Intercorp Financial Services Inc.
Second Quarter 2018 Earnings

Lima, Peru, August 8, 2018. Intercorp Financial Services Inc. (Bolsa de Valores de Lima: IFS) announced today its unaudited results for the second quarter 2018. These results are reported on a consolidated basis under IFRS in nominal Peruvian soles.

Intercorp Financial Services

- 43% YoY growth in recurring earnings and 21% ROAE

Interbank

- Record earnings of S/ 289 million in 2Q18
- Loan growth accelerated to 14% YoY, supported by a 15% YoY growth in credit cards

Interseguro

- 22% QoQ growth in gross premiums plus collections
- 15% ROAE, excluding one-time adjustment of S/ -145 MM due to the adoption of new mortality tables

Inteligo

- Strong profitability with 27% ROAE
- AUMs resumed growth

MAIN ACCOUNTING CHANGES IN 2Q18

IFS implemented two accounting changes in 2Q18 aimed to reflect correctly our Insurance Segment's results under international accounting standards. The application of these changes does not require a restatement of results previously reported.

First, the application of a proper discount rate for the calculation of technical reserves on the mismatched portion of annuity obligations had a positive impact of S/ 7 million in IFS' results, as well as of S/ 519 million in equity. This new rate consists of a risk free rate plus an iliquidity premium, as opposed to the risk-adjusted portfolio rate plus a 3% fixed rate previously used.

The second change consisted in the adoption of Peruvian mortality tables published in March 2018 by the Peruvian regulatory entity, in replacement of the Chilean mortality tables formerly employed, which dated from 2009. This change had a negative effect of S/ 145 million in both results and equity in 2Q18. The adoption has been implemented in full starting 2Q18 for IFRS accounting purposes, as opposed to the gradual 10-year implementation permitted by the regulator under local GAAP accounting standards.

SUMMARY

Intercorp Financial Services' Statement of financial position

S/ million	30.06.2017 (IAS 39)	31.03.2018 (IFRS 9)	30.06.2018 (IFRS 9)	%chg 30.06.18/ 31.03.18
Assets				
Cash and due from banks and inter-bank funds	9,975.3	9,795.7	7,941.3	-18.9%
Total investments	10,392.2	18,030.8	17,784.3	-1.4%
Loans, net of unearned income	28,519.3	30,021.7	31,596.6	5.2%
Allowance for loan losses	-1,223.3	-1,198.6	-1,216.2	1.5%
Property, furniture and equipment, net	580.5	597.5	598.0	0.1%
Other assets	2,395.1	3,468.6	3,439.6	-0.8%
Total assets	**50,639.1**	**60,715.7**	**60,143.7**	**-0.9%**
Liabilities and equity				
Deposits and obligations	28,628.8	31,220.4	30,910.2	-1.0%
Due to banks and correspondents	5,568.4	4,270.9	4,592.9	7.5%
Bonds, notes and other obligations	4,656.3	6,240.2	6,306.7	1.1%
Insurance contract liabilities	5,314.5	10,577.3	9,955.3	-5.9%
Other liabilities	1,327.8	2,013.7	1,877.9	-6.7%
Total liabilities	**45,495.8**	**54,322.5**	**53,643.0**	**-1.3%**
Equity				
Equity holders of IFS	5,027.6	6,358.7	6,464.1	1.7%
Non-controlling interest	115.7	34.6	36.6	6.0%
Total equity	**5,143.3**	**6,393.3**	**6,500.7**	**1.7%**
Total liabilities and equity	**50,639.1**	**60,715.7**	**60,143.7**	**-0.9%**

Intercorp Financial Services' net profit was S/ 204.9 million in 2Q18, a decrease of 29.3% QoQ and 16.1% YoY. IFS annualized ROAE was 12.7% in 2Q18, below the 19.1% registered in 1Q18 and the 18.6% reported in 2Q17.

When normalizing from the adjustment of technical reserves due to the adoption of new mortality tables at Interseguro, IFS' profits reached S/ 349.7 million, an increase of 20.6% QoQ and 43.2% YoY. Accordingly, normalized ROAE was 21.5% in 2Q18.

Intercorp Financial Services' P&L statement					
S/ million	2Q17	1Q18	2Q18	%chg QoQ	%chg YoY
Interest and similar income	919.3	1,036.3	1,070.2	3.3%	16.4%
Interest and similar expense	-277.2	-266.9	-286.0	7.2%	3.2%
Net interest and similar income	**642.1**	**769.4**	**784.2**	**1.9%**	**22.1%**
Provision for loan losses, net of recoveries	-214.3	-172.9	-112.6	-34.9%	-47.5%
Net interest and similar income after provision for loan losses	**427.8**	**596.5**	**671.6**	**12.6%**	**57.0%**
Fee income from financial services, net	205.0	220.9	224.8	1.8%	9.7%
Other income	130.5	97.8	73.1	-25.2%	-44.0%
Total premiums earned less claims and benefits	-13.8	-78.9	-186.2	136.1%	n.m.
Net Premiums	117.2	138.9	160.5	15.6%	36.9%
Adjustment of technical reserves	-43.0	-42.6	-163.7	284.3%	280.7%
Net claims and benefits incurred	-88.0	-175.1	-183.1	4.6%	108.1%
Other expenses	-428.3	-446.0	-453.8	1.8%	6.0%
Income before translation result and income tax	**321.3**	**390.4**	**329.5**	**-15.6%**	**2.6%**
Translation result	-2.3	5.1	-12.0	n.m.	n.m.
Income tax	-74.9	-105.5	-112.6	6.7%	50.4%
Profit for the period	**244.1**	**290.0**	**204.9**	**-29.3%**	**-16.1%**
Attributable to equity holders of the group(1)	**244.5**	**288.2**	**203.1**	**-29.5%**	**-16.9%**
EPS	**2.29**	**2.64**	**1.83**		
ROAE	**18.6%**	**19.1%**	**12.7%**		
ROAA	**2.0%**	**1.9%**	**1.4%**		

(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 declined 29.3% QoQ mainly as a result of a one-time S/ 144.8 million adjustment of technical reserves due to the adoption of new mortality tables at the insurance business, as well as a reduction in other income, in addition to a higher effective tax rate. These effects were partially offset by increases in net interest and similar income, and in fee income from financial services, together with a significant reduction in provisions.

Net interest and similar income increased 1.9% QoQ, mainly due to higher interest on loans at Interbank, as well as higher interest on investments available for sale at Interbank and at Inteligo.

Provision expenses decreased 34.9% mainly due to a release of provisions in corporate loans at Interbank, related to the bank's exposure to the construction sector.

Net fee income from financial services slightly increased 1.8% QoQ, mainly explained by higher commissions from credit card services and lower expenses related to the sale of insurance at Interbank.

Other income decreased 25.2% QoQ mainly due to reductions in net gain on sale of securities at Interbank and in net trading income (loss) at Interseguro, partially offset by a higher net trading result at Inteligo.

Total premiums earned less claims and benefits in 2Q18 was S/ -186.2 million, a decrease of S/ 107.3 million QoQ, explained by growths of S/ 121.1 million in adjustment of technical reserves and S/ 8.0 million in net claims and benefits incurred, partially offset by a S/ 21.6 million increase in net premiums.

Other expenses increased 1.8% QoQ mainly due to increases in salaries and employee benefits at Interbank and administrative expenses at Interseguro.

IFS effective tax rate increased, from 26.7% in 1Q18 to 35.5% in 2Q18, mainly due to a negative result at Interseguro.

Year-on-year performance

Profits decreased 16.1% YoY mainly due to a one-time S/ 144.8 million adjustment of technical reserves due to the adoption of new mortality tables at the insurance business, in addition to a decrease in other income and an increase in other expenses, as well as a higher effective tax rate. These factors were partially offset by important increases in net interest and similar income, and in fee income from financial services, together with a reduction in provisions.

Net interest and similar income increased 22.1% YoY, mainly driven by higher interest on loans at Interbank and interest on investments available for sale at Inteligo, but also explained by an increase in interest and similar income associated with the incorporation of Seguros Sura's investment portfolio.

Provision expenses decreased 47.5% YoY mainly as a result of lower provision requirements in credit cards and mortgages, as well as certain provision releases in corporate loans at Interbank.

Net fee income from financial services increased 9.7% YoY mainly due to growths in commissions from credit card services, fees from funds management, fees for collection services, and fees for indirect loans, all at Interbank. Higher income from funds management at Inteligo also supported fee income growth at IFS.

Other income decreased 44.0% YoY mainly as a result of a contraction in net gain on sale of securities at all three subsidiaries, as well as a lower net trading result at Interseguro.

Total premiums earned less claims and benefits decreased by S/ 172.4 million, as a result of increases of S/ 120.7 million in adjustment of technical reserves and S/ 95.1 million in net claims and benefits incurred, partially offset by a S/ 43.3 million increase in net premiums.

Other expenses increased 6.0% 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 23.5% in 2Q17 to 35.5% in 2Q18, mainly due to a negative contribution from Interseguro.

CONTRIBUTION BY SEGMENTS

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

Intercorp Financial Services' Profit by segment					
S/ million	2Q17	1Q18	2Q18	%chg QoQ	%chg YoY
Interbank	209.1	246.2	289.2	17.5%	38.3%
Interseguro	15.3	14.5	-113.7	n.m.	n.m.
Inteligo	55.6	40.3	45.6	13.1%	-18.0%
Corporate and eliminations	-35.9	-11.0	-16.2	47.0%	-54.8%
IFS profit for the period	**244.1**	**290.0**	**204.9**	**-29.3%**	**-16.1%**

Interbank

SUMMARY

Interbank's profits reached S/ 289.2 million in 2Q18, an increase of S/ 43.0 million QoQ, or 17.5%, and of S/ 80.1 million YoY, or 38.3%. The quarterly growth was mainly due to increases of S/ 18.1 million in net interest and similar income and S/ 7.7 million in fee income from financial services, in addition to a S/ 60.3 million reduction in loan loss provisions. These factors were partially offset by a S/ 22.4 million decrease in other income and a S/ 2.8 million growth in other expenses.

The annual increase in net profit was supported by growths of S/ 34.8 million in net interest and similar income and S/ 14.5 million in fee income from financial services, together with a reduction of S/ 101.3 million in provisions. These effects were partially offset by an S/ 18.8 million decrease in other income and a S/ 10.0 million increase in other expenses.

Interbank's ROAE was 24.0% in 2Q18, higher than the 20.7% registered in 1Q18 and the 19.6% reported in 2Q17.

Banking Segment's P&L Statement					
S/ million	2Q17	1Q18	2Q18	%chg QoQ	%chg YoY
Interest and similar income	845.1	843.6	880.3	4.4%	4.2%
Interest and similar expenses	-260.6	-242.4	-260.9	7.7%	0.1%
Net interest and similar income	**584.6**	**601.3**	**619.4**	**3.0%**	**6.0%**
Provision for loan losses, net of recoveries	-214.3	-173.3	-113.0	-34.8%	-47.3%
Net interest and similar income after provision for loan losses	**370.3**	**428.0**	**506.4**	**18.3%**	**36.8%**
Fee income from financial services, net	187.1	193.9	201.6	4.0%	7.8%
Other income	85.0	88.6	66.2	-25.3%	-22.1%
Other expenses	-362.9	-370.1	-372.9	0.8%	2.8%
Income before translation result and income tax	**279.5**	**340.4**	**401.2**	**17.9%**	**43.6%**
Translation result	-1.0	1.9	-3.5	n.m.	n.m.
Income tax	-69.4	-96.0	-108.5	12.9%	56.3%
Profit for the period	**209.1**	**246.2**	**289.2**	**17.5%**	**38.3%**
ROAE	**19.6%**	**20.7%**	**24.0%**		
Efficiency ratio	**40.5%**	**40.4%**	**41.0%**		
NIM	**6.0%**	**5.5%**	**5.8%**		
NIM on loans	**9.5%**	**9.3%**	**9.0%**		

INTEREST-EARNING ASSETS

Interbank's interest-earning assets reached S/ 43,023.3 million in 2Q18, relatively stable QoQ, and an increase of 8.5% YoY.

The quarterly performance in interest-earning assets was due to decreases of 17.0% in cash and due from banks and inter-bank funds, and 1.3% in investments, offset by a 5.8% increase in loans. The decrease in cash and due from banks and inter-bank funds was mainly explained by lower reserve funds at the Central Bank, while the reduction in investments was due to higher balances of Central Bank Certificates of Deposits (CDBCR).

The annual increase in interest-earning assets was attributed to growths of 36.0% in investments and 13.5% in loans, partially offset by an 18.7% reduction in cash and due from banks and inter-bank funds. The growth in investments was mainly explained by higher volumes of sovereign, global and corporate bonds. The decrease in cash and due from banks and inter-bank funds was mainly due to lower reserve funds at the Central Bank.

Interest-earning assets					
S/ million	2Q17	1Q18	2Q18	%chg QoQ	%chg YoY
Cash and due from banks and inter-bank funds	9,397.1	9,211.2	7,641.2	-17.0%	-18.7%
Investments available for sale	4,608.9	6,349.4	6,266.4	-1.3%	36.0%
Loans	25,645.3	27,525.1	29,115.7	5.8%	13.5%
Total Interest-earning assets	**39,651.2**	**43,085.8**	**43,023.3**	**-0.1%**	**8.5%**

Loan portfolio					
S/ million	2Q17	1Q18	2Q18	%chg QoQ	%chg YoY
Performing loans					
Retail	13,465.1	14,571.5	15,304.1	5.0%	13.7%
Commercial	12,123.2	12,885.5	13,761.7	6.8%	13.5%
Total Performing loans	**25,588.3**	**27,457.0**	**29,065.8**	**5.9%**	**13.6%**
Restructured and refinanced loans	274.9	266.8	238.2	-10.7%	-13.3%
Past due loans	748.8	781.6	819.5	4.9%	9.4%
Total gross loans	**26,612.0**	**28,505.4**	**30,123.5**	**5.7%**	**13.2%**
Add (less)					
Accrued and deferred interest	255.7	217.9	208.3	-4.4%	-18.6%
Allowance for loan losses	-1,222.5	-1,198.1	-1,216.1	1.5%	-0.5%
Total direct loans, net	**25,645.3**	**27,525.1**	**29,115.7**	**5.8%**	**13.5%**

Performing loans grew 5.9% QoQ as a result of increases of 6.8% in commercial loans and 5.0% in retail loans.

The QoQ increase in commercial loans was due to a 48.2% growth in trade loans, mostly in the corporate and medium enterprise segments.

Growth in retail loans was explained by increases of 9.1% in credit cards, 4.0% in other consumer loans and 3.1% 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.

Performing loans grew 13.6% YoY due to balanced increases of 13.7% in retail loans and 13.5% in commercial loans.

Retail loans grew YoY mainly due to increases of 15.2% in credit cards, 14.2% in mortgages and 11.8% in other consumer loans. 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 9.7%. 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, as well as trade loans, related mostly to the corporate segment.

Breakdown of retail loans					
S/ million	2Q17	1Q18	2Q18	%chg QoQ	%chg YoY
Consumer loans:					
Credit cards	3,759.6	3,970.2	4,330.9	9.1%	15.2%
Other consumer	4,660.5	5,009.2	5,209.9	4.0%	11.8%
Total consumer loans	**8,420.1**	**8,979.4**	**9,540.7**	**6.3%**	**13.3%**
Mortgages	5,045.0	5,592.1	5,763.3	3.1%	14.2%
Total retail loans	**13,465.1**	**14,571.5**	**15,304.1**	**5.0%**	**13.7%**

FUNDING STRUCTURE

Funding structure					
S/ million	2Q17	1Q18	2Q18	%chg QoQ	%chg YoY
Deposits	25,813.6	29,154.8	28,992.8	-0.6%	12.3%
Due to banks and inter-bank funds	5,565.1	4,085.4	4,272.7	4.6%	-23.2%
Bonds	4,490.3	5,164.0	5,226.8	1.2%	16.4%
Total	**35,869.0**	**38,404.1**	**38,492.3**	**0.2%**	**7.3%**
% of funding					
Deposits	72.0%	75.9%	75.3%		
Due to banks and inter-bank funds	15.5%	10.6%	11.1%		
Bonds	12.5%	13.5%	13.6%		

Interbank's total funding base remained relatively stable QoQ, similar to the performance of interest-earning assets. This was mainly explained by growths in inter-bank funds and bonds, offset by a slight decrease in deposits. The increase in bonds was mainly due to a slight depreciation of the exchange rate. The quarterly decrease in deposits was mainly due to reductions of 3.4% in commercial deposits and 0.6% in institutional deposits, partially offset by a 1.8% growth in retail deposits.

The bank's total funding base increased 7.3% YoY, below the annual growth in interest-earning assets, and was mainly explained by growths of 16.4% in bonds and 12.3% in deposits, partially offset by a 23.2% reduction in due to banks and inter-bank funds. The YoY growth in bonds was mainly attributed to the issuance of a senior bond in the international market for US$ 200 million in January 2018, due January 2023. It is worth noting that, in addition to the issuance of new debt, 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 increase in deposits was explained by growths of 26.4% in commercial deposits and 11.4% in retail deposits, partially offset by a 7.3% reduction in institutional deposits.

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

As of 2Q18, the proportion of deposits to total funding was 75.3%, above the 72.0% reported in 2Q17. Likewise, the proportion of institutional deposits to total deposits was 17.9% in 2Q18, lower than the 21.7% registered in 2Q17.

Breakdown of deposits					
S/ million	2Q17	1Q18	2Q18	%chg QoQ	%chg YoY
By customer service:					
Retail	11,662.2	12,768.9	12,992.6	1.8%	11.4%
Commercial	8,265.7	10,822.5	10,450.5	-3.4%	26.4%
Institutional	5,600.6	5,220.4	5,190.6	-0.6%	-7.3%
Other	285.1	342.9	359.0	4.7%	25.9%
Total	**25,813.6**	**29,154.8**	**28,992.8**	**-0.6%**	**12.3%**
By type:					
Demand	6,941.3	9,099.6	9,028.7	-0.8%	30.1%
Savings	8,270.1	9,647.5	9,494.2	-1.6%	14.8%
Time	10,597.0	10,394.0	10,464.3	0.7%	-1.3%
Other	5.2	13.6	5.6	-59.0%	6.7%
Total	**25,813.6**	**29,154.8**	**28,992.8**	**-0.6%**	**12.3%**

NET INTEREST AND SIMILAR INCOME

Net interest and similar income					
S/ million	2Q17	1Q18	2Q18	%chg QoQ	%chg YoY
Interest and similar income	845.1	843.6	880.3	4.4%	4.2%
Interest and similar expense	-260.6	-242.4	-260.9	7.7%	0.1%
Net interest and similar income	**584.6**	**601.3**	**619.4**	**3.0%**	**6.0%**
NIM(1)	**6.0%**	**5.5%**	**5.8%**	**30 bps**	**-20 bps**

(1) Annualized. Net interest and similar income / Average interest-earning assets

Interest and similar income					
S/ million	2Q17	1Q18	2Q18	%chg QoQ	%chg YoY
Interest and similar income					
Due from banks and inter-bank funds	4.8	10.4	8.8	-15.6%	81.0%
Investments available for sale	63.0	52.3	62.8	20.0%	-0.3%
Loans	777.3	780.9	808.7	3.6%	4.0%
Total Interest and similar income	**845.1**	**843.6**	**880.3**	**4.4%**	**4.2%**
Average interest-earning assets	39,048.7	43,562.6	43,054.5	-1.2%	10.3%
Average yield on assets (annualized)	8.7%	7.7%	8.2%	50 bps	-50 bps

Interest and similar expense					
S/ million				%chg	%chg
	2Q17	1Q18	2Q18	QoQ	YoY
Interest and similar expense					
Deposits and obligations	-129.8	-130.8	-131.8	0.8%	1.6%
Due to banks and correspondents	-54.6	-43.7	-43.3	-0.9%	-20.7%
Bonds, notes and other obligations	-76.2	-67.9	-85.8	26.4%	12.6%
Total Interest and similar expense	**-260.6**	**-242.4**	**-260.9**	**7.7%**	**0.1%**
Average interest-bearing liabilities	35,153.2	38,958.7	38,448.2	-1.3%	9.4%
Average cost of funding (annualized)	3.0%	2.6% (1)	2.7%	10 bps	-30 bps

(1) 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 grew 3.0% QoQ as the result of a 4.4% increase in interest and similar income, partially offset by a 7.7% growth in interest and similar expense.

The higher interest and similar income was due to growths of 3.6% in interest on loans and 20.0% in interest on investments available for sale, partially offset by a 15.6% decrease in interest on due from banks and inter-bank funds.

The increase in interest on loans was due to a 4.1% growth in the average loan portfolio, partially offset by a 10 basis point decrease in the average yield, from 11.5% in 1Q18 to 11.4% in 2Q18.

The higher average volume of loans was attributed to growths of 4.5% in commercial loans and 3.9% in retail loans. In the commercial portfolio, volumes increased 31.0% in trade finance loans and 0.8% in short and medium-term loans, while leasing operations remained relatively stable. In the retail portfolio, the higher average volume was mainly due to increases of 6.9% in credit cards, 4.0% in payroll loans and 2.2% in mortgages.

The decrease in the average rate was mainly explained by lower yields on commercial loans, especially on trade finance loans. Yields on retail loans remained relatively stable as higher rates on consumer loans were compensated by lower rates on mortgages.

Interest on investments available for sale increased by S/ 10.5 million, or 20.0%, explained by a 60 basis point increase in the nominal average rate and a 1.3% growth in the average volume. The increase in the nominal average rate, from 3.4% in 1Q18 to 4.0% in 2Q18, was mainly a result of higher income from dividends received for shares owned on IFS, which are eliminated upon consolidation; while the increase in the average volume was the result of higher investments in sovereign and global bonds, partially compensated by lower balances of CDBCR.

Interest on due from banks and inter-bank funds decreased by S/ 1.6 million, or 15.6%, explained by a 16.9% reduction in the average volume, while the nominal average rate remained relatively stable. The reduction in the average volume resulted from lower reserve requirements and deposits at the Central Bank, as well as from lower inter-bank funds. The nominal average rate remained stable as higher returns on deposits at the Central Bank were offset by lower returns on inter-bank funds.

The nominal average yield on interest-earning assets increased by 50 basis points, from 7.7% in 1Q18 to 8.2% in 2Q18, as a result of higher returns on investments; in addition to a higher proportion of loans within interest-earning assets, since they contribute with a higher average yield than the rest of components, even if their nominal average rate reduced QoQ.

The higher interest and similar expense was due to growths of 26.4% in interest on bonds, notes and other obligations, and 0.8% in interest on deposits and obligations, partially offset by a 0.9% reduction in interest due to banks and correspondents.

The increase in interest on bonds, notes and other obligations was related to hedging transactions for a total amount of US$ 250 million, executed throughout the year.

The higher interest on deposits and obligations was due to a slight increase in the average cost, partially offset by a 2.6% decrease in the average volume. The higher average cost was the result of an increase in rates paid to institutional deposits, while the reduction in the average volume was explained by lower balances of institutional and commercial deposits, partially offset by an increase in retail deposits. By currency, average dollar deposits decreased 6.5% while average soles deposits remained relatively stable.

The reduction in interest due to banks and correspondents was a result of a 1.7% lower average volume, while the nominal average cost remained relatively stable. The lower average volume was mostly attributed to reductions in funding from abroad and from COFIDE, partially offset by increases in inter-bank funds and funding provided by the Central Bank. The nominal average cost remained stable as a higher nominal average cost in dollars was compensated by a lower nominal average cost in soles.

The average cost of funds increased by 10 basis points QoQ, from 2.6% in 1Q18 to 2.7% in 2Q18, mainly as a result of the higher average cost of bonds, notes and other obligations.

As a result of the above, net interest margin was 5.8% in 2Q18, 30 basis points above the 5.5% reported in 1Q18.

YoY Performance

Net interest and similar income grew 6.0% YoY due to a 4.2% growth in interest and similar income, while interest and similar expense remained relatively stable.

Growth in interest and similar income was mainly due to increases of 4.0% in interest on loans and 81.0% in interest on due from banks and inter-bank funds, while interest on investments remained relatively stable.

The increase in interest on loans was due to a 10.8% increase in the average volume of loans, partially compensated by an 80 basis point contraction in the average yield, from 12.2% in 2Q17 to 11.4% in 2Q18.

The higher average volume of loans was attributed to growths of 12.2% in retail loans and 9.4% in commercial loans. In the retail portfolio, the higher average volume was mainly due to increases of 13.9% in mortgages, 11.2% in other consumer loans and 11.1% in the average balance of credit cards. In the commercial portfolio, volumes increased 37.8% in trade finance loans and 6.0% in short and medium-term loans, while leasing operations remained relatively stable.

The decrease in the average rate on loans was explained by lower yields in both retail and commercial loans. In retail loans, the reduction was due to lower returns on credit cards and payroll loans, while in commercial loans, to lower rates on trade finance loans and short and medium-term loans.

Interest on due from banks and inter-bank funds grew by S/ 4.0 million, or 81.0%, explained by a 20 basis point increase in the nominal average rate, partially offset by a 5.0% decrease in the average volume. The increase in the nominal average rate was due to higher returns on reserve requirements at the Central Bank, while the reduction in average volume was due to lower reserve requirements at the Central Bank, partially offset by higher deposits at the Central Bank and inter-bank funds.

Interest on investments available for sale remained relatively stable as the 150 basis point decrease in the nominal average rate was offset by a 36.7% increase in the average volume. The reduction in the nominal average rate, from 5.5% in 2Q17 to 4.0% in 2Q18, was due to lower returns on CDBCR and sovereign bonds; in addition to a lower base of shares owned on IFS, which contributed with income from dividends in the corresponding quarters. Growth in average volume was due to higher investments in sovereign and global bonds, as well as in CDBCR.

The nominal average yield on interest-earning assets decreased by 50 basis points YoY, from 8.7% in 2Q17 to 8.2% in 2Q18, mainly explained by the lower yields on loans and on investments available for sale.

Interest and similar expense remained relatively stable as the increases of 12.6% in interest on bonds, notes and other obligations, and 1.6% in interest on deposits and obligations, were offset by a 20.7% lower interest due to banks and correspondents.

Interest on bonds, notes and other obligations increased by S/ 9.6 million, or 12.6% YoY, mainly explained by the issuance of a senior bond in the international market for US$ 200 million in January 2018; in addition to hedging transactions for a total amount of US$ 250 million, executed throughout the year.

Interest on deposits and obligations increased by S/ 2.0 million, or 1.6%, explained by a 14.5% growth in the average volume, partially offset by a 20 basis point decrease in the nominal average cost, from 2.0% in 2Q17 to 1.8% in 2Q18. The higher average volume was explained by higher balances of commercial, retail and institutional deposits. By currency, average soles deposits grew 19.3% while average dollar deposits increased 7.7%. The decrease in the average cost was due to a 60 basis point reduction in rates paid to soles deposits, partially compensated by a 20 basis point increase in the cost of dollar deposits.

The S/ 11.3 million, or 20.7% decrease in interest due to banks and correspondents was explained by a 20.8% reduction in the average volume, while the average cost remained relatively stable. The decrease in average volume was mainly due to lower funding provided by the Central Bank and from abroad, as well as from COFIDE.

The average cost of funds decreased by 30 basis points, from 3.0% in 2Q17 to 2.7% in 2Q18. This was the result of the lower costs of deposits and bonds, 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 20 basis points YoY, from 6.0% in 2Q17 to 5.8% in 2Q18.

PROVISION FOR LOAN LOSSES, NET OF RECOVERIES

Provision for loan losses, net of recoveries decreased 34.8% QoQ and 47.3% YoY. The quarterly decrease in provision expenses was mainly a result of a release of provisions in corporate loans, related to the bank's exposure to the construction sector, as well as lower provisions in mortgages and other consumer loans.

The annual decrease in provisions was mainly a result of lower provision requirements in credit cards and mortgages, in addition to the release of provisions in corporate loans previously mentioned.

As a result of the above, the annualized ratio of provision expense to average loans was 1.5% in 2Q18, below the 2.5% reported in 1Q18 and the 3.2% registered in 2Q17. Normalizing from the release of provisions, cost of risk was 2.4% in 2Q18.

Provision for loan losses, net of recoveries

S/ million	2Q17	1Q18	2Q18	%chg QoQ	%chg YoY
Provision for loan losses, net of recoveries	-214.3	-173.3	-113.0	-34.8%	-47.3%
Provision for loan losses/average gross loans	3.2%	2.5%	1.5%(1)	-100 bps	-170 bps
NPL ratio (at end of period)(2)	3.2%	3.1%	3.1%	0 bps	-10 bps
NPL coverage ratio (at end of period)	124.4%	133.8%	126.0%	-780 bps	160 bps
Allowance for loan losses (at end of period)	1,222.5	1,198.1	1,216.1	1.5%	-0.5%

(1) Normalizing from the release of provisions for construction sector exposures, cost of risk was 2.4% in 2Q18
(2) NPL ratio: Exposure under Stage 3 and refinanced loans / Total exposure (IFRS 9)

The NPL ratio remained stable QoQ and decreased 10 basis points YoY, at 3.1% in 2Q18, as higher NPLs in commercial loans were offset by lower NPLs in retail loans. Additionally, the NPL coverage ratio was 126.0% in 2Q18, lower than the 133.8% reported in 1Q18, but above the 124.4% registered in 2Q17.

FEE INCOME FROM FINANCIAL SERVICES, NET

Net fee income from financial services increased by S/ 7.7 million QoQ, or 4.0%, mainly explained by growths of S/ 3.3 million in commissions from credit card services, S/ 1.3 million in fees for collection services and S/ 1.1 million in fees for indirect loans, in addition to a S/ 6.7 million decrease in expenses associated with the sale of insurance.

Net fee income from financial services increased by S/ 14.5 million YoY, or 7.8%, mainly due to growths of S/ 7.7 million in commissions from credit card services, S/ 2.0 million in fees from funds management, S/ 1.7 in fees for indirect loans and S/ 1.7 million in fees for collection services.

Fee income from financial services, net					
S/ million	2Q17	1Q18	2Q18	%chg QoQ	%chg YoY
Income					
Commissions from credit card services	85.6	90.0	93.3	3.7%	9.0%
Maintenance and mailing of accounts, interchange fees, transfers and debit card services	69.7	69.7	69.2	-0.8%	-0.7%
Commissions from banking services	64.6	71.8	65.6	-8.7%	1.6%
Fees for indirect loans	14.6	15.2	16.3	7.0%	12.0%
Funds management	8.3	10.2	10.3	1.4%	24.2%
Collection services	8.1	8.5	9.8	16.1%	21.7%
Other	6.8	7.5	8.0	6.2%	18.1%
Total income	**257.5**	**273.0**	**272.5**	**-0.2%**	**5.8%**
Expenses					
Insurance	-39.9	-41.8	-35.1	-16.1%	-12.1%
Fees paid to foreign banks	-3.2	-3.3	-4.1	25.7%	29.2%
Other	-27.4	-34.0	-31.7	-6.7%	15.9%
Total expenses	**-70.4**	**-79.1**	**-70.9**	**-10.3%**	**0.7%**
Fee income from financial services, net	**187.1**	**193.9**	**201.6**	**4.0%**	**7.8%**

OTHER INCOME

Other income decreased by S/ 22.4 million QoQ mainly due to reductions of S/ 11.6 million in net gain on sale of securities and S/ 3.9 million in net gain on foreign exchange transactions and derivatives.

Likewise, other income decreased by S/ 18.8 million YoY, mainly due to a reduction of S/ 13.3 million in net gain on sale of securities.

Other income					
S/ million	2Q17	1Q18	2Q18	%chg QoQ	%chg YoY
Net gain on foreign exchange transactions and derivatives	51.0	61.6	57.7	-6.4%	13.1%
Net gain on sale of securities	13.6	11.9	0.3	-97.8%	-98.1%
Other	20.4	15.0	8.2	-45.2%	-59.6%
Total other income	**85.0**	**88.6**	**66.2**	**-25.3%**	**-22.1%**

OTHER EXPENSES

Other expenses increased by S/ 2.8 million QoQ, or 0.8%, and by S/ 10.0 million YoY, or 2.8%. The quarterly growth was mainly due to a 3.5% increase in salaries and employee benefits, as well as 1.8% higher administrative expenses, partially offset by lower depreciation and amortization charges.

The annual growth in other expenses was mainly explained by increases of 6.7% in administrative expenses and 3.4% in salaries and employee benefits.

The efficiency ratio was 41.0% in 2Q18, compared to the 40.4% achieved in 1Q18 and the 40.5% registered in 2Q17. It is worth noting during 2Q18 certain reclassifications were implemented among fee income, other income and other expenses, which resulted in changes on efficiency ratios previously reported.

Other expenses					
S/ million	2Q17	1Q18	2Q18	%chg QoQ	%chg YoY
Salaries and employee benefits	-153.6	-153.4	-158.8	3.5%	3.4%
Administrative expenses	-161.8	-169.6	-172.7	1.8%	6.7%
Depreciation and amortization	-31.7	-34.2	-32.3	-5.6%	1.9%
Other	-15.7	-12.9	-9.2	-28.7%	-41.8%
Total other expenses	**-362.9**	**-370.1**	**-372.9**	**0.8%**	**2.8%**
Efficiency ratio	**40.5%**	**40.4%**	**41.0%**	**60 bps**	**50 bps**

REGULATORY CAPITAL

The ratio of regulatory capital to risk-weighted assets (RWA) was 16.7% in 2Q18, below the 17.5% registered in 1Q18, but above the 16.6% reported in 2Q17.

As of 2Q18, regulatory capital increased 0.2% QoQ, while RWA grew 5.3% mainly due to higher capital requirements for credit risk.

The annual increase in the capital ratio was due to a 15.5% growth in regulatory capital, partially offset by an 15.2% 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 the growth in the loan portfolio.

It is worth mentioning that the SBS has initiated the implementation of an additional set of Basel III standards, in effect between 2017 and 2026. Among these, it stands out that there will be an annual 10% phase out of existing Tier I instruments, yet allowing its eligibility as Tier II capital. This is why, despite the annual increase in capital and reserves, S/ 62.0 million of the US$ 200.0 million junior subordinated bonds issued in April 2010 no longer count as primary capital. As of 2Q18, 80.2% of this issue was considered as primary capital, slightly higher than the percentage registered in 1Q18.

As of 2Q18, Interbank's capital ratio of 16.7% was widely above its risk-adjusted minimum capital ratio requirement, established at 11.7%. The minimum regulatory capital ratio requirement was 10.0%, while the additional capital requirement for Interbank was 1.7% as of 2Q18.

Regulatory capital					
S/ million	2Q17	1Q18	2Q18	%chg QoQ	%chg YoY
Tier I capital	4,208.6	4,903.7	4,912.4	0.2%	16.7%
Tier II capital	1,776.0	1,990.9	1,996.8	0.3%	12.4%
Total regulatory capital	5,984.6	6,894.6	6,909.2	0.2%	15.5%
Risk-weighted assets	35,977.7	39,359.9	41,432.3	5.3%	15.2%
BIS ratio	**16.6%**	**17.5%**	**16.7%**	**-80 bps**	**10 bps**
Tier I capital / risk-weighted assets	**11.7%**	**12.5%**	**11.9%**	**-60 bps**	**20 bps**

Interseguro

SUMMARY

Interseguro's results reached S/-113.7 million in 2Q18, compared to S/ 14.5 million in 1Q18 and S/ 15.3 million in 2Q17.

The quarterly reduction was mainly explained by decreases of S/ 107.3 million in total premiums earned less claims and benefits and S/ 11.2 million in other income, as well as an increase of S/ 6.3 million in other expenses.

The annual reduction was mainly due to decreases of S/ 172.4 million in total premiums earned less claims and benefits and S/ 24.9 million in other income, together with a S/ 17.3 million increase in other expenses. These factors were partially offset by an increase of S/ 88.3 million in net interest and similar income.

Interseguro's bottom-line results in 2Q18 were negatively affected by a one-time adjustment of S/ 144.8 million in technical reserves as a result of the full adoption of new mortality tables published in March 2018 by the Peruvian regulatory entity (Superintendencia de Banca y Seguros). Excluding such adjustment, net profit was S/ 31.1 million in 2Q18.

Insurance Segment's P&L Statement					
S/ million	2Q17	1Q18	2Q18	%chg QoQ	%chg YoY
Interest and similar income	59.4	157.6	157.5	-0.1%	165.0%
Interest and similar expenses	-3.1	-13.7	-12.9	-5.9%	n.m.
Net Interest and similar income	**56.3**	**143.9**	**144.6**	**0.5%**	**156.7%**
Fee income from financial services, net	-0.7	-1.7	-0.8	-54.9%	11.1%
Other income	25.5	11.8	0.6	-95.2%	-97.8%
Total premiums earned less claims and benefits	-13.8	-78.9	-186.2	136.1%	n.m.
Net premiums	117.9	138.9	160.5	15.6%	36.2%
Adjustment of technical reserves	-43.7	-42.6	-163.7	284.3%	274.4%
Net claims and benefits incurred	-88.0	-175.1	-183.1	4.5%	108.0%
Other expenses	-50.7	-61.7	-68.0	10.2%	34.0%
Income before translation result and income tax	**16.7**	**13.5**	**-109.8**	**n.m.**	**n.m.**
Translation result	-2.1	1.0	-3.9	n.m.	85.0%
Income tax	0.8	-	-	n.m.	n.m.
Profit for the period	**15.3**	**14.5**	**-113.7**	**n.m.**	**n.m.**
Attributable to non-controlling interest(1)	1.8	-	-	n.m.	n.m.
Profit attributable to shareholders	**17.1**	**14.5**	**-113.7**	**n.m.**	**n.m.**
New mortality tables impact on technical reserves	-	-	-144.8	n.m.	n.m.
Profit excluding change in mortality tables	**17.1**	**14.5**	**31.1**	**114.6%**	**82.1%**
ROAE	**10.7%**	**8.6%**	**n.m.**		
Normalized ROAE(2)	**10.7%**	**8.6%**	**14.9%**		
Efficiency ratio(3)	**15.4%**	**11.0%**	**24.7%**		
Normalized Efficiency ratio (4)	**16.9%**	**10.8%**	**11.8%**		

(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) Excluding non-recurring items
(3) 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)
(4) Excluding non-recurring items

RESULTS FROM INVESTMENTS

Results from Investments [1]					
S/ million	2Q17	1Q18	2Q18	%chg QoQ	%chg YoY
Interest and similar income	59.4	157.6	157.5	-0.1%	165.0%
Interest and similar expenses	-3.1	-3.0	-2.7	-7.9%	-11.3%
Net interest and similar income	**56.3**	**154.7**	**154.8**	**0.1%**	**174.7%**
Fee income from financial services, net	-0.3	-1.2	-0.4	-66.2%	23.9%
Net gain on sale of securities	17.3	2.1	-3.7	n.m.	n.m.
Net trading loss (income)	1.5	2.9	-18.5	n.m.	n.m.
Rental income	6.3	6.7	7.4	9.9%	16.8%
Profit from sale of investment property	-	-	-	n.m.	n.m.
Valuation gain from investment property	-3.0	-3.5	11.5	n.m.	n.m.
Other[1]	0.2	1.0	-0.2	n.m.	n.m.
Other income	**22.0**	**7.9**	**-3.9**	**n.m.**	**n.m.**
Expenses related to rental income	-0.2	-0.0	-1.0	n.m.	n.m.
Other[1]	-2.1	-2.5	-0.7	-73.1%	-68.6%
Expenses	**-2.3**	**-2.5**	**-1.7**	**-33.6%**	**-26.7%**
Results from investments	**76.1**	**160.0**	**149.2**	**-6.8%**	**96.2%**

(1) Only includes transactions related to investments

NET INTEREST AND SIMILAR INCOME

Net interest and similar income related to investments reached S/ 154.8 million in 2Q18, relatively stable QoQ, and an increase of 174.7% YoY.

The QoQ performance was explained by a decrease of S/ 0.3 million in interest and similar expenses, offset by a reduction of S/ 0.1 million in interest and similar income.

The annual growth was mainly explained by an increase in interest and similar income as a result of a higher volume of assets due to the merger with Seguros Sura in 1Q18.

OTHER INCOME

Other income was S/ -3.9 million in 2Q18, compared to S/ 7.9 million in 1Q18 and S/ 22.0 million in 2Q17.

The quarterly decrease in other income was explained by reductions of S/ 21.4 million in net trading result and S/ 5.8 million in net gain on sale of securities, partially offset by a S/ 15.0 million increase in net valuation gain of real estate investments.

Likewise, the annual decrease was mainly due to reductions of S/ 21.0 million in net gain on sale of securities and S/ 20.0 million in net trading result, partially offset by a S/ 14.5 million increase in net valuation gain of real estate investments.

TOTAL PREMIUMS EARNED LESS CLAIMS AND BENEFITS

Total Premiums Earned Less Claims And Benefits					
S/ million	2Q17	1Q18	2Q18	%chg QoQ	%chg YoY
Net premiums	117.9	138.9	160.5	15.6%	36.2%
Adjustment of technical reserves	-43.7	-42.6	-163.7	284.3%	274.4%
Net claims and benefits incurred	-88.0	-175.1	-183.1	4.5%	108.0%
Total premiums earned less claims and benefits	**-13.8**	**-78.9**	**-186.2**	**136.1%**	**n.m.**

Total premiums earned less claims and benefits were S/ -186.2 million in 2Q18, a decrease of S/ 107.3 million QoQ and a reduction of S/ 172.4 million YoY.

The quarterly decrease was explained by growths of S/ 121.1 million in adjustment of technical reserves and S/ 8.0 million in net claims and benefits incurred, partially offset by a S/ 21.6 million increase in net premiums.

The annual reduction was a result of increases of S/ 120.0 million in adjustment of technical reserves and S/ 95.1 million in net claims and benefits incurred, partially offset by a S/ 42.6 million growth in net premiums.

The increase in technical reserves was a result of the one-time adjustment of S/ 144.8 million for the adoption of new mortality tables previously mentioned.

NET PREMIUMS

Net Premiums by Business Line					
S/ million	2Q17	1Q18	2Q18	%chg QoQ	%chg YoY
Annuities	52.4	48.0	66.1	37.7%	26.1%
D&S	0.1	12.9	13.1	1.6%	n.m.
Individual Life	12.4	31.1	30.5	-2.0%	146.0%
Retail Insurance	53.1	46.9	50.9	8.6%	-4.1%
Net Premiums	**117.9**	**138.9**	**160.5**	**15.6%**	**36.2%**

Net premiums reached S/ 160.5 million in 2Q18, an increase of 15.6% QoQ and 36.2% YoY.

The quarterly growth was mainly explained by increases of S/ 18.1 million in annuities and S/ 4.0 million in retail insurance.

The annual growth was mainly due to increases of S/ 18.1 million in individual life, S/ 13.7 million in annuities and S/ 13.0 million in disability and survivorship. These effects were partially offset by a decrease of S/ 2.2 million in retail insurance.

ADJUSTMENT OF TECHNICAL RESERVES

Adjustment of Technical Reserves by Business Line					
S/ million	2Q17	1Q18	2Q18	%chg QoQ	%chg YoY
Annuities	-36.3	-29.8	-151.2	n.m.	n.m.
D&S	-	-	-	n.m.	n.m.
Individual Life	-7.5	-12.2	-9.5	-21.8%	27.5%
Retail Insurance	0.0	-0.6	-3.0	n.m.	n.m.
Adjustment of technical reserves	-43.7	-42.6	-163.7	284.3%	274.4%

Adjustment of technical reserves was S/ 163.7 million in 2Q18, an increase of S/ 121.1 million QoQ and S/ 120.0 million YoY.

The quarterly increase was mainly due to growths of S/ 121.4 million in annuities and S/ 2.4 million in retail insurance, partially offset by a decrease of S/ 2.7 million in individual life.

The annual growth was explained by increases of S/ 114.9 million in annuities, S/ 3.0 million in retail insurance of S/ 3.0 million and S/ 2.0 million in individual life.

Both quarterly and annual increases in technical reserves for annuities were explained by the one-time adjustment previously noted.

NET CLAIMS AND BENEFITS INCURRED

Net Claims and Benefits Incurred by Business Line					
S/ million	2Q17	1Q18	2Q18	%chg QoQ	%chg YoY
Annuities	-73.7	-146.1	-156.3	7.0%	111.9%
D&S	-	-10.8	-10.6	-1.1%	n.m.
Individual Life	0.3	-1.3	-1.2	-1.3%	n.m.
Retail Insurance	-14.6	-17.0	-14.9	-12.3%	2.6%
Net claims and benefits incurred	-88.0	-175.1	-183.1	4.5%	108.0%

Net claims and benefits incurred reached S/ 183.1 million in 2Q18, an increase of S/ 8.0 million QoQ and S/ 95.1 million YoY.

The quarterly growth was a result of increases of S/ 10.2 million in claims and benefits in annuities, partially offset by a decrease of S/ 2.1 million in retail insurance. The higher claims and benefits in annuities were due to the aging of the annuities' portfolio.

The annual growth in claims and benefits incurred was explained by increases of S/ 82.6 in annuities benefits, S/ 10.6 million in disability and survivorship benefits, S/ 1.5 million in individual life claims and S/ 0.3 million in retail insurance claims. The annual increase in benefits incurred in annuities was due to the merger with Seguros Sura, which doubled Interseguro's annuity portfolio.

OTHER EXPENSES

Other Expenses					
S/ million	2Q17	1Q18	2Q18	%chg QoQ	%chg YoY
Salaries and employee benefits	-14.0	-17.3	-19.0	9.9%	35.7%
Administrative expenses	-8.9	-7.9	-11.2	41.8%	26.9%
Depreciation and amortization	-1.0	-2.2	-4.7	108.6%	n.m.
Expenses related to rental income	-0.2	-0.0	-1.0	n.m.	n.m.
Other	-26.7	-34.2	-32.1	-6.2%	20.2%
Other expenses	**-50.7**	**-61.7**	**-68.0**	**10.2%**	**34.0%**

Other expenses increased by S/ 6.3 million QoQ, or 10.2%, and by S/ 17.3 million YoY, or 34.0%.

The quarterly increase in other expenses was mainly attributed to growths of S/ 3.3 million in administrative expenses, S/ 2.5 million in depreciation and amortization, and S/ 1.7 million in salaries and employee benefits.

The annual increase in other expenses was mainly due to growths of S/ 5.0 million in salaries and employee benefits, S/ 3.7 million in depreciation and amortization, and S/ 2.3 million in administrative expenses.

Inteligo

SUMMARY

Inteligo's net profit in 2Q18 was S/ 45.6 million, a S/ 5.3 million or 13.1% increase QoQ and a S/ 10.0 million or 18.0% decrease YoY.

As part of its portfolio strategy, Inteligo increased its position in fixed income securities in 2Q18. The addition of these securities to Inteligo's proprietary portfolio has contributed with incremental coupons, triggering a double-digit growth in net interest and similar income of 19.5% QoQ and 14.9% YoY.

On the commercial front, Inteligo continued strengthening its prospection process, a strategy that has started to bring results in terms of new opened accounts. Accordingly, Inteligo's AUM increased 5.5% QoQ and 3.7% YoY in 2Q18.

Other business lines have been rather stable, except for the other income line, which reflected strong gains in 2Q17 related to the sale of portfolio securities in advantage of optimal market conditions during such period.

As consequence of these results, Inteligo's ROAE recovered to 26.5% in 2Q18, compared to the 22.3% ROAE reported in 1Q18.

Wealth Management Segment's P&L Statement					
S/ million	2Q17	1Q18	2Q18	%chg QoQ	%chg YoY
Interest and similar income	39.2	33.2	39.5	19.2%	0.8%
Interest and similar expenses	-14.2	-9.1	-10.8	18.4%	-24.0%
Net interest and similar income	**25.0**	**24.0**	**28.7**	**19.5%**	**14.9%**
Provision for loan losses, net of recoveries	0.0	0.4	0.4	0.0%	n.m.
Net interest and similar income after provision for loan losses	**25.0**	**24.4**	**29.1**	**19.2%**	**16.5%**
Fee income from financial services, net	28.8	33.0	32.4	-1.9%	12.3%
Other income	21.3	0.5	3.7	n.m.	-82.6%
Other expenses	-20.0	-18.2	-19.0	4.5%	-4.8%
Income before translation result and income tax	**55.1**	**39.8**	**46.2**	**16.2%**	**-16.2%**
Translation result	0.5	0.5	-0.9	n.m.	n.m.
Income tax	0.0	0.0	0.3	n.m.	n.m.
Profit for the period	**55.6**	**40.3**	**45.6**	**13.1%**	**-18.0%**
ROAE	**32.8%**	**22.3%**	**26.5%**		
Efficiency ratio	**26.6%**	**35.4%**	**31.6%**		

ASSETS UNDER MANAGEMENT & DEPOSITS

AuMs reached S/ 12,483.6 million in 2Q18, a S/ 652.1 million or 5.5% increase QoQ and a S/ 450.7 million or 3.7% growth YoY, mostly due to the opening of new accounts, as a result of a strengthened prospection strategy.

Client deposits reached S/ 2,100.5 million in 2Q18, a S/ 66.7 million or 3.1% decrease QoQ and a S/ 765.5 million or 26.7% reduction YoY. The annual decrease was a consequence of the repatriation of capitals related to the tax amnesty in effect during 2017.

NET INTEREST AND SIMILAR INCOME

Net interest and similar income					
S/ million	2Q17	1Q18	2Q18	%chg QoQ	%chg YoY
Interest and similar income					
Due from banks and inter-bank funds	0.8	0.8	1.2	36.6%	50.7%
Investments available for sale	17.6	15.9	22.2	39.4%	26.1%
Loans	20.9	16.4	16.2	-1.3%	-22.4%
Total interest and similar income	**39.2**	**33.2**	**39.5**	**19.2%**	**0.8%**
Interest and similar expenses					
Deposits and obligations	-14.0	-8.6	-9.3	7.7%	-33.6%
Due to banks and correspondents	-0.2	-0.5	-1.5	n.m.	n.m.
Total interest and similar expenses	**-14.2**	**-9.1**	**-10.8**	**18.4%**	**-24.0%**
Net interest and similar income	**25.0**	**24.0**	**28.7**	**19.5%**	**14.9%**

Inteligo's net interest and similar income in 2Q18 was S/ 28.7 million, a S/ 4.7 million or 19.5% increase when compared with 1Q18. Net interest and similar income increased by S/ 3.7 million or 14.9% when compared to the same period in the previous year.

The QoQ and YoY growths were mainly explained by higher investments available for sale as a result of the acquisition of fixed income securities that contributed with incremental coupons during the quarter.

FEE INCOME FROM FINANCIAL SERVICES

Fee income from financial services, net					
S/ million	2Q17	1Q18	2Q18	%chg QoQ	%chg YoY
Income					
Brokerage and custody services	4.2	6.0	4.1	-31.0%	-2.0%
Funds management	25.5	28.1	28.7	2.4%	12.9%
Total income	**29.7**	**34.0**	**32.8**	**-3.5%**	**10.8%**
Expenses					
Brokerage and custody services	-0.8	-1.0	-0.4	-53.8%	-42.2%
Others	-0.1	-0.1	0.0	n.m.	n.m.
Total expenses	**-0.8**	**-1.0**	**-0.5**	**-53.5%**	**-42.1%**
Fee income from financial services, net	**28.8**	**33.0**	**32.4**	**-1.9%**	**12.3%**

Net fee income from financial services was S/ 32.4 million in 2Q18, a slight decrease of S/ 0.6 million or 1.9% when compared to the previous quarter, attributed to lower income from brokerage and custody services.

When compared with 2Q17, net fee income from financial services increased by S/ 3.6 million or 12.3%. The annual growth was explained by higher fees associated with incremental rebalancing activities of clients' portfolios.

OTHER INCOME

Other income					
S/ million	2Q17	1Q18	2Q18	%chg QoQ	%chg YoY
Net gain on sale of securities	23.5	11.2	0.0	n.m.	n.m.
Net trading gain (loss)	-2.6	-7.6	6.9	n.m.	n.m.
Other	0.4	-3.1	-3.2	3.6%	n.m.
Total other income	**21.3**	**0.5**	**3.7**	**n.m.**	**-82.6%**

Inteligo's other income reached S/ 3.7 million in 2Q18, a S/ 3.2 million increase QoQ, which corresponds to a better mark-to-market performance of Inteligo's proprietary portfolio during 2Q18.

Other income decreased 82.6% YoY due to optimal market conditions during the 2Q17 that prompted the sale of securities.

OTHER EXPENSES

Other expenses					
S/ million	2Q17	1Q18	2Q18	%chg QoQ	%chg YoY
Salaries and employee benefits	-11.4	-11.6	-11.2	-3.4%	-1.7%
Administrative expenses	-6.6	-6.6	-7.0	6.1%	5.5%
Depreciation and amortization	-1.9	-2.1	-2.2	3.0%	16.4%
Other	0.0	2.2	1.4	-33.9%	n.m.
Total other expenses	**-20.0**	**-18.2**	**-19.0**	**4.5%**	**-4.8%**
Efficiency ratio	**26.6%**	**35.4%**	**31.6%**		

Inteligo's other expenses have been relatively stable in the comparable periods. They reached S/ 19.0 million in 2Q18, an increase of S/ 0.8 million or 4.5% QoQ and a decrease of S/ 1.0 million or 4.8% YoY. Variances were mainly explained by adjustments in reserves.