

Intercorp Financial Services Inc. Second Quarter 2016 Earnings

Lima, Peru, August 9, 2016. Intercorp Financial Services Inc. (Bolsa de Valores de Lima: IFS) announced today its unaudited results for the second quarter 2016. These results are reported on a consolidated basis under IFRS in nominal Peruvian soles.

Quarterly Highlights:

Intercorp Financial Services:

- 2Q16 net profit was S/ 178.0 million, an almost three-fold growth QoQ but a 48.6% reduction YoY
- The QoQ performance was explained by a lower, yet negative, discount rate impact on technical reserves for annuities, and by a recovery in results from investments at Interseguro and Inteligo
- The YoY decline in profits was mainly a result of higher requirements of technical reserves due to a lower discount rate, and a negative impact from impairments at Interseguro
- Excluding discount rate impact on technical reserves, IFS 2Q16 profits grew 57.2% QoQ and decreased 8.0% YoY

Interbank:

- 2Q16 net profit was S/ 199.8 million, relatively stable QoQ and YoY, affected by lower net gains on foreign exchange transactions
- Performing loans and deposits grew 8.1% and 10.3% YoY, respectively, while retail deposits increased 13.4% YoY
- NIM improved by 50 bps QoQ to 6.0%, supported by a more profitable mix of interest-earning assets, despite a 20 bps increase in the average cost of funding
- Efficiency ratio remained stable YoY, at 41.7%, with operating expenses increasing only 4.2% YoY
- 2Q16 annualized ROAE was 21.3%

Interseguro:

- 2Q16 result was S/ -56.6 million, compared to S/ -135.5 million in 1Q16 and S/ 117.5 million in 2Q15. The bottom-line result was mainly affected by a negative discount rate impact on technical reserves of S/ -55.5 million and by certain impairments
- Net premiums in 2Q16 decreased 26.6% QoQ and 27.6% YoY due to a market contraction in annuities, where Interseguro remained as market leader with a 23.1% share
- Interseguro's investment portfolio grew 4.3% QoQ and 12.3% YoY

Inteligo:

- 2Q16 net profit was S/ 53.7 million, a 76.7% increase QoQ and 7.3% YoY. The quarterly performance was attributed to increases of 9.9% in net interest and similar income, 28.7% in net fee income, and a more than eight-fold growth in other income
- AuM + deposits increased 3.1% QoQ and 15.1% YoY
- 2Q16 annualized ROAE was 38.1%

Intercorp Financial Services

Net profit was S/ 178.0 million in 2Q16, a 193.4% increase QoQ but a 48.6% reduction YoY. IFS annualized ROAE was 15.1% in 2Q16, above the 5.3% registered in 1Q16 but below the 32.0% reported in 2Q15.

Intercorp Financial Services' P&L statement					
S/ million	2Q15	1Q16	2Q16	%chg QoQ	%chg YoY
Interest and similar income	817.1	903.7	914.2	1.2%	11.9%
Interest and similar expense	-218.0	-259.7	-268.4	3.3%	23.1%
Net interest and similar income	599.1	643.9	645.8	0.3%	7.8%
Provision for loan losses, net of recoveries	-172.2	-199.6	-210.2	5.3%	22.0%
Net interest and similar income after provision for loan losses	426.9	444.3	435.6	-2.0%	2.1%
Fee income from financial services, net	194.0	206.6	215.4	4.3%	11.1%
Other income	178.7	48.9	156.2	219.2%	-12.6%
Total premiums earned less claims and benefits	62.9	-127.5	-80.4	-36.9%	n.m.
Net Premiums	179.6	177.1	130.1	-26.6%	-27.6%
Adjustment of technical reserves	-56.5	-228.0	-135.5	-40.6%	139.9%
Net claims and benefits incurred	-60.3	-76.6	-75.0	-2.0%	24.4%
Other expenses	-427.3	-437.9	-480.7	9.8%	12.5%
Income before translation result and income tax	435.1	134.4	246.1	83.1%	-43.4%
Translation result	-8.3	9.6	15.9	n.m.	n.m.
Income tax	-80.4	-83.3	-84.0	0.8%	4.4%
Profit for the period	346.4	60.7	178.0	193.4%	-48.6%
Attributable to equity holders of the group ⁽¹⁾	345.2	60.6	175.9	190.0%	-49.1%
EPS	3.16	0.56	2.17		
ROAE	32.0%	5.3%	15.1%		
ROAA	3.2%	0.5%	1.5%		

(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	2Q15	1Q16	2Q16	%chg QoQ	%chg YoY
Assets					
Cash and due from banks and inter-bank funds	8,027.3	12,155.7	8,901.6	-26.8%	10.9%
Trading securities and investments available for sale	8,023.7	8,574.8	9,327.8	8.8%	16.3%
Loans, net of unearned income	25,485.5	27,174.1	27,629.9	1.7%	8.4%
Allowance for loan losses	-960.2	-1,088.7	-1,130.4	3.8%	17.7%
Property, furniture and equipment, net	570.0	601.3	593.5	-1.3%	4.1%
Other assets	2,034.0	2,271.0	2,751.7	21.2%	35.3%
Total assets	43,180.3	49,688.1	48,074.0	-3.2%	11.3%
Liabilities and equity					
Deposits and obligations	23,283.0	27,792.1	26,088.2	-6.1%	12.0%
Due to banks and correspondents	5,616.7	6,150.3	6,066.6	-1.4%	8.0%
Bonds, notes and other obligations	4,697.8	4,817.9	4,693.3	-2.6%	-0.1%
Insurance contract liabilities	4,123.9	4,674.7	4,798.2	2.6%	16.4%
Other liabilities	1,271.9	1,481.6	1,767.6	19.3%	39.0%
Total liabilities	38,993.3	44,916.6	43,413.9	-3.3%	11.3%
Equity					
Equity holders of IFS	4,020.3	4,642.5	4,528.5	-2.5%	12.6%
Non-controlling interest	166.7	129.0	131.6	2.0%	-21.1%
Total equity	4,187.0	4,771.5	4,660.1	-2.3%	11.3%
Total liabilities and equity	43,180.3	49,688.1	48,074.0	-3.2%	11.3%

Quarter-on-quarter performance

Profits increased 193.4% QoQ mainly due to a lower, yet negative, discount rate impact on technical reserves for annuities, and to a recovery in results from investments at Interseguro and Inteligo. This was partially offset by a 9.8% increase in other expenses.

Net interest and similar income slightly increased 0.3% QoQ mainly explained by a 53.8% growth in income from investments available-for sale at Interbank, partially offset by a 10.1% increase in interest on deposits and obligations, also at Interbank.

Provision expenses increased 5.3% mainly as a result of higher provisioning in commercial loans and payroll loans, partially offset by lower requirements in mortgages.

Fee income from financial services increased 4.3% QoQ mainly attributed to an important increase in brokerage and custody services income at Inteligo.

Interseguro's total premiums earned less claims and benefits in 2Q16 was S/ -80.4 million, an increase of S/ 47.1 million QoQ, mainly due to a S/ 92.5 million decrease in reserves constitution which was partially offset by a S/ 47.0 million decrease in net premiums.

Other income grew by S/ 107.3 million QoQ mainly due to increases of S/ 64.0 million and S/ 15.7 million in net gain on sale of securities at Interseguro and Inteligo, respectively.

Other expenses grew 9.8% QoQ mainly explained by increases of 4.1% in salaries and employee benefits and 3.6% in administrative expenses at Interbank, in addition to a negative impact from impairment loss on available-for-sale investments at Interseguro.

IFS effective tax rate decreased QoQ, from 57.9% in 1Q16 to 32.1% in 2Q16, as a result of a higher profit contribution from Inteligo and a lower negative result from Interseguro.

Year-on-year performance

Profits decreased 48.6% YoY mainly due to a higher adjustment of technical reserves, in addition to a 12.5% increase in other expenses. These effects were partly compensated by an increase of 7.8% in net interest and similar income.

Net interest and similar income rose 7.8% YoY mainly explained by increases of 11.1% in interest on loans and 14.9% in interest on investments available-for sale at Interbank.

Provision expenses increased 22.0% mainly as a result of higher provisioning in commercial loans, as well as in credit cards and cash loans.

Fee income from financial services increased 11.1% YoY mainly due to a growth of 12.8% in fees from maintenance and mailing of accounts, interchange fees, transfers and credit and debit card services; as well as 10.4% higher commissions from banking services at Interbank.

Interseguro's total premiums earned less claims and benefits decreased by S/ 143.3 million mainly explained by a S/ 79.0 million increase in reserves constitution and a S/ 49.5 million decrease in net premiums. Furthermore, net premiums decreased 27.6% at Interseguro attributable to a market contraction in annuities due to a law executed in April 2016 which allows retirees from the private pension fund system to withdraw up to 95.5% of their retirement funds upon retirement.

Other income decreased 12.6% YoY mainly due to a reduction of S/ 41.4 million in net gain on foreign exchange transactions and derivatives at Interbank. This was partially offset by a S/ 20.5 million increase in net gain on sale of securities at Interseguro.

Other expenses grew 12.5% YoY mainly due to a S/ 45.0 million higher impairment loss on available-for-sale investments at Interseguro. At Interbank, other expenses were well contained, posting a 1.8% growth YoY, while at Inteligo, other expenses decreased 6.8% YoY.

IFS effective tax rate increased YoY, from 18.8% in 2Q15 to 32.1% in 2Q16, as a consequence of the negative 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	2Q15	1Q16	2Q16	%chg QoQ	%chg YoY
Interbank	201.0	201.8	199.8	-1.0%	-0.6%
Interseguro	117.2	-136.9	-55.8	-59.2%	n.m.
Inteligo	50.0	30.4	53.7	76.7%	7.3%
Corporate and eliminations	-21.9	-34.6	-19.7	-43.1%	-9.9%
IFS profit for the period	346.4	60.7	178.0	193.4%	-48.6%

Interbank

SUMMARY

Interbank's profits reached S/ 199.8 million in 2Q16, a decrease of S/ 2.0 million QoQ, or 1.0%, and S/ 1.2 million YoY, or 0.6%. The quarterly reduction was mainly due to increases of S/ 10.6 million in provisions and S/ 8.5 million in other expenses, in addition to a S/ 0.5 million decrease in other income. These factors were partially offset by growths of S/ 19.3 million in net interest and similar income and S/ 3.5 million in fee income from financial services.

The annual decrease in net profit was explained by increases of S/ 38.0 million in provisions and S/ 6.4 million in other expenses, in addition to a S/ 27.1 million decrease in other income. These factors were partially offset by growths of S/ 39.7 million in net interest and similar income and S/ 21.3 million in fee income from financial services.

Interbank's ROAE was 21.3% in 2Q16, lower than the 21.9% reported in 1Q16 and the 24.6% registered in 2Q15.

Banking Segment's P&L Statement					
S/ million	2Q15	1Q16	2Q16	%chg QoQ	%chg YoY
Interest and similar income	732.8	792.4	819.2	3.4%	11.8%
Interest and similar expenses	-203.8	-243.0	-250.5	3.1%	22.9%
Net interest and similar income	529.0	549.4	568.7	3.5%	7.5%
Provision for loan losses, net of recoveries	-172.2	-199.6	-210.2	5.3%	22.0%
Net interest and similar income after provision for loan losses	356.7	349.8	358.5	2.5%	0.5%
Fee income from financial services, net	171.4	189.2	192.7	1.8%	12.4%
Other income	111.9	85.3	84.8	-0.7%	-24.2%
Other expenses	-355.8	-353.7	-362.2	2.4%	1.8%
Income before translation result and income tax	284.2	270.6	273.7	1.1%	-3.7%
Translation result	-10.0	7.5	2.2	n.m.	n.m.
Income tax	-73.2	-76.4	-76.1	-0.4%	3.9%
Profit for the period	201.0	201.8	199.8	-1.0%	-0.6%
ROAE	24.6%	21.9%	21.3%		
Efficiency ratio	41.7%	41.2%	41.7%		
NIM	6.3%	5.5%	6.0%		
NIM on loans	9.8%	9.9%	9.8%		

INTEREST-EARNING ASSETS

Interbank's interest-earning assets reached S/ 36,977.9 million in 2Q16, a decline of 6.3% QoQ and an increase of 9.0% YoY.

The quarterly decline in interest-earning assets was due to a 30.2% reduction in cash and due from banks, partially offset by growths of 16.0% in investments available for sale and 1.9% in loans. The decrease in cash and due from banks was mainly explained by lower reserve funds at the Central Bank, which in turn was related to deposits shifting from dollars to soles, bearing a lower reserve requirement. The

quarterly increase in investments was due to higher volumes of Central Bank Certificates of Deposit (CDBCR) and corporate bonds from financial institutions.

The annual growth in interest-earning assets was attributed to increases of 21.1% in investments available for sale, 8.5% in loans and 5.2% in cash and due from banks. The increase in investments was mainly explained by higher positions in CDBCR and in both sovereign and corporate bonds. Meanwhile, the increase in cash and due from banks resulted from higher deposits at the Central Bank, in relation with higher repo transactions for local funding.

Interest-earning assets					
S/ million	2Q15	1Q16	2Q16	%chg QoQ	%chg YoY
Cash and due from banks and inter-bank funds	7,685.1	11,577.8	8,085.7	-30.2%	5.2%
Investments available for sale	3,314.1	3,458.8	4,013.0	16.0%	21.1%
Loans	22,925.1	24,411.3	24,879.2	1.9%	8.5%
Total Interest-earning assets	33,924.2	39,447.9	36,977.9	-6.3%	9.0%

Loan portfolio					
S/ million	2Q15	1Q16	2Q16	%chg QoQ	%chg YoY
Performing loans					
Retail	11,831.3	12,666.8	12,999.1	2.6%	9.9%
Commercial	11,092.0	11,672.9	11,776.3	0.9%	6.2%
Total Performing loans	22,923.3	24,339.6	24,775.3	1.8%	8.1%
Restructured and refinanced loans	166.4	275.0	291.2	5.9%	75.0%
Past due loans	568.9	628.4	687.9	9.5%	20.9%
Total gross loans	23,658.6	25,243.0	25,754.4	2.0%	8.9%
Add (less)					
Accrued and deferred interest	225.2	253.4	251.7	-0.7%	11.8%
Allowance for loan losses	-958.7	-1,085.1	-1,126.9	3.8%	17.5%
Total direct loans, net	22,925.1	24,411.3	24,879.2	1.9%	8.5%

Performing loans grew 1.8% QoQ due to increases of 2.6% in retail loans and 0.9% in commercial loans. Retail loans increased due to growths of 3.6% in credit cards, 2.9% in other consumer loans and 1.6% in mortgages. Commercial loans grew mainly due to higher trade finance loans and short and medium-term loans, partially offset by lower leasing operations.

Performing loans grew 8.1% YoY due to increases of 9.9% in retail loans and 6.2% in commercial loans. Retail loans growth was driven by increases of 12.6% in other consumer loans, 11.7% in mortgages and 4.7% in credit cards. Commercial loans grew mainly due to increases in short and medium-term lending, partially offset by lower trade finance loans and leasing operations.

Breakdown of retail loans					
S/ million	2Q15	1Q16	2Q16	%chg QoQ	%chg YoY
Consumer loans:					
Credit cards	3,632.7	3,671.8	3,805.1	3.6%	4.7%
Other consumer	3,924.4	4,292.4	4,417.7	2.9%	12.6%
Total consumer loans	7,557.2	7,964.2	8,222.7	3.2%	8.8%
Mortgages	4,274.1	4,702.6	4,776.3	1.6%	11.7%
Total retail loans	11,831.3	12,666.8	12,999.1	2.6%	9.9%

FUNDING STRUCTURE

Funding structure					
S/ million	2Q15	1Q16	2Q16	%chg QoQ	%chg YoY
Deposits	21,061.9	25,268.7	23,240.9	-8.0%	10.3%
Due to banks and inter-bank funds	5,649.6	5,990.8	5,906.5	-1.4%	4.5%
Bonds	4,400.3	4,617.2	4,525.5	-2.0%	2.8%
Total	31,111.8	35,876.7	33,672.9	-6.1%	8.2%
% of funding					
Deposits	67.7%	70.4%	69.0%		
Due to banks and inter-bank funds	18.2%	16.7%	17.5%		
Bonds	14.1%	12.9%	13.4%		

Interbank's total funding base decreased 6.1% QoQ, in line with the performance of interest-earning assets. The decline was due to decreases of 8.0% in deposits, 2.0% in bonds and 1.4% in due to banks and inter-bank funds.

The quarterly decline in deposits was mainly explained by reductions of 22.7% in institutional deposits and 12.0% in commercial deposits, both effects largely concentrated in dollar deposits; yet partially offset by a 1.7% growth in retail deposits. As a result, the proportion of institutional deposits to total deposits decreased from 18.7% in 1Q16 to 15.7% in 2Q16.

The bank's total funding base increased 8.2% YoY, slightly below the growth in interest-earning assets. The increase was due to growths of 10.3% in deposits, 4.5% in due to banks and inter-bank funds, and 2.8% in bonds.

The yearly growth in deposits was explained by growths of 27.0% in commercial deposits and 13.4% in retail deposits, partially offset by a 20.1% decline in institutional deposits. The portion of deposits to total funding increased from 67.7% in 2Q15 to 69.0% in 2Q16.

The YoY growth in due to banks and inter-bank funds was mainly due to a sharp increase in the medium-term funding provided by the Central Bank, while the increase in bonds was mainly attributed to a 3.5% depreciation of the exchange rate which originated an increase in the value of bonds issued in dollars.

Breakdown of deposits					
S/ million	2Q15	1Q16	2Q16	%chg QoQ	%chg YoY
By customer service:					
Retail	9,625.6	10,733.4	10,915.2	1.7%	13.4%
Commercial	6,609.3	9,539.3	8,391.3	-12.0%	27.0%
Institutional	4,564.1	4,713.3	3,645.0	-22.7%	-20.1%
Other	262.9	282.7	289.5	2.4%	10.1%
Total	21,061.9	25,268.7	23,240.9	-8.0%	10.3%
By type:					
Demand	5,369.9	7,750.0	6,722.9	-13.3%	25.2%
Savings	7,170.7	8,562.4	9,849.7	15.0%	37.4%
Time	8,515.9	8,942.8	6,662.9	-25.5%	-21.8%
Other	5.5	13.4	5.4	-59.7%	-1.4%
Total	21,061.9	25,268.7	23,240.9	-8.0%	10.3%

NET INTEREST AND SIMILAR INCOME

Net interest and similar income					
S/ million	2Q15	1Q16	2Q16	%chg QoQ	%chg YoY
Interest and similar income	732.8	792.4	819.2	3.4%	11.8%
Interest and similar expense	-203.8	-243.0	-250.5	3.1%	22.9%
Net interest and similar income	529.0	549.4	568.7	3.5%	7.5%
NIM*	6.3%	5.5%	6.0%	50 bps	-30 bps

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

Interest and similar income					
S/ million	2Q15	1Q16	2Q16	%chg QoQ	%chg YoY
Interest and similar income					
Due from banks and inter-bank funds	1.4	4.6	4.7	2.0%	n.m.
Investments available for sale	44.3	33.1	50.9	53.8%	14.9%
Loans	687.1	754.7	763.6	1.2%	11.1%
Total Interest and similar income	732.8	792.4	819.2	3.4%	11.8%
Average interest-earning assets	33,628.4	39,755.4	38,212.9	-3.9%	13.6%
Average yield on assets (annualized)	8.7%	8.0%	8.6%	60 bps	-10 bps

Interest and similar expense					
S/ million	2Q15	1Q16	2Q16	%chg QoQ	%chg YoY
Interest and similar expense					
Deposits and obligations	-79.6	-98.4	-108.4	10.1%	36.2%
Due to banks and correspondents	-50.3	-63.8	-64.8	1.7%	29.0%
Bonds, notes and other obligations	-74.0	-80.8	-77.3	-4.4%	4.4%
Total Interest and similar expense	-203.8	-243.0	-250.5	3.1%	22.9%
Average interest-bearing liabilities	30,781.4	36,293.0	34,774.8	-4.2%	13.0%
Average cost of funding (annualized)	-2.6%	-2.7%	-2.9%	-20 bps	-30 bps

QoQ Performance

Net interest and similar income increased 3.5% QoQ as the result of a 3.4% growth in interest and similar income, partially offset by an increase of 3.1% in interest and similar expense.

The higher interest and similar income was mainly due to increases of 1.2% in interest on loans and 53.8% in interest on investments available for sale, while interest due from banks and inter-bank funds remained relatively stable.

The increase in interest on loans was due to a 1.2% growth in the average volume of the loan portfolio, while the average yield remained stable at 12.4% in 2Q16. The higher average volume of loans was attributed to increases of 1.7% in retail loans and 0.3% in commercial loans. In the retail portfolio, higher volume was due to growths of 2.2% in other consumer loans, 1.6% in mortgages and 1.4% in credit cards. In the commercial portfolio, volumes increased 2.5% in short and medium-term loans, partially offset by decreases of 6.3% in trade finance loans and 4.4% in leasing. The stable average rate was the result of lower yields on short and medium-term loans offset by higher rates on trade finance loans, within the commercial portfolio; while the return on the retail portfolio remained relatively stable.

Interest on investments available for sale increased by S/ 17.8 million, or 53.8%, explained by a 180 basis point increase in the nominal average rate and a 5.1% growth in the average volume. The increase in the nominal average rate, from 3.7% in 1Q16 to 5.5% in 2Q16, was mainly a result of higher income from dividends received for shares owned on IFS, which are eliminated upon consolidation; while the increase in average volume was a result of higher investments in sovereign and corporate bonds.

The nominal average yield on interest-earning assets¹ increased by 60 basis points QoQ, from 8.0% in 1Q16 to 8.6% in 2Q16, mainly attributable to a 3.9% reduction of average interest earning assets, as a result of lower cash and due from banks and inter-bank funds balances, which earn a much lower return compared to the other components.

Interest and similar expense increased 3.1% QoQ as a result of growths of 10.1% in interest on deposits and obligations, and 1.7% in interest due to banks and correspondents, partially offset by a 4.4% decrease in interest on bonds, notes and other obligations.

The increase in interest on deposits and obligations was due to a 30 basis point increase in the average cost, from 1.5% in 1Q16 to 1.8% in 2Q16, partially offset by a 5.2% decrease in the average volume. The higher average cost was attributable to a 30 basis point increase in the cost of soles deposits, while the cost of dollar deposits remained stable. The reduction in average volume was explained by lower institutional and commercial deposits, partially offset by higher retail deposits. By currency, dollar deposits decreased 13.1% while soles deposits grew 2.8% QoQ.

Growth in interest due to banks and correspondents was explained by an increase of 20 basis points in the nominal average cost, partially offset by a 1.9% decline in the

¹ For a more accurate reporting of the nominal average yield on interest-earning assets, since 4Q15 total cash and due from banks and inter-bank funds are considered as interest-earning assets on the rate calculation; on reports previous to 4Q15 only the strictly interest-earning portion was considered.

average volume. The increase in the average cost was a result of higher rates on foreign funding from correspondent banks and on local funding from COFIDE; while the lower average volume was mostly attributed to a 16.6% decrease in foreign funding.

Interest on bonds, notes and other obligations decreased by S/ 3.5 million in 2Q16 mainly as a result of a 1.8% reduction in the average volume. This in turn was attributable to a 1.1% appreciation of the exchange rate of the sol against the U.S. dollar that resulted in a lower value of bonds denominated in dollars, which represented 90.4% of total bonds.

The average cost of funds² increased by 20 basis points QoQ, from 2.7% in 1Q16 to 2.9% in 2Q16, as a result of higher costs of deposits and on due to banks and correspondents.

As a result of the above, net interest margin was 6.0% in 2Q16, 50 basis points higher than the 5.5% reported in 1Q16.

YoY Performance

Net interest and similar income grew 7.5% YoY due to an increase of 11.8% in interest and similar income, partially offset by a 22.9% rise in interest and similar expense.

The growth in interest and similar income was due to increases of 11.1% in interest on loans, 14.9% in interest on investments available for sale and a more than three-fold increase in interest due from banks and inter-bank funds.

The S/ 76.5 million growth in interest on loans was explained by increases of 9.7% in the average loan volume and 20 basis points in the average yield, from 12.2% in 2Q15 to 12.4% in 2Q16. Growth in average volume was due to increases of 11.2% in the retail portfolio and 7.3% in the commercial portfolio. The higher average volume of retail loans was due to growths of 13.6% in other consumer, 12.5% in mortgages and 7.1% in credit cards. In the commercial portfolio, average volumes grew 21.3% in short and medium-term loans, partially offset by declines of 19.0% in trade finance loans and 13.0% in leasing. The higher average yield was explained by an increase of 20 basis points in the average rate of the commercial portfolio, partially offset by a reduction of 10 basis points in the retail portfolio. The higher yield on the commercial portfolio was mainly attributed to a higher rate on trade finance loans, while the decrease in the average return on retail loans was attributed to lower yields on payroll loans.

Interest on investments available for sale increased by S/ 6.6 million YoY, or 14.9%, as a result of a 12.8% growth in the average volume and a 20 basis point increase in the nominal average rate. The growth in volume accounted for S/ 5.8 million of the increase and was a result of higher investments in sovereign and corporate bonds. The higher average rate, which accounted for S/ 0.8 million of the increase in interest on the investment portfolio, was due to higher returns in CDBCR.

The S/ 3.3 million increase in interest due from banks and inter-bank funds was explained by a 10 basis point increase in the nominal average rate and a 25.1%

² For a more accurate reporting of the average cost of funds, since 4Q15 total deposits are considered as interest-bearing liabilities on the rate calculation; on reports previous to 4Q15 only the strictly interest-bearing portion was considered.

growth in the average volume. The higher average rate was mainly attributed to higher yields on time deposits at the Central Bank. The higher volume was mainly attributable to an increase of dollar funds at the Central Bank, which are related to repo transactions for local currency funding.

The nominal average yield on interest-earning assets³ was 8.6% in 2Q16, a 10 basis point decrease from the 8.7% registered in 2Q15, basically as a result of the greater proportion of cash and due from banks over total interest-earning assets, as they earn a much lower yield compared to the other components. Such impact was partially offset by higher returns on loans and on the investment portfolio.

Interest and similar expense increased 22.9% YoY due to growths of 36.2% in interest on deposits and obligations, 29.0% in interest due to banks and correspondents, and 4.4% in interest on bonds, notes and other obligations.

Interest on deposits and obligations increased by S/ 28.8 million, or 36.2%, explained by increases of 30 basis points in the nominal average cost and 12.4% in the average volume. The higher average cost was mainly explained by a higher cost of soles deposits, while the cost of dollar deposits remained stable YoY. The growth in average volume was a result of higher commercial and retail deposits, partially offset by a decline in institutional deposits.

The increase in interest due to banks and correspondents was explained by growths of 23.6% in the average volume and 20 basis points in the average cost. The higher average volume accounted for a S/ 12.4 million increase in interest expense and was due to a significant increase in local funding from the Central Bank through repo operations. The higher nominal average cost accounted for a S/ 2.2 million increase in interest expense and was explained by a higher funding cost from COFIDE and Central Bank.

Interest on bonds, notes and other obligations increased by S/ 3.3 million, or 4.4%, mainly as a result of a 4.2% increase in the average volume. The growth in volume was explained by a 3.5% depreciation of the average exchange rate that resulted in a higher value of bonds issued in dollars, which represent the majority of total bonds.

The average cost of funds⁴ increased by 30 basis points YoY, from 2.6% in 2Q15 to 2.9% in 2Q16, mainly due to the higher average cost of deposits; as well as the greater proportion of due to banks and correspondents over the total funding base, as they bear a much higher average cost compared to deposits.

As a result of the above, net interest margin declined by 30 basis points YoY, from 6.3% in 2Q15 to 6.0% in 2Q16.

PROVISION FOR LOAN LOSSES, NET OF RECOVERIES

Provision for loan losses, net of recoveries increased 5.3% QoQ and 22.0% YoY. As a result, the annualized ratio of provision expense to average loans was 3.3% in 2Q16, above the 3.2% reported in 1Q16 and the 3.0% registered in 2Q15.

³ For a more accurate reporting of the nominal average yield on interest-earning assets, since 4Q15 total cash and due from banks and inter-bank funds are considered as interest-earning assets on the rate calculation; on reports previous to 4Q15 only the strictly interest-earning portion was considered.

⁴ For a more accurate reporting of the average cost of funds, since 4Q15 total deposits are considered as interest-bearing liabilities on the rate calculation; on reports previous to 4Q15 only the strictly interest-bearing portion was considered.

The quarterly growth was a result of higher provisioning in commercial loans and payroll loans, partially offset by lower requirements in mortgages. The annual increase in provisions was mainly a result of higher provisioning in commercial loans, as well as in credit cards and cash loans. Credit cards saw a 130 basis point deterioration in its PDL ratio in 2Q16, to 5.2%, partly an effect of the low growth YoY in such product.

Provision for loan losses, net of recoveries					
S/ million	2Q15	1Q16	2Q16	%chg QoQ	%chg YoY
Provision for loan losses, net of recoveries	-172.2	-199.6	-210.2	5.3%	22.0%
Past-due-loan ratio (at end of period)	2.4%	2.5%	2.7%	20 bps	30 bps
Provision for loan losses/average gross loans	3.0%	3.2%	3.3%	10 bps	30 bps
Coverage ratio (at end of period)	168.5%	172.7%	163.8%	-890 bps	-470 bps
Allowance for loan losses (at end of period)	958.7	1,085.1	1,126.9	3.8%	17.5%

The past-due-loan ratio was 2.7% in 2Q16, 20 basis points above the 2.5% reported in 1Q16 and 30 basis points above the 2.4% registered in 2Q15. The PDL ratio increased as a result of higher delinquencies in credit cards, mortgages and SME loans.

As a consequence, the coverage ratio of the past-due loan portfolio was 163.8% in 2Q16, below the 172.7% reported in 1Q16 and the 168.5% registered in 2Q15.

FEE INCOME FROM FINANCIAL SERVICES, NET

Fee income from financial services, net increased by S/ 3.5 million QoQ, or 1.8%, mainly explained by reductions of S/ 5.7 million in other expenses and S/ 1.4 million in expenses related to the sale of insurance. These effects were partially offset by a S/ 3.8 million decrease in commissions from banking services, also explained by a lower sale of insurance. The decline in other expenses was associated to certain fees which are seasonal in the first quarter of the year, such as fees paid in relation to leasing transactions.

Fee income from financial services, net increased by S/ 21.3 million YoY, or 12.4%, mainly due to increases of S/ 15.4 million in fees from maintenance and mailing of accounts, interchange fees, transfers and credit and debit card services; and S/ 6.6 million in commissions from banking services. The increase in maintenance and mailing of accounts, interchange fees, transfers and credit and debit card service fees was a result of higher volumes of credit cards and saving accounts, while the increase in commissions from banking services was explained by higher income from insurance premiums sold as well as by higher fees from financial advisory.

Fee income from financial services, net					
S/ million	2Q15	1Q16	2Q16	%chg QoQ	%chg YoY
Income					
Maintenance and mailing of accounts, interchange fees, transfers and credit and debit card services	120.5	136.1	135.9	-0.2%	12.8%
Commissions from banking services	63.7	74.1	70.3	-5.1%	10.4%
Fees for indirect loans	14.5	14.9	14.6	-2.2%	1.0%
Funds management	7.3	7.1	7.1	0.5%	-3.0%
Collection services	6.3	7.0	7.3	3.5%	14.5%
Other	5.6	6.9	7.2	4.2%	27.7%
Total income	217.9	246.1	242.3	-1.5%	11.2%
Expenses					
Insurance	-35.9	-42.0	-40.6	-3.5%	13.1%
Fees paid to foreign banks	-2.2	-2.5	-2.4	-2.3%	11.3%
Other	-8.4	-12.4	-6.7	-46.1%	-20.6%
Total expenses	-46.5	-56.9	-49.7	-12.7%	6.9%
Fee income from financial services, net	171.4	189.2	192.7	1.8%	12.4%

OTHER INCOME

Other income slightly decreased by S/ 0.5 million QoQ as a result of a S/ 5.9 million reduction in income from varied services, which was partially offset by a S/ 3.9 million growth in net gain on sale of securities.

Other income decreased by S/ 27.1 million YoY, mainly due to a reduction of S/ 41.4 million in net gain on foreign exchange transactions and derivatives. This was partially offset by higher gains on sale of securities.

Other income					
S/ million	2Q15	1Q16	2Q16	%chg QoQ	%chg YoY
Net gain on foreign exchange transactions and derivatives	93.9	51.2	52.5	2.6%	-44.1%
Net gain on sale of securities	5.3	7.8	11.7	50.6%	119.3%
Other	12.6	26.4	20.5	-22.1%	62.8%
Total other income	111.9	85.3	84.8	-0.7%	-24.2%

OTHER EXPENSES

Other expenses increased by S/ 8.5 million QoQ, or 2.4%, and by S/ 6.4 million YoY, or 1.8%. The quarterly growth in other expenses was mainly due to increases of 4.1% in salaries and employee benefits and 3.6% in administrative expenses.

The annual growth in other expenses was explained by increases of 18.5% in depreciation and amortization and 3.3% in administrative expenses; partially offset by lower provisions for tax and legal contingencies.

The efficiency ratio was 41.7% in 2Q16, above the 41.2% registered in 1Q16, but the same as reported in 2Q15.

Other expenses					
S/ million	2Q15	1Q16	2Q16	%chg QoQ	%chg YoY
Salaries and employee benefits	-143.4	-141.5	-147.3	4.1%	2.8%
Administrative expenses	-170.0	-169.4	-175.6	3.6%	3.3%
Depreciation and amortization	-25.3	-28.2	-30.0	6.3%	18.5%
Other	-17.2	-14.5	-9.3	-35.7%	-45.5%
Total other expenses	-355.8	-353.7	-362.2	2.4%	1.8%
Efficiency ratio	41.7%	41.2%	41.7%	50 bps	0 bps

REGULATORY CAPITAL

The ratio of regulatory capital to risk-weighted assets (RWA) was 16.2% in 2Q16, slightly below the 16.4% registered in 1Q16 and the 16.5% reported in 2Q15.

The annual decrease in the capital ratio was due to an 8.1% increase in RWA, partially offset by a 6.3% growth in regulatory capital. The YoY increase in RWA was mostly attributed to growths in the loan and investment portfolios; while the increase in regulatory capital was mainly a result of the addition of S/ 317.4 million in capital, reserves and earnings with capitalization agreement during the last twelve months.

As of 2Q16, Interbank's capital ratio of 16.2% was 440 basis points above its risk-adjusted minimum capital ratio requirement, established at 11.8%. The minimum regulatory capital ratio requirement was 10.0%, while the additional capital requirement for Interbank was 1.8% as of 2Q16.

Regulatory capital					
S/ million	2Q15	1Q16	2Q16	%chg QoQ	%chg YoY
Tier I capital	3,497.6	3,853.9	3,859.0	0.1%	10.3%
Tier II capital	1,899.0	1,902.3	1,880.1	-1.2%	-1.0%
Total regulatory capital	5,396.6	5,756.1	5,739.0	-0.3%	6.3%
Risk-weighted assets	32,686.1	35,125.3	35,346.4	0.6%	8.1%
BIS ratio	16.5%	16.4%	16.2%	-20 bps	-30 bps
Tier I capital / risk-weighted assets	10.7%	11.0%	10.9%	-10 bps	20 bps

Interseguro

SUMMARY

Interseguro's result attributable to shareholders in 2Q16 was S/ -56.6 million, which compares to S/ -135.5 million in 1Q16 and S/ 117.5 million in 2Q15.

The QoQ improvement in bottom-line results was mainly explained by increases of S/ 64.0 million in net gain on sale of securities (other income) and S/ 47.1 million in total premiums earned less claims and benefits. These factors were partially offset by a S/ 34.3 million increase in impairment loss on available-for-sale investments (other expenses).

The YoY reversion of profits was mainly due to a S/ 143.3 million decrease in total premiums earned less claims and benefits, and a S/ 45.0 million increase in impairment loss on available-for-sale investments (other expenses). These effects were partially compensated by a S/ 20.5 million increase in net gain on sale of securities (other income).

Interseguro's result excluding discount rate impacts increased by S/ 46.5 million QoQ, but decreased by S/ 25.9 million YoY, mainly due to the performance of income related to investments.

Insurance Segment's P&L Statement					
S/ million	2Q15	1Q16	2Q16	%chg QoQ	%chg YoY
Net Interest and similar income	64.9	69.7	68.3	-2.0%	5.2%
Fee income from financial services, net	-1.1	-0.7	-0.7	9.2%	-33.0%
Other income	44.4	-14.6	61.3	n.m.	38.0%
Total premiums earned less claims and benefits	62.9	-127.5	-80.4	-36.9%	n.m.
Net premiums	179.6	177.1	130.1	-26.6%	-27.6%
Adjustment of technical reserves	-56.5	-228.0	-135.5	-40.6%	139.9%
Net claims and benefits incurred	-60.3	-76.6	-75.0	-2.0%	24.4%
Other expenses	-53.4	-67.7	-104.9	55.1%	96.6%
Income before translation result and income tax	117.7	-140.6	-56.5	-59.9%	n.m.
Translation result	-0.6	3.2	0.9	-72.8%	n.m.
Income tax	0.1	0.6	-0.2	n.m.	n.m.
Profit for the period	117.2	-136.9	-55.8	-59.2%	n.m.
Attributable to non-controlling interest ⁽¹⁾	0.3	1.4	-0.7	n.m.	n.m.
Profit attributable to shareholders	117.5	-135.5	-56.6	-58.3%	n.m.
Discount rate impacts on technical reserves	92.7	-87.9	-55.5	-36.9%	n.m.
Profit excluding discount rate impacts	24.8	-47.6	-1.1	-97.7%	n.m.
ROAE	95.4%	n.m.	n.m.		
ROAE excl. discount rate impacts	23.6%	n.m.	n.m.		
Efficiency ratio⁽²⁾	10.4%	n.m.	19.7%		
Efficiency ratio excl. discount rate impact	17.4%	25.7%	13.6%		

(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	2Q15	1Q16	2Q16	%chg QoQ	%chg YoY
Interest and similar income	67.0	73.5	72.7	-1.0%	8.6%
Interest and similar expenses	-2.1	-3.7	-4.4	17.5%	113.4%
Net interest and similar income	64.9	69.7	68.3	-2.0%	5.2%
Fee income from financial services, net	-0.6	-0.4	-0.3	-28.4%	-59.3%
Net gain on sale of securities	29.3	-14.2	49.8	n.m.	70.0%
Net trading loss (income)	-1.6	-1.5	-1.1	-22.6%	-27.4%
Rental income	4.8	4.8	5.1	6.0%	5.6%
Profit from sale of investment property	-1.3	-	1.2	n.m.	n.m.
Valuation gain from investment property	9.9	-5.9	2.3	n.m.	-76.6%
Other ⁽¹⁾	-0.1	0.1	0.0	-80.9%	n.m.
Other income	40.4	-17.0	57.0	n.m.	41.1%
Expenses related to rental income	-0.4	-0.0	-0.9	n.m.	115.0%
Other ⁽¹⁾	-11.4	-22.1	-57.3	159.7%	n.m.
Expenses	-11.8	-22.1	-58.2	163.5%	n.m.
Results from investments	93.5	30.6	67.1	119.1%	-28.3%

(1) Only includes transactions related to investments.

NET INTEREST AND SIMILAR INCOME

Net interest and similar income was S/ 68.3 million in 2Q16, a decrease of S/ 1.4 million or 2.0% QoQ, and an increase of S/ 3.4 million or 5.2% YoY.

The QoQ decline was due to a S/ 0.8 million decrease in interest and similar income, in addition to a S/ 0.7 million increase in interest and similar expenses.

The YoY growth was due to a S/ 5.7 million increase in interest and similar income, partially offset by a S/ 2.3 million increase in interest and similar expenses.

OTHER INCOME

Other income was S/ 57.0 million in 2Q16, an increase of S/ 74.0 million QoQ and S/ 16.6 million YoY.

The QoQ growth was largely explained by a S/ 64.0 million increase in net gain on sale of securities and an S/ 8.2 million increase in valuation gain from investment property. The increase in net gain on sale securities was due to higher profits in equity investments.

The YoY growth was mainly explained by a S/ 20.5 million increase in net gain on sale of securities, partially offset by a S/ 7.6 million decrease in valuation gain from investment property.

TOTAL PREMIUMS EARNED LESS CLAIMS AND BENEFITS

Total Premiums Earned Less Claims And Benefits					
S/ million	2Q15	1Q16	2Q16	%chg QoQ	%chg YoY
Net premiums	179.6	177.1	130.1	-26.6%	-27.6%
Adjustment of technical reserves	-56.5	-228.0	-135.5	-40.6%	139.9%
Net claims and benefits incurred	-60.3	-76.6	-75.0	-2.0%	24.4%
Total premiums earned less claims and benefits	62.9	-127.5	-80.4	-36.9%	n.m.

Total premiums earned less claims and benefits in 2Q16 was S/ -80.4 million, an increase of S/ 47.1 million QoQ and a decrease of S/ 143.3 million YoY.

The QoQ growth was mainly due to a S/ 92.5 million decrease in reserves constitution, partially offset by a S/ 47.0 million decrease in net premiums.

The YoY decrease was mainly explained by a S/ 79.0 million increase in reserves constitution and a S/ 49.5 million decrease in net premiums.

NET PREMIUMS

Net Premiums by Business Line					
S/ million	2Q15	1Q16	2Q16	%chg QoQ	%chg YoY
Annuities	126.7	117.8	71.2	-39.5%	-43.8%
Individual Life	9.4	11.2	11.4	1.8%	20.4%
Retail Insurance	43.5	48.2	47.5	-1.5%	9.1%
Net Premiums	179.6	177.1	130.1	-26.6%	-27.6%

Annuities include premiums from disability and survivorship insurance

Net premiums were S/ 130.1 million in 2Q16, a decrease of S/ 47.0 million QoQ and S/ 49.5 million YoY.

The QoQ and YoY decrease in net premiums was mainly attributable to a market contraction in annuities due to a law executed in April 2016 which allows retirees from the private pension fund system to withdraw up to 95.5% of their retirement funds upon retirement.

ADJUSTMENT OF TECHNICAL RESERVES

Adjustment of Technical Reserves by Business Line					
S/ million	2Q15	1Q16	2Q16	%chg QoQ	%chg YoY
Annuities	-51.8	-222.9	-127.4	-42.8%	146.0%
Individual Life	-3.8	-5.7	-4.6	-18.1%	20.3%
Retail Insurance	-0.8	0.5	-3.5	n.m.	n.m.
Adjustment of technical reserves	-56.5	-228.0	-135.5	-40.6%	139.9%

Annuities include adjustment of technical reserves from disability and survivorship insurance

Interseguro's reserves constitution was S/ 135.5 million in 2Q16, a decrease of S/ 92.5 million QoQ and an increase of S/ 79.0 million YoY.

The QoQ decline was mainly due to a decrease in annuity premiums and a lower adjustment of technical reserves as a result of different discount rate impacts. This rate decreased by 21 bps in 1Q16 and by 9 bps in 2Q16.

The YoY increase was mainly due to a higher adjustment of technical reserves as a result of different discount rate impacts. This rate increased by 22 bps in 2Q15 while it decreased by 9 bps in 2Q16. This effect was partially offset by a decrease in annuities sold in 2Q16 compared to 2Q15.

NET CLAIMS AND BENEFITS INCURRED

Net Claims and Benefits Incurred					
S/ million	2Q15	1Q16	2Q16	%chg QoQ	%chg YoY
Annuities	-49.2	-62.4	-62.9	0.7%	27.7%
Individual Life	-0.1	-0.5	-0.6	15.6%	n.m.
Retail Insurance	-11.0	-13.6	-11.6	-15.1%	5.1%
Net claims and benefits incurred	-60.3	-76.6	-75.0	-2.0%	24.4%

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

Net claims and benefits incurred were S/ 75.0 million in 2Q16, a decrease of S/ 1.6 million QoQ and an increase of S/ 14.7 million YoY.

The QoQ decline was mainly due to lower claims in Retail Insurance.

The YoY growth was mostly explained by Annuities, due to a higher number of pensioners.

OTHER EXPENSES

Other Expenses					
S/ million	2Q15	1Q16	2Q16	%chg QoQ	%chg YoY
Salaries and employee benefits	-15.4	-15.7	-14.8	-5.3%	-3.7%
Administrative expenses	-7.6	-6.8	-8.3	22.2%	9.4%
Depreciation and amortization	-1.1	-1.1	-1.2	14.2%	12.2%
Third-party commissions	-14.1	-17.5	-17.8	1.7%	26.4%
Expenses related to rental income	-0.4	-0.0	-0.9	n.m.	115.1%
Other	-14.8	-26.6	-61.8	132.3%	n.m.
Other expenses	-53.4	-67.7	-104.9	55.1%	96.6%

Other expenses were S/ 104.9 million in 2Q16, an increase of S/ 37.2 million QoQ and S/ 51.5 million YoY.

The QoQ growth was mainly due to a S/ 34.3 million increase in impairment loss on available-for-sale investments (other).

The YoY increase was mostly due to a S/ 45.0 million increase in impairment loss on available-for-sale investments (other), as well as a S/ 3.7 million increase in third-party related commissions.

Inteligo

SUMMARY

Inteligo's net profit in 2Q16 was S/ 53.7 million, a S/ 23.3 million or 76.7% increase QoQ and a S/ 3.7 million or 7.3% growth YoY. The quarterly performance was attributed to increases of 9.9% in net interest and similar income, 28.7% in net fee income, and a more than eight-fold growth in other income. The yearly increase in profits was mainly explained by growth in net interest and similar income.

Assets under Management (AuMs) plus client deposits reached S/ 13,793.7 million in 2Q16, higher by S/ 417.8 million or 3.1% when compared to the previous quarter, and also higher by S/ 1,813.4 million or 15.1% when compared to 2Q15.

Inteligo's annualized ROAE for 2Q16 was 38.1%, higher than the 20.5% reported in 1Q16 but slightly below the 38.2% registered in 2Q15.

Wealth Management Segment's P&L Statement					
S/ million	2Q15	1Q16	2Q16	%chg QoQ	%chg YoY
Interest and similar income	35.9	37.8	41.2	9.1%	14.9%
Interest and similar expenses	-12.8	-13.2	-14.2	7.5%	11.2%
Net interest and similar income	23.1	24.6	27.0	9.9%	16.9%
Fee income from financial services, net	30.1	24.3	31.2	28.7%	3.6%
Other income	18.8	1.9	16.4	n.m.	-12.9%
Other expenses	-22.2	-20.2	-20.7	2.6%	-6.8%
Income before translation result and income tax	49.9	30.6	53.9	76.3%	8.1%
Translation result	0.2	-0.2	-0.3	n.m.	n.m.
Income tax	0.0	0.0	0.1	n.m.	n.m.
Profit for the period	50.0	30.4	53.7	76.7%	7.3%
ROAE	38.2%	20.5%	38.1%		
Efficiency ratio	30.7%	39.7%	27.7%		

ASSETS UNDER MANAGEMENT & DEPOSITS

AuMs reached S/ 10,879.1 million in 2Q16, an S/ 82.4 million or 0.8% increase QoQ and a S/ 1,246.9 million or 12.9% increase YoY.

Client deposits reached S/ 2,914.6 million in 2Q16, a S/ 335.4 million or 13.0% increase QoQ and a S/ 566.5 million or 24.1% increase YoY.

NET INTEREST AND SIMILAR INCOME

Inteligo's net interest and similar income in 2Q16 was S/ 27.0 million, a S/ 2.4 million or 9.9% increase when compared with 1Q16. Net interest and similar income increased by S/ 3.9 million or 16.9% when compared to the same period in the previous year.

Interest and similar income increased by S/ 3.4 million or 9.1% QoQ due to higher income and dividends on investments available for sale.

Interest and similar expenses grew by S/ 1.0 million or 7.5% QoQ as a result of higher interest on deposits and obligations.

Interest and similar income increased by S/ 5.3 million or 14.9% YoY in 2Q16, attributable to higher income on available for sale investments and also higher interest on loans as a result of an increase in the average volume of Inteligo's loan portfolio.

Interest and similar expenses increased by S/ 1.4 million or 11.2% when compared with 2Q15, mainly due to higher volumes of client deposits.

Net interest and similar income					
S/ million	2Q15	1Q16	2Q16	%chg QoQ	%chg YoY
Interest and similar income					
Due from banks and inter-bank funds	0.2	0.1	0.1	28.7%	-31.3%
Investments available for sale	15.7	16.2	19.6	21.2%	25.3%
Loans	20.0	21.5	21.4	-0.2%	7.0%
Total interest and similar income	35.9	37.8	41.2	9.1%	14.9%
Interest and similar expenses					
Deposits and obligations	-12.8	-13.0	-14.1	7.8%	9.8%
Due to banks and correspondents	0.0	-0.2	-0.1	-12.0%	n.m.
Total interest and similar expenses	-12.8	-13.2	-14.2	7.5%	11.2%
Net interest and similar income	23.1	24.6	27.0	9.9%	16.9%

FEE INCOME FROM FINANCIAL SERVICES

Fee income from financial services, net					
S/ million	2Q15	1Q16	2Q16	%chg QoQ	%chg YoY
Income					
Brokerage and custody services	1.7	1.8	6.8	n.m.	n.m.
Funds management	29.8	24.2	23.9	-1.1%	-19.8%
Total income	31.6	26.0	30.7	18.1%	-2.8%
Expenses					
Brokerage and custody services	-0.3	-0.2	-0.9	n.m.	n.m.
Others	-1.1	-1.5	1.4	n.m.	n.m.
Total expenses	-1.4	-1.7	0.6	n.m.	n.m.
Fee income from financial services, net	30.1	24.3	31.2	28.7%	3.6%

Fee income from financial services was S/ 30.7 million in 2Q16, an increase of S/ 4.7 million or 18.1% QoQ due to higher activity in brokerage services.

Expenses related to fee income from financial services reverted positively to S/ 0.6 million in 2Q16 due to a favorable result of S/ 1.4 million in other related expenses, partially offset by a S/ 0.7 million increase in brokerage and custody services expenses.

As a result of the above, net fee income from financial services was S/ 31.2 million in 2Q16, a S/ 6.9 million or 28.7% increase when compared to the previous quarter.

When compared with 2Q15, net fee income from financial services grew by S/ 1.1 million or 3.6% YoY in 2Q16. The result was attributable to a S/ 5.1 million increase in brokerage and custody services income and the favorable result in other related expenses previously mentioned, which more than offset a decrease in funds management income.

OTHER INCOME

Other income					
S/ million	2Q15	1Q16	2Q16	%chg QoQ	%chg YoY
Net gain on sale of securities	23.6	-0.4	15.3	n.m.	-35.0%
Net trading gain (loss)	-4.9	2.3	1.7	-24.8%	n.m.
Other	0.1	0.0	-0.7	n.m.	n.m.
Total other income	18.8	1.9	16.4	n.m.	-12.9%

Inteligo's other income reached S/ 16.4 million in 2Q16, a S/ 14.5 million or more than eight-fold increase QoQ due to higher net gain on sale of securities, partially offset by a S/ 0.6 million decrease in net trading gain and a negative result of S/ 0.7 million in other related income.

Other income decreased by S/ 2.4 million or 12.9% YoY in 2Q16. The result was attributable to an S/ 8.3 million reduction in net gain on sale of securities, partially offset by a S/ 6.6 million YoY recovery in net trading gain.

OTHER EXPENSES

Other expenses					
S/ million	2Q15	1Q16	2Q16	%chg QoQ	%chg YoY
Salaries and employee benefits	-12.3	-10.9	-12.0	10.4%	-2.4%
Administrative expenses	-8.2	-7.4	-6.9	-7.6%	-16.5%
Depreciation and amortization	-1.6	-1.8	-1.8	n.m.	12.6%
Other	-0.1	0.0	0.0	n.m.	n.m.
Total other expenses	-22.2	-20.2	-20.7	2.6%	-6.8%
Efficiency ratio	30.7%	39.7%	27.7%		

Other expenses grew by S/ 0.5 million or 2.6% when compared to 1Q16 as a result of a S/ 1.1 million or 10.4% growth in salaries and employee benefits, partially offset by a S/ 0.5 million or 7.6% decrease in administrative expenses.

Inteligo's other expenses decreased by S/ 1.5 million or 6.8% YoY mainly explained by a S/ 1.3 million or 16.5% reduction in administrative expenses due to lower third-party related services.