Intercorp Financial Services Inc.
First Quarter 2019 Earnings

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

Intercorp Financial Services: Record quarter with profit growing 25.8% QoQ and 21.6% YoY

- ROAE was 18.5%
- Efficiency ratio improved, down to 33.7%
- Strong results at the three operating companies

Interbank: Strong quarter with 11.9% QoQ and 10.2% YoY growth in adjusted earnings

- Adjusted ROAE reached 19.8% (reported ROAE at 22.1%)
- 17.3% YoY loan growth, supported by a 18.2% growth in retail loans. Market leader in credit cards
- Risk-adjusted NIM up 20 bps QoQ and YoY and cost of risk down to 2.3% in the quarter
- Digital sales and new customer acquisition accelerating

Interseguro: Solid quarter with 62.7% QoQ and almost two-fold YoY in earnings

- ROAE recovered to 10.5%
- Gross premiums plus collections increased 5.0% QoQ and 42.6% YoY
- Market leader in annuities with a 32.3% share YTD

Inteligo: Strong quarter with earnings growth of more than 70% QoQ and YoY, partially thanks to better market conditions

- ROAE reached 38.1%
- AUM grew 0.9% QoQ and 9.6% YoY

Intercorp Financial Services

MAIN ACCOUNTING CHANGES IN 1Q19

In 1Q19, IFS consolidated its wealth management activities by the sale of Interfondos, Interbank's mutual funds subsidiary, to Inteligo, where asset management is the core business. The sale resulted in a S/ 52.6 million income at Interbank, net of taxes and workers profit sharing for S/ 20.2 million. At a consolidated level, the impact of the sale of Interfondos from Interbank to Inteligo had a S/ 20.2 million tax effect on IFS' profit. In this context, figures for Interbank and Inteligo from previous periods have been restated to reflect the transfer of Interfondos from one subsidiary to the other.

SUMMARY

Intercorp Financial Services' Statement of financial position					
S/ million	1Q18	4Q18	1Q19	%chg QoQ	%chg YoY
Assets					
Cash and due from banks and inter-bank funds	9,795.7	8,875.4	9,730.6	9.6%	-0.7%
Financial investments	18,050.0	17,629.4	17,852.8	1.3%	-1.1%
Loans, net of unearned interest	30,021.7	34,325.7	35,019.0	2.0%	16.6%
Impairment allowance for loans	-1,258.1	-1,364.8	-1,396.2	2.3%	11.0%
Property, furniture and equipment, net	597.5	622.5	948.5	52.4%	58.7%
Other assets	3,428.2	3,656.1	3,601.5	-1.5%	5.1%
Total assets	**60,635.0**	**63,744.4**	**65,756.2**	**3.2%**	**8.4%**
Liabilities and equity					
Deposits and obligations	31,220.4	33,682.0	34,790.0	3.3%	11.4%
Due to banks and correspondents and inter-bank	4,270.9	4,293.4	3,832.6	-10.7%	-10.3%
Bonds, notes and other obligations	6,240.2	6,496.8	6,663.2	2.6%	6.8%
Insurance contract liabilities	10,536.9	10,300.5	10,001.3	-2.9%	-5.1%
Other liabilities	1,954.2	1,883.4	2,336.4	24.1%	19.6%
Total liabilities	**54,222.6**	**56,655.9**	**57,623.5**	**1.7%**	**6.3%**
Equity, net					
Equity attributable to IFS' shareholders	6,377.7	7,048.1	8,092.1	14.8%	26.9%
Non-controlling interest	34.7	40.4	40.6	0.6%	17.1%
Total equity, net	**6,412.4**	**7,088.5**	**8,132.7**	**14.7%**	**26.8%**
Total liabilities and equity net	**60,635.0**	**63,744.4**	**65,756.2**	**3.2%**	**8.4%**

Intercorp Financial Services' net profit was S/ 352.7 million in 1Q19, an increase of 25.8% QoQ and 21.6% YoY. IFS annualized ROAE was 18.5% in 1Q19, higher than the 15.9% registered in 4Q18, but lower than the 19.1% reported in 1Q18.

When excluding the tax effect of the sale of Interfondos from Interbank to Inteligo, IFS' profits reached S/ 372.9 million, an increase of 33.0% QoQ and 28.6% YoY. Accordingly, ROAE excluding this effect was 19.6% in 1Q19.

Intercorp Financial Services' P&L statement					
S/ million	1Q18	4Q18	1Q19	%chg QoQ	%chg YoY
Interest and similar income	1,036.3	1,128.6	1,166.7	3.4%	12.6%
Interest and similar expenses	-266.9	-312.0	-335.8	7.6%	25.8%
Net interest and similar income	**769.4**	**816.6**	**831.0**	**1.8%**	**8.0%**
Impairment loss on loans, net of recoveries	-172.9	-208.8	-186.4	-10.7%	7.8%
Recovery (loss) due to impairment of financial investments	2.3	10.8	1.9	-82.5%	-16.4%
Net interest and similar income after impairment loss	**598.8**	**618.6**	**646.4**	**4.5%**	**8.0%**
Fee income from financial services, net	216.6	232.9	223.0	-4.2%	3.0%
Other income	96.9	100.4	138.9	38.4%	43.3%
Total premiums earned minus claims and benefits	-78.9	-67.7	-74.1	9.4%	-6.1%
Net Premiums	138.9	172.1	171.2	-0.5%	23.3%
Adjustment of technical reserves	-42.6	-50.4	-73.3	45.4%	72.0%
Net claims and benefits incurred	-175.1	-189.5	-172.0	-9.2%	-1.8%
Other expenses	-443.9	-485.4	-481.7	-0.8%	8.5%
Income before translation result and income tax	**389.5**	**398.7**	**452.5**	**13.5%**	**16.2%**
Translation result	6.0	-16.7	10.1	n.m.	68.6%
Income tax	-105.5	-101.6	-109.9	8.2%	4.1%
Profit for the period	**290.0**	**280.3**	**352.7**	**25.8%**	**21.6%**
Attributable to IFS' shareholders	**288.2**	**278.6**	**350.6**	**25.8%**	**21.6%**
EPS	**2.64**	**2.52**	**3.17**		
ROAE	**19.1%**	**15.9%**	**18.5%**		
ROAA	**1.9%**	**1.8%**	**2.2%**		
Efficiency ratio (1)	**34.0%**	**35.3%**	**33.7%**		

(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 increased 25.8% QoQ mainly due to growth in other income at Inteligo, in addition to higher net interest and similar income at Interbank and Interseguro, as well as to lower impairment loss on loans at Interbank and a decrease in other expenses at both Interbank and Inteligo. Moreover, a positive reversion in translation result and a lower effective tax rate also contributed to IFS' net profit increase compared to 4Q18. These factors were partially offset by reductions in fee income from financial services at Interbank and Inteligo, in recovery due to impairment of financial investments at Interseguro, and in total premiums earned minus claims and benefits also at Interseguro.

Net interest and similar income grew 1.8% QoQ, mainly due to higher interest on loans and interest on due from banks and inter-bank funds at Interbank, in addition to an increase in interest and similar income at Interseguro. The latter was explained by a higher volume of assets and a higher inflation rate, which had a positive impact on returns of the fixed income portfolio.

Impairment loss on loans decreased 10.7% due to lower requirements in mortgages and other consumer loans, as well as to a release of provisions in medium-sized companies associated with a reduction in balances in such segment.

Recovery due to impairment of financial investments decreased 82.5% mainly attributed to an S/ 11.0 million positive reversion of impairments at Interseguro in 4Q18, which diminished to S/ 2.4 million in 1Q19.

Net fee income from financial services decreased 4.2% QoQ, explained by seasonal factors at Interbank, in addition to lower brokerage activity and structured products issuance at Inteligo.

Other income increased 38.4% QoQ mainly due to better mark-to-market valuations on Inteligo's proprietary portfolio and optimal conditions caused by the market rebound during 1Q19 that prompted the sale of certain investments. It is worth mentioning that the S/ 52.6 million income at Interbank from the sale of Interfondos to Inteligo is eliminated upon consolidation.

Total premiums earned minus claims and benefits at Interseguro showed a quarterly reduction of S/ 6.4 million, explained by a S/ 22.9 million growth in adjustment of technical reserves, partially offset by a reduction of S/ 17.5 million in net claims and benefits incurred. Net premiums in 1Q19 remained relatively stable compared to 4Q18.

Other expenses decreased 0.8% QoQ mostly due to seasonal factors at Interbank, in addition to reductions in administrative expenses at Interseguro and Inteligo. Higher depreciation and amortization charges at Interbank were a result of the implementation of IFRS 16, which reclassified rental expenses for S/ 18.6 million from administrative expenses to depreciation and amortization.

IFS effective tax rate decreased, from 26.6% in 4Q18 to 23.8% in 1Q19, attributed to a higher contribution from Interseguro and Inteligo to IFS' profit.

Year-on-year performance

Profits increased 21.6% YoY mainly due to growths in net interest and similar income at Interbank and Inteligo, as well as in other income at all three subsidiaries, in fee income from financial services at Interbank, and in total premiums earned minus claims and benefits at Interseguro. Moreover, a higher positive translation result and a lower effective tax rate also contributed to IFS' net profit increase with respect to 1Q18. These effects were partially offset by higher other expenses and impairment loss on loans, both at Interbank.

Net interest and similar income increased 8.0% YoY, mainly driven by higher interest on loans and interest on due from banks and inter-bank funds at Interbank, as well as by higher investments in fixed income securities that contributed with incremental coupons at Inteligo.

Impairment loss on loans grew 7.8% YoY mainly related to a higher volume of loans, especially in credit cards, partially compensated by lower requirements in payroll loans and by the release of provisions in medium-sized companies previously mentioned.

Recovery due to impairment of financial investments remained relatively stable, since a slight S/ 0.5 million loss due to impairment of financial investments at Inteligo was offset by a higher recovery at Interseguro.

Net fee income from financial services increased 3.0% YoY mainly explained by an 8.3% increase in commissions from credit card services at Interbank, associated with a higher volume of transactions in such product, partially offset by decreases in other fee income lines.

Other income increased 43.3% YoY mainly explained by better mark-to-market valuations on Inteligo's proprietary portfolio and optimal conditions caused by the market rebound during 1Q19 that prompted the sale of certain investments; in addition to increases in net gain on financial assets at fair value, net gain on investment property and rental income at Interseguro. As previously mentioned, the S/ 52.6 million income at Interbank from the sale of Interfondos to Inteligo is eliminated upon consolidation.

Total premiums earned minus claims and benefits at Interseguro increased S/ 4.8 million, due to a S/ 32.3 million increase in net premiums, as well as a S/ 3.1 million reduction in net claims and benefits incurred, partially offset by a S/ 30.7 million increase in adjustment of technical reserves.

Other expenses increased 8.5% YoY mainly due to growths in workers profit sharing, variable costs related to credit cards and IT services at Interbank, in addition to the effect of the implementation of IFRS 16 on depreciation and amortization previously mentioned.

IFS effective tax rate decreased, from 26.7% in 1Q18 to 23.8% in 1Q19, due to a higher contribution from Interseguro and Inteligo to IFS' profit.

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	1Q18	4Q18	1Q19	%chg QoQ	%chg YoY
Interbank	242.6	238.9	299.7	25.5%	23.6%
Interseguro	14.5	17.8	28.9	62.7%	99.7%
Inteligo	44.0	45.0	78.3	73.9%	78.1%
Corporate and eliminations	-11.0	-21.3	-54.2	n.m.	n.m.
IFS profit for the period	**290.0**	**280.3**	**352.7**	**25.8%**	**21.6%**

Interbank

SUMMARY

Interbank's profits reached S/ 299.7 million in 1Q19, an increase of S/ 60.8 million QoQ and S/ 57.1 million YoY. The quarterly growth was mainly due to increases of S/ 54.4 million in other income and S/ 5.3 million in net interest and similar income, as well as decreases of S/ 22.5 million in impairment loss on loans and S/ 8.2 million in other expenses. On the other hand, net fee income from financial services decreased S/ 15.4 million due to seasonality.

The annual increase in net profit was mainly a result of growths of S/ 56.9 million in net interest and similar income, S/ 42.9 million in other income and S/ 13.7 million in net fee income from financial services. Conversely, other expenses increased S/ 28.7 million and impairment loss on loans grew S/ 13.0 million.

It is worth mentioning that the financial results released in this quarter account for the transfer of Interfondos, after its sale to Inteligo at the beginning of the year. Figures for 4Q18 and 1Q18 have been restated accordingly and may differ from those reported on such periods.

Interbank's ROAE was 22.1% in 1Q19. However, adjusting from the gain on sale of Interfondos, ROAE was 19.8%, higher than the 18.0% registered in 4Q18, but lower than the 20.6% reported in 1Q18.

Banking Segment's P&L Statement					
S/ million				%chg	%chg
	1Q18	4Q18	1Q19	QoQ	YoY
Interest and similar income	843.1	937.7	965.0	2.9%	14.5%
Interest and similar expenses	-242.5	-285.4	-307.4	7.7%	26.8%
Net interest and similar income	**600.7**	**652.3**	**657.6**	**0.8%**	**9.5%**
Impairment loss on loans, net of recoveries	-173.3	-208.8	-186.3	-10.8%	7.5%
Recovery (loss) due to impairment of financial investments	-0.1	-0.1	-0.0	-97.3%	-98.5%
Net interest and similar income after impairment loss	**427.3**	**443.4**	**471.2**	**6.3%**	**10.3%**
Fee income from financial services, net	179.7	208.8	193.4	-7.4%	7.6%
Other income	90.2	78.7	133.1	69.2%	47.5%
Other expenses	-362.1	-399.0	-390.8	-2.1%	7.9%
Income before translation result and income tax	**335.1**	**331.9**	**406.9**	**22.6%**	**21.4%**
Translation result	1.9	-5.0	0.2	n.m.	-87.8%
Income tax	-94.5	-88.0	-107.4	22.1%	13.7%
Profit for the period	**242.6**	**238.9**	**299.7**	**25.5%**	**23.6%**
ROAE	**20.6%**	**18.0%**	**22.1%**		
Efficiency ratio	**40.1%**	**40.6%**	**38.2%**		
NIM	**5.4%**	**5.7%**	**5.5%**		
NIM on loans	**9.3%**	**8.8%**	**8.6%**		

INTEREST-EARNING ASSETS

Interbank's interest-earning assets reached S/ 46,888.5 million in 1Q19, an increase of 3.3% QoQ and 9.0% YoY.

The quarterly growth in interest-earning assets was due to increases of 12.2% in cash and due from banks and inter-bank funds, and 2.5% in loans, partially offset by a decrease of 5.1% in financial investments. The growth in cash and due from banks and inter-bank funds was mainly explained by higher reserve funds and deposits at the Central Bank, while the reduction in financial investments was mainly a result of lower volumes of sovereign and global bonds.

The annual increase in interest-earning assets was attributed to a 17.1% growth in loans, partially offset by a reduction of 12.9% in financial investments, while cash and due from banks and inter-bank funds remained relatively stable. The decrease in financial investments was mainly explained by lower volumes of global bonds, Central Bank Certificates of Deposits (CDBCR) and sovereign bonds.

Interest-earning assets					
S/ million	1Q18	4Q18	1Q19	%chg QoQ	%chg YoY
Cash and due from banks and inter-bank funds	9,211.1	8,216.9	9,217.9	12.2%	0.1%
Financial investments	6,324.3	5,809.5	5,511.4	-5.1%	-12.9%
Loans	27,465.6	31,384.8	32,159.2	2.5%	17.1%
Total Interest-earning assets	**43,001.0**	**45,411.3**	**46,888.5**	**3.3%**	**9.0%**

Loan portfolio					
S/ million	1Q18	4Q18	1Q19	%chg QoQ	%chg YoY
Performing loans					
Retail	14,571.5	16,541.1	17,205.6	4.0%	18.1%
Commercial	12,885.5	14,893.6	14,994.8	0.7%	16.4%
Total Performing loans	**27,457.0**	**31,434.7**	**32,200.5**	**2.4%**	**17.3%**
Restructured and refinanced loans	266.8	210.4	213.7	1.6%	-19.9%
Past due loans	781.6	857.1	867.2	1.2%	11.0%
Total gross loans	**28,505.4**	**32,502.2**	**33,281.4**	**2.4%**	**16.8%**
Add (less)					
Accrued and deferred interest	217.9	247.3	273.8	10.7%	25.6%
Impairment allowance for loans	-1,257.6	-1,364.7	-1,396.1	2.3%	11.0%
Total direct loans, net	**27,465.6**	**31,384.8**	**32,159.2**	**2.5%**	**17.1%**

Performing loans grew 2.4% QoQ as a result of increases of 4.0% in retail loans and 0.7% in commercial loans.

Growth in retail loans was explained by increases of 5.2% in credit cards, 4.2% in other consumer loans and 2.9% in mortgages. Growth in other consumer loans was mainly explained by higher payroll loans, cash loans and car loans, while the increase in mortgages was due to a higher dynamism in the traditional segment.

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

Performing loans grew 17.3% YoY due to increases of 18.1% in retail loans and 16.4% in commercial loans.

The annual growth in retail loans was mainly due to increases of 29.1% in credit cards, 15.2% in other consumer loans and 12.9% 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.

The YoY increase in commercial loans was mainly explained by higher trade finance loans and short and medium-term lending in the corporate and medium-enterprise segments, as well as higher leasing operations in the corporate segment.

Breakdown of retail loans					
S/ million				%chg	%chg
	1Q18	4Q18	1Q19	QoQ	YoY
Consumer loans:					
Credit cards	3,970.2	4,871.3	5,125.0	5.2%	29.1%
Other consumer	5,009.2	5,539.1	5,769.5	4.2%	15.2%
Total consumer loans	8,979.4	10,410.4	10,894.6	4.7%	21.3%
Mortgages	5,592.1	6,130.6	6,311.1	2.9%	12.9%
Total retail loans	14,571.5	16,541.1	17,205.6	4.0%	18.1%

FUNDING STRUCTURE

Funding structure					
S/ million				%chg	%chg
	1Q18	4Q18	1Q19	QoQ	YoY
Deposits and obligations	29,178.0	31,291.8	32,561.7	4.1%	11.6%
Due to banks and correspondents and inter-bank funds	4,085.4	3,968.8	3,512.6	-11.5%	-14.0%
Bonds, notes and other obligations	5,164.8	5,386.9	5,610.9	4.2%	8.6%
Total	38,428.2	40,647.5	41,685.3	2.6%	8.5%
% of funding					
Deposits and obligations	75.9%	77.0%	78.1%		
Due to banks and correspondents and inter-bank funds	10.6%	9.8%	8.4%		
Bonds, notes and other obligations	13.5%	13.2%	13.5%		

Interbank's total funding base increased 2.6% QoQ, below the performance of interest-earning assets. This was explained by increases in bonds, notes and other obligations, and deposits and obligations, partially offset by a reduction in due to banks and correspondents and inter-bank funds. Growth in bonds, notes and other obligations was explained by issuances in the local market in March 2019: (i) Certificates of Deposit for S/ 150 million due March 2020, and (ii) Corporate Bonds for S/ 150 million due March 2029. The increase in deposits and obligations was mainly due to increases of 12.0% in commercial deposits and 2.1% in retail deposits, partially offset by a 7.9% reduction in institutional deposits. The decrease in due to banks and correspondents and inter-bank funds was mainly due to lower long-term funding from the Central Bank.

The bank's total funding base increased 8.5% YoY, below the annual growth in interest-earning assets, and was mainly explained by growths of 11.6% in deposits and obligations and 8.6% in bonds, notes and other obligations, partially offset by a 14.0% reduction in due to banks and correspondents and inter-bank funds. The YoY growth in deposits and obligations was explained by increases of 14.7% in commercial deposits and 14.5% in retail deposits, partially offset by a 2.9% decrease in institutional deposits.

The annual increase in bonds, notes and other obligations was attributable to the issuances in the local market previously mentioned. On the other hand, the annual contraction in due to banks and correspondents and inter-bank funds was mainly a result of reductions in long-term funding from the Central Bank and from COFIDE, as well as in short-term funding from banks abroad.

As of 1Q19, the proportion of deposits and obligations to total funding was 78.1%, higher than the 75.9% reported in 1Q18. Likewise, the proportion of institutional deposits to total deposits decreased from 17.9% in 1Q18 to 15.6% in 1Q19.

Breakdown of deposits					
S/ million	1Q18	4Q18	1Q19	%chg QoQ	%chg YoY
By customer service:					
Retail	12,768.9	14,328.4	14,626.0	2.1%	14.5%
Commercial	10,845.8	11,111.1	12,440.9	12.0%	14.7%
Institutional	5,220.4	5,505.4	5,069.2	-7.9%	-2.9%
Other	342.9	347.0	425.6	22.7%	24.1%
Total	**29,178.0**	**31,291.8**	**32,561.7**	**4.1%**	**11.6%**
By type:					
Demand	9,102.2	9,187.2	10,779.4	17.3%	18.4%
Savings	9,647.5	10,728.4	10,680.3	-0.4%	10.7%
Time	10,414.6	11,370.1	11,087.6	-2.5%	6.5%
Other	13.6	6.1	14.4	137.3%	5.5%
Total	**29,178.0**	**31,291.8**	**32,561.7**	**4.1%**	**11.6%**

NET INTEREST AND SIMILAR INCOME

Net interest and similar income					
S/ million	1Q18	4Q18	1Q19	%chg QoQ	%chg YoY
Interest and similar income	843.1	937.7	965.0	2.9%	14.5%
Interest and similar expense	-242.5	-285.4	-307.4	7.7%	26.8%
Net interest and similar income	**600.7**	**652.3**	**657.6**	**0.8%**	**9.5%**
NIM(1)	**5.4%**	**5.7%**	**5.5%**	**-20 bps**	**10 bps**

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

Interest and similar income					
S/ million	1Q18	4Q18	1Q19	%chg QoQ	%chg YoY
Interest and similar income					
Due from banks and inter-bank funds	10.3	15.8	25.2	59.2%	143.9%
Investments available for sale	51.9	52.9	51.8	-2.2%	-0.2%
Loans	780.9	868.9	888.0	2.2%	13.7%
Total Interest and similar income	**843.1**	**937.7**	**965.0**	**2.9%**	**14.5%**
Average interest-earning assets	44,736.2	45,613.3	47,530.3	4.2%	6.2%
Average yield on assets (annualized)	7.5%	8.2%	8.1%	-10 bps	60 bps

Interest and similar expense					
S/ million				%chg	%chg
	1Q18	4Q18	1Q19	QoQ	YoY
Interest and similar expense					
Deposits and obligations	-130.9	-155.7	-179.1	15.0%	36.8%
Due to banks and correspondents	-43.7	-40.4	-39.0	-3.5%	-10.8%
Bonds, notes and other obligations	-67.8	-89.3	-89.3	0.1%	31.6%
Total Interest and similar expense	**-242.5**	**-285.4**	**-307.4**	**7.7%**	**26.8%**
Average interest-bearing liabilities	38,980.8	39,537.0	41,166.4	4.1%	5.6%
Average cost of funding (annualized)	2.6% (1)	2.9%	3.0%	10 bps	40 bps

(1) Excluding one-off deferred interest. Including this effect average cost of funding was 2.5% in 1Q18.

QoQ Performance

Net interest and similar income grew 0.8% QoQ due to a 2.9% 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 59.2% in interest on due from banks and inter-bank funds, and 2.2% in interest on loans, partially offset by a 2.2% decrease in interest on investments available for sale.

Interest on due from banks and inter-bank funds grew S/ 9.4 million, or 59.2% QoQ, explained by increases of 40 basis points in the nominal average rate and 15.8% in the average volume. The nominal average rate grew due to higher returns on reserve funds at the Central Bank, which increased the remuneration of such dollar funds, while the increase in the average volume was the result of higher balances of reserve requirements and deposits at the Central Bank, and inter-bank funds.

The increase in interest on loans was due to a 3.4% growth in the average loan portfolio, partially offset by a 10 basis point reduction in the average yield, from 10.8% in 4Q18 to 10.7% in 1Q19.

The higher average volume of loans was attributed to growths of 4.1% in retail loans and 2.5% in commercial loans. In the retail portfolio, average volumes increased 6.1% in credit cards and 3.2% in both payroll loans and mortgages. In the commercial portfolio, the higher average volume was due to a 7.3% growth in short and medium-term loans, partially offset by decreases of 10.6% in trade finance loans and 1.8% in leasing operations.

The lower average rate was mainly explained by a yield reduction of 30 basis points in retail loans, while rates in commercial loans remained stable. The decrease in retail loans was due to lower average rates on consumer loans, while mortgage rates remained stable.

The reduction in interest on investments available for sale was explained by a 5.9% decrease in the average volume, partially offset by a 20 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 growth in the nominal average rate was due to higher returns on sovereign bonds and global bonds.

The nominal average yield on interest-earning assets decreased by 10 basis points, from 8.2% in 4Q18 to 8.1% in 1Q19, in line with the lower return on loans, which represented 69.7% of average interest-earning assets in 1Q19.

Growth in interest and similar expense was due to an increase of 15.0% in interest on deposits and obligations, partially offset by a 3.5% reduction in interest on due to banks and correspondents. Interest on bonds, notes and other obligations remained stable QoQ.

Interest on deposits and obligations grew by S/ 23.4 million, or 15.0% QoQ, due to increases of 10 basis points in the average cost and 5.8% in the average volume. The higher average cost was mainly a result of increased rates paid to commercial and institutional deposits. The higher average volume was explained by growths in commercial, retail and institutional deposits. By currency, average balances of dollar deposits grew 7.6% while average soles deposits increased 4.7%.

The S/ 1.4 million, or 3.5% decrease in interest on due to banks and correspondents was the result of a 6.8% reduction in the average volume, partially offset by a 20 basis point increase in the nominal average cost. The lower average volume was due to decreases in funding provided by the Central Bank and COFIDE, and inter-bank funds. The increase in the average cost was attributed to higher rates paid on inter-bank funds and funding provided by the Central Bank.

The average cost of funding increased 10 basis point QoQ, from 2.9% in 4Q18 to 3.0% in 1Q19, mainly due to higher average costs of deposits and due to banks and correspondents.

As a result of the above, net interest margin was 5.5% in 1Q19, 20 basis points below the 5.7% reported in 4Q18.

YoY Performance

Net interest and similar income grew 9.5% YoY due to a 14.5% increase in interest and similar income, partially offset by a 26.8% growth in interest and similar expense.

Growth in interest and similar income was mainly due to increases of more than two-fold in interest on due from banks and inter-bank funds, and 13.7% in interest on loans, while interest on investments remained stable.

Interest on due from banks and inter-bank funds grew S/ 14.9 million, explained by an 80 basis point increase in the nominal average rate, partially offset by a 13.9% 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 the average volume, to lower balances of such components.

The increase in interest on loans was due to a 16.7% growth in the average volume of loans, partially compensated by a 30 basis point contraction in the average yield, from 11.0% in 1Q18 to 10.7% in 1Q19.

The higher average volume of loans was attributed to growths of 16.9% in commercial loans and 16.6% in retail loans. In the commercial portfolio, volumes increased 40.3% in trade finance loans and 16.9% in short and medium-term loans, while leasing operations reduced 1.0%. In the retail portfolio, the higher average volume was mainly due to increases of 24.8% in credit cards, 15.0% in payroll loans and 12.2% in mortgages.

The decrease in the average rate on loans was explained by reductions of 40 basis points in retail loans and 20 basis points in commercial loans.

Interest on investments available for sale remained stable as the 8.8% reduction in the average volume was offset by a 40 basis point increase in the average rate, from 3.3% in 1Q18 to 3.7% in 1Q19. The decrease in the average volume was the result of lower balances of CDBCR and global bonds, while the growth in the average rate was due to higher returns on corporate bonds from non-financial institutions and sovereign bonds.

The nominal average yield on interest-earning assets increased 60 basis points YoY, from 7.5% in 1Q18 to 8.1% in 1Q19, 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 1Q18.

Growth in interest and similar expense was due to increases of 36.8% in interest on deposits and obligations, and 31.6% in interest on bonds, notes and other obligations; partially offset by a 10.8% reduction in interest on due to banks and correspondents.

Interest on deposits and obligations increased S/ 48.2 million, or 36.8% YoY, explained by growths of 40 basis points in the nominal average cost and 6.9% in the average volume. The increase in the average cost, from 1.8% in 1Q18 to 2.2% in 1Q19, was due to higher rates paid to institutional, commercial and retail deposits. The higher average volume was explained by growths in retail and commercial deposits, partially offset by a decrease in institutional deposits. By currency, average balances of soles deposits grew 10.0% while average dollar deposits increased 2.1%.

Interest on bonds, notes and other obligations grew S/ 21.5 million, or 31.6% YoY, as a result of the issuances of senior bonds in January 2018 and March 2019. Additionally, a 3.4% depreciation of the exchange rate with respect to 1Q18 originated an increase in the value of bonds issued in dollars.

The S/ 4.7 million, or 10.8% decrease in interest on due to banks and correspondents was explained by a 12.0% reduction in the average volume, partially offset by a 10 basis points increase in the average cost. The decrease in average volume was mainly due to lower funding provided from the Central Bank, COFIDE and correspondent banks abroad. The increase in the nominal average cost was explained by higher rates on funding from banks abroad, inter-bank funds and COFIDE.

The average cost of funds increased 40 basis points YoY, from 2.6% in 1Q18 to 3.0% in 1Q19, mainly due to the higher costs of deposits and due to banks and correspondents.

As a result of the above, net interest margin was 5.5% in 1Q19, 10 basis points higher than the 5.4% reported in 1Q18.

IMPAIRMENT LOSS ON LOANS, NET OF RECOVERIES

Impairment loss on loans, net of recoveries decreased 10.8% QoQ but increased 7.5% YoY. The quarterly reduction was due to lower requirements in mortgages and other consumer loans, as well as to a release of provisions in medium-sized companies associated with a reduction in balances in such segment.

The YoY growth was mainly related to a higher volume of loans, especially in credit cards, partially compensated by lower requirements in payroll loans and by the release of provisions in medium-sized companies previously mentioned.

As a result of the above, the annualized ratio of impairment loss on loans to average loans was 2.3% in 1Q19, lower than the 2.6% reported in 4Q18 and the 2.5% registered in 1Q18.

Impairment loss on loans, net of recoveries					
S/ million	1Q18	4Q18	1Q19	%chg QoQ	%chg YoY
impairment loss on loans, net of recoveries	-173.3	-208.8	-186.3	-10.8%	7.5%
Impairment loss on loans/average gross loans	2.5%	2.6%	2.3%	-30 bps	-20 bps
NPL ratio (at end of period)[2]	3.1%	2.9%[1]	2.9%	0 bps	-20 bps
NPL coverage ratio (at end of period)	133.8%	130.4%	131.7%	130 bps	-210 bps
Impairment allowance for loans	1,257.6	1,364.7	1,396.1	2.3%	11.0%

(1) Excluding the reversion of impairment loss on loans 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 remained stable QoQ, but decreased 20 basis points YoY, to 2.9% in 1Q19, as the result of reductions in NPLs in both retail and commercial loans. Additionally, the NPL coverage ratio was 131.7% in 1Q19, higher than the 130.4% registered in 4Q18, but lower than the 133.8% registered in 1Q18.

FEE INCOME FROM FINANCIAL SERVICES, NET

Net fee income from financial services decreased S/ 15.4 million QoQ, or 7.4%, mainly explained by seasonal reductions of S/ 12.8 million in commissions from banking services, S/ 5.0 million in fees from maintenance and mailing of accounts, transfer fees and commissions on debit card services, and S/ 4.0 million in commissions from credit card services; partially offset by a S/ 6.6 million decrease in insurance expenses.

Net fee income from financial services grew S/ 13.7 million YoY, or 7.6%, mainly due a S/ 7.5 million increase in commissions from credit card services. This factor was partially offset by slight reductions in other components. The S/ 14.7 million decrease in insurance expenses was partially offset by a S/ 8.1 million reduction in insurance income within certain income lines.

Fee income from financial services, net					
S/ million	1Q18	4Q18	1Q19	%chg QoQ	%chg YoY
Income					
Commissions from credit card services	90.0	101.5	97.5	-3.9%	8.3%
Commissions from banking services	81.4	89.4	76.6	-14.3%	-6.0%
Maintenance and mailing of accounts, transfer fees and commissions on debit card services	60.5	62.0	57.0	-8.1%	-5.8%
Fees from indirect loans	15.2	14.6	13.8	-5.5%	-9.3%
Collection services	8.5	9.4	9.9	5.4%	16.7%
Other	7.5	7.3	8.3	14.2%	10.4%
Total income	**263.1**	**284.1**	**263.0**	**-7.4%**	**0.0%**
Expenses					
Insurance	-41.8	-33.7	-27.1	-19.5%	-35.2%
Fees paid to foreign banks	-3.3	-4.0	-3.7	-8.6%	12.5%
Other	-38.3	-37.6	-38.9	3.5%	1.6%
Total expenses	**-83.4**	**-75.3**	**-69.7**	**-7.4%**	**-16.4%**
Fee income from financial services, net	**179.7**	**208.8**	**193.4**	**-7.4%**	**7.6%**

OTHER INCOME

Other income increased S/ 54.4 million QoQ mainly due to a S/ 52.6 million gain from the sale of Interfondos to Inteligo in 1Q19.

Other income grew S/ 42.9 million YoY, also explained by the gain from the sale of Interfondos, partially offset by a S/ 12.6 million decrease in net gain on financial assets at fair value.

Other income					
S/ million	1Q18	4Q18	1Q19	%chg QoQ	%chg YoY
Net gain on foreign exchange transactions	40.9	65.1	41.3	-36.6%	1.0%
Net gain on sale of financial investments	11.6	4.8	11.5	n.m.	-0.4%
Net gain (loss) on financial assets at fair value through profit or loss	20.6	-21.7	8.0	n.m.	-61.1%
Other	17.2	30.3	72.2	n.m.	n.m.
Total other income	**90.2**	**78.7**	**133.1**	**69.2%**	**47.5%**

OTHER EXPENSES

Other expenses decreased S/ 8.2 million QoQ, or 2.1%, but increased S/ 28.7 million YoY, or 7.9%. The quarterly reduction was mainly due to seasonal factors. Furthermore, the implementation of IFRS 16 resulted in a reclassification of rental expenses for S/ 18.6 million from administrative expenses to depreciation and amortization.

The annual growth in other expenses was explained by increases in workers profit sharing, variable costs related to credit cards and IT services, in addition to the effect of the implementation of IFRS 16 on depreciation and amortization previously mentioned.

The efficiency ratio was 38.2% in 1Q19, compared to the 40.6% reported in 4Q18 and the 40.1% registered in 1Q18. However, excluding the gain from the sale of Interfondos for S/ 52.6 million, efficiency ratio was 40.3% in 1Q19.

Other expenses					
S/ million	1Q18	4Q18	1Q19	%chg QoQ	%chg YoY
Salaries and employee benefits	-150.8	-162.3	-162.3	0.0%	7.6%
Administrative expenses	-164.4	-181.1	-157.9	-12.8%	-4.0%
Depreciation and amortization	-34.1	-38.6	-55.4	43.4%	62.3%
Other	-12.7	-17.0	-15.3	-10.4%	19.8%
Total other expenses	**-362.1**	**-399.0**	**-390.8**	**-2.1%**	**7.9%**
Efficiency ratio	**40.1%**	**40.6%**	**38.2%** (1)	**-240 bps**	**-190 bps**

(1) Adjusting from the gain on sale of Interfondos for S/ 52.6 million, efficiency ratio was 40.3% in 1Q19.

REGULATORY CAPITAL

The ratio of regulatory capital to risk-weighted assets (RWA) was 16.4% in 1Q19, higher than the 15.8% registered in 4Q18, but below the 17.5% reported in 1Q18.

As of 1Q19, regulatory capital increased 6.6% QoQ, while RWA grew 2.4% mainly due to higher capital requirements for credit risk and in line with loan growth.

The annual reduction in the capital ratio was due to a 15.5% growth in RWA, partially offset by an 8.3% 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/ 573.3 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/ 51.8 million of the US$ 200.0 million junior subordinated bonds issued in April 2010 no longer count as primary capital. As of 1Q19, 70.0% of this issue was considered as primary capital, lower than the percentage registered in 4Q18.

As of 1Q19, Interbank’s capital ratio of 16.4% 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 1Q19. Furthermore, 1Q19 CET1 remained stable YoY, at 10.2%, despite loan growth of 16.8% and RWA growth of 15.5% YoY.

Regulatory capital					
S/ million				%chg	%chg
	1Q18	4Q18	1Q19	QoQ	YoY
Tier I capital	4,903.7	5,042.0	5,452.8	8.1%	11.2%
Tier II capital	1,990.9	1,965.3	2,014.1	2.5%	1.2%
Total regulatory capital	6,894.6	7,007.4	7,466.9	6.6%	8.3%
Risk-weighted assets	39,359.9	44,391.0	45,446.8	2.4%	15.5%
BIS ratio	**17.5%**	**15.8%**	**16.4%**	**60 bps**	**-110 bps**
Tier I capital / risk-weighted assets	**12.5%**	**11.4%**	**12.0%**	**60 bps**	**-50 bps**
CET1	**10.2%**	**10.6%**	**10.2%**	**-40 bps**	**0 bps**

Interseguro

SUMMARY

Interseguro’s profits reached S/ 28.9 million in 1Q19, an S/ 11.1 million or 62.7% increase QoQ and a S/ 14.4 million or almost two-fold growth YoY.

The quarterly growth was explained by increases of S/ 8.2 million in net interest and similar income, S/ 5.7 million in other income, in addition to an improvement in translation result and a reduction of S/ 2.5 million in other expenses. These factors were partially offset by reductions of S/ 8.6 million in recovery due to impairment of financial investments and S/ 6.4 million in total premiums earned minus claims and benefits.

Growth in interest and similar income QoQ was mainly attributed to increases in the volume of assets, in addition to a higher inflation rate that had a positive impact on returns of the fixed income portfolio; these factors compensated the negative impact in adjustment of technical reserves due to an increase in inflation rate.

The annual increase in net income was mainly explained by growths of S/ 13.0 million in other income, mainly explained by higher rental income and gain on financial assets at fair value, as well as S/ 4.8 million in total premiums earned minus claims and benefits, and S/ 2.3 million in recovery due to impairment of financial investments, partially offset by a S/ 8.9 million increase in other expenses.

As a consequence of these results, Interseguro’s ROAE was 10.5% in 1Q19, above the 7.8% reported in 4Q18 and the 8.6% registered in 1Q18.

Insurance Segment's P&L Statement					
S/ million	1Q18	4Q18	1Q19	%chg QoQ	%chg YoY
Interest and similar income	157.6	148.5	156.8	5.6%	-0.5%
Interest and similar expenses	-13.7	-13.5	-13.6	1.1%	-0.6%
Net Interest and similar income	**143.9**	**135.0**	**143.2**	**6.0%**	**-0.5%**
Recovery (loss) due to impairment of financial investments	0.1	11.0	2.4	-78.6%	n.m.
Net Interest and similar income after impairment loss	**144.0**	**146.0**	**145.5**	**-0.4%**	**1.1%**
Fee income from financial services, net	-1.7	-1.1	-1.0	-13.0%	-40.6%
Other income	11.8	19.1	24.8	30.3%	n.m.
Total premiums earned minus claims and benefits	-78.9	-67.7	-74.1	9.4%	-6.1%
Net premiums	138.9	172.1	171.2	-0.5%	23.3%
Adjustment of technical reserves	-42.6	-50.4	-73.3	45.4%	72.0%
Net claims and benefits incurred	-175.1	-189.5	-172.0	-9.2%	-1.8%
Other expenses	-61.8	-73.2	-70.7	-3.4%	14.4%
Income before translation result and income tax	**13.5**	**23.1**	**24.6**	**6.7%**	**82.5%**
Translation result	1.0	-5.3	4.4	n.m.	n.m.
Income tax	-	-	-	n.m.	n.m.
Profit for the period	**14.5**	**17.8**	**28.9**	**62.7%**	**99.7%**
Profit attributable to IFS' shareholders	**14.5**	**17.8**	**28.9**	**62.7%**	**99.7%**
ROAE	**8.6%**	**7.8%**	**10.5%**		
Efficiency ratio(1)	**11.0%**	**14.2%**	**12.9%**		

(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	1Q18	4Q18	1Q19	%chg QoQ	%chg YoY
Interest and similar income	157.6	147.9	156.8	6.0%	-0.5%
Interest and similar expenses	-3.0	-3.0	-2.8	-8.6%	-6.7%
Net interest and similar income	**154.7**	**144.9**	**154.0**	**6.3%**	**-0.4%**
Recovery (loss) due to impairment of financial investments	0.1	11.0	2.4	-78.6%	n.m.
Net Interest and similar income after impairment loss	**154.8**	**155.9**	**156.4**	**0.3%**	**1.1%**
Net gain (loss) on sale of financial investments	2.1	-18.6	-6.2	-66.8%	n.m.
Net gain (loss) on financial assets at fair value through profit or loss	2.9	6.7	15.5	130.2%	n.m.
Rental income	6.7	7.2	9.0	25.3%	34.8%
Gain on sale of investment property	-	7.6	-	n.m.	n.m.
Net gain (loss) on investment property	-3.5	11.7	1.3	-88.7%	n.m.
Other[1]	-2.8	-0.1	-3.2	n.m.	n.m.
Other income	**5.3**	**14.5**	**16.5**	**13.3%**	**212.4%**
Results from investments	**160.0**	**170.4**	**172.8**	**1.4%**	**8.0%**

(1) Only includes transactions related to investments.

NET INTEREST AND SIMILAR INCOME

Net interest and similar income related to investments reached S/ 154.0 million in 1Q19, an increase of 6.3% QoQ, but a slight reduction of 0.4% YoY.

The QoQ growth was explained by an increase of S/ 8.9 million in interest and similar income, in addition to a decrease of S/ 0.2 million in interest and similar expenses.

Growth in interest and similar income QoQ was mainly attributed to increases in the volume of assets, in addition to a higher inflation rate that had a positive impact on returns of the fixed income portfolio.

The annual reduction was mainly due to a decrease of S/ 0.8 million in interest and similar income, partially offset by a decrease of S/ 0.2 million in interest and similar expenses.

RECOVERY (LOSS) DUE TO IMPAIRMENT OF FINANCIAL INVESTMENTS

Recovery due to impairment of financial investments was S/ 2.4 million, a decrease of S/ 8.6 million QoQ, but an increase of S/ 2.3 million YoY. The quarterly decrease was mainly due to a S/ 10.7 million reversion of provisions for impairment loss on investments in 4Q18, given the sale of such impaired investments.

OTHER INCOME

Other income was S/ 16.5 million in 1Q19, an increase of S/ 2.0 million QoQ and S/ 11.2 million YoY.

The quarterly growth in other income was mainly due to increases of S/ 12.4 million in net gain on sale of financial investments and S/ 8.8 million in net gain on financial assets at fair value, partially offset by decreases of S/ 10.4 million in net gain on investment property and S/ 7.6 million in gain on sale of investment property.

The annual increase was mainly explained by growths of S/ 12.6 million in net gain on financial assets at fair value, S/ 4.8 million in net gain on investment property and S/ 2.3 million in rental income, partially offset by a reduction of S/ 8.3 million in net gain on sale of financial investments.

TOTAL PREMIUMS EARNED MINUS CLAIMS AND BENEFITS

Total Premiums Earned Minus Claims And Benefits					
S/ million	1Q18	4Q18	1Q19	%chg QoQ	%chg YoY
Net premiums	138.9	172.1	171.2	-0.5%	23.3%
Adjustment of technical reserves	-42.6	-50.4	-73.3	45.4%	72.0%
Net claims and benefits incurred	-175.1	-189.5	-172.0	-9.2%	-1.8%
Total premiums earned minus claims and benefits	**-78.9**	**-67.7**	**-74.1**	**9.4%**	**-6.1%**

Total premiums earned minus claims and benefits were S/ -74.1 million in 1Q19, a decrease of S/ 6.4 million QoQ, but an increase of S/ 4.8 million YoY.

The quarterly decrease was mainly explained by a S/ 22.9 million growth in adjustment of technical reserves, partially offset by a reduction of S/ 17.5 million in net claims and benefits incurred. Net premiums in 1Q19 remained relatively stable compared to 4Q18.

The annual growth was explained by a S/ 32.3 million increase in net premiums, as well as a S/ 3.1 million reduction in net claims and benefits incurred, partially offset by a S/ 30.7 million increase in adjustment of technical reserves.

NET PREMIUMS

Net Premiums by Business Line					
S/ million	1Q18	4Q18	1Q19	%chg QoQ	%chg YoY
Annuities	48.0	77.9	80.9	3.9%	68.6%
D&S	12.9	7.6	0.7	-91.2%	-94.8%
Individual Life	31.1	34.2	32.1	-6.0%	3.4%
Retail Insurance	46.9	52.5	57.5	9.5%	22.6%
Net Premiums	**138.9**	**172.1**	**171.2**	**-0.5%**	**23.3%**

Net premiums reached S/ 171.2 million in 1Q19, relatively stable QoQ, but a 23.3% increase YoY.

Net premiums growth was negatively affected by Seguros Sura's disability and survivorship contract expiration in December 2018. Excluding this effect, net premiums increased 3.6% QoQ and 35.4% YoY.

The quarterly performance was mainly explained by decreases of S/ 6.9 million in disability and survivorship, and S/ 2.1 million in individual life, partially offset by increases of S/ 5.0 million in retail insurance and S/ 3.0 million in annuities.

It is worth noting that, in 4Q18, Seguros Sura's individual life premiums included S/ 1.0 million related to the adoption Interseguro's collection policy. Excluding this effect, individual life net premiums remained stable.

The annual increase in net premiums was mainly due to growths of S/ 32.9 million in annuities, S/ 10.6 million in retail insurance and S/ 1.0 million in individual life, partially offset by a S/ 12.2 million decrease in disability and survivorship.

It is worth mentioning that, in 1Q18, Interseguro's individual life premiums included S/ 2.1 million related to the acquisition of Seguros Sura.

ADJUSTMENT OF TECHNICAL RESERVES

Adjustment of Technical Reserves by Business Line					
S/ million	1Q18	4Q18	1Q19	%chg QoQ	%chg YoY
Annuities	-29.8	-45.4	-49.6	9.3%	66.6%
Individual Life	-12.2	-4.7	-21.9	n.m.	79.9%
Retail Insurance	-0.6	-0.3	-1.7	n.m.	n.m.
Adjustment of technical reserves	**-42.6**	**-50.4**	**-73.3**	**45.4%**	**72.0%**

Adjustment of technical reserves was S/ 73.3 million in 1Q19, an increase of S/ 22.9 million QoQ and S/ 30.7 million YoY.

The quarterly growth was explained by increases of S/ 17.2 million in individual life, S/ 4.2 million in annuities and S/ 1.4 million in retail insurance.

The annual increase was due to growths of S/ 19.8 million in annuities, S/ 9.7 million in individual life and S/ 1.1 million in retail insurance.

Increases in adjustment of technical reserves for individual life were mainly explained by a higher profitability of flex life products, which are characterized by investing the funds received from clients in equity instruments.

NET CLAIMS AND BENEFITS INCURRED

Net Claims and Benefits Incurred by Business Line					
S/ million	1Q18	4Q18	1Q19	%chg QoQ	%chg YoY
Annuities	-146.1	-159.4	-156.8	-1.7%	7.3%
D&S	-10.8	-12.2	0.6	n.m.	n.m.
Individual Life	-1.3	-1.2	0.8	n.m.	n.m.
Retail Insurance	-17.0	-16.7	-16.6	-0.1%	-2.2%
Net claims and benefits incurred	**-175.1**	**-189.5**	**-172.0**	**-9.2%**	**-1.8%**

Net claims and benefits incurred reached S/ 172.0 million in 1Q19, a decrease of S/ 17.5 million QoQ and S/ 3.1 million YoY.

The quarterly decrease was the result of reductions of S/ 12.8 million in disability and survivorship claims, S/ 2.6 million in annuity benefits, S/ 2.0 million in individual life claims and S/ 0.1 million in retail insurance claims.

The annual reduction in net claims and benefits incurred was explained by decreases of S/ 11.4 million in disability and survivorship claims, S/ 2.1 million in individual life claims and S/ 0.4 million in retail insurance claims, partially offset by a S/ 10.7 million increase in annuity benefits.
The quarterly and annual reductions in disability and survivorship claims were related to Seguros Sura's contract expiration in December 2018, as previously mentioned.

OTHER EXPENSES

Other Expenses					
S/ million	1Q18	4Q18	1Q19	%chg QoQ	%chg YoY
Salaries and employee benefits	-17.3	-19.7	-18.0	-8.9%	4.1%
Administrative expenses	-7.9	-14.4	-11.1	-23.2%	39.6%
Depreciation and amortization	-2.2	-5.0	-5.0	0.7%	124.2%
Expenses related to rental income	-0.0	-1.5	-1.5	5.8%	n.m.
Third-party commissions	-21.0	-19.9	-21.2	6.7%	1.0%
Other	-13.3	-12.7	-13.9	9.1%	4.2%
Other expenses	**-61.8**	**-73.2**	**-70.7**	**-3.4%**	**14.4%**

Other expenses decreased S/ 2.5 million QoQ, or 3.4%, and increased S/ 8.9 million YoY, or 14.4%.

The quarterly reduction in other expenses was mainly attributed to decreases of S/ 3.3 million in administrative expenses and S/ 1.7 million in salaries and employee benefits, partially offset by an increase of S/ 1.3 million in third party commissions.

The annual increase in other expenses was mainly due to growths of S/ 3.2 million in administrative expenses, S/ 2.8 million in depreciation and amortization, and S/ 0.7 million in salaries and employee benefits.

Inteligo

SUMMARY

Inteligo's net profit in 1Q19 was S/ 78.3 million, a S/ 33.3 million or 73.9% increase QoQ and a S/ 34.3 million or 78.1% increase YoY.

It is worth mentioning that the financial results released in this quarter account for the incorporation of Interfondos within Inteligo, after its acquisition from Interbank at the beginning of the year. Figures for 4Q18 and 1Q18 have been restated accordingly and may differ from those reported on such periods.

The main driver of growth in profits was the contribution of other income, which reflected strong gains in 1Q19 associated with a better performance of Inteligo's proprietary portfolio.

On the commercial front, Inteligo's prospection process continued to show good results in terms of new accounts. Accordingly, Inteligo's AUM increased 0.9% QoQ and 9.6% YoY in 1Q19.

As a consequence of these results, Inteligo's ROAE was 38.1% in 1Q19, significantly higher than the 22.9% registered in 4Q18 and the 22.4% reported in 1Q18.

Wealth Management Segment's P&L Statement					
S/ million	1Q18	4Q18	1Q19	%chg QoQ	%chg YoY
Interest and similar income	33.7	42.1	45.6	8.3%	35.1%
Interest and similar expenses	-9.1	-12.6	-14.9	18.3%	62.7%
Net interest and similar income	**24.6**	**29.5**	**30.7**	**4.0%**	**24.8%**
Impairment loss on loans, net of recoveries	0.4	0.0	-0.1	n.m.	n.m.
Recovery (loss) due to impairment of financial investments	2.3	-0.2	-0.5	n.m.	n.m.
Net interest and similar income after impairment loss	**27.3**	**29.3**	**30.2**	**2.8%**	**10.6%**
Fee income from financial services, net	43.1	41.6	38.9	-6.5%	-9.7%
Other income	1.1	4.5	36.8	n.m.	n.m.
Other expenses	-26.4	-28.7	-26.9	-6.3%	1.7%
Income before translation result and income tax	**45.0**	**46.8**	**79.0**	**69.0%**	**75.6%**
Translation result	0.5	0.1	0.7	n.m.	29.0%
Income tax	-1.6	-1.8	-1.4	-21.1%	-10.1%
Profit for the period	**44.0**	**45.0**	**78.3**	**73.9%**	**78.1%**
ROAE	**22.4%**	**22.9%**	**38.1%**		
Efficiency ratio	**38.3%**	**37.7%**	**25.2%**		

ASSETS UNDER MANAGEMENT & DEPOSITS

AUM reached S/ 17,752.9 million in 1Q19, a S/ 160.2 million or 0.9% increase QoQ and a S/ 1,552.3 million or 9.6% growth YoY, mostly due to the opening of accounts, as a result of a strengthened prospection strategy at Inteligo.

Client deposits reached S/ 2,548.3 million in 1Q19, a S/ 74.1 million or 2.8% decrease QoQ, but a S/ 381.1 million or 17.6% increase YoY. The annual increase was aligned to the acquisition of new accounts.

NET INTEREST AND SIMILAR INCOME

Net interest and similar income					
S/ million	1Q18	4Q18	1Q19	%chg QoQ	%chg YoY
Interest and similar income					
Due from banks and inter-bank funds	1.0	1.6	2.1	32.4%	n.m.
Financial Investments	16.3	23.6	25.3	7.2%	55.0%
Loans	16.4	16.9	18.2	7.5%	10.8%
Total interest and similar income	**33.7**	**42.1**	**45.6**	**8.3%**	**35.1%**
Interest and similar expenses					
Deposits and obligations	-8.6	-10.2	-11.5	12.2%	33.1%
Due to banks and correspondents	-0.5	-2.3	-3.4	45.3%	n.m.
Total interest and similar expenses	**-9.1**	**-12.6**	**-14.9**	**18.3%**	**62.7%**
Net interest and similar income	**24.6**	**29.5**	**30.7**	**4.0%**	**24.8%**

Inteligo’s net interest and similar income in 1Q19 was S/ 30.7 million, a S/ 1.2 million or 4.0% increase when compared with 4Q18, explained by higher dividends received during the first quarter of the year.

Net interest and similar income increased S/ 6.1 million or 24.8% compared to the same period in the previous year. The YoY growth was mainly related to higher investments in fixed income securities that contributed with incremental coupons.

FEE INCOME FROM FINANCIAL SERVICES

Fee income from financial services, net					
S/ million	1Q18	4Q18	1Q19	%chg QoQ	%chg YoY
Income					
Brokerage and custody services	6.0	4.9	3.9	-21.5%	-34.9%
Funds management	38.2	37.5	35.4	-5.5%	-7.3%
Total income	**44.2**	**42.4**	**39.3**	**-7.4%**	**-11.0%**
Expenses					
Brokerage and custody services	-1.0	-0.7	-0.2	-67.7%	-74.9%
Others	-0.1	-0.1	-0.1	77.4%	3.6%
Total expenses	**-1.1**	**-0.8**	**-0.4**	**-54.0%**	**-65.4%**
Fee income from financial services, net	**43.1**	**41.6**	**38.9**	**-6.5%**	**-9.7%**

Net fee income from financial services was S/ 38.9 million in 1Q19, a decrease of S/ 2.7 million or 6.5% compared to the previous quarter. When compared with 1Q18, net fee income from financial services decreased S/ 4.2 million or 9.7%. The quarterly and annual decreases were explained mainly by a lower brokerage activity amid higher volatility in global markets since December 2018 and lower structured products issuance during the quarter.

OTHER INCOME

Other income					
S/ million	1Q18	4Q18	1Q19	%chg QoQ	%chg YoY
Net gain on sale of financial investments	11.6	9.2	24.5	n.m.	n.m.
Net trading gain (loss)	-7.5	-3.1	14.8	n.m.	n.m.
Other	-3.0	-1.6	-2.5	56.7%	-17.3%
Total other income	**1.1**	**4.5**	**36.8**	**n.m.**	**n.m.**

Inteligo's other income reached S/ 36.8 million in 1Q19, an increase of S/ 32.3 million QoQ and S/ 35.7 million YoY, attributable to better mark-to-market valuations on Inteligo's proprietary portfolio and optimal conditions caused by the market rebound during 1Q19 that prompted the sale of certain investments.

OTHER EXPENSES

Other expenses					
S/ million	1Q18	4Q18	1Q19	%chg QoQ	%chg YoY
Salaries and employee benefits	-14.2	-15.0	-15.1	0.8%	6.1%
Administrative expenses	-10.0	-11.1	-9.2	-16.3%	-7.1%
Depreciation and amortization	-2.2	-2.5	-2.5	0.4%	14.1%
Other	-0.1	-0.2	-0.1	-51.9%	31.2%
Total other expenses	**-26.4**	**-28.7**	**-26.9**	**-6.3%**	**1.7%**
Efficiency ratio	**38.3%**	**37.7%**	**25.2%**		

Inteligo's other expenses reached S/ 26.9 million in 1Q19, a decrease of S/ 1.8 million or 6.3% QoQ, but an increase of S/ 0.5 million or 1.7% YoY. The latter performance was mainly due to higher depreciation and amortization charges associated with IT investments.