

Intercorp Financial Services Inc. Fourth Quarter 2016 Earnings

Lima, Peru, February 14, 2017. Intercorp Financial Services Inc. (Bolsa de Valores de Lima: IFS) announced today its unaudited results for the fourth quarter 2016. These results are reported on a consolidated basis under IFRS in nominal Peruvian soles.

Yearly and Quarterly Highlights:

Intercorp Financial Services:

- FY16 net profit was S/ 833.7 million, a 32.7% decrease YoY, mainly a result of higher requirements of technical reserves at Interseguro and a decrease in foreign exchange gains at Interbank
- Excluding the two effects previously mentioned, IFS 2016 net profit would have increased 4.4% YoY
- 4Q16 net profit was S/ 386.3 million, an increase of 85.1% QoQ and 74.9% YoY
- ROAE excluding discount rate impact was 19.8% for FY16 and 22.7% for annualized 4Q16

Interbank:

- FY16 net profit remained relatively stable YoY, mainly due to a 7.9% growth in net interest and similar income, and cost control measures despite a 32.2% decline in other income, related to foreign exchange activity. Excluding such effect, profits would have grown 10.2% YoY
- 4Q16 net profit was S/ 223.7 million, a 1.0% increase QoQ and 1.7% YoY
- Loans and deposits grew 4.1% and 3.9% YoY, respectively, ending the year with a 97.5% loan-to-deposit ratio
- FY16 ROAE was 21.4% and 4Q16 annualized ROAE was 21.1%

Interseguro:

- FY16 result was S/ -114.8 million mainly explained by a S/ 119.6 million negative discount rate impact on technical reserves
- 4Q16 net profit was S/ 131.6 million, an increase of S/ 128.0 million YoY and S/ 185.9 million QoQ, supported by a positive discount rate impact on technical reserves for the first time in five quarters
- Net premiums in 4Q16 increased 9.4% QoQ; but still decreased 15.9% YoY affected by the new law that entered in force in April 2016, yet Interseguro remained as market leader in annuities with a 23.3% share in 2016
- Interseguro's investment portfolio grew 10.6% YoY

Inteligo:

- FY16 net profit was S/ 171.0 million, a 62.0% increase YoY, mainly explained by higher net interest and similar income, a solid growth in other income and lower other expenses
- 4Q16 net profit was S/ 38.5 million, a 20.6% decrease QoQ but a significant recovery YoY
- AuM + deposits increased 1.8% QoQ and 12.7% YoY, with FY16 ROAE at 28.4%

Intercorp Financial Services

SUMMARY

2016 Performance

Intercorp Financial Services' net profit was S/ 833.7 million in 2016, a 32.7% decrease compared to 2015. The decrease in profits was driven by a S/ 352.8 million negative impact in total premiums earned less claims and benefits at Interseguro, as well as a S/ 246.2 million decrease in other income, mainly explained by lower net gain on foreign exchange transactions at Interbank. Such negative impacts were partially offset by a S/ 202.0 million increase in net interest and similar income, mainly at Interbank.

Adjustment of technical reserves, related to Interseguro's business, increased in 2016 due to changes in the discount rate used in the calculation of technical reserves for annuities. Such impact represented a S/ 119.6 million decrease in net profit during 2016, while in 2015, discount rate impact accounted for a S/ 225.7 million increase in profits. Meanwhile, the contraction in other income was related to lower activity in foreign exchange transactions with clients.

The increase in net interest and similar income was mainly due to higher loan volume at Interbank, partially offset by an increase on interest in deposits and obligations, also at Interbank. Interseguro and Inteligo businesses also supported a higher net interest and similar income in 2016.

IFS ROAE was 17.4% in 2016, lower than the 28.7% reported in 2015 and the 24.6% registered in 2014.

Intercorp Financial Services' P&L Statement					
S/ million	2014	2015	2016	%chg 16/15	%chg 15/14
Interest and similar income	2,828.7	3,342.7	3,704.8	10.8%	18.2%
Interest and similar expense	-788.9	-921.7	-1,081.9	17.4%	16.8%
Net interest and similar income	2,039.8	2,421.0	2,623.0	8.3%	18.7%
Provision for loan losses, net of recoveries	-425.5	-645.8	-783.6	21.3%	51.8%
Net interest and similar income after provision for loan losses	1,614.3	1,775.2	1,839.3	3.6%	10.0%
Fee income from financial services, net	704.1	818.4	862.4	5.4%	16.2%
Other income	539.7	687.5	441.3	-35.8%	27.4%
Total premiums earned less claims and benefits	-20.5	105.5	-247.3	n.m.	n.m.
Net Premiums	675.7	775.1	592.2	-23.6%	14.7%
Adjustment of technical reserves	-515.1	-410.6	-521.3	27.0%	-20.3%
Net claims and benefits incurred	-181.1	-258.9	-318.2	22.9%	43.0%
Other expenses	-1,541.0	-1,770.1	-1,748.3	-1.2%	14.9%
Income before translation result and income tax	1,296.6	1,616.5	1,147.5	-29.0%	24.7%
Translation result	-25.0	-25.1	20.1	n.m.	0.3%
Income tax	-309.1	-352.6	-333.9	-5.3%	14.1%
Profit for the period	962.5	1,238.8	833.7	-32.7%	28.7%
Attributable to equity holders of the group⁽¹⁾	949.1	1,231.8	828.1	-32.8%	29.8%
EPS	8.67	11.29	7.64		
ROAE	24.6%	28.7%	17.4%		
ROAA	2.5%	2.8%	1.7%		

(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.

4Q16 Performance

Net profit was S/ 386.3 million in 4Q16, an increase of 85.1% QoQ and 74.9% YoY. IFS annualized ROAE was 30.9% in 4Q16, above the 17.3% registered in 3Q16 and the 20.5% reported in 4Q15.

Intercorp Financial Services' P&L statement					
S/ million	4Q15	3Q16	4Q16	%chg QoQ	%chg YoY
Interest and similar income	912.0	935.6	951.4	1.7%	4.3%
Interest and similar expense	-259.9	-278.1	-275.7	-0.8%	6.1%
Net interest and similar income	652.1	657.5	675.7	2.8%	3.6%
Provision for loan losses, net of recoveries	-182.5	-179.9	-194.0	7.9%	6.3%
Net interest and similar income after provision for loan losses	469.6	477.7	481.7	0.8%	2.6%
Fee income from financial services, net	214.7	219.0	221.4	1.1%	3.1%
Other income	145.7	133.9	102.4	-23.5%	-29.8%
Total premiums earned less claims and benefits	-43.8	-106.1	66.7	n.m.	n.m.
Net Premiums	177.1	136.2	148.9	9.4%	-15.9%
Adjustment of technical reserves	-151.0	-163.6	5.7	n.m.	n.m.
Net claims and benefits incurred	-69.9	-78.7	-88.0	11.8%	25.8%
Other expenses	-470.9	-415.8	-413.8	-0.5%	-12.1%
Income before translation result and income tax	315.4	308.7	458.3	48.5%	45.3%
Translation result	-8.8	-16.9	11.5	n.m.	n.m.
Income tax	-85.7	-83.1	-83.5	0.5%	-2.6%
Profit for the period	220.9	208.7	386.3	85.1%	74.9%
Attributable to equity holders of the group ⁽¹⁾	219.5	205.5	386.2	87.9%	75.9%
EPS	2.02	1.89	3.59		
ROAE	20.5%	17.3%	30.9%		
ROAA	1.8%	1.7%	3.0%		

(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	4Q15	3Q16	4Q16	%chg QoQ	%chg YoY
Assets					
Cash and due from banks and inter-bank funds	12,676.8	11,517.9	11,766.8	2.2%	-7.2%
Trading securities and investments available for sale	8,651.9	9,977.8	10,209.8	2.3%	18.0%
Loans, net of unearned income	27,035.8	28,055.3	28,192.6	0.5%	4.3%
Allowance for loan losses	-1,041.6	-1,130.9	-1,166.8	3.2%	12.0%
Property, furniture and equipment, net	579.2	585.9	589.8	0.7%	1.8%
Other assets	2,098.8	2,370.1	2,121.5	-10.5%	1.1%
Total assets	50,000.9	51,376.1	51,713.8	0.7%	3.4%
Liabilities and equity					
Deposits and obligations	28,487.7	28,667.4	30,097.9	5.0%	5.7%
Due to banks and correspondents	6,191.7	6,244.2	5,660.9	-9.3%	-8.6%
Bonds, notes and other obligations	4,925.4	4,855.5	4,769.4	-1.8%	-3.2%
Insurance contract liabilities	4,477.1	5,029.3	5,010.5	-0.4%	11.9%
Other liabilities	1,458.0	1,567.4	1,176.9	-24.9%	-19.3%
Total liabilities	45,539.9	46,363.9	46,715.5	0.8%	2.6%
Equity					
Equity holders of IFS	4,345.6	4,893.0	4,879.1	-0.3%	12.3%
Non-controlling interest	115.4	119.3	119.2	0.0%	3.3%
Total equity	4,460.9	5,012.2	4,998.3	-0.3%	12.0%
Total liabilities and equity	50,000.9	51,376.1	51,713.8	0.7%	3.4%

Quarter-on-quarter performance

Profits increased 85.1% QoQ mainly due to a S/ 169.3 million positive effect in adjustment of technical reserves at Interseguro, as a result of a higher discount rate in 4Q16; in addition to a S/ 28.4 million recovery in translation result. These factors were partially offset by a contraction of S/ 31.5 million in other income, as a result of a lower net gain on foreign exchange transactions at Interbank, and by an increase of S/ 14.1 million in provisions, also at Interbank.

Interest and similar income increased 1.7% mainly driven by growths in interest on investments available for sale at Interbank, Interseguro and Inteligo; and in interest on loans at Interbank. Meanwhile, interest and similar expenses remained relatively stable QoQ.

Provision expenses increased 7.9%, mainly a result of higher provisioning in commercial loans, partially offset by lower requirements in credit cards.

Net fee income from financial services remained stable QoQ as higher fees from maintenance and mailing of accounts, interchange fees, transfers and credit and debit card services at Interbank were offset by increases in other fee expenses at Interseguro and Inteligo.

Interseguro's total premiums earned less claims and benefits increased by S/ 172.8 million QoQ, driven by a lower adjustment of technical reserves as a result of different discount rate impacts. In 3Q16 the adjustment of technical reserves had a negative discount rate impact of S/ -78.8 million whereas in 4Q16 the discount rate impact was S/ 102.5 million (positive).

Other income decreased 23.5% QoQ mainly explained by reductions in net gain on sale of securities of S/ 26.3 million at Interseguro and S/ 16.3 million at Inteligo, in addition to and a S/ 8.8 million reduction in net gain on foreign exchange transactions at Interbank; partially offset by higher income from the sale of a written-off loan portfolio and rentals at Interbank.

Other expenses remained relatively stable QoQ as higher salaries and employee benefits and administrative expenses at Interbank and Inteligo were compensated by an improvement in results from impairments on available-for-sale investments at Interseguro and Inteligo.

IFS effective tax rate decreased QoQ, from 28.5% in 3Q16 to 17.8% in 4Q16, as a result of a higher profit contribution from Interseguro, whose investment income is tax-exempt.

Year-on-year performance

Profits increased by S/ 165.4 million YoY, or 74.9%, mainly due to a S/ 156.7 million positive effect in adjustment of technical reserves at Interseguro, in addition to a reduction of S/ 57.1 million in other expenses and to a S/ 23.6 million increase in net interest and similar income, driven by Interbank's operations. Such positive impacts were partially offset by a S/ 43.3 million contraction in other income and a S/ 11.5 million increase in provision expenses.

Interest and similar income rose 4.3% mainly explained by a 3.4% growth in interest on loans at Interbank.

Interest and similar expenses increased 6.1% YoY due to higher interest on deposits and obligations at Interbank and Inteligo.

Provision for loan losses, net of recoveries increased 6.3% mainly due to higher provisioning in commercial and cash loans, partially offset by lower provision requirements in credit cards.

Fee income from financial services grew 3.1% YoY, mainly attributed to a S/ 5.9 million increase in gross fees from financial services and a S/ 0.8 million decrease related to other fee expenses, both at Inteligo.

Interseguro's total premiums earned less claims and benefits grew by S/ 110.5 million YoY, explained by a positive adjustment of technical reserves in 4Q16, partially offset by a S/ 28.2 million decrease in net premiums and a S/ 18.1 million increase in net claims and benefits incurred.

Other income decreased 29.8% YoY mainly due to a lower net gain on foreign exchange transactions at Interbank and a contraction in net gain on sale of securities at Interseguro. These results were partially offset by a better result in net gain on sale of securities at Inteligo.

Other expenses decreased 12.1% mainly due to improved results from impairments on available-for-sale investments at Interseguro and Inteligo.

IFS effective tax rate decreased significantly YoY, from 28.0% in 4Q15 to 17.8% in 4Q16.

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	4Q15	3Q16	4Q16	%chg QoQ	%chg YoY
Interbank	219.9	221.5	223.7	1.0%	1.7%
Interseguro	3.5	-52.6	130.2	n.m.	n.m.
Inteligo	2.6	48.4	38.5	-20.6%	n.m.
Corporate and eliminations	-5.1	-8.6	-6.0	-29.6%	18.2%
IFS profit for the period	220.9	208.7	386.3	85.1%	74.9%

Interbank

SUMMARY

2016 Performance

Interbank's net profit reached S/ 846.8 million in 2016, a slight 2.5% contraction compared to the previous year. The main factors that contributed to this result were a 32.2% reduction in other income and a 21.7% increase in provisions, partially offset by growths of 7.9% in net interest and similar income and 7.6% in fee income from financial services.

Interbank's ROAE was 21.4% in 2016, below the 25.4% reported in 2015.

Banking Segment's P&L Statement					
S/ million	2014	2015	2016	%chg 16/15	%chg 15/14
Interest and similar income	2,534.9	2,961.4	3,279.4	10.7%	16.8%
Interest and similar expenses	-732.5	-858.5	-1,009.8	17.6%	17.2%
Net interest and similar income	1,802.3	2,102.9	2,269.6	7.9%	16.7%
Provision for loan losses, net of recoveries	-425.5	-643.9	-783.6	21.7%	51.3%
Net interest and similar income after provision for loan losses	1,376.8	1,459.0	1,485.9	1.8%	6.0%
Fee income from financial services, net	645.1	733.7	789.6	7.6%	13.7%
Other income	303.7	506.8	343.8	-32.2%	66.9%
Other expenses	-1,286.9	-1,460.9	-1,469.2	0.6%	13.5%
Income before translation result and income tax	1,038.7	1,238.6	1,150.1	-7.1%	19.2%
Translation result	-23.6	-49.5	0.9	n.m.	109.3%
Income tax	-284.0	-320.7	-304.2	-5.1%	12.9%
Profit for the period	731.1	868.4	846.8	-2.5%	18.8%
Profit excl. non-recurring factors	737.5	868.4	846.8	-2.5%	17.7%
ROAE	24.9%	25.4%	21.4%		
Efficiency ratio	45.6%	41.3%	41.6%		
NIM	6.1%	6.0%	5.7%		
NIM on loans	9.4%	9.9%	9.9%		

Interest and similar income increased 10.7% mainly driven by a 9.7% growth in interest on loans. The increase in interest on loans was attributed to an 8.7% growth in the average volume and a 10 basis point increase in the nominal average rate, from 12.4% in 2015 to 12.5% in 2016. The higher average volume was due to increases of 10.2% in retail loans and 6.6% in commercial loans. By currency, average balances of soles loans increased 16.4% while dollar loans decreased 7.3%.

The higher average rate was a result of higher yields on commercial loans, partially offset by lower rates on retail loans. In the commercial loan portfolio, the average rate increased by 10 basis points, due to higher yields on trade finance loans. In retail loans, the average yield decreased by 10 basis points as a consequence of lower rates on credit cards and payroll-deduction loans, partially offset by higher returns on cash loans.

Interest and similar expenses increased 17.6% with respect to the previous year. This was explained by growths of 29.6% in interest on deposits and 16.1% in interest due to banks and correspondents, while interest on bonds remained relatively stable.

The 29.6% growth in interest on deposits was due to an 11.5% increase in the average volume and a 20 basis points higher average cost. The growth in volume was attributed to increases in both retail and commercial deposits. By currency, average balances of soles deposits increased 13.5%, while dollar deposits increased 9.4%. The increase in the average cost was due to an increase in the nominal cost of soles deposits; as well as to the de-dollarization of the deposits portfolio, from 51.8% in 2015 to 45.9% in 2016, as soles deposits bear a higher cost compared to dollar deposits.

Interest due to banks increased as a result of a 16.6% growth in the average volume, partially offset by a 10 basis point decrease in the average cost. Growth in average volume was attributed to higher funding from the Central Bank, partially offset by lower funding provided by correspondent banks. The reduction in the average cost was mainly due to a lower proportion of funding from COFIDE over the total due to banks, as such funding bears a higher average cost.

Provision for loan losses, net of recoveries increased 21.7% in 2016 when compared to the previous year. The increase in provision expenses was mainly a result of higher provisioning in retail loans, especially in credit cards. In this context, credit cards saw a 40 basis point deterioration in its PDL ratio in 2016, to 5.0%, partly an effect of the low growth in such product in an annual comparison.

The 7.6% increase in fee income from financial services, net was mainly attributable to an increase of S/ 49.4 million in fees from maintenance and mailing of accounts, interchange fees, transfers and credit and debit card services, in addition to S/ 18.0 million in commissions from banking services, which were partially offset by an increase of S/ 14.8 million in expenses related to the sale of insurance.

Other income decreased 32.2% mainly due to a S/ 170.6 million reduction in net gain on foreign exchange transactions, partially offset by increases of S/ 4.2 million in net gain on sale of securities and S/ 4.0 million in participation from investment in associates. The decrease in income from foreign exchange transactions was related to a particularly high foreign exchange volatility in 2015 that was not repeated in 2016.

The efficiency ratio remained relatively stable, from 41.3% in 2015 to 41.6% in 2016, mainly explained by relatively flat other expenses, despite the 32.2% contraction in other income. Growths in net interest and similar income, and in fee income also supported a stable efficiency ratio in 2016.

Income before translation result and income tax decreased 7.1% in 2016, which was then positively affected by a recovery in translation result and a lower effective tax rate, from 27.0% in 2015 to 26.4% in 2016. All in all, profit for the period decreased 2.5% compared to 2015.

4Q16 Performance

Interbank's profits reached S/ 223.7 million in 4Q16, an increase of S/ 2.2 million QoQ and S/ 3.8 million YoY. The quarterly increase was mainly due to growths of S/ 10.8 million in net interest and similar income, S/ 2.6 million in fee income from financial services and S/ 2.5 million in other income. A positive translation result also helped the bottom-line number in 4Q16. These factors were partially offset by increases of S/ 14.9 million in other expenses and S/ 14.1 million in provisions.

The annual growth in net profit was explained by an increase of S/ 21.4 million in net interest and similar income and a decrease of S/ 4.6 million in other expenses, in addition to a S/ 23.5 million positive effect in translation result. These factors were partially offset by a decrease of S/ 40.6 million in other income and an increase of S/ 11.5 million in provisions.

Interbank's ROAE was 21.1% in 4Q16, lower than the 22.0% registered in 3Q16 and the 24.2% reported in 4Q15.

Banking Segment's P&L Statement					
S/ million	4Q15	3Q16	4Q16	%chg QoQ	%chg YoY
Interest and similar income	802.5	830.6	837.3	0.8%	4.3%
Interest and similar expenses	-242.7	-260.2	-256.1	-1.6%	5.5%
Net interest and similar income	559.8	570.4	581.2	1.9%	3.8%
Provision for loan losses, net of recoveries	-182.5	-179.9	-194.0	7.9%	6.3%
Net interest and similar income after provision for loan losses	377.4	390.5	387.2	-0.8%	2.6%
Fee income from financial services, net	201.6	202.6	205.2	1.3%	1.8%
Other income	128.7	85.6	88.1	3.0%	-31.5%
Other expenses	-388.7	-369.2	-384.1	4.0%	-1.2%
Income before translation result and income tax	319.0	309.5	296.4	-4.2%	-7.1%
Translation result	-20.5	-11.9	3.0	n.m.	n.m.
Income tax	-78.6	-76.1	-75.7	-0.5%	-3.7%
Profit for the period	219.9	221.5	223.7	1.0%	1.7%
ROAE	24.2%	22.0%	21.1%		
Efficiency ratio	40.8%	41.3%	42.2%		
NIM	5.8%	5.9%	5.7%		
NIM on loans	10.2%	9.9%	10.0%		

INTEREST-EARNING ASSETS

Interbank's interest-earning assets reached S/ 40,896.2 million in 4Q16, an increase of 2.0% QoQ and 2.1% YoY.

The quarterly increase in interest-earning assets was due to growths of 10.5% in investments available for sale and 2.5% in cash and due from banks. The increase in investments was explained by higher positions in fixed income instruments and other investments, while the increase in cash and due from banks was mainly a result of higher deposits and reserve requirements at the Central Bank.

The annual growth in interest-earning assets was attributed to increases of 25.8% in investments available for sale and 4.2% in loans, partially compensated by a 9.3% contraction in cash and due from banks. The increase in investments available for sale was mainly due to higher volumes in corporate bonds from the financial system and other investments. The contraction in cash and due from banks was a result of lower reserve requirements at the Central Bank.

Interest-earning assets					
S/ million	4Q15	3Q16	4Q16	%chg QoQ	%chg YoY
Cash and due from banks and inter-bank funds	12,101.4	10,703.7	10,971.5	2.5%	-9.3%
Investments available for sale	3,652.8	4,155.2	4,593.4	10.5%	25.8%
Loans	24,308.7	25,216.8	25,331.3	0.5%	4.2%
Total Interest-earning assets	40,062.9	40,075.6	40,896.2	2.0%	2.1%

Loan portfolio					
S/ million	4Q15	3Q16	4Q16	%chg QoQ	%chg YoY
Performing loans					
Retail	12,560.1	13,275.7	13,204.5	-0.5%	5.1%
Commercial	11,701.4	11,837.2	12,043.9	1.7%	2.9%
Total Performing loans	24,261.5	25,112.9	25,248.4	0.5%	4.1%
Restructured and refinanced loans	249.2	304.8	296.5	-2.7%	19.0%
Past due loans	589.1	682.0	693.3	1.7%	17.7%
Total gross loans	25,099.9	26,099.7	26,238.2	0.5%	4.5%
Add (less)					
Accrued and deferred interest	246.8	244.3	256.3	4.9%	3.9%
Allowance for loan losses	-1,037.9	-1,127.2	-1,163.2	3.2%	12.1%
Total direct loans, net	24,308.7	25,216.8	25,331.3	0.5%	4.2%

Performing loans grew 0.5% QoQ as a result of a 1.7% increase in commercial loans, partially offset by a 0.5% contraction in retail loans. Growth in commercial loans was mainly due to increases in short and medium-term lending within the corporate and middle market businesses, partially offset by a decrease in leasing operations. Retail loans decreased due to a 2.5% contraction in credit cards, partially compensated by increases of 0.5% in mortgages and 0.1% in other consumer loans.

Performing loans grew 4.1% YoY due to increases of 5.1% in retail loans and 2.9% in commercial loans. Retail loans grew driven by growths of 5.9% in other consumer loans, 5.3% in mortgages and 4.1% in credit cards. Commercial loans grew mainly due to increases in short and medium-term lending within the corporate and middle market businesses.

Breakdown of retail loans					
S/ million	4Q15	3Q16	4Q16	%chg QoQ	%chg YoY
Consumer loans:					
Credit cards	3,703.1	3,953.9	3,853.5	-2.5%	4.1%
Other consumer	4,229.9	4,476.4	4,479.9	0.1%	5.9%
Total consumer loans	7,933.0	8,430.3	8,333.4	-1.1%	5.0%
Mortgages	4,627.1	4,845.4	4,871.1	0.5%	5.3%
Total retail loans	12,560.1	13,275.7	13,204.5	-0.5%	5.1%

FUNDING STRUCTURE

Funding structure					
S/ million	4Q15	3Q16	4Q16	%chg QoQ	%chg YoY
Deposits	25,880.9	25,529.9	26,898.6	5.4%	3.9%
Due to banks and inter-bank funds	6,138.5	6,153.1	5,591.7	-9.1%	-8.9%
Bonds	4,689.9	4,683.2	4,598.3	-1.8%	-2.0%
Total	36,709.4	36,366.2	37,088.7	2.0%	1.0%
% of funding					
Deposits	70.5%	70.2%	72.5%		
Due to banks and inter-bank funds	16.7%	16.9%	15.1%		
Bonds	12.8%	12.9%	12.4%		

Interbank's total funding base grew 2.0% QoQ, in line with the growth in interest-earning assets. The quarterly growth was mainly due to an increase of 5.4% in deposits, partially offset by decreases of 9.1% in due to banks and inter-bank funds.

The quarterly growth in deposits was mostly explained by increases of 19.2% in institutional deposits and 4.2% in retail deposits. As a result, the proportion of deposits to total funding increased from 70.2% in 3Q16 to 72.5% in 4Q16.

The bank's total funding base increased 1.0% YoY, below the performance of interest-earning assets. The YoY increase was due to a 3.9% growth in deposits, partially offset by contractions of 8.9% in due to banks and inter-bank funds and 2.0% in bonds.

The yearly increase in deposits was mainly explained by growths of 9.9% in retail deposits and 1.3% in commercial deposits, partially offset by a 3.4% contraction in institutional deposits. As a result, the proportion of institutional deposits to total deposits decreased from 20.4% in 4Q15 to 18.9% in 4Q16.

The decrease in due to banks and inter-bank funds was mainly a result of lower short term funding from abroad.

The YoY contraction in bonds was mainly attributed to a 1.6% appreciation of the exchange rate which originated a decrease in the value of bonds issued in dollars.

Breakdown of deposits					
S/ million	4Q15	3Q16	4Q16	%chg QoQ	%chg YoY
By customer service:					
Retail	10,685.9	11,269.1	11,747.4	4.2%	9.9%
Commercial	9,659.9	9,694.2	9,781.3	0.9%	1.3%
Institutional	5,269.5	4,269.0	5,089.8	19.2%	-3.4%
Other	265.6	297.6	280.1	-5.9%	5.4%
Total	25,880.9	25,529.9	26,898.6	5.4%	3.9%
By type:					
Demand	8,129.8	7,661.8	8,151.9	6.4%	0.3%
Savings	8,198.6	10,439.6	8,915.4	-14.6%	8.7%
Time	9,546.7	7,415.6	9,825.6	32.5%	2.9%
Other	5.8	12.9	5.7	-56.0%	-2.4%
Total	25,880.9	25,529.9	26,898.6	5.4%	3.9%

NET INTEREST AND SIMILAR INCOME

Net interest and similar income					
S/ million	4Q15	3Q16	4Q16	%chg QoQ	%chg YoY
Interest and similar income	802.5	830.6	837.3	0.8%	4.3%
Interest and similar expense	-242.7	-260.2	-256.1	-1.6%	5.5%
Net interest and similar income	559.8	570.4	581.2	1.9%	3.8%
NIM*	5.8%	5.9%	5.7%	-20 bps	-10 bps

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

Interest and similar income					
S/ million	4Q15	3Q16	4Q16	%chg QoQ	%chg YoY
Interest and similar income					
Due from banks and inter-bank funds	5.6	5.2	5.1	-1.6%	-9.1%
Investments available for sale	30.7	36.5	39.9	9.3%	29.9%
Loans	766.2	788.9	792.2	0.4%	3.4%
Total Interest and similar income	802.5	830.6	837.3	0.8%	4.3%
Average interest-earning assets	38,830.1	38,526.8	40,485.9	5.1%	4.3%
Average yield on assets (annualized)	8.3%	8.6%	8.3%	-30 bps	0 bps

Interest and similar expense					
S/ million	4Q15	3Q16	4Q16	%chg QoQ	%chg YoY
Interest and similar expense					
Deposits and obligations	-97.5	-118.3	-117.4	-0.7%	20.5%
Due to banks and correspondents	-67.3	-63.8	-60.2	-5.6%	-10.6%
Bonds, notes and other obligations	-77.9	-78.2	-78.4	0.4%	0.7%
Total Interest and similar expense	-242.7	-260.2	-256.1	-1.6%	5.5%
Average interest-bearing liabilities	35,642.9	35,019.6	36,727.5	4.9%	3.0%
Average cost of funding (annualized)	-2.7%	-3.0%	-2.8%	20 bps	-10 bps

QoQ Performance

Net interest and similar income increased 1.9% QoQ as the result of a 0.8% growth in interest and similar income and a 1.6% decrease in interest and similar expense.

The rise in interest and similar income was mainly due to growths of 0.4% in interest on loans and 9.3% in interest on investments available for sale; while interest on due from banks and inter-bank funds remained stable.

The growth in interest on loans was due to a 0.9% increase in the average volume of the loan portfolio; partially offset by a 10 basis point decrease in the average yield, from 12.6% in 3Q16 to 12.5% in 4Q16. The higher average volume of loans was attributed to increases of 1.1% in commercial loans and 0.8% in retail loans. In the commercial portfolio, volumes increased 3.0% in trade finance loans and 2.2% in short and medium-term loans, partially offset by a 1.8% decrease in leasing. In the retail portfolio, higher average volume was due to growths of 1.0% in mortgages, 0.7% in other consumer loans and 0.6% in credit cards. 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.

Interest on investments available for sale increased by \$/ 3.4 million, or 9.3%, explained by growths of 7.1% in the average volume and 10 basis points in the average rate. The increase in average volume was a result of higher investments in CDBCR and in fixed income instruments issued by financial institutions; while the increase in the nominal average rate, from 3.6% in 3Q16 to 3.7% in 4Q16, was explained by higher returns on CDBCR and global bonds.

The nominal average yield on interest-earning assets decreased from 8.6% in 3Q16 to 8.3% in 4Q16. This was mainly explained by a lower return on loans; as well as by a higher proportion of cash and due from banks and inter-bank funds over total interest-earning assets, as a result of higher reserve requirements due to a 7.5% growth in average deposits. These effects were partially offset by higher yields on the investment portfolio.

Interest and similar expenses decreased 1.6% QoQ as a result of reductions of 0.7% in interest on deposits and obligations, and 5.6% in interest due to banks and correspondents; while interest on bonds, notes and other obligations remained stable.

The decrease in interest on deposits and obligations was due to a 10 basis point reduction in the average cost, from 1.9% in 3Q16 to 1.8% in 4Q16, partially offset by a 7.5% growth in the average volume. The lower average cost was attributed to decreases of 20 basis points in the cost of soles deposits and 10 basis points in the cost of dollar deposits; while the increase in average volume was explained by higher institutional, commercial and retail deposits. By currency, dollar deposits increased 10.7% while soles deposits grew 5.0% QoQ.

The decline in interest due to banks and correspondents was explained by a decrease of 10 basis points in the nominal average cost, and a 2.6% decline in the average volume. The reduction in the average cost was a result of lower rates on foreign funding from correspondent banks; while the lower average volume was mostly attributed to a decrease in the average volume of foreign funding, partially offset by an increase in inter-bank funds.

The average cost of funds decreased by 20 basis points QoQ, from 3.0% in 3Q16 to 2.8% in 4Q16, mainly as a result of lower costs of deposits and due to banks.

As a result of the above, net interest margin was 5.7% in 4Q16, 20 basis points lower than the 5.9% reported in 3Q16.

YoY Performance

Net interest and similar income grew 3.8% YoY due to an increase of 4.3% in interest and similar income, partially offset by a 5.5% rise in interest and similar expense.

The growth in interest and similar income was mainly due to increases of 3.4% in interest on loans and 29.9% in interest on investments available for sale.

The \$/ 26.0 million growth in interest on loans was explained by increases of 5.1% in the average loan volume; partially offset by a 20 basis point decline in the average yield, from 12.7% in 4Q15 to 12.5% in 4Q16. Growth in average volume was due to increases of 6.8% in the retail portfolio and 2.8% in the commercial portfolio. The higher average volume of retail loans was due to growths of 7.3% in mortgages, 6.6% in other consumer loans and 5.8% in credit cards. In the commercial portfolio, higher volumes resulted from an 11.4% growth in short and medium-term loans; partially offset by declines of 17.1% in trade finance loans and 11.6% in leasing. The decrease in the average yield was mainly explained by lower rates in credit cards and trade finance loans. Considering average balances for each quarter, the loan portfolio de-dollarized by 180 basis points YoY, from 28.8% in 4Q15 to 27.0% in 4Q16.

Interest on investments available for sale increased by \$/ 9.2 million YoY, or 29.9%, as a result of a 9.7% growth in the average volume and a 60 basis point increase in the nominal average rate. The growth in volume, which accounted for \$/ 8.1 million of the increase in interest on the investment portfolio, was a result of higher investments in fixed income instruments issued by financial institutions and sovereign bonds; partially offset by lower average balances of global bonds. The higher average rate accounted for \$/ 1.1 million of the increase, and was explained by higher returns in CDBCR and global bonds.

The nominal average yield on interest-earning assets remained stable YoY, at 8.3% in 4Q16, mainly due to a higher return on investments which was offset by a lower yield on loans.

Interest and similar expense increased 5.5% YoY due to a 20.5% growth in interest on deposits and obligations, partially offset by a 10.6% decline in interest due to banks and correspondents; while interest on bonds, notes and other obligations remained relatively stable.

Interest on deposits and obligations increased by \$/ 19.9 million, or 20.5%, explained by growths of 6.1% in the average volume and 20 basis points in the nominal average cost. The increase in average volume was a result of growths in commercial and retail deposits, partially offset by a decline in institutional deposits. The higher average cost was mainly explained by a higher cost of soles deposits, while the cost of dollar deposits remained relatively stable YoY.

The \$/ 7.1 million, or 10.6% decrease in interest due to banks and correspondents was explained by a 7.5% decline in the average volume and a reduction of 10 basis

points in the average cost. The decrease in average volume accounted for a \$/ 4.4 million decline in interest expense, and was due to a reduction in funding provided by correspondent banks; while the lower nominal average cost accounted for a \$/ 2.7 million reduction in interest expense, and was explained by lower funding costs from the Central Bank and correspondent banks.

The average cost of funds increased by 10 basis points YoY, from 2.7% in 4Q15 to 2.8% in 4Q16, mainly due to a higher cost of soles deposits which was partially offset by a lower average cost of due to banks and correspondents.

As a result of the above, net interest margin declined by 10 basis points YoY, from 5.8% in 4Q15 to 5.7% in 4Q16.

PROVISION FOR LOAN LOSSES, NET OF RECOVERIES

Provision for loan losses, net of recoveries increased 7.9% QoQ and 6.3% YoY. As a result, the annualized ratio of provision expense to average loans was 3.0% in 4Q16, above the 2.8% reported in 3Q16 and the 2.9% registered in 4Q15.

The quarterly growth was a result of higher provisioning in commercial loans, partially offset by lower requirements in consumer loans, especially in credit cards.

The annual increase in provisions was a result of higher provisioning in commercial and cash loans, partially offset by lower provision requirements related to credit cards, as a result of a lower growth in this segment in 2016.

Provision for loan losses, net of recoveries					
S/ million	4Q15	3Q16	4Q16	%chg QoQ	%chg YoY
Provision for loan losses, net of recoveries	-182.5	-179.9	-194.0	7.9%	6.3%
Past-due-loan ratio (at end of period)	2.3%	2.6%	2.6%	0 bps	30 bps
Provision for loan losses/average gross loans	2.9%	2.8%	3.0%	20 bps	10 bps
Coverage ratio (at end of period)	176.2%	165.3%	167.8%	250 bps	-840 bps
Allowance for loan losses (at end of period)	1,037.9	1,127.2	1,163.2	3.2%	12.1%

The past-due-loan ratio remained stable QoQ, at 2.6% in 4Q16, but increased by 30 basis points when compared with the 2.3% reported in 4Q15.

The PDL ratio in credit cards stood at 5.0% in 4Q16, above the 4.4% reported in 3Q16 and the 4.6% registered in 4Q15.

As a consequence, the coverage ratio of the past-due loan portfolio was 167.8% in 4Q16, above the 165.3% reported in 3Q16, but below the 176.2% registered in 4Q15.

FEE INCOME FROM FINANCIAL SERVICES, NET

Fee income from financial services, net increased by \$/ 2.6 million QoQ, or 1.3%, mainly explained by a \$/ 5.1 million increase in fees from maintenance and mailing of accounts, interchange fees, transfers and credit and debit card services; partially offset by a \$/ 2.9 million decrease in commissions from baking services.

Fee income from financial services, net increased by \$/ 3.6 million YoY, or 1.8%, mainly due to a \$/ 3.8 million increase in fees from maintenance and mailing of

accounts, interchange fees, transfers and credit and debit card services; partially offset by S/ 1.9 million higher expenses related to the sale of insurance.

Fee income from financial services, net					
S/ million	4Q15	3Q16	4Q16	%chg QoQ	%chg YoY
Income					
Maintenance and mailing of accounts, interchange fees, transfers and credit and debit card services	141.7	140.4	145.5	3.7%	2.7%
Commissions from banking services	68.7	73.1	70.2	-3.9%	2.2%
Fees for indirect loans	15.3	15.8	15.2	-4.0%	-0.9%
Funds management	7.3	7.6	8.2	6.9%	12.6%
Collection services	6.8	8.0	8.1	1.2%	18.9%
Other	10.8	6.8	8.4	22.5%	-22.6%
Total income	250.6	251.7	255.5	1.5%	2.0%
Expenses					
Insurance	-39.4	-40.3	-41.3	2.6%	4.8%
Fees paid to foreign banks	-2.6	-2.5	-2.5	1.3%	-3.7%
Other	-7.0	-6.3	-6.5	2.9%	-7.1%
Total expenses	-49.0	-49.1	-50.4	2.6%	2.7%
Fee income from financial services, net	201.6	202.6	205.2	1.3%	1.8%

OTHER INCOME

Other income increased by S/ 2.6 million QoQ as a result of higher income from the sale of a written-off loan portfolio and rentals, which was partially offset by a decrease in net gain on foreign exchange transactions.

Other income decreased by S/ 40.6 million YoY, mainly due to a contraction of S/ 33.1 million in net gain on foreign exchange transactions. This was related to a particularly high foreign exchange volatility in 4Q15 that was not repeated in 4Q16.

Other income					
S/ million	4Q15	3Q16	4Q16	%chg QoQ	%chg YoY
Net gain on foreign exchange transactions and derivatives	95.3	71.0	62.2	-12.4%	-34.7%
Net gain on sale of securities	-0.0	-3.5	0.3	n.m.	n.m.
Other	33.5	18.1	25.7	41.8%	-23.4%
Total other income	128.7	85.6	88.1	3.0%	-31.5%

OTHER EXPENSES

Other expenses increased by S/ 14.9 million QoQ, or 4.0%, and decreased by S/ 4.6 million YoY, or 1.2%. The quarterly growth in other expenses was mainly due to increases of 6.3% in administrative expenses and 1.9% in salaries and employee benefits.

The annual decrease in other expenses was mainly explained by lower provisions for contingencies and administrative expenses.

The efficiency ratio was 42.2% in 4Q16, above the 41.3% registered in 3Q16, and the 40.8% reported in 4Q15.

Other expenses					
S/ million	4Q15	3Q16	4Q16	%chg QoQ	%chg YoY
Salaries and employee benefits	-140.5	-149.3	-152.1	1.9%	8.3%
Administrative expenses	-197.0	-175.4	-186.5	6.3%	-5.3%
Depreciation and amortization	-25.5	-29.9	-30.4	1.7%	18.9%
Other	-25.7	-14.6	-15.1	3.3%	-41.4%
Total other expenses	-388.7	-369.2	-384.1	4.0%	-1.2%
Efficiency ratio	40.8%	41.3%	42.2%	90 bps	140 bps

REGULATORY CAPITAL

The ratio of regulatory capital to risk-weighted assets (RWA) was 15.9% in 4Q16, slightly below the 16.1% registered in 3Q16 but above the 15.5% reported in 4Q15.

The annual increase in the capital ratio was due to a 3.9% growth in regulatory capital, partially offset by a 1.5% increase in RWA. The YoY 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; while the increase in RWA was mostly attributed to growth of the loan portfolio.

As of 4Q16, Interbank's capital ratio of 15.9% was 400 basis points 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 4Q16.

Regulatory capital					
S/ million	4Q15	3Q16	4Q16	%chg QoQ	%chg YoY
Tier I capital	3,454.2	3,851.8	3,789.3	-1.6%	9.7%
Tier II capital	1,973.7	1,940.1	1,849.5	-4.7%	-6.3%
Total regulatory capital	5,427.9	5,791.8	5,638.9	-2.6%	3.9%
Risk-weighted assets	34,951.5	35,921.4	35,475.3	-1.2%	1.5%
BIS ratio	15.5%	16.1%	15.9%	-20 bps	40 bps
Tier I capital / risk-weighted assets	9.9%	10.7%	10.7%	0 bps	80 bps

Interseguro

SUMMARY

2016 Performance

Interseguro's result attributable to shareholders in 2016 was S/ -114.8 million, compared to profits of S/ 311.0 million in 2015.

The yearly performance was mainly due to a decrease of S/ 352.8 million in total premiums earned less claims and benefits, and a S/ 92.4 million reduction in other income.

Insurance Segment's P&L Statement					
S/ million	2014	2015	2016	%chg 16/15	%chg 15/14
Net Interest and similar income	194.4	247.7	278.5	12.4%	27.4%
Fee income from financial services, net	-2.3	-3.2	-3.0	-7.2%	39.2%
Other income	179.4	170.4	78.0	-54.2%	-5.0%
Total premiums earned less claims and benefits	-20.5	105.5	-247.3	n.m.	n.m.
Net premiums	675.7	775.1	592.2	-23.6%	14.7%
Adjustment of technical reserves	-515.1	-410.6	-521.3	27.0%	-20.3%
Net claims and benefits incurred	-181.1	-258.9	-318.2	22.9%	43.0%
Other expenses	-184.4	-223.2	-228.8	2.5%	21.1%
Income before translation result and income tax	166.7	297.2	-122.6	n.m.	78.3%
Translation result	-8.8	14.8	8.1	-45.2%	n.m.
Income tax	-3.3	-0.1	-0.7	n.m.	-97.2%
Profit for the period	154.5	312.0	-115.1	n.m.	101.9%
Attributable to non-controlling interest ⁽¹⁾	-8.3	-1.0	0.3	n.m.	-88.0%
Profit attributable to shareholders	146.2	311.0	-114.8	n.m.	112.6%
Discount rate impact on technical reserves	57.4	225.7	-119.6	n.m.	293.3%
Profit excluding discount rate impact	88.9	85.3	4.8	-94.3%	-4.0%
ROAE	28.1%	67.1%	n.m.		
ROAE excl. discount rate impact	18.8%	26.2%	0.9%		
Efficiency ratio	17.3%	12.5%	23.5%		
Efficiency ratio excl. discount rate impact	19.3%	17.6%	18.4%		

(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.

Net interest and similar income in 2016 was S/ 278.5 million, an increase of S/ 30.8 million YoY. Growth in 2016 was mainly due to higher interest on fixed income and equity investments as a result of increases of 13.6% in the average volume of Interseguro's investment portfolio.

Other income related to investments in 2016 was S/ 65.4 million, a decrease of S/ 91.2 million compared to 2015. The yearly decline was largely explained by a decrease of S/ 67.4 million in net gain on sale of securities and a S/ 28.1 million reduction in net gain on valuation of real estate investments.

Total premiums earned less claims and benefits were S/ -247.3 million in 2016, a decrease of S/ 352.8 million YoY. This was explained by a S/ 182.9 million reduction

in net premiums, a S/ 110.7 million increase in adjustment of technical reserves and a S/ 59.3 million increase in net claims and benefits incurred.

The yearly decline in net premiums was mainly due to a decrease of S/ 210.2 million in Annuities, partially compensated by a S/ 20.9 million increase in Retail Insurance. The decrease in Annuities was driven by a market contraction caused by the entry into force of a new law that allows retirees to withdraw 95.5% of their pension funds. The increase in Retail Insurance was observed particularly in Credit Life Insurance and Card Protection.

The higher adjustment of technical reserves in 2016 was driven mainly by different discount rate impacts in annuities. This rate diminished by 28 bps in 2016, in contrast to the 60 bps growth in 2015.

Other expenses in 2016 were S/ 228.8 million, an increase of S/ 5.6 million YoY, mainly due to a S/ 18.4 million growth in third party commissions and a S/ 5.4 million increase in administrative expenses. These effects were partially compensated by a S/ 18.2 million decrease in impairment loss on available for-sale investments.

4Q16 Performance

Interseguro's result attributable to shareholders in 4Q16 was S/ 131.6 million, which compares to S/ -54.3 million in 3Q16 and S/ 3.6 million in 4Q15.

The quarterly and annual improvements in bottom line results were mainly attributable to a positive reversion in discount rate impact on technical reserves, from S/ -22.6 million in 4Q15 and S/ -78.8 million in 3Q16, to S/ 102.5 million in 4Q16.

Interseguro's profit excluding discount rate impacts on technical reserves increased by S/ 4.6 million QoQ and by S/ 2.9 million YoY.

Insurance Segment's P&L Statement					
S/ million	4Q15	3Q16	4Q16	%chg QoQ	%chg YoY
Net Interest and similar income	65.3	67.4	73.1	8.4%	11.9%
Fee income from financial services, net	-0.5	-0.7	-0.9	30.1%	95.2%
Other income	20.6	30.7	0.5	-98.3%	-97.4%
Total premiums earned less claims and benefits	-43.8	-106.1	66.7	n.m.	n.m.
Net premiums	177.1	136.2	148.9	9.4%	-15.9%
Adjustment of technical reserves	-151.0	-163.6	5.7	n.m.	n.m.
Net claims and benefits incurred	-69.9	-78.7	-88.0	11.8%	25.8%
Other expenses	-46.7	-38.7	-17.6	-54.6%	-62.4%
Income before translation result and income tax	-5.0	-47.3	121.8	n.m.	n.m.
Translation result	8.5	-4.6	8.6	n.m.	1.9%
Income tax	0.0	-0.8	-0.2	-67.7%	n.m.
Profit for the period	3.5	-52.6	130.2	n.m.	n.m.
Attributable to non-controlling interest ⁽¹⁾	0.1	-1.7	1.4	n.m.	n.m.
Profit attributable to shareholders	3.6	-54.3	131.6	n.m.	n.m.
Discount rate impact on technical reserves	-22.6	-78.8	102.5	n.m.	n.m.
Profit excluding discount rate impact	26.2	24.5	29.1	18.9%	11.0%
ROAE	4.3%	n.m.	102.1%		
ROAE excl. discount rate impact	118.8%	14.5%	16.3%		
Efficiency ratio⁽²⁾	21.3%	37.7%	11.3%		
Efficiency ratio excl. discount rate impact	17.7%	17.7%	20.5%		

(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	4Q15	3Q16	4Q16	%chg QoQ	%chg YoY
Interest and similar income	69.0	70.8	76.0	7.3%	10.1%
Interest and similar expenses	-3.6	-3.4	-2.9	-15.4%	-21.1%
Net interest and similar income	65.3	67.4	73.1	8.4%	11.9%
Fee income from financial services, net	-0.4	-0.3	-0.5	36.6%	30.0%
Net gain on sale of securities	8.5	18.5	-7.8	n.m.	n.m.
Net trading loss (income)	2.5	0.5	-0.9	n.m.	n.m.
Rental income	4.2	5.6	6.4	12.9%	52.4%
Profit from sale of investment property	-	1.4	-	n.m.	n.m.
Valuation gain from investment property	2.4	2.3	-0.1	n.m.	n.m.
Other ⁽¹⁾	-0.1	-0.6	0.8	n.m.	n.m.
Other income	17.1	27.4	-2.0	n.m.	n.m.
Expenses related to rental income	-0.3	-0.1	-0.0	-78.9%	-93.2%
Other ⁽¹⁾	-3.0	12.1	32.9	173.0%	n.m.
Expenses	-3.4	11.9	32.9	175.4%	n.m.
Results from investments	79.1	106.8	103.9	-2.7%	31.5%

(1) Only includes transactions related to investments.

NET INTEREST AND SIMILAR INCOME

Net interest and similar income was S/ 73.1 million in 4Q16, an increase of S/ 5.7 million or 8.4% QoQ, and S/ 7.8 million or 11.9% YoY.

The QoQ growth was due to a S/ 5.2 million increase in interest and similar income as a result of improved portfolio rates.

The YoY growth was mainly due to a S/ 7.0 million increase in interest and similar income as a result of a higher volume of assets.

OTHER INCOME

Other income reversed negatively, from S/ 17.1 million in 4Q15 and S/ 27.4 million in 3Q16, to S/ -2.0 million in 4Q16.

The negative performances QoQ and YoY in other income were largely explained by decreases in net gain on sale of securities, of S/ 26.3 million QoQ and S/ 16.3 million YoY.

TOTAL PREMIUMS EARNED LESS CLAIMS AND BENEFITS

Total Premiums Earned Less Claims And Benefits					
S/ million	4Q15	3Q16	4Q16	%chg QoQ	%chg YoY
Net premiums	177.1	136.2	148.9	9.4%	-15.9%
Adjustment of technical reserves	-151.0	-163.6	5.7	n.m.	n.m.
Net claims and benefits incurred	-69.9	-78.7	-88.0	11.8%	25.8%
Total premiums earned less claims and benefits	-43.8	-106.1	66.7	n.m.	n.m.

Total premiums earned less claims and benefits in 4Q16 was S/ 66.7 million, an increase of S/ 172.8 million QoQ and S/ 110.5 million YoY.

The QoQ growth was mainly due to a positive adjustment of technical reserves in 4Q16.

The YoY growth was also explained by a positive adjustment of technical reserves in 4Q16, partially offset by a S/ 28.2 million decrease in net premiums and an S/ 18.1 million increase in net claims and benefits incurred.

NET PREMIUMS

Net Premiums by Business Line					
S/ million	4Q15	3Q16	4Q16	%chg QoQ	%chg YoY
Annuities	120.0	74.2	83.7	12.9%	-30.3%
Individual Life	10.4	11.9	12.4	4.0%	19.1%
Retail Insurance	46.7	50.1	52.8	5.5%	13.1%
Net Premiums	177.1	136.2	148.9	9.4%	-15.9%

Annuities include premiums from disability and survivorship insurance.

Net premiums were S/ 148.9 million in 4Q16, an increase of S/ 12.7 million QoQ and a decrease of S/ 28.2 million YoY.

The QoQ growth was mainly explained by increases of S/ 9.5 million in Annuities and S/ 2.7 million in Retail Insurance.

The YoY reduction in net premiums was mainly related to a market contraction in Annuities due to a new law that entered in force in April 2016, allowing retirees to withdraw 95.5% of their pension funds.

ADJUSTMENT OF TECHNICAL RESERVES

Adjustment of Technical Reserves by Business Line					
S/ million	4Q15	3Q16	4Q16	%chg QoQ	%chg YoY
Annuities	-145.4	-156.4	13.3	n.m.	n.m.
Individual Life	-5.3	-4.5	-5.5	21.5%	2.7%
Retail Insurance	-0.3	-2.7	-2.1	-21.7%	n.m.
Adjustment of technical reserves	-151.0	-163.6	5.7	n.m.	n.m.

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

Interseguro's adjustment of technical reserves was S/ 5.7 million in 4Q16, compared to S/ -151.0 million in 4Q15 and S/ -163.6 million in 3Q16.

The QoQ growth was mainly due to different discount rate impacts in Annuities. This rate decreased by 15 bps in 3Q16 and increased by 17 bps in 4Q16.

The YoY increase was also a result of different discount rate impacts in Annuities. This rate decreased by 3 bps in 4Q15 and increased by 17 bps in 4Q16.

NET CLAIMS AND BENEFITS INCURRED

Net Claims and Benefits Incurred by Business Line					
S/ million	4Q15	3Q16	4Q16	%chg QoQ	%chg YoY
Annuities	-57.5	-62.8	-71.0	13.0%	23.5%
Individual Life	-0.2	-0.5	-1.0	87.4%	n.m.
Retail Insurance	-12.2	-15.3	-16.0	4.3%	30.6%
Net claims and benefits incurred	-69.9	-78.7	-88.0	11.8%	25.8%

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

Net claims and benefits incurred were S/ 88.0 million in 4Q16, an increase of S/ 9.3 million QoQ and S/ 18.1 million YoY.

The QoQ growth was mainly due to an S/ 8.2 million increase in Annuities, due to a higher number of pensioners and inheritance claims.

The YoY growth was mostly explained by a S/ 13.5 million increase in Annuities, due to a higher number of pensioners.

OTHER EXPENSES

Other Expenses					
S/ million	4Q15	3Q16	4Q16	%chg QoQ	%chg YoY
Salaries and employee benefits	-14.8	-15.4	-14.0	-8.7%	-5.0%
Administrative expenses	-7.8	-9.9	-10.5	5.6%	33.8%
Depreciation and amortization	-1.2	-1.1	-1.1	0.5%	-6.5%
Third-party commissions	-15.5	-18.3	-20.5	11.7%	32.5%
Expenses related to rental income	-0.3	-0.1	-0.0	-79.6%	-93.5%
Other	-7.1	6.2	28.6	n.m.	n.m.
Other expenses	-46.7	-38.7	-17.6	-54.6%	-62.4%

Other expenses were S/ 17.6 million in 4Q16, a decrease of S/ 21.1 million QoQ and S/ 29.1 million YoY.

The quarterly and annual reductions in other expenses were mainly attributed to book value adjustments of previously impaired instruments given the sale of such securities. These positive effects were worth S/ 19.2 million QoQ and S/ 35.7 million YoY.

Inteligo

SUMMARY

2016 Performance

Inteligo's profits reached S/ 171.0 million in 2016, a S/ 65.4 million or 62.0% increase from the previous year. Such result was attributable to a 6.5% increase in net interest and similar income, a solid growth in other income and a 23.1% decrease in other expenses, partially offset by a 4.2% reduction in fee income from financial services.

Inteligo's ROAE was 28.4% in 2016, above the 20.0% reported in 2015.

Wealth Management Segment's P&L Statement					
S/ million	2014	2015	2016	%chg 16/15	%chg 15/14
Interest and similar income	104.9	139.7	152.1	8.9%	33.2%
Interest and similar expenses	-49.0	-52.7	-59.4	12.7%	7.6%
Net interest and similar income	55.9	87.1	92.7	6.5%	55.7%
Provision for loan losses, net of recoveries	0.0	-1.9	0.0	n.m.	n.m.
Net interest and similar income after provision for loan losses	55.9	85.1	92.7	8.9%	52.3%
Fee income from financial services, net	95.9	121.9	116.9	-4.2%	27.2%
Other income	63.5	9.9	47.4	n.m.	-84.4%
Other expenses	-80.8	-111.6	-85.8	-23.1%	38.1%
Income before translation result and income tax	134.5	105.4	171.2	62.4%	-21.7%
Translation result	1.2	0.1	-0.9	n.m.	n.m.
Income tax	-1.5	0.1	0.7	n.m.	n.m.
Profit for the period	134.3	105.6	171.0	62.0%	-21.4%
ROAE	28.1%	20.0%	28.4%		
Efficiency ratio	30.4%	37.5%	33.4%		

Inteligo's net interest and similar income for 2016 was S/ 92.7 million, a S/ 5.6 million or 6.5% increase when compared with the previous year.

Interest and similar income increased by S/ 12.4 million or 8.9% during 2016, mainly attributable to higher interest on investments available for sale and higher interest on loans.

During 2016, interest and similar expenses increased by S/ 6.7 million or 12.7% when compared to the previous year, as a result of an increase in interest on deposits and obligations.

Inteligo's net fee income from financial services reached S/ 116.9 million in 2016, a S/ 5.0 million or 4.2% decrease compared to the previous year. Gross fees from financial services reached S/ 119.8 million in 2016, an S/ 8.6 million or 6.8% decrease when compared to the previous year. The result was mainly explained by an S/ 18.3 million decrease in revenues from funds management, partially offset by a S/ 9.6 million increase in brokerage and custody services fees. Compared to 2015, expenses related to fee income from financial services reached S/ 2.9 million in 2016, a S/ 3.6 million or 55.3% decrease.

Other income for 2016 was S/ 47.4 million, a S/ 37.5 million increase when compared to 2015. Such increase was mainly attributable to growths of S/ 30.4 million in net gain on sale of securities and S/ 9.5 million in net trading gain.

Other expenses for 2016 decreased by S/ 25.8 million or 23.1% when compared to the previous year. The result was explained by a S/ 29.4 million impairment loss on available for sale investments reported in 2015. Excluding such charge, total other expenses in 2016 were higher by S/ 3.6 million or 4.4% YoY.

Profit for the year reached S/ 171.0 million, a S/ 65.4 million or 62.0% increase when compared to the previous year.

4Q16 Performance

Inteligo's net profit in 4Q16 was S/ 38.5 million, a S/ 9.9 million or 20.6% decrease QoQ but a significant recovery YoY. The quarterly performance was attributed to a 7.8% decrease in revenues and a 22.7% increase in other expenses.

Assets under Management (AuMs) plus client deposits reached S/ 14,864.2 million in 4Q16, higher by S/ 259.5 million or 1.8% when compared to the previous quarter and also higher by S/ 1,671.9 million or 12.7% when compared to 4Q15.

Inteligo's annualized ROAE for 4Q16 was 23.6%, lower than the 33.7% reported in 3Q16 but above the 1.9% registered in 4Q15.

Wealth Management Segment's P&L Statement					
S/ million	4Q15	3Q16	4Q16	%chg QoQ	%chg YoY
Interest and similar income	40.6	34.7	38.5	11.0%	-5.1%
Interest and similar expenses	-13.7	-14.9	-17.1	14.8%	24.5%
Net interest and similar income	26.8	19.8	21.4	8.1%	-20.2%
Provision for loan losses, net of recoveries	0.0	0.0	0.0	n.m.	n.m.
Net interest and similar income after provision for loan losses	26.8	19.8	21.4	8.1%	-20.2%
Fee income from financial services, net	23.3	31.0	30.4	-1.7%	30.5%
Other income	-3.5	17.8	11.4	-36.0%	n.m.
Other expenses	-44.0	-20.2	-24.8	22.7%	-43.7%
Income before translation result and income tax	2.6	48.3	38.4	-20.5%	n.m.
Translation result	-0.3	-0.2	-0.2	n.m.	n.m.
Income tax	0.4	0.3	0.2	n.m.	n.m.
Profit for the period	2.6	48.4	38.5	-20.6%	n.m.
ROAE	1.9%	33.7%	23.6%		
Efficiency ratio	44.4%	29.5%	39.2%		

ASSETS UNDER MANAGEMENT & DEPOSITS

AuMs reached S/ 11,638.1 million in 4Q16, a S/ 172.9 million or 1.5% increase QoQ and a S/ 953.4 million or 8.9% growth YoY.

Client deposits reached S/ 3,226.1 million in 4Q16, an S/ 86.6 million or 2.8% increase QoQ and a S/ 718.5 million or 28.7% growth YoY.

NET INTEREST AND SIMILAR INCOME

Inteligo's net interest and similar income in 4Q16 was S/ 21.4 million, a S/ 1.6 million or 8.1% increase when compared with 3Q16. Net interest and similar income decreased by S/ 5.4 million or 20.2% when compared to the same period in the previous year.

Interest and similar income increased by S/ 3.8 million or 11.0% QoQ but decreased by S/ 2.1 million or 5.1% YoY in 4Q16 mainly due to the performance of income on investments available for sale.

Interest and similar expenses grew by S/ 2.2 million or 14.8% QoQ and by S/ 3.4 million or 24.5% when compared with 4Q15 as a result of higher interest on deposits and obligations.

Net interest and similar income					
S/ million	4Q15	3Q16	4Q16	%chg QoQ	%chg YoY
Interest and similar income					
Due from banks and inter-bank funds	0.1	0.3	1.0	n.m.	n.m.
Investments available for sale	19.0	13.6	15.9	16.9%	-16.6%
Loans	21.5	20.8	21.6	3.9%	0.7%
Total interest and similar income	40.6	34.7	38.5	11.0%	-5.1%
Interest and similar expenses					
Deposits and obligations	-13.7	-14.7	-16.9	14.8%	23.9%
Due to banks and correspondents	-0.1	-0.2	-0.2	n.m.	n.m.
Total interest and similar expenses	-13.7	-14.9	-17.1	14.8%	24.5%
Net interest and similar income	26.8	19.8	21.4	8.1%	-20.2%

FEE INCOME FROM FINANCIAL SERVICES

Fee income from financial services, net					
S/ million	4Q15	3Q16	4Q16	%chg QoQ	%chg YoY
Income					
Brokerage and custody services	1.7	3.1	6.2	n.m.	n.m.
Funds management	24.2	28.3	25.6	-9.7%	5.6%
Total income	25.9	31.4	31.8	1.3%	22.5%
Expenses					
Brokerage and custody services	-0.5	0.0	0.0	n.m.	n.m.
Others	-2.1	-0.4	-1.3	n.m.	-36.9%
Total expenses	-2.6	-0.4	-1.3	n.m.	-48.5%
Fee income from financial services, net	23.3	31.0	30.4	-1.7%	30.5%

Fee income from financial services was S/ 31.8 million in 4Q16, an increase of S/ 0.4 million or 1.3% QoQ due to higher income on brokerage and custody services.

Expenses related to fee income from financial services reached S/ 1.3 million in 4Q16, attributable to other fee expenses.

As a result of the above, net fee income from financial services was S/ 30.4 million, a slight decrease of S/ 0.6 million or 1.7% when compared to the previous quarter.

When compared with 4Q15, net fee income from financial services increased by S/ 7.1 million or 30.5% YoY in 4Q16. The result was mainly attributable to a S/ 5.9 million increase in gross fees from financial services and a S/ 0.8 million decrease related to other fee expenses.

OTHER INCOME

Other income					
S/ million	4Q15	3Q16	4Q16	%chg QoQ	%chg YoY
Net gain on sale of securities	-7.0	14.5	8.2	-43.9%	n.m.
Net trading gain (loss)	3.5	3.4	4.6	32.3%	30.6%
Other	0.0	-0.2	-1.3	n.m.	n.m.
Total other income	-3.5	17.8	11.4	-36.0%	n.m.

Inteligo's other income reached S/ 11.4 million in 4Q16, a S/ 6.4 million or 36.0% decrease QoQ, mainly explained by a S/ 6.3 million reduction in net gain on sale of securities.

Other income reverted positively when compared to 4Q15. The result was mainly attributable to a recovery in net gain on sale of securities.

OTHER EXPENSES

Other expenses					
S/ million	4Q15	3Q16	4Q16	%chg QoQ	%chg YoY
Salaries and employee benefits	-10.2	-11.5	-13.1	13.8%	28.6%
Administrative expenses	-8.9	-6.9	-9.8	42.9%	10.2%
Depreciation and amortization	-1.6	-1.8	-1.9	1.5%	13.6%
Impairment loss on available for sale investments	-23.3	0.0	0.0	n.m.	n.m.
Other	0.0	0.0	0.0	n.m.	n.m.
Total other expenses	-44.0	-20.2	-24.8	22.7%	-43.7%
Efficiency ratio	44.4%	29.5%	39.2%		

Other expenses grew 22.7% when compared to 3Q16 mainly due to higher administrative expenses.

Inteligo's other expenses decreased by S/ 19.2 million or 43.7% YoY. The result was explained by a S/ 23.3 million impairment loss on available for sale investments reported in 4Q15. Excluding such charge, total other expenses in 4Q16 were higher by S/ 4.1 million or 19.8% YoY.