December 2003, the Bank entered into a 15 year concession agreement with Supermercados Peruanos S.A., a related party, inside the stores of Supermercados Peruanos S.A. Under this agreement, the Bank paid an amount in foreign currency which is being amortized over a 15 year period. In addition, during 2009 the Bank entered into a new concession agreement with stores of Supermercados Peruanos S.A., for approximately S/16,494,000, which was amortized during the period of the

During 2016, the Bank recorded for said concepts an expense of approximately S/3,319,000 (S/4,768,000 during 2015) captioned as “Administrative expenses” caption in the income statements.

(i) As of December 31, 2016 and 2015, include provisions for sundry legal contingencies originated from ongoing lawsuits and operations. The Bank establishes provisions for such law suits when, in the opinion of Management and its internal legal department, the amount assumed by the Bank and the amount can be reliably estimated.

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Note 26

Notes to the financial statements (continued)

9. Deposits and obligations

(a) This caption is made up as follows:

	2016 S/(000)	2015 S/(000)
Savings deposits	8,876,279	8,177,358
Time deposits (d)	7,952,674	7,791,155
Demand deposits	7,833,997	7,768,431
Compensation for service time	1,490,213	1,388,849
Deposits in guarantee (*)	565,889	562,842
Other obligations	5,701	5,485
Total	<u>26,724,753</u>	<u>25,694,120</u>

(*) As of December 31, 2016 and 2015, includes deposits made by customers as guarantees relating to direct and indirect loans granted by the Bank for approximately S/363,935,000 and S/415,466,000, respectively.

(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, 2016 and 2015, approximately S/8,269,694,000 and S/7,556,786,000, respectively, of deposits and obligations are covered by the Deposit Insurance Fund. Likewise, at those dates the coverage of the "Deposit Insurance Fund" by each client is up to S/97,644 and S/96,246, respectively.

(d) The table below presents the balance of time deposits classified by maturity as of December 31, 2016 and 2015:

	2016 S/(000)	2015 S/(000)
Due within 1 month	2,707,908	3,848,263
More than 1 to 3 months	2,279,277	1,723,499
More than 3 months to 1 year	2,626,270	1,966,908
More than 1 to 5 years	319,681	252,009
More than 5 years	19,538	476
Total	<u>7,952,674</u>	<u>7,791,155</u>

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Note 26

Notes to the financial statements (continued)

10. Debts and financial obligations

(a) This caption is made up as follows:

	2016 S/(000)	2015 S/(000)
By type -		
Promotional credit lines (b)	1,610,587	1,628,189
Loans received from foreign entities (c)	552,986	1,443,444
	<u>2,163,573</u>	<u>3,071,633</u>
Interest and commissions payable	5,956	16,241
	<u>2,169,529</u>	<u>3,087,874</u>
By term -		
Short term	177,921	1,338,814
Long term (i)	1,991,608	1,749,060
	<u>2,169,529</u>	<u>3,087,874</u>
Total	<u>2,169,529</u>	<u>3,087,874</u>

(b) The promotional credit lines represent loans in soles and US dollars received from Corporación Financiera de Desarrollo (COFIDE) with the purpose of promoting development in Peru. These liabilities are guaranteed with loan portfolio up to the amount of the used line and includes specific agreements on how it should be used the funds, the financial conditions that must be maintained and other administrative matter. In the opinion of Management, the Bank is complying with these requirements. These loans accrued interests at effective annual rates between 4.13 and 10.00 percent during 2016 and had maturities between January 2019 and November 2031, as of December 31, 2016 (4.02 and 9.85 percent effective annual interest rates and maturities between April 2016 and December 2029, as of December 31, 2015).

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 Note 26

Notes to the financial statements (continued)

(c) As of December 31, 2016 and 2015, includes the following:

Entity	Country	Currency	Final
HSBC Bank PLC (d)	England	US\$	
Wells Fargo Bank & Co. (e)	United States of America	US\$	
JP Morgan Chase (f)	United States of America	US\$	
Banco Latinoamericano de Exportaciones - BLADEX	Multilateral	US\$	
Sumitomo Bank	United States of America	US\$	
Syndicated loan (g)	-	US\$	
Bank of America N.A.	United States of America	US\$	
Corporación Andina de Fomento	Multilateral	US\$	
Deutsche Bank – Securitized loan (h)	Germany	US\$	
China Development Bank	China	US\$	

Transactions with foreign entities bear an effective annual average interest rate of 2.48 percent in 2016 (2.40 percent in 2015).

Some of the loan agreements include standard clauses requiring the Bank to meet certain financial ratios, use of funds, and other covenants. In Management’s opinion, said standard clauses do not limit the normal operation of the Bank and have been met in accordance with the terms of the agreements.

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Notes to the financial statements (continued)

(d) Corresponds to a loan received in December 2015 for US\$50,000,000, which bears interest at a 3 month Libor rate plus 0.90 percent. In July 2016, the Bank signed an interest rate swap contract, which was designated as cash flow hedge; see Note 8(b). Through this transaction the loan was economically converted into a fixed rate obligation.

(e) Includes two loans received in September 2016 for US \$40,000,000 and US\$10,000,000 which bear interest at a 3 month Libor rate plus 1.20 percent and at a 3 months Libor rate plus 1.10 percent, respectively. In October 2016, the Bank signed two interest rate swaps contracts, which were designated as cash flow hedges; see Note 8(b). Through these operations the loans were economically converted into fixed rate obligations.

As of December 31, 2015, includes two loans received in December 2013 and 2015 for US\$30,000,000 and US\$20,000,000, respectively. These loans matured in January 2016 and March 2016 and accrued interest at a 6 month Libor rate plus 1.50 percent and 1 month Libor rate plus 0.35 percent, respectively.

(f) Corresponds to a loan received in July 2016 for US\$40,000,000 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 8(b). Through this operation the loan was economically converted into a fixed rate obligation.

As of December 31, 2015, corresponded to a loan received in October 2015 for US\$20,000,000. This loan expired in January 2016 and accrued interest at a 1 month Libor rate plus 0.35 percent.

(g) Corresponded to a syndicated loan received in July 2013 for approximately US\$200,000,000. Fifteen foreign financial entities participated, including Bank of America N.A. (USA) and Citibank N.A. (USA) which participated with US\$40,000,000 each. This loan matured in October 2016 and accrued an annual interest of 6-month Libor plus a 1.85 percent spread.

(h) This loan was received on June 2009 and matured in October 2016, accrued interest at a 3-month Libor rate plus 4.25 percent, it had no specific guarantees or conditions for its use and was obtained through an agreement with IBK DPR Securitizadora, a special purpose entity.

IBK DPR Securitizadora issued long-term negotiable notes for the same amount and maturities as the loan obtained by the Bank; the notes accrued interests at 3-month Libor rate plus 4.25 percent and were guaranteed by remittances received by the Bank through SWIFT transfers, by which they were transferred by the Bank to IBK DPR Securitizadora upon received.

Translation of financial statements originally issued in Spanish - Note 25

Notes to the financial statements (continued)

For this transaction, the Bank has entered into an interest-rate swap, for which it received the 3-month Libor rate plus a spread of 4.25 percent and paid an annual fixed rate of 7.9 percent, which was accounted as a cash-flow hedge; see Note 8(b).

- (i) As of December 31, 2016 and 2015, the payment schedule of these long-term obligations is the following:

Year	2016 S/(000)	2015 S/(000)
2017	-	144,695
2018	605,437	311,681
2019	130,319	133,900
2020 onwards	1,255,852	1,158,784
Total	1,991,608	1,749,060

Translation of financial statements originally issued in Spanish - Note 26

Notes to the financial statements (continued)

11. Bonds and other obligations

(a) This caption is made up as follows:

	Annual interest rate	Interest payment	Maturity	Issued amount (000)
Local issuances				
Subordinated bonds – 1st program (b)				
2nd issuance (B series)	9.50%	Semiannually	2023	US\$30,000
3rd issuance (A series)	3.5% + VAC	Semiannually	2023	S/110,000
5th issuance (A series)	8.50%	Semiannually	2019	S/3,300
6th issuance (A series)	8.16%	Semiannually	2019	US\$15,111
8th issuance (A series)	6.91%	Semiannually	2022	S/137,900
Subordinated bonds – 2nd program (b)				
2nd issuance (A series)	5.81%	Semiannually	2023	S/150,000
3rd issuance (A series)	7.50%	Semiannually	2023	US\$50,000
Total local issuances				
International issuances				
Subordinated bonds (c)	6.625%	Semiannually	2029	US\$300,000
Junior subordinated notes (d)	8.50%	Semiannually	2070	US\$200,000
Senior bonds – 1st issuance (e)	5.75%	Semiannually	2020	US\$400,000
Senior bonds – 2nd issuance (e)	5.75%	Semiannually	2020	US\$250,000
Total international issuances				
Total local and international issuances				
Interest payable				
Total				

Translation of financial statements originally issued in Spanish - Note 26

Notes to the financial statements (continued)

- (b) Subordinated bonds do not have specific guarantees and, according to the established by the SBS, qualify as second tier equity ("Tier 2") in the determination of the regulatory capital.
- (c) Starting in March 2024, the interest rate becomes a variable interest 3-month Libor rate for US dollar deposits plus 576 basis points payable quarterly. Starting on that date and on any interest payment date, the Bank can redeem 100 percent of the notes without penalties. In accordance with SBS regulation, this issuance qualifies as second tier equity ("Tier 2") in the determination of effective equity.

As of December 31, 2016, Management does not intend to redeem these bonds before their maturity date.

- (d) Since April 2020, the interest rate becomes a floating rate equal to the 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, the Bank can redeem 100 percent of the notes, without penalties. Interest payments are non-cumulative if an interest payment is not performed in full or cancelled as set forth, due to the Bank's right to cancel interest payments, a mandatory prohibition established by the SBS, or if the SBS determines that the Bank is in non-compliance with applicable minimum regulatory capital requirements. In such cases, the Bank will not declare, pay or distribute any dividend for the period in which interest payments are not made. The principal payment will take place at the maturity date or when the Bank redeems the bonds.

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 to be considered as Tier 1 for the regulatory capital; any excess qualifies as Tier 2 equity.

As of December 31, 2016, Management does not intend to redeem these bonds before their maturity date.

- (e) Starting in April 2016, the Bank can redeem the bonds, at any coupon payment date, paying as a penalty an interest rate equal to the United States of America Treasury Bonds plus 50 basis points.

As of December 31, 2016, Management does not intend to redeem these bonds before their maturity date.

- (f) International issuances are listed at the Luxemburg Stock Exchange. Local and international issuances maintain certain financial and operating covenants which in Management's opinion, the Bank has complied with at the dates of the statements of financial position.

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Note 26

Notes to the financial statements (continued)

- (g) The table below presents the repayment schedule of these obligations as of December 31, 2016 and 2015:

Year	2016 S/(000)	2015 S/(000)
2016	-	68,239
2017	67,094	-
2019 onwards	4,531,933	4,622,436
Total	4,599,027	4,690,675

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Notes to the financial statements (continued)

12. Income Tax deferred asset, net

(a) The table below presents the detail of the changes in this caption:

	Balance as of January 1, 2014 S/(000)	(Debit) credit to income S/(000)	(Debit) credit to equity S/(000)
Deferred asset			
Loan portfolio generic provision and other provisions	111,959	11,118	-
Unrealized loss from fluctuation in available-for-sale investments	1,404	-	2,424
Unrealized losses (gains) from the valuation of derivatives for hedging purposes	10,816	-	(1,768)
Total deferred asset	124,179	11,118	656
Deferred liability			
Amortization of intangibles	(30,192)	3,151	-
Unrealized gains from fluctuations in available-for-sale investments	(11,132)	-	(10,376)
Voluntary revaluation of fixed asset 7(d)	(11,627)	1,835	-
Other	(8,401)	(2,583)	-
Total deferred liability	(61,352)	2,403	(10,376)
Total deferred asset, net	62,827	13,521	(9,720)

(b) The table below presents the amounts reported in the income statements for the years ended:

	2016 S/(000)	2015 S/(000)	2014 S/(000)
Current - Expenses	294,471	341,056	289,536
Deferred – Expenses (Income)	1,346	(32,441)	(13,521)
Total	295,817	308,615	276,015

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Note 26

Notes to the financial statements (continued)

- (c) The table below presents the reconciliation of the effective Income Tax rate to the statutory Income Tax rate for the year ended December 31, 2016.

	2016		2015
	S/(000)	%	S/(000)
Income before Income Tax	1,170,892	100.00	1,168,956
Theoretical tax (28% in 2016 and 2015 and 30% in 2014)	327,850	28.00	327,308
Effect of non-taxable income			
Revenue exempt from taxation	(55,510)	(4.74)	(39,591)
Effect of non-deductible expenses			
Non-deductible expenses	33,910	2.89	20,898
Effect of change in tax rate on deferred income (d)	(10,433)	(0.89)	-
Expenses recognized for Income Tax	295,817	25.26	308,615

- (d) Due to the increase in the Income Tax rate mentioned in Note 14(a), as of December 31, 2016, the Bank recorded an income tax liability, respectively, resulting in a net income of S/10,433,000, which was included in the caption "Income Tax" of the balance sheet.
- (e) In Management's opinion, the deferred Income Tax asset will be recovered from the taxable income that will be generated in the future and recorded in shareholders' equity.

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Notes to the financial statements (continued)

13. Shareholders' equity

(a) Capital stock -

As of December 31, 2016, 2015 and 2014, the Bank's capital stock is represented by approximately 2,670,725,000, 2,291,199,000 and 1,972,290,000 common shares, respectively, which are fully subscribed and paid-in, each with a nominal value of one Peruvian Sol.

The General Shareholders' Meeting held on March 31, 2016, agreed to capitalize the earnings generated in 2015, net of legal reserve and distribution of dividends, for approximately S/379,526,000. Dividends distributed amounted to approximately S/379,527,000.

The General Shareholders' Meeting held on March 25, 2015, agreed to capitalize the earnings generated in 2014, net of legal reserve and distribution of dividends, for approximately S/318,909,000. Dividends distributed amounted to approximately S/318,908,000.

The General Shareholders' Meeting held on March 31, 2014, agreed to capitalize the earnings generated in 2013, net of legal reserve and distribution of dividends, for approximately S/292,064,000. Dividends distributed amounted to approximately S/290,317,000.

The General Shareholders' Meeting held on March 31, 2016, approved the Bank's dividend policy for the years 2016 to 2018, which establishes the distribution of at least 20 percent of earnings recorded in each of said periods; which will be subject to the annual approval of the General Shareholders' Meeting.

Under current regulations, there are no restrictions governing dividend distributions abroad or the repatriation of foreign capital.

(b) Treasury stock -

As of December 31, 2016, 2015 and 2014, this item corresponds to 18,387,000 Bank shares with an acquisition cost of approximately S/33,910,000.

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Note 25

Notes to the financial statements (continued)

(c) Legal and special reserves -

Pursuant to current legislation, the Bank is required to establish a legal reserve for an amount equivalent to at least 35 percent of its paid-in capital; this legal reserve is funded through an annual appropriation of at least 10 percent of net income and can only be used to absorb losses or be capitalized. In both cases, the Bank is required to replenish it.

The General Shareholders' Meetings held on March 31, 2016, March 25, 2015 and March 31, 2014, approved the appropriation of legal reserves for 2015, 2014 and 2013, for approximately S/84,339,000, S/70,869,000 and S/64,709,000, respectively.

The General Shareholders' Meeting held on March 29, 2004, approved the creation of a special reserve amounting to S/10,822,000, through the transfer of income generated in 2003. The Bank is not allowed to distribute or use this special reserve without prior authorization by the SBS.

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Notes to the financial statements (continued)

(d) Unrealized results from financial instruments

The unrealized results includes the unrealized gains (losses) from the valuation of available-for-sale investments and cash flow hedges, and the unrealized gain from the changes in the subsidiaries and associates equity resulting from using the unrealized gains (losses) during the years 2016, 2015 and 2014, presented net of their tax effect, and are as follows:

	Available-for-sale investments S/(000)	Cash flow derivatives S/(000)
Balance as of January 1, 2014	(12,662)	(2,340)
Unrealized gain from available-for-sale investments, net of unrealized loss	49,317	
Transfer of realized gain from available-for-sale investments to the income statements, net of realized loss	(25,340)	
Unrealized gain on cash flow hedges	-	
Transfer of realized gain on cash flow hedges to the income statements, Note 8(b)	-	(2,340)
Net unrealized gain in equity of subsidiaries and associates	-	-
Balance as of December 31, 2014	11,315	(2,340)
Unrealized loss from available-for-sale investments, net of unrealized gain	(89,193)	
Transfer of realized gain from available-for-sale investments to the income statements, net of realized loss	(9,581)	
Transfer of loss on impairment of available-for-sale investments to the income statements, Note 4(g)	2,362	
Accrual unrealized loss from held-to-maturity investments to the income statements, Note 4(i)	1,511	
Unrealized gain on cash flow hedges	-	
Transfer of realized loss from cash flow hedge to the income statements	-	
Transfer of realized loss from cash flow hedge to the retained earnings, Note 8(b)	-	1,511
Net unrealized gain in equity of subsidiaries and associates	-	-
Balance as of December 31, 2015	(83,586)	-
Unrealized gain from available-for-sale investments, net of unrealized loss	161,983	
Transfer of realized gain from available-for-sale investments to the income statements, net of realized loss	(28,082)	
Accrual unrealized loss from held-to-maturity investments to the income statements, net of realized gain, Note 4(i)	2,537	
Unrealized gain on cash flow hedges	-	
Transfer of realized loss from cash flow hedge to the income statements	-	
Net unrealized loss in equity of subsidiaries and associates	-	-
Balance as of December 31, 2016	52,852	-

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Notes to the financial statements (continued)

(e) Components of other comprehensive income

The statements of comprehensive income include other comprehensive income from available-for-sale investments, derivative financial instruments used as cash flow hedges and investments in associates and subsidiaries. Its respective movement is detailed below:

	2016 S/(000)	2015 S/(000)	2014 S/(000)
Available-for-sale investments:			
Unrealized gain (loss) from available-for-sale investments	161,983	(89,193)	49,317
Transfer of realized gain from available-for-sale investments, net of realized loss	(28,082)	(9,581)	(25,340)
Transfer of loss on impairment from available-for-sale investments to the income statements, Note 4(g)	-	2,362	-
Transfer of realized loss from held-to-maturity investments to the income statements	2,537	1,511	-
Sub total	136,438	(94,901)	23,977
Income Tax	42,150	(24,793)	7,952
	<u>178,588</u>	<u>(119,694)</u>	<u>31,929</u>
Cash flow hedges:			
Net unrealized gain from cash flow hedges	1,111	3,190	1,857
Transfer of realized loss from cash flow hedges to the income statements	648	4,794	(2,005)
Transfer of realized loss from cash flow hedge to the income statements, Note 8(b)	-	16,949	-
Sub total	1,759	24,933	(148)
Income Tax	723	2,278	1,768
	<u>2,482</u>	<u>27,211</u>	<u>1,620</u>
Investments in associates and subsidiaries:			
Net (loss) gain from investments in associates and subsidiaries	(864)	1,828	1,136
Sub total	(864)	1,828	1,136
Income Tax	-	-	-
	<u>(864)</u>	<u>1,828</u>	<u>1,136</u>

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Notes to the financial statements (continued)

(f) Shareholders' equity for legal purposes (Regulatory Capital)

According to Legislative Decree No.1028, regulatory capital must be equivalent to or more than 10 percent of the total risk weighted assets and contingent operations, 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 weighted assets and contingent credits by credit risk.

As of December 31, 2016 and 2015, pursuant to Legislative Decree No.1028 and amendments, the Bank keeps the following amounts related to weighted assets and contingent credits by total risk and regulatory capital (basic and supplementary), in thousands of soles:

	2016 S/(000)	2015 S/(000)
Total risk weighted assets and credits	35,475,270	34,951,504
Total regulatory capital	5,638,867	5,427,924
Basic regulatory capital (Level 1)	3,789,347	3,454,244
Supplementary regulatory capital (Level 2)	1,849,520	1,973,680
Global regulatory capital ratio	15.90%	15.53%

As of December 31, 2016 and 2015, the Bank has complied with the SBS Resolutions No.2115-2009, No.6328-2009 and No.14354-2009, Regulations for Regulatory Capital Requirements for Operational Risk, Market Risk and Credit Risk, respectively, and their amendments. These resolutions established, mainly, the methodologies to be applied by financial entities to calculate the weighted assets and credits for each type of risk.

In July 2011, the SBS issued Resolution No.8425-2011, which states that an entity must determine an additional regulatory capital. In this sense, Peruvian financial institutions must 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 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 rates risk in the banking book, among others.

Likewise, the Bank has a term of five years starting in July 2012 to adequate its regulatory capital to the new requirements. As of December 31, 2016, the percentage of adequacy established by SBS is 100 percent, therefore the additional requirement of equity for legal purposes estimated by the Bank amounts to approximately S/657,852,000 (S/569,358,000 considering an adequacy ratio of 85 percent established by the SBS as of December 31, 2015).

In Management's opinion, the Bank has complied with the requirements set forth in the aforementioned Resolution.

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Notes to the financial statements (continued)

14. Tax situation

- (a) The Bank is subject to the Peruvian tax legislation. As of December 31, 2016 and 2015, the statutory Income Tax rate was 28 percent and as of December 31, 2014, was 30 percent, on the taxable income.

Through Legislative Decree No.1261, published on December 10, 2016, the rate applicable to the third category Income Tax of domiciled taxpayers was modified, establishing a rate of 29.5 percent which shall enter into force starting on January 1, 2017.

Also, through the aforementioned Legislative Decree, the rate applicable to dividends and any other form of distribution of Peruvian source income was modified and established at 5 percent. Said rate is applicable starting on January 1, 2017. Retained earnings or other items likely to generate taxable dividends referred in Article 24- A of the Income Tax Act, obtained between January 1, 2015 and December 31, 2016, which are part of the distribution of dividends or any other form of distribution of profits, will be subject to the rate of 6.8 percent, except for the assumption established in subsection g) of Article 24-A, to which the rate of 4.1 percent will be applied.

- (b) Since 2011, with the amendment introduced by Act No.29645 on the Income Tax Act, interest and other income generated by foreign loans granted to the Peruvian National Public Sector must also be included as an item exempted from the Income Tax.

Likewise, there are considered income from Peruvian sources those obtained from the indirect disposal of shares or ownership interests of the capital stock of legal entities domiciled in Peru. For such purposes, an indirect disposal shall be considered to occur upon the sale of shares or ownership interests of the capital stock of a legal entity not domiciled in the country that, in turn, is the owner – whether directly or through one or more other legal entities – of shares or ownership interests of the capital stock of one or more legal entities domiciled in the country, provided certain conditions established by law are met. This situation also occurs in those cases where the issuer is jointly and severally liable.

Currently, the Income Tax Act establishes that a case of indirect transfer of shares occurs when, in any of the twelve (12) months prior to the disposal, the market value of the shares or ownership interests of the domiciled legal entity is equivalent to 50 percent or more of the market value of the shares or ownership interests of the non-domiciled legal entity. Additionally, as a concurrent condition, it is established that a case of indirect transfer of shares also occurs when, in any period of twelve months, the disposal of shares or ownership interests representing 10 percent or more of the capital stock of a non-domiciled legal entity is performed.

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Notes to the financial statements (continued)

Legislative Decree No. 30341, issued to promote liquidity and integration of the stock market, extended the term of the exemption to Income Tax from the sale of certain securities until December 31, 2019. This exemption includes income resulting from the sale of: i) Debt securities, ii) Certificates of participation in mutual funds for investment in securities, iii) Certificates of participation in Investment Funds for Real Estate Income (FIRBI) and certificates of participation in the Securitization Trust for Investments in Real Estate Income (FIBRA); and iv) Negotiable invoices.

In order to apply the exemption in the case of income arising from the disposal of shares, investment shares, ADR and GDR, and bonds convertible into shares, the following must be complied with:

- The disposal must be done through a mechanism supervised by the SMV (i.e., through the Lima Stock Exchange, "BVL" by its Spanish acronym).
- For a period of 12 months, ownership of 10 percent or more of the total shares issued by the company shall not be transferred. In the case of ADRs and GDRs, the underlying shares are taken into account. Personal transfers and those of related parties are considered.
- Have a stock market listing.

For the other securities included, it is required that the sale is settled through the BVL and has a stock market listing. In the case of negotiable invoices, only the disposal is required to be carried out through the BVL.

Finally, it is incorporated as a cause of loss of the exemption that the issuer delisting the values of the Securities Registry of the Stock Exchange, in whole or in part, in one act or progressively, within the following 12 months after the sale is made. Exceptions will be laid down in the Regulation.

- (c) With regard to the IGV, said tax is not levied on the interest accrued on securities issued by public or private offering by legal entities incorporated or established in Peru; as well as the interest accrued on securities not placed by public offering, when such securities have been acquired through any of the centralized trading mechanisms referred to in the Stock Exchange Act.

Legislative Decree No.1347, published on January 7, 2017, amended the article 17 of the Orderly Unique Text of the IGV Act and the Selective Consumption Tax (IVA), reducing the tax rate to 17 percent. Under the Sole Complementary Final Disposition, the amendment shall be in force since July 1, 2017, provided that the annualized net revenue from the IGV as of May 31, 2017, reaches 7.2 percent of the national GDP.

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Notes to the financial statements (continued)

- (d) For the purpose of determining the Income Tax, the transfer prices agreed for transactions between related entities, or for transactions conducted with or through entities domiciled in low or zero tax countries must be supported by documentation containing information on the valuation methods applied and criteria used in the determination of such prices. In the opinion of Management and its internal legal advisors, the application of these tax standards will not have any material consequences on the Bank's financial statements as of December 31, 2016 and 2015.
- (e) The Tax Authority ("SUNAT", by its Spanish acronym) is legally entitled to review and, if necessary, adjust the Income Tax computed by the Bank during a term of four years following the year in which a tax return was filed. The Bank's Income Tax and VAT for the year 2012 to 2016 are pending review by SUNAT. Given the possible interpretations that SUNAT may give to the legislation in effect, up to date it is not possible to determine whether or not any review to be conducted would result in liabilities for the Bank; any increased tax or surcharge that could arise from possible tax reviews would be applied to the results of the period in which such tax increase or surcharge may be determined.

On the other hand, on April 2004, June 2006, February 2007, June 2007, November 2007, October 2008 and December 2010, the Bank received Tax Assessments and Fine Imposing Resolutions relating to Income Tax returns filed in 2000 to 2006, for all of them the Bank has filed a tax claims and appeals. In March 2009, August 2010 and December 2011, the Tax Authority issued Resolutions of Intendency corresponding to fiscal years 2000 to 2006, for which the Bank presented the appeals respective. On December 5, 2014, the Tax Administration issued Resolution of Intendency No. 0150140011647 declaring partly accepted the appeal filed by the Bank corresponding to the 2001 Income Tax. On the part not accepted by SUNAT, the Bank filed a new appeal. On February 29, 2016, the Bank obtained the Tax Court Resolution No.00783-3-2016, which declares as partially founded the case concerning to the 2001 Income Tax. In the opinion of Management and its legal advisors, any possible additional tax assessment would not have any material consequences on the Bank's financial statements as of December 31, 2016 and 2015.

- (f) During the years 2013 and 2014, the Tax Authority closed the inspection process corresponding to the determination of the Income Tax corresponding to fiscal years 2007, 2008 and 2009, respectively, thus issuing a series of Final Assessment Resolutions without any additional payment of the tax in question.

On January 11, 2016, The Tax Administration closed the partial audit/inspection proceeding corresponding to fiscal year 2013 for withholding of Income Tax from non-domiciled beneficiaries, issuing a series of Final Assessment Resolutions without any additional payment of the tax in question.

On February 3, 2017, the Tax Authority concluded the inspection process corresponding to the 2010 Income Tax; as a result, no additional payments of such tax were determined.

15. Off-balance sheet accounts

- (a) This caption is made up as follows:

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Notes to the financial statements (continued)

	2016 S/(000)	2015 S/(000)
Contingent operations (b)		
Indirect loans, Note 5(a)		
Bank letters of guarantee and stand-by letters of credit	4,187,856	4,643,465
Import and export letters of credit	231,606	283,223
Due from bank acceptances	16,392	27,118
	<u>4,435,854</u>	<u>4,953,806</u>
Financial derivative instruments operations, Note 8(b)	9,046,400	12,373,570
Responsibilities for credit lines (c)	8,423,434	7,463,848
Responsibilities for credit lines – commercial and others (d)	577,449	622,422
Other contingent operations	285,005	1,314,842
Total contingent operations	<u>22,768,142</u>	<u>26,728,488</u>

- (b) In the normal course of its operations, the Bank performs contingent operations (indirect loans). These transactions expose the Bank to additional credit risk beyond the amounts recognized in the statements of financial position.

The credit risk on contingent transactions is related to the probability that one of the parties to the respective agreement does not fulfill the terms laid out in the same. The corresponding contracts consider the amounts that the Bank would assume for credit losses on contingent transactions.

The Bank applies the same credit policies for granting and evaluating the provisions required for direct loans (see Note 5) when performing contingent operations, including obtaining guarantees when it deems it necessary. Guarantees vary and include deposits in financial institutions, securities or other assets.

Taking into account that many of the indirect loans are expected to expire without disburse of funds from the Bank, the total committed amounts do not necessarily represent future cash requirements.

- (c) The consumer credit lines and other consumer loans (credit cards) granted to customers are cancelable when the customer receives notice to that effect.
- (d) It corresponds to commitments of expenditure of future loans that the Bank has pledged to carry out; provided that the borrower comply with the obligations under the loan agreements.
- (e) The Bank provides services of custody, trustee, corporate administration, investment management and consulting to third parties, in which transactions are executed by the Bank on behalf of its customers but they do not bear any responsibility for the Bank regarding those decisions. Said assets are not included in these financial statements.

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Notes to the financial statements (continued)

16. Interest income and expenses

This caption is made up as follows:

	2016 S/(000)	2015 S/(000)	2014 S/(000)
Interest income			
Interest and commissions on loan portfolios	3,473,622	3,169,872	2,726,479
Income from interests over investments	135,502	100,583	71,866
Interest on due from banks and inter-bank funds	18,891	10,569	9,898
Other income	3,256	3,685	2,230
Total Interest income	<u>3,631,271</u>	<u>3,284,709</u>	<u>2,810,473</u>
Interest expenses			
Interest and commissions on deposits and obligations	407,557	310,618	303,575
Interest on bonds and other obligations	309,166	293,704	250,538
Interest and fees on deposits from financial entities	249,025	214,390	141,052
Other expenses	9,338	8,961	10,597
Total Interest expenses	<u>975,086</u>	<u>827,673</u>	<u>705,762</u>

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Notes to the financial statements (continued)

17. Income and expenses from financial services

This caption is made up as follows:

	2016 S/(000)	2015 S/(000)	2014 S/(000)
Income from financial services			
Commission for services	402,448	365,318	328,453
Commissions on contingent operations	60,555	58,978	53,577
Fee for collection services	30,338	26,782	21,983
Income from financial advisory services	24,964	25,536	27,919
Other income related to statements issuances	15,538	20,290	24,917
Other	28,190	31,188	26,767
Total	<u>562,033</u>	<u>528,092</u>	<u>483,616</u>
Expenses relating to financial services			
Insurances	164,182	149,415	131,995
Premiums paid to the Deposit Insurance Fund	35,165	31,096	27,075
Fees paid to foreign banks	9,967	9,361	6,768
Other	28,994	29,360	33,353
Total	<u>238,308</u>	<u>219,232</u>	<u>199,191</u>

18. Gain on financial transactions

(a) This caption is made up as follows:

	2016 S/(000)	2015 S/(000)	2014 S/(000)
Gain on exchange difference and exchange operations	267,067	466,256	191,710
Income from sale and valuation of investments, net	44,633	33,624	39,156
Equity share from investments in subsidiaries and associates, Note 6(b)	34,093	34,195	33,186
Gain on sale of loans (b)	8,207	20,746	12,947
(Loss) gain from trading derivatives, net	(47,654)	(104,691)	10,859
Other	(301)	(484)	(317)
Results on financial operations	<u>306,045</u>	<u>449,646</u>	<u>287,541</u>

(b) During 2016, 2015 and 2014, the Bank sold written-off loans, which amounted to S/302,248,000, S/497,334,000 and S/404,910,000, respectively. These sales were paid in cash and performed with unrelated third parties.

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Notes to the financial statements (continued)

19. Administrative expenses

(a) This caption is made up as follows:

	2016 S/(000)	2015 S/(000)	2014 S/(000)
Services received from third parties (b)	663,241	662,952	582,237
Personnel and Board of Directors expenses (c)	576,512	562,287	526,048
Taxes and contributions	34,212	33,331	30,383
Total	1,273,965	1,258,570	1,138,668

(b) The services received from third parties include mostly transport services for values, repairing and maintenance services, office leases, advertising and public relations expenses, telecommunications costs and professional fees, among other.

(c) The table below presents the composition of personnel and Board of Directors expenses:

	2016 S/(000)	2015 S/(000)	2014 S/(000)
Salaries	411,884	394,067	377,621
Workers' profit sharing	69,161	77,918	62,680
Social security	38,394	36,521	33,773
Severance indemnity expenses ("CTS", by its Spanish acronym)	30,894	29,782	28,905
Vacations, health care and others	26,179	23,999	23,069
Total	576,512	562,287	526,048

The average number of employees for the years 2016, 2015 and 2014, was 7,103, 7,029, and 6,944, respectively.

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Notes to the financial statements (continued)

20. Other income (expenses), net

This caption is made up as follows:

	2016 S/(000)	2015 S/(000)	2014 S/(000)
Lease of ATMs and others	24,040	21,189	19,596
Services granted to third parties	14,690	8,110	6,794
Incentives for credit cards operations	11,676	4,502	142
Investment fund participation, Note 8(e)	4,680	2,932	2,948
Insurance recovery	268	1,686	1,592
Provisions of assets received as payment and seized through legal actions	(569)	(1,211)	(40)
Donations	(5,929)	(4,516)	(7,005)
Termination of employees	(13,486)	(9,874)	(7,873)
Other income (expenses)	11,478	(24,254)	(5,365)
Total other income (expenses), net	46,848	(1,436)	10,789

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Notes to the financial statements (continued)

21. Basic and diluted earnings per share

- (a) The calculation of the weighted average number of shares and basic and diluted earnings per share is as follows:

	Shares outstanding, net of treasury stock (in thousands)	Shares considered in calculation (in thousands)	Days in year	Weighted average number of shares (in thousands)
Year 2014				
Balance as of January 1, 2014	1,661,839	1,661,839	365	1,661,839
Capitalization of retained earnings performed in 2014, Note 13(a)	292,064	292,064	365	292,064
Capitalization of retained earnings performed in 2015, Note 13(a)	-	318,909	365	318,909
Capitalization of retained earnings performed in 2016, Note 13(a)	-	379,526	365	379,526
Balance as of December 31, 2014	<u>1,953,903</u>	<u>2,652,338</u>		<u>2,652,338</u>
Net income as of December 31, 2014				708,686
Basic and diluted earnings per share				<u>0.267</u>
Year 2015				
Balance as of January 1, 2015	1,953,903	1,953,903	365	1,953,903
Capitalization of retained earnings performed in 2015, Note 13(a)	318,909	318,909	365	318,909
Capitalization of retained earnings performed in 2016, Note 13(a)	-	379,526	365	379,526
Balance as of December 31, 2015	<u>2,272,812</u>	<u>2,652,338</u>		<u>2,652,338</u>
Net income as of December 31, 2015				860,341
Basic and diluted earnings per share				<u>0.324</u>
Year 2016				
Balance as of January 1, 2016	2,272,812	2,272,812	365	2,272,812
Capitalization of retained earnings performed in 2016, Note 13(a)	379,526	379,526	365	379,526
Balance as of December 31, 2016	<u>2,652,338</u>	<u>2,652,338</u>		<u>2,652,338</u>
Net income as of December 31, 2016				875,075
Basic and diluted earnings per share				<u>0.330</u>

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Notes to the financial statements (continued)

22. Transactions with related parties

(a) The table below presents the main balances of the accounts the Bank keeps with shareholders, subsidiaries and related parties.

	2016		
	Shareholders (*) S/(000)	Subsidiaries S/(000)	Related parties S/(000)
Assets			
Cash and due from banks	-	-	23,650
Loan portfolio, net (b)	119,100	1	663,163
Available-for-sale investments	597,710	-	12,959
Other assets	545	1,651	23,995
Liabilities			
Deposits and obligations	1,936	26,549	331,028
Securities, bonds and other obligations outstanding	-	751	4,755
Other liabilities	-	16	134
Income (expenses)			
Interest income	8,936	3	53,930
Interest expenses	(233)	(381)	(4,098)
Other, net	885	28,854	(46,035)
Off-balance sheet accounts			
Indirect loans	-	6,500	141,837
Derivatives held for trading	-	-	144,440

(*) Includes the balances and transactions with direct and indirect shareholders. The loan portfolio balance corresponds to Interest Income.

Under Peruvian legislation, all the loans to related parties must be granted on terms not more favorable than terms granted to unrelated parties. The Bank has fulfilled with all requirements set forth in prevailing regulation governing transactions carried out by and with related parties.

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Notes to the financial statements (continued)

- (b) As of December 31, 2016 and 2015, the detail of loans to shareholders and related entities is the following:

	As of December 31, 2016	
	Direct loans S/(000)	Contingent loans S/(000)
Intercorp Perú Ltd.	118,300	-
Supermercados Peruanos S.A.	116,153	-
Homecenters Peruanos S.A.	75,216	10,689
Nessus Hoteles Perú S.A.	80,415	625
Financiera OH S.A.	73,811	338
Colegios Peruanos S.A.C.	50,033	839
Tiendas Peruanas S.A.	26,618	11,019
Procesos de Medios de Pago S.A.	13,638	20,472
San Miguel Industrias Ecuador	32,500	-
Eckerd Perú S.A.	26,725	5,034
Bembos S.A.C.	29,796	1,065
PF Interproperties Perú	-	21,423
San Miguel Industrias PET	9,750	11,342
Cineplex S.A.	3,093	16,193
Domus Hogares del Norte S.A.	19,267	-
EP de Restaurantes S.A.C.	13,761	264
EP Franquicias S.A.C.	13,667	311
Interseguro Compañía de Seguros de Vida S.A.	68	13,181
Corporación Peruana de Restaurantes S.A.	11,970	682
Urbi Propiedades S.A.	10,624	1,467
Servicio de Transferencia Electrónica de Beneficios y Pagos S.A.	806	11,014
Homecenter Peruanos Oriente S.A.C.	11,723	-
Alert del Perú S.A.	9,981	948
Agrícola Don Ricardo S.A.C.	9,924	15
Alameda Colonial S.A.	-	9,718
Nessus Hoteles Perú Selva	9,614	-
Victoria Global Opportunities S.A.C.	-	-
Club de Socios S.A.	-	-
Otros	14,811	11,698
	<u>782,264</u>	<u>148,337</u>

- (c) Loans to personnel -

The Bank grants loans to its employees and officers under terms that are similar to those offered to third parties for the employees mainly relate to mortgage loans and are presented in the "Loan portfolio, net" caption in the statements of than market interest rates; however, all other terms of the loans are substantially the same as those prevailing in the market approximately S/137,363,000 and S/129,278,000, respectively.

- (d) Board of Directors fees -

The total fees paid to the Board of Directors amounted to approximately S/1,470,000, S/1,488,000 and S/1,377,000 for the "Administrative expenses" caption in the income statements.

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Notes to the financial statements (continued)

23. Financial instruments classification

The carrying amounts of financial assets and liabilities of each captions in the statements of financial position classified by co

	As of December 31, 2016				
	Financial assets and liabilities designated at fair value				
	Held for trading or hedging	Loans and receivables	Available-for-sale investments	Held-to-maturity investments	Financial liabilities at amortized cost
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Financial assets					
Cash and due from banks	-	10,957,203	-	-	-
Inter-bank funds	-	5,002	-	-	-
Investments at fair value through profit or loss – trading	10,909	-	-	-	-
Available-for-sale investments	-	-	3,927,729	-	-
Held-to-maturity investments	-	-	-	611,293	-
Loan portfolio, net	-	25,226,907	-	-	-
Other assets, net, Note 8(a)	208,965	261,054	-	-	-
	<u>219,874</u>	<u>36,450,166</u>	<u>3,927,729</u>	<u>611,293</u>	<u>-</u>
Financial liabilities					
Deposits and obligations	-	-	-	-	26,724,753
Inter-bank funds	-	-	-	-	332,255
Deposits from financial entities	-	-	-	-	200,281
Payables from repurchase agreements	-	-	-	-	3,089,956
Debts and financial obligations	-	-	-	-	2,169,529
Securities, bonds and obligations outstanding	-	-	-	-	4,599,027
Provision and other liabilities, Note 8(a)	226,128	-	-	-	595,530
	<u>226,128</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,711,331</u>

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Notes to the financial statements (continued)

24. Financial risk management

It comprises the management of the main risks that the Bank is exposed to because of the nature of its operations: credit risk, market risk, liquidity risk and operational risk.

- Credit risk: Probability of loss due to inability or unwillingness to pay of the debtors, counterparts or third parties bound to comply with their contractual obligations.
- Market risk: Probability of losses in positions on and off-balance sheets resulting from variations in market conditions, including the following type of risks: exchange rate, interest rate type, price, among other.
- Liquidity risk: Probability of loss due to noncompliance with the requirements of financing and fund application that arise from imbalances of cash flows and after the equity position.
- Operational risk: Probability of losses due to inadequate processes, personnel and information technologies failures, or external events.

In order to manage said risks, the Bank has a specialized structure and organization in the management, measurement systems and mitigation and coverage processes.

(a) Structure and organization of risk management-

The Bank has a managerial and governance structure that allows it to adequately articulate the management and control of the risks it is exposed to.

(i) Board of Directors

The Bank's Board of Directors is responsible of establishing an appropriate and integral risk management and enabling an internal environment that facilitates its control. The Board is permanently informed about the exposure degree of the diverse risks managed by the Bank.

The Board has created several specialized committees to which it has delegated specific tasks in order to enhance risk management and internal control.

(ii) Comprehensive Risk Management Committee

The Comprehensive Risk Management Committee ("GIR", by its Spanish acronym) is a corporate body created by Board's agreement. It is responsible of approving the policies and organization for the comprehensive risk management as well as the amendments to said policies. This Committee defines the level of tolerance and the exposure degree to risk that the Bank is willing to assume when conducting its business and also decides the necessary actions aimed to implement the required corrective measures in case of deviations from the levels of tolerance to risk. It is comprised by two members of the Board, the Chief Executive Officer, the Vice-Presidents and the Manager of Legal Affairs. The Committee reports monthly to the Board the main issues it has discussed and the agreements adopted in the previous meeting.

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Notes to the financial statements (continued)

- (iii) **Audit Committee**

The Audit Committee is a corporate body created by Board's agreement. Its main purpose is to surveil the appropriateness of the processes of accounting and financial reporting, as well as to evaluate the activities performed by the auditors, both internal and external. The Committee is comprised by three members of the Board and can also have the participation of the Chief Executive Officer, the Internal Auditor, the Manager of Legal Affairs and other Bank's executives, as required. The Committee gathers at least six times a year in ordinary sessions and submits a copy of its Minutes to the Board, thus informing the most relevant issues discussed.
- (iv) **Assets and Liabilities Committee**

The Assets and Liabilities Committee ("ALCO") is a corporate body created by Board's agreement. Its main purpose is to manage the structure of the Bank's financial position, in function of its profitability and risk targets. The ALCO is also responsible for the proposition of new products or operations that contain components of market risk. Likewise, it is the communication channel with the units that generate market risks. The ALCO meets monthly and is comprised by the Chief Executive Officer, the Vice-Presidents of the divisions of Capital Markets, Finance, Risks, Commercial, Retail Business, Distribution Channels, Operations, and the Manager of the Position Desk and has as permanent guests the Manager of Market Risk and the Manager of Planning and Control Management.
- (v) **Chief Executive Officer**

The General Manager has the responsibility of implementing an adequate comprehensive risk management. He also directs and coordinates the efforts of the different commercial and supporting Vice-Presidencies, aiming to establish an adequate balance between risk and profitability. The Vice-Presidency of Risks is a first line body that reports directly to the Chief Executive Officer, and it is in charge of proposing the policies, procedures and methodologies for a competent comprehensive risk management, and of promoting the alignment of the actions aimed to manage the Bank's risks with the levels of risk appetite and risk tolerance, as well as the development of appropriate controls. The Vice-Presidency of Risks is comprised by the following divisions: Corporate Risks Screening, Business Risks Screening, Risks and Recoveries Tracking, Operational Risk, Retail Banking Risks, Small-Businesses Banking Risks and Market Risk, as well as the Department of Credit Risk Management Models.
- (vi) **Internal Audit**

The Internal Audit Division reports functionally to the Board. It provides with independent services and objectives of assurance and consultancy. It also supports the Bank into meeting its objectives through the application of a systemic and disciplined approach in order to assess and enhance the efficiency of its governance processes, risk management and control.

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Notes to the financial statements (continued)

(b) Risk measurement and reporting systems -

The Bank uses different models and rating tools at the client or product level in order to manage risks. These tools measure and value the risk with a prospective vision, thus allowing the making of better risk decisions in the different stages or life cycle of each loan.

Said tools are permanently monitored and periodically validated in order to assure that the levels of prediction and performance are being maintained, and to make the corrective actions or adjustments to the models, when needed.

Risk control is performed on a budgetary basis. Annually, the Bank establishes the commercial strategy by banking service or by product, as well as the maximum risk level to be taken, with the purpose of obtaining a desired profitability and a target level of capital or solvency.

The risk management indicators are permanently reviewed and assessed, with the purpose of identifying possible deviations in the risk profile with respect to the stipulated risk appetite and thus applying timely corrective actions. This information is monthly submitted to the GIR, and periodically to the Board.

(c) Risk mitigation and risk coverage -

The credit risk is the main risk to be managed by the Bank and in order to mitigate its exposure to it and provide with adequate risk coverage, it has established a series of measures, among which the following stand out:

- Policies, procedures, methodologies, models and parameters aimed to allow to identify, measure, control and report credit risk.
- Reviewing and assessment of credit risk through specialized units of risk screening which are independent from the Bank's Commercial Division and which assess all the credit risks prior to the loan approvals or prior to the acquisitions of specific investments.
- Timely monitoring and tracking of credit risk and its maintaining within a defined tolerance level.
- Compliance with regulatory limits and establishment of internal limits for the exposure concentrations to debtors and counterparties, such as those related to sector concentration (for loans), by issuer, credit rating and liquidity.
- Procedures for the management of guarantees backing the loans granted, so that said guarantees can effectively mitigate the assumed risk.

Likewise, as part of the comprehensive risk management, in certain circumstances the Bank uses derivative financial instruments to mitigate the risk exposure, which arises from the variations in interest rates and exchange rates.

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Notes to the financial statements (continued)

(d) Risk concentration -

Through its policies and procedures, the Bank establishes the patterns and mechanisms needed to prevent an excessive risk concentration as well as to allow a diversified portfolio. In case any concentration risk is identified, the Bank works with specialized units whose aim is to control and manage said risks. For instance, the Bank performs a monthly monitoring of industry concentration for its Commercial Banking clients, as established in the Manual of Policies to Follow - up on Commercial Banking, and which limits are monitored and controlled by the Division of Risk and Recoveries Tracking.

24.1 Credit risk

It is defined as the likelihood of incurring in financial losses originated by the breaching of the contractual obligations by a counterpart or bound third parties due to insolvency, inability or lack of willingness to pay.

- (a) The Bank opts for a risk policy that ensures a sustained and profitable growth in all its products. In doing so, it applies assessment procedures for the adequate decision-making, tools and methodologies that allow the identification, measurement, mitigation and control of the different risk in the most efficient manner and in accordance to SBS regulations. Likewise, the Bank develops management models that allow an adequate measurement, quantification and monitoring of the loans granted by each business unit, and also encouraging the continuous improvement of its policies, tools, methodologies and processes.

The Bank's exposure to credit risk is managed through the permanent assessment of the debtors and potential debtors' ability to comply with the interests and principal payments of their obligations and through the change in the loan limits when appropriate. The exposure to credit risk is also partly managed through personal and corporate guarantees, but there is a significant portion of the loans upon which said guarantees cannot be obtained.

The Bank performs indirect transactions, such as, for example, the letters of guarantee, endorsement letters and letters of credit, that represent a credit risk if the customer breaches the conditions of the agreed credit.

The Bank applies the same policies used to granting and assessment of the indirect loans (see Note 15(b)) and includes obtaining of guarantees whenever it deems necessary.

(i) Management of guarantees -

(i.1) Policies and procedures for guarantees management and valuation

The Bank's policy for credit risk mitigation comes from its business conceptualization, which is thoroughly centered in relationship banking. Within this framework, guarantees requirement can be a necessary but not sufficient instrument for risk concession.

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Notes to the financial statements (continued)

The Bank has policies and guidelines established for the management of guarantees received as collaterals of loans granted, which allows them to mitigate the assumed credit risk. Assets that guarantee loan operations bear a certain value prior to the loans approving and the procedures for their updating are described in the Manual of Appraisal for Guarantees, which contains what is established by the SBS in Resolution No.11356-2008 “Regulation on Debtors Assessment and Classification and Provision Requirements” and its amendments.

In order to manage guarantees, the Bank operates specialized divisions on the constitution, management and release of guarantees.

(i.2) Types of guarantee

Guarantees that back loan operations are constituted by different goods and property, securities and financial instruments, and their preferential statuses depend on the following conditions:

- Easy convertibility into cash, which can be used to pay the guaranteed obligation.
- Proper legal documentation, duly registered at the corresponding public records.
- Do not present previous obligations that could reduce their value.
- Their value is updated.

(b) Maximum exposure to credit risk -

As of December 31, 2016 and 2015, Management estimates that the maximum credit risk to which the Bank is exposed is represented by the book value of the financial assets which show a potential credit risk and consist mostly of deposits in banks, investments, loans (direct and indirect), without considering the fair value of the guarantees and collaterals received, derivatives financial instruments transactions and other monetary assets. The exposure for any borrower, including banks and investments, is further structured by sub-limits covering on and off-balance sheet exposures (contingent account) and daily delivery risk limits for trading items such as forward foreign exchange contracts. Actual exposure against limits is daily monitored.

In that sense, as of December 31, 2016 and 2015:

- 94.6 percent and 95.1 percent, respectively, of the loan portfolio are classified into the two upper levels defined by the SBS.
- 94.6 percent and 95.1 percent, respectively, of the loans are deemed non-past-due and non-impaired.
- 85.2 percent and 89.1 percent, respectively, of investments are rated investment grade (BBB- or higher) or are debt instruments issued by the BCRP or the Peruvian Government.
- 62.5 percent and 65.5 percent, respectively, of the available funds represent the amounts deposited in the vaults of the BCRP.

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Notes to the financial statements (continued)

Regarding the assessment of the loan portfolio, the Bank makes the classification of debtors into the risk categories established by the SBS and according to the classification criteria set for each loan type that is, for the debtors belonging to the Commercial, Small and Micro-Business, Consumer and Mortgage portfolios. The debtor classification into their corresponding categories is determined by following the criteria set by SBS Resolution No.11356-2008 "Regulation on the Assessment and Classification of Debtors and Provision Requirements"; see Note 2(e).

(c) Credit risk management for loan placements -

In order to perform credit risk management, the Vice-Presidency of Risks applies processes to each business segment which comprise three fundamental stages: risk screening, risk tracking and monitoring, and recovery of troubled portfolio. These processes have the purpose of maintaining a loan quality according to the appetite for risk defined by the Bank's Senior Management.

The process of loan admission is fundamentally based on the good knowledge on the client and its economic activity, being determining the evaluation of its payment ability, credit history and solvency. This process leans on the applying of risk management methodologies and tools that allow to measure and value the risk quality of the loan to be granted, through models and automatic qualification systems for loan admission.

The portfolio tracking and monitoring process is performed through an integrated system of alerts aimed to early detect the credit risk, which allow the identification of clients exposed to potential risks that would affect their payment ability with a possible impact on their credit evolution and upon which there must be taken immediate preventive, corrective and tracking actions. In order to do so, the Bank applies systems, models and guidelines which allow the tracking of debtors regarding the evolution of the detected risks, decision-making and management of said risks to achieve their normalization or collection.

For each business segment, a permanent monitoring is performed on the portfolio's main trends, in terms of quality indicators evolutions, economic sector and geographic concentration, among others.

Lastly, the collection process of the troubled loan portfolio is performed through a set of coordinated actions which are applied for the adequate and timely recovery of loans. Their purpose is to minimize losses in loans exposed to high credit risk.

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Notes to the financial statements (continued)

The table below presents three groups of direct loans: (i) Non-past-due and non-impaired loans, which comprise direct and “with Potential problems”; (ii) Past-due but non impaired loans, which comprise past-due loans to clients classified “Doubtful” or “Loss”. It also presents the provision for loan losses for each loan type.

Loan classification	2016				
	Commercial loans S/(000)	Consumer loans S/(000)	Mortgage loans S/(000)	Small and micro-business loans S/(000)	Total S/(000)
Neither past due nor impaired -					
Normal	11,273,299	7,662,703	4,646,822	504,701	24,087,525
With potential problems	259,806	363,599	86,550	12,423	722,378
	<u>11,533,105</u>	<u>8,026,302</u>	<u>4,733,372</u>	<u>517,124</u>	<u>24,809,903</u>
Past due but not impaired -					
Normal	1,195	27	-	-	1,222
With potential problems	10,862	139	313	10	11,324
	<u>12,057</u>	<u>166</u>	<u>313</u>	<u>10</u>	<u>12,546</u>
Impaired -					
Substandard	35,951	237,686	75,138	6,629	355,404
Doubtful	52,257	370,106	75,807	8,876	507,046
Loss	95,784	254,301	155,262	37,240	542,587
	<u>183,992</u>	<u>862,093</u>	<u>306,207</u>	<u>52,745</u>	<u>1,405,037</u>
Total loan portfolio gross	<u>11,729,154</u>	<u>8,888,561</u>	<u>5,039,892</u>	<u>569,879</u>	<u>26,227,486</u>
Less: Provision for loan losses	<u>265,621</u>	<u>735,026 (*)</u>	<u>197,834</u>	<u>47,841 (*)</u>	<u>1,246,322</u>
Total, net	<u>11,463,533</u>	<u>8,153,535</u>	<u>4,842,058</u>	<u>522,038</u>	<u>24,981,164</u>

(*) Excludes the provision for indebtedness of the loan portfolio amounting to S/79,586,000 y S/90,780,000, which is presented

As of December 31, 2016 and 2015, the loans refinanced existing amount to S/296,485,000 and S/249,216,000, respectively, of which S/309,000 and S/1,666,000, respectively, are classified as past due but not impaired and

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Notes to the financial statements (continued)

Following is the detail of the gross amount of impaired loans by loan type, along with the estimated fair value of collateral and the provision for loan losses:

	2016		
	Commercial loans S/(000)	Consumer loans S/(000)	Mortgage loans S/(000)
Impaired loans			
Impaired loans	183,992	862,093	306,207
Fair value of collateral	180,914	41,206	412,126
Provision for loan losses	108,689	528,113	139,191
	2015		
	Commercial loans S/(000)	Consumer loans S/(000)	Mortgage loans S/(000)
Impaired loans			
Impaired loans	153,388	764,316	261,832
Fair value of collateral	151,952	35,113	327,685
Provision for loan losses	87,188	478,865	123,709

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Notes to the financial statements (continued)

(d) Credit risk management in investments -

The Bank controls the credit risk of its investments based on the risk assessment of issuers and instruments. In the case of investments abroad, the assessment takes into account the ratings issued by international agencies as well as the country-risk of the issuer's country, which is assessed considering its main macroeconomic variables. In the case of domestic investments, it considers the ratings issued locally and, being the case, internal analysis of the issuer's financial position.

The table below presents the risk classification of available-for-sale investments:

	2016		2015	
	S/(000)	%	S/(000)	%
Instruments issued and rated in Peru:				
AAA	64,836	1.4	63,860	1.8
AA- to AA+	12,791	0.3	13,663	0.4
BBB- to BBB+	1,233	-	1,282	0.1
	<u>78,860</u>	<u>1.7</u>	<u>78,805</u>	<u>2.3</u>
Instruments issued in Peru and rated abroad:				
A- to A+	1,070,912	23.6	866,681	24.4
BBB- to BBB+	495,955	10.9	576,428	16.2
BB- to BB+	23,363	0.5	17,779	0.5
Lower than BB-	21,079	0.5	4,912	0.1
	<u>1,611,309</u>	<u>35.5</u>	<u>1,465,800</u>	<u>41.2</u>
Instruments issued and rated abroad:				
AAA	32,275	0.8	-	-
AA- to AA+	103,939	2.3	63,696	1.8
BBB- to BBB+	332,345	7.3	34,069	1.0
	<u>468,559</u>	<u>10.4</u>	<u>97,765</u>	<u>2.8</u>
Unrated				
Certificates of Deposit issued by BCRP	1,751,749	38.6	1,541,668	43.4
Shares -				
Intercorp Financial Services Inc.	590,197	13.0	332,642	9.4
Other	1,738	-	738	-
Total	<u>4,502,412</u>	<u>99.2</u>	<u>3,517,418</u>	<u>99.1</u>
Accrued interests	<u>36,610</u>	<u>0.8</u>	<u>31,218</u>	<u>0.9</u>
Total	<u><u>4,539,022</u></u>	<u><u>100.0</u></u>	<u><u>3,548,636</u></u>	<u><u>100.0</u></u>

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Notes to the financial statements (continued)

- (e) Financial instruments exposed to credit risk -
Concentration of financial instruments exposed to credit risk

As of December 31, 2016 and 2015, the financial instruments exposed to credit risk were distributed according to

	2016			
	Designated at fair value through profit for loss			
	Held for trading and hedging	Loans and receivables	Available-for- sale investment	Held-to- maturity investment
	S/(000)	S/(000)	S/(000)	S/(000)
Financial services	28,028	11,567,383 (***)	1,236,310 (*)	-
Consumer loans	-	8,187,391	-	-
Mortgage loans	-	4,853,317	-	-
National Government	10,642	-	2,547,625 (**)	598,188
Manufacturing	32,820	3,019,134	16,872	-
Commerce	2,798	2,263,849	-	-
Electricity, gas and water	12,649	1,175,386	62,905	-
Agriculture	49,616	962,418	-	-
Leaseholds and real estate activities	14,283	916,804	-	-
Communications, storage and transportation	4,765	713,333	-	-
Construction	23,320	401,053	-	-
Mining	910	371,661	22,749	-
Community services	30	304,982	-	-
Fishing	10,793	207,392	4,973	-
Education, health and other services	13,757	116,296	12,790	-
Public administration and defense	-	10,220	-	-
Other	15,196	1,133,804	-	-
Total	219,607	36,204,423	3,904,224	598,188
Interests	267	245,743	23,505	13,105
Total	219,874	36,450,166	3,927,729	611,293

(*) Includes the shares of IFS.

(**) Corresponds to Sovereign Bonds and BCRP Certificates of Deposit and global bonds issued by the United States of America.

(***) Includes available funds deposited in the vaults of the Bank, BCRP and banks abroad.

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Notes to the financial statements (continued)

As of December 31, 2016 and 2015, the financial instruments exposed to credit risk according to geographic area are the

	2016			
	Designated at fair value through profit for loss			
	Held for trading and hedging S/(000)	Loans and receivables S/(000)	Available-for- sale investments S/(000)	Held-to-mat- ure investments S/(000)
Peru	191,918	35,229,902	3,433,926 (*)	59
Panama	-	99,493	-	
United States of America	15,083	626,891	32,275	
Colombia	-	13	179,643	
Belgium	-	179,612	8	
Supranational	-	-	120,425	
Mexico	-	443	87,443	
Ecuador	858	29,965	-	
Chile	-	-	50,504	
Other	11,748	38,104	-	
Total	219,607	36,204,423	3,904,224	59
Accrued interest	267	245,743	23,505	1
Total	219,874	36,450,166	3,927,729	60

(*) Includes shares of Intercorp Financial Services Inc.

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Notes to the financial statements (continued)

24.2 Market risk -

Market risk is the probability of loss due to variations in financial market conditions. The main variations to which the Bank is exposed to are: exchange rates, interest rates and prices. Said variations can affect the value of the Bank's financial assets and liabilities.

The Bank separates exposures to market risk in two blocks: Trading Book, which comprises positions in liquid investments, and Banking Book, which comprises banking assets and liabilities inherent to the intermediation business – mainly deposits and loans – whose exposure to market risk arises from the changes in portfolio structural positions.

(a) Trading Book -

In order to control and monitor the risks arising from the volatility of risk factors involved within each instrument, maximum exposure limits have been established on currency, investment type, Value-at-Risk (VaR), and tolerance to expected maximum loss (Stop Loss), which are controlled on a daily basis. Likewise, reports to the GIR and ALCO committees are submitted regularly.

The main technique used to measure and control market risk is VaR, which is a statistical measurement that quantifies the maximum loss expected for the investment portfolio for a period of time and a determined significance level under normal market conditions. The Bank uses the Monte Carlo VaR model for a period of one day, which has exponential volatility and a 99 confidence level. The VaR is calculated through each risk factor: interest rate, exchange rate and investment type (derivatives, fixed income and variable income).

VaR models are designed to measure the market risk within a normal market environment. Those models assume that all modifications in risk factors affecting the use of weighted historical data will follow a normal distribution. Said distribution is calculated through the use of weighted historical data in an exponential manner. Given that VaR is based mainly on historical data to provide information and does not clearly predict future changes and modifications in risk factors, the probability of big market movements may be underestimated if said changes in risk factors cannot be aligned with the considered normal distribution. VaR can also be under or overestimated due to the hypotheses made on the risk factors and the relation among these factors with the specific instruments. In order to determine the reliability of VaR models, the actual results are regularly monitored to prove the validity of the assumptions and parameters used in the calculation of VaR.

The Bank includes within the VaR calculation the potential loss that may arise from the exposure to exchange risk. This risk is included in the calculation because the exchange position is the result of the spot position plus the position in derivative products. Likewise, the total VaR includes the diversification effect that arises as result of the interaction of diverse market risk factors to which the Bank is exposed.

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Notes to the financial statements (continued)

The validity of the VaR calculation is proven through a back-testing proof, which uses historical data to ensure that the model adequately estimates the potential losses. Additionally, it is calculated the risk factors sensitivity, which shows the potential portfolio losses in the face of determined fluctuations in factors. Said fluctuations include: interest rate shocks, exchange rate shocks and price shocks.

It is worth mentioning that according to SBS Resolution No.6328-2009 "Regulation on Effective Equity Requirements for Market Risk", the following available-for-sale investments are also included as part of the trading portfolio in the calculation of VaR:

- Debt securities:
 - Sovereign risk exposures of the Republic of Peru on CDBCRP, Sovereign Bonds (excluding VAC Bonds) and Global Bonds.
- Equities:
 - Shares that are listed in the General Index of the Lima Stock Exchange.
 - Participations in open investment collective schemes whose fund is invested in at least 70 percent in equities.

The VaR results of the portfolio by asset type are presented in the table below:

	2016 S/(000)	2015 S/(000)
Equity investments	15,282	7,984
Debt investments	11,059	11,524
Derivatives	11,176	7,846
Diversification effect	(21,553)	(12,027)
Consolidated VaR by asset type (*)	<u>15,964</u>	<u>15,327</u>

VaR results by risk type are the following:

	2016 S/(000)	2015 S/(000)
Exchange risk	14,666	13,081
Interest rate risk	4,585	4,579
Equity risk	15,336	7,809
Diversification effect	(18,623)	(10,142)
Consolidated VaR by risk type (*)	<u>15,964</u>	<u>15,327</u>

(*) The total VaR is smaller than its components due to the benefits of risk diversification.

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(b) Banking Book -

The Bank holds positions that are not actively traded which are part of its assets and liabilities. These positions include all loan placements and funds raised through the Bank's intermediation business, as well as certain investments that are not deemed as trading.

(i) Interest rate risk -

Interest rates fluctuate permanently on the market. These fluctuations affect the Bank in two ways: first, through the change in the valuation of assets and liabilities; and second, affecting the cash flows at repricing. The variation in the valuation of assets and liabilities is increasingly sensitive as the term at which the asset or liability repricing increases. This process consists of the assessment of the repricing periods. On the other side, cash flows are affected when the instruments reach maturity, given that they are invested or placed at the new market interest rates.

The interest rate risk tracking is reported to the GIR, as well as the ALCO. The GIR approves the various limits applicable to the management of financial instruments. The tracking process is performed by the Division of Market Risk.

Repricing gap -

An analysis of the repricing gaps is performed in order to determine the impact of the interest rates movements. Said analysis consists of assigning the balances of the operations that will change the interest rate into different time gaps. The impact of the variation in the valuation of assets and liabilities on each gap is calculated in function of this analysis.

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Notes to the financial statements (continued)

The following table summarizes the Bank's exposure to interest rate risks. The Bank's financial instruments are presented by interest rate repricing or maturity date, whichever occurs first:

	Up to 1 month S/(000)	More than 1 to 3 months S/(000)	More than 3 to 12 months S/(000)	More than 12 months S/(000)
Assets				
Cash and due from banks	8,039,865	270,843	166,082	6,000
Inter-bank funds	5,002	-	-	-
Investments at fair value through profit or loss				
- trading	-	-	-	-
Available-for-sale investments	519,017	92,359	1,456,497	84,000
Held-to-maturity investments	-	13,105	-	10,000
Loan portfolio, net	3,197,409	2,987,602	4,931,532	9,910,000
Other assets, net	26,933	13,156	15,136	11,000
Total assets	<u>11,788,226</u>	<u>3,377,065</u>	<u>6,569,247</u>	<u>11,020,000</u>
Liabilities and equity				
Deposits and obligations	17,777,957	2,289,345	2,734,874	3,000,000
Inter-bank funds	332,255	-	-	-
Deposits from financial entities	190,281	10,000	-	-
Payables from repurchase agreements	131,890	264,731	1,155,732	1,530,000
Debts and financial obligations	71,512	17,472	113,888	970,000
Securities, bonds and obligations outstanding	147,226	20,222	40,790	2,830,000
Other liabilities	17,715	6,718	8,116	9,000
Equity	-	-	-	-
Total liabilities and equity	<u>18,668,836</u>	<u>2,608,488</u>	<u>4,053,400</u>	<u>5,760,000</u>
Off-balance sheet items:				
Derivative assets	134,240	335,600	-	-
Derivative liabilities	-	-	-	460,000
Marginal gap	(6,746,371)	1,104,177	2,515,847	4,790,000
Accumulated gap	<u>(6,746,371)</u>	<u>(5,642,194)</u>	<u>(3,126,347)</u>	<u>1,660,000</u>

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	Up to 1 month S/(000)	More than 1 to 3 months S/(000)	More than 3 to 12 months S/(000)	201 More than 12 months S/(000)
Assets				
Cash and due from banks	6,557,015	53,273	772,742	2,450,000
Inter-bank funds	245,028	-	-	-
Investments at fair value through profit or loss	-	-	-	-
- trading	-	-	-	-
Available-for-sale investments	501,681	496,992	605,797	800,000
Held-to-maturity investments	-	9,821	-	800,000
Loan portfolio, net	2,851,959	2,918,318	4,933,629	9,510,000
Other assets, net	52,586	31,676	12,236	130,000
Total assets	10,208,269	3,510,080	6,324,404	12,980,000
Liabilities and equity				
Deposits and obligations	18,597,729	1,734,580	2,038,495	250,000
Deposits from financial entities	202,058	6,316	-	-
Payables from repurchase agreements	-	50,993	685,179	2,310,000
Debts and financial obligations	1,071,642	406,851	94,110	490,000
Securities, bonds and obligations outstanding	142,606	20,467	41,733	2,900,000
Other liabilities	40,654	27,992	21,419	120,000
Equity	-	-	-	-
Total liabilities and equity	20,054,689	2,247,199	2,880,936	6,090,000
Off-balance sheet items:				
Derivative assets	-	66,146	-	-
Derivative liabilities	-	33,073	33,073	-
Capital adequacy ratios				
Marginal gap	(9,846,420)	1,295,954	3,410,395	6,880,000
Accumulated gap	(9,846,420)	(8,550,466)	(5,140,071)	1,740,000

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Notes to the financial statements (continued)

Sensitivity to changes in interest rates -

Following is the sensitivity of both the income statements and the valuation of the Trading Book to diverse fluctuations

In the case of the income statements, the calculation reflects the expected variation of the financial margin for a period of expenses, and annualizes the effect of the interest rates variations. The figures express the expected change in the value of financial instruments that are subject to interest rates.

The fluctuations in interest rates are applied equally all through the yield curve, which means that it considers a parallel shift presented.

The calculations are based on the interest rate risk regulatory model approved by the SBS in force at the date of the statements.

The interest rate exposure is overseen by the ALCO, as well as the GIR Committee, the latter being in charge of approving the risk appetite.

The effects due to estimated changes in interest rates as of December 31, 2016 and 2015, are the following:

Currency	Changes in basis points	Net Income
US dollars	+/-25	+ / -
US dollars	+/-50	+ / -
US dollars	+ 75	+
US dollars	+ 100	+
Soles	+/- 50	- / +
Soles	+/-75	- / +
Soles	+/-100	- / +
Soles	+/-150	- / +

Currency	Changes in basis points	Net Income
US dollars	+/-25	+ / -
US dollars	+/-50	+ / -
US dollars	+ 75	+
US dollars	+ 100	+
Soles	+/- 50	- / +
Soles	+/-75	- / +
Soles	+/-100	- / +
Soles	+/-150	- / +

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Notes to the financial statements (continued)

Sensitivity to price variations -

Following are the sensitivities for shares, in which case, prices depend in less extent on the interest rate.

Market price sensitivity	Changes in market prices %	2016 S/(000)	2015 S/(000)
Common shares	+/-10	59,193	33,338
Common shares	+/-25	147,984	83,345
Common shares	+/-30	177,580	100,014

(ii) Foreign exchange risk-

The exchange rate risk is related to the variation of the positions both on and off the statements of financial position that may be negatively affected by exchange rates movements. Management sets limits to the exposure levels by currency, and monitors them daily. Most assets and liabilities designated in foreign currency are held in US dollars.

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Notes to the financial statements (continued)

Transactions in foreign currency are accounted for by using the exchange rates prevailing on the market.

As of December 31, 2016, the weighted market exchange rate published by the SBS for transactions in US dollars was S/3.352. As of December 31, 2016, the exchange rate for the accounting of asset and liability accounts in foreign currency set by the SBS was S/3.352.

The table below presents the detail of the Bank's currency position as of December 31, 2016 and 2015:

	2016		
	US dollars S/(000)	Soles S/(000)	Other currencies S/(000)
Assets			
Cash and due from bank	9,604,416	959,961	392,826
Inter-bank funds	-	5,002	-
Investments at fair value through profit or loss - trading	-	10,909	-
Available-for-sale investments, net	1,718,517	2,209,212	-
Held-to-maturity investments	-	611,293	-
Loan portfolio, net	6,882,173	18,344,734	-
Other assets, net	68,992	397,196	3,831
	<u>18,274,098</u>	<u>22,538,307</u>	<u>396,657</u>
Liabilities			
Deposits and obligations	12,004,387	14,460,278	260,088
Inter-bank funds	332,255	-	-
Deposits from financial entities	61,783	138,498	-
Payables from repurchase agreements	-	3,089,956	-
Debts and financial obligations	987,460	1,182,069	-
Securities, bonds and obligations outstanding	4,161,141	437,886	-
Other liabilities	119,858	684,398	17,402
	<u>17,666,884</u>	<u>19,993,085</u>	<u>277,490</u>
Forward position, net	(231,204)	270,864	(39,660)
Currency swaps position, net	(207,111)	207,111	-
Options position, net	(6,102)	6,102	-
	<u>162,797</u>	<u>3,029,299</u>	<u>79,507</u>
Net monetary position	162,797	3,029,299	79,507

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As of December 31, 2016, the Bank granted indirect loans (contingent operations) in foreign currency for approximately US\$675,819,000, equivalent to S/2,268,051,000 (US\$813,431,000, equivalent to S/2,774,614,000 as of December 31, 2015); see Note 15.

The Bank manages the exchange rate risk through the matching of its asset and liability operations, overseeing the global exchange position on a daily basis. The Bank's global exchange position is equivalent to the result of long positions minus short positions in currencies different to the sol. The global exchange position includes the spot positions and also the derivative positions.

Following are the sensibilities for the case of the US dollar variations. Given its volume, the position in US dollars is the sole exposure that could cause the Bank a material loss. The negative variations represent potential losses, while the positive ones represent potential gains.

Sensitivity analysis	Changes in currency rates %	2016 S/(000)	2015 S/(000)
Revaluation -			
US dollar	5	8,140	11,685
US dollar	10	16,280	23,369
Devaluation (*) -			
US dollar	5	(8,140)	(11,685)
US dollar	10	(16,280)	(23,369)

(*) Management does not estimate a devaluation of the US dollar in relation to the sol in the following years.

24.3 Liquidity risk

The liquidity risk consists of the Bank's inability to comply with the maturity of its obligations, thus incurring into losses that importantly affect its equity position. This risk may arise as result of diverse events such as: the unexpected decrease of funding sources, the inability to rapidly settle assets, among others.

The Bank takes short-term deposits and transforms them into longer-term loans. Therefore, their exposure to liquidity risk increases. The Bank keeps a set of deposits that historically are renewed or maintained, and which represent a stable funding source.

The Bank's liquidity is managed by the Vice-Presidency of Capital Market, which leads the ALCO – where positions, movements, indicators and limits on liquidity management are presented. Liquidity risk is itself overseen by the GIR Committee – where the risk level that the Bank is willing to take is defined, and the corresponding indicators, limits and controls are reviewed.

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Notes to the financial statements (continued)

The Bank has a set of indicators which are controlled and reported daily. Said indicators establish the minimum liquidity levels allowed for the short-term and reflex several risk aspects such as: concentration, stability, position by currency, main depositors, etc. The Market Risk Division is in charge of tracking said indicators.

Likewise, the Bank assesses the medium-term and long-term liquidity through a structural analysis of its funds inflows and outflows on diverse maturity terms. This process allows it to know, for each currency, the diverse funding sources, how liquidity needs increase, and which terms are mismatched. Both for assets and liabilities, there are considered assumptions for the operations that do not have determined maturity dates. Said products include: revolving loans, savings and others similar. There are also included the estimated obligations arising from contingent liabilities such as guarantee letters or non-used credit lines. On the basis of this information, the necessary decisions to maintain the targeted liquidity levels are taken.

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Notes to the financial statements (continued)

Following are the Bank's cash flows payable as of December 31, 2016 and 2015, according to the contractually agreed maturities of the obligations with the public that do not have determined maturities by using statistical models, in accordance with the amounts disclosed are the undiscounted cash flows and include their respective accrued interests.

	2016	2015	2014
	Up to 1 month S/(000)	From 1 to 3 months S/(000)	From 3 to 12 months S/(000)
Financial liabilities by type -			
Deposits and obligations	20,000,393	2,427,885	2,811,193
Inter-bank funds	332,255	-	-
Deposits from financial entities	190,318	10,068	-
Payables from repurchase agreements	132,273	269,826	1,248,673
Debts and financial obligations	104,704	35,191	216,694
Securities, bonds and obligations outstanding	6,568	35,798	256,521
Provisions and other liabilities	435,830	93,547	21,562
Total non - derivate liabilities	21,202,341	2,872,315	4,554,643
Derivatives financial liabilities (*) -			
Contractual amounts receivable (inflow)	1,267,624	589,872	1,088,323
Contractual amounts payable (outflow)	(1,189,752)	(820,213)	(1,235,000)
Total	77,872	(230,341)	(146,677)
			2015
	Up to 1 month S/(000)	From 1 to 3 months S/(000)	From 3 to 12 months S/(000)
Financial liabilities by type -			
Deposits and obligations	20,407,121	1,873,730	2,088,556
Deposits from financial entities	202,057	6,317	-
Payables from repurchase agreements	-	51,232	698,268
Debts and financial obligations	307,473	136,104	1,016,889
Securities, bonds and obligations outstanding	6,602	36,287	260,398
Provisions and other liabilities	417,692	142,864	16,440
Total non - derivate liabilities	21,340,945	2,246,534	4,080,551
Derivatives financial liabilities (*) -			
Contractual amounts receivable (inflow)	1,536,073	829,831	779,874
Contractual amounts payable (outflow)	(1,837,954)	(1,323,497)	(1,146,891)
Total	(301,881)	(493,666)	(367,017)

(*) Includes derivative contracts designed as hedge accounting.

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Notes to the financial statements (continued)

The table below shows the contractual maturity of the contingent loans granted by the Bank as of the date of the state

	201		
	Up to 1 month	From 1 to 3	From 3 to 12
	S/(000)	months S/(000)	months S/(000)
Contingent loans (indirect loans)	<u>948,925</u>	<u>1,174,119</u>	<u>2,125,811</u>
			201
	Up to 1 month	From 1 to 3	From 3 to 12
	S/(000)	months S/(000)	months S/(000)
Contingent loans (indirect loans)	<u>1,351,820</u>	<u>1,184,739</u>	<u>2,140,645</u>

The Bank expects that not all of the contingent loans will be drawn before expiration of the commitments.

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Notes to the financial statements (continued)

24.4 Capital management

As of December 31, 2016 and 2015, the Bank has complied with the mandates of Legislative Decree No. 1028 and SBS Resolutions No. 2115-2009, No. 6328-2009, No. 14354-2009, and their amendments, which contain the Regulations on Effective Equity Requirements for Operational Risk, Market Risk and Credit Risk, respectively, and amendments. These Regulations mainly establish the methodologies to be used by the financial entities to calculate the weighted assets and loans for each risk type.

24.5 Fair value

- (a) Fair value is defined as the amount at which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction, assuming an on-going enterprise.

Fair value is a market-based measurement, therefore a financial instrument traded in a real transaction in a liquid and active market has a price that supports its fair value. When the price for a financial instrument is not observable, the fair value should be measured using another valuation technique, seeking to maximize the use of relevant observable variables and minimize the use of unobservable variables.

To calculate the fair value of an instrument that is not listed on liquid markets, the market value of an instrument that is actively listed in the market and which has similar characteristics can be used or can be obtained by some analytical technique, such as analysis of discounted flows or valuation by multiples.

The methodologies and assumptions used to determine fair values depend on the terms and risk characteristics of the various financial instruments as it is shown below:

- (i) Financial instruments recorded at fair value -
The fair value is based on market prices or some other methods of financial valuation. The positions valued at market prices are mainly investments traded on centralized mechanisms. The positions valued by some method of financial valuation include derivative financial instruments and instruments that may not have market prices in which case their fair value is mainly determined by using the market interest rate curves and the price vector provided by the SBS.
- (ii) Instruments whose fair value is similar to their book value
For the financial assets and liabilities that are liquid or have short-term maturities (less than three months), it is considered that the book value is similar to the fair value. This assumption is also applicable to term deposits, savings accounts without a specific maturity and variable-rate financial instruments.

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Notes to the financial statements (continued)

(iii) Financial instruments at fixed rate

The fair value of the financial liabilities at fixed rate and at amortized cost is determined by comparing the market interest rate at the moment of their initial recognition to the current market rates related to similar financial instruments. In the case of quoted issued debt, the fair value is determined on the basis of the quoted market prices. The fair value of the loan portfolio and deposits and obligations, according to SBS Multiple Official Letter No.1575-2014, corresponds to the book value.

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Notes to the financial statements (continued)

(b) Financial instruments measured at fair value and fair value hierarchy

The following table presents an analysis of the financial instruments that are measured at fair value as of December 31, 2016. The amounts are based on the balances presented in the statements of financial situation:

	As of December 31, 2016		
	Level 1 S/(000)	Level 2 S/(000)	Level 3 S/(000)
Financial assets -			
Securities	10,909	-	-
Available-for-sale investments			
Debt instruments	879,873	2,432,416	-
Shares			
Intercorp Financial Services Inc.	590,197	-	-
Other	205	-	1,533
Derivatives receivable	-	208,965	-
	<u>1,481,184</u>	<u>2,641,381</u>	<u>1,533</u>
Accrued interest			
Total financial assets			
Financial liabilities -			
Derivatives payable	-	226,128	-
Total financial liabilities	<u>-</u>	<u>226,128</u>	<u>-</u>

The financial assets included in Level 1 are those measured on the basis of information that can be available on the market, and that are available in some centralized trading mechanism, trading agent, price supplier or regulatory entity.

The financial instruments included in Level 2 are valued with the market prices of other instruments possessing similar characteristics of variables that can be available on the market (interest rate curves, price vectors, etc.). The Bank uses this method to value these instruments.

The financial assets included in Level 3 are valued by using assumptions and data that does not correspond to prices that are available on the market, but that also are reflected in financial valuation models.

As of December 31, 2016 and 2015, the net unrealized gain and loss on Level 3 financial instruments amounts to S/565,000. There were no transfers of financial instrument from Level 3 to Level 1 or to Level 2.

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Notes to the financial statements (continued)

(c) Financial instruments not measured at fair value -

Set out below is the disclosure of the comparison between the carrying amounts and fair values of the financial instruments at the level of the fair value hierarchy:

	As of December 31, 2016			
	Level 1	Level 2	Level 3	Fair
	S/(000)	S/(000)	S/(000)	value
				S/(000)
Assets				
Cash and due from banks	-	10,957,203	-	10,957,203
Inter-bank funds	-	5,002	-	5,002
Held-to-maturity investments	204,275	401,024	-	605,299
Loan portfolio, net	-	25,226,907	-	25,226,907
Other assets, net	-	261,054	-	261,054
Total	204,275	36,851,190	-	37,055,465
Liabilities				
Deposits and obligations	-	26,724,753	-	26,724,753
Inter-bank funds	-	332,255	-	332,255
Deposits from financial entities	-	200,281	-	200,281
Payables from repurchase agreements	-	3,100,481	-	3,100,481
Debts and financial obligations	-	2,169,256	-	2,169,256
Securities, bonds and obligations outstanding	4,113,938	780,267	-	4,894,205
Provisions and other liabilities	-	595,530	-	595,530
Total	4,113,938	33,902,823	-	38,016,761

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Notes to the financial statements (continued)

25. Subsequent events

Since December 31, 2016, until the date of this report no significant events have occurred that affect these financial statements.

26. Explanation added for translation into English

The accompanying financial statements are presented on the basis of the generally accepted accounting principles in Peru for financial entities. Certain accounting practices applied by the Bank, that conform to generally accepted accounting principles in Peru for financial entities, may differ in certain significant respects from generally accepted accounting principles in other countries. In the event of any discrepancy, the Spanish-language version prevails.

ANNEX A – PRINCIPAL DIFFERENCES BETWEEN PERUVIAN GAAP AND IFRS Basis of presentation of the financial statements of the bank.

The annual financial statements have been prepared from our accounting records, which are carried in nominal *soles* as of the date of the transactions, in accordance with accounting principles prescribed by the SBS for Peruvian financial entities (Peruvian GAAP), established in the SBS's "Accounting Manual for Financial Entities."

Peruvian GAAP principles differ in certain material respects from International Financial Reporting Standard (IFRS). We have not undertaken efforts to prepare a quantitative reconciliation of specific differences among Peruvian GAAP and IFRS. Had such an effort been undertaken other potentially significant differences might have been identified and disclosed herein.

The following paragraphs summarize the areas in which differences among Peruvian GAAP and IFRS could be significant to our results of operations and financial position and that exist as of December 31, 2016. This analysis does not include differences related to IFRS standards that have been issued but are not effective as of December 31, 2016. In addition, we cannot estimate the net effect that applying IFRS would have on our result of operations or financial position or any component thereof, in any of the presentations of financial information in the offering memorandum. However, the effect of such differences may be, individually or in aggregate, material, and in particular, as a result of such, it may be that the total shareholders' equity, prepared on the basis of Peruvian GAAP would be materially different from the shareholders' equity reported under IFRS. Differences in the presentation of the financial statements as well as differences in the information provided in the footnotes to the financial statements have not been reported.

Highlights of certain differences among Peruvian GAAP and IFRS

Content and format of the financial statements

Under Peruvian GAAP, the presentation and content of the accounts included in the financial statements are detailed in the "Accounting Manual for Financial Entities" issued by the SBS. Under IFRS, IAS 1 and IFRS 7, there are principles about the presentation of the financial statements for financial services.

Cash flow statements

Under Peruvian GAAP, cash flow statements are presented in accordance with the "Accounting Manual for Financial Entities" issued by the SBS and contain significant presentational differences in respect of cash flow statements prepared in accordance with IFRS (IAS 7).

The format of a cash flow statements prepared under IAS 7 essentially requires cash flows to be classified into three broad categories: operating activities, investing activities, and financing activities.

Investments in subsidiaries and associates:

Under Peruvian GAAP, investments in subsidiaries and associates are recorded in accordance with criteria established by SBS Resolution N°7033-2012, which became effective on January 1, 2013. This category includes only equity securities acquired with the purpose of (i) having equity participation and/or (ii) having control (jointly control as defined by IAS 31) and/or significant influence in other entities or institutions, as defined IAS 28. Their initial recognition is at fair value, including the transaction costs directly attributable to their acquisition; subsequently they are recorded using the equity participation method.

Under IFRS (IFRS 10 and IAS 28) all the subsidiaries and associates in which an entity has control or significant influence are accounted for using the equity method. For this purpose, under IFRS (i) control is achieved when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, and (ii) significant influence is generally presumed if an investor has the power to participate in the financial and operating policy decisions of the entity, but without having control over those policies. The other investments not considered associates should usually be considered as available for-sale securities, if they are marketable securities as per IAS 39.

Property, plant and equipment

Under IFRS, a company has the alternative to account for certain fixed assets at amortized historical cost or revalue to fair value. Useful lives and methods of depreciation are reviewed periodically. Under Peruvian GAAP, historical cost is the only alternative, and thus fixed asset revaluations are not allowed.

Impairment of debt and equity securities

Under IFRS, generally, only evidence of credit default results in an impairment being recognized in the income statement for an available-for-sale (AFS) debt instrument. The impairment loss is measured as the difference between the debt instrument's amortized cost basis and its fair value. For an AFS equity investment, an impairment is recognized in the income statement when there is objective evidence that the AFS equity instrument is impaired, and that the cost of the investment in the equity instrument may not be recovered. The impairment is measured as the difference between the equity instrument's cost basis and its fair value. A significant and prolonged decline in fair value of an equity investment below its cost is considered objective evidence of an impairment.

Under IFRS, impairment losses recognized through the income statement for available-for-sale equity securities cannot be reversed through the income statement for future recoveries. However, impairment losses for debt instruments classified as available-for-sale may be reversed through the income statement if the fair value of the asset increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognized.

Under IFRS, the impairment loss of a held-to-maturity investment is measured as the difference between the carrying amount of the investment and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced either directly or through the use of an allowance account. The amount of impairment loss is recognized in the income statement.

Under Peruvian GAAP, SBS Resolution No. 7033-2012 establishes a standard methodology for the identification of the impairment of financial instruments classified as available-for-sale and held-to-maturity. Said methodology comprises a two-filter analysis, as described below:

(i) First filter:

On a quarterly basis the following conditions on the entire portfolio of debt and equity investments must be assessed: (i) Significant decrease of fair value: In case the fair value at the date of the financial statements has decreased below 50 percent of the purchasing cost; and, (ii) Prolonged decrease of fair value: In case the monthly average fair value decreases consecutively during the last 12 months, and the cumulative fall of the fair value in said period is at least 20 percent.

The aforementioned assessment is performed in the original currency of the instrument in order to isolate the exchange rate difference.

(ii) Second filter:

For the instruments that passed the first filter, the following circumstances related to qualitative aspects of the issuer are assessed:

- Impairment of the financial position or financial ratios of the issuer or its economic group.
- Adverse conditions of the investment and the issuer. Adverse conditions include adverse changes in the economic environment, technological or market in which the issuer or investment operates.
- Downgrading of the risk classification as consequence of additional factors to the aforementioned.
- Interruption of the interest or principal payments due to financial difficulties of the issuer.
- Interruption of transactions or of an active market due to financial difficulties of the issuer.

- Forced renegotiation of the contractual conditions of the instrument due to legal or economic factors related to the issuer.
- Evidence that the issuer will enter into a forced restructuring or bankruptcy process.
- Decrease in value due to legislation changes (taxes, regulatory or other governmental).

The entity does not have the intention and capability to hold the investment with losses up until the recovery of its value. In such case, it will be necessary to perform a forecast of the estimated time needed to recover the value and an assessment of the evidence that shows, on the basis of historical information and the financial position of the bank, whether there is the intention and capability to maintain the investment all through that period of time.

In accordance with the established in such Resolution, if at least two of the analyzed factors are affirmative, then impairment exists. Once a loss due to impairment is recognized, the following assessments are performed over the book value of the instruments, net of the impairment previously recognized.

Allowance for loan losses

Under Peruvian GAAP, the allowance for loan losses is determinate following guidelines established by SBS Resolutions No. 11356-2008 and No.6941-2008.

Under IFRS (IAS 39), if there is objective evidence that all amounts due (principal and interest) according to original contractual terms of the loan will not be collected, such loans are considered impaired and the amount of the loss is measured as the difference between the loan's carrying amount and the present value of expected future cash flows discounted at the loan's original effective interest rate or as the difference between the carrying value of the loan and fair value of the collateral, if the loan is collateralized and foreclosure is probable. Impairment and uncollectibility are measured and recognized individually for loans and receivables that are individually significant and on a portfolio basis for a group of similar loans and receivables that are not individually identified as impaired if a loss is probable and quantifiable.

Interest recognition—non-accrual loans

Under Peruvian GAAP, interest accrued on past due, refinanced, restructured loans, loans under legal collection and loans classified as doubtful or loss is discontinued and recognized as collected. Under IFRS (based on IAS 18), recognition of interest on loans is generally discontinued when, in the opinion of management, there is an assessment that the borrower will likely be unable to meet all contractual payments as they become due.

As a general practice, this occurs when loans are 90 days or more overdue. When a loan is placed on non-accrual status, unpaid interest credited to income in the current year is reversed and unpaid interest accrued in prior years is charged against the allowance for credit losses.

Seized assets

Under Peruvian GAAP, assets seized are initially recorded at the value assigned to them through a legal proceeding, the amount of any out of court settlement or at the unpaid value of the debt, whichever is lower. Simultaneously with the determination of the value, an allowance equivalent to 20% of the legal settlement or recoverable asset value should be recorded. For this purpose, we can use the allowance for loan losses that was originally provided for the related loan. Subsequent to the seizure date, we must record an allowance during a period of time established by the SBS, until the carrying value of assets is zero. Under IFRS, the assets seized are recorded at the lower of cost or estimated market value. Changes in market value are recorded in the income statement.

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