

Intercorp Financial Services Inc. First Quarter 2017 Earnings

Lima, Peru, May 10, 2017. Intercorp Financial Services Inc. (Bolsa de Valores de Lima: IFS) announced today its unaudited results for the first quarter 2017. These results are reported on a consolidated basis under IFRS in nominal Peruvian soles.

Intercorp Financial Services:

- 1Q17 net profit was S/ 158.0 million, a 160.3% growth YoY but a 59.1% reduction QoQ
- Profits in 1Q17 were negatively impacted by a lower discount rate on technical reserves for annuities at Interseguro, which had also a negative impact in 1Q16 but a positive effect in 4Q16
- Excluding discount rate impact on technical reserves, IFS 1Q17 profits grew 60.0% YoY but decreased 16.3% QoQ. The YoY growth was mainly explained by a recovery in results from investments at Interseguro and a strong performance at Inteligo; in addition to higher net interest margin and fee income at Interbank

Interbank:

- 1Q17 net profit was S/ 194.5 million, a decrease of 3.6% YoY and 13.0% QoQ, mainly due to higher provision expenses
- Performing loans grew 4.4% YoY, reaching an 11.3% market share in 1Q17; while retail deposits increased 7.5% YoY, with a 12.7% market share in 1Q17
- NIM was 5.6% in 1Q17, 10 bps above the 5.5% reported in 1Q16 but 10 bps below the 5.7% registered in 4Q16. The YoY improvement was mainly explained by a more profitable mix of interest-earning assets, while the QoQ contraction was a result of an increase in the average cost of funding
- Cost of risk was 3.4% in 1Q17, a 20 bps increase YoY and 40 bps QoQ; while the PDL ratio remained below the system's average at 2.7%
- 1Q17 annualized ROAE was 18.3%

Interseguro:

- 1Q17 profit excluding the discount rate impact on technical reserves was S/ 3.8 million, compared to S/ -47.6 million in 1Q16 and S/ 29.1 million in 4Q16
- Net premiums in 1Q17 decreased 23.9% YoY and 9.5% QoQ affected by the regulation implemented in April 2016, allowing retirees to cash out a significant portion of their pension funds. Interseguro's market share in annuities was 20.6% in 1Q17
- Interseguro's investment portfolio grew 9.8% YoY and 4.0% QoQ

Inteligo:

- 1Q17 net profit was S/ 48.8 million, a 60.6% growth YoY and a 26.9% increase QoQ
- The quarterly performance was mainly attributed to higher net interest and similar income, and lower other expenses
- AuM + deposits increased 8.6% YoY but decreased 2.3% QoQ. The QoQ contraction was explained by a 3.2% appreciation of the exchange rate, as funds managed are denominated in dollars
- 1Q17 annualized ROAE was 28.2%

Intercorp Financial Services

SUMMARY

Net profit was S/ 158.0 million in 1Q17, a 59.1% reduction QoQ but a 160.3% increase YoY. IFS annualized ROAE was 12.2% in 1Q17, below the 30.9% registered in 4Q16 but above the 5.3% reported in 1Q16. IFS annualized ROAE excluding discount rate impact on technical reserves was 18.4% in 1Q17, below the 22.7% registered in 4Q16 but above the 12.7% reported in 1Q16.

Intercorp Financial Services' P&L statement					
S/ million	1Q16	4Q16	1Q17	%chg QoQ	%chg YoY
Interest and similar income	903.7	951.4	944.5	-0.7%	4.5%
Interest and similar expense	-259.7	-275.7	-275.2	-0.2%	6.0%
Net interest and similar income	643.9	675.7	669.3	-0.9%	3.9%
Provision for loan losses, net of recoveries	-199.6	-194.0	-222.7	14.8%	11.6%
Net interest and similar income after provision for loan losses	444.3	481.7	446.5	-7.3%	0.5%
Fee income from financial services, net	206.6	221.4	220.7	-0.3%	6.8%
Other income	48.9	102.4	115.2	12.5%	135.4%
Total premiums earned less claims and benefits	-127.5	66.7	-125.8	n.m.	-1.3%
Net Premiums	177.1	148.9	134.7	-9.5%	-23.9%
Adjustment of technical reserves	-228.0	5.7	-176.6	n.m.	-22.5%
Net claims and benefits incurred	-76.6	-88.0	-83.9	-4.6%	9.6%
Other expenses	-437.9	-413.8	-448.2	8.3%	2.4%
Income before translation result and income tax	134.4	458.3	208.4	-54.5%	55.0%
Translation result	9.6	11.5	23.1	100.9%	142.2%
Income tax	-83.3	-83.5	-73.6	-11.9%	-11.7%
Profit for the period	60.7	386.3	158.0	-59.1%	160.3%
Attributable to equity holders of the group	60.6	386.2	158.6	-58.9%	161.6%
	(1)				
EPS	0.56	3.59	1.48		
ROAE	5.3%	30.9%	12.2%		
ROAA	0.5%	3.0%	1.3%		

(1) Starting 4Q14, IFS began consolidating a real estate investment shared by Interseguro and Intercorp Real Estate Inc., a subsidiary of Intercorp Peru Ltd. Intercorp RE's part is then reported as attributable to non-controlling interest.

InterCorp Financial Services' Statement of financial position					
S/ million	1Q16	4Q16	1Q17	%chg QoQ	%chg YoY
Assets					
Cash and due from banks and inter-bank funds	12,155.7	11,766.8	9,040.1	-23.2%	-25.6%
Trading securities and investments available for sale	8,574.8	10,209.8	10,399.5	1.9%	21.3%
Loans, net of unearned income	27,174.1	28,192.6	28,339.5	0.5%	4.3%
Allowance for loan losses	-1,088.7	-1,166.8	-1,192.5	2.2%	9.5%
Property, furniture and equipment, net	601.3	589.8	585.6	-0.7%	-2.6%
Other assets	2,271.0	2,121.5	2,145.5	1.1%	-5.5%
Total assets	49,688.1	51,713.8	49,317.5	-4.6%	-0.7%
Liabilities and equity					
Deposits and obligations	27,792.1	30,097.9	27,900.2	-7.3%	0.4%
Due to banks and correspondents	6,150.3	5,660.9	5,113.8	-9.7%	-16.9%
Bonds, notes and other obligations	4,817.9	4,769.4	4,649.7	-2.5%	-3.5%
Insurance contract liabilities	4,674.7	5,010.5	5,101.4	1.8%	9.1%
Other liabilities	1,481.6	1,176.9	1,213.4	3.1%	-18.1%
Total liabilities	44,916.6	46,715.5	43,978.5	-5.9%	-2.1%
Equity					
Equity holders of IFS	4,642.5	4,879.1	5,223.2	7.1%	12.5%
Non-controlling interest	129.0	119.2	115.9	-2.8%	-10.2%
Total equity	4,771.5	4,998.3	5,339.1	6.8%	11.9%
Total liabilities and equity	49,688.1	51,713.8	49,317.5	-4.6%	-0.7%

Quarter-on-quarter performance

Profits decreased 59.1% QoQ mainly as a result of changes in the discount rate used to calculate technical reserves for annuities at Interseguro, which had a positive impact in 4Q16 but a negative effect in 1Q17; in addition to slightly lower net interest and similar income, and higher provision expenses.

Net interest and similar income decreased 0.9% QoQ mainly explained by a 3.4% decrease in interest on loans at Interbank, partially offset by improvements in interest on investments available for sale at the three subsidiaries.

Provision expenses increased 14.8% mainly as a result of higher provision requirements in retail loans at Interbank, especially in credit cards.

Net fee income from financial services slightly decreased 0.3% QoQ mainly attributed to seasonal factors at Interbank and Inteligo.

Interseguro's total premiums earned less claims and benefits in 1Q17 was S/ -125.8 million, a decrease of S/ 192.5 million QoQ, mainly due to a S/ 182.3 million increase in adjustment of technical reserves. In 1Q17 the adjustment of technical reserves had a negative discount rate impact of S/ -79.7 million, whereas in 4Q16 the discount rate impact was positive by S/ 102.5 million.

Other income increased 12.5% QoQ mainly due to higher net gain on sale of securities at Interseguro and Interbank, despite a lower valuation gain from investment property at Interseguro and a lower net gain on foreign exchange transactions at Interbank.

Other expenses increased 8.3% QoQ mainly attributed to a book value adjustment of previously impaired instruments at Interseguro, which was registered in 4Q16 given the sale of such securities.

IFS effective tax rate increased, from 17.8% in 4Q16 to 31.8% in 1Q17, as a result of a negative profit contribution from Interseguro.

Year-on-year performance

Profits increased 160.3% YoY mainly driven by a more than two-fold increase in other income, which was supported by all subsidiaries, as well as by higher fee income and well-contained other expenses.

Net interest and similar income grew 3.9% YoY mainly due to a 20.7% increase in interest and similar income at Interseguro, as a result of a higher volume of assets and improved portfolio rates; in addition to growths of 1.5% in interest on loans and 34.2% in interest on investments available for sale at Interbank.

Provision expenses increased 11.6% mainly as a result of higher provisioning in commercial loans, partially offset by lower provision requirements in payroll loans, both at Interbank.

Net fee income from financial services increased 6.8% YoY mainly due to growths of 5.6% in fees from maintenance and mailing of accounts, interchange fees, transfers and credit and debit card services at Interbank; and 15.2% in gross fees from financial services at Inteligo.

Interseguro's total premiums earned less claims and benefits increased by S/ 1.7 million mainly explained by a S/ 51.4 million decrease in adjustment of technical reserves, partially offset by a S/ 42.4 million decrease in net premiums and a S/ 7.3 million increase in net claims and benefits incurred.

Other income increased 135.4% YoY as a result of sound performances in this line of business across the three subsidiaries, mostly related to higher net gains on sale of securities.

Other expenses increased 2.4% YoY mainly explained by growths of 10.6% in administrative expenses and 3.2% in salaries and employee benefits, both at Interbank. These effects were partially compensated by decreases in other expenses of 14.6% and 5.1% at Interseguro and Inteligo, respectively.

IFS effective tax rate decreased YoY, from 57.9% in 1Q16 to 31.8% in 1Q17, as a consequence of the lower, yet negative, bottom-line result at Interseguro.

CONTRIBUTION BY SEGMENTS

The following table shows the contribution of Interbank, Interseguro 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	1Q16	4Q16	1Q17	%chg QoQ	%chg YoY
Interbank	201.8	223.7	194.5	-13.0%	-3.6%
Interseguro	-136.9	130.2	-78.0	n.m.	-43.0%
Inteligo	30.4	38.5	48.8	26.9%	60.6%
Corporate and eliminations	-34.6	-6.0	-7.4	22.5%	-78.6%
IFS profit for the period	60.7	386.3	158.0	-59.1%	160.3%

Interbank

SUMMARY

Interbank's profits reached S/ 194.5 million in 1Q17, a decrease of S/ 29.2 million QoQ and S/ 7.3 million YoY. The quarterly decrease was mainly due to a growth of S/ 31.4 million in provisions and a decrease of S/ 25.0 million in net interest and similar income. These factors were partially offset by increases of S/ 11.6 million in translation result and S/ 5.3 million in other income.

The annual contraction in net profit was explained by growths of S/ 25.8 million in provisions and S/ 25.3 million in other expenses, partially offset by increases of S/ 14.1 million in fees from financial services, S/ 8.1 million in other income and S/ 7.1 million in translation result.

Interbank's ROAE was 18.3% in 1Q17, lower than the 21.1% registered in 4Q16 and the 21.9% reported in 1Q16.

Banking Segment's P&L Statement					
S/ million	1Q16	4Q16	1Q17	%chg QoQ	%chg YoY
Interest and similar income	792.4	837.3	815.0	-2.7%	2.8%
Interest and similar expenses	-243.0	-256.1	-258.8	1.1%	6.5%
Net interest and similar income	549.4	581.2	556.2	-4.3%	1.2%
Provision for loan losses, net of recoveries	-199.6	-194.0	-225.4	16.2%	12.9%
Net interest and similar income after provision for loan losses	349.8	387.2	330.7	-14.6%	-5.4%
Fee income from financial services, net	189.2	205.2	203.3	-0.9%	7.5%
Other income	85.3	88.1	93.4	6.0%	9.4%
Other expenses	-353.7	-384.1	-379.0	-1.3%	7.2%
Income before translation result and income tax	270.6	296.4	248.4	-16.2%	-8.2%
Translation result	7.5	3.0	14.6	n.m.	n.m.
Income tax	-76.4	-75.7	-68.5	-9.6%	-10.3%
Profit for the period	201.8	223.7	194.5	-13.0%	-3.6%
ROAE	21.9%	21.1%	18.3%		
Efficiency ratio	41.7%	42.6%	43.3%		
NIM	5.5%	5.7%	5.6%		
NIM on loans	9.9%	10.0%	9.4%		

INTEREST-EARNING ASSETS

Interbank's interest-earning assets reached S/ 38,446.1 million in 1Q17, a decrease of 6.0% QoQ and 2.5% YoY.

The quarterly reduction in interest-earning assets was mostly due to a decrease of 24.0% in cash and due from banks, explained by lower deposits and reserve requirements at the Central Bank.

The annual contraction in interest-earning assets was attributed to a decrease of 28.0% in cash and due from banks, partially compensated by growths of 33.6% in investments available for sale and 4.4% in loans. The decrease in cash and due from banks was a result of lower reserve requirements at the Central Bank and lower

inter-bank funds. The increase in investments available for sale was mainly due to higher volumes in corporate bonds from the financial system and other investments.

Interest-earning assets					
S/ million	1Q16	4Q16	1Q17	%chg QoQ	%chg YoY
Cash and due from banks and inter-bank funds	11,577.8	10,971.5	8,337.2	-24.0%	-28.0%
Investments available for sale	3,458.8	4,593.4	4,619.5	0.6%	33.6%
Loans	24,411.3	25,331.3	25,489.4	0.6%	4.4%
Total Interest-earning assets	39,447.9	40,896.2	38,446.1	-6.0%	-2.5%

Loan portfolio					
S/ million	1Q16	4Q16	1Q17	%chg QoQ	%chg YoY
Performing loans					
Retail	12,666.8	13,204.5	13,169.3	-0.3%	4.0%
Commercial	11,672.9	12,043.9	12,244.8	1.7%	4.9%
Total Performing loans	24,339.6	25,248.4	25,414.2	0.7%	4.4%
Restructured and refinanced loans					
Past due loans	275.0	296.5	293.1	-1.1%	6.6%
	628.4	693.3	726.8	4.8%	15.7%
Total gross loans	25,243.0	26,238.2	26,434.0	0.7%	4.7%
Add (less)					
Accrued and deferred interest	253.4	256.3	247.1	-3.6%	-2.5%
Allowance for loan losses	-1,085.1	-1,163.2	-1,191.7	2.5%	9.8%
Total direct loans, net	24,411.3	25,331.3	25,489.4	0.6%	4.4%

Performing loans grew 0.7% QoQ as a result of a 1.7% increase in commercial loans, partially offset by a 0.3% contraction in retail loans. Growth in commercial loans was mainly due to increases in short and medium-term lending, partially offset by decreases in leasing operations and trade loans. Retail loans decreased due to a 3.7% contraction in credit cards, partially compensated by increases of 1.2% in mortgages and 1.2% in other consumer loans.

Performing loans grew 4.4% YoY due to increases of 4.9% in commercial loans and 4.0% in retail loans. Commercial loans grew mainly due to increases in trade loans and short and medium-term lending, partially compensated by a reduction in leasing operations. Retail loans grew driven by growths of 5.6% in other consumer loans, 4.8% in mortgages and 1.0% in credit cards.

Breakdown of retail loans					
S/ million	1Q16	4Q16	1Q17	%chg QoQ	%chg YoY
Consumer loans:					
Credit cards	3,671.8	3,853.5	3,709.7	-3.7%	1.0%
Other consumer	4,292.4	4,479.9	4,531.7	1.2%	5.6%
Total consumer loans	7,964.2	8,333.4	8,241.4	-1.1%	3.5%
Mortgages	4,702.6	4,871.1	4,927.9	1.2%	4.8%
Total retail loans	12,666.8	13,204.5	13,169.3	-0.3%	4.0%

FUNDING STRUCTURE

Funding structure					
S/ million	1Q16	4Q16	1Q17	%chg QoQ	%chg YoY
Deposits	25,268.7	26,898.6	24,956.6	-7.2%	-1.2%
Due to banks and inter-bank funds	5,990.8	5,591.7	4,994.6	-10.7%	-16.6%
Bonds	4,617.2	4,598.3	4,486.2	-2.4%	-2.8%
Total	35,876.7	37,088.7	34,437.5	-7.1%	-4.0%
% of funding					
Deposits	70.4%	72.5%	72.5%		
Due to banks and inter-bank funds	16.7%	15.1%	14.5%		
Bonds	12.9%	12.4%	13.0%		

Interbank's total funding base decreased 7.1% QoQ, above the contraction of interest-earning assets. The quarterly reduction was mainly due to decreases of 10.7% in due to banks and inter-bank funds, and 7.2% in deposits. The contraction in due to banks and inter-bank funds was mainly due to lower funding from the Central Bank and correspondent banks. The contraction in deposits was mostly explained by decreases of 12.4% in commercial deposits and 10.8% in institutional deposits. As a result, the proportion of institutional deposits to total deposits decreased from 18.9% in 4Q16 to 18.2% in 1Q17.

The bank's total funding base decreased 4.0% YoY, also above the contraction of interest-earning assets. This was due to reductions of 16.6% in due to banks and inter-bank funds, 2.8% in bonds and 1.2% in deposits. The decrease in due to banks and inter-bank funds was mainly a result of lower short-term funding from abroad and lower medium-term funding from the Central Bank. These effects were partially offset by higher long-term funding from abroad.

The YoY contraction in bonds was mainly attributed to a 2.3% appreciation of the exchange rate which originated a decrease in the value of bonds issued in dollars.

The yearly decrease in deposits was mainly explained by reductions of 10.1% in commercial deposits and 3.6% in institutional deposits, partially offset by a 7.5% growth in retail deposits. As a result, the proportion of deposits to total funding increased from 70.4% in 1Q16 to 72.5% in 1Q17.

Breakdown of deposits					
S/ million	1Q16	4Q16	1Q17	%chg QoQ	%chg YoY
By customer service:					
Retail	10,733.4	11,747.4	11,542.7	-1.7%	7.5%
Commercial	9,539.3	9,781.3	8,572.4	-12.4%	-10.1%
Institutional	4,713.3	5,089.8	4,541.7	-10.8%	-3.6%
Other	282.7	280.1	299.7	7.0%	6.0%
Total	25,268.7	26,898.6	24,956.6	-7.2%	-1.2%
By type:					
Demand	7,750.0	8,151.9	6,862.5	-15.8%	-11.5%
Savings	8,562.4	8,915.4	8,861.0	-0.6%	3.5%
Time	8,942.8	9,825.6	9,219.9	-6.2%	3.1%
Other	13.4	5.7	13.1	130.4%	-2.1%
Total	25,268.7	26,898.6	24,956.6	-7.2%	-1.2%

NET INTEREST AND SIMILAR INCOME

Net interest and similar income					
S/ million	1Q16	4Q16	1Q17	%chg QoQ	%chg YoY
Interest and similar income	792.4	837.3	815.0	-2.7%	2.8%
Interest and similar expense	-243.0	-256.1	-258.8	1.1%	6.5%
Net interest and similar income	549.4	581.2	556.2	-4.3%	1.2%
NIM*	5.5%	5.7%	5.6%	-10 bps	10 bps

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

Interest and similar income					
S/ million	1Q16	4Q16	1Q17	%chg QoQ	%chg YoY
Interest and similar income					
Due from banks and inter-bank funds	4.6	5.1	4.9	-5.0%	5.4%
Investments available for sale	33.1	39.9	44.4	11.3%	34.2%
Loans	754.7	792.2	765.7	-3.4%	1.5%
Total Interest and similar income	792.4	837.3	815.0	-2.7%	2.8%
Average interest-earning assets	39,755.4	40,485.9	39,671.2	-2.0%	-0.2%
Average yield on assets (annualized)	8.0%	8.3%	8.2%	-10 bps	20 bps

Interest and similar expense					
S/ million	1Q16	4Q16	1Q17	%chg QoQ	%chg YoY
Interest and similar expense					
Deposits and obligations	-98.4	-117.4	-127.6	8.7%	29.6%
Due to banks and correspondents	-63.8	-60.2	-55.7	-7.6%	-12.7%
Bonds, notes and other obligations	-80.8	-78.4	-75.6	-3.7%	-6.5%
Total Interest and similar expense	-243.0	-256.1	-258.8	1.1%	6.5%
Average interest-bearing liabilities	36,293.0	36,727.5	35,763.1	-2.6%	-1.5%
Average cost of funding (annualized)	-2.7%	-2.8%	-2.9%	-10 bps	-20 bps

QoQ Performance

Net interest and similar income decreased 4.3% QoQ as the result of a 2.7% reduction in interest and similar income and a 1.1% increase in interest and similar expense.

The decline in interest and similar income was mainly due to a 3.4% decrease in interest on loans, partially offset by an 11.3% growth in interest on investments available for sale.

The decrease in interest on loans was due to a 40 basis point decline in the average yield, from 12.5% in 4Q16 to 12.1% in 1Q17; partially offset by a 0.5% growth in the average volume of the loan portfolio. The decrease in the average rate was mainly explained by a higher share of the commercial loan portfolio within the total loan portfolio, which contributed with a lower average yield compared to the retail portfolio; as well as a lower yield in retail loans, especially in credit cards. On the other hand, the higher average volume of loans was attributed to a 1.7% growth in commercial loans, partially offset by a 0.4% decline in the average volume of retail loans. In the commercial portfolio, volumes increased 3.7% in short and medium-term loans and 1.0% in trade finance loans, partially offset by a 4.2% decrease in leasing. In the retail portfolio, the lower average volume was mainly due to a 3.1% decline in credit cards, partially offset by growths of 0.8% in mortgages and 0.6% in other consumer loans.

Interest on investments available for sale increased by S/ 4.5 million, or 11.3%, explained by growths of 20 basis points in the average rate and 5.3% in the average volume. The increase in the nominal average rate, from 3.7% in 4Q16 to 3.9% in 1Q17, was explained by higher returns on CDBCR and sovereign bonds; while the increase in average volume was a result of higher investments in sovereign and global bonds.

The nominal average yield on interest-earning assets decreased by 10 basis points, from 8.3% in 4Q16 to 8.2% in 1Q17. This was mainly explained by a lower return on loans; partially offset by a minor proportion of cash over total interest-earning assets, as a result of lower reserve funds held at the Central Bank due to decreases in the regulatory reserve requirement rate in soles, from 6.5% to 6.0%, and in foreign currency from 70% to 48%, in force since January 2017. Moreover, higher yields on the investment portfolio also contributed to offset the decline in average returns on loans.

Interest and similar expenses increased 1.1% QoQ as a result of an 8.7% higher interest on deposits and obligations; partially offset by reductions of 7.6% in interest due to banks and correspondents and 3.7% in interest on bonds, notes and other obligations.

The rise in interest on deposits and obligations was due to a 20 basis point increase in the average cost, from 1.8% in 4Q16 to 2.0% in 1Q17; partially offset by a slight 1.1% decrease in the average volume. The higher average cost was attributed to growths of 20 basis points in the cost of soles deposits and 10 basis points in the cost of dollar deposits; while the decrease in average volume was explained by lower commercial deposits. By currency, soles deposits grew 2.2% while dollar deposits decreased 5.0% QoQ.

The decline in interest due to banks and correspondents was explained by a 9.9% decline in the average volume, partially offset by an increase of 10 basis points in

the nominal average cost. The lower average volume was mostly attributed to decreases in foreign funding as well as in funding provided by the Central Bank; while the increase in the average cost was a result of higher rates on foreign funding from correspondent banks.

The lower interest on bonds in 1Q17 was mainly due to a 2.1% decrease in the average volume, which in turn was explained by a 3.2% appreciation of the exchange rate with respect to the previous quarter. This led to a lower value of bonds denominated in dollars, which accounted for 90.2% of total bonds.

The average cost of funds increased by 10 basis points QoQ, from 2.8% in 4Q16 to 2.9% in 1Q17, mainly as a result of higher costs of soles deposits.

As a result of the above, net interest margin was 5.6% in 1Q17, 10 basis points lower than the 5.7% reported in 4Q16.

YoY Performance

Net interest and similar income grew 1.2% YoY due to an increase of 2.8% in interest and similar income, partially offset by a 6.5% rise in interest and similar expense.

The growth in interest and similar income was mainly due to increases of 1.5% in interest on loans and 34.2% in interest on investments available for sale.

The S/ 11.0 million growth in interest on loans was explained by a 4.3% growth in the average volume; partially offset by a 30 basis point decline in the average yield, from 12.4% in 1Q16 to 12.1% in 1Q17. The increase in the average volume was due to growths of 4.5% in the retail portfolio and 3.9% in the commercial portfolio. The higher average volume of retail loans was explained by growths of 5.7% in other consumer loans, 5.0% in mortgages and 2.6% in credit cards. In the commercial portfolio, higher volumes resulted from growths of 9.8% in short and medium-term loans, and 3.5% in trade finance loans; partially offset by a 12.9% decline in leasing. The decrease in the average yield was mainly explained by lower rates in credit cards and leasing loans.

Interest on investments available for sale increased by S/ 11.3 million YoY, or 34.2%, as a result of a 29.5% growth in the average volume and a 20 basis point increase in the nominal average rate. The growth in volume was a result of higher investments in fixed income instruments issued by financial institutions, sovereign bonds and CDBCR; while the higher yield was mainly attributed to higher returns in CDBCR.

The nominal average yield on interest-earning assets increased by 20 basis point YoY, from 8.0% in 1Q16 to 8.2% in 1Q17; mainly explained by a higher return on investments, and by an 18.5% decrease in average cash balances due to lower reserve requirements at the Central Bank. These effects were partially offset by a lower yield on loans.

Interest and similar expense increased 6.5% YoY due to a 29.6% growth in interest on deposits and obligations, partially offset by decreases of 12.7% in interest due to banks and correspondents and 6.5% in interest on bonds, notes and other obligations.

Interest on deposits and obligations increased by S/ 29.2 million, or 29.6%, explained by growths of 50 basis points in the nominal average cost and 1.4% in the average volume. The higher average rate was mainly explained by a higher cost of

commercial and institutional deposits; while the increase in the average volume was a result of higher retail deposits, partially offset by declines in commercial and institutional deposits.

The \$/ 8.1 million, or 12.7% decrease in interest due to banks and correspondents was explained by a 12.7% decline in the average volume; while the average cost remained relatively stable YoY. The decrease in average volume was mainly due to a reduction in funding provided by correspondent banks.

Interest on bonds decreased by \$/ 5.2 million, or 6.5% YoY in 1Q17; mainly explained by a decrease of 2.4% in the average volume, which in turn was explained by a 2.3% appreciation of the exchange rate with respect to 1Q16.

The average cost of funds increased by 20 basis points YoY, from 2.7% in 1Q16 to 2.9% in 1Q17; mainly due to higher costs of commercial and institutional deposits, while the average cost of due to banks and correspondents remained relatively stable.

As a result of the above, net interest margin increased by 10 basis points YoY, from 5.5% in 1Q16 to 5.6% in 1Q17.

PROVISION FOR LOAN LOSSES, NET OF RECOVERIES

Provision for loan losses, net of recoveries increased 16.2% QoQ and 12.9% YoY. As a result, the annualized ratio of provision expense to average loans was 3.4% in 1Q17, above the 3.0% reported in 4Q16 and the 3.2% registered in 1Q16.

The quarterly growth was a result of higher provisioning in retail loans, especially in credit cards.

The annual increase in provisions was mainly a result of higher provisioning in commercial loans, partially offset by lower provision requirements in payroll loans.

Provision for loan losses, net of recoveries					
\$/ million	1Q16	4Q16	1Q17	%chg QoQ	%chg YoY
Provision for loan losses, net of recoveries	-199.6	-194.0	-225.4	16.2%	12.9%
Past-due-loan ratio (at end of period)	2.5%	2.6%	2.7%	10 bps	20 bps
Provision for loan losses/average gross loans	3.2%	3.0%	3.4%	40 bps	20 bps
Coverage ratio (at end of period)	172.7%	167.8%	164.0%	-380 bps	-870 bps
Allowance for loan losses (at end of period)	1,085.1	1,163.2	1,191.7	2.5%	9.8%

The past-due-loan ratio resulted in 2.7% in 1Q17, an increase of 10 basis points QoQ or 20 basis points YoY, when compared with the 2.6% reported in 4Q16 and the 2.5% registered in 1Q16.

The PDL ratio in credit cards stood at 5.5% in 1Q17, above the 5.0% reported in 4Q16 and the 4.8% registered in 1Q16. This was explained in part by the QoQ contraction in balances on such product.

As a consequence, the coverage ratio of the past-due loan portfolio was 164.0% in 1Q17, below the 167.8% reported in 4Q16 and the 172.7% registered in 1Q16.

FEE INCOME FROM FINANCIAL SERVICES, NET

Fee income from financial services, net decreased by S/ 1.9 million QoQ, or 0.9%, mainly explained by decreases of S/ 1.8 million in fees from maintenance and mailing of accounts, interchange fees, transfers and credit and debit card services, and S/ 1.5 million in fees for indirect loans; in addition to an increase of S/ 4.4 million in other fee-related expenses incurred on behalf of clients, which are seasonal in the first quarter of the year. These effects were partially offset by a S/ 6.7 million increase in commissions from banking services.

Fee income from financial services, net increased by S/ 14.1 million YoY, or 7.5%, mainly due to growths of S/ 7.6 million in fees from maintenance and mailing of accounts, interchange fees, transfers and credit and debit card services; and S/ 2.8 million in commissions from banking services.

Fee income from financial services, net					
S/ million	1Q16	4Q16	1Q17	%chg QoQ	%chg YoY
Income					
Maintenance and mailing of accounts, interchange fees, transfers and credit and debit card services	136.1	145.5	143.7	-1.2%	5.6%
Commissions from banking services	74.1	70.2	76.9	9.6%	3.9%
Fees for indirect loans	14.9	15.2	13.7	-9.8%	-8.4%
Funds management	7.1	8.2	8.0	-2.7%	12.2%
Collection services	7.0	8.1	8.0	-0.5%	14.7%
Other	6.9	8.4	6.5	-22.8%	-6.1%
Total income	246.1	255.5	256.8	0.5%	4.4%
Expenses					
Insurance	-42.0	-41.3	-40.0	-3.2%	-4.8%
Fees paid to foreign banks	-2.5	-2.5	-2.5	-0.1%	2.5%
Other	-12.4	-6.5	-10.9	68.3%	-11.5%
Total expenses	-56.9	-50.4	-53.5	6.2%	-6.0%
Fee income from financial services, net	189.2	205.2	203.3	-0.9%	7.5%

OTHER INCOME

Other income increased by S/ 5.3 million QoQ mainly due to increases of S/ 9.1 million in net gain on sale of securities and S/ 4.0 million in the release of accounting provisions. These effects were partially compensated by an S/ 11.2 million contraction in net gain on foreign exchange transactions.

Other income increased by S/ 8.1 million YoY, mainly due to increases of S/ 4.3 million in income from the sale of a written-off loan portfolio, S/ 4.0 million in the release of accounting provisions and S/ 1.6 million in net gain of sale of securities.

Other income					
S/ million	1Q16	4Q16	1Q17	%chg QoQ	%chg YoY
Net gain on foreign exchange transactions and derivatives	51.2	62.2	51.0	-17.9%	-0.3%
Net gain on sale of securities	7.8	0.3	9.4	n.m.	20.6%
Other	26.4	25.7	32.9	28.4%	24.8%
Total other income	85.3	88.1	93.4	6.0%	9.4%

OTHER EXPENSES

Other expenses decreased by S/ 5.1 million QoQ, or 1.3%, and increased by S/ 25.3 million YoY, or 7.2%. The quarterly decrease was mainly due to a 3.0% contraction in salaries and employee benefits, and to lower provisions for contingencies.

The annual increase in other expenses was mainly explained by growths of 10.6% in administrative expenses and 3.2% in salaries and employee benefits.

The efficiency ratio was 43.3% in 1Q17, above the 42.6% registered in 4Q16, and the 41.7% achieved in 1Q16.

Other expenses					
S/ million	1Q16	4Q16	1Q17	%chg QoQ	%chg YoY
Salaries and employee benefits	-146.3	-155.7	-151.0	-3.0%	3.2%
Administrative expenses	-169.4	-186.5	-187.4	0.4%	10.6%
Depreciation and amortization	-28.2	-30.4	-30.5	0.5%	8.1%
Other	-9.8	-11.5	-10.1	-12.1%	3.3%
Total other expenses	-353.7	-384.1	-379.0	-1.3%	7.2%
Efficiency ratio	41.7%	42.6%	43.3%	70 bps	160 bps

REGULATORY CAPITAL

The ratio of regulatory capital to risk-weighted assets (RWA) was 17.1% in 1Q17, above the 15.9% registered in 4Q16 and the 16.4% reported in 1Q16.

The annual increase in the capital ratio was due to a 5.3% growth in regulatory capital, partially offset by a 0.9% 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 4.4% growth of 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/ 28.5 million of the US\$ 200.0 million junior subordinated bonds issued in April 2010 no longer count as primary capital. As of 1Q17, 90.0% of this issue was considered as primary capital, below the 91.4% as of 4Q16.

As of 1Q17, Interbank's capital ratio of 17.1% 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 1Q17.

Regulatory capital					
S/ million	1Q16	4Q16	1Q17	%chg QoQ	%chg YoY
Tier I capital	3,853.9	3,789.3	4,232.9	11.7%	9.8%
Tier II capital	1,902.3	1,849.5	1,826.3	-1.3%	-4.0%
Total regulatory capital	5,756.1	5,638.9	6,059.2	7.5%	5.3%
Risk-weighted assets	35,125.3	35,475.3	35,443.1	-0.1%	0.9%
BIS ratio	16.4%	15.9%	17.1%	120 bps	70 bps
Tier I capital / risk-weighted assets	11.0%	10.7%	11.9%	120 bps	90 bps

Interseguro

SUMMARY

Interseguro's result attributable to shareholders in 1Q17 was S/ -75.9 million, which compares to S/ 131.6 million in 4Q16 and S/ -135.5 million in 1Q16.

The QoQ decline in bottom-line results was mainly explained by increases of S/ 182.3 million in adjustment of technical reserves and S/ 38.8 million in impairment loss on available-for-sale investments (other expenses); partially offset by an S/ 18.9 million increase in net gain on sale of securities (other income).

The YoY improvement in bottom-line results was mainly due to a S/ 25.3 million increase in net gain on sale of securities (other income), in addition to a S/ 16.4 million decrease in impairment loss on available-for-sale investments (other expenses) and a S/ 16.1 million increase in net interest and similar income.

Interseguro's profit excluding discount rate impact on technical reserves was S/ 3.8 million in 1Q17, compared to profits of S/ 29.1 million in 4Q16 and losses of S/ -47.6 million in 1Q16.

Insurance Segment's P&L Statement					
S/ million	1Q16	4Q16	1Q17	%chg QoQ	%chg YoY
Net Interest and similar income	69.7	73.1	85.8	17.5%	23.1%
Fee income from financial services, net	-0.7	-0.9	-1.2	33.9%	87.4%
Other income	-14.6	0.5	11.8	n.m.	n.m.
Total premiums earned less claims and benefits	-127.5	66.7	-125.8	n.m.	-1.3%
Net premiums	177.1	148.9	134.7	-9.5%	-23.9%
Adjustment of technical reserves	-228.0	5.7	-176.6	n.m.	-22.5%
Net claims and benefits incurred	-76.6	-88.0	-83.9	-4.6%	9.6%
Other expenses	-67.7	-17.6	-57.8	229.1%	-14.6%
Income before translation result and income tax	-140.6	121.8	-87.2	n.m.	-38.0%
Translation result	3.2	8.6	8.4	-2.3%	164.7%
Income tax	0.6	-0.2	0.9	n.m.	47.8%
Profit for the period	-136.9	130.2	-78.0	n.m.	-43.0%
Attributable to non-controlling interest ⁽¹⁾	1.4	1.4	2.0	45.8%	46.9%
Profit attributable to shareholders	-135.5	131.6	-75.9	n.m.	-44.0%
Discount rate impact on technical reserves	-87.9	102.5	-79.7	n.m.	-9.3%
Profit excluding discount rate impact	-47.6	29.1	3.8	-87.0%	n.m.
ROAE	n.m.	102.1%	n.m.		
ROAE excl. discount rate impact	n.m.	16.3%	1.2%		
Efficiency ratio⁽²⁾	n.m.	11.3%	42.7%		
Efficiency ratio excl. discount rate impact	25.7%	20.5%	17.3%		

(1) Starting 4Q14, Interseguro began consolidating a real estate investment shared by Interseguro and Intercorp Real Estate Inc., a subsidiary of Intercorp Peru Ltd. Intercorp RE's part is 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	1Q16	4Q16	1Q17	%chg QoQ	%chg YoY
Interest and similar income	73.5	76.0	88.6	16.7%	20.7%
Interest and similar expenses	-3.7	-2.9	-2.8	-2.8%	-25.3%
Net interest and similar income	69.7	73.1	85.8	17.4%	23.1%
Fee income from financial services, net	-0.4	-0.5	-0.6	37.6%	76.6%
Net gain on sale of securities	-14.2	-7.8	11.1	n.m.	n.m.
Net trading loss (income)	-1.5	-0.9	2.8	n.m.	n.m.
Rental income	4.8	6.4	6.0	-5.4%	25.3%
Profit from sale of investment property	-	-	-	n.m.	n.m.
Valuation gain from investment property	-5.9	-0.1	-11.2	n.m.	90.3%
Other ⁽¹⁾	0.1	0.8	0.4	-49.0%	n.m.
Other income	-17.0	-2.0	8.5	n.m.	n.m.
Expenses related to rental income	-0.0	-0.0	-0.4	n.m.	n.m.
Other ⁽¹⁾	-22.1	32.9	-7.0	n.m.	-68.5%
Expenses	-22.1	32.9	-7.4	n.m.	-66.6%
Results from investments	30.6	103.9	87.0	-16.3%	184.1%

(1) Only includes transactions related to investments.

NET INTEREST AND SIMILAR INCOME

Net interest and similar income was S/ 85.8 million in 1Q17, an increase of S/ 12.7 million or 17.4% QoQ and S/ 16.1 million or 23.1% YoY.

The QoQ growth was due to a S/ 12.6 million increase in interest and similar income as a result of a higher volume of assets and improved portfolio rates.

The YoY growth was mainly due to a S/ 15.1 million increase in interest and similar income, also as a result of a higher volume of assets and improved portfolio rates.

OTHER INCOME

Other income reverted positively to S/ 8.5 million in 1Q17, compared to negative performances in both 4Q16 and 1Q16.

The quarterly growth in other income was explained by increases of S/ 18.9 million in net gain on sale of securities and S/ 3.7 million in net trading income. These factors were partially offset by an S/ 11.1 million decrease in valuation gain from investment property.

The annual growth in other income was mainly due to a S/ 25.3 increase in net gain on sale of securities.

TOTAL PREMIUMS EARNED LESS CLAIMS AND BENEFITS

Total Premiums Earned Less Claims And Benefits					
S/ million	1Q16	4Q16	1Q17	%chg QoQ	%chg YoY
Net premiums	177.1	148.9	134.7	-9.5%	-23.9%
Adjustment of technical reserves	-228.0	5.7	-176.6	n.m.	-22.5%
Net claims and benefits incurred	-76.6	-88.0	-83.9	-4.6%	9.6%
Total premiums earned less claims and benefits	-127.5	66.7	-125.8	n.m.	-1.3%

Total premiums earned less claims and benefits in 1Q17 was S/ -125.8 million, a decrease of S/ 192.5 million QoQ and an increase of S/ 1.7 million YoY.

The QoQ reduction was mainly due to a S/ 182.3 million increase in adjustment of technical reserves.

The YoY growth was mainly explained by a S/ 51.4 million decrease in adjustment of technical reserves, partially offset by a S/ 42.4 million decrease in net premiums and a S/ 7.3 million increase in net claims and benefits incurred.

NET PREMIUMS

Net Premiums by Business Line					
S/ million	1Q16	4Q16	1Q17	%chg QoQ	%chg YoY
Annuities	117.8	83.7	71.7	-14.3%	-39.1%
Individual Life	11.2	12.4	12.7	2.3%	13.3%
Retail Insurance	48.2	52.8	50.4	-4.7%	4.6%
Net Premiums	177.1	148.9	134.7	-9.5%	-23.9%

Annuities include premiums from disability and survivorship insurance.

Net premiums were S/ 134.7 million in 1Q17, decreases of S/ 14.2 million QoQ and S/ 42.4 million YoY.

The quarterly reduction was mainly explained by decreases of S/ 12.0 million in Annuities and S/ 2.4 million in Retail Insurance.

The annual decrease was mainly related to a market contraction in Annuities due to the regulation that entered into force in April 2016, allowing retirees to cash out a significant portion of their pension funds.

ADJUSTMENT OF TECHNICAL RESERVES

Adjustment of Technical Reserves by Business Line					
S/ million	1Q16	4Q16	1Q17	%chg QoQ	%chg YoY
Annuities	-222.9	13.3	-167.4	n.m.	-24.9%
Individual Life	-5.7	-5.5	-8.3	51.5%	46.1%
Retail Insurance	0.5	-2.1	-1.0	-52.2%	n.m.
Adjustment of technical reserves	-228.0	5.7	-176.6	n.m.	-22.5%

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

Interseguro's adjustment of technical reserves was S/ -176.6 million in 1Q17, an increase of S/ 182.3 million QoQ and a decrease of S/ 51.4 million YoY.

The QoQ increase was mainly due to different discount rate impacts in Annuities. This rate increased by 17 bps in 4Q16 and decreased by 16 bps in 1Q17.

The YoY decrease was mainly due to a lower reserve constitution caused by lower annuity premiums; moreover, the YoY decrease was also explained by different discount rate impacts in Annuities. This rate decreased by 21 bps in 1Q16 and by 16 bps in 1Q17.

NET CLAIMS AND BENEFITS INCURRED

Net Claims and Benefits Incurred by Business Line					
S/ million	1Q16	4Q16	1Q17	%chg QoQ	%chg YoY
Annuities	-62.4	-71.0	-70.2	-1.1%	12.5%
Individual Life	-0.5	-1.0	-0.5	-54.5%	-5.9%
Retail Insurance	-13.6	-16.0	-13.2	-17.0%	-3.0%
Net claims and benefits incurred	-76.6	-88.0	-83.9	-4.6%	9.6%

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

Net claims and benefits incurred were S/ 83.9 million in 1Q17, a decrease of S/ 4.1 million QoQ and an increase of S/ 7.3 million YoY.

The QoQ reduction was mainly due to lower claims of S/ 2.8 million in Retail Insurance and S/ 0.8 million in Annuities.

The YoY growth in claims and benefits incurred was mostly explained by a S/ 7.8 million increase in Annuities, due to a higher number of pensioners.

OTHER EXPENSES

Other Expenses					
S/ million	1Q16	4Q16	1Q17	%chg QoQ	%chg YoY
Salaries and employee benefits	-15.7	-14.0	-14.6	4.4%	-6.4%
Administrative expenses	-6.8	-10.5	-7.5	-28.0%	10.7%
Depreciation and amortization	-1.1	-1.1	-1.1	-4.4%	0.2%
Third-party commissions	-17.5	-20.5	-22.9	12.0%	31.3%
Expenses related to rental income	-0.0	-0.0	-0.4	n.m.	n.m.
Other	-26.6	28.6	-11.2	n.m.	-58.0%
Other expenses	-67.7	-17.6	-57.8	229.1%	-14.6%

Other expenses were S/ 57.8 million in 1Q17, an increase of S/ 40.2 million QoQ and a decrease of S/ 9.9 million YoY.

The QoQ growth in other expenses was mainly attributed to a book value adjustment of previously impaired instruments, which was registered in 4Q16 given the sale of such securities. This effect was worth S/ 38.8 million.

The YoY reduction in other expenses was mainly due to a S/ 16.4 million decrease in impairment loss on available-for-sale investments (other), partially offset by a S/ 5.4 million increase in third-party commissions.

Inteligo

SUMMARY

Inteligo's net profit in 1Q17 was S/ 48.8 million, a S/ 10.3 million or 26.9% increase QoQ and an S/ 18.4 million or 60.6% growth YoY. The quarterly performance was mainly attributed to a 20.4% higher net interest and similar income, and a 22.9% lower other expenses. The yearly increase was a result of positive performances in all lines of business.

Assets under Management (AuMs) plus client deposits decreased 2.3% QoQ but increased 8.6% YoY. The QoQ contraction was explained by a 3.2% appreciation of the exchange rate, as funds managed are denominated in dollars.

Inteligo's annualized ROAE for 1Q17 was 28.2%, higher than the 23.6% reported in 4Q16 and above the 20.5% registered in 1Q16.

Wealth Management Segment's P&L Statement					
S/ million	1Q16	4Q16	1Q17	%chg QoQ	%chg YoY
Interest and similar income	37.8	38.5	39.7	3.0%	5.1%
Interest and similar expenses	-13.2	-17.1	-13.9	-18.7%	5.3%
Net interest and similar income	24.6	21.4	25.8	20.4%	4.9%
Provision for loan losses, net of recoveries	0.0	0.0	2.7	n.m.	n.m.
Net interest and similar income after provision for loan losses	24.6	21.4	28.5	33.1%	16.0%
Fee income from financial services, net	24.3	30.4	29.0	-4.6%	19.6%
Other income	1.9	11.4	10.3	-9.8%	n.m.
Other expenses	-20.2	-24.8	-19.1	-22.9%	-5.1%
Income before translation result and income tax	30.6	38.4	48.6	26.6%	59.1%
Translation result	-0.2	-0.2	0.0	n.m.	n.m.
Income tax	0.0	0.2	0.1	n.m.	n.m.
Profit for the period	30.4	38.5	48.8	26.9%	60.6%
ROAE	20.5%	23.6%	28.2%		
Efficiency ratio	39.7%	39.2%	29.2%		

ASSETS UNDER MANAGEMENT & DEPOSITS

AuMs reached S/ 11,532.2 million in 1Q17, a S/ 105.9 million or 0.9% decrease QoQ but a S/ 735.5 million or 6.8% growth YoY.

Client deposits reached S/ 2,988.1 million in 1Q17, a S/ 238.0 million or 7.4% decrease QoQ but a S/ 408.9 million or 15.9% growth YoY.

The quarterly growth rates of AuMs and deposits were negatively affected by a 3.2% appreciation of the exchange rate QoQ, as funds managed are denominated in dollars.

NET INTEREST AND SIMILAR INCOME

Inteligo's net interest and similar income in 1Q17 was S/ 25.8 million, a S/ 4.4 million or 20.4% increase when compared with 4Q16. Net interest and similar income

increased by S/ 1.2 million or 4.9% when compared to the same period in the previous year.

Interest and similar income increased by S/ 1.2 million or 3.0% QoQ and by S/ 1.9 million or 5.1% YoY in 1Q17 mainly due to the performance of income on investments available for sale.

Interest and similar expenses decreased by S/ 3.2 million or 18.7% QoQ due to lower expenses related to deposits and obligations. When compared with 1Q16, interest and similar expenses increased by S/ 0.7 million or 5.3% as a result of higher interest on deposits and obligations.

Net interest and similar income					
S/ million	1Q16	4Q16	1Q17	%chg QoQ	%chg YoY
Interest and similar income					
Due from banks and inter-bank funds	0.1	1.0	1.1	2.5%	n.m.
Investments available for sale	16.2	15.9	18.2	15.0%	12.5%
Loans	21.5	21.6	20.4	-5.7%	-5.1%
Total interest and similar income	37.8	38.5	39.7	3.0%	5.1%
Interest and similar expenses					
Deposits and obligations	-13.0	-16.9	-13.7	-19.0%	5.1%
Due to banks and correspondents	-0.2	-0.2	-0.2	0.0%	0.0%
Total interest and similar expenses	-13.2	-17.1	-13.9	-18.7%	5.3%
Net interest and similar income	24.6	21.4	25.8	20.4%	4.9%

FEE INCOME FROM FINANCIAL SERVICES

Fee income from financial services, net					
S/ million	1Q16	4Q16	1Q17	%chg QoQ	%chg YoY
Income					
Brokerage and custody services	1.8	6.2	3.6	-41.9%	n.m.
Funds management	24.2	25.6	26.3	2.9%	8.8%
Total income	26.0	31.8	29.9	-5.8%	15.2%
Expenses					
Brokerage and custody services	-0.2	-1.3	-0.8	-37.4%	n.m.
Others	-1.5	0.0	-0.1	n.m.	n.m.
Total expenses	-1.7	-1.3	-0.9	-34.0%	-47.7%
Fee income from financial services, net	24.3	30.4	29.0	-4.6%	19.6%

Fee income from financial services was S/ 29.9 million in 1Q17, a decrease of S/ 1.9 million or 5.8% QoQ due to lower income on brokerage and custody services.

Expenses related to fee income from financial services reached S/ 0.9 million in 1Q17, a decrease of S/ 0.4 million or 34.0% QoQ.

As a result of the above, net fee income from financial services was S/ 29.0 million, a decrease of S/ 1.4 million or 4.6% when compared to the previous quarter.

When compared with 1Q16, net fee income from financial services increased by S/ 4.7 million or 19.6% YoY in 1Q17. The result was mainly attributable to a S/ 3.9 million increase in gross fees from financial services and a S/ 1.4 million decrease in other fee expenses.

OTHER INCOME

Other income					
S/ million	1Q16	4Q16	1Q17	%chg QoQ	%chg YoY
Net gain on sale of securities	-0.4	8.2	9.7	18.5%	n.m.
Net trading gain (loss)	2.3	4.6	1.2	-74.5%	-48.9%
Other	0.0	-1.3	-0.6	-57.3%	n.m.
Total other income	1.9	11.4	10.3	-9.8%	n.m.

Inteligo's other income reached S/ 10.3 million in 1Q17, a S/ 1.1 million or 9.8% decrease QoQ. This was mainly explained by a S/ 3.4 million or 74.5% reduction in net trading gain, partially offset by a S/ 1.5 million or 18.5% increase in net gain on sale of securities.

Other income exhibited a more than fivefold increase when compared to 1Q16. The result was mainly attributable to a recovery in net gain on sale of securities.

OTHER EXPENSES

Other expenses					
S/ million	1Q16	4Q16	1Q17	%chg QoQ	%chg YoY
Salaries and employee benefits	-10.9	-13.1	-11.2	-14.7%	2.3%
Administrative expenses	-7.4	-9.8	-6.0	-39.0%	-19.2%
Depreciation and amortization	-1.8	-1.9	-1.8	-2.0%	0.0%
Impairment loss on available for sale investments	0.0	0.0	0.0	n.m.	n.m.
Other	0.0	0.0	-0.1	n.m.	n.m.
Total other expenses	-20.2	-24.8	-19.1	-22.9%	-5.1%
Efficiency ratio	39.7%	39.2%	29.2%		

Inteligo's other expenses decreased by S/ 5.7 million or 22.9% when compared to 4Q16, mainly due to lower administrative expenses.

Other expenses decreased by S/ 1.1 million or 5.1% YoY. The result was mostly explained by a reduction in administrative expenses due to lower third-party related services.