

Intercorp Financial Services Inc. Fourth Quarter 2017 Earnings

Lima, Peru, February 14, 2018. Intercorp Financial Services Inc. (Bolsa de Valores de Lima: IFS) announced today its unaudited results for the fourth quarter 2017. These results are reported on a consolidated basis under IFRS in nominal Peruvian soles.

Intercorp Financial Services: Positive performance in FY17 core earnings at all operating companies

- Profits grew 0.5% in 2017 compared to 2016 and 9.5% when excluding discount rate impact on technical reserves at the insurance business
- FY17 ROAE was 15.7%, or 19.5% when excluding discount rate impact
- Net profit was S/ 241.2 million in 4Q17, representing a 17.2% quarterly ROAE; or S/ 294.1 million and 20.8%, respectively, when normalized from discount rate effect

Interbank: Record earnings in 2017, 30 bps quarterly improvement in cost of risk due to lower provisions in credit cards

- FY17 net profit was S/ 904.9 million, a S/ 58.2 million increase or 6.9% YoY, attributed to higher revenues and relatively stable expenses
- 4Q17 profits were S/ 273.4 million, a 20.0% growth QoQ and 22.2% YoY, mainly driven by higher net gain on sale of securities
- FY17 ROAE was 20.1%
- 6.2% YoY growth in loans led to a 30 bps gain in market share; while market share in deposits grew by 50 bps YoY
- CET1 ratio above the 10% mark

Interseguro + S. Sura: Strong growth in net income excluding discount rate impact, S/ 60 million Local GAAP profits coming from S. Sura

- FY17 results were affected by a S/ 207.4 million negative discount rate impact on technical reserves; excluding such effect net profit climbed from S/ 4.8 million in 2016 to S/ 51.3 million in 2017 due to a higher investment result
- 4Q17 profit excluding discount rate impact on technical reserves was S/ 24.8 million, compared to S/ 5.5 million in 3Q17 and S/ 29.1 million in 4Q16
- Combined net premiums (including 2 months for S. Sura) increased 3.9% QoQ and 17.3% YoY in 4Q17, mainly explained by the launch of Private Annuities. FY17 net premiums excluding Previsional Insurance was S/ 360.3 million, compared with S/ 337.9 million in 2016
- Combined investment portfolio grew 86.2% QoQ and 109.7% YoY; normalizing from S. Sura's contribution, growth was 0.8% QoQ and 13.5% YoY
- The purchase of S. Sura was concremented on February 2, 2017

Inteligo: Solid year in revenues, efficiency and profitability

- FY17 net profit was S/ 187.8 million, a S/ 16.8 million increase or 9.8% YoY, attributed to solid results across all revenue streams
- 4Q17 net profit was S/ 40.9 million, a 4.0% decrease QoQ but a 6.2% increase YoY, mainly driven by higher other expenses and an increase in other income, respectively
- AuM + deposits decreased 4.2% QoQ and 5.9% YoY (or 3.5% QoQ and 2.5% YoY when excluding exchange rate impact), mainly related to lower back-to-back loans
- FY17 ROAE was 27.3%

Intercorp Financial Services

SUMMARY

2017 Performance

Intercorp Financial Services' net profit was S/ 837.8 million in 2017, a 0.5% increase compared to 2016. The increase in profits was mainly driven by growths of S/ 120.9 million in other income, S/ 66.2 million in net interest and similar income and S/ 48.3 million in fee income from financial services, partially offset by a S/ 101.2 million decrease in total premiums earned less claims and benefits, and a S/ 44.3 million increase in provisions.

Intercorp Financial Services' P&L Statement					
S/ million	2015	2016	2017	%chg 17/16	%chg 16/15
Interest and similar income	3,342.7	3,704.8	3,809.0	2.8%	10.8%
Interest and similar expense	-921.7	-1,081.9	-1,119.9	3.5%	17.4%
Net interest and similar income	2,421.0	2,623.0	2,689.1	2.5%	8.3%
Provision for loan losses, net of recoveries	-645.8	-783.6	-827.9	5.7%	21.3%
Net interest and similar income after provision for loan losses	1,775.2	1,839.3	1,861.2	1.2%	3.6%
Fee income from financial services, net	818.4	862.5	910.8	5.6%	5.4%
Other income	687.5	441.3	562.2	27.4%	-35.8%
Total premiums earned less claims and benefits	105.5	-247.3	-348.5	40.9%	n.m.
Net Premiums	775.1	592.2	623.6	5.3%	-23.6%
Adjustment of technical reserves	-410.6	-521.3	-559.9	7.4%	27.0%
Net claims and benefits incurred	-258.9	-318.2	-412.3	29.6%	22.9%
Other expenses	-1,770.1	-1,748.3	-1,837.2	5.1%	-1.2%
Income before translation result and income tax	1,616.5	1,147.5	1,148.5	0.1%	-29.0%
Translation result	-25.1	20.1	15.9	-20.7%	n.m.
Income tax	-352.6	-333.9	-326.5	-2.2%	-5.3%
Profit for the period	1,238.8	833.7	837.8	0.5%	-32.7%
Attributable to Equity holders of the Group⁽¹⁾	1,231.8	828.1	831.8	0.4%	-32.8%
EPS	11.29	7.64	7.78		
ROAE	28.7%	17.4%	15.7%		
ROAA	2.8%	1.7%	1.6%		

(1) During the period 4Q14-3Q17, Interseguro consolidated a real estate investment shared by Interseguro and Intercorp Real Estate Inc., a subsidiary of Intercorp Peru Ltd. Intercorp RE's part was then reported as attributable to non-controlling interest.

The increase in other income was mainly explained by higher net gains on sale of securities at Interbank, Interseguro and Inteligo, in addition to higher gains on sale and valuation of real estate investments attributable to the incorporation of Seguros Sura.

Growth in net interest and similar income was mainly explained by higher interest on investments related to the acquisition of Seguros Sura's portfolio and to higher interest on loans and investments at Interbank, partially offset by an increase in interest on deposits and obligations, also at Interbank. Interseguro and Inteligo businesses also supported a higher net interest and similar income in 2017.

The growth in fee income from financial services was mainly due to higher fees from maintenance of accounts and commissions from credit and debit card services at Interbank.

On the other hand, the 5.7% increase in provisions was in line with loan growth and resulted from higher provision requirements in commercial and consumer loans at Interbank.

Adjustment of technical reserves, related to Interseguro's and Seguros Sura's businesses, increased in 2017 due to changes in the discount rate used in the calculation of technical reserves for annuities. Such impact represented a S/ 207.4 million decrease in net profit during 2017, while in 2016, discount rate impact accounted for a S/ 119.6 million reduction in profits.

IFS ROAE was 15.7% in 2017, lower than the 17.4% reported in 2016 and the 28.7% registered in 2015.

4Q17 Performance

Net profit was S/ 241.2 million in 4Q17, an increase of 7.9% QoQ, but a decrease of 37.6% YoY. IFS annualized ROAE was 17.2% in 4Q17, above the 17.0% registered in 3Q17 but below the 30.9% reported in 4Q16. IFS annualized ROAE excluding discount rate impact on technical reserves was 20.9% in 4Q17, compared to 20.2% in 3Q17 and 22.7% in 4Q16, respectively.

Intercorp Financial Services' P&L statement					
S/ million	4Q16	3Q17	4Q17	%chg QoQ	%chg YoY
Interest and similar income	951.4	947.8	997.5	5.2%	4.8%
Interest and similar expense	-275.7	-279.4	-288.1	3.1%	4.5%
Net interest and similar income	675.7	668.3	709.4	6.1%	5.0%
Provision for loan losses, net of recoveries	-194.0	-202.2	-188.8	-6.6%	-2.7%
Net interest and similar income after provision for loan losses	481.7	466.2	520.7	11.7%	8.1%
Fee income from financial services, net	221.4	240.4	231.4	-3.8%	4.5%
Other income	102.4	138.7	171.1	23.3%	67.1%
Total premiums earned less claims and benefits	66.7	-81.1	-98.7	21.6%	n.m.
Net Premiums	148.9	168.1	174.6	3.9%	17.3%
Adjustment of technical reserves	5.7	-155.7	-126.6	-18.7%	n.m.
Net claims and benefits incurred	-88.0	-93.6	-146.7	56.8%	66.8%
Other expenses	-413.8	-441.8	-499.0	12.9%	20.6%
Income before translation result and income tax	458.3	322.4	325.5	1.0%	-29.0%
Translation result	11.5	-7.4	2.4	n.m.	-78.7%
Income tax	-83.5	-91.4	-86.7	-5.1%	3.9%
Profit for the period	386.3	223.6	241.2	7.9%	-37.6%
Attributable to equity holders of the group ⁽¹⁾	386.2	218.3	239.5	9.7%	-38.0%
EPS	3.59	2.05	2.24		
ROAE	30.9%	17.0%	17.2%		
ROAA	3.0%	1.8%	1.7%		

(1) During the period 4Q14-3Q17, Interseguro consolidated a real estate investment shared by Interseguro and Intercorp Real Estate Inc., a subsidiary of Intercorp Peru Ltd. Intercorp RE's part was then reported as attributable to non-controlling interest.

Intercorp Financial Services' Statement of financial position					
S/ million	4Q16	3Q17	4Q17	%chg QoQ	%chg YoY
Assets					
Cash and due from banks and inter-bank funds	11,766.8	8,900.3	11,608.4	30.4%	-1.3%
Trading securities and investments available for sale	10,209.8	11,725.3	16,924.1	44.3%	65.8%
Loans, net of unearned income	28,192.6	29,036.0	29,420.7	1.3%	4.4%
Allowance for loan losses	-1,166.8	-1,235.6	-1,216.6	-1.5%	4.3%
Property, furniture and equipment, net	589.8	581.1	612.6	5.4%	3.9%
Other assets	2,121.5	2,183.1	3,329.3	52.5%	56.9%
Total assets	51,713.8	51,190.2	60,678.6	18.5%	17.3%
Liabilities and equity					
Deposits and obligations	30,097.9	28,551.5	32,607.6	14.2%	8.3%
Due to banks and correspondents	5,660.9	5,760.7	4,437.4	-23.0%	-21.6%
Bonds, notes and other obligations	4,769.4	4,765.5	5,602.4	17.6%	17.5%
Insurance contract liabilities	5,010.5	5,521.4	10,839.4	96.3%	116.3%
Other liabilities	1,176.9	1,190.9	1,354.9	13.8%	15.1%
Total liabilities	46,715.5	45,789.9	54,841.7	19.8%	17.4%
Equity					
Equity holders of IFS	4,879.1	5,367.1	5,800.5	8.1%	18.9%
Non-controlling interest	119.2	33.1	36.4	9.9%	-69.5%
Total equity	4,998.3	5,400.2	5,836.9	8.1%	16.8%
Total liabilities and equity	51,713.8	51,190.2	60,678.6	18.5%	17.3%

Quarter-on-quarter performance

Profits grew 7.9% QoQ mainly as a result of increases in net interest and similar income, and in other income, in addition to a reduction in provision expenses. These effects were partially offset by higher other expenses, as well as by higher net claims and benefits incurred at the insurance business.

Net interest and similar income increased 6.1% QoQ, mainly as a result of higher interest on loans and interest on investments available for sale at Interbank, in addition to an increase in interest and similar income associated with the incorporation of Seguros Sura's results.

Provision expenses decreased 6.6% mainly due to higher recoveries in commercial loans, mortgages and other consumer loans at Interbank.

Other income grew 23.3% QoQ mainly explained by an increase in net gain on sale of securities at both Interbank and Inteligo, along with the growth related to the incorporation of Seguros Sura's results.

Total premiums earned less claims and benefits in 4Q17 was S/ -98.7 million, a decrease of S/ 17.6 million QoQ, as a result of a S/ 53.1 million increase in net claims and benefits incurred, partially offset by a S/ 29.1 million decrease in adjustment on technical reserves and a S/ 6.5 million increase in net premiums. On a sequential basis, net premiums grew for the third consecutive quarter after the launch of Private Annuities. In 4Q17, the adjustment of technical reserves included a negative discount rate impact of S/ -54.4 million, whereas in 3Q17 the discount rate impact was S/ -44.0 million.

Other expenses increased 12.9% QoQ due to higher depreciation and amortization charges, as well as seasonally higher administrative expenses at Interbank and Interseguro. Moreover, the increase in other expenses was also explained by the write off of intangible assets at Seguros Sura, as well as by higher impairment loss on available for sale investments at Inteligo.

IFS effective tax rate decreased, from 29.0% in 3Q17 to 26.4% in 4Q17, mainly as a result of a lower effective tax rate at Interbank.

Year-on-year performance

Profits decreased 37.6% YoY mainly due to a reduction in total premiums earned less claims and benefits, as well as higher other expenses. These effects were partially offset by increases in net interest and similar income, net fee income from financial services and other income, in addition to lower provision expenses.

Net interest and similar income increased 5.0% YoY, mainly driven by higher interest on investments available for sale at Interbank, along with an increase in interest and similar income attributable to the acquisition of Seguros Sura.

Provision expenses decreased 2.7% YoY mainly as a result of lower provision requirements in commercial loans and mortgages at Interbank, as well as a higher provision recovery also at Interbank.

Net fee income from financial services increased 4.5% YoY mainly due to growths in fees from maintenance and mailing of accounts, interchange fees, transfers and debit card services; and in commissions from banking services, as well as from credit card services, all at Interbank. In addition to these factors, the increase in net fee income from financial services was also explained by an increase in fees from funds management, both at Interbank and Inteligo.

Other income increased 67.1% YoY mainly as a result of increases in net gain on sale of securities at all subsidiaries, and in valuation gain from investment property and net trading gain at the insurance business, associated with the incorporation of Seguros Sura's results. These effects were partially offset by a decrease in net gain on foreign exchange transactions and derivatives at Interbank and a lower net trading gain at Inteligo.

Total premiums earned less claims and benefits decreased by S/ 165.4 million, as a result of a S/ 132.3 million increase in adjustment of technical reserves and a S/ 58.7 million increase in net claims and benefits incurred, partially offset by a S/ 25.7 million increase in net premiums.

Other expenses increased 20.6% YoY mainly due to an increase in impairment loss on available-for-sale investments at Interseguro and Inteligo, in addition to the write off of intangible assets at Seguros Sura.

IFS effective tax rate normalized YoY, from 17.8% in 4Q16 to 26.4% in 4Q17, as a result of a negative contribution of the Insurance Segment.

CONTRIBUTION BY SEGMENTS

The following table shows the contribution of Interbank, Interseguro, Seguros Sura and Inteligo to Intercorp Financial Services' net profit. The performance of each of the three segments is discussed in detail in the following sections.

Intercorp Financial Services' Profit by segment					
S/ million	4Q16	3Q17	4Q17	%chg QoQ	%chg YoY
Interbank	223.7	227.8	273.4	20.0%	22.2%
Interseguro and Seguros Sura	130.2	-34.8	-29.6	-14.8%	n.m.
Inteligo	38.5	42.6	40.9	-4.0%	6.2%
Corporate and eliminations	-6.0	-12.0	-43.4	n.m.	n.m.
IFS profit for the period	386.3	223.6	241.2	7.9%	-37.6%

Interbank

SUMMARY

2017 Performance

Interbank's net profit reached S/ 904.9 million in 2017, a 6.9% increase compared to the previous year. The main factors that contributed to this result were increases of 14.9% in other income, 5.9% in fee income from financial services and 1.4% in net interest and similar income, partially offset by growths of 6.0% in provisions and 2.6% in other expenses.

Interbank's ROAE was 20.1% in 2017, below the 21.4% reported in 2016.

Banking Segment's P&L Statement					
S/ million	2015	2016	2017	%chg 17/16	%chg 16/15
Interest and similar income	2,961.4	3,279.4	3,348.0	2.1%	10.7%
Interest and similar expenses	-858.5	-1,009.8	-1,047.0	3.7%	17.6%
Net interest and similar income	2,102.9	2,269.6	2,301.0	1.4%	7.9%
Provision for loan losses, net of recoveries	-643.9	-783.6	-830.5	6.0%	21.7%
Net interest and similar income after provision for loan losses	1,459.0	1,485.9	1,470.5	-1.0%	1.8%
Fee income from financial services, net	733.7	789.6	836.1	5.9%	7.6%
Other income	506.8	343.8	394.9	14.9%	-32.2%
Other expenses	-1,460.9	-1,469.2	-1,506.8	2.6%	0.6%
Income before translation result and income tax	1,238.6	1,150.1	1,194.8	3.9%	-7.1%
Translation result	-49.5	0.9	13.6	n.m.	n.m.
Income tax	-320.7	-304.2	-303.5	-0.3%	-5.1%
Profit for the period	868.4	846.8	904.9	6.9%	-2.5%
ROAE	25.4%	21.4%	20.1%		
Efficiency ratio	41.6%	42.0%	41.5%		
NIM	6.0%	5.7%	5.7%		
NIM on loans	9.9%	9.9%	9.5%		

Interest and similar income increased 2.1% mainly driven by growths of 25.6% in interest on investments available for sale and 0.7% in interest on loans.

The higher interest on investments available for sale was due to a 29.0% growth in the average volume, while the average rate remained relatively stable. The increase in average volume was due to higher investments in sovereign bonds, Central Bank Certificates of Deposits (CDBCR), global bonds and corporate bonds from financial institutions. Regarding the average rate, higher returns on CDBCR were compensated by lower yields on sovereign and global bonds.

The increase in interest on loans was attributed to a 4.3% growth in the average volume, partially offset by a 50 basis point decrease in the nominal average rate, from 12.5% in 2016 to 12.0% in 2017. The higher average volume was due to increases of 4.6% in retail loans and 4.2% in commercial loans. By currency, average balances of soles loans increased 5.6% while dollar loans grew 1.1%.

The lower average rate was a result of lower yields on retail and commercial loans. In the retail loan portfolio, the average yield decreased by 140 basis points as a

consequence of lower rates on credit cards, payroll loans and mortgages, partially offset by higher returns on other consumer loans. In commercial loans, the average rate decreased by 20 basis points, mainly due to lower yields on trade finance loans and leasing operations.

Interest and similar expenses increased 3.7% with respect to the previous year. This was explained by a 17.9% growth in interest on deposits, partially offset by decreases of 12.3% in interest due to banks and correspondents, and 3.5% in interest on bonds, notes and other obligations.

The 17.9% growth in interest on deposits was due to a 5.7% increase in the average volume and a 20 basis points higher average cost. The growth in volume was attributed to increases in institutional, retail and commercial deposits. By currency, average balances of soles deposits increased 16.5%, while dollar deposits decreased 6.5%. The higher average cost was due to homogeneous increases across institutional, retail and commercial deposits.

Interest due to banks decreased as a result of an 11.6% contraction in the average volume, while the average cost remained relatively stable. The lower average volume was due to lower funding provided by correspondent banks and by the Central Bank.

The reduction in interest in bonds, notes and other obligations was mainly due to a 1.7% decrease in the average volume, which in turn was attributed to an appreciation of the exchange rate, as the majority of bonds outstanding are denominated in dollars.

Provision for loan losses, net of recoveries increased 6.0% in 2017 when compared to the previous year. The increase in provision expenses was similar to year-end loan growth and was mainly a result of higher provisioning in commercial and consumer loans. In this context, credit cards PDL ratio deteriorated by 60 basis points in 2017, to 5.6%, partly an effect of the slightly negative growth in such product in an annual comparison.

The S/ 46.5 million or 5.9% increase in fee income from financial services, net was mainly attributable to an increase of S/ 30.9 million in fees from maintenance and mailing of accounts, interchange fees, transfers and credit and debit card services, in addition to growths of S/ 9.3 million in fees from banking services and S/ 5.2 million in income from funds management.

Other income increased by S/ 51.1 million or 14.9%, mainly due to an increase of S/ 47.6 million in net gain on sale of securities.

The efficiency ratio improved, from 42.0% in 2016 to 41.5% in 2017, as the result of a 3.8% growth in total revenues, compared to an increase in other expenses of only 2.6%.

Income before translation result and income tax increased 3.9% in 2017, which was then positively affected by a higher translation result and a lower effective tax rate, from 26.4% in 2016 to 25.1% in 2017. As a result of the above, profit for the period increased 6.9% compared to 2016.

4Q17 Performance

Interbank's profits reached S/ 273.4 million in 4Q17, an increase of S/ 45.6 million QoQ and S/ 49.7 million YoY. The quarterly growth was mainly due to increases of S/ 30.8 million in other income and S/ 18.2 million in net interest and similar income, in addition to a reduction of S/ 13.5 million in provisions. These factors were partially offset by a seasonal increase of S/ 18.6 million in other expenses.

The annual increase in net profit was supported by growths of S/ 32.2 million in other income, S/ 8.0 million in net interest and similar income and S/ 7.3 million in fee income from financial services, and a reduction of S/ 5.4 million in provisions.

Interbank's ROAE was 22.7% in 4Q17, higher than the 20.0% registered in 3Q17 and the 21.1% reported in 4Q16.

Banking Segment's P&L Statement					
S/ million	4Q16	3Q17	4Q17	%chg QoQ	%chg YoY
Interest and similar income	837.3	835.3	852.6	2.1%	1.8%
Interest and similar expenses	-256.1	-264.3	-263.3	-0.4%	2.8%
Net interest and similar income	581.2	571.0	589.2	3.2%	1.4%
Provision for loan losses, net of recoveries	-194.0	-202.1	-188.6	-6.7%	-2.8%
Net interest and similar income after provision for loan losses	387.2	368.9	400.6	8.6%	3.5%
Fee income from financial services, net	205.2	220.1	212.5	-3.5%	3.6%
Other income	88.1	89.5	120.3	34.4%	36.5%
Other expenses	-384.1	-363.2	-381.8	5.1%	-0.6%
Income before translation result and income tax	296.4	315.3	351.6	11.5%	18.6%
Translation result	3.0	-2.3	2.3	n.m.	-24.4%
Income tax	-75.7	-85.2	-80.5	-5.6%	6.2%
Profit for the period	223.7	227.8	273.4	20.0%	22.2%
ROAE	21.1%	20.0%	22.7%		
Efficiency ratio	42.6%	41.0%	40.0%		
NIM	5.7%	5.7%	5.6%		
NIM on loans	10.0%	9.4%	9.5%		

INTEREST-EARNING ASSETS

Interbank's interest-earning assets reached S/ 44,038.3 million in 4Q17, an increase of 9.2% QoQ and 7.7% YoY.

The quarterly growth in interest-earning assets was due to increases of 31.2% in cash and due from banks and inter-bank funds, 7.2% in investments and 2.6% in loans. The increase in cash and due from banks and inter-bank funds was mainly explained by higher reserve funds and deposits at the Central Bank, while the increase in investments was due to higher balances of sovereign and global bonds, and CDBCR.

The annual increase in interest-earning assets was attributed to growths of 33.0% in investments, 6.1% in loans and 0.8% in cash and due from banks and inter-bank funds. The growth in investments was mainly explained by higher volumes of sovereign and global bonds, and CDBCR, while the increase in cash and due from banks and inter-

bank funds was mainly due to higher deposits at the Central Bank and higher inter-bank funds.

Interest-earning assets					
S/ million	4Q16	3Q17	4Q17	%chg QoQ	%chg YoY
Cash and due from banks and inter-bank funds	10,971.5	8,428.4	11,058.6	31.2%	0.8%
Investments available for sale	4,593.4	5,702.0	6,110.0	7.2%	33.0%
Loans	25,331.3	26,189.3	26,869.7	2.6%	6.1%
Total Interest-earning assets	40,896.2	40,319.7	44,038.3	9.2%	7.7%

Loan portfolio					
S/ million	4Q16	3Q17	4Q17	%chg QoQ	%chg YoY
Performing loans					
Retail	13,204.5	13,666.3	14,184.1	3.8%	7.4%
Commercial	12,043.9	12,467.4	12,624.3	1.3%	4.8%
Total Performing loans	25,248.4	26,133.7	26,808.3	2.6%	6.2%
Restructured and refinanced loans	296.5	276.5	273.4	-1.1%	-7.8%
Past due loans	693.3	770.7	794.7	3.1%	14.6%
Total gross loans	26,238.2	27,180.9	27,876.4	2.6%	6.2%
Add (less)					
Accrued and deferred interest	256.3	243.2	209.0	-14.1%	-18.5%
Allowance for loan losses	-1,163.2	-1,234.8	-1,215.7	-1.5%	4.5%
Total direct loans, net	25,331.3	26,189.3	26,869.7	2.6%	6.1%

Performing loans grew 2.6% QoQ as a result of increases of 3.8% in retail loans and 1.3% in commercial loans.

Growth in retail loans was explained by increases of 6.9% in mortgages, 2.0% in other consumer loans and 1.8% in credit cards. The increase in mortgages was due to a higher dynamism in the traditional segment and to an acquired portfolio from Hipotecaria Sura Empresa Administradora Hipotecaria S.A., worth S/ 229.3 million net of provisions. Growth in other consumer loans was mainly explained by higher payroll loans.

The QoQ increase in commercial loans was due to higher short and medium-term loans, mostly in the corporate segment.

Performing loans grew 6.2% YoY due to increases of 7.4% in retail loans and 4.8% in commercial loans.

Retail loans grew YoY mainly due to increases of 13.7% in mortgages and 8.4% in other consumer loans, partially offset by a 1.6% contraction in credit cards. The increase in mortgages was related to a higher dynamism in the traditional segment and the previously mentioned acquisition, while other consumer loans grew as a result of higher payroll loans, cash loans and car loans. Excluding the effect of the acquisition, the annual increase in mortgages was 9.0%, remaining as the highest-growing retail product.

The annual growth in commercial loans was mainly explained by higher short and medium-term lending, related mostly to the corporate and small enterprise segments.

Breakdown of retail loans					
S/ million	4Q16	3Q17	4Q17	%chg QoQ	%chg YoY
Consumer loans:					
Credit cards	3,853.5	3,726.8	3,792.6	1.8%	-1.6%
Other consumer	4,479.9	4,760.5	4,854.8	2.0%	8.4%
Total consumer loans	8,333.4	8,487.2	8,647.4	1.9%	3.8%
Mortgages	4,871.1	5,179.1	5,536.6	6.9%	13.7%
Total retail loans	13,204.5	13,666.3	14,184.1	3.8%	7.4%

FUNDING STRUCTURE

Funding structure					
S/ million	4Q16	3Q17	4Q17	%chg QoQ	%chg YoY
Deposits	26,898.6	25,819.1	30,559.3	18.4%	13.6%
Due to banks and inter-bank funds	5,591.7	5,757.2	4,416.7	-23.3%	-21.0%
Bonds	4,598.3	4,600.4	4,537.2	-1.4%	-1.3%
Total	37,088.7	36,176.7	39,513.2	9.2%	6.5%
% of funding					
Deposits	72.5%	71.4%	77.3%		
Due to banks and inter-bank funds	15.1%	15.9%	11.2%		
Bonds	12.4%	12.7%	11.5%		

Interbank's total funding base increased 9.2% QoQ, in line with the growth of interest-earning assets. The quarterly growth was mainly due to an 18.4% increase in deposits, partially offset by reductions of 23.3% in due to banks and inter-bank funds, and 1.4% in bonds. The increase in deposits was explained by growths of 86.5% in institutional deposits, 9.4% in commercial deposits and 6.5% in retail deposits. Growth in institutional deposits was associated with funds from the repatriation of capital stimulated by the Government.

The bank's total funding base increased 6.5% YoY, slightly below the annual growth in interest-earning assets, and was mainly explained by a 13.6% growth in deposits, partially offset by decreases of 21.0% in due to banks and inter-bank funds, and 1.3% in bonds. The annual increase in deposits was explained by growths of 30.9% in institutional deposits, 11.0% in commercial deposits and 8.1% in retail deposits.

The contraction in due to banks was mainly a result of lower medium-term funding from abroad, Central Bank and COFIDE, partially offset by higher short-term funding from abroad.

The YoY contraction in bonds was mainly attributed to a 3.4% appreciation of the exchange rate which originated a decrease in the value of bonds issued in dollars.

As of 4Q17, the proportion of deposits to total funding was 77.3%, above the 72.5% reported in 4Q16. Likewise, the proportion of institutional deposits to total deposits was 21.8% in 4Q17, higher than the 18.9% registered in 4Q16.

Breakdown of deposits					
S/ million	4Q16	3Q17	4Q17	%chg QoQ	%chg YoY
By customer service:					
Retail	11,756.7	11,935.7	12,709.2	6.5%	8.1%
Commercial	9,781.1	9,929.0	10,859.9	9.4%	11.0%
Institutional	5,080.7	3,568.3	6,653.2	86.5%	30.9%
Other	280.1	386.1	337.0	-12.7%	20.3%
Total	26,898.6	25,819.1	30,559.3	18.4%	13.6%
By type:					
Demand	8,151.9	8,167.2	9,370.1	14.7%	14.9%
Savings	8,915.4	8,949.6	9,093.0	1.6%	2.0%
Time	9,825.6	8,689.4	12,090.3	39.1%	23.0%
Other	5.7	12.9	5.8	-54.7%	2.4%
Total	26,898.6	25,819.1	30,559.3	18.4%	13.6%

NET INTEREST AND SIMILAR INCOME

Net interest and similar income					
S/ million	4Q16	3Q17	4Q17	%chg QoQ	%chg YoY
Interest and similar income	837.3	835.3	852.6	2.1%	1.8%
Interest and similar expense	-256.1	-264.3	-263.3	-0.4%	2.8%
Net interest and similar income	581.2	571.0	589.2	3.2%	1.4%
NIM*	5.7%	5.7%	5.6%	-10 bps	-10 bps

*Annualized. Net interest and similar income / Average interest-earning assets.

Interest and similar income					
S/ million	4Q16	3Q17	4Q17	%chg QoQ	%chg YoY
Interest and similar income					
Due from banks and inter-bank funds	5.1	8.1	8.4	3.9%	64.6%
Investments available for sale	39.9	43.8	50.2	14.8%	25.9%
Loans	792.2	783.5	793.9	1.3%	0.2%
Total Interest and similar income	837.3	835.3	852.6	2.1%	1.8%
Average interest-earning assets	40,485.9	39,985.5	42,179.0	5.5%	4.2%
Average yield on assets (annualized)	8.3%	8.4%	8.1%	-30 bps	-20 bps

Interest and similar expense					
S/ million	4Q16	3Q17	4Q17	%chg QoQ	%chg YoY
Interest and similar expense					
Deposits and obligations	-117.4	-131.0	-133.5	1.9%	13.7%
Due to banks and correspondents	-60.2	-57.2	-54.1	-5.4%	-10.1%
Bonds, notes and other obligations	-78.4	-76.0	-75.7	-0.4%	-3.5%
Total Interest and similar expense	-256.1	-264.3	-263.3	-0.4%	2.8%
Average interest-bearing liabilities	36,727.5	36,022.9	37,845.0	5.1%	3.0%
Average cost of funding (annualized)	2.8%	2.9%	2.8%	-10 bps	0 bps

QoQ Performance

Net interest and similar income increased 3.2% QoQ as the result of a 2.1% growth in interest and similar income, in addition to a 0.4% decline in interest and similar expense.

The higher interest and similar income was mainly due to increases of 1.3% in interest on loans and 14.8% in interest on investments available for sale.

Growth in interest on loans was due to an increase of 2.4% in the average loan portfolio, partially offset by a 10 basis point reduction in the average yield, from 12.1% in 3Q17 to 12.0% in 4Q17. The higher average volume of loans was attributed to growths of 2.7% in retail loans and 2.0% in commercial loans. In the retail portfolio, the higher average volume was mainly due to increases of 4.8% in mortgages and 2.0% in payroll loans; while average balances of credit cards barely increased 0.4%. In the commercial portfolio, volumes increased 2.6% in short and medium-term loans and 0.8% in leasing, partially compensated by a 1.5% contraction in trade finance loans. On the other hand, the decrease in the average rate was mainly explained by lower yields on credit cards, as well as on trade finance loans and on short and medium-term loans.

Interest on investments available for sale increased by S/ 6.4 million, or 14.8%, mainly explained by a 14.6% growth in the average volume, while the average rate remained relatively stable. The increase in average volume was a result of higher investments in sovereign bonds and CDBCR. The average rate sustained as higher returns on CDBCR, global bonds and other investments were offset by lower returns on sovereign bonds.

The nominal average yield on interest-earning assets declined by 30 basis points, from 8.4% in 3Q17 to 8.1% in 4Q17, mainly as a result of lower rates on loans; together with the effect of a 9.3% increase in average balances of due from banks and inter-bank funds, which earn a much lower yield compared with the other components of interest-earning assets.

Interest and similar expense decreased 0.4% QoQ mainly explained by a 5.4% reduction in interest due to banks and correspondents, partially offset by a 1.9% growth in interest on deposits and obligations. Interest on bonds, notes and other obligations remained relatively stable.

The reduction in interest due to banks and correspondents was a result of a 10.1% lower average volume, partially offset by an increase of 30 basis points in the nominal average cost. The lower average volume was mostly attributed to a reduction in funding provided by the Central Bank, while the increase in the nominal average rate was due to a higher cost of inter-bank funds.

The rise in interest on deposits and obligations was due to a 9.2% increase in the average volume, partially offset by a 10 basis point decrease in the average cost, from 2.0% in 3Q17 to 1.9% in 4Q17. The increase in average volume was explained by higher balances of commercial, institutional and retail deposits. By currency, dollar deposits grew 10.4% while soles deposits increased 8.4%.

The average cost of funds decreased by 10 basis points QoQ, from 2.9% in 3Q17 to 2.8% in 4Q17, as a consequence of a reduction in the costs of institutional and

commercial deposits, partially offset by an increase in the cost of due to banks and correspondents.

As a result of the above, net interest margin was 5.6% in 4Q17, 10 basis points below the 5.7% reported in 3Q17.

YoY Performance

Net interest and similar income grew 1.4% YoY due to a 1.8% growth in interest and similar income, which was partially offset by a 2.8% increase in interest and similar expense.

The growth in interest and similar income was mainly due to increases of 25.9% in interest on investments available for sale and 64.6% in interest on due from banks and inter-bank funds. Interest on loans remained relatively stable in 4Q17 when compared to 4Q16, as a 5.0% increase in the average volume of loans was compensated by a 50 basis point contraction in the average yield.

Interest on investments available for sale increased by S/ 10.3 million YoY, or 25.9%, as a result of a 35.0% growth in the average volume despite the nominal average rate decreased by 20 basis points YoY. The growth in volume was a result of higher investments in sovereign and global bonds, while the lower rate was due to lower returns in such portfolios.

Interest on due from banks and inter-bank funds grew by S/ 3.3 million, or 64.6%, explained by a 10 basis point increase in the nominal average rate, partially offset by a 10.1% decrease in the average volume. The increase in the nominal average rate was due to higher returns on deposits at the Central Bank, while the contraction in the average volume was due to lower reserve requirements, also at the Central Bank.

The nominal average yield on interest-earning assets decreased by 20 basis points YoY, from 8.3% in 4Q16 to 8.1% in 4Q17, mainly explained by the lower yields on loans and on investments available for sale.

Interest and similar expense increased 2.8% YoY due to a 13.7% growth in interest on deposits and obligations, partially offset by decreases of 10.1% in interest due to banks and correspondents and 3.5% in interest on bonds, notes and other obligations.

Interest on deposits and obligations increased by S/ 16.1 million, or 13.7%, explained by growths of 7.5% in the average volume and 10 basis points in the nominal average cost. The higher average volume was explained by higher balances of institutional, retail and commercial deposits. By currency, soles deposits grew 18.0% while dollar deposits contracted 5.1%. The increase in the average cost was due to a 30 basis point increase in dollar deposits, partially compensated by a 20 basis point decrease in soles deposits.

The S/ 6.1 million, or 10.1% decrease in interest due to banks and correspondents was explained by a 13.4% reduction in the average volume, partially offset by a 20 basis point increase in the average cost. The decrease in average volume was mainly due to lower funding provided by the Central Bank and COFIDE; while the increase in the average rate was explained by a higher cost of inter-bank funds.

Interest on bonds, notes and other obligations decreased by \$/ 2.7 million, or 3.5% YoY in 4Q17; mainly due to a decrease of 1.6% in the average volume, which in turn was explained by an appreciation of the exchange rate with respect to 4Q16.

The average cost of funds remained stable YoY, at 2.8%. This was the result of a higher proportion of deposits to total funding, despite the slight increase in their nominal average cost, given that they still contribute with a lower average cost than the rest of the sources of funding.

As a result of the above, net interest margin declined by 10 basis points YoY, from 5.7% in 4Q16 to 5.6% in 4Q17.

PROVISION FOR LOAN LOSSES, NET OF RECOVERIES

Provision for loan losses, net of recoveries decreased 6.7% QoQ and 2.8% YoY. As a result, the annualized ratio of provision expense to average loans was 2.7% in 4Q17, below the 3.0% reported in both 3Q17 and 4Q16.

The quarterly decrease in provision expenses was mainly a result of higher recoveries in commercial loans, mortgages and other consumer loans; partially offset by higher provision requirements in small enterprise loans and credit cards.

The annual decrease in provisions was mainly a result of lower provision requirements in commercial loans and mortgages, as well as a higher provision recovery.

Provision for loan losses, net of recoveries					
\$/ million	4Q16	3Q17	4Q17	%chg QoQ	%chg YoY
Provision for loan losses, net of recoveries	-194.0	-202.1	-188.6	-6.7%	-2.8%
Past-due-loan ratio (at end of period)	2.6%	2.8%	2.9%	10 bps	30 bps
Provision for loan losses/average gross loans	3.0%	3.0%	2.7%	-30 bps	-30 bps
Coverage ratio (at end of period)	167.8%	160.2%	153.0%	-720 bps	-1480 bps
Allowance for loan losses (at end of period)	1,163.2	1,234.8	1,215.7	-1.5%	4.5%

The past-due-loan ratio was 2.9% in 4Q17, 10 bps higher than the 2.8% registered in 3Q17 and 30 bps higher than the 2.6% registered in 4Q16. As a consequence, the coverage ratio of the past-due loan portfolio was 153.0% in 4Q17, below the 160.2% reported in 3Q17 and the 167.8% registered in 4Q16.

FEE INCOME FROM FINANCIAL SERVICES, NET

Net fee income from financial services decreased by \$/ 7.6 million QoQ, or 3.5%, mainly explained by reductions of \$/ 3.5 million in commissions from banking services and \$/ 3.1 million in fees from maintenance and mailing of accounts, interchange fees, transfers and debit card services.

Net fee income from financial services increased by \$/ 7.3 million YoY, or 3.6%, mainly due to growths of \$/ 3.1 million in fees from maintenance and mailing of accounts, interchange fees, transfers and debit card services; \$/ 2.2 million in commissions from banking services, \$/ 1.8 million in fees from funds management, and \$/ 1.6 million in commissions from credit card services.

Fee income from financial services, net					
S/ million	4Q16	3Q17	4Q17	%chg QoQ	%chg YoY
Income					
Commissions from credit card services	99.9	101.5	101.5	0.0%	1.6%
Maintenance and mailing of accounts, interchange fees, transfers and debit card services	45.6	51.8	48.7	-6.1%	6.7%
Commissions from banking services	70.2	75.9	72.4	-4.6%	3.2%
Fees for indirect loans	15.2	15.7	16.5	4.8%	8.5%
Funds management	8.2	9.0	10.0	10.8%	22.4%
Collection services	8.1	8.6	8.3	-3.3%	2.3%
Other	8.4	7.2	7.9	9.6%	-5.5%
Total income	255.5	269.8	265.3	-1.7%	3.8%
Expenses					
Insurance	-41.3	-39.5	-42.3	7.0%	2.3%
Fees paid to foreign banks	-2.5	-3.0	-2.8	-5.2%	10.2%
Other	-6.5	-7.2	-7.7	7.0%	19.0%
Total expenses	-50.4	-49.7	-52.8	6.3%	4.9%
Fee income from financial services, net	205.2	220.1	212.5	-3.5%	3.6%

OTHER INCOME

Other income increased by S/ 30.8 million QoQ mainly due to a S/ 20.9 million increase in net gain on sale of securities, partially offset by a S/ 7.7 million decrease in net gain on foreign exchange transactions and derivatives.

Similarly, other income increased by S/ 32.2 million YoY, mainly due to an increase of S/ 30.6 million in net gain on sale of securities, partially offset by a S/ 9.5 million decrease in net gain on foreign exchange transactions and derivatives.

Income from sale of securities increased considerably in 4Q17 due to the sale of part of an equity investment.

Other income					
S/ million	4Q16	3Q17	4Q17	%chg QoQ	%chg YoY
Net gain on foreign exchange transactions and derivatives	62.2	60.4	52.7	-12.7%	-15.2%
Net gain on sale of securities	0.3	10.0	30.9	n.m.	n.m.
Other	25.7	19.2	36.7	91.5%	43.0%
Total other income	88.1	89.5	120.3	34.4%	36.5%

OTHER EXPENSES

Other expenses increased by S/ 18.6 million QoQ, or 5.1%, and decreased by S/ 2.3 million YoY, or 0.6%. The quarterly growth was mainly due to a 7.3% increase in depreciation and amortization, as well as 3.4% higher administrative expenses, related to seasonal factors.

The annual contraction in other expenses was mainly explained by a 4.0% reduction in salaries and employee benefits, partially offset by higher depreciation and amortization charges.

The efficiency ratio was 40.0% in 4Q17, below the 41.0% registered in 3Q17 and the 42.6% achieved in 4Q16.

Other expenses					
S/ million	4Q16	3Q17	4Q17	%chg QoQ	%chg YoY
Salaries and employee benefits	-155.7	-150.2	-149.4	-0.6%	-4.0%
Administrative expenses	-186.6	-179.4	-185.6	3.4%	-0.5%
Depreciation and amortization	-30.4	-31.6	-33.9	7.3%	11.6%
Other	-11.5	-2.0	-13.1	n.m.	13.1%
Total other expenses	-384.1	-363.2	-381.8	5.1%	-0.6%
Efficiency ratio	42.6%	41.0%	40.0%	-100 bps	-260 bps

REGULATORY CAPITAL

The ratio of regulatory capital to risk-weighted assets (RWA) was 16.1% in 4Q17, below the 16.5% registered in 3Q17 but above the 15.9% reported in 4Q16.

As of 4Q17, regulatory capital increased 1.3% QoQ, while RWA grew 3.9% mainly due to higher capital requirements for credit and market risks.

The annual increase in the capital ratio was due to a 7.6% growth in regulatory capital, partially offset by a 6.4% increase in RWA. The YoY increase in regulatory capital was mainly a result of the addition of S/ 460.7 million in capital, reserves and earnings with capitalization agreement during the last twelve months; while the increase in RWA was mostly attributed to a 6.1% growth in the loan portfolio.

It is worth mentioning that the SBS has initiated the implementation of an additional set of Basel III standards, in effect between 2017 and 2026. Among these, it stands out that there will be an annual 10% phase out of existing Tier I instruments, yet allowing its eligibility as Tier II capital. This is why, despite the annual increase in capital and reserves, S/ 29.8 million of the US\$ 200.0 million junior subordinated bonds issued in April 2010 no longer count as primary capital. As of 4Q17, 89.3% of this issue was considered as primary capital, slightly below the percentage registered in 3Q17.

As of 4Q17, Interbank's capital ratio of 16.1% was widely above its risk-adjusted minimum capital ratio requirement, established at 11.9%. The minimum regulatory capital ratio requirement was 10.0%, while the additional capital requirement for Interbank was 1.9% as of 4Q17.

Regulatory capital					
S/ million	4Q16	3Q17	4Q17	%chg QoQ	%chg YoY
Tier I capital	3,789.3	4,207.0	4,250.4	1.0%	12.2%
Tier II capital	1,849.5	1,779.6	1,815.9	2.0%	-1.8%
Total regulatory capital	5,638.9	5,986.6	6,066.3	1.3%	7.6%
Risk-weighted assets	35,475.3	36,331.1	37,745.5	3.9%	6.4%
BIS ratio	15.9%	16.5%	16.1%	-40 bps	20 bps
Tier I capital / risk-weighted assets	10.7%	11.6%	11.3%	-30 bps	60 bps

Insurance Segment

SUMMARY

2017 Performance

Insurance Segment's result attributable to shareholders in 2017 was S/ -156.0 million, compared to S/ -114.8 million in 2016.

Excluding discount rate impacts on technical reserves, the Insurance Segment posted profits of S/ 51.3 million, which represented an increase of S/ 46.5 million when compared to 2016.

The yearly performance was mainly due to decreases of S/ 101.2 million in total premiums earned less claims and benefits, S/ 15.4 million in other expenses and S/ 7.2 million in translation result, partially offset by increases of S/ 44.8 million in other income and S/ 38.1 million in net interest and similar income.

Insurance Segment's P&L Statement					
S/ million	2015	2016	2017	%chg 17/16	%chg 16/15
Interest and similar income	259.6	293.0	334.8	14.3%	12.9%
Interest and similar expenses	-11.9	-14.4	-18.2	25.9%	21.6%
Net Interest and similar income	247.7	278.5	316.6	13.7%	12.4%
Fee income from financial services, net	-3.2	-3.0	-3.7	23.3%	-7.2%
Other income	170.4	78.0	122.8	57.5%	-54.2%
Total premiums earned less claims and benefits	105.5	-247.3	-348.5	40.9%	n.m.
Net premiums	775.1	592.2	623.6	5.3%	-23.6%
Adjustment of technical reserves	-410.6	-521.3	-559.9	7.4%	27.0%
Net claims and benefits incurred	-258.9	-318.2	-412.3	29.6%	22.9%
Other expenses	-223.2	-228.8	-244.2	6.8%	2.5%
Income before translation result and income tax	297.2	-122.6	-157.0	28.1%	n.m.
Translation result	14.8	8.1	0.9	-89.3%	-45.2%
Income tax	-0.1	-0.7	0.0	n.m.	n.m.
Profit for the period	312.0	-115.1	-156.1	35.6%	n.m.
Attributable to non-controlling interest ⁽¹⁾	-1.0	0.3	0.1	-71.8%	n.m.
Profit attributable to shareholders	311.0	-114.8	-156.0	35.9%	n.m.
Discount rate impact on technical reserves	225.7	-119.6	-207.4	73.3%	n.m.
Profit excluding discount rate impact	85.3	4.8	51.3	n.m.	-94.3%
ROAE	67.1%	n.m.	n.m.		
ROAE excl. discount rate impact	26.2%	0.9%	7.0%		
Efficiency ratio⁽²⁾	12.5%	23.5%	21.7%		
Efficiency ratio excl. discount rate impact	17.6%	18.4%	15.3%		

(1) During the period 4Q14-3Q17, Interseguro consolidated a real estate investment shared by Interseguro and Intercorp Real Estate Inc., a subsidiary of Intercorp Peru Ltd. Intercorp RE's part was then reported as attributable to non-controlling interest.

(2) Efficiency ratio is defined as (Salaries and employee benefits + Administrative expenses + Depreciation and amortization) / (Net interest and similar income + Fee income + Other income + Net premiums earned).

Net interest and similar income in 2017 was S/ 316.6 million, an increase of S/ 38.1 million YoY. Growth in 2017 was mainly due to higher interest on fixed income and equity investments as a result of increases of 13.4% in the average volume of Interseguro's investment portfolio and of 109.7% for the whole Insurance Segment.

Other income related to investments in 2017 was S/ 97.0 million, an increase of S/ 31.6 million compared to 2016. The yearly growth was largely explained by increases of S/ 18.6 million in net gain on sale of securities, S/ 11.3 million in net trading result and S/ 5.4 million in rental income from real estate investments. These factors were partially offset by decreases of S/ 2.7 million in net gain on sale of real estate investments and S/ 0.5 million in net gain on valuation of real estate investments.

Total premiums earned less claims and benefits were S/ -348.5 million in 2017, a decrease of S/ 101.2 million YoY. Despite an increase of S/ 31.4 million in net premiums, growths of S/ 94.1 million in net claims and benefits incurred, and of S/ 38.6 million in adjustment of technical reserves more than offset such result.

The yearly growth in net premiums was mainly due to increases of S/ 5.5 million in Individual Life, S/ 4.6 million in Annuities and S/ 2.4 million in Retail Insurance at Interseguro, while Seguros Sura contributed with S/ 18.9 million in the months of November and December.

The higher adjustment of technical reserves in 2017 was driven mainly by different discount rate impacts in annuities. This rate diminished by 32 bps in 2017, in contrast to the 28 bps decrease in 2016 at Interseguro. Furthermore, Seguros Sura's rate contracted by 7 bps between the months of October and December.

Other expenses in 2017 were S/ 244.2 million, higher by S/ 15.4 million YoY, mainly due to increases of S/ 29.7 million in third party commissions, S/ 5.2 million in depreciation and amortization, and S/ 2.2 million in administrative expenses, partially offset by a S/ 22.8 million decrease in impairment loss on available-for-sale investments.

4Q17 Performance

Insurance Segment's result attributable to shareholders in 4Q17 was S/ -29.6 million, compared to S/ -38.5 million in 3Q17 and S/ 131.6 million in 4Q16.

The QoQ improvement in bottom-line results was mainly explained by a S/ 25.4 million increase net interest and similar income, partially offset by a S/ 17.6 million decrease in total premiums earned less claims and benefits.

The YoY decline in bottom-line results was mainly due to a contraction of S/ 165.4 million in total premiums earned less claims and benefits, which in part was explained by increases of S/ 132.3 million in adjustment of technical reserves and S/ 58.7 million in net claims and benefits incurred, partially offset by a S/ 25.7 million increase in net premiums.

Insurance Segment's profit excluding discount rate impact on technical reserves was S/ 24.8 million in 4Q17, compared to profits of S/ 5.5 million in 3Q17 and S/ 29.1 million in 4Q16.

Insurance Segment's P&L Statement					
S/ million	4Q16	3Q17	4Q17	%chg QoQ	%chg YoY
Interest and similar income	76.0	77.2	109.4	41.7%	44.1%
Interest and similar expenses	-2.9	-2.7	-9.6	252.7%	232.0%
Net Interest and similar income	73.1	74.5	99.9	34.0%	36.7%
Fee income from financial services, net	-0.9	-0.7	-1.1	49.6%	16.2%
Other income	0.5	34.7	50.8	46.3%	n.m.
Total premiums earned less claims and benefits	66.7	-81.1	-98.7	21.6%	n.m.
Net premiums	148.9	168.1	174.6	3.9%	17.3%
Adjustment of technical reserves	5.7	-155.7	-126.6	-18.7%	n.m.
Net claims and benefits incurred	-88.0	-93.6	-146.7	56.8%	66.8%
Other expenses	-17.6	-54.7	-81.0	47.9%	n.m.
Income before translation result and income tax	121.8	-27.3	-30.0	9.7%	n.m.
Translation result	8.6	-5.8	0.4	n.m.	-95.9%
Income tax	-0.2	-1.6	0.0	n.m.	n.m.
Profit for the period	130.2	-34.8	-29.6	-14.8%	n.m.
Attributable to non-controlling interest ⁽¹⁾	1.4	-3.7	0.0	n.m.	-97.4%
Profit attributable to shareholders	131.6	-38.5	-29.6	-23.0%	n.m.
Discount rate impact on technical reserves	102.5	-44.0	-54.4	23.7%	n.m.
Profit excluding discount rate impact	29.1	5.5	24.8	n.m.	-14.8%
ROAE	102.1%	n.m.	n.m.		
ROAE excl. discount rate impact	16.3%	5.3%	9.9%		
Efficiency ratio⁽²⁾	11.3%	20.3%	18.6%		
Efficiency ratio excl. discount rate impact	20.5%	14.9%	14.6%		

(1) During the period 4Q14-3Q17, Interseguro consolidated a real estate investment shared by Interseguro and Intercorp Real Estate Inc., a subsidiary of Intercorp Peru Ltd. Intercorp RE's part was then reported as attributable to non-controlling interest.

(2) Efficiency ratio is defined as (Salaries and employee benefits + Administrative expenses + Depreciation and amortization) / (Net interest and similar income + Fee income + Other income + Net premiums earned).

RESULT FROM INVESTMENTS

Results from Investments ⁽¹⁾					
S/ million	4Q16	3Q17	4Q17	%chg QoQ	%chg YoY
Interest and similar income	76.0	77.2	109.4	41.7%	44.1%
Interest and similar expenses	-2.9	-2.7	-9.6	252.7%	232.0%
Net interest and similar income	73.1	74.5	99.9	34.0%	36.7%
Fee income from financial services, net	-0.5	-0.3	-1.1	275.9%	128.0%
Net gain on sale of securities	-7.8	19.8	16.8	-15.3%	n.m.
Net trading loss (income)	-0.9	0.8	3.0	273.3%	n.m.
Rental income	6.4	6.5	8.5	30.5%	33.4%
Profit from sale of investment property	-	-	-	n.m.	n.m.
Valuation gain from investment property	-0.1	5.4	6.9	26.8%	n.m.
Other ⁽¹⁾	0.8	-0.1	1.5	n.m.	81.2%
Other income	-2.0	32.2	35.6	10.6%	n.m.
Expenses related to rental income	-0.0	-0.0	-0.1	210.1%	156.5%
Other ⁽¹⁾	32.9	-3.6	-3.4	-4.7%	n.m.
Expenses	32.9	-3.6	-3.5	-3.6%	n.m.
Results from investments	103.9	103.1	132.1	28.0%	27.0%

(1) Only includes transactions related to investments.

NET INTEREST AND SIMILAR INCOME

Net interest and similar income was S/ 99.9 million in 4Q17, an increase of S/ 25.4 million or 34.0% QoQ and S/ 26.8 million or 36.7% YoY.

The QoQ growth was due to a S/ 32.2 million increase in interest and similar income as a result of the incorporation of Seguros Sura's results. This effect was partially offset by a S/ 6.9 million increase in interest and similar expenses, due to the financial expenses related to the financing of the acquisition of Seguros Sura, and by a negative inflation rate in such period.

The YoY growth was mainly due to a S/ 33.4 million increase in interest and similar income, partially offset by a S/ 6.7 million increase in interest and similar expenses, also attributable to the acquisition of Seguros Sura.

OTHER INCOME

Other income was S/ 35.6 million in 4Q17, compared to S/ 32.2 million in 3Q17 and S/ -2.0 million in 4Q16.

The quarterly growth in other income was mainly a result of the incorporation of Seguros Sura's results, by increases of S/ 2.2 million in net trading result, S/ 2.0 million in rental income and S/ 1.5 million in valuation gain from investment property, partially offset by a S/ 3.0 million decrease in net gain on sale of securities.

The annual growth in other income was mainly due to increases of S/ 24.6 million in net gain on sale of securities, S/ 7.0 million in valuation gain from investment property and S/ 3.9 million in net trading result, also associated with the incorporation of Seguros Sura's results.

TOTAL PREMIUMS EARNED LESS CLAIMS AND BENEFITS

Total Premiums Earned Less Claims And Benefits					
S/ million	4Q16	3Q17	4Q17	%chg QoQ	%chg YoY
Net premiums	148.9	168.1	174.6	3.9%	17.3%
Adjustment of technical reserves	5.7	-155.7	-126.6	-18.7%	n.m.
Net claims and benefits incurred	-88.0	-93.6	-146.7	56.8%	66.8%
Total premiums earned less claims and benefits	66.7	-81.1	-98.7	21.6%	n.m.

Total premiums earned less claims and benefits in 4Q17 was S/ -98.7 million, a decrease of S/ 17.6 million QoQ and S/ 165.4 million YoY.

The QoQ reduction was due to a S/ 53.1 million increase in net claims and benefits incurred, partially offset by a S/ 29.1 million decrease in adjustment of technical reserves and a S/ 6.5 million growth in net premiums.

The YoY reduction was explained by increases of S/ 132.3 million in adjustment of technical reserves and S/ 58.7 million in net claims and benefits incurred, partially offset by a S/ 25.7 million increase in net premiums.

NET PREMIUMS

Net Premiums by Business Line					
S/ million	4Q16	3Q17	4Q17	%chg QoQ	%chg YoY
Annuities	83.7	105.3	93.9	-10.8%	12.2%
Individual Life	12.4	13.7	13.5	-1.1%	9.4%
Retail Insurance	52.8	49.2	48.4	-1.7%	-8.5%
Seguros Sura	-	-	18.9	n.m.	n.m.
Net Premiums	148.9	168.1	174.6	3.9%	17.3%

Annuities include premiums from disability and survivorship insurance.

Net premiums were S/ 174.6 million in 4Q17, an increase of S/ 6.5 million QoQ and S/ 25.7 million YoY.

The quarterly growth was explained by an S/ 18.9 million increase due to the contribution of Seguros Sura's premiums, mainly related to Individual Life and Disability and Survivorship Insurance, partially offset by an S/ 11.4 million decrease in Annuities at Interseguro.

The annual growth was also explained by the S/ 18.9 million contribution of Seguros Sura's premiums as well as a S/ 10.2 million increase in Annuities, partially offset by a S/ 4.4 decrease in Retail Insurance at Interseguro.

ADJUSTMENT OF TECHNICAL RESERVES

Adjustment of Technical Reserves by Business Line					
S/ million	4Q16	3Q17	4Q17	%chg QoQ	%chg YoY
Annuities	13.3	-147.4	-89.5	-39.3%	n.m.
Individual Life	-5.5	-7.1	-8.3	16.4%	51.4%
Retail Insurance	-2.1	-1.2	1.4	n.m.	n.m.
Seguros Sura	-	-	-30.1	n.m.	n.m.
Adjustment of technical reserves	5.7	-155.7	-126.6	-18.7%	n.m.

Annuities include adjustment of technical reserves from disability and survivorship insurance.

Insurance Segment's adjustment of technical reserves was S/ 126.6 million in 4Q17, a reduction of S/ 29.1 million QoQ and an increase of S/ 132.3 million YoY.

The QoQ reduction was mainly due to a decrease in Annuity premiums. This effect was partially offset by a higher discount rate (negative) impact in Annuities. This rate decreased by 7 bps in 3Q17 and by 3 bps in 4Q17 for Interseguro, and decreased by 7 bps between October and December for Seguros Sura.

The YoY increase was mainly a result of a growth in Annuity premiums and a higher discount rate (negative) impact in Annuities. This rate increased by 17 bps in 4Q16 but decreased by 3 bps in 4Q17 for Interseguro.

NET CLAIMS AND BENEFITS INCURRED

Net Claims and Benefits Incurred by Business Line					
S/ million	4Q16	3Q17	4Q17	%chg QoQ	%chg YoY
Annuities	-71.0	-79.2	-79.4	0.2%	11.8%
Individual Life	-1.0	-0.5	-0.3	-36.1%	-68.7%
Retail Insurance	-16.0	-13.9	-15.2	9.9%	-4.4%
Seguros Sura	-	-	-51.8	n.m.	n.m.
Net claims and benefits incurred	-88.0	-93.6	-146.7	56.8%	66.8%

Annuities include net claims and benefits incurred from disability and survivorship insurance.

Net claims and benefits incurred were S/ 146.7 million in 4Q17, an increase of S/ 53.1 million QoQ and S/ 58.7 million YoY.

The QoQ growth was mainly due to S/ 51.8 million higher claims as a result of the incorporation of Seguros Sura.

The YoY growth in claims and benefits incurred was also related to the incorporation of Seguros Sura, in addition to an S/ 8.4 million increase in Annuity claims explained by a higher number of pensioners at Interseguro.

OTHER EXPENSES

Other Expenses					
S/ million	4Q16	3Q17	4Q17	%chg QoQ	%chg YoY
Salaries and employee benefits	-14.0	-15.0	-17.4	16.0%	24.1%
Administrative expenses	-10.5	-8.4	-12.9	54.1%	23.6%
Depreciation and amortization	-1.1	-1.1	-6.4	n.m.	n.m.
Expenses related to rental income	-0.0	-0.0	-0.1	210.1%	165.3%
Other	8.1	-30.2	-44.2	46.3%	n.m.
Other expenses	-17.6	-54.7	-81.0	47.9%	n.m.

Other expenses were S/ 81.0 million in 4Q17, an increase of S/ 26.3 million QoQ and S/ 63.4 million YoY.

The QoQ growth in other expenses was mainly explained by the write off of intangible assets (other) at Seguros Sura, as well as by increases in depreciation and amortization, and administrative expenses.

The YoY growth in other expenses was mainly due to an increase in impairment loss on available-for-sale investments (other), which was attributed to a positive book value adjustment of instruments sold in 4Q16 that were previously impaired, in addition to the write off of intangible assets (other) at Seguros Sura.

Inteligo

SUMMARY

2017 Performance

Inteligo's profits reached S/ 187.8 million in 2017, a S/ 16.8 million or 9.8% increase from the previous year. Such result was attributable to a 6.4% increase in net interest and similar income after provisions and a solid growth in other income, partially offset by a 20.3% increase in other expenses.

Inteligo's ROAE was 27.3% in 2017, below the 28.4% reported in 2016.

Wealth Management Segment's P&L Statement					
S/ million	2015	2016	2017	%chg 17/16	%chg 16/15
Interest and similar income	139.7	152.1	149.9	-1.4%	8.9%
Interest and similar expenses	-52.7	-59.4	-53.9	-9.3%	12.7%
Net interest and similar income	87.1	92.7	96.1	3.6%	6.5%
Provision for loan losses, net of recoveries	-1.9	0.0	2.5	n.m.	n.m.
Net interest and similar income after provision for loan losses	85.1	92.7	98.6	6.4%	8.9%
Fee income from financial services, net	121.9	116.9	116.9	0.0%	-4.2%
Other income	9.9	47.4	73.4	54.7%	n.m.
Other expenses	-111.6	-85.8	-103.3	20.3%	-23.1%
Income before translation result and income tax	105.4	171.2	185.7	8.5%	62.4%
Translation result	0.1	-0.9	1.5	n.m.	n.m.
Income tax	0.1	0.7	0.5	-16.9%	n.m.
Profit for the period	105.6	171.0	187.8	9.8%	62.0%
ROAE	20.0%	28.4%	27.3%		
Efficiency ratio	37.5%	33.4%	30.0%		

Inteligo's net interest and similar income for 2017 was S/ 96.1 million, a S/ 3.4 million or 3.6% increase when compared with the previous year.

Interest and similar income decreased by S/ 2.2 million or 1.4% during 2017, mainly attributable to lower interest on investments available for sale and lower interest on loans.

During 2017, interest and similar expenses decreased by S/ 5.5 million or 9.3% when compared to the previous year, as a result of a decrease in interest on deposits and obligations.

Inteligo's net fee income from financial services remained stable and was S/ 116.9 million in 2017. Gross fees from financial services reached S/ 120.9 million in 2017, a S/ 1.1 million or 1.0% increase when compared to the previous year. The result was mainly explained by a S/ 2.0 million increase in revenues from funds management, partially offset by a S/ 1.2 million decrease in brokerage and custody services fees. Compared to 2016, expenses related to fee income from financial services reached S/ 4.0 million in 2017, a S/ 1.1 million or 37.3% increase.

Other income for 2017 was S/ 73.4 million, a S/ 26.0 million or 54.7% increase when compared to 2016. Such increase was attributable to a more than two-fold growth in net gain on sale of securities, partially offset by a decrease in net trading gain.

Other expenses for 2017 increased by S/ 17.5 million or 20.3% when compared to the previous year. The result was mainly explained by a S/ 15.3 million impairment loss on available for sale investments reported in 2017. Excluding such charge, total other expenses in 2017 were higher by S/ 2.2 million or 2.6% YoY.

Profit for the year reached S/ 187.8 million, a S/ 16.8 million or 9.8% increase when compared to the previous year.

4Q17 Performance

Inteligo's net profit in 4Q17 was S/ 40.9 million, a S/ 1.7 million or 4.0% decrease QoQ and a S/ 2.4 million or 6.2% increase YoY. The quarterly performance was attributed to a 65.4% increase in other expenses, due to an S/ 11.8 million impairment loss on available for sale investments, partially compensated by a 22.3% increase in total revenues.

Assets under Management (AuMs) plus client deposits reached S/ 14,235.8 million in 4Q17, lower by S/ 574.5 million or 3.9% when compared to the previous quarter and lower by S/ 877.3 million or 5.8% when compared to 4Q16.

Inteligo's annualized ROAE for 4Q17 was 23.2%, lower than the 25.3% reported in 3Q17 and the 23.6% registered in 4Q16.

Wealth Management Segment's P&L Statement					
S/ million	4Q16	3Q17	4Q17	%chg QoQ	%chg YoY
Interest and similar income	38.5	36.0	35.0	-2.9%	-9.1%
Interest and similar expenses	-17.1	-13.3	-12.4	-6.8%	-27.5%
Net interest and similar income	21.4	22.7	22.6	-0.6%	5.5%
Provision for loan losses, net of recoveries	0.0	0.0	-0.1	n.m.	n.m.
Net interest and similar income after provision for loan losses	21.4	22.7	22.5	-1.0%	5.0%
Fee income from financial services, net	30.4	28.1	31.0	10.1%	1.8%
Other income	11.4	14.9	26.9	80.6%	n.m.
Other expenses	-24.8	-24.2	-40.0	65.4%	61.4%
Income before translation result and income tax	38.4	41.5	40.4	-2.8%	5.1%
Translation result	-0.2	0.6	0.4	n.m.	n.m.
Income tax	0.2	0.4	0.1	-84.3%	-70.8%
Profit for the period	38.5	42.6	40.9	-4.0%	6.2%
ROAE	23.6%	25.3%	23.2%		
Efficiency ratio	39.2%	31.4%	32.6%		

ASSETS UNDER MANAGEMENT & DEPOSITS

AuMs reached S/ 11,982.5 million in 4Q17, a S/ 53.7 million or 0.4% decrease QoQ and a S/ 95.4 million or 0.8% growth YoY.

Client deposits reached S/ 2,253.3 million in 4Q17, a S/ 520.8 million or 18.8% decrease QoQ and a S/ 972.8 million or 30.2% reduction YoY, mainly related to lower back-to-back loans.

NET INTEREST AND SIMILAR INCOME

Inteligo's net interest and similar income in 4Q17 was S/ 22.6 million, a S/ 0.1 million or 0.6% decrease when compared with 3Q17. Net interest and similar income increased by S/ 1.2 million or 5.5% when compared to the same period in the previous year.

Interest and similar income decreased by S/ 1.0 million or 2.9% QoQ and by S/ 3.5 million or 9.1% YoY, as a result of lower performance of income on investments available for sale and lower income from Inteligo's loan portfolio.

Interest and similar expenses decreased by S/ 0.9 million or 6.8% QoQ and by S/ 4.7 million or 27.5% YoY due to lower expenses related to deposits and obligations.

Net interest and similar income					
S/ million	4Q16	3Q17	4Q17	%chg QoQ	%chg YoY
Interest and similar income					
Due from banks and inter-bank funds	1.0	0.9	1.0	4.8%	-7.0%
Investments available for sale	14.0	12.2	11.7	-3.6%	-16.1%
Loans	21.6	21.0	18.9	-9.9%	-12.4%
Others	1.9	1.9	3.4	73.7%	79.2%
Total interest and similar income	38.5	36.0	35.0	-2.9%	-9.1%
Interest and similar expenses					
Deposits and obligations	-15.0	-13.0	-11.5	-11.1%	-23.1%
Due to banks and correspondents	-0.2	0.0	0.0	n.m.	n.m.
Others	-1.9	-0.4	-0.9	n.m.	-53.3%
Total interest and similar expenses	-17.1	-13.3	-12.4	-6.8%	-27.5%
Net interest and similar income	21.4	22.7	22.6	-0.6%	5.5%

FEE INCOME FROM FINANCIAL SERVICES

Fee income from financial services, net					
S/ million	4Q16	3Q17	4Q17	%chg QoQ	%chg YoY
Income					
Brokerage and custody services	5.2	1.9	5.0	n.m.	-4.2%
Funds management	25.6	25.8	26.4	2.5%	3.3%
Others	1.0	1.0	1.2	14.1%	22.6%
Total income	31.8	28.7	32.6	13.5%	2.7%
Expenses					
Brokerage and custody services	-1.3	-0.6	-1.6	n.m.	22.0%
Others	0.0	-0.1	0.0	n.m.	n.m.
Total expenses	-1.3	-0.6	-1.7	n.m.	22.8%
Fee income from financial services, net	30.4	28.1	31.0	10.1%	1.8%

Fee income from financial services was S/ 32.6 million in 4Q17, an increase of S/ 3.9 million or 13.5% QoQ mainly due to higher income from brokerage and custody services, and an increase in funds management income.

Expenses related to fee income from financial services reached S/ 1.7 million in 4Q17, an increase of S/ 1.1 million QoQ.

As a result of the above, net fee income from financial services was S/ 31.0 million in 4Q17, an increase of S/ 2.9 million or 10.1% when compared to the previous quarter.

When compared with 4Q16, net fee income from financial services increased by S/ 0.6 million or 1.8% YoY in 4Q17. The result was mainly attributable to a S/ 0.8 million increase in funds management income, while brokerage and custody services expenses increased by S/ 0.3 million in 4Q17.

OTHER INCOME

Other income					
S/ million	4Q16	3Q17	4Q17	%chg QoQ	%chg YoY
Net gain on sale of securities	8.2	20.7	28.8	39.2%	n.m.
Net trading gain (loss)	4.6	0.0	-0.4	n.m.	n.m.
Other	-1.3	-5.7	-1.4	-75.4%	4.1%
Total other income	11.4	14.9	26.9	80.6%	n.m.

Inteligo's other income reached S/ 26.9 million in 4Q17, a S/ 12.0 million or 80.6% increase QoQ, mainly explained by an S/ 8.1 million or 39.2% increase in net gain on sale of securities and a lower negative impact in other income related to fees from investments in the proprietary portfolio.

Other income increased by S/ 15.5 million when compared to 4Q16. This was attributable to a more than three-fold growth in net gain on sale of securities, partially compensated by a S/ 5.0 million decrease in net trading gain in 4Q17.

OTHER EXPENSES

Other expenses					
S/ million	4Q16	3Q17	4Q17	%chg QoQ	%chg YoY
Salaries and employee benefits	-13.1	-11.8	-14.9	26.3%	13.6%
Administrative expenses	-9.8	-6.8	-9.3	35.5%	-5.8%
Depreciation and amortization	-1.9	-2.1	-2.1	1.9%	13.4%
Impairment loss on available for sale investments	0.0	-3.5	-11.8	n.m.	n.m.
Other	0.0	0.0	-2.0	n.m.	n.m.
Total other expenses	-24.8	-24.2	-40.0	65.4%	61.4%
Efficiency ratio	39.2%	31.4%	32.6%		

Inteligo's other expenses in 4Q17 increased by S/ 15.8 million or 65.4% when compared to 3Q17. The result was mainly due to a S/ 11.8 million impairment loss on available for sale investments in 4Q17 and a S/ 3.1 million or 26.3% increase in salaries and employee benefits.

Other expenses reached S/ 40.0 million in 4Q17, an increase of S/ 15.2 million or 61.4% YoY. The result was mainly explained by the previously mentioned impairment loss and by higher salaries and employee benefits.

Excluding impairment charges, total other expenses would have reached \$/ 28.2 million in 4Q17, a \$/ 7.6 million or 36.6% increase QoQ and a \$/ 3.5 million or 13.9% increase YoY.