

## Intercorp Financial Services Inc. Second Quarter 2017 Earnings

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Lima, Peru, August 9, 2017. Intercorp Financial Services Inc. (Bolsa de Valores de Lima: IFS) announced today its unaudited results for the second quarter 2017. These results are reported on a consolidated basis under IFRS in nominal Peruvian soles.

### Intercorp Financial Services:

- 2Q17 net profit was S/ 215.0 million, an increase of 36.1% QoQ and 20.8% YoY
- Excluding discount rate impact on technical reserves, IFS 2Q17 profits grew 2.8% QoQ and 4.6% YoY, supported by improving bottom-line contribution from its three subsidiaries
- ROAE excluding discount rate impact on technical reserves remained stable QoQ at 18.4%

### Interbank:

- 2Q17 net profit was S/ 209.1 million, an increase of 7.5% QoQ and 4.7% YoY; mainly due to higher net interest and similar income, as well as relatively stable provisions and administrative expenses
- Performing loans grew 3.3% YoY, reaching an 11.4% market share in 2Q17; while deposits increased 11.1% YoY, with an 11.8% market share in 2Q17
- NIM was 6.0% in 2Q17, 40 bps above the 5.6% reported in 1Q17 and in line with 2Q16
- Cost of risk was 3.2% in 2Q17, a decline of 20 bps QoQ and 10 bps YoY; while the PDL ratio remained 30 bps below the system's average, at 2.8%
- 2Q17 annualized ROAE was 19.6%

### Interseguro:

- 2Q17 profit excluding discount rate impact on technical reserves was S/ 17.2 million, compared to S/ 3.8 million in 1Q17 and S/ -1.1 million in 2Q16
- Net premiums in 2Q17 increased 8.4% QoQ and 12.3% YoY after a market stabilization in annuities, where Interseguro recovered the market leadership with a 23.2% share, along with the introduction of new products
- Interseguro's investment portfolio grew 5.4% QoQ and 10.9% YoY

### Inteligo:

- 2Q17 net profit was S/ 55.6 million, a 13.9% increase QoQ and a 3.5% growth YoY. The quarterly performance was mainly attributed to a more than two-fold growth in other income, as a result of higher net gain on sale of securities
- AuM + deposits increased 1.1% QoQ and 6.5% YoY
- 2Q17 annualized ROAE was 32.8%

## Intercorp Financial Services

### SUMMARY

Net profit was S/ 215.0 million in 2Q17, a growth of 36.1% QoQ and 20.8% YoY. IFS annualized ROAE was 16.4% in 2Q17, above the 12.2% registered in 1Q17 and the 15.1% reported in 2Q16. IFS annualized ROAE excluding discount rate impact on technical reserves was 18.4% in 2Q17, in line with that reported in 1Q17 but below the 19.5% registered in 2Q16.

Intercorp Financial Services' P&L statement					
S/ million	2Q16	1Q17	2Q17	%chg QoQ	%chg YoY
Interest and similar income	914.1	944.5	919.3	-2.7%	0.6%
Interest and similar expense	-268.3	-275.2	-277.2	0.7%	3.3%
<b>Net interest and similar income</b>	<b>645.8</b>	<b>669.3</b>	<b>642.1</b>	<b>-4.1%</b>	<b>-0.6%</b>
Provision for loan losses, net of recoveries	-210.2	-222.7	-214.3	-3.8%	1.9%
<b>Net interest and similar income after provision for loan losses</b>	<b>435.6</b>	<b>446.5</b>	<b>427.8</b>	<b>-4.2%</b>	<b>-1.8%</b>
Fee income from financial services, net	215.4	220.7	218.2	-1.1%	1.3%
Other income	156.2	115.2	137.2	19.2%	-12.1%
Total premiums earned less claims and benefits	-80.4	-125.8	-42.9	-65.9%	-46.6%
Net Premiums	130.1	134.7	146.1	8.4%	12.3%
Adjustment of technical reserves	-135.5	-176.6	-101.0	-42.8%	-25.5%
Net claims and benefits incurred	-75.0	-83.9	-88.0	4.9%	17.4%
Other expenses	-480.7	-448.2	-448.2	0.0%	-6.8%
<b>Income before translation result and income tax</b>	<b>246.1</b>	<b>208.4</b>	<b>292.2</b>	<b>40.2%</b>	<b>18.7%</b>
Translation result	15.9	23.1	-2.3	n.m.	n.m.
Income tax	-84.0	-73.6	-74.9	1.8%	-10.9%
<b>Profit for the period</b>	<b>178.0</b>	<b>158.0</b>	<b>215.0</b>	<b>36.1%</b>	<b>20.8%</b>
<b>Attributable to equity holders of the group <sup>(1)</sup></b>	<b>175.9</b>	<b>158.6</b>	<b>215.4</b>	<b>35.8%</b>	<b>22.5%</b>
<b>EPS</b>	<b>1.62</b>	<b>1.48</b>	<b>2.02</b>		
<b>ROAE</b>	<b>15.1%</b>	<b>12.2%</b>	<b>16.4%</b>		
<b>ROAA</b>	<b>1.5%</b>	<b>1.3%</b>	<b>1.7%</b>		

(1) Starting 4Q14, IFS began consolidating a real estate investment shared by Interseguro and Intercorp Real Estate Inc., a subsidiary of Intercorp Peru Ltd. Intercorp RE's part is then reported as attributable to non-controlling interest.

Intercorp Financial Services' Statement of financial position					
S/ million	2Q16	1Q17	2Q17	%chg QoQ	%chg YoY
<b>Assets</b>					
Cash and due from banks and inter-bank funds	8,901.6	9,040.1	9,975.3	10.3%	12.1%
Trading securities and investments available for sale	9,327.8	10,399.5	10,392.2	-0.1%	11.4%
Loans, net of unearned income	27,629.9	28,339.5	28,519.3	0.6%	3.2%
Allowance for loan losses	-1,130.4	-1,192.5	-1,223.3	2.6%	8.2%
Property, furniture and equipment, net	593.5	585.6	580.5	-0.9%	-2.2%
Other assets	2,751.7	2,145.5	2,395.1	11.6%	-13.0%
<b>Total assets</b>	<b>48,074.0</b>	<b>49,317.5</b>	<b>50,639.1</b>	<b>2.7%</b>	<b>5.3%</b>
<b>Liabilities and equity</b>					
Deposits and obligations	26,088.2	27,900.2	28,628.8	2.6%	9.7%
Due to banks and correspondents	6,066.6	5,113.8	5,568.4	8.9%	-8.2%
Bonds, notes and other obligations	4,693.3	4,649.7	4,656.3	0.1%	-0.8%
Insurance contract liabilities	4,798.2	5,101.4	5,367.6	5.2%	11.9%
Other liabilities	1,767.6	1,213.4	1,274.7	5.1%	-27.9%
<b>Total liabilities</b>	<b>43,413.9</b>	<b>43,978.5</b>	<b>45,495.8</b>	<b>3.5%</b>	<b>4.8%</b>
<b>Equity</b>					
Equity holders of IFS	4,528.5	5,223.2	5,027.6	-3.7%	11.0%
Non-controlling interest	131.6	115.9	115.7	-0.2%	-12.1%
<b>Total equity</b>	<b>4,660.1</b>	<b>5,339.1</b>	<b>5,143.3</b>	<b>-3.7%</b>	<b>10.4%</b>
<b>Total liabilities and equity</b>	<b>48,074.0</b>	<b>49,317.5</b>	<b>50,639.1</b>	<b>2.7%</b>	<b>5.3%</b>

### Quarter-on-quarter performance

Profits grew 36.1% QoQ mainly due to a lower, yet negative, discount rate impact on technical reserves for annuities at Interseguro, in addition to a recovery in net premiums sold; and to an increase in other income, which in turn was mainly explained by a more than two-fold increase in net gain on sale of securities at Inteligo.

Net interest and similar income decreased 4.1% QoQ, despite growing 5.1% at Interbank, as a result of a 33.0% decline in interest and similar income at Interseguro, associated with lower returns on certain inflation-linked investments in the period.

Provision expenses decreased 3.8% mainly due to lower provisioning in commercial loans at Interbank, especially in the corporate segment.

Net fee income from financial services decreased 1.1% QoQ mainly explained by a contraction in commissions from banking services and in fees from maintenance and mailing of accounts, interchange fees, transfers and credit and debit card services; both at Interbank.

Interseguro's total premiums earned less claims and benefits in 2Q17 was S/ -42.9 million, an increase of S/ 82.9 million QoQ, as a result of a S/ 75.6 million decrease in adjustment of technical reserves and an S/ 11.4 million increase in net premiums, partially offset by a S/ 4.1 increase in net claims and benefits incurred. In 2Q17 the adjustment of technical reserves had a negative discount rate impact of S/ -29.2 million, whereas in 1Q17 the discount rate impact was S/ -79.7 million.

Other income increased 19.2% QoQ explained by a more than two-fold increase in net gain on sale of securities at Inteligo; and by improvements in valuation gain from investment property and net gain on sale of securities, both at Interseguro.

Other expenses remained stable QoQ as higher provisions for contingencies at Interbank and certain charges at the holding company level were compensated by lower impairment loss on available-for-sale investments and lower third party commissions at Interseguro.

IFS effective tax rate decreased, from 31.8% in 1Q17 to 25.8% in 2Q17, as a result of a higher profit contribution from Inteligo and a lower negative result from Interseguro.

### Year-on-year performance

Profits increased 20.8% YoY mainly due to a lower, yet negative, discount rate impact on technical reserves for annuities at Interseguro, as well as to higher revenue contribution from Interbank and lower other expenses.

Net interest and similar income decreased 0.6% YoY, despite growing 2.8% at Interbank, driven by reductions of 17.5% and 7.4% at Interseguro and Inteligo, respectively.

Provision expenses increased 1.9% mainly as a result of higher provisioning in consumer loans at Interbank, partially offset by lower provision requirements in commercial loans, also at Interbank.

Net fee income from financial services increased 1.3% YoY mainly due to growths of 4.2% in fees from maintenance and mailing of accounts, interchange fees, transfers and credit and debit card services; and 1.8% in commissions from banking services, both at Interbank. These effects were partially offset by a decrease in income from brokerage and custody services at Inteligo.

Interseguro's total premiums earned less claims and benefits grew by S/ 37.5 million, as a result of a S/ 34.5 million decrease in adjustment of technical reserves and a S/ 16.0 million increase in net premiums, partially offset by a S/ 13.0 million increase in net claims and benefits incurred.

Other income decreased 12.1% YoY mainly as a result of a S/ 32.5 million decrease in net gain on sale of securities at Interseguro; partially offset by higher results of investments at Inteligo and Interbank.

Other expenses decreased 6.8% YoY mainly due to a S/ 55.5 million reduction in impairment loss on available-for-sale investments at Interseguro; partially compensated by higher administrative expenses at Interbank, as well as higher eliminations at the consolidation level due to income from dividends received by Interbank for shares owned on IFS.

IFS effective tax rate decreased YoY, from 32.1% in 2Q16 to 25.8% in 2Q17, as a result of a higher profit contribution from Inteligo and a lower negative result from Interseguro.

## CONTRIBUTION BY SEGMENTS

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

Intercorp Financial Services' Profit by segment					
S/ million	2Q16	1Q17	2Q17	%chg QoQ	%chg YoY
Interbank	199.8	194.5	209.1	7.5%	4.7%
Interseguro	-55.8	-78.0	-13.8	-82.3%	-75.3%
Inteligo	53.7	48.8	55.6	13.9%	3.5%
Corporate and eliminations	-19.7	-7.4	-35.9	n.m.	82.1%
<b>IFS profit for the period</b>	<b>178.0</b>	<b>158.0</b>	<b>215.0</b>	<b>36.1%</b>	<b>20.8%</b>

## Interbank

### SUMMARY

Interbank's profits reached S/ 209.1 million in 2Q17, an increase of S/ 14.6 million QoQ and S/ 9.3 million YoY. The quarterly increase was mainly due to a growth of S/ 28.4 million in net interest and similar income and a decrease of S/ 11.1 million in provisions. These factors were partially offset by a decrease of S/ 15.6 million in translation result.

The annual increase in net profit was mainly explained by growths of S/ 16.0 million in net interest and similar income, S/ 7.5 million in fees from financial services and S/ 6.9 million in other income, partially offset by increases of S/ 20.5 million in other expenses and S/ 4.1 million in provisions.

Interbank's ROAE was 19.6% in 2Q17, higher than the 18.3% registered in 1Q17 but lower than the 21.3% reported in 2Q16.

Banking Segment's P&L Statement					
S/ million	2Q16	1Q17	2Q17	%chg QoQ	%chg YoY
Interest and similar income	819.1	815.0	845.1	3.7%	3.2%
Interest and similar expenses	-250.5	-258.8	-260.6	0.7%	4.0%
<b>Net interest and similar income</b>	<b>568.6</b>	<b>556.2</b>	<b>584.6</b>	<b>5.1%</b>	<b>2.8%</b>
Provision for loan losses, net of recoveries	-210.2	-225.4	-214.3	-4.9%	1.9%
<b>Net interest and similar income after provision for loan losses</b>	<b>358.4</b>	<b>330.7</b>	<b>370.3</b>	<b>12.0%</b>	<b>3.3%</b>
Fee income from financial services, net	192.7	203.3	200.2	-1.5%	3.9%
Other income	84.8	93.4	91.7	-1.8%	8.2%
Other expenses	-362.2	-379.0	-382.7	1.0%	5.7%
<b>Income before translation result and income tax</b>	<b>273.7</b>	<b>248.4</b>	<b>279.5</b>	<b>12.5%</b>	<b>2.1%</b>
Translation result	2.2	14.6	-1.0	n.m.	n.m.
Income tax	-76.1	-68.5	-69.4	1.3%	-8.8%
<b>Profit for the period</b>	<b>199.8</b>	<b>194.5</b>	<b>209.1</b>	<b>7.5%</b>	<b>4.7%</b>
<b>ROAE</b>	<b>21.3%</b>	<b>18.3%</b>	<b>19.6%</b>		
<b>Efficiency ratio</b>	<b>42.1%</b>	<b>43.3%</b>	<b>41.9%</b>		
<b>NIM</b>	<b>6.0%</b>	<b>5.6%</b>	<b>6.0%</b>		
<b>NIM on loans</b>	<b>9.8%</b>	<b>9.4%</b>	<b>9.5%</b>		

### INTEREST-EARNING ASSETS

Interbank's interest-earning assets reached S/ 39,651.2 million in 2Q17, an increase of 3.1% QoQ and 7.2% YoY.

The quarterly growth in interest-earning assets was mostly due to an increase of 12.7% in cash and due from banks, as a result of higher funds at the Central Bank.

The annual increase in interest-earning assets was attributed to growths of 16.2% in cash and due from banks, 14.8% in investments and 3.1% in loans. The annual increase in cash and due from banks was a result of higher funds at the Central Bank. The increase in investments available for sale was mainly due to higher volumes in global and corporate bonds.

Interest-earning assets					
S/ million	2Q16	1Q17	2Q17	%chg QoQ	%chg YoY
Cash and due from banks and inter-bank funds	8,085.7	8,337.2	9,397.1	12.7%	16.2%
Investments available for sale	4,013.0	4,619.5	4,608.9	-0.2%	14.8%
Loans	24,879.2	25,489.4	25,645.3	0.6%	3.1%
<b>Total Interest-earning assets</b>	<b>36,977.9</b>	<b>38,446.1</b>	<b>39,651.2</b>	<b>3.1%</b>	<b>7.2%</b>

Loan portfolio					
S/ million	2Q16	1Q17	2Q17	%chg QoQ	%chg YoY
Performing loans					
Retail	12,999.1	13,169.3	13,465.1	2.2%	3.6%
Commercial	11,776.3	12,244.8	12,123.2	-1.0%	2.9%
<b>Total Performing loans</b>	<b>24,775.3</b>	<b>25,414.2</b>	<b>25,588.3</b>	<b>0.7%</b>	<b>3.3%</b>
Restructured and refinanced loans	291.2	293.1	274.9	-6.2%	-5.6%
Past due loans	687.9	726.8	748.8	3.0%	8.9%
<b>Total gross loans</b>	<b>25,754.4</b>	<b>26,434.0</b>	<b>26,612.0</b>	<b>0.7%</b>	<b>3.3%</b>
Add (less)					
Accrued and deferred interest	251.7	247.1	255.7	3.5%	1.6%
Allowance for loan losses	-1,126.9	-1,191.7	-1,222.5	2.6%	8.5%
<b>Total direct loans, net</b>	<b>24,879.2</b>	<b>25,489.4</b>	<b>25,645.3</b>	<b>0.6%</b>	<b>3.1%</b>

Performing loans grew 0.7% QoQ as a result of a 2.2% increase in retail loans, partially offset by a 1.0% contraction in commercial loans.

Growth in retail loans was due to increases of 2.8% in other consumer loans, 2.4% in mortgages and 1.3% in credit cards. The growth in other consumer loans was a result of higher payroll loans, while the increase in mortgages was due to a higher dynamism in the traditional segment. It is worth mentioning that the credit card portfolio grew QoQ, after two consecutive quarters of contractions.

The QoQ reduction in commercial loans was a result of lower short and medium-term lending, associated with certain prepayments in the corporate segment. This effect was partially compensated by an increase in trade loans.

Performing loans grew 3.3% YoY due to increases of 3.6% in retail loans and 2.9% in commercial loans. Retail loans grew mainly due to increases of 5.6% in mortgages and 5.5% in other consumer loans; partially offset by a 1.2% contraction in credit cards. The increase in mortgages was due to a higher dynamism in the traditional segment, while other consumer loans grew as a result of higher payroll loans.

The YoY growth in commercial loans was explained by increases in trade loans and short and medium-term lending, both associated with the corporate segment.

Breakdown of retail loans					
S/ million	2Q16	1Q17	2Q17	%chg QoQ	%chg YoY
<b>Consumer loans:</b>					
Credit cards	3,805.1	3,709.7	3,759.6	1.3%	-1.2%
Other consumer	4,417.7	4,531.7	4,660.5	2.8%	5.5%
<b>Total consumer loans</b>	<b>8,222.7</b>	<b>8,241.4</b>	<b>8,420.1</b>	<b>2.2%</b>	<b>2.4%</b>
Mortgages	4,776.3	4,927.9	5,045.0	2.4%	5.6%
<b>Total retail loans</b>	<b>12,999.1</b>	<b>13,169.3</b>	<b>13,465.1</b>	<b>2.2%</b>	<b>3.6%</b>

## FUNDING STRUCTURE

Funding structure					
S/ million	2Q16	1Q17	2Q17	%chg QoQ	%chg YoY
Deposits	23,240.8	24,956.6	25,813.6	3.4%	11.1%
Due to banks and inter-bank funds	5,906.5	4,994.6	5,565.1	11.4%	-5.8%
Bonds	4,525.5	4,486.2	4,490.3	0.1%	-0.8%
<b>Total</b>	<b>33,672.8</b>	<b>34,437.5</b>	<b>35,869.0</b>	<b>4.2%</b>	<b>6.5%</b>
<b>% of funding</b>					
Deposits	69.0%	72.5%	72.0%		
Due to banks and inter-bank funds	17.6%	14.5%	15.5%		
Bonds	13.4%	13.0%	12.5%		

Interbank's total funding base increased 4.2% QoQ, above the growth of interest-earning assets. The quarterly growth was mainly due to increases of 11.4% in due to banks and inter-bank funds, and 3.4% in deposits.

The growth in due to banks was explained by higher medium-term funding from the Central Bank, as well as higher short-term funding from COFIDE.

The increase in deposits was explained by growths of 23.5% in institutional deposits and 1.0% in retail deposits, partially compensated by a 3.6% contraction in commercial deposits. As a result, the proportion of institutional deposits to total deposits increased from 18.2% in 1Q17 to 21.7% in 2Q17.

The bank's total funding base increased 6.5% YoY, below the increase of interest-earning assets. This was due to an increase of 11.1% in deposits, partially offset by decreases of 5.8% in due to banks and 0.8% in bonds.

The growth in deposits was mostly explained by increases of 53.8% in institutional deposits and 6.8% in retail deposits, partially compensated by a 1.5% contraction in commercial deposits. As a result, the proportion of deposits to total funding increased from 69.0% in 2Q16 to 72.0% in 2Q17.

The decrease in due to banks and inter-bank funds was mainly a result of lower short-term funding from abroad and lower medium-term funding from the Central Bank. These effects were partially offset by higher medium-term funding from abroad.

The YoY contraction in bonds was mainly attributed to a 2.2% appreciation of the exchange rate which originated a decrease in the value of bonds issued in dollars.



Breakdown of deposits					
S/ million	2Q16	1Q17	2Q17	%chg QoQ	%chg YoY
By customer service:					
Retail	10,915.2	11,542.7	11,654.9	1.0%	6.8%
Commercial	8,391.3	8,572.4	8,265.9	-3.6%	-1.5%
Institutional	3,645.0	4,541.7	5,607.7	23.5%	53.8%
Other	289.5	299.7	285.1	-4.9%	-1.5%
<b>Total</b>	<b>23,240.9</b>	<b>24,956.6</b>	<b>25,813.6</b>	<b>3.4%</b>	<b>11.1%</b>
By type:					
Demand	6,722.9	6,862.5	6,941.3	1.1%	3.2%
Savings	9,849.7	8,861.0	8,270.1	-6.7%	-16.0%
Time	6,662.9	9,219.9	10,597.0	14.9%	59.0%
Other	5.4	13.1	5.2	-60.2%	-3.2%
<b>Total</b>	<b>23,240.9</b>	<b>24,956.6</b>	<b>25,813.6</b>	<b>3.4%</b>	<b>11.1%</b>

## NET INTEREST AND SIMILAR INCOME

Net interest and similar income					
S/ million	2Q16	1Q17	2Q17	%chg QoQ	%chg YoY
Interest and similar income	819.1	815.0	845.1	3.7%	3.2%
Interest and similar expense	-250.5	-258.8	-260.6	0.7%	4.0%
<b>Net interest and similar income</b>	<b>568.6</b>	<b>556.2</b>	<b>584.6</b>	<b>5.1%</b>	<b>2.8%</b>
<b>NIM*</b>	<b>6.0%</b>	<b>5.6%</b>	<b>6.0%</b>	<b>40 bps</b>	<b>0 bps</b>

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

Interest and similar income					
S/ million	2Q16	1Q17	2Q17	%chg QoQ	%chg YoY
<b>Interest and similar income</b>					
Due from banks and inter-bank funds	4.7	4.9	4.8	-0.2%	3.1%
Investments available for sale	50.9	44.4	63.0	41.8%	23.8%
Loans	763.5	765.7	777.3	1.5%	1.8%
<b>Total Interest and similar income</b>	<b>819.1</b>	<b>815.0</b>	<b>845.1</b>	<b>3.7%</b>	<b>3.2%</b>
Average interest-earning assets	38,212.9	39,671.2	39,048.7	-1.6%	2.2%
Average yield on assets (annualized)	8.6%	8.2%	8.7%	50 bps	10 bps

Interest and similar expense					
S/ million	2Q16	1Q17	2Q17	%chg QoQ	%chg YoY
<b>Interest and similar expense</b>					
Deposits and obligations	-108.4	-127.6	-129.8	1.8%	19.8%
Due to banks and correspondents	-64.8	-55.7	-54.6	-2.0%	-15.8%
Bonds, notes and other obligations	-77.3	-75.6	-76.2	0.8%	-1.4%
<b>Total Interest and similar expense</b>	<b>-250.5</b>	<b>-258.8</b>	<b>-260.6</b>	<b>0.7%</b>	<b>4.0%</b>
Average interest-bearing liabilities	34,774.7	35,763.1	35,153.2	-1.7%	1.1%
Average cost of funding (annualized)	-2.9%	-2.9%	-3.0%	-10 bps	-10 bps

## QoQ Performance

Net interest and similar income grew 5.1% QoQ as the result of a 3.7% increase in interest and similar income, partially offset by a 0.7% growth in interest and similar expense.

The increase in interest and similar income was mainly due to growths of 1.5% in interest on loans and 41.8% in interest on investments available for sale; while interest due from banks and inter-bank funds remained relatively stable.

The growth in interest on loans was due to increases of 0.6% in the average loan portfolio and 10 basis points in the average yield, from 12.1% in 1Q17 to 12.2% in 2Q17. The higher average volume of loans was attributed to growths of 1.0% in retail loans and 0.3% in commercial loans. In the retail portfolio, the higher average volume was mainly due to increases of 1.8% in mortgages and 1.5% in payroll loans; partially offset by a 1.2% decline in average balances of credit cards. In the commercial portfolio, volumes increased 1.5% in trade finance loans and 0.6% in short and medium-term loans, partially offset by a 2.7% decrease in leasing. On the other hand, the increase in the average rate was mainly explained by higher yields in short and medium-term loans, and trade finance loans; partially offset by lower yields in credit cards.

Interest on investments available for sale increased by S/ 18.6 million, or 41.8%, explained by growths of 160 basis points in the average rate and 0.2% in the average volume. The increase in the nominal average rate, from 3.9% in 1Q17 to 5.5% in 2Q17, was mainly a result of higher income from dividends received for shares owned on IFS, which are eliminated upon consolidation; while the increase in average volume was a result of higher investments in global and sovereign bonds.

The nominal average yield on interest-earning assets increased by 50 basis points, from 8.2% in 1Q17 to 8.7% in 2Q17. This was mainly due to the higher income from dividends received for shares owned on IFS; as well as an increase in the average return of the commercial loan portfolio. In addition, the average volume of cash decreased by 8.2%, explained by lower reserve funds at the Central Bank due to reductions in the marginal rate for reserve requirements in soles, from 6.0% to 5.0%, in force since April 2017; as well as in the marginal rate in foreign currency, from 48% to 46%, effective from March 2017, and subsequently to 44%, in force since May 2017.

Interest and similar expenses increased 0.7% QoQ as a result of a 1.8% growth in interest on deposits and obligations, partially offset by a reduction of 2.0% in interest due to banks and correspondents; while interest on bonds, notes and other obligations remained relatively stable.

The rise in interest on deposits and obligations was due to a 10 basis point increase in the average cost, from 2.0% in 1Q17 to 2.1% in 2Q17; partially offset by a 2.1% decrease in the average volume. The increase in the average cost was explained by higher rates in commercial and retail deposits, partially offset by a reduction in the cost of institutional deposits. On the other hand, the lower average volume was explained by reductions of 8.2% in commercial deposits and 0.4% in retail; partially offset by a 5.4% growth in institutional deposits. By currency, soles deposits grew 2.3% while dollar deposits decreased 7.8% QoQ.

The decline in interest due to banks and correspondents was explained by decreases of 10 basis points in the nominal average cost and 0.3% in the average volume. The reduction in the average interest rate was explained by a lower cost of funds provided by the Central Bank; while the lower average volume was mostly attributed to decreases in foreign funding from correspondent banks as well as in funding provided by the Central Bank.

The average cost of funds increased by 10 basis points QoQ, from 2.9% in 1Q17 to 3.0% in 2Q17, mainly as a result of higher costs of retail and commercial deposits, as well as a higher proportion of soles deposits.

As a result of the above, net interest margin was 6.0% in 2Q17, 40 basis points higher than the 5.6% reported in 1Q17.

### YoY Performance

Net interest and similar income grew 2.8% YoY due to an increase of 3.2% in interest and similar income, partially offset by a 4.0% rise in interest and similar expense.

The growth in interest and similar income was mainly due to increases of 1.8% in interest on loans and 23.8% in interest on investments available for sale.

The S/ 13.8 million growth in interest on loans was explained by a 3.7% growth in the average volume; partially offset by a 20 basis point decline in the average yield, from 12.4% in 2Q16 to 12.2% in 2Q17. The increase in the average volume was due to growths of 3.9% in the commercial portfolio and 3.8% in the retail portfolio. The higher average volume of the commercial portfolio was explained by growths of 12.1% in trade finance loans, and 7.8% in short and medium-term loans; partially offset by an 11.2% decline in leasing. In retail loans, higher volumes resulted from growths of 5.5% in payroll loans and 5.2% in mortgages; partially offset by a slight decline of 0.1% in average balances of credit cards. The decrease in the average yield was mainly explained by lower returns in credit cards, trade finance loans and leasing; partially offset by higher yields in short and medium-term loans.

Interest on investments available for sale increased by S/ 12.1 million YoY, or 23.8%, as a result of a 23.5% growth in the average volume while the nominal average rate remained relatively stable YoY. The growth in volume was a result of higher investments in fixed income instruments issued by financial institutions, and sovereign and global bonds.

The nominal average yield on interest-earning assets increased by 10 basis points YoY, from 8.6% in 2Q16 to 8.7% in 2Q17; mainly explained by a higher income from investments, and by a 9.8% decrease in average cash balances due to lower reserve requirements at the Central Bank. These effects were partially offset by a lower yield on loans.

Interest and similar expense increased 4.0% YoY due to a 19.8% growth in interest on deposits and obligations, partially offset by decreases of 15.8% in interest due to banks and correspondents and 1.4% in interest on bonds, notes and other obligations.

Interest on deposits and obligations increased by S/ 21.4 million, or 19.8%, explained by growths of 30 basis points in the nominal average cost and 4.7% in the average volume. The higher average rate was mainly explained by a higher cost of commercial and institutional deposits; while the increase in the average volume was

a result of higher institutional and retail deposits, partially offset by a decline in commercial deposits.

The \$/ 10.2 million, or 15.8% decrease in interest due to banks and correspondents was explained by reductions of 30 basis points in the average cost and 11.2% in the average volume. The reduction in average cost was explained by lower rates in funding provided by correspondent banks as well as funding provided by the Central Bank; while the decrease in average volume was mainly explained by lower funding provided by correspondent banks.

Interest on bonds decreased by \$/ 1.1 million, or 1.4% YoY in 2Q17; mainly due to a decrease of 1.8% in the average volume, which in turn was explained by a 2.2% appreciation of the exchange rate with respect to 2Q16.

The average cost of funds increased by 10 basis points YoY, from 2.9% in 2Q16 to 3.0% in 2Q17; mainly due to higher costs of commercial and institutional deposits, partially offset by a lower average cost of due to banks and correspondents.

As a result of the above, net interest margin remained stable YoY, at 6.0% in 2Q17.

#### PROVISION FOR LOAN LOSSES, NET OF RECOVERIES

Provision for loan losses, net of recoveries decreased 4.9% QoQ but increased 1.9% YoY. As a result, and considering the YoY pick-up in loan growth, the annualized ratio of provision expense to average loans was 3.2% in 2Q17, below the 3.4% reported in 1Q17 and the 3.3% registered in 2Q16.

The quarterly decrease was a result of lower provisioning in commercial loans, especially in the corporate segment.

The annual increase in provisions was mainly a result of higher provisioning in consumer loans, partially offset by lower provision requirements in commercial loans.

Provision for loan losses, net of recoveries					
\$/ million	2Q16	1Q17	2Q17	%chg QoQ	%chg YoY
Provision for loan losses, net of recoveries	-210.2	-225.4	-214.3	-4.9%	1.9%
Past-due-loan ratio (at end of period)	2.7%	2.7%	2.8%	10 bps	10 bps
Provision for loan losses/average gross loans	3.3%	3.4%	3.2%	-20 bps	-10 bps
Coverage ratio (at end of period)	163.8%	164.0%	163.3%	-70 bps	-50 bps
Allowance for loan losses (at end of period)	1,126.9	1,191.7	1,222.5	2.6%	8.5%

The past-due-loan ratio resulted in 2.8% in 2Q17, an increase of 10 basis points QoQ and YoY, when compared with the 2.7% reported in both 1Q17 and 2Q16.

The PDL ratio in credit cards stood at 5.5% in 2Q17, in line with that reported in 1Q17 but above the 5.2% registered in 2Q16. This was partially explained by the YoY contraction in balances on such product.

As a consequence, the coverage ratio of the past-due loan portfolio was 163.3% in 2Q17, slightly below the 164.0% reported in 1Q17 and the 163.8% registered in 2Q16.

## FEE INCOME FROM FINANCIAL SERVICES, NET

Fee income from financial services, net decreased by S/ 3.1 million QoQ, or 1.5%, mainly explained by decreases of S/ 5.3 million in commissions from banking services and S/ 2.2 million in fees from maintenance and mailing of accounts, interchange fees, transfers and credit and debit card services. These effects were partially offset by a S/ 3.0 million decrease in other fee-related expenses, mainly in those incurred on behalf of clients, which are seasonal in the first quarter of the year.

Fee income from financial services, net increased by S/ 7.5 million YoY, or 3.9%, mainly due to growths of S/ 5.6 million in fees from maintenance and mailing of accounts, interchange fees, transfers and credit and debit card services; and S/ 1.3 million in commissions from banking services.

Fee income from financial services, net					
S/ million	2Q16	1Q17	2Q17	%chg QoQ	%chg YoY
<b>Income</b>					
Maintenance and mailing of accounts, interchange fees, transfers and credit and debit card services	135.9	143.7	141.5	-1.5%	4.2%
Commissions from banking services	70.3	76.9	71.6	-6.9%	1.8%
Fees for indirect loans	14.6	13.7	14.6	6.4%	-0.3%
Funds management	7.1	8.0	8.3	4.2%	16.3%
Collection services	7.3	8.0	8.1	0.3%	11.2%
Other	7.2	6.5	6.8	5.0%	-5.3%
<b>Total income</b>	<b>242.3</b>	<b>256.8</b>	<b>250.8</b>	<b>-2.3%</b>	<b>3.5%</b>
<b>Expenses</b>					
Insurance	-40.6	-40.0	-39.9	-0.2%	-1.7%
Fees paid to foreign banks	-2.4	-2.5	-2.7	8.0%	13.3%
Other	-6.7	-10.9	-7.9	-27.6%	18.8%
<b>Total expenses</b>	<b>-49.7</b>	<b>-53.5</b>	<b>-50.6</b>	<b>-5.4%</b>	<b>1.8%</b>
<b>Fee income from financial services, net</b>	<b>192.7</b>	<b>203.3</b>	<b>200.2</b>	<b>-1.5%</b>	<b>3.9%</b>

## OTHER INCOME

Other income decreased by S/ 1.7 million QoQ mainly due to a reduction of S/ 4.3 million in income from the sale of written-off loan portfolio, partially compensated by a higher net gain on sale of securities.

Other income increased by S/ 6.9 million YoY, mainly due to a S/ 5.6 million release of accounting provisions and a S/ 1.9 million increase in net gain on sale of securities.

Other income					
S/ million	2Q16	1Q17	2Q17	%chg QoQ	%chg YoY
Net gain on foreign exchange transactions and derivatives	52.5	51.0	51.0	-0.1%	-2.8%
Net gain on sale of securities	11.7	9.4	13.6	44.6%	15.8%
Other	20.5	32.9	27.1	-17.7%	31.9%
<b>Total other income</b>	<b>84.8</b>	<b>93.4</b>	<b>91.7</b>	<b>-1.8%</b>	<b>8.2%</b>

## OTHER EXPENSES

Other expenses increased by S/ 3.7 million QoQ, or 1.0%, and by S/ 20.5 million YoY, or 5.7%. The quarterly increase was mainly due to higher provisions for contingencies, partially compensated by a 3.0% contraction in administrative expenses.

The annual increase in other expenses was mainly explained by higher provisions for contingencies and by a 3.5% growth in administrative expenses.

The efficiency ratio was 41.9% in 2Q17, below the 43.3% registered in 1Q17, and the 42.1% achieved in 2Q16. This was mainly a result of the increase in revenues.

Other expenses					
S/ million	2Q16	1Q17	2Q17	%chg QoQ	%chg YoY
Salaries and employee benefits	-150.3	-151.0	-153.6	1.7%	2.2%
Administrative expenses	-175.5	-187.4	-181.7	-3.0%	3.5%
Depreciation and amortization	-30.0	-30.5	-31.7	3.9%	5.7%
Other	-6.4	-10.1	-15.8	55.2%	148.0%
<b>Total other expenses</b>	<b>-362.2</b>	<b>-379.0</b>	<b>-382.7</b>	<b>1.0%</b>	<b>5.7%</b>
<b>Efficiency ratio</b>	<b>42.1%</b>	<b>43.3%</b>	<b>41.9%</b>	<b>-140 bps</b>	<b>-20 bps</b>

## REGULATORY CAPITAL

The ratio of regulatory capital to risk-weighted assets (RWA) was 16.6% in 2Q17, below the 17.1% registered in 1Q17 but above the 16.2% reported in 2Q16.

The annual increase in the capital ratio was due to a 4.3% growth in regulatory capital, partially offset by a 1.8% increase in RWA. The YoY increase in regulatory capital was mainly a result of the addition of S/ 460.7 million in capital, reserves and earnings with capitalization agreement during the last twelve months; while the increase in RWA was mostly attributed to growths in the loan and investment portfolios.

It is worth mentioning that the SBS has initiated the implementation of an additional set of Basel III standards, in effect between 2017 and 2026. Among these, it stands out that there will be an annual 10% phase out of existing Tier I instruments, yet allowing its eligibility as Tier II capital. This is why, despite the annual increase in capital and reserves, S/ 27.3 million of the US\$ 200.0 million junior subordinated bonds issued in April 2010 no longer count as primary capital. As of 2Q17, 90.0% of

this issue was considered as primary capital, in line with the percentage reported in 1Q17.

As of 2Q17, Interbank's capital ratio of 16.6% was widely above its risk-adjusted minimum capital ratio requirement, established at 12.0%. The minimum regulatory capital ratio requirement was 10.0%, while the additional capital requirement for Interbank was 2.0% as of 2Q17.

Regulatory capital					
S/ million	2Q16	1Q17	2Q17	%chg QoQ	%chg YoY
Tier I capital	3,859.0	4,232.9	4,208.6	-0.6%	9.1%
Tier II capital	1,880.1	1,826.3	1,776.0	-2.8%	-5.5%
Total regulatory capital	5,739.0	6,059.2	5,984.6	-1.2%	4.3%
Risk-weighted assets	35,346.4	35,443.1	35,977.7	1.5%	1.8%
<b>BIS ratio</b>	<b>16.2%</b>	<b>17.1%</b>	<b>16.6%</b>	<b>-50 bps</b>	<b>40 bps</b>
<b>Tier I capital / risk-weighted assets</b>	<b>10.9%</b>	<b>11.9%</b>	<b>11.7%</b>	<b>-20 bps</b>	<b>80 bps</b>

## Interseguro

### SUMMARY

Interseguro's result attributable to shareholders in 2Q17 was S/ -12.0 million, which compares to S/ -75.9 million in 1Q17 and S/ -56.6 million in 2Q16.

The QoQ improvement in bottom-line results was mainly explained by a S/ 75.6 million decrease in adjustment of technical reserves and an S/ 11.4 million increase in net premiums, partially offset by a S/ 29.2 million decrease in interest and similar income.

The YoY improvement in bottom-line results was mainly due to decreases of S/ 55.5 million in impairment loss on available-for-sale investments (other expenses) and S/ 34.5 million in adjustment of technical reserves, partially offset by a S/ 32.5 million decrease in net gain on sale of securities (other income).

Interseguro's profit excluding discount rate impact on technical reserves was S/ 17.2 million in 2Q17, compared to profits of S/ 3.8 million in 1Q17 and losses of S/ -1.1 million in 2Q16.

Insurance Segment's P&L Statement					
S/ million	2Q16	1Q17	2Q17	%chg QoQ	%chg YoY
Interest and similar income	72.7	88.6	59.4	-33.0%	-18.3%
Interest and similar expenses	-4.4	-2.8	-3.1	10.6%	-29.7%
<b>Net Interest and similar income</b>	<b>68.3</b>	<b>85.8</b>	<b>56.3</b>	<b>-34.4%</b>	<b>-17.5%</b>
Fee income from financial services, net	-0.7	-1.2	-0.7	-44.4%	-4.5%
Other income	61.3	11.8	25.5	117.1%	-58.3%
Total premiums earned less claims and benefits	-80.4	-125.8	-42.9	-65.9%	-46.6%
Net premiums	130.1	134.7	146.1	8.4%	12.3%
Adjustment of technical reserves	-135.5	-176.6	-101.0	-42.8%	-25.5%
Net claims and benefits incurred	-75.0	-83.9	-88.0	4.9%	17.4%
Other expenses	-104.9	-57.8	-50.7	-12.3%	-51.7%
<b>Income before translation result and income tax</b>	<b>-56.5</b>	<b>-87.2</b>	<b>-12.5</b>	<b>-85.7%</b>	<b>-77.9%</b>
Translation result	0.9	8.4	-2.1	n.m.	n.m.
Income tax	-0.2	0.9	0.8	-11.4%	n.m.
<b>Profit for the period</b>	<b>-55.8</b>	<b>-78.0</b>	<b>-13.8</b>	<b>-82.3%</b>	<b>-75.3%</b>
Attributable to non-controlling interest <sup>(1)</sup>	-0.7	2.0	1.8	-11.8%	n.m.
<b>Profit attributable to shareholders</b>	<b>-56.6</b>	<b>-75.9</b>	<b>-12.0</b>	<b>-84.2%</b>	<b>-78.7%</b>
Discount rate impact on technical reserves	-55.5	-79.7	-29.2	-63.4%	-47.4%
<b>Profit excluding discount rate impact</b>	<b>-1.1</b>	<b>3.8</b>	<b>17.2</b>	<b>n.m.</b>	<b>n.m.</b>
<b>ROAE</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>		
<b>ROAE excl. discount rate impact</b>	<b>n.m.</b>	<b>1.2%</b>	<b>9.3%</b>		
<b>Efficiency ratio<sup>(2)</sup></b>	<b>19.7%</b>	<b>42.7%</b>	<b>18.9%</b>		
<b>Efficiency ratio excl. discount rate impact</b>	<b>13.6%</b>	<b>17.3%</b>	<b>15.4%</b>		

(1) Starting 4Q14, Interseguro began consolidating a real estate investment shared by Interseguro and Intercorp Real Estate Inc., a subsidiary of Intercorp Peru Ltd. Intercorp RE's part is then reported as attributable to non-controlling interest.

(2) Efficiency ratio is defined as (Salaries and employee benefits + Administrative expenses + Depreciation and amortization) / (Net interest and similar income + Fee income + Other income + Net premiums earned).



## RESULT FROM INVESTMENTS

Results from Investments <sup>(1)</sup>					
S/ million	2Q16	1Q17	2Q17	%chg QoQ	%chg YoY
Interest and similar income	72.7	88.6	59.4	-33.0%	-18.3%
Interest and similar expenses	-4.4	-2.8	-3.1	10.6%	-29.7%
<b>Net interest and similar income</b>	<b>68.3</b>	<b>85.8</b>	<b>56.3</b>	<b>-34.4%</b>	<b>-17.5%</b>
Fee income from financial services, net	-0.3	-0.6	-0.3	-47.0%	30.6%
Net gain on sale of securities	49.8	11.1	17.3	56.7%	-65.2%
Net trading loss (income)	-1.1	2.8	1.5	-47.4%	n.m.
Rental income	5.1	6.0	6.3	5.1%	24.2%
Profit from sale of investment property	1.2	-	-	n.m.	n.m.
Valuation gain from investment property	2.3	-11.2	-3.0	-73.1%	n.m.
Other <sup>(1)</sup>	0.0	0.4	0.2	-54.5%	n.m.
<b>Other income</b>	<b>57.0</b>	<b>8.5</b>	<b>22.0</b>	<b>158.3%</b>	<b>-61.4%</b>
Expenses related to rental income	-0.9	-0.4	-0.2	-62.1%	-82.8%
Other <sup>(1)</sup>	-57.3	-7.0	-2.1	-69.3%	-96.3%
<b>Expenses</b>	<b>-58.2</b>	<b>-7.4</b>	<b>-2.3</b>	<b>-68.9%</b>	<b>-96.1%</b>
<b>Results from investments</b>	<b>67.1</b>	<b>87.0</b>	<b>76.1</b>	<b>-12.6%</b>	<b>13.4%</b>

(1) Only includes transactions related to investments.

## NET INTEREST AND SIMILAR INCOME

Net interest and similar income was S/ 56.3 million in 2Q17, decreases of S/ 29.5 million or 34.4% QoQ and S/ 12.0 million or 17.5% YoY.

The QoQ reduction was due to a S/ 29.2 million decrease in interest and similar income as a result of the negative inflation rate impact in the period.

The YoY reduction was mainly due to a S/ 13.3 million decrease in interest and similar income also as a result of the negative inflation rate impact in the period.

## OTHER INCOME

Other income was S/ 22.0 million in 2Q17, which compares to S/ 8.5 million in 1Q17 and S/ 57.0 million in 2Q16.

The quarterly growth in other income was mainly explained by increases of S/ 8.2 million in valuation gain from investment property and S/ 6.2 million in net gain on sale of securities.

The annual reduction in other income was mainly due to a S/ 32.5 million decrease in net gain on sale of securities, in addition to a S/ 5.3 million decrease in valuation gain from investment property.

## TOTAL PREMIUMS EARNED LESS CLAIMS AND BENEFITS

Total Premiums Earned Less Claims And Benefits					
S/ million	2Q16	1Q17	2Q17	%chg QoQ	%chg YoY
Net premiums	130.1	134.7	146.1	8.4%	12.3%
Adjustment of technical reserves	-135.5	-176.6	-101.0	-42.8%	-25.5%
Net claims and benefits incurred	-75.0	-83.9	-88.0	4.9%	17.4%
<b>Total premiums earned less claims and benefits</b>	<b>-80.4</b>	<b>-125.8</b>	<b>-42.9</b>	<b>-65.9%</b>	<b>-46.6%</b>

Total premiums earned less claims and benefits in 2Q17 was S/ -42.9 million, increases of S/ 82.9 million QoQ and S/ 37.5 million YoY.

The QoQ growth was due to a S/ 75.6 million decrease in adjustment of technical reserves and an S/ 11.4 million increase in net premiums, partially offset by a S/ 4.1 increase in net claims and benefits incurred.

The YoY growth was explained by a S/ 34.5 million decrease in adjustment of technical reserves and a S/ 16.0 million increase in net premiums, partially offset by a S/ 13.0 million increase in net claims and benefits incurred.

## NET PREMIUMS

Net Premiums by Business Line					
S/ million	2Q16	1Q17	2Q17	%chg QoQ	%chg YoY
Annuities	71.2	71.7	80.6	12.4%	13.2%
Individual Life	11.4	12.7	12.4	-2.1%	9.0%
Retail Insurance	47.5	50.4	53.1	5.4%	11.8%
<b>Net Premiums</b>	<b>130.1</b>	<b>134.7</b>	<b>146.1</b>	<b>8.4%</b>	<b>12.3%</b>

Annuities include premiums from disability and survivorship insurance.

Net premiums were S/ 146.1 million in 2Q17, increases of S/ 11.4 million QoQ and S/ 16.0 million YoY.

The quarterly growth was mainly explained by increases of S/ 8.9 million in Annuities and S/ 2.7 million in Retail Insurance.

The annual growth was mainly explained by increases of S/ 9.4 million in Annuities and S/ 5.6 million in Retail Insurance.

## ADJUSTMENT OF TECHNICAL RESERVES

Adjustment of Technical Reserves by Business Line					
S/ million	2Q16	1Q17	2Q17	%chg QoQ	%chg YoY
Annuities	-127.4	-167.4	-93.5	-44.1%	-26.6%
Individual Life	-4.6	-8.3	-7.5	-9.5%	61.5%
Retail Insurance	-3.5	-1.0	0.0	n.m.	n.m.
<b>Adjustment of technical reserves</b>	<b>-135.5</b>	<b>-176.6</b>	<b>-101.0</b>	<b>-42.8%</b>	<b>-25.5%</b>

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

Interseguro's adjustment of technical reserves was S/ -101.0 million in 2Q17, decreases of S/ 75.6 million QoQ and S/ 34.5 million YoY.

The QoQ decrease was mainly due to different discount rate impacts in Annuities. This rate decreased by 16 bps in 1Q17 and by 6 bps in 2Q17.

The YoY decrease was mainly due to different discount rate impacts in Annuities. This rate decreased by 9 bps in 2Q16 and by 6 bps in 2Q17.

## NET CLAIMS AND BENEFITS INCURRED

Net Claims and Benefits Incurred by Business Line					
S/ million	2Q16	1Q17	2Q17	%chg QoQ	%chg YoY
Annuities	-62.9	-70.2	-73.7	5.0%	17.3%
Individual Life	-0.6	-0.5	0.3	n.m.	n.m.
Retail Insurance	-11.6	-13.2	-14.6	10.0%	25.7%
<b>Net claims and benefits incurred</b>	<b>-75.0</b>	<b>-83.9</b>	<b>-88.0</b>	<b>4.9%</b>	<b>17.4%</b>

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

Net claims and benefits incurred were S/ 88.0 million in 2Q17, increases of S/ 4.1 million QoQ and S/ 13.0 million YoY.

The QoQ growth was mainly due to higher claims of S/ 3.5 million in Annuities and S/ 1.4 million in Retail Insurance.

The YoY growth in claims and benefits incurred was mostly explained by a S/ 10.8 million increase in Annuities, due to a higher number of pensioners.

## OTHER EXPENSES

Other Expenses					
S/ million	2Q16	1Q17	2Q17	%chg QoQ	%chg YoY
Salaries and employee benefits	-14.8	-14.6	-14.0	-4.6%	-5.7%
Administrative expenses	-8.3	-7.5	-8.9	17.3%	6.3%
Depreciation and amortization	-1.2	-1.1	-1.0	-0.9%	-13.1%
Third-party commissions	-17.8	-22.9	-20.8	-9.3%	17.1%
Expenses related to rental income	-0.9	-0.4	-0.2	-62.1%	-82.8%
Other	-61.8	-11.2	-5.9	-47.6%	-90.5%
<b>Other expenses</b>	<b>-104.9</b>	<b>-57.8</b>	<b>-50.7</b>	<b>-12.3%</b>	<b>-51.7%</b>

Other expenses were S/ 50.7 million in 2Q17, decreases of S/ 7.1 million QoQ and S/ 54.2 million YoY.

The QoQ reduction in other expenses was mainly due to a S/ 4.8 million decrease in impairment loss on available-for-sale investments (other) and a S/ 2.1 million decrease in third party commissions.

The YoY reduction in other expenses was mainly due to a S/ 55.5 million decrease in impairment loss on available-for-sale investments (other).

## Inteligo

### SUMMARY

Inteligo's net profit in 2Q17 was S/ 55.6 million, a S/ 6.8 million or 13.9% increase QoQ and a S/ 1.9 million or 3.5% growth YoY. The quarterly performance was mainly attributed to a more than two-fold growth in other income, as a result of higher net gain on sale of securities.

Assets under Management (AuMs) plus client deposits reached S/ 14,683.9 million in 2Q17, higher by S/ 163.5 million or 1.1% when compared to the previous quarter and also higher by S/ 890.2 million or 6.5% when compared to 2Q16.

Inteligo's annualized ROAE for 2Q17 was 32.8%, higher than the 28.2% reported in 1Q17 but below the 38.1% registered in 2Q16.

Wealth Management Segment's P&L Statement					
S/ million	2Q16	1Q17	2Q17	%chg QoQ	%chg YoY
Interest and similar income	41.2	39.7	39.2	-1.1%	-4.7%
Interest and similar expenses	-14.2	-13.9	-14.2	2.4%	0.3%
<b>Net interest and similar income</b>	<b>27.0</b>	<b>25.8</b>	<b>25.0</b>	<b>-3.0%</b>	<b>-7.4%</b>
Provision for loan losses, net of recoveries	0.0	2.7	0.0	n.m.	n.m.
<b>Net interest and similar income after provision for loan losses</b>	<b>27.0</b>	<b>28.5</b>	<b>25.0</b>	<b>-12.3%</b>	<b>-7.4%</b>
Fee income from financial services, net	31.2	29.0	28.8	-0.7%	-7.7%
Other income	16.4	10.3	21.3	n.m.	30.0%
Other expenses	-20.7	-19.1	-20.0	4.5%	-3.4%
<b>Income before translation result and income tax</b>	<b>53.9</b>	<b>48.6</b>	<b>55.1</b>	<b>13.3%</b>	<b>2.2%</b>
Translation result	-0.3	0.0	0.5	n.m.	n.m.
Income tax	0.1	0.1	0.0	n.m.	n.m.
<b>Profit for the period</b>	<b>53.7</b>	<b>48.8</b>	<b>55.6</b>	<b>13.9%</b>	<b>3.5%</b>
<b>ROAE</b>	<b>38.1%</b>	<b>28.2%</b>	<b>32.8%</b>		
<b>Efficiency ratio</b>	<b>27.7%</b>	<b>29.2%</b>	<b>26.6%</b>		

### ASSETS UNDER MANAGEMENT & DEPOSITS

AuMs reached S/ 11,817.9 million in 2Q17, a S/ 285.7 million or 2.5% increase QoQ and a S/ 938.8 million or 8.6% growth YoY.

Client deposits reached S/ 2,866.0 million in 2Q17, a S/ 122.1 million or 4.1% decrease QoQ and a S/ 48.6 million or 1.7% reduction YoY.

### NET INTEREST AND SIMILAR INCOME

Inteligo's net interest and similar income in 2Q17 was S/ 25.0 million, a S/ 0.8 million or 3.0% decrease when compared with 1Q17. Net interest and similar income decreased by S/ 2.0 million or 7.4% when compared to the same period in the previous year.

Interest and similar income decreased by S/ 0.5 million or 1.1% QoQ and by S/ 2.0 million or 4.7% YoY in 2Q17 mainly due to the performance of income on investments available for sale.

Interest and similar expenses increased by S/ 0.3 million or 2.4% QoQ due to higher expenses related to deposits and obligations. Interest and similar expenses remained stable YoY.

Net interest and similar income					
S/ million	2Q16	1Q17	2Q17	%chg QoQ	%chg YoY
<b>Interest and similar income</b>					
Due from banks and inter-bank funds	0.1	1.1	0.8	-27.6%	n.m.
Investments available for sale	19.6	18.2	17.6	-3.4%	-10.4%
Loans	21.4	20.4	20.9	2.4%	-2.6%
<b>Total interest and similar income</b>	<b>41.2</b>	<b>39.7</b>	<b>39.2</b>	<b>-1.1%</b>	<b>-4.7%</b>
<b>Interest and similar expenses</b>					
Deposits and obligations	-14.1	-13.7	-14.0	2.1%	-0.4%
Due to banks and correspondents	-0.1	-0.2	-0.2	n.m.	n.m.
<b>Total interest and similar expenses</b>	<b>-14.2</b>	<b>-13.9</b>	<b>-14.2</b>	<b>2.4%</b>	<b>0.3%</b>
<b>Net interest and similar income</b>	<b>27.0</b>	<b>25.8</b>	<b>25.0</b>	<b>-3.0%</b>	<b>-7.4%</b>

## FEE INCOME FROM FINANCIAL SERVICES

Fee income from financial services, net					
S/ million	2Q16	1Q17	2Q17	%chg QoQ	%chg YoY
<b>Income</b>					
Brokerage and custody services	6.8	3.6	4.2	16.1%	-38.0%
Funds management	23.9	26.3	25.5	-3.2%	6.5%
<b>Total income</b>	<b>30.7</b>	<b>29.9</b>	<b>29.7</b>	<b>-0.9%</b>	<b>-3.3%</b>
<b>Expenses</b>					
Brokerage and custody services	-0.9	-0.8	-0.8	n.m.	n.m.
Others	1.4	-0.1	-0.1	1.6%	n.m.
<b>Total expenses</b>	<b>0.6</b>	<b>-0.9</b>	<b>-0.8</b>	<b>-6.0%</b>	<b>n.m.</b>
<b>Fee income from financial services, net</b>	<b>31.2</b>	<b>29.0</b>	<b>28.8</b>	<b>-0.7%</b>	<b>-7.7%</b>

Fee income from financial services was S/ 29.7 million in 2Q17, a slight decrease of S/ 0.2 million or 0.9% QoQ due to lower income on funds management, partially offset by an increase in income from brokerage and custody services.

Expenses related to fee income from financial services reached S/ 0.8 million in 2Q17, a decrease of S/ 0.1 million or 6.0% QoQ.

As a result of the above, net fee income from financial services was S/ 28.8 million, a decrease of S/ 0.2 million or 0.7% when compared to the previous quarter.

When compared with 2Q16, net fee income from financial services decreased by S/ 2.4 million or 7.7% YoY in 2Q17. The result was mainly attributable to a S/ 2.6 million decrease in income from brokerage and custody services while other fee expenses reverted negatively to S/ -0.1 million in 2Q17.

## OTHER INCOME

Other income					
S/ million	2Q16	1Q17	2Q17	%chg QoQ	%chg YoY
Net gain on sale of securities	15.3	9.7	23.5	n.m.	53.6%
Net trading gain (loss)	1.7	1.2	-2.6	n.m.	n.m.
Other	-0.6	-0.6	0.4	n.m.	n.m.
<b>Total other income</b>	<b>16.4</b>	<b>10.3</b>	<b>21.3</b>	<b>n.m.</b>	<b>30.0%</b>

Inteligo's other income reached S/ 21.3 million in 2Q17, an S/ 11.0 million increase QoQ, mainly explained by a more than two-fold increase in net gain on sale of securities, partially offset by a S/ 2.6 million net trading loss.

Other income increased by S/ 4.9 million or 30.0% YoY when compared to 2Q16. The result was mainly attributable to an S/ 8.2 million growth in net gain on sale of securities, partially compensated by a net trading loss registered in 2Q17.

## OTHER EXPENSES

Other expenses					
S/ million	2Q16	1Q17	2Q17	%chg QoQ	%chg YoY
Salaries and employee benefits	-12.0	-11.2	-11.4	2.5%	-5.0%
Administrative expenses	-6.9	-6.0	-6.6	10.9%	-3.1%
Depreciation and amortization	-1.8	-1.8	-1.9	5.6%	7.0%
Other	0.0	-0.1	0.0	n.m.	n.m.
<b>Total other expenses</b>	<b>-20.7</b>	<b>-19.1</b>	<b>-20.0</b>	<b>4.5%</b>	<b>-3.4%</b>
<b>Efficiency ratio</b>	<b>27.7%</b>	<b>29.2%</b>	<b>26.6%</b>		

Inteligo's other expenses grew 4.5% QoQ mainly explained by a S/ 0.6 million increase in administrative expenses due to higher third-party related services.

Other expenses decreased 3.4% YoY mainly due to reductions of 5.0% in salaries and employee benefits expenses and 3.1% in administrative expenses.