Intercorp Financial Services

Intercorp Financial Services Inc.
Fourth Quarter 2018 Earnings

Lima, Peru, February 13, 2019. Intercorp Financial Services Inc. (Bolsa de Valores de Lima: IFS) announced today its unaudited results for the fourth quarter 2018. These results are reported on a consolidated basis under IFRS in nominal Peruvian soles.

2018 Highlights

Intercorp Financial Services: 19.6% YoY growth in recurring profits at IFS

- Normalized ROAE at 18.6%
- Double digit growth in total revenues helped a 230 bps improvement in efficiency ratio, down to 34.8%

Interbank: Record year in growth and earnings, with strong improvement in cost of risk

- Earnings reached S/ 1,025 million, a 16.5% increase YoY; 20.3% ROAE
- 17.3% YoY loan growth, supported by a 28.4% growth in credit cards
- Cost of risk down 60 bps, to 2.5%

Interseguro: Fully merged Interseguro plus Seguros Sura, consolidated as market leader in annuities

- FY18 recurring ROAE increased 240 bps to 9.4%
- YoY growth in premiums of 45.6%, boosted by merger with Seguros Sura and 4Q18 results
- Leader in annuities with 30.2% market share from 23.6% in 2017

Inteligo: Solid year in revenues, efficiency and profitability, despite adverse market conditions on investments at year end

- Solid growth of 9.1% in AUM plus deposits for the year
- Interfondos will complement wealth management business product offering

Intercorp Financial Services

SUMMARY

2018 Performance

Intercorp Financial Services' net profit was S/ 1,091.4 million in 2018, a 5.6% increase compared to 2017. The higher profits were mainly driven by growths of S/ 461.6 million in net interest and similar income, and S/ 29.0 million in fee income from financial services, in addition to a S/ 167.9 million decrease in provisions. These effects were partially offset by reductions of S/ 254.4 million in total premiums earned less claims and benefits, and S/ 112.4 million in other income, as well as by a S/ 96.8 million increase in other expenses.

During 2018 IFS adopted new mortality tables for its insurance business, which represented a negative impact of S/ 144.8 million, accounted through a higher adjustment of technical reserves within total premiums earned less claims and benefits. When normalizing from this non-recurring effect, IFS' profits would have increased 19.6% compared to 2017.

Intercorp Financial Services' P&L Statement					
S/ million	2016	2017	2018	%chg 18/17	%chg 17/16
Interest and similar income	3,704.8	3,809.0	4,321.3	13.4%	2.8%
Interest and similar expense	-1,081.9	-1,119.9	-1,170.6	4.5%	3.5%
Net interest and similar income	**2,623.0**	**2,689.1**	**3,150.7**	**17.2%**	**2.5%**
Provision for loan losses, net of recoveries	-783.6	-827.9	-660.1	-20.3%	5.7%
Net interest and similar income after provision for loan losses	**1,839.3**	**1,861.2**	**2,490.6**	**33.8%**	**1.2%**
Fee income from financial services, net	822.8	864.4	893.4	3.4%	5.1%
Other income	406.8	518.0	405.6	-21.7%	27.3%
Total premiums earned less claims and benefits	-130.8	-152.9	-407.5	n.m.	16.9%
Net Premiums	592.2	499.5	645.4	29.2%	-15.7%
Adjustment of technical reserves	-404.9	-240.2	-316.8	31.9%	-40.7%
Net claims and benefits incurred	-318.2	-412.3	-736.0	78.5%	29.6%
Other expenses	-1,674.1	-1,746.5	-1,843.3	5.5%	4.3%
Income before translation result and income tax	**1,264.0**	**1,344.1**	**1,538.8**	**14.5%**	**6.3%**
Translation result	20.1	15.9	-31.9	n.m.	-20.7%
Income tax	-333.9	-326.5	-415.5	27.3%	-2.2%
Profit for the period	**950.2**	**1,033.5**	**1,091.4**	**5.6%**	**8.8%**
Attributable to Equity holders of the Group (1)	**944.6**	**1,027.4**	**1,084.3**	**5.5%**	**8.8%**
EPS	**8.72**	**9.61**	**9.85**		
ROAE	**19.9%**	**19.3%**	**16.6%**		
ROAA	**1.9%**	**2.0%**	**1.8%**		
Efficiency ratio (2)	**38.2%**	**37.1%**	**35.9%**		

(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.
(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). Efficiency ratio including non-recurring impact of the adoption of new mortality tables for -S/ 144.8 million at Interseguro in 2018. Excluding this effect, efficiency ratio was 34.8% in 2018.

Growth in net interest and similar income was mainly explained by higher interest on investments related to the acquisition of Seguros Sura's portfolio and by higher interest on loans at Interbank, partially offset by an increase in interest on deposits and obligations, also at Interbank. Inteligo also supported a higher net interest and similar income in 2018.

The increase in fee income from financial services was mainly due to higher commissions from credit card services at Interbank, as well as to the acquisition of incremental accounts and AUM at Inteligo.

The decrease in provision for loan losses, net of recoveries was mainly a result of lower provision requirements in credit cards and an S/ 83.0 million reversion of provisions in corporate loans, related to the bank's exposure to the construction sector. These factors were partially offset by higher provision requirements in small and medium-enterprise loans, also at Interbank.

Total premiums earned less claims and benefits were S/ -407.5 million, a decrease of S/ 254.6 million compared to the previous year. Despite an increase of S/ 145.9 million in net premiums, growths of S/ 323.7 million in net claims and benefits incurred, and S/ 76.6 million in adjustment of technical reserves, more than offset such result.

Other income decreased mainly explained by lower net gain on sale of securities at all subsidiaries, partially offset by a higher net gain on valuation of real estate investments at Interseguro.

The increase in other expenses was mostly attributed to growths in depreciation and amortization charges, salaries and employee benefits, and administrative expenses at Interbank, as well as to higher salaries and employee benefits at Interseguro. These effects were partially offset by lower impairment losses on available-for-sale investments at Inteligo and Interseguro.

IFS ROAE was 16.6% in 2018, lower than the 19.3% reported in 2017. Excluding the non-recurring impact of the adoption of new mortality tables, ROAE was 18.6% in 2018.

Intercorp Financial Services' Statement of financial position				
S/ million				%chg
	31.12.2017 (IAS 39)	01.01.2018 (IFRS 9)	31.12.2018 (IFRS 9)	31.12.18/ 01.01.18
Assets				
Cash and due from banks and inter-bank funds	11,608.4	11,608.4	8,875.4	-23.5%
Trading securities and investments available for sale	16,924.1	16,942.2	17,629.4	4.1%
Loans, net of unearned income	29,406.3	29,406.3	34,325.7	16.7%
Allowance for loan losses	-1,202.1	-1,201.0	-1,305.5	8.7%
Property, furniture and equipment, net	612.6	612.6	622.5	1.6%
Other assets	3,051.1	3,093.8	3,673.8	18.7%
Total assets	**60,400.4**	**60,462.2**	**63,821.5**	**5.6%**
Liabilities and equity				
Deposits and obligations	32,607.6	32,607.6	33,682.0	3.3%
Due to banks and correspondents	4,437.4	4,437.4	4,293.4	-3.2%
Bonds, notes and other obligations	5,602.4	5,602.4	6,496.8	16.0%
Insurance contract liabilities	10,520.5	10,520.5	10,300.5	-2.1%
Other liabilities	1,395.7	1,541.3	1,960.4	27.2%
Total liabilities	**54,563.5**	**54,709.2**	**56,733.0**	**3.7%**
Equity				
Equity holders of IFS	5,800.5	5,717.2	7,048.1	23.3%
Non-controlling interest	36.4	35.8	40.4	12.9%
Total equity	**5,836.9**	**5,753.0**	**7,088.5**	**23.2%**
Total liabilities and equity	**60,400.4**	**60,462.2**	**63,821.5**	**5.6%**

4Q18 Performance

Intercorp Financial Services’ net profit was S/ 280.3 million in 4Q18, a decrease of 11.3% QoQ and 2.4% YoY. IFS annualized ROAE was 15.9% in 4Q18, below the 18.7% registered in 3Q18 and the 20.4% reported in 4Q17.

Intercorp Financial Services' P&L statement					
S/ million	4Q17	3Q18	4Q18	%chg QoQ	%chg YoY
Interest and similar income	997.5	1,086.2	1,128.6	3.9%	13.1%
Interest and similar expense	-288.1	-305.7	-312.0	2.0%	8.3%
Net interest and similar income	**709.4**	**780.5**	**816.6**	**4.6%**	**15.1%**
Provision for loan losses, net of recoveries	-188.8	-165.8	-208.8	25.9%	10.6%
Net interest and similar income after provision for loan losses	**520.7**	**614.7**	**607.8**	**-1.1%**	**16.7%**
Fee income from financial services, net	219.3	209.4	238.2	13.7%	8.6%
Other income	145.5	135.2	99.5	-26.4%	-31.6%
Total premiums earned less claims and benefits	-52.7	-74.7	-67.7	-9.3%	28.4%
Net Premiums	138.4	173.8	172.1	-1.0%	24.4%
Adjustment of technical reserves	-44.4	-60.1	-50.4	-16.2%	13.5%
Net claims and benefits incurred	-146.7	-188.3	-189.5	0.6%	29.1%
Other expenses	-461.4	-463.6	-480.0	3.5%	4.0%
Income before translation result and income tax	**371.4**	**421.1**	**397.8**	**-5.5%**	**7.1%**
Translation result	2.4	-9.1	-15.9	74.9%	n.m.
Income tax	-86.7	-95.9	-101.6	6.0%	17.1%
Profit for the period	**287.1**	**316.1**	**280.3**	**-11.3%**	**-2.4%**
Attributable to equity holders of the group	**285.4**	**314.4**	**278.6**	**-11.4%**	**-2.4%**
EPS	**2.67**	**2.84**	**2.52**		
ROAE	**20.4%**	**18.7%**	**15.9%**		
ROAA	**2.1%**	**2.1%**	**1.8%**		
Efficiency ratio (1)	**35.9%**	**35.0%**	**35.6%**		

(1) 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).

Quarter-on-quarter performance

Profits decreased 11.3% QoQ mainly due to higher provisions and other expenses at Interbank, as well as to decreases in investment-related income at both Inteligo and Interseguro. Moreover, a higher loss in translation result and the negative impact of a higher effective tax rate, together with a reduction in net gain on valuation of trading securities, all at the holding level, also contributed to IFS' net profit reduction with respect to 3Q18. These effects were partially offset by increases in interest and fee income at both Interbank and Inteligo, and by a reversion of provisions for impairment loss on available-for-sale investments at Interseguro.

Net interest and similar income grew 4.6% QoQ, mainly due to higher interest on loans at Interbank, in addition to an increase in interest on investments available for sale at Inteligo.

Provision expenses increased 25.9% mainly explained by higher provision requirements in credit cards, small-enterprise loans, other consumer loans and mortgages; partially offset by a reversion of provisions in corporate loans for S/ 20.1 million, related to the bank's exposure to the construction sector.

Net fee income from financial services increased 13.7% QoQ, supported by growths in commissions from credit card services at Interbank and in fund management fees at Inteligo.

Other income decreased 26.4% QoQ mainly due to negative net trading results at Inteligo, as well as to a lower net valuation gain of real estate investments at

Interseguro. These effects were partially offset by higher results from sale of securities at Interbank.

Total premiums earned less claims and benefits at Interseguro showed a quarterly improvement of S/ 7.0 million, explained by a S/ 9.7 million reduction in adjustment of technical reserves, partially offset by a S/ 1.7 million decrease in net premiums and a S/ 1.2 million increase in net claims and benefits incurred.

Other expenses grew 3.5% QoQ mostly due to increases in depreciation and amortization charges, and in salaries and employee benefits, both at Interbank, as well as to higher administrative expenses at Inteligo. These effects were partially offset by a reversion of provisions for impairment loss on available-for-sale investments at Interseguro.

IFS effective tax rate increased, from 23.3% in 3Q18 to 26.6% in 4Q18, attributed to a similar effect at Interbank.

Year-on-year performance

Profits decreased 2.4% YoY mainly due to lower net gain on sale of securities at all subsidiaries, in addition to higher other expenses and provisions at Interbank. These effects were partially offset by higher net interest and similar income at all three businesses, especially at Interbank.

Net interest and similar income increased 15.1% YoY, mainly driven by higher interest on loans at Interbank; but also explained by an increase in interest and similar income at Interseguro, associated with the incorporation of Seguros Sura's investment portfolio. Higher investments in fixed income securities at Inteligo also contributed to the improvement of net interest and similar income.

Provision expenses grew 10.6% YoY mainly as a result of higher provision requirements in medium and small-enterprise loans, mortgages, credit cards and other consumer loans; partially offset by a reversion of provisions in corporate loans for S/ 20.1 million, related to the bank's exposure to the construction sector.

Net fee income from financial services increased 8.6% YoY mainly explained by growths in commissions from credit card services and in fees from maintenance and mailing of accounts, interchange fees, transfers and debit card services, all at Interbank. Higher income from funds management at Inteligo also explained the increase in net fee income at IFS.

Other income decreased 31.6% YoY mainly explained by lower net gain on sale of securities at all subsidiaries.

Total premiums earned less claims and benefits at Interseguro declined S/ 15.0 million, due to growths of S/ 42.8 million in net claims and benefits incurred, and S/ 6.0 million in adjustment of technical reserves, partially offset by a S/ 33.7 million increase in net premiums.

Other expenses increased 4.0% YoY mainly due to growths in depreciation and amortization charges, administrative expenses, and salaries and employee benefits at Interbank. These effects were partially offset by lower impairment losses on available-for-sale investments at Inteligo and Interseguro.

IFS effective tax rate increased, from 23.2% in 4Q17 to 26.6% in 4Q18, due to a similar effect 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				%chg	%chg
	4Q17	3Q18	4Q18	QoQ	YoY
Interbank	273.4	247.6	242.2	-2.2%	-11.4%
Interseguro	16.7	19.9	17.8	-10.7%	6.7%
Inteligo	40.9	55.7	41.7	-25.0%	2.2%
Corporate and eliminations	-43.8	-7.0	-21.3	n.m.	-51.3%
IFS profit for the period	**287.1**	**316.1**	**280.3**	**-11.3%**	**-2.4%**

Interbank

SUMMARY

2018 Performance

Interbank's net profit reached S/ 1,025.1 million in 2018, a 13.3% increase compared to the previous year. The main factors that contributed to this result were growths of 8.4% in net interest and similar income, and 3.6% in fee income from financial services, as well as a 20.4% reduction in provisions. These factors were partially offset by a 16.5% decrease in other income, in addition to a 7.6% increase in other expenses and a higher effective tax rate.

Interbank's ROAE was 20.3% in 2018, slightly higher than the 20.1% reported in 2017.

Banking Segment's P&L Statement					
S/ million	2016	2017	2018	%chg 18/17	%chg 17/16
Interest and similar income	3,279.4	3,348.0	3,561.0	6.4%	2.1%
Interest and similar expenses	-1,009.8	-1,047.0	-1,067.4	1.9%	3.7%
Net interest and similar income	**2,269.6**	**2,301.0**	**2,493.6**	**8.4%**	**1.4%**
Provision for loan losses, net of recoveries	-783.6	-830.5	-660.9	-20.4%	6.0%
Net interest and similar income after provision for loan losses	**1,485.9**	**1,470.5**	**1,832.7**	**24.6%**	**-1.0%**
Fee income from financial services, net	749.9	789.7	817.9	3.6%	5.3%
Other income	309.3	362.6	302.9	-16.5%	17.2%
Other expenses	-1,395.0	-1,428.1	-1,536.0	7.6%	2.4%
Income before translation result and income tax	**1,150.1**	**1,194.8**	**1,417.5**	**18.6%**	**3.9%**
Translation result	0.9	13.6	-9.8	n.m.	n.m.
Income tax	-304.2	-303.5	-382.6	26.1%	-0.3%
Profit for the period	**846.8**	**904.9**	**1,025.1**	**13.3%**	**6.9%**
ROAE	**21.4%**	**20.1%**	**20.3%**		
Efficiency ratio	**40.7%**	**40.3%**	**41.2%**		
NIM	**5.7%**	**5.7%**	**5.7%**		
NIM on loans	**9.9%**	**9.5%**	**8.9%**		

Interest and similar income increased 6.4% due to growths of 81.2% in interest on due from banks and inter-bank funds, 10.5% in interest on investments available for sale and 5.5% in interest on loans.

Interest on due from banks and inter-bank funds grew by S/ 21.3 million, or 81.2%, explained by an increase of 30 basis points in the nominal average rate, partially offset by a 10.8% reduction in the average volume. The increase in the nominal average rate was due to higher returns on deposits and reserve requirements at the Central Bank, partially offset by a lower return on inter-bank funds. On the other hand, the reduction in the average volume was the result of lower balances on reserve requirements at the Central Bank, partially offset by higher inter-bank funds and deposits at the Central Bank.

The S/ 21.2 million higher interest on investments available for sale was due to a 20.6% growth in the average volume, partially offset by a 30 basis point decrease in the average rate. The increase in volume was a result of higher investments in sovereign, global and corporate bonds from non-financial institutions, partially offset by lower balances on Central Bank Certificates of Deposits (CDBCR). On the other hand, the reduction in the average rate was the result of lower returns on CDBCR, sovereign bonds and corporate bonds from financial institutions.

The increase in interest on loans accounted for most of the growth in interest and similar income, and was attributed to a 12.0% higher average volume, partially offset by a 70 basis point decrease in the nominal average rate, from 12.0% in 2017 to 11.3% in 2018.

The higher average volume of loans was attributed to increases of 12.9% in retail loans and 11.3% in commercial loans. In the retail portfolio, the increase was mainly explained by growths of 14.0% in credit cards, 13.3% in mortgages and 12.1% in payroll loans; while in the commercial portfolio, by increases of 40.7% in trade finance loans and 8.3% in short and medium-term loans, partially offset by a 1.6% reduction in leasing operations.

The decrease in the average rate was mainly explained by yield reductions of 100 basis points in retail loans and 50 basis points in commercial loans. In the retail loan portfolio, the average yield decreased as a consequence of lower rates on consumer loans and mortgages; while in the commercial portfolio, mainly due to lower yields on trade finance loans, short and medium-term loans, and leasing operations.

Interest and similar expense increased 1.9% with respect to the previous year. This was explained by growths of 9.2% in interest on deposits and 8.9% in interest on bonds, notes and other obligations; partially offset by a decrease of 24.6% in interest on due to banks and correspondents.

The growth in interest on deposits was due to an 11.2% increase in the average volume, while the average cost remained stable. The growth in volume was attributed to increases in commercial, retail and institutional deposits. By currency, average balances of soles deposits grew 16.5% while average dollar deposits increased 3.8%. The stable average cost of deposits resulted from higher rates paid to retail deposits that were offset by lower rates on institutional deposits, while the average cost of commercial deposits remained stable throughout the year.

Interest on bonds, notes and other obligations grew 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$ 400 million, executed throughout the year. 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.

Interest on due to banks and correspondents decreased as a result of reductions of 21.0% in the average volume and 20 basis point in the average cost. The reduction in the average volume was mainly due to lower funding provided by the Central Bank and from correspondent banks abroad, as well as from COFIDE. The decrease in the nominal average cost was explained by lower rates on funding provided by the Central Bank and from banks abroad, partially offset by higher rates on inter-bank funds and funding provided by COFIDE.

Provision for loan losses, net of recoveries decreased 20.4% in 2018 compared to the previous year. The reduction in provision expenses was mainly a result of lower provision requirements in credit cards and an S/ 83.0 million reversion of provisions in corporate loans, related to the bank's exposure to the construction sector. These factors were partially offset by higher provision requirements in small and medium-enterprise loans.

The S/ 28.1 millon, or 3.6%, increase in fee income from financial services was mainly attributable to higher commissions from credit card services.

Other income decreased S/ 59.7 million, or 16.5%, mainly due a S/ 48.9 million decrease in net gain on sale of securities. It is worth noting that income from sale of securities increased considerably under the prevailing IAS 39 accounting standards in 2017, due to the sale of part of an equity investment. The sale of another portion of such equity investment in 2018 was accounted under IFRS 9 standards, with effect on retained earnings instead.

Other expenses increased S/ 107.9 million, or 7.6%, as a result of growths of 8.7% in depreciation and amortization, 8.6% in administrative expenses, and 4.8% in salaries and employee benefits. Expense items related to IT services and loyalty programs were among those which rose the most, as these were associated with bank's digital transformation efforts and the higher credit cards activity, respectively.

The efficiency ratio was 41.2% in 2018, a slight deterioration compared to the 40.3% registered in 2017, as a result of a 7.6% increase in other expenses, while total revenues increased 4.7%.

Income before translation result and income tax increased 18.6% in 2018, which was then affected by a negative translation result and a higher effective tax rate, from 25.1% in 2017 to 27.2% in 2018. As a result of the above, profit for the period increased 13.3% compared to 2017.

4Q18 Performance

Interbank's profits reached S/ 242.2 million in 4Q18, a decrease of S/ 5.4 million QoQ and S/ 31.2 million YoY. The quarterly reduction was mainly due to increases of S/ 43.0 million in provisions and S/ 23.2 million in other expenses, as well as a higher effective tax rate. These effects were partially offset by growths of S/ 33.0 million in net interest and similar income, S/ 25.6 million in fee income from financial services and S/ 5.5 million in other income.

The annual decrease in net profit was mainly a result of increases of S/ 51.9 million in other expenses and S/ 20.2 million in provisions, in addition to a reduction of S/ 29.9 million in other income and a higher effective tax rate. These factors were partially offset by growths of S/ 63.8 million in net interest and similar income, and S/ 23.6 million in fee income from financial services.

Interbank's ROAE was 18.0% in 4Q18, below the 19.4% registered in 3Q18 and the 22.7% reported in 4Q17.

Banking Segment's P&L Statement					
S/ million	4Q17	3Q18	4Q18	%chg QoQ	%chg YoY
Interest and similar income	852.6	898.8	938.3	4.4%	10.1%
Interest and similar expenses	-263.3	-278.8	-285.3	2.3%	8.3%
Net interest and similar income	589.2	620.0	653.0	5.3%	10.8%
Provision for loan losses, net of recoveries	-188.6	-165.8	-208.8	25.9%	10.7%
Net interest and similar income after provision for loan losses	400.6	454.2	444.2	-2.2%	10.9%
Fee income from financial services, net	200.4	198.4	224.0	12.9%	11.8%
Other income	106.7	71.3	76.8	7.7%	-28.0%
Other expenses	-356.2	-384.9	-408.1	6.0%	14.6%
Income before translation result and income tax	351.6	339.1	336.9	-0.7%	-4.2%
Translation result	2.3	-3.4	-4.7	37.5%	n.m.
Income tax	-80.5	-88.1	-90.0	2.2%	11.8%
Profit for the period	273.4	247.6	242.2	-2.2%	-11.4%
ROAE	22.7%	19.4%	18.0%		
Efficiency ratio	39.0%	42.3%	41.0%		
NIM	5.6%	5.7%	5.9%		
NIM on loans	9.5%	8.7%	8.7%		

INTEREST-EARNING ASSETS

Interbank’s interest-earning assets reached S/ 45,520.2 million in 4Q18, an increase of 5.1% QoQ and 3.4% YoY.

The quarterly growth in interest-earning assets was due to increases of 19.9% in cash and due from banks and inter-bank funds, and 4.3% in loans, partially offset by a decrease of 6.8% in investments. The growth in cash and due from banks and inter-bank funds was mainly explained by higher reserve funds at the Central Bank, while the reduction in investments was mainly a result of lower volumes of CDBCR, and sovereign and global bonds.

The annual increase in interest-earning assets was attributed to a 17.0% growth in loans, partially offset by reductions of 25.7% in cash and due from banks and inter-bank funds, and 4.2% in investments. The decrease in cash and due from banks and inter-bank funds was mainly due to lower reserve funds and deposits at the Central Bank. The reduction in investments was mainly explained by lower volumes of CDBCR.

Interest-earning assets					
S/ million	4Q17	3Q18	4Q18	%chg QoQ	%chg YoY
Cash and due from banks and inter-bank funds	11,058.6	6,859.0	8,221.7	19.9%	-25.7%
Investments available for sale	6,110.0	6,281.7	5,854.4	-6.8%	-4.2%
Loans	26,869.7	30,157.8	31,444.1	4.3%	17.0%
Total Interest-earning assets	44,038.3	43,298.6	45,520.2	5.1%	3.4%

Loan portfolio					
S/ million				%chg	%chg
	4Q17	3Q18	4Q18	QoQ	YoY
Performing loans					
Retail	14,169.6	15,849.7	16,541.1	4.4%	16.7%
Commercial	12,624.3	14,274.0	14,893.6	4.3%	18.0%
Total Performing loans	**26,793.9**	**30,123.6**	**31,434.7**	**4.4%**	**17.3%**
Restructured and refinanced loans	273.4	215.5	210.4	-2.4%	-23.1%
Past due loans	794.7	815.2	857.1	5.1%	7.9%
Total gross loans	**27,862.0**	**31,154.3**	**32,502.2**	**4.3%**	**16.7%**
Add (less)					
Accrued and deferred interest	209.0	226.3	247.3	9.3%	18.4%
Allowance for loan losses	-1,201.2	-1,222.8	-1,305.4	6.7%	8.7%
Total direct loans, net	**26,869.7**	**30,157.8**	**31,444.1**	**4.3%**	**17.0%**

Performing loans grew 4.4% QoQ as a result of balanced increases of 4.4% in retail loans and 4.3% in commercial loans.

Growth in retail loans was explained by increases of 7.8% in credit cards, 3.3% in mortgages and 2.7% in other consumer loans. The increase in mortgages was due to a higher dynamism in the traditional segment. Growth in other consumer loans was mainly explained by higher payroll loans, cash loans and car loans.

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

Performing loans grew 17.3% YoY due to increases of 18.0% in commercial loans and 16.7% in retail loans.

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

Retail loans grew YoY mainly due to increases of 28.4% in credit cards, 14.1% in other consumer loans and 11.0% in mortgages. Other consumer loans grew as a result of higher payroll loans, cash loans and car loans; while mortgages increased due to a higher dynamism in the traditional segment. It is worth mentioning that the YoY growth in mortgages is now normalized from the acquisition of the portfolio from Hipotecaria Sura EAH S.A. in 4Q17.

Breakdown of retail loans					
S/ million				%chg	%chg
	4Q17	3Q18	4Q18	QoQ	YoY
Consumer loans:					
Credit cards	3,792.6	4,518.5	4,871.3	7.8%	28.4%
Other consumer	4,854.8	5,395.7	5,539.1	2.7%	14.1%
Total consumer loans	**8,647.4**	**9,914.2**	**10,410.4**	**5.0%**	**20.4%**
Mortgages	5,522.2	5,935.5	6,130.6	3.3%	11.0%
Total retail loans	**14,169.6**	**15,849.7**	**16,541.1**	**4.4%**	**16.7%**

FUNDING STRUCTURE

Funding structure					
S/ million				%chg	%chg
	4Q17	3Q18	4Q18	QoQ	YoY
Deposits	30,559.3	29,079.1	31,286.7	7.6%	2.4%
Due to banks and inter-bank funds	4,416.7	4,061.8	3,968.8	-2.3%	-10.1%
Bonds	4,537.2	5,279.7	5,386.2	2.0%	18.7%
Total	**39,513.2**	**38,420.6**	**40,641.7**	**5.8%**	**2.9%**
% of funding					
Deposits	77.3%	75.7%	77.0%		
Due to banks and inter-bank funds	11.2%	10.6%	9.8%		
Bonds	11.5%	13.7%	13.2%		

Interbank's total funding base increased 5.8% QoQ, slightly above the performance of interest-earning assets. This was explained by increases in deposits and bonds, partially offset by a reduction in due to banks and inter-bank funds. Growth in deposits was mainly due to increases of 12.7% in institutional deposits, 6.8% in commercial deposits and 6.6% in retail deposits. The increase in bonds was mainly the result of a 2.2% depreciation of the exchange rate compared to 3Q18. The decrease in due to banks and inter-bank funds was mainly due to lower inter-bank funds.

The bank's total funding base increased 2.9% YoY, slightly below the annual growth in interest-earning assets, and was mainly explained by growths of 18.7% in bonds and 2.4% in deposits, partially offset by a 10.1% 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 12.7% in retail deposits and 2.3% in commercial deposits, partially offset by a 17.3% reduction in institutional deposits. It is worth to mention that institutional deposits were seasonally high in 4Q17 due to funds associated with the repatriation of capital promoted by the Government.

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

As of 4Q18, the proportion of deposits to total funding was 77.0%, slightly below the 77.3% reported in 4Q17. Likewise, the proportion of institutional deposits to total deposits decreased from 21.8% in 4Q17 to 17.6% in 4Q18.

Breakdown of deposits					
S/ million	4Q17	3Q18	4Q18	%chg QoQ	%chg YoY
By customer service:					
Retail	12,709.2	13,442.2	14,328.4	6.6%	12.7%
Commercial	10,859.9	10,400.7	11,106.1	6.8%	2.3%
Institutional	6,653.2	4,884.0	5,505.4	12.7%	-17.3%
Other	337.0	352.2	347.0	-1.5%	2.9%
Total	30,559.3	29,079.1	31,286.7	7.6%	2.4%
By type:					
Demand	9,370.1	8,476.2	9,185.9	8.4%	-2.0%
Savings	9,093.0	10,231.9	10,728.4	4.9%	18.0%
Time	12,090.3	10,357.4	11,366.4	9.7%	-6.0%
Other	5.8	13.6	6.1	-55.4%	3.8%
Total	30,559.3	29,079.1	31,286.8	7.6%	2.4%

NET INTEREST AND SIMILAR INCOME

Net interest and similar income					
S/ million	4Q17	3Q18	4Q18	%chg QoQ	%chg YoY
Interest and similar income	852.6	898.8	938.3	4.4%	10.1%
Interest and similar expense	-263.3	-278.8	-285.3	2.3%	8.3%
Net interest and similar income	589.2	620.0	653.0	5.3%	10.8%
NIM(1)	5.6%	5.7%	5.9%	20 bps	30 bps

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

Interest and similar income					
S/ million	4Q17	3Q18	4Q18	%chg QoQ	%chg YoY
Interest and similar income					
Due from banks and inter-bank funds	8.4	12.4	15.9	28.3%	89.2%
Investments available for sale	50.2	54.0	53.4	-1.1%	6.4%
Loans	793.9	832.3	868.9	4.4%	9.4%
Total Interest and similar income	852.6	898.8	938.3	4.4%	10.1%
Average interest-earning assets	42,179.0	43,170.5	44,409.4	2.9%	5.3%
Average yield on assets (annualized)	8.1%	8.3%	8.5%	20 bps	40 bps

Interest and similar expense					
S/ million	4Q17	3Q18	4Q18	%chg QoQ	%chg YoY
Interest and similar expense					
Deposits and obligations	-133.5	-151.4	-155.7	2.8%	16.6%
Due to banks and correspondents	-54.1	-39.6	-40.4	1.9%	-25.3%
Bonds, notes and other obligations	-75.7	-87.7	-89.3	1.7%	17.9%
Total Interest and similar expense	-263.3	-278.8	-285.3	2.3%	8.3%
Average interest-bearing liabilities	37,845.0	38,456.4	39,531.2	2.8%	4.5%
Average cost of funding (annualized)	2.8%	2.9%	2.9%	0 bps	10 bps

QoQ Performance

Net interest and similar income grew 5.3% QoQ due to a 4.4% increase in interest and similar income, partially offset by a 2.3% growth in interest and similar expense.

The higher interest and similar income was due to growths of 28.3% in interest on due from banks and inter-bank funds, and 4.4% in interest on loans, partially offset by a 1.1% decrease in interest on investments available for sale.

Interest on due from banks and inter-bank funds grew by S/ 3.5 million, or 28.3%, explained by increases of 10 basis points in the nominal average rate and 4.0% in the average volume. The nominal average rate grew due to higher returns on reserve requirements at the Central Bank, while the increase in the average volume was the result of higher balances of reserve requirements at the Central Bank and inter-bank funds.

The increase in interest on loans was due to growths of 3.9% in the average loan portfolio and 10 basis points in the average yield, from 11.2% in 3Q18 to 11.3% in 4Q18. It is worth to mention that this has been the first reported quarter increase in the average return of the loan portfolio since 3Q17.

The higher average volume of loans was attributed to equal increases of 4.0%, both in commercial and in retail loans. In the commercial portfolio, the increase was mainly due to a 7.4% growth in short and medium-term loans, while in the retail portfolio, average volumes increased 6.1% in credit cards, 3.3% in payroll loans and 3.1% in mortgages.

The higher average rate was mainly explained by a yield increase of 20 basis points in commercial loans, while the yield in retail loans remained stable. In commercial loans, the increase was due to higher returns on trade finance loans, short and medium-term loans, and leasing operations; while in retail loans, the average rate remained stable as higher yields on other consumer loans were offset by lower yields on payroll loans. Average rates charged to credit cards and mortgages remained stable QoQ.

The lower interest on investments available for sale was explained by a 3.4% reduction in the average volume, partially offset by 10 basis point increase in the nominal average rate. The decrease in the average volume was the result of lower balances of sovereign bonds, global bonds and CDBCR, while the growth in the nominal average rate was due to higher returns on corporate bonds, sovereign bonds and CDBCR.

The nominal average yield on interest-earning assets increased by 20 basis points, from 8.3% in 3Q18 to 8.5% in 4Q18, as a result of higher returns on all of its components.

Interest and similar expense increased due to growths of 2.8% in interest on deposits and obligations, 1.9% in interest on due to banks and correspondents, and 1.7% in interest on bonds, notes and other obligations.

Interest on deposits and obligations grew by S/ 4.3 million, or 2.8%, due to a 4.0% increase in the average volume, while the average cost remained stable QoQ, at 2.1%. The higher average volume was explained by growths in retail, commercial and institutional deposits. By currency, average balances of soles deposits grew 5.5% while average dollar deposits increased 1.5%. The average cost remained stable as higher rates paid to institutional deposits were offset by a lower cost of commercial deposits, while the average rate on retail deposits remained stable.

The S/ 0.8 million, or 1.9% increase in interest on due to banks and correspondents was the result of a 20 basis point increase in the nominal average cost, partially offset by a 3.6% reduction in the average volume. The increase in the average cost was attributed to higher rates paid on inter-bank funds and funding provided from banks abroad, while the decrease in the average volume, to reductions in inter-bank funds and funding provided by the Central Bank and COFIDE.

The higher interest on bonds, notes and other obligations was related to hedging transactions for a total amount of US$ 400 million, executed throughout the year, as well as to a 1.5% increase in the average volume, which was in turn explained by a 1.5% depreciation of the exchange rate with respect to 3Q18.

The average cost of funding remained stable QoQ, at 2.9%, as the higher rates paid on due to banks and correspondents were offset by a higher proportion of deposits within interest-bearing liabilities, since they contribute with a lower average cost than the rest of components, even if their nominal average rate remained stable when compared to the previous quarter.

As a result of the above, net interest margin was 5.9% in 4Q18, 20 basis points above the 5.7% reported in 3Q18.

<u>YoY Performance</u>

Net interest and similar income grew 10.8% YoY due to a 10.1% increase in interest and similar income, partially offset by an 8.3% growth in interest and similar expense.

Growth in interest and similar income was mainly due to increases of 89.2% in interest on due from banks and inter-bank funds, 9.4% in interest on loans and 6.4% in interest on investments.

Interest on due from banks and inter-bank funds grew by S/ 7.5 million, or 89.2%, explained by a 50 basis point increase in the nominal average rate, partially offset by a 22.6% decrease in the average volume. The increase in the nominal average rate was due to higher returns on deposits and reserve funds at the Central Bank, while the reduction in average volume was mainly due to lower balances of such components.

The increase in interest on loans was due to a 16.1% growth in the average volume of loans, partially compensated by a 70 basis point contraction in the average yield, from 12.0% in 4Q17 to 11.3% in 4Q18.

The higher average volume of loans was attributed to growths of 16.4% in retail loans and 16.2% in commercial loans. In the retail portfolio, the higher average volume was mainly due to increases of 24.9% in credit cards, 14.9% in payroll loans and 12.8% in mortgages. In the commercial portfolio, volumes increased 63.7% in trade finance loans and 11.4% in short and medium-term loans, while leasing operations decreased 2.3%.

The decrease in the average rate on loans was explained by reductions of 30 basis points in retail loans and 20 basis points in commercial loans. In retail loans, the lower yield was due to decreases of 50 basis points in mortgages and 40 basis points in consumer loans, while in commercial loans, due to lower returns on trade finance loans and leasing operations.

The higher interest on investments available for sale was due to increases of 10 basis points in the nominal average rate and 2.7% in the average volume. Growth in the nominal average rate was due to higher returns in corporate bonds from non-financial institutions and sovereign bonds. On the other hand, the increase in the average volume was due to higher balances of sovereign, global and corporate bonds, partially offset by lower CDBCR.

The nominal average yield on interest-earning assets increased by 40 basis points YoY, from 8.1% in 4Q17 to 8.5% in 4Q18, mainly explained by higher nominal average rates on due from banks and investments, as well as by 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 when compared to 4Q17.

Growth in interest and similar expense was due to increases of 17.9% in interest on bonds, notes and other obligations, and 16.6% in interest on deposits and obligations; partially offset by a 25.3% reduction in interest on due to banks and correspondents.

Interest on bonds, notes and other obligations grew by S/ 13.6 million, or 17.9% 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$ 400 million, executed throughout the year. Additionally, a 2.6% depreciation of the exchange rate with respect to 4Q17 originated an increase in the value of bonds issued in dollars.

Interest on deposits and obligations increased by S/ 22.2 million, or 16.6%, explained by growths of 20 basis points in the nominal average cost and 7.1% in the average volume. The increase in the average cost, from 1.9% in 4Q17 to 2.1% in 4Q18, was due to a 40 basis point growth in rates paid to dollar deposits, while the cost of soles deposits remained stable. The higher average volume was explained by growths in retail, commercial and institutional deposits. By currency, average balances of soles deposits grew 11.3% while average dollar deposits slightly increased 0.7%.

The S/ 13.7 million, or 25.3% decrease in interest on due to banks and correspondents was explained by reductions of 21.1% in the average volume and 30 basis points in the average cost. The decrease in average volume was mainly due to lower funding provided from correspondent banks abroad and the Central Bank, as well as from COFIDE. The reduction in the nominal average cost was explained by lower rates on inter-bank funds and funding provided by the Central Bank and COFIDE, partially offset by higher rates on funding from banks abroad.

The average cost of funds increased 10 basis points YoY, from 2.8% in 4Q17 to 2.9% in 4Q18. This was explained by a higher cost of deposits and their higher importance over total funding, partially offset by a lower cost of due to banks and correspondents.

As a result of the above, net interest margin was 5.9% in 4Q18, 30 basis points above the 5.6% reported in 4Q17.

PROVISION FOR LOAN LOSSES, NET OF RECOVERIES

Provision for loan losses, net of recoveries increased 25.9% QoQ and 10.7% YoY. The quarterly increase in provision expenses was mainly the result of higher provision requirements in credit cards, small-enterprise loans, other consumer loans and mortgages; partially offset by a reversion of provisions in corporate loans for S/ 20.1 million, related to the bank's exposure to the construction sector.

The annual growth in provisions was mainly due to higher provision requirements in medium and small-enterprise loans, mortgages, credit cards and other consumer loans; partially offset by the reversion of provisions previously mentioned.

As a result of the above, the annualized ratio of provision expense to average loans was 2.6% in 4Q18, higher than the 2.2% reported in 3Q18, but below the 2.7% registered in 4Q17.

Provision for loan losses, net of recoveries					
S/ million	4Q17	3Q18	4Q18	%chg QoQ	%chg YoY
Provision for loan losses, net of recoveries	-188.6	-165.8	-208.8	25.9%	10.7%
Provision for loan losses/average gross loans	2.7%	2.2%	2.6%(1)	40 bps	-10 bps
NPL ratio (at end of period)(2)	3.2%	2.8%	2.9%	10 bps	-30 bps
NPL coverage ratio (at end of period)	118.4%	136.4%	131.7%	-470 bps	n.m.
Allowance for loan losses (at end of period)	1,201.2	1,222.8	1,305.4	6.7%	8.7%

(1) Normalizing from the reversion of provisions for construction sector exposures, cost of risk was 2.9% in 4Q18
(2) NPL ratio: Exposure under Stage 3 and refinanced loans / Total exposure (IFRS 9)

The NPL ratio increased 10 basis points QoQ, but decreased 30 basis points YoY, to 2.9% in 4Q18, as a result of reductions in NPLs in both retail and commercial loans. Additionally, the NPL coverage ratio was 131.7% in 4Q18, lower than the 136.4% reported in 3Q18, but higher than the 118.4% registered in 4Q17.

FEE INCOME FROM FINANCIAL SERVICES, NET

Net fee income from financial services increased S/ 25.6 million QoQ, or 12.9%, mainly explained by growths of S/ 10.0 million in commissions from credit card services, S/ 9.8 million in fees from maintenance and mailing of accounts, interchange fees, transfers and debit card services, and S/ 8.9 million in commissions from banking services; partially offset by a S/ 1.1 million reduction in fees for indirect loans.

Net fee income from financial services grew S/ 23.6 million YoY, or 11.8%, mainly due to increases of S/ 12.3 million in commissions from credit card services, S/ 10.5 million in fees from maintenance and mailing of accounts, interchange fees, transfers and debit card services, and S/ 1.1 million in fees from collection services. These effects were partially offset by a S/ 1.9 million decrease in fees for indirect loans.

Fee income from financial services, net					
S/ million	4Q17	3Q18	4Q18	%chg QoQ	%chg YoY
Income					
Commissions from credit card services	89.2	91.5	101.5	10.9%	13.8%
Maintenance and mailing of accounts, interchange fees, transfers and debit card services	71.9	72.6	82.4	13.5%	14.6%
Commissions from banking services	69.0	59.7	68.6	14.9%	-0.6%
Fees for indirect loans	16.5	15.7	14.6	-6.6%	-11.2%
Funds management	10.0	10.1	10.2	1.1%	2.2%
Collection services	8.3	9.7	9.4	-2.9%	13.3%
Other	7.9	7.2	7.3	1.9%	-7.7%
Total income	**272.7**	**266.4**	**294.0**	**10.4%**	**7.8%**
Expenses					
Insurance	-42.3	-32.8	-33.7	2.5%	-20.4%
Fees paid to foreign banks	-3.6	-3.9	-4.0	1.8%	11.1%
Other	-26.5	-31.2	-32.3	3.7%	22.3%
Total expenses	**-72.3**	**-68.0**	**-70.0**	**3.0%**	**-3.2%**
Fee income from financial services, net	**200.4**	**198.4**	**224.0**	**12.9%**	**11.8%**

OTHER INCOME

Other income increased S/ 5.5 million QoQ due to higher results from sale of securities, while lower gains on foreign exchange operations were compensated by higher proceeds from the sale of loan portfolios.

On the other hand, other income decreased S/ 29.9 million YoY, mainly explained by a base effect, as in 4Q17 income from sale of securities increased considerably due to the sale of part of an equity investment that was accounted through such period's results according to IAS 39 accounting standards prevailing at that time. The annual reduction in other income was also a result of lower results from foreign exchange transactions and derivatives.

Other income					
S/ million	4Q17	3Q18	4Q18	%chg QoQ	%chg YoY
Net gain on foreign exchange transactions and derivatives	52.7	57.5	43.5	-24.4%	-17.5%
Net gain on sale of securities	30.9	0.0	5.0	n.m.	-83.8%
Other	23.1	13.8	28.3	n.m.	22.8%
Total other income	**106.7**	**71.3**	**76.8**	**7.7%**	**-28.0%**

OTHER EXPENSES

Other expenses increased S/ 23.2 million QoQ, or 6.0%, and S/ 51.9 million YoY, or 14.6%. The quarterly increase was mainly due to growths of 15.2% in depreciation and amortization charges and 5.6% in salaries and employee benefits.

The annual growth in other expenses was explained by increases of 14.2% in depreciation and amortization charges, 12.8% in administrative expenses and 10.5% in salaries and employee benefits.

The efficiency ratio was 41.0% in 4Q18, compared to the 42.3% reported in 3Q18 and the 39.0% registered in 4Q17. It is worth noting that 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	4Q17	3Q18	4Q18	%chg QoQ	%chg YoY
Salaries and employee benefits	-149.4	-156.2	-165.0	5.6%	10.5%
Administrative expenses	-166.0	-186.5	-187.3	0.4%	12.8%
Depreciation and amortization	-33.9	-33.6	-38.7	15.2%	14.2%
Other	-6.9	-8.6	-17.1	99.9%	n.m.
Total other expenses	**-356.2**	**-384.9**	**-408.1**	**6.0%**	**14.6%**
Efficiency ratio	**39.0%**	**42.3%**	**41.0%**	**-130 bps**	**200 bps**

REGULATORY CAPITAL

The ratio of regulatory capital to risk-weighted assets (RWA) was 15.8% in 4Q18, below the 16.2% registered in 3Q18 and the 16.1% reported in 4Q17.

As of 4Q18, regulatory capital increased 1.8% QoQ, while RWA grew 4.7% mainly due to higher capital requirements for credit and market risk.

The annual reduction in the capital ratio was due to a 17.6% growth in RWA, partially offset by a 15.5% increase in regulatory capital. The YoY increase in RWA was mostly attributed to the growth in the loan portfolio. The annual increase in regulatory capital was mainly a result of the addition of S/ 696.5 million in capital, reserves and earnings with capitalization agreement during the last twelve months.

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/ 43.7 million of the US$ 200.0 million junior subordinated bonds issued in April 2010 no longer count as primary capital. As of 4Q18, 80.0% of this issue was considered as primary capital, in line with the percentage registered in 3Q18.

As of 4Q18, Interbank's capital ratio of 15.8% 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 4Q18.

Regulatory capital					
S/ million				%chg	%chg
	4Q17	3Q18	4Q18	QoQ	YoY
Tier I capital	4,250.4	4,912.8	5,042.0	2.6%	18.6%
Tier II capital	1,815.9	1,973.9	1,965.3	-0.4%	8.2%
Total regulatory capital	6,066.3	6,886.7	7,007.4	1.8%	15.5%
Risk-weighted assets	37,745.5	42,396.4	44,372.9	4.7%	17.6%
BIS ratio	**16.1%**	**16.2%**	**15.8%**	**-40 bps**	**-30 bps**
Tier I capital / risk-weighted assets	**11.3%**	**11.6%**	**11.4%**	**-20 bps**	**10 bps**

Interseguro

SUMMARY

2018 Performance

Interseguro reported a loss of S/ -61.5 million in 2018, compared to profits of S/ 40.0 million in 2017. Bottom-line results 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/ 83.3 million, which would have represented a more than two-fold increase in profits.

Despite a S/ 241.6 million increase in net interest and similar income, the yearly performance was affected by decreases of S/ 254.6 million in total premiums earned less claims and benefits (including the one-time adjustment) and S/ 45.3 million in other income, in addition to a S/ 30.0 million increase in other expenses and a negative translation result.

Insurance Segment's P&L Statement

S/ million	2016	2017	2018	%chg 18/17	%chg 17/16
Interest and similar income	293.0	334.8	611.0	82.5%	14.3%
Interest and similar expenses	-14.4	-19.7	-54.3	n.m.	36.7%
Net Interest and similar income	**278.5**	**315.0**	**556.6**	**76.7%**	**13.1%**
Fee income from financial services, net	-3.0	-3.7	-4.6	24.4%	23.3%
Other income	78.0	112.9	67.6	-40.1%	44.7%
Total premiums earned less claims and benefits	-130.8	-152.9	-407.5	n.m.	16.9%
Net premiums	592.2	499.5	645.4	29.2%	-15.7%
Adjustment of technical reserves	-404.9	-240.2	-316.8	31.9%	-40.7%
Net claims and benefits incurred	-318.2	-412.3	-736.0	78.5%	29.6%
Other expenses	-228.8	-232.3	-262.3	12.9%	1.5%
Income before translation result and income tax	**-6.1**	**39.0**	**-50.1**	**n.m.**	**n.m**
Translation result	8.1	0.9	-11.4	n.m.	-89.3%
Income tax	-0.7	0.0	-	n.m.	n.m
Profit for the period	**1.4**	**39.9**	**-61.5**	**n.m.**	**n.m**
Attributable to non-controlling interest(1)	0.3	0.1	-	n.m.	-71.6%
Profit attributable to shareholders	**1.7**	**40.0**	**-61.5**	**n.m.**	**n.m**
New mortality tables impact on technical reserves	-	-	-144.8	**n.m.**	**n.m**
Profit for the period excl. change in mortality tables	**1.4**	**39.9**	**83.3**	**108.9%**	**n.m**
ROAE	**0.4%**	**7.0%**	**n.m.**		
ROAE excl. change in mortality tables	**0.4%**	**7.0%**	**9.4%**		
Efficiency ratio(2)	**18.5%**	**15.9%**	**14.4%**		
Efficiency ratio excl. change in mortality tables	**18.5%**	**15.9%**	**12.5%**		

(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).

Net interest and similar income in 2018 was S/ 556.6 million, an increase of S/ 241.6 million compared to 2017. This was mainly explained by a S/ 276.2 million growth in interest and similar income as a result of a higher volume of assets due to the merger with Seguros Sura in 2018, partially offset by a S/ 34.6 million increase in interest and similar expenses.

Other income was S/ 67.6 million, a S/ 45.3 million decrease YoY, due to reductions of S/ 95.7 million in net gain on sale of securities and S/ 9.6 million in net trading result. These factors were partially offset by increases of S/ 49.7 million in net gain on valuation of real estate investments, S/ 5.6 million in rent income from real estate investments and S/ 4.7 million in net gain on sale of real estate investments.

Total premiums earned less claims and benefits were S/ -407.5 million in 2018, a decrease of S/ 254.6 million compared to the previous year. Despite an increase of S/ 145.9 million in net premiums, growths of S/ 323.7 million in net claims and benefits incurred, and S/ 76.6 million in adjustment of technical reserves, more than offset such result.

The yearly growth in net premiums was mainly due to increases of S/ 65.0 million in individual life, S/ 42.8 million in annuities and S/ 37.8 million in disability and survivorship.

The higher adjustment of technical reserves in 2018 was driven mainly by increases of S/ 68.3 million in annuities, S/ 4.9 million in individual life and S/ 3.4 million in retail insurance. Growth in technical reserves for annuities was mainly explained by the one-time adjustment from the adoption of new mortality tables, as previously mentioned.

Net claims and benefits incurred grew substantially due to the obligations incurred by the merger with Seguros Sura in 2018.

Other expenses were S/ 262.3 million in 2018, a S/ 30.0 million growth, mainly explained by increases of S/ 13.8 million in salaries and employee benefits, S/ 7.3 million in depreciation and amortization, and S/ 6.9 million in administrative expenses. These factors were partially offset by a S/ 10.7 million reversion of provisions for impairment loss on available-for-sale investments.

4Q18 Performance

Interseguro's net profit reached S/ 17.8 million in 4Q18, a S/ 2.1 million decrease QoQ, but a S/ 1.1 million increase YoY.

The quarterly reduction was mainly due to a S/ 17.1 million decrease in other income, in addition to a deterioration in translation result. These effects were partially offset by a S/ 8.4 million reduction in other expenses, as well as by increases of S/ 7.0 million in total premiums earned less claims and benefits, and S/ 1.9 million in net interest and similar income.

The annual increase in profits was mainly explained by a S/ 36.7 million growth in net interest and similar income, as well as a S/ 7.0 million decrease in other expenses. These factors were partially offset by reductions of S/ 21.7 million in other income and S/ 15.0 million in total premiums earned less claims and benefits.

Insurance Segment's P&L Statement					
S/ million				%chg	%chg
	4Q17	3Q18	4Q18	QoQ	YoY
Interest and similar income	109.4	147.3	148.5	0.8%	35.7%
Interest and similar expenses	-11.1	-14.2	-13.5	-5.0%	21.4%
Net Interest and similar income	**98.3**	**133.1**	**135.0**	**1.4%**	**37.3%**
Fee income from financial services, net	-1.1	-1.0	-1.1	14.4%	7.6%
Other income	40.8	36.2	19.1	-47.4%	-53.3%
Total premiums earned less claims and benefits	-52.7	-74.7	-67.7	-9.3%	28.4%
Net premiums	138.4	173.8	172.1	-1.0%	24.4%
Adjustment of technical reserves	-44.4	-60.1	-50.4	-16.2%	13.5%
Net claims and benefits incurred	-146.7	-188.3	-189.5	0.6%	29.1%
Other expenses	-69.1	-70.5	-62.1	-11.9%	-10.0%
Income before translation result and income tax	**16.3**	**23.2**	**23.1**	**-0.5%**	**41.6%**
Translation result	0.4	-3.3	-5.3	61.4%	n.m.
Income tax	0.0	-	-	n.m.	n.m.
Profit for the period	**16.7**	**19.9**	**17.8**	**-10.7%**	**6.7%**
Attributable to non-controlling interest	0.0	-	-	n.m.	n.m.
Profit attributable to shareholders	**16.7**	**19.9**	**17.8**	**-10.7%**	**6.4%**
ROAE	**10.7%**	**8.4%**	**7.8%**		
Efficiency ratio(1)	**15.8%**	**12.4%**	**14.2%**		

(1) 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).

RESULTS FROM INVESTMENTS

Results from Investments (1)					
S/ million				%chg	%chg
	4Q17	3Q18	4Q18	QoQ	YoY
Interest and similar income	109.4	147.3	147.9	0.4%	35.1%
Interest and similar expenses	-2.8	-3.2	-3.0	-5.7%	9.9%
Net interest and similar income	**106.7**	**144.1**	**144.9**	**0.5%**	**35.8%**
Fee income from financial services, net	-0.6	-0.3	-0.1	-67.2%	-83.5%
Net gain on sale of securities	16.8	-7.9	-18.6	134.7%	n.m.
Net trading loss (income)	3.0	4.9	10.1	104.0%	n.m.
Rental income	8.5	10.1	8.7	-14.5%	1.9%
Profit from sale of investment property	-	-	7.6	n.m.	n.m.
Valuation gain from investment property	6.9	24.7	11.7	-52.8%	69.2%
Other(1)	1.5	0.2	2.3	n.m.	52.5%
Other income	**36.1**	**31.7**	**21.6**	**-31.8%**	**-40.2%**
Expenses related to rental income	-0.1	-1.4	-1.5	5.2%	n.m.
Other(1)	-3.8	-3.6	5.4	n.m.	n.m.
Expenses	**-3.9**	**-4.9**	**3.9**	**n.m.**	**n.m.**
Results from investments	**138.9**	**170.9**	**170.4**	**-0.3%**	**22.7%**

(1) Only includes transactions related to investments.

NET INTEREST AND SIMILAR INCOME

Net interest and similar income related to investments reached S/ 144.9 million in 4Q18, an increase of 0.5% QoQ and 35.8% YoY.

The QoQ growth was explained by an increase of S/ 0.6 million in interest and similar income, in addition to a decrease of S/ 0.2 million in interest and similar expenses.

The annual growth was mainly due to an increase in interest and similar income as a result of a higher volume of assets due to the merger with Seguros Sura. It is worth nothing that figures for 4Q17 include Seguros Sura's net interest and similar income corresponding only to November and December of 2017.

OTHER INCOME

Other income was S/ 21.6 million in 4Q18, a decrease of S/ 10.1 million QoQ and S/ 14.5 million YoY.

The quarterly reduction in other income was mainly due to decreases of S/ 13.0 million in net valuation gain of real estate investments and S/ 10.7 million in net gain on sale of securities, partially offset by increases of S/ 7.6 million in profit from sale of investment property and S/ 5.2 million in net trading result.

The annual decrease was mainly explained by a S/ 35.4 million decrease in net gain on sale of securities, partially offset by growths of S/ 7.6 million in profit from sale of investment property, S/ 7.1 million in net trading result and S/ 4.8 million in valuation gain from investment property.

TOTAL PREMIUMS EARNED LESS CLAIMS AND BENEFITS

Total Premiums Earned Less Claims And Benefits					
S/ million	4Q17	3Q18	4Q18	%chg QoQ	%chg YoY
Net premiums	138.4	173.8	172.1	-1.0%	24.4%
Adjustment of technical reserves	-44.4	-60.1	-50.4	-16.2%	13.5%
Net claims and benefits incurred	-146.7	-188.3	-189.5	0.6%	29.1%
Total premiums earned less claims and benefits	**-52.7**	**-74.7**	**-67.7**	**-9.3%**	**28.4%**

Total premiums earned less claims and benefits were S/ -67.7 million in 4Q18, an increase of S/ 7.0 million QoQ, but a decrease of S/ 15.0 million YoY.

The quarterly growth was mainly explained by a S/ 9.7 million reduction in adjustment of technical reserves. This effect was partially offset by a decrease of S/ 1.7 million in net premiums, as well as a S/ 1.2 million increase in net claims and benefits incurred.

The annual reduction was due to growths of S/ 42.8 million in net claims and benefits incurred, and S/ 6.0 million in adjustment of technical reserves, partially offset by a S/ 33.7 million increase in net premiums.

NET PREMIUMS

Net Premiums by Business Line					
S/ million	4Q17	3Q18	4Q18	%chg QoQ	%chg YoY
Annuities	58.2	78.2	77.9	-0.3%	33.8%
D&S	8.8	13.7	7.6	-44.7%	-14.0%
Individual Life	23.0	31.0	34.2	10.4%	48.6%
Retail Insurance	48.4	51.0	52.5	2.9%	8.5%
Net Premiums	138.4	173.8	172.1	-1.0%	24.4%

Net premiums reached S/ 172.1 million in 4Q18, a 1.0% decrease QoQ, but a 24.4% increase YoY.

The quarterly reduction was mainly explained by a decrease of S/ 6.1 million in disability and survivorship, partially offset by increases of S/ 3.2 million in individual life and S/ 1.5 million in retail insurance.

The annual increase was mainly due to growths of S/ 19.7 million in annuities, S/ 11.2 million in individual life and S/ 4.1 million in retail insurance.

ADJUSTMENT OF TECHNICAL RESERVES

Adjustment of Technical Reserves by Business Line					
S/ million	4Q17	3Q18	4Q18	%chg QoQ	%chg YoY
Annuities	-32.6	-45.4	-45.4	0.0%	39.3%
D&S	-	-	-	n.m.	n.m.
Individual Life	-13.2	-14.4	-4.7	-67.3%	-64.2%
Retail Insurance	1.4	-0.4	-0.3	-15.5%	n.m.
Adjustment of technical reserves	-44.4	-60.1	-50.4	-16.2%	13.5%

Adjustment of technical reserves was S/ 50.4 million in 4Q18, a S/ 9.7 million decrease QoQ, but a S/ 6.0 million increase YoY.

The quarterly reduction was explained by a S/ 9.7 million decrease in individual life.

The annual growth was mainly due to increases of S/ 12.8 million in annuities and S/ 1.7 million in retail insurance, partially offset by a decrease of S/ 8.5 million in individual life.

NET CLAIMS AND BENEFITS INCURRED

Net Claims and Benefits Incurred by Business Line					
S/ million	4Q17	3Q18	4Q18	%chg QoQ	%chg YoY
Annuities	-124.3	-156.5	-159.4	1.9%	28.2%
D&S	-5.5	-14.3	-12.2	-14.3%	121.7%
Individual Life	-1.7	-2.4	-1.2	-51.3%	-29.0%
Retail Insurance	-15.2	-15.2	-16.7	9.8%	9.3%
Net claims and benefits incurred	-146.7	-188.3	-189.5	0.6%	29.1%

Net claims and benefits incurred reached S/ 189.5 million in 4Q18, an increase of S/ 1.2 million QoQ and S/ 42.8 million YoY.

The quarterly growth was mainly a result of increases of S/ 2.9 million in annuity benefits and S/ 1.5 million in retail insurance claims, partially offset by decreases of S/ 2.1 million in disability and survivorship claims, and S/ 1.2 million in individual life claims.

The annual growth in net claims and benefits incurred was explained by increases of S/ 35.1 million in annuity benefits, S/ 6.7 million in disability and survivorship claims, and S/ 1.5 million in retail insurance claims; partially offset by a S/ 0.5 million decrease in individual life claims. The annual increase in annuity benefits incurred was due to the merger with Seguros Sura, which doubled Interseguro's annuities portfolio. It is worth noting that figures for 4Q17 include Seguros Sura's net claims and benefits incurred corresponding only to November and December of 2017.

OTHER EXPENSES

Other Expenses					
S/ million	4Q17	3Q18	4Q18	%chg QoQ	%chg YoY
Salaries and employee benefits	-17.4	-18.9	-19.7	4.4%	13.3%
Administrative expenses	-12.9	-11.0	-14.4	30.5%	11.3%
Depreciation and amortization	-6.4	-5.1	-5.0	-1.3%	-22.1%
Third-party commissions	-22.4	-19.8	-19.9	0.4%	-11.5%
Expenses related to rental income	-0.1	-1.4	-1.5	5.2%	n.m.
Impairment loss on available-for-sale investments	0.3	-1.5	11.0	n.m.	n.m.
Other	-10.1	-12.9	-12.7	-1.1%	25.9%
Other expenses	**-69.1**	**-70.5**	**-62.1**	**-11.9%**	**-10.0%**

Other expenses decreased S/ 8.4 million QoQ, or 11.9%, and S/ 7.0 million YoY, or 10.0%.

The quarterly reduction in other expenses was mainly attributed to a specific S/ 10.7 million reversion of provisions for impairment loss on available-for-sale investments, partially offset by increases of S/ 3.4 million in administrative expenses and S/ 0.8 million in salaries and employee benefits.

The annual decrease in other expenses was mainly due to the reversion of provisions for impairment loss previously mentioned, as well as to reductions of S/ 2.5 million in third-party commissions and S/ 1.4 million in depreciation and amortization, partially offset by growths of S/ 2.3 million in salaries and employee benefits, S/ 1.5 million in administrative expenses and S/ 1.4 million in expenses related to rental income.

Inteligo

SUMMARY

2018 Performance

Inteligo's profits reached S/ 183.3 million in 2018, a S/ 4.5 million, or 2.4%, decrease compared to the previous year. This result was mainly attributable to a 56.9% reduction in other income, explained by an unexpected drop in market prices of securities globally in December 2018. This effect was partially offset by a reduction of 21.7% in other expenses, as well as by growths of 12.2% in net interest and similar income, and 5.7% in fee income from financial services. Excluding its proprietary portfolio results, Inteligo's net income grew at double digit in 2018.

On the commercial front, Inteligo's prospection process showed good results in terms of new accounts. Accordingly, Inteligo's AUM plus deposits increased 9.1% in 2018.

Inteligo's ROAE was 25.8% in 2018, below the 27.3% reported in 2017.

Wealth Management Segment's P&L Statement					
S/ million				%chg	%chg
	2016	2017	2018	18/17	17/16
Interest and similar income	152.1	149.9	151.9	1.3%	-1.4%
Interest and similar expenses	-59.4	-53.9	-44.1	-18.1%	-9.3%
Net interest and similar income	**92.7**	**96.1**	**107.8**	**12.2%**	**3.6%**
Provision for loan losses, net of recoveries	0.0	2.5	0.8	-69.0%	n.m.
Net interest and similar income after provision for loan losses	**92.7**	**98.6**	**108.6**	**10.1%**	**6.4%**
Fee income from financial services, net	116.9	116.9	123.6	5.7%	0.0%
Other income	47.4	73.4	31.6	-56.9%	54.7%
Other expenses	-85.8	-103.3	-80.8	-21.7%	20.3%
Income before translation result and income tax	**171.2**	**185.7**	**183.0**	**-1.4%**	**8.5%**
Translation result	-0.9	1.5	-0.7	n.m.	n.m.
Income tax	0.7	0.5	0.9	69.7%	-16.9%
Profit for the period	**171.0**	**187.8**	**183.3**	**-2.4%**	**9.8%**
ROAE	**28.4%**	**27.3%**	**25.8%**		
Efficiency ratio	**33.4%**	**30.0%**	**32.0%**		

Inteligo's net interest and similar income was S/ 107.8 million in 2018, an S/ 11.7 million, or 12.2%, increase compared to the previous year. This double digit growth was mostly driven by increased prime rates and incremental coupons from fixed income positions acquired throughout 2018.

Net fee income from financial services was S/ 123.6 million, a S/ 6.7 million, or 5.7%, increase mainly related to the acquisition of incremental accounts and AUM.

Other income was S/ 31.6 million, a S/ 41.8 million, or 56.9%, decrease mainly attributable to a S/ 54.9 million decrease in net gain on sale of securities due to high volatility and unfavorable market conditions in 2018.

Other expenses decreased S/ 22.4 million, or 21.7%, mainly explained by a base effect related to a S/ 15.3 million impairment loss on available-for-sale investments reported in 2017. Excluding such effect, total other expenses decreased S/ 7.2 million, or 8.2%, in 2018.

4Q18 Performance

Inteligo's net profit was S/ 41.7 million in 4Q18, a S/ 13.9 million, or 25.0%, decrease QoQ, but a S/ 0.9 million, or 2.2%, increase YoY.

The quarterly reduction was mainly due to an S/ 18.8 million decrease in other income, in addition to a S/ 2.1 million increase in other expenses. These effects were partially offset by growths of S/ 4.6 million in fee income from financial services and S/ 2.7 million in net interest and similar income.

The annual increase in earnings was mainly explained by growths of S/ 6.3 million in net interest and similar income, and S/ 0.5 million in fee income from financial services, in addition to a S/ 17.1 million reduction in other expenses. These effects were partially offset by a S/ 22.6 million decrease in other income.

It is worth noting that the lower other income in 4Q18 was the outcome of weak portfolio results as a consequence of high market volatility in December 2018, which pushed valuations down.

As a consequence of these results, Inteligo's ROAE was 22.7% in 4Q18, lower than the 33.1% registered in 3Q18 and the 23.2% reported in 4Q17.

Wealth Management Segment's P&L Statement

S/ million	4Q17	3Q18	4Q18	%chg QoQ	%chg YoY
Interest and similar income	35.0	37.7	41.5	9.9%	18.5%
Interest and similar expenses	-12.4	-11.6	-12.6	8.4%	1.3%
Net interest and similar income	**22.6**	**26.1**	**28.9**	**10.5%**	**27.9%**
Provision for loan losses, net of recoveries	-0.1	0.0	0.0	n.m.	n.m.
Net interest and similar income after provision for loan losses	**22.5**	**26.1**	**28.9**	**10.6%**	**28.7%**
Fee income from financial services, net	31.0	26.9	31.4	17.0%	1.5%
Other income	26.9	23.1	4.3	-81.4%	-84.1%
Other expenses	-40.0	-20.8	-22.9	10.1%	-42.8%
Income before translation result and income tax	**40.4**	**55.3**	**41.8**	**-24.5%**	**3.4%**
Translation result	0.4	0.0	-0.2	n.m.	n.m.
Income tax	0.1	0.4	0.2	n.m.	n.m.
Profit for the period	**40.9**	**55.7**	**41.7**	**-25.0%**	**2.2%**
ROAE	**23.2%**	**33.1%**	**22.7%**		
Efficiency ratio	**32.6%**	**27.5%**	**34.8%**		

ASSETS UNDER MANAGEMENT & DEPOSITS

AUM reached S/ 12,924.6 million in 4Q18, a S/ 217.1 million, or 1.7%, decrease QoQ, but a S/ 942.1 million, or 7.9%, growth YoY. The latter was due to the opening of accounts, as a result of a strengthened prospection strategy during 2018.

Client deposits reached S/ 2,608.7 million in 4Q18, an increase of S/ 455.8 million, or 21.2%, QoQ and S/ 355.4 million, or 15.8%, YoY. Approximately half of the quarterly increase in deposits was explained by specific transactions with clients, which had their counterpart in higher loans.

NET INTEREST AND SIMILAR INCOME

Net interest and similar income					
S/ million	4Q17	3Q18	4Q18	%chg QoQ	%chg YoY
Interest and similar income					
Due from banks and inter-bank funds	1.0	0.5	1.4	n.m.	50.3%
Investments available for sale	15.1	20.9	23.1	10.8%	53.1%
Loans	18.9	16.4	16.9	3.1%	-10.7%
Total interest and similar income	**35.0**	**37.7**	**41.5**	**9.9%**	**18.5%**
Interest and similar expenses					
Deposits and obligations	-12.4	-9.6	-10.2	7.0%	-17.7%
Due to banks and correspondents	0.0	-2.0	-2.3	15.2%	n.m.
Total interest and similar expenses	**-12.4**	**-11.6**	**-12.6**	**8.4%**	**1.3%**
Net interest and similar income	**22.6**	**26.1**	**28.9**	**10.5%**	**27.9%**

Net interest and similar income was S/ 28.9 million in 4Q18, a S/ 2.8 million, or 10.5%, increase compared to 3Q18, mainly explained by incremental income from coupons received in 4Q18.

Net interest and similar income increased S/ 6.3 million, or 27.9%, YoY mainly attributed to higher investments in fixed income securities which contributed with incremental coupons since the second quarter of the year.

FEE INCOME FROM FINANCIAL SERVICES

Fee income from financial services, net					
S/ million	4Q17	3Q18	4Q18	%chg QoQ	%chg YoY
Income					
Brokerage and custody services	6.2	3.9	4.9	28.2%	-20.4%
Funds management	26.4	23.3	27.3	17.1%	3.2%
Total income	**32.6**	**27.1**	**32.2**	**18.7%**	**-1.3%**
Expenses					
Brokerage and custody services	-1.6	-0.2	-0.7	n.m.	-53.5%
Others	0.0	0.0	0.0	n.m.	n.m.
Total expenses	**-1.7**	**-0.3**	**-0.8**	**n.m.**	**-53.1%**
Fee income from financial services, net	**31.0**	**26.9**	**31.4**	**17.0%**	**1.5%**

Net fee income from financial services was S/ 31.4 million in 4Q18, an increase of S/ 4.5 million, or 17.0%, QoQ and of S/ 0.4 million, or 1.5%, YoY. Both quarterly and annual increases were explained by higher fees from funds management.

OTHER INCOME

Other income					
S/ million	4Q17	3Q18	4Q18	%chg QoQ	%chg YoY
Net gain on sale of securities	28.8	7.5	9.0	19.3%	-68.8%
Net trading gain (loss)	-0.4	17.4	-3.0	n.m.	n.m.
Other	-1.4	-1.8	-1.6	-10.4%	16.7%
Total other income	**26.9**	**23.1**	**4.3**	**-81.4%**	**-84.1%**

Inteligo's other income reached S/ 4.3 million in 4Q18, a decrease of S/ 18.8 million QoQ and S/ 22.6 million YoY, attributable to negative net trading results due to bad market conditions that prompted lower mark-to-market valuations.

OTHER EXPENSES

Other expenses					
S/ million	4Q17	3Q18	4Q18	%chg QoQ	%chg YoY
Salaries and employee benefits	-14.9	-13.0	-12.3	-5.6%	-17.4%
Administrative expenses	-9.3	-5.7	-7.8	37.3%	-15.6%
Depreciation and amortization	-2.1	-2.2	-2.4	7.8%	14.9%
Other	-13.8	0.2	-0.4	n.m.	-97.4%
Total other expenses	**-40.0**	**-20.8**	**-22.9**	**10.1%**	**-42.8%**
Efficiency ratio	**32.6%**	**27.5%**	**34.8%**		

Inteligo's other expenses reached S/ 22.9 million in 4Q18, a S/ 2.1 million, or 10.1%, increase QoQ but a S/ 17.1 million, or 42.8%, decrease YoY. The quarterly growth was mainly due to higher administrative expenses, while the annual reduction was mainly explained by the recognition of an impairment loss on available-for-sale investments in 4Q17.

Excluding impairment charges of 4Q17, total other expenses would have decreased S/ 5.4 million, or 19.0%, YoY.