Intercorp Financial Services Inc.
First Quarter 2018 Earnings

Lima, Peru, May 9, 2018. Intercorp Financial Services Inc. (Bolsa de Valores de Lima: IFS) announced today its unaudited results for the first quarter 2018. These results are reported on a consolidated basis under IFRS in nominal Peruvian soles.

Intercorp Financial Services

- 22.0% YoY growth in earnings in 1Q18, resulting in 19.1% ROAE
- 20.0% annualized ROAE excluding IFRS 9 impacts on mark-to-market on securities

Interbank

- Strong 1Q18 in terms of earnings
- Higher loan growth than the market and declining cost of risk, supported by a better performance of the credit card portfolio

Interseguro

- Improvement in 1Q18 driven by synergies with Seguros Sura almost completely accomplished
- Discount rate impact on technical reserves now accounted through equity, reducing earnings' volatility

Inteligo

- Strong profitability in 1Q18
- Fees from financial services grew 6.5% QoQ and 13.6% YoY

Intercorp Financial Services

MAIN ACCOUNTING CHANGES IN 1Q18

IFS adopted IFRS 9 requirements starting January 1st, 2018. As permitted by this regulation, we hereby present prior-period information under IAS 39 standards and 1Q18 information under IFRS 9.

As a one-off effect, as of January 1st, 2018, we registered an increase of S/ 144.6 million in allowances for credit exposures, which led to a S/ 101.9 million reduction in retained earnings.

Furthermore, the adoption of IFRS 9 resulted in the implementation of a new impairment approach based on expected credit loss, as opposed to the incurred-loss impairment model under IAS 39. Its main impacts are related to the constitution of provisions for credit exposures and to the classification and measurement of investments and their impairment. These effects will be reflected mainly at Interbank and Inteligo, and in a lower scale at Interseguro.

Finally, we have accorded with our auditors the restatement of the discount rate effect on the adjustment of technical reserves at Interseguro, which was a source of volatility in our results. Consequently, as of 1Q18, such effect will no longer be registered in the P&L statement, but in the Statement of financial position. The reported earnings for 1Q17 and 4Q17 have been restated accordingly.

SUMMARY

Intercorp Financial Services' Statement of financial position					
S/ million					%chg
	31.03.2017 (IAS 39)	31.12.2017 (IAS 39)	01.01.2018 (IFRS 9)	31.03.2018 (IFRS 9)	31.03.18/ 01.01.18
Assets					
Cash and due from banks and inter-bank funds	9,040.1	11,608.4	11,608.4	9,795.7	-15.6%
Total investments	10,399.5	16,924.1	16,924.1	18,030.8	6.5%
Loans, net of unearned income	28,339.5	29,420.7	29,420.7	30,021.7	2.0%
Allowance for loan losses	-1,192.5	-1,216.6	-1,215.4	-1,198.6	-1.4%
Property, furniture and equipment, net	585.6	612.6	612.6	597.4	-2.5%
Other assets	2,145.5	3,329.3	3,360.9	3,623.5	7.8%
Total assets	**49,317.5**	**60,678.6**	**60,711.4**	**60,870.5**	**0.3%**
Liabilities and equity					
Deposits and obligations	27,900.2	32,607.6	32,607.6	31,220.4	-4.3%
Due to banks and correspondents	5,113.8	4,437.4	4,437.4	4,270.9	-3.8%
Bonds, notes and other obligations	4,649.7	5,602.4	5,602.4	6,240.2	11.4%
Insurance contract liabilities	5,076.6	10,709.8	10,709.8	10,732.3	0.2%
Other liabilities	1,238.3	1,484.5	1,619.2	2,013.5	24.4%
Total liabilities	**43,978.5**	**54,841.7**	**54,976.4**	**54,477.2**	**-0.9%**
Equity					
Equity holders of IFS	5,223.2	5,800.5	5,699.3	6,358.7	11.6%
Non-controlling interest	115.9	36.4	35.7	34.6	-3.2%
Total equity	**5,339.1**	**5,836.9**	**5,735.0**	**6,393.3**	**11.5%**
Total liabilities and equity	**49,317.5**	**60,678.6**	**60,711.4**	**60,870.5**	**0.3%**

Intercorp Financial Services' net profit was S/ 290.0 million in 1Q18, an increase of 1.0% QoQ and 22.0% YoY. IFS annualized ROAE was 19.1% in 1Q18, below the 20.4% registered in 4Q17 but higher than the 18.4% reported in 1Q17.

Intercorp Financial Services' P&L statement					
S/ million	1Q17	4Q17	1Q18	%chg QoQ	%chg YoY
Interest and similar income	944.4	997.5	1,036.3	3.9%	9.7%
Interest and similar expense	-275.2	-288.1	-266.9	-7.4%	-3.0%
Net interest and similar income	**669.3**	**709.4**	**769.4**	**8.5%**	**15.0%**
Provision for loan losses, net of recoveries	-222.7	-188.8	-172.1	-8.8%	-22.7%
Net interest and similar income after provision for loan losses	**446.6**	**520.7**	**597.3**	**14.7%**	**33.8%**
Fee income from financial services, net	220.7	231.4	233.3	0.8%	5.7%
Other income	115.2	159.1	105.7	-33.6%	-8.2%
Total premiums earned less claims and benefits	-46.1	-52.7	-78.9	49.5%	71.1%
Net Premiums	115.4	116.6	138.9	19.1%	20.4%
Adjustment of technical reserves	-77.5	-22.6	-42.6	88.3%	-45.1%
Net claims and benefits incurred	-83.9	-146.7	-175.1	19.4%	108.7%
Other expenses	-448.2	-487.0	-466.1	-4.3%	4.0%
Income before translation result and income tax	**288.1**	**371.4**	**391.2**	**5.3%**	**35.8%**
Translation result	23.1	2.4	4.3	74.5%	-81.5%
Income tax	-73.6	-86.7	-105.5	21.7%	43.4%
Profit for the period	**237.7**	**287.1**	**290.0**	**1.0%**	**22.0%**
Attributable to equity holders of the group (1)	**238.3**	**285.4**	**288.2**	**1.0%**	**20.9%**
EPS	**2.23**	**2.67**	**2.64**		
ROAE	**18.4%**	**20.4%**	**19.1%**		
ROAA	**1.9%**	**2.1%**	**1.9%**		

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

Quarter-on-quarter performance

Profits grew 1.0% QoQ mainly as a result of increases in net interest and similar income, in addition to reductions in provisions and other expenses. These effects were partially offset by a decrease in other income, as well as a higher effective tax rate. At the insurance business, higher net claims and benefits incurred, and adjustment of technical reserves also compensated the better performance at the top income line.

Net interest and similar income increased 8.5% QoQ, mainly due to lower interest and similar expenses at Interbank, in addition to an increase in interest and similar income at the insurance business, associated with the incorporation of a full quarter of Seguros Sura's results.

Provision expenses decreased 8.8% mainly due to lower provision requirements in credit cards and corporate loans at Interbank.

Net fee income from financial services slightly increased 0.8% QoQ, mainly explained by higher income from funds management at Inteligo.

Other income decreased 33.6% QoQ mainly due to a reduction in net gain on sale of securities at all three subsidiaries and a contraction in net gain on valuation of real estate investments at Interseguro, as well as a lower result in net trading at Inteligo attributable to the implementation of IFRS 9.

Total premiums earned less claims and benefits in 1Q18 was S/ -78.9 million, a decrease of S/ 26.1 million QoQ, explained by increases of S/ 28.4 million in net claims and benefits incurred and S/ 20.0 million in adjustment of technical reserves, partially offset by a S/ 22.2 million increase in net premiums.

Other expenses decreased 4.3% QoQ mainly due to an adjustment in impairment loss on available for sale investments, in addition to a decrease in salaries and employee benefits, both at Inteligo. Lower administrative expenses at Interseguro also supported the decrease in other expenses.

IFS effective tax rate increased, from 23.2% in 4Q17 to 26.7% in 1Q18, mainly as a result of a higher effective tax rate at Interbank.

Year-on-year performance

Profits increased 22.0% YoY mainly due to growths in net interest and similar income and fees from financial services, as well as a lower provision expense. These factors were partially offset by decreases in other income and in total premiums earned less claims and benefits, in addition to an increase in other expenses and a higher effective tax rate.

Net interest and similar income increased 15.0% YoY, mainly driven by higher interest on loans, interest on investments available for sale and interest on due from banks and inter-bank funds at Interbank, also explained by an increase in interest and similar income associated with the incorporation of a full quarter of Seguros Sura's results.

Provision expenses decreased 22.7% YoY mainly as a result of lower provision requirements in credit cards and corporate loans, as well as higher provision recoveries in consumer loans at Interbank. These effects were partially offset by higher provisions in small enterprise loans also at Interbank.

Net fee income from financial services increased 5.7% YoY mainly due to growths in commissions from credit card services, fees from funds management, and fees for indirect loans, all at Interbank. In addition to these factors, higher fees were also explained by increases in funds management income and in brokerage and custody services income at Inteligo.

Other income decreased 8.2% YoY mainly as a result of a contraction in net trading gain at Inteligo, due to IFRS 9 implementation.

Total premiums earned less claims and benefits decreased by S/ 32.8 million, as a result of a S/ 91.2 million increase in net claims and benefits incurred, partially offset by a S/ 23.5 million increase in net premiums and a S/ 34.9 million decrease in adjustment of technical reserves.

Other expenses increased 4.0% YoY mainly due to increases in depreciation and amortization, salaries and employee benefits, and administrative expenses at Interbank and Interseguro.

IFS effective tax rate increased, from 23.6% in 1Q17 to 26.7% in 1Q18, as a result of a higher effective tax rate at Interbank.

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	1Q17	4Q17	1Q18	%chg QoQ	%chg YoY
Interbank	194.5	273.4	246.2	-9.9%	26.6%
Interseguro	1.8	16.7	14.5	-13.1%	n.m.
Inteligo	48.8	40.9	40.3	-1.3%	-17.4%
Corporate and eliminations	-7.4	-43.8	-11.0	-74.8%	48.9%
IFS profit for the period	**237.7**	**287.1**	**290.0**	**1.0%**	**22.0%**

Interbank

SUMMARY

Interbank's profits reached S/ 246.2 million in 1Q18, a decrease of S/ 27.2 million QoQ, or 9.9%, but an increase of S/ 51.7 million YoY, or 26.6%. The quarterly reduction was mainly due to decreases of S/ 23.8 million in other income and S/ 6.3 million in fee income from financial services, in addition to a higher effective tax rate and an increase of S/ 8.5 million in other expenses. These factors were partially offset by a S/ 16.1 million reduction in loan loss provisions and a S/ 12.1 million growth in net interest and similar income.

The annual increase in net profit was supported by growths of S/ 45.1 million in net interest and similar income, S/ 3.1 million in other income and S/ 2.9 million in fee income from financial services, together with a reduction of S/ 52.9 million in provisions. These effects were partially offset by a lower translation result and an S/ 11.3 million increase in other expenses.

Interbank's ROAE was 20.7% in 1Q18, lower than the 22.7% registered in 4Q17 and the 18.3% reported in 1Q17.

Banking Segment's P&L Statement					
S/ million	1Q17	4Q17	1Q18	%chg QoQ	%chg YoY
Interest and similar income	815.0	852.6	843.6	-1.1%	3.5%
Interest and similar expenses	-258.8	-263.3	-242.4	-8.0%	-6.4%
Net interest and similar income	**556.2**	**589.2**	**601.3**	**2.0%**	**8.1%**
Provision for loan losses, net of recoveries	-225.4	-188.6	-172.5	-8.6%	-23.5%
Net interest and similar income after provision for loan losses	**330.7**	**400.6**	**428.8**	**7.0%**	**29.6%**
Fee income from financial services, net	203.3	212.5	206.2	-3.0%	1.4%
Other income	93.4	120.3	96.5	-19.8%	3.3%
Other expenses	-379.0	-381.8	-390.3	2.2%	3.0%
Income before translation result and income tax	**248.4**	**351.6**	**341.2**	**-3.0%**	**37.3%**
Translation result	14.6	2.3	1.1	n.m.	-92.5%
Income tax	-68.5	-80.5	-96.0	19.4%	40.3%
Profit for the period	**194.5**	**273.4**	**246.2**	**-9.9%**	**26.6%**
ROAE	**18.3%**	**22.7%**	**20.7%**		
Efficiency ratio	**43.3%**	**40.0%**	**41.8%**		
NIM	**5.6%**	**5.6%**	**5.5%**		
NIM on loans	**9.4%**	**9.5%**	**9.3%**		

INTEREST-EARNING ASSETS

Interbank's interest-earning assets reached S/ 43,085.8 million in 1Q18, a decrease of 2.2% QoQ, but an increase of 12.1% YoY.

The quarterly reduction in interest-earning assets was due to a decrease of 16.7% in cash and due from banks and inter-bank funds, partially offset by increases of 3.9% in investments and 2.4% in loans. The decrease in cash and due from banks and inter-bank funds was mainly explained by lower deposits at the Central Bank, while the increase in investments was due to higher balances of sovereign and global bonds.

The annual increase in interest-earning assets was attributed to growths of 37.4% in investments, 10.5% in cash and due from banks and inter-bank funds, and 8.0% in loans. The growth in investments was mainly explained by higher volumes of sovereign and global bonds, and Central Bank Certificates of Deposits (CDBCR). The increase in cash and due from banks and inter-bank funds was mainly due to higher reserve funds and deposits at the Central Bank, as well as higher inter-bank funds.

Interest-earning assets					
S/ million	1Q17	4Q17	1Q18	%chg QoQ	%chg YoY
Cash and due from banks and inter-bank funds	8,337.2	11,058.6	9,211.2	-16.7%	10.5%
Investments available for sale	4,619.5	6,110.0	6,349.4	3.9%	37.4%
Loans	25,489.4	26,869.7	27,525.1	2.4%	8.0%
Total Interest-earning assets	**38,446.1**	**44,038.3**	**43,085.8**	**-2.2%**	**12.1%**

Loan portfolio					
S/ million	1Q17	4Q17	1Q18	%chg QoQ	%chg YoY
Performing loans					
Retail	13,169.3	14,169.6	14,571.5	2.8%	10.6%
Commercial	12,244.8	12,624.3	12,885.5	2.1%	5.2%
Total Performing loans	**25,414.2**	**26,793.9**	**27,457.0**	**2.5%**	**8.0%**
Restructured and refinanced loans	293.1	273.4	266.8	-2.4%	-9.0%
Past due loans	726.8	794.7	781.6	-1.6%	7.5%
Total gross loans	**26,434.0**	**27,862.0**	**28,505.4**	**2.3%**	**7.8%**
Add (less)					
Accrued and deferred interest	247.1	223.4	217.9	-2.5%	-11.8%
Allowance for loan losses	-1,191.7	-1,215.7	-1,198.1	-1.4%	0.5%
Total direct loans, net	**25,489.4**	**26,869.7**	**27,525.1**	**2.4%**	**8.0%**

Performing loans grew 2.5% QoQ as a result of increases of 2.8% in retail loans and 2.1% in commercial loans.

Growth in retail loans was explained by increases of 4.7% in credit cards, 3.2% in other consumer loans and 1.3% in mortgages. The increase in other consumer loans was mainly explained by higher payroll loans, cash loans and car loans. Growth in mortgages was due to a higher dynamism in the traditional segment.

The QoQ increase in commercial loans was due to higher short and medium-term loans, mostly in the medium and small enterprise segments.

Performing loans grew 8.0% YoY due to increases of 10.6% in retail loans and 5.2% in commercial loans.

Retail loans grew YoY mainly due to increases of 13.5% in mortgages, 10.5% in other consumer loans and 7.0% in credit cards. The increase in mortgages was related to a higher dynamism in the traditional segment and to an acquired portfolio from Hipotecaria Sura Empresa Administradora Hipotecaria S.A. in 4Q17, worth S/ 229.3 million net of provisions. Excluding the effect of the acquisition, the annual increase in mortgages was 8.8%. Other consumer loans grew as a result of higher payroll loans, cash loans and car loans.

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

Breakdown of retail loans					
S/ million	1Q17	4Q17	1Q18	%chg QoQ	%chg YoY
Consumer loans:					
Credit cards	3,709.7	3,792.6	3,970.2	4.7%	7.0%
Other consumer	4,531.7	4,854.8	5,009.2	3.2%	10.5%
Total consumer loans	8,241.4	8,647.4	8,979.4	3.8%	9.0%
Mortgages	4,927.9	5,522.2	5,592.1	1.3%	13.5%
Total retail loans	13,169.3	14,169.6	14,571.5	2.8%	10.6%

FUNDING STRUCTURE

Funding structure					
S/ million	1Q17	4Q17	1Q18	%chg QoQ	%chg YoY
Deposits	24,956.6	30,559.3	29,154.8	-4.6%	16.8%
Due to banks and inter-bank funds	4,994.6	4,416.7	4,085.4	-7.5%	-18.2%
Bonds	4,486.2	4,537.2	5,164.0	13.8%	15.1%
Total	34,437.5	39,513.2	38,404.1	-2.8%	11.5%
% of funding					
Deposits	72.5%	77.3%	75.9%		
Due to banks and inter-bank funds	14.5%	11.2%	10.6%		
Bonds	13.0%	11.5%	13.5%		

Interbank's total funding base decreased 2.8% QoQ, slightly more than the reduction in interest-earning assets. The quarterly contraction was mainly due to reductions of 7.5% in due to banks and inter-bank funds and 4.6% in deposits, partially offset by a 13.8% increase in bonds. The reduction in due to banks and inter-bank funds was explained by lower short-term funding from abroad. The quarterly decrease in deposits was mainly due to a 21.5% reduction in institutional deposits. This was explained by the fact that, in 4Q17, institutional deposits were significantly higher as a result of the repatriation of capital stimulated by the Government. Finally, the QoQ growth in bonds was mainly due to the issuance of a senior bond in the international market for US$ 200 million in January 2018, due January 2023.

The bank's total funding base increased 11.5% YoY, below the annual growth in interest-earning assets, and was mainly explained by growths of 16.8% in deposits and 15.1% in bonds, partially offset by an 18.2% reduction in due to banks and inter-bank funds. The annual increase in deposits was explained by growths of 26.3% in commercial deposits, 15.1% in institutional deposits and 10.6% in retail deposits.

The YoY growth in bonds was mainly attributed to the senior bond issuance previously mentioned. It is worth noting that, in addition to the issuance of new debt for US$ 200 million, an exchange offer was executed for existing senior bonds due October 2020. As a result of this transaction, US$ 285 million were exchanged from 5.750% senior notes due 2020 to 3.375% senior notes due 2023.

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

As of 1Q18, the proportion of deposits to total funding was 75.9%, above the 72.5% reported in 1Q17. Likewise, the proportion of institutional deposits to total deposits was 17.9% in 1Q18, slightly lower than the 18.2% registered in 1Q17.

Breakdown of deposits					
S/ million	1Q17	4Q17	1Q18	%chg QoQ	%chg YoY
By customer service:					
Retail	11,550.2	12,709.2	12,768.9	0.5%	10.6%
Commercial	8,572.2	10,859.9	10,822.5	-0.3%	26.3%
Institutional	4,534.6	6,653.2	5,220.4	-21.5%	15.1%
Other	299.7	337.0	342.9	1.8%	14.4%
Total	**24,956.6**	**30,559.3**	**29,154.8**	**-4.6%**	**16.8%**
By type:					
Demand	6,862.5	9,370.1	9,099.6	-2.9%	32.6%
Savings	8,861.0	9,093.0	9,647.5	6.1%	8.9%
Time	9,219.9	12,090.3	10,394.0	-14.0%	12.7%
Other	13.1	5.8	13.6	133.5%	3.7%
Total	**24,956.6**	**30,559.3**	**29,154.8**	**-4.6%**	**16.8%**

NET INTEREST AND SIMILAR INCOME

Net interest and similar income					
S/ million	1Q17	4Q17	1Q18	%chg QoQ	%chg YoY
Interest and similar income	815.0	852.6	843.6	-1.1%	3.5%
Interest and similar expense	-258.8	-263.3	-242.4	-8.0%	-6.4%
Net interest and similar income	**556.2**	**589.2**	**601.3**	**2.0%**	**8.1%**
NIM*	**5.6%**	**5.6%**	**5.5%**	**-10 bps**	**-10 bps**

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

Interest and similar income					
S/ million	1Q17	4Q17	1Q18	%chg QoQ	%chg YoY
Interest and similar income					
Due from banks and inter-bank funds	4.9	8.4	10.4	23.5%	113.9%
Investments available for sale	44.4	50.2	52.3	4.2%	17.8%
Loans	765.7	793.9	780.9	-1.6%	2.0%
Total Interest and similar income	**815.0**	**852.6**	**843.6**	**-1.1%**	**3.5%**
Average interest-earning assets	39,671.2	42,179.5	43,562.6	3.3%	9.8%
Average yield on assets (annualized)	8.2%	8.1%	7.7%	-40 bps	-50 bps

Interest and similar expense					
S/ million				%chg	%chg
	1Q17	4Q17	1Q18	QoQ	YoY
Interest and similar expense					
Deposits and obligations	-127.6	-133.5	-130.8	-2.0%	2.5%
Due to banks and correspondents	-55.7	-54.1	-45.6	-15.8%	-18.1%
Bonds, notes and other obligations	-75.6	-75.7	-66.0	-12.9%	-12.7%
Total Interest and similar expense	**-258.8**	**-263.3**	**-242.4**	**-8.0%**	**-6.4%**
Average interest-bearing liabilities	35,763.1	37,845.0	38,958.7	2.9%	8.9%
Average cost of funding (annualized)	2.9%	2.8%	2.6%*	-20 bps	-30 bps

* Normalized from the effect of one-off differed interest. Including this effect average cost of funding was 2.5% in 1Q18

QoQ Performance

Net interest and similar income increased 2.0% QoQ as the result of an 8.0% decline in interest and similar expense, partially compensated by a 1.1% decrease in interest and similar income.

The lower interest and similar expense was due to reductions of 15.8% in interest on due to banks and correspondents, 12.9% in interest on bonds, notes and other obligations and 2.0% in interest on deposits and obligations.

The reduction in interest due to banks and correspondents was a result of a 16.4% lower average volume, while the nominal average cost remained relatively stable. The lower average volume was mostly attributed to reductions in funding provided by the Central Bank and from abroad. The nominal average cost remained stable as a higher nominal average cost in soles was compensated by a lower nominal average cost in dollars.

Interest on bonds, notes and other obligations decreased by S/ 9.7 million, or 12.9% QoQ, mainly explained by a lower nominal average cost, as a result of a bond exchange program executed in January 2018.

The lower interest on deposits and obligations was due to a 10 basis point decrease in the average cost, from 1.9% in 4Q17 to 1.8% in 1Q18, partially offset by a 5.9% increase in the average volume. The lower average cost was the result of a reduction in rates paid to institutional deposits, while growth in the average volume was explained by higher balances of commercial, institutional and retail deposits. By currency, average dollar deposits grew 6.2% while average soles deposits increased 5.7%.

The average cost of funds decreased by 20 basis points QoQ, from 2.8% in 4Q17 to 2.6% in 1Q18, as a consequence of the lower average costs of bonds, notes and other obligations, and deposits.

Interest and similar income decreased 1.1% due to a 1.6% reduction in interest on loans, partially offset by increases of 23.5% in interest due from banks and inter-bank funds and 4.2% in interest on investments available for sale.

The reduction in interest on loans was due to a 50 basis point decrease in the average yield, from 12.0% in 4Q17 to 11.5% in 1Q18, partially offset by a 2.5% growth in the average loan portfolio. The decrease in the average rate was mainly explained by lower yields on mortgages, credit cards and leasing operations. The higher average volume of loans was attributed to growths of 3.3% in retail loans and 1.7% in commercial loans. In the retail portfolio, the higher average volume was mainly due to increases of 3.9% in mortgages, 3.2% in credit cards and 2.8% in payroll loans. In the commercial portfolio, volumes increased 3.6% in trade finance loans and 2.2% in short and medium-term loans, partially compensated by a 3.4% reduction in leasing.

Interest due from banks and inter-bank funds grew by S/ 2.0 million, or 23.5%, explained by a 10 basis point increase in the nominal average rate and a 4.0% growth in the average volume. The increase in the nominal average rate was due to higher returns on deposits at the Central Bank, while growth in the average volume was explained by higher reserve requirements at the Central Bank.

Interest on investments available for sale increased by S/ 2.1 million, or 4.2%, mainly explained by a 5.5% growth in the average volume, while the average rate remained relatively stable. The increase in the average volume was a result of higher investments in global and sovereign bonds.

The nominal average yield on interest-earning assets declined by 40 basis points, from 8.1% in 4Q17 to 7.7% in 1Q18, as a result of lower rates on loans.

As a result of the above, net interest margin was 5.5% in 1Q18, 10 basis points below the 5.6% reported in 4Q17.

YoY Performance

Net interest and similar income grew 8.1% YoY due to a 3.5% growth in interest and similar income, in addition to a 6.4% decrease in interest and similar expense.

Growth in interest and similar income was mainly due to increases of 2.0% in interest on loans, 17.8% in interest on investments available for sale and a more than two-fold growth in interest due from banks and inter-bank funds.

The increase in interest on loans was due to a 7.0% increase in the average volume of loans, partially compensated by a 60 basis point contraction in the average yield, from 12.1% in 1Q17 to 11.5% in 1Q18. The higher average volume of loans was attributed to growths of 9.0% in retail loans and 5.0% in commercial loans. In the retail portfolio, the higher average volume was mainly due to increases of 13.4% in mortgages, 9.5% in other consumer loans and 2.6% in the average balance of credit cards. In the commercial portfolio, volumes increased 6.7% in trade finance loans and 5.8% in short and medium-term loans, partially compensated by a 2.6% contraction in leasing operations. On the other hand, the decrease in the average rate was mainly explained by lower yields on credit cards, payroll loans and trade finance loans.

Interest on investments available for sale increased by S/ 7.9 million YoY, or 17.8%, as a result of a 35.2% growth in the average volume, partially offset by a 50 basis point decrease in the nominal average rate. The growth in volume was a result of higher investments in sovereign and global bonds, and in CDBCR, while the lower rate was due to lower returns on CDBCR and sovereign bonds.

Interest due from banks and inter-bank funds grew by S/ 5.5 million, or 113.9%, explained by a 20 basis point increase in the nominal average rate and a 5.0% growth in the average volume. The increase in the nominal average rate was due to higher returns on reserve requirements and deposits at the Central Bank, while growth in the average volume was due to higher reserve requirements, inter-bank funds and deposits at the Central Bank.

The nominal average yield on interest-earning assets decreased by 50 basis points YoY, from 8.2% in 1Q17 to 7.7% in 1Q18, mainly explained by the lower yields on loans and on investments available for sale.

Interest and similar expense decreased 6.4% YoY due to reductions of 18.1% in interest due to banks and correspondents, and 12.7% in interest on bonds, notes and other obligations, partially offset by a 2.5% increase in interest on deposits and obligations.

The S/ 10.1 million, or 18.1% decrease in interest due to banks and correspondents was explained by a 19.7% reduction in the average volume, partially offset by a 10 basis point increase in the average cost. The decrease in average volume was mainly due to lower funding provided by the Central Bank and COFIDE, as well as by lower inter-bank funds; while the increase in the average rate was explained by higher average costs of funding from abroad and inter-bank funds.

Interest on bonds, notes and other obligations decreased by S/ 9.6 million, or 12.7% YoY, mainly explained by a lower nominal average cost, as a result of a bond exchange program executed in January 2018.

Interest on deposits and obligations increased by S/ 3.2 million, or 2.5%, explained by a 15.2% growth in the average volume, partially offset by a 20 basis point decrease in the nominal average cost. The higher average volume was explained by higher balances of institutional, retail and commercial deposits. By currency, average soles deposits grew 22.1% while average dollar deposits increased 6.2%. The decrease in the average cost was due to a 60 basis point decrease in rates paid to soles deposits, partially compensated by a 20 basis point increase in the cost of dollar deposits.

The average cost of funds decreased by 30 basis points, from 2.9% in 1Q17 to 2.6% in 1Q18. This was the result of the lower costs of bonds and deposits, as well as a higher proportion of deposits to total funding, since they contribute with a lower average cost than the rest of the sources of funding.

As a result of the above, net interest margin declined by 10 basis points YoY, from 5.6% in 1Q17 to 5.5% in 1Q18.

PROVISION FOR LOAN LOSSES, NET OF RECOVERIES

Provision for loan losses, net of recoveries decreased 8.6% QoQ and 23.5% YoY. The quarterly decrease in provision expenses was mainly a result of lower provision requirements in credit cards and corporate loans.

The annual decrease in provisions was mainly a result of lower provision requirements in credit cards and corporate loans, as well as higher provision recoveries in consumer loans. These effects were partially offset by higher provisions in small enterprise loans.

As a result of the above, the annualized ratio of provision expense to average loans was 2.5% in 1Q18, below the 2.7% reported in 4Q17 and the 3.4% registered in 1Q17. It is worth mentioning that cost of risk in credit cards significantly decreased by 320 bps QoQ.

Provision for loan losses, net of recoveries					
S/ million	1Q17	4Q17	1Q18	%chg QoQ	%chg YoY
Provision for loan losses, net of recoveries	-225.4	-188.6	-172.5	-8.6%	-23.5%
Provision for loan losses/average gross loans	3.4%	2.7%	2.5%	-20 bps	-90 bps
NPL ratio (at end of period)*	3.2%	3.2%	3.2%	0 bps	0 bps
NPL coverage ratio (at end of period)	124.2%	118.4%	130.8%	n.m.	n.m.
Allowance for loan losses (at end of period)	1,191.7	1,215.7	1,198.1	-1.4%	0.5%

*NPL ratio: Exposure under Stage 3 and refinanced loans / Total exposure (IFRS 9)

The NPL ratio remained stable QoQ and YoY, at 3.2% in 1Q18, as higher NPLs in commercial loans were offset by lower NPLs in retail loans. Additionally, the NPL coverage ratio was 130.8% in 1Q18, higher than the 118.4% reported in 4Q17 and the 124.2% registered in 1Q17, as a consequence of the one-off constitution of allowances for credit exposures.

FEE INCOME FROM FINANCIAL SERVICES, NET

Net fee income from financial services decreased by S/ 6.3 million QoQ, or 3.0%, mainly explained by reductions of S/ 1.4 million in commissions from credit card services, S/ 1.3 million in fees for indirect loans and S/ 1.1 million in fees from maintenance and mailing of accounts, interchange fees, transfers and debit card services, in addition to a S/ 6.6 million increase in other expenses.

Net fee income from financial services increased by S/ 2.9 million YoY, or 1.4%, mainly due to growths of S/ 3.1 million in commissions from credit card services, S/ 2.2 million in fees from funds management, and S/ 1.5 million in fees for indirect loans.

Fee income from financial services, net					
S/ million	1Q17	4Q17	1Q18	%chg QoQ	%chg YoY
Income					
Commissions from credit card services	97.0	101.5	100.1	-1.3%	3.2%
Maintenance and mailing of accounts, interchange fees, transfers and debit card services	46.7	48.7	47.6	-2.3%	1.9%
Commissions from banking services	76.9	72.4	76.0	4.9%	-1.2%
Fees for indirect loans	13.7	16.5	15.2	-7.4%	11.4%
Funds management	8.0	10.0	10.2	1.4%	27.6%
Collection services	8.0	8.3	8.5	2.3%	5.2%
Other	6.5	7.9	7.5	-4.6%	16.8%
Total income	**256.8**	**265.3**	**265.1**	**-0.1%**	**3.2%**
Expenses					
Insurance	-40.0	-42.3	-41.8	-1.1%	4.5%
Fees paid to foreign banks	-2.5	-2.8	-2.8	0.4%	10.7%
Other	-10.9	-7.7	-14.3	84.5%	30.5%
Total expenses	**-53.5**	**-52.8**	**-58.9**	**11.5%**	**10.1%**
Fee income from financial services, net	**203.3**	**212.5**	**206.2**	**-3.0%**	**1.4%**

OTHER INCOME

Other income decreased by S/ 23.8 million QoQ mainly due to a S/ 19.0 million reduction in net gain on sale of securities, partially offset by a S/ 8.9 million increase in net gain on foreign exchange transactions and derivatives.

It is worth noting that income from sale of securities increased considerably under the prevailing IAS 39 accounting standards in 4Q17, due to the sale of part of an equity investment. The sale of another portion of such equity investment in 1Q18 was accounted under IFRS 9 standards, with effect on retained earnings instead.

On the other hand, other income increased by S/ 3.1 million YoY, mainly due to increases of S/ 10.6 million in net gain on foreign exchange transactions and derivatives, and S/ 2.5 million in net gain on sale of securities.

Other income					
S/ million	1Q17	4Q17	1Q18	%chg QoQ	%chg YoY
Net gain on foreign exchange transactions and derivatives	51.0	52.7	61.6	16.9%	20.7%
Net gain on sale of securities	9.4	30.9	11.9	-61.4%	27.1%
Other	32.9	36.7	22.9	-37.5%	-30.4%
Total other income	**93.4**	**120.3**	**96.5**	**-19.8%**	**3.3%**

OTHER EXPENSES

Other expenses increased by S/ 8.5 million QoQ, or 2.2%, and by S/ 11.3 million YoY, or 3.0%. The quarterly growth was mainly due to a 2.7% increase in salaries and employee benefits, as well as 2.3% higher administrative expenses.

The annual growth in other expenses was mainly explained by increases of 12.1% in depreciation and amortization, 1.6% in salaries and employee benefits, and 1.3% in administrative expenses.

The efficiency ratio was 41.8% in 1Q18, higher than the 40.0% achieved in 4Q17, but below the 43.3% registered in 1Q17.

Other expenses					
S/ million	1Q17	4Q17	1Q18	%chg QoQ	%chg YoY
Salaries and employee benefits	-151.0	-149.4	-153.4	2.7%	1.6%
Administrative expenses	-187.4	-185.6	-189.8	2.3%	1.3%
Depreciation and amortization	-30.5	-33.9	-34.2	0.9%	12.1%
Other	-10.1	-13.1	-12.9	-1.5%	26.7%
Total other expenses	**-379.0**	**-381.8**	**-390.3**	**2.2%**	**3.0%**
Efficiency ratio	**43.3%**	**40.0%**	**41.8%**	**180 bps**	**-150 bps**

REGULATORY CAPITAL

The ratio of regulatory capital to risk-weighted assets (RWA) was 17.5% in 1Q18, above the 16.1% registered in 4Q17 and the 17.1% reported in 1Q17.

As of 1Q18, regulatory capital increased 13.7% QoQ, while RWA grew 4.3% mainly due to higher capital requirements for credit and operational risks.

The annual increase in the capital ratio was due to a 13.8% growth in regulatory capital, partially offset by an 11.1% increase in RWA. The YoY increase in regulatory capital was mainly a result of the addition of S/ 580.7 million in capital, reserves and earnings with capitalization agreement during the last twelve months; while the increase in RWA was mostly attributed to growths in the loan and investment portfolios.

It is worth mentioning that the SBS has initiated the implementation of an additional set of Basel III standards, in effect between 2017 and 2026. Among these, it stands out that there will be an annual 10% phase out of existing Tier I instruments, yet allowing its eligibility as Tier II capital. This is why, despite the annual increase in capital and reserves, S/ 68.3 million of the US$ 200.0 million junior subordinated bonds issued in April 2010 no longer count as primary capital. As of 1Q18, 79.1% of this issue was considered as primary capital, below the percentage registered in 4Q17.

As of 1Q18, Interbank's capital ratio of 17.5% was widely above its risk-adjusted minimum capital ratio requirement, established at 11.9%. The minimum regulatory capital ratio requirement was 10.0%, while the additional capital requirement for Interbank was 1.9% as of 1Q18.

Regulatory capital

S/ million	1Q17	4Q17	1Q18	%chg QoQ	%chg YoY
Tier I capital	4,232.9	4,250.4	4,903.7	15.4%	15.8%
Tier II capital	1,826.3	1,815.9	1,990.9	9.6%	9.0%
Total regulatory capital	6,059.2	6,066.3	6,894.6	13.7%	13.8%
Risk-weighted assets	35,443.1	37,745.5	39,359.9	4.3%	11.1%
BIS ratio	**17.1%**	**16.1%**	**17.5%**	**140 bps**	**40 bps**
Tier I capital / risk-weighted assets	**11.9%**	**11.3%**	**12.5%**	**120 bps**	**60 bps**

Interseguro

SUMMARY

Interseguro's result attributable to shareholders in 1Q18 was S/ 14.5 million, which compares to S/ 16.7 million in 4Q17 and S/ 3.8 million in 1Q17.

The QoQ decline in bottom-line results was mainly explained by decreases of S/ 26.2 million in total premiums earned less claims and benefits, S/ 14.7 million in net gain on sale of securities and S/ 12.0 million in net gain on valuation of real estate investments (other income), partially offset by an increase of S/ 45.6 million in net interest and similar income and reductions of S/ 5.0 million in administrative expenses (other expenses) and S/ 4.2 million in depreciation and amortization (other expenses).

The YoY improvement in bottom-line results was mainly due to a S/ 58.1 million increase in net interest and similar income, partially offset by decreases of S/ 32.8 in total premiums earned less claims and benefits, S/ 7.4 million in translation result and S/ 2.0 million in attributable to non-controlling interest along with an increase of S/ 3.9 million in other expenses.

In addition, the QoQ decrease was also explained by IFRS 9 mark-to-market adjustment in results from investments, which decreased earnings by S/ 5.2 million. Without such adjustment, net profit would have been S/ 19.7 million in 1Q18.

Insurance Segment's P&L Statement					
S/ million	1Q17	4Q17	1Q18	%chg QoQ	%chg YoY
Interest and similar income	88.6	109.4	157.6	44.0%	77.8%
Interest and similar expenses	-2.8	-11.1	-13.7	23.5%	n.m.
Net Interest and similar income	**85.8**	**98.3**	**143.9**	**46.4%**	**67.6%**
Fee income from financial services, net	-1.2	-1.1	-1.7	57.8%	36.9%
Other income	11.8	40.8	11.8	-71.1%	0.4%
Total premiums earned less claims and benefits	-46.1	-52.7	-78.9	49.5%	71.1%
Net premiums	115.4	116.6	138.9	19.1%	20.4%
Adjustment of technical reserves	-77.5	-22.6	-42.6	88.3%	-45.1%
Net claims and benefits incurred	-83.9	-146.7	-175.1	19.4%	108.7%
Other expenses	-57.8	-69.1	-61.7	-10.7%	6.7%
Income before translation result and income tax	**-7.5**	**16.3**	**13.5**	**-17.3%**	**n.m.**
Translation result	8.4	0.4	1.0	190.8%	-87.9%
Income tax	0.9	0.0	-	n.m.	n.m.
Profit for the period	**1.8**	**16.7**	**14.5**	**-13.1%**	**n.m.**
Attributable to non-controlling interest(1)	2.0	0.0	-	n.m.	n.m.
Profit attributable to shareholders	**3.8**	**16.7**	**14.5**	**-13.3%**	**283.1%**
ROAE	**1.4%**	**8.2%**	**5.5%**		
Efficiency ratio(2)	**17.3%**	**15.8%**	**11.0%**		
Normalized Efficiency ratio(3)	**17.3%**	**17.6%**	**10.8%**		

(1) During the period 4Q14-3Q17, Interseguro consolidated a real estate investment shared by Interseguro and Intercorp Real Estate Inc., a subsidiary of Intercorp Peru Ltd. Intercorp RE's part was then reported as attributable to non-controlling interest.
(2) Efficiency ratio is defined as (Salaries and employee benefits + Administrative expenses + Depreciation and amortization) / (Net interest and similar income + Fee income + Other income + Net premiums earned).
(3) Excluding non-recurring items.

RESULT FROM INVESTMENTS

Results from Investments [1]					
S/ million	1Q17	4Q17	1Q18	%chg QoQ	%chg YoY
Interest and similar income	88.6	109.4	157.6	44.0%	77.8%
Interest and similar expenses	-2.8	-2.8	-3.0	7.6%	6.5%
Net interest and similar income	**85.8**	**106.7**	**154.7**	**45.0%**	**80.1%**
Fee income from financial services, net	-0.6	-0.6	-1.2	120.3%	94.0%
Net gain on sale of securities	11.1	16.8	2.1	-87.5%	-81.1%
Net trading loss (income)	2.8	3.0	2.9	-4.9%	1.0%
Rental income	6.0	8.5	6.7	-20.8%	11.7%
Profit from sale of investment property	-	-	-	n.m.	n.m.
Valuation gain from investment property	-11.2	6.9	-3.5	n.m.	-68.3%
Other[1]	0.4	1.5	1.0	-33.6%	136.0%
Other income	**8.5**	**36.1**	**7.9**	**-78.1%**	**-7.3%**
Expenses related to rental income	-0.4	-0.1	-0.0	-30.8%	-90.1%
Other[1]	-7.0	-3.8	-2.5	-34.9%	-64.2%
Expenses	**-7.4**	**-3.9**	**-2.5**	**-34.8%**	**-65.7%**
Results from investments	**87.0**	**138.9**	**160.0**	**15.2%**	**84.0%**

(1) Only includes transactions related to investments.

NET INTEREST AND SIMILAR INCOME

Net interest and similar income related to investments was S/ 154.7 million in 1Q18, an increase of S/ 48.0 million or 45.0% QoQ and S/ 68.9 million or 80.1% YoY.

The QoQ and YoY growth was mainly explained by increases in interest and similar income as a result of a higher volume of assets due to the merger with Seguros Sura.

OTHER INCOME

Other income was S/ 11.8 million in 1Q18, compared to S/ 40.8 million in 4Q17 and S/ 11.8 million in 1Q17.

The quarterly decrease in other income was explained by reductions of S/ 14.7 million in net gain on sale of securities and S/ 12.0 million in net gain on valuation of real estate investments. These factors were partially offset by a S/ 1.6 million increase in net gain on sale of real estate investments.

Other income remained stable YoY as a lower net gain on sale of securities was offset by higher net gain on valuation of real estate investments and net gain on sale of real estate investments.

TOTAL PREMIUMS EARNED LESS CLAIMS AND BENEFITS

Total Premiums Earned Less Claims And Benefits					
S/ million	1Q17	4Q17	1Q18	%chg QoQ	%chg YoY
Net premiums	115.4	116.6	138.9	19.1%	20.4%
Adjustment of technical reserves	-77.5	-22.6	-42.6	88.3%	-45.1%
Net claims and benefits incurred	-83.9	-146.7	-175.1	19.4%	108.7%
Total premiums earned less claims and benefits	**-46.1**	**-52.7**	**-78.9**	**49.5%**	**71.1%**

Total premiums earned less claims and benefits in 1Q18 was S/ -78.9 million, which represented decreases of S/ 26.2 million QoQ and S/ 32.8 million YoY.

The QoQ reduction was mainly due to increases of S/ 28.4 million in net claims and benefits incurred and S/ 20.0 million in adjustment of technical reserves, partially offset by an increase of S/ 22.3 million in net premiums.

The YoY decrease was mainly explained by a S/ 91.2 million increase in net claims and benefits incurred, partially offset by a S/ 34.9 million decrease in adjustment of technical reserves and a S/ 23.5 million increase in net premiums.

Both performances were mainly explained by higher annuity claims due to the merger with Seguros Sura, partially offset by higher technical margins in individual life, also associated with the acquisition of Seguros Sura's portfolio.

NET PREMIUMS

Net Premiums by Business Line					
S/ million	1Q17	4Q17	1Q18	%chg QoQ	%chg YoY
Annuities	51.8	58.2	48.0	-17.5%	-7.3%
D&S	0.6	8.8	12.9	46.3%	n.m.
Individual Life	12.7	1.2	31.1	n.m.	145.7%
Retail Insurance	50.4	48.4	46.9	-3.2%	-6.9%
Net Premiums	**115.4**	**116.6**	**138.9**	**19.1%**	**20.4%**

Net premiums were S/ 138.9 million in 1Q18, which represented increases of S/ 22.3 million QoQ and S/ 23.5 million YoY.

The QoQ growth was mainly explained by increases of S/ 29.9 million in individual life and S/ 4.2 million in disability and survivorship, partially offset by decreases of S/ 10.2 million in annuities and S/ 1.5 million in retail insurance.

The annual growth was mainly related to increases of S/ 18.4 million in individual life and S/ 12.3 million in disability and survivorship, partially offset by decreases of S/ 3.8 million in annuities and S/ 3.5 million in retail insurance.

It is worth noting that, in 4Q17, Seguros Sura's individual life premiums were adjusted by S/ -22.0 million due to the adoption of Interseguro's cash based accounting policy.

ADJUSTMENT OF TECHNICAL RESERVES

Adjustment of Technical Reserves by Business Line					
S/ million	1Q17	4Q17	1Q18	%chg QoQ	%chg YoY
Annuities	-68.3	-37.5	-29.8	-20.6%	-56.4%
D&S	-	-	-	n.m.	n.m.
Individual Life	-8.3	13.5	-12.2	n.m.	47.6%
Retail Insurance	-1.0	1.4	-0.6	n.m.	-39.1%
Normalized Adjustment of technical reserves	-77.5	-22.6	-42.6	88.3%	-45.1%

Interseguro's adjustment of technical reserves was S/ -42.6 million in 1Q18, which represented a decrease of S/ 20.0 million QoQ and an increase of S/ 34.9 million YoY.

The QoQ reduction was mainly due to decreases of S/ 25.7 million in individual life (Seguros Sura's individual life premiums were adjusted by S/ -22.0 million due to the adoption of Interseguro's cash based accounting policy) and S/ 2.0 million in retail insurance, partially offset by an increase of S/ 7.7 million in annuities.

The YoY increase was mainly due to growths of S/ 38.5 million in annuities and S/ 0.4 million in retail insurance, partially offset by a S/ 3.9 million decrease in individual life.

NET CLAIMS AND BENEFITS INCURRED

Net Claims and Benefits Incurred by Business Line					
S/ million	1Q17	4Q17	1Q18	%chg QoQ	%chg YoY
Annuities	-70.2	-124.3	-146.1	17.5%	108.0%
D&S	-	-5.5	-10.8	95.3%	n.m.
Individual Life	-0.5	-1.7	-1.3	-24.3%	177.8%
Retail Insurance	-13.2	-15.2	-17.0	11.6%	28.6%
Net claims and benefits incurred	-83.9	-146.7	-175.1	19.4%	108.7%

Net claims and benefits incurred were S/ 175.1 million in 1Q18, which represented increases of S/ 28.4 million QoQ and S/ 91.2 million YoY.

The QoQ increase was mainly due to higher claims and benefits of S/ 21.8 million in annuities, S/ 5.3 million in disability and survivorship and S/ 1.8 million in retail insurance, partially offset by a decrease of S/ 0.4 million in individual life.

The YoY growth in claims and benefits incurred was explained by increases of S/ 75.9 million in annuities, S/ 10.8 million in disability and survivorship, S/ 3.8 million in retail insurance and S/ 0.8 million in individual life.

Pensions increased YoY mainly attributed to the merger with Seguros Sura, which doubled Interseguro's annuities portfolio.

OTHER EXPENSES

Other Expenses					
S/ million				%chg	%chg
	1Q17	4Q17	1Q18	QoQ	YoY
Salaries and employee benefits	-14.6	-17.4	-17.3	-0.8%	17.9%
Administrative expenses	-7.5	-12.9	-7.9	-38.8%	5.0%
Depreciation and amortization	-1.1	-6.4	-2.2	-65.0%	112.7%
Expenses related to rental income	-0.4	-0.1	-0.0	-30.8%	-90.1%
Other	-34.1	-32.2	-34.2	6.1%	0.2%
Other expenses	**-57.8**	**-69.1**	**-61.7**	**-10.7%**	**6.7%**

Other expenses were S/ 61.7 million in 1Q18, a decrease of S/ 7.4 million QoQ and an increase of S/ 3.9 million YoY.

The QoQ decrease in other expenses was mainly attributed to decreases of S/ 5.0 million in administrative expenses and S/ 4.2 million in depreciation and amortization, partially offset by a S/ 2.0 million increase in other expenses.

The YoY increase in other expenses was mainly due to increases of S/ 2.7 million in salaries and employee benefits, S/ 1.1 million in depreciation and amortization and S/ 0.4 million in administrative expenses, partially offset by a S/ 0.4 million decrease in expenses related to rental income.

Inteligo

SUMMARY

Inteligo's net profit in 1Q18 was S/ 40.3 million, a S/ 0.6 million or 1.3% decrease QoQ and an S/ 8.5 million or 17.4% decrease YoY. The quarterly performance was attributed to a 98.0% decrease in other income, partially compensated by lower other expenses, and by increases in net interest and similar income and in net fee income from financial services.

Assets under Management (AuMs) plus client deposits reached S/ 13,998.7 million in 1Q18, lower by S/ 237.1 million or 1.7% when compared to the previous quarter and lower by S/ 783.8 million or 5.3% when compared to 1Q17.

Inteligo's annualized ROAE for 1Q18 was 22.3%, lower than the 23.2% reported in 4Q17 and the 28.2% registered in 1Q17.

Wealth Management Segment's P&L Statement					
S/ million	1Q17	4Q17	1Q18	%chg QoQ	%chg YoY
Interest and similar income	39.7	35.0	33.2	-5.2%	-16.4%
Interest and similar expenses	-13.9	-12.4	-9.1	-26.3%	-34.3%
Net interest and similar income	**25.8**	**22.6**	**24.0**	**6.4%**	**-6.7%**
Provision for loan losses, net of recoveries	2.7	-0.1	0.4	n.m.	-85.9%
Net interest and similar income after provision for loan losses	**28.5**	**22.5**	**24.4**	**8.7%**	**-14.2%**
Fee income from financial services, net	29.0	31.0	33.0	6.5%	13.6%
Other income	10.3	26.9	0.5	-98.0%	-94.9%
Other expenses	-19.1	-40.0	-18.2	-54.5%	-4.9%
Income before translation result and income tax	**48.6**	**40.4**	**39.8**	**-1.5%**	**-18.3%**
Translation result	0.0	0.4	0.5	34.6%	n.m.
Income tax	0.1	0.1	0.0	n.m.	n.m.
Profit for the period	**48.8**	**40.9**	**40.3**	**-1.3%**	**-17.4%**
ROAE	**28.2%**	**23.2%**	**22.3%**		
Efficiency ratio	**29.2%**	**32.6%**	**35.4%**		

ASSETS UNDER MANAGEMENT & DEPOSITS

AuMs reached S/ 11,831.5 million in 1Q18, a S/ 151.0 million or 1.3% decrease QoQ and a S/ 57.8 million or 0.5% growth YoY.

Client deposits reached S/ 2,167.2 million in 1Q18, an S/ 86.1 million or 3.8% decrease QoQ and an S/ 841.6 million or 28.0% reduction YoY, mainly related to lower back-to-back loans.

NET INTEREST AND SIMILAR INCOME

Inteligo's net interest and similar income in 1Q18 was S/ 24.0 million, a S/ 1.4 million or 6.4% increase when compared with 4Q17. Net interest and similar income decreased by S/ 1.8 million or 6.7% when compared to the same period in the previous year.

Interest and similar income decreased by S/ 1.8 million or 5.2% QoQ and by S/ 6.5 million or 16.4% YoY, mainly as a result of lower income from Inteligo's loan portfolio.

Interest and similar expenses decreased by S/ 3.3 million or 26.3% QoQ and by S/ 4.8 million or 34.3% YoY due to lower expenses related to deposits and obligations.

Net interest and similar income					
S/ million	1Q17	4Q17	1Q18	%chg QoQ	%chg YoY
Interest and similar income					
Due from banks and inter-bank funds	1.1	1.0	0.8	-12.0%	-20.1%
Investments available for sale	18.2	15.1	15.9	5.5%	-12.6%
Loans	20.4	18.9	16.4	-13.4%	-19.5%
Total interest and similar income	**39.7**	**35.0**	**33.2**	**-5.2%**	**-16.4%**
Interest and similar expenses					
Deposits and obligations	-13.7	-12.4	-8.6	-30.6%	-37.0%
Due to banks and correspondents	-0.2	0.0	-0.5	n.m.	n.m.
Total interest and similar expenses	**-13.9**	**-12.4**	**-9.1**	**-26.3%**	**-34.3%**
Net interest and similar income	**25.8**	**22.6**	**24.0**	**6.4%**	**-6.7%**

FEE INCOME FROM FINANCIAL SERVICES

Fee income from financial services, net					
S/ million	1Q17	4Q17	1Q18	%chg QoQ	%chg YoY
Income					
Brokerage and custody services	3.6	6.2	6.0	-4.0%	65.1%
Funds management	26.3	26.4	28.1	6.3%	6.7%
Total income	**29.9**	**32.6**	**34.0**	**4.3%**	**13.7%**
Expenses					
Brokerage and custody services	-0.8	-1.6	-1.0	-40.1%	16.8%
Others	-0.1	0.0	-0.1	n.m.	0.0%
Total expenses	**-0.9**	**-1.7**	**-1.0**	**-37.1%**	**17.0%**
Fee income from financial services, net	**29.0**	**31.0**	**33.0**	**6.5%**	**13.6%**

Fee income from financial services was S/ 34.0 million in 1Q18, an increase of S/ 1.4 million or 4.3% QoQ, due to higher income from funds management, partially offset by lower income from brokerage and custody services.

Expenses related to fee income from financial services reached S/ 1.0 million in 1Q18, a decrease of S/ 0.7 million QoQ.

As a result of the above, net fee income from financial services was S/ 33.0 million in 1Q18, an increase of S/ 2.0 million or 6.5% when compared to the previous quarter.

When compared with 1Q17, net fee income from financial services increased by S/ 4.0 million or 13.6% YoY in 1Q18. The result was mainly attributable to a S/ 1.8 million increase in funds management income and a S/ 2.4 increase in brokerage and custody services income.

OTHER INCOME

Other income					
S/ million	1Q17	4Q17	1Q18	%chg QoQ	%chg YoY
Net gain on sale of securities	9.7	28.8	11.2	-60.9%	16.1%
Net trading gain (loss)	1.2	-0.4	-7.6	n.m.	n.m.
Other	-0.6	-1.4	-3.1	n.m.	n.m.
Total other income	10.3	26.9	0.5	-98.0%	-94.9%

Inteligo's other income reached S/ 0.5 million in 1Q18, a S/ 26.4 million or 98.0% decrease QoQ, mainly explained by a S/ 17.6 million or 60.9% decrease in net gain on sale of securities and a higher loss in net trading attributable to the implementation of IFRS 9.

Other income decreased by S/ 9.8 million when compared to 1Q17. This was mainly attributable to an S/ 8.8 million contraction YoY in net trading gain due to IFRS 9 implementation.

OTHER EXPENSES

Other expenses					
S/ million	1Q17	4Q17	1Q18	%chg QoQ	%chg YoY
Salaries and employee benefits	-11.2	-14.9	-11.6	-21.7%	4.3%
Administrative expenses	-6.0	-9.3	-6.6	-28.6%	10.3%
Depreciation and amortization	-1.8	-2.1	-2.1	0.0%	16.9%
Impairment loss on available for sale investments	0.0	-11.8	2.3	n.m.	n.m.
Other	-0.1	-2.0	-0.1	-96.2%	0.0%
Total other expenses	-19.1	-40.0	-18.2	-54.5%	-4.9%
Efficiency ratio	29.2%	32.6%	35.4%		

Inteligo's other expenses in 1Q18 decreased by S/ 21.8 million or 54.5% when compared to 4Q17. The result was mainly due to an adjustment in impairment loss on available for sale investments in 1Q18 and a S/ 3.3 million or 21.7% decrease in salaries and employee benefits.

Other expenses reached S/ 18.2 million in 1Q18, a decrease of S/ 0.9 million or 4.9% YoY. The result was mainly explained by the previously mentioned adjustment in impairment loss, partially compensated by higher salaries and employee benefits, and higher administrative expenses when compared to the same period in the previous year.