

## Intercorp Financial Services Inc. Fourth Quarter 2019 Earnings

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Lima, Peru, February 13, 2020. Intercorp Financial Services Inc. (Lima Stock Exchange/NYSE: IFS) announced today its unaudited results for the fourth quarter 2019. These results are reported on a consolidated basis under IFRS in nominal Peruvian soles.

### Intercorp Financial Services: Strong earnings growth QoQ and YoY, with adjusted ROAE<sup>(1)</sup> at 18.6%

- FY19 adjusted net profit<sup>(1)</sup> grew 19.7% YoY
- 10.6% increase in total revenues<sup>(1)</sup>; adjusted efficiency ratio<sup>(1)</sup> improved 60 bps YoY, to 34.0%
- Continued positive evolution of digital indicators

### Interbank: Strong growth and profitability in 4Q19 and FY19

- FY19 adjusted net profit<sup>(1)</sup> grew 21.2% YoY, with adjusted ROAE<sup>(1)</sup> at 21.3%
- 11.2% YoY loan growth<sup>(2)</sup>, with a 17.5% increase in retail loans, outpacing the system
- Retail deposits grew 11.5% YoY, resulting in 50 bps market share growth
- FY19 cost of risk remained stable at 2.2%, while FY19 adjusted cost of risk<sup>(3)</sup> increased 10 bps YoY, to 2.6%
- CET1 improved 100 bps YoY, to 11.6%

### Interseguro: Profitability continued to improve with FY19 ROAE at 14.2% and 4Q19 at 14.7%

- FY19 adjusted net profit<sup>(4)</sup> grew 56.5% YoY
- 6.9% YoY growth in gross premiums plus collections<sup>(5)</sup>
- ROIP<sup>(6)</sup> increased 30 bps to 6.1% in 2019
- 10.7% YoY growth in the investment portfolio

### Inteligo: Solid year in earnings with ROAE at 25.3%<sup>(7)</sup>

- FY19 adjusted net profit<sup>(7)</sup> up 4.1% YoY
- 4.3% YoY AUM growth in 2019, or 6.1% excluding FX effect
- Strong growth in fees for the second consecutive quarter coupled with improved market conditions by year-end

(1) At our banking segment, excluding (i) the gain on sale of Interfondos from Interbank to Inteligo for S/ 52.6 million, or S/ 32.4 million after taxes, in 1Q19, and (ii) the one-off impact of a Liability Management transaction for S/ 42.5 million, or S/ 29.0 million after taxes, in 4Q19. At IFS, excluding the one-off impact of a Liability Management transaction in our banking segment for S/ 42.5 million, or S/ 29.0 million after taxes, in 4Q19

(2) Excluding loan repo transactions for S/ 510.0 million recorded in 4Q19

(3) Excluding (i) reversion of construction sector provisions for S/ 62.9 million in 2Q18; (ii) reversion of construction sector provisions for S/ 20.1 million in 4Q18; (iii) reversion of payroll deduction loan provisions for S/ 38.8 million in 2Q19 and (iv) reversion of loan loss provisions for S/ 104.1 million in 4Q19 due to fine-tuning of IFRS9 models reflecting improved risk profile on customers

(4) Excluding the aggregate negative effect of new mortality tables in our insurance segment for S/ 144.8 million in 2Q18

(5) Excluding gross premiums from disability and survivorship contract of S. Sura that expired in December 2018

(6) ROIP excluding the impact of IFRS 9 in mark-to-market of securities and one-off impairments on financial investments was 5.7% in 2018 and 6.4% in 2019

(7) Excluding asset amortization from Interfondos' acquisition for S/ 5.4 million in 2019

## Intercorp Financial Services

### SUMMARY

#### 2019 Performance

Intercorp Financial Services' net profit was S/ 1,450.1 million in 2019, a 32.9% increase compared to 2018. The higher profits were mainly driven by growths of S/ 288.6 million in net interest and similar income, S/ 183.4 million in other income and S/ 51.5 million in net fee income from financial services, in addition to a S/ 111.8 million improvement in net insurance underwriting result. These effects were partially offset by increases of S/ 140.8 million in other expenses and S/ 90.7 million in impairment loss on loans, net of recoveries.

It is worth mentioning that in 2018 IFS adopted new mortality tables for its insurance business, which represented a negative impact of S/ 144.8 million, accounted through a higher (negative) adjustment of technical reserves. Additionally, the execution of a Liability Management transaction in the banking segment in 2019 represented a one-off financial expense of S/ 42.5 million, or S/ 29.0 million after taxes. When normalizing from these non-recurring effects in 2018 and 2019, respectively, IFS' profits would have increased 19.7% in the comparing period.

Intercorp Financial Services' P&L Statement					
S/ million	2017	2018	2019	%chg 19/18	%chg 18/17
Interest and similar income	3,809.0	4,321.3	4,847.2	12.2%	13.4%
Interest and similar expenses	-1,119.9	-1,170.6	-1,407.9	20.3%	4.5%
<b>Net interest and similar income</b>	<b>2,689.1</b>	<b>3,150.7</b>	<b>3,439.3</b>	<b>9.2%</b>	<b>17.2%</b>
Impairment loss on loans, net of recoveries	-827.9	-660.1	-750.8	13.7%	-20.3%
Recovery (loss) due to impairment of financial investments	-20.8	13.1	-6.8	n.m.	n.m.
<b>Net interest and similar income after impairment loss</b>	<b>1,840.4</b>	<b>2,503.7</b>	<b>2,681.7</b>	<b>7.1%</b>	<b>36.0%</b>
Fee income from financial services, net	849.2	874.4	925.9	5.9%	3.0%
Other income	518.0	408.7	592.1	44.9%	-21.1%
Total premiums earned minus claims and benefits	-152.9	-407.5	-295.7	-27.4%	166.4%
Net Premiums	499.5	645.4	649.1	0.6%	29.2%
Adjustment of technical reserves	-240.2	-316.8	-222.5	-29.8%	31.9%
Net claims and benefits incurred	-412.3	-736.0	-722.3	-1.9%	78.5%
Other expenses	-1,710.6	-1,837.5	-1,978.3	7.7%	7.4%
<b>Income before translation result and income tax</b>	<b>1,344.1</b>	<b>1,541.9</b>	<b>1,925.7</b>	<b>24.9%</b>	<b>14.7%</b>
Translation result	15.9	-35.0	17.8	n.m.	n.m.
Income tax	-326.5	-415.5	-493.3	18.7%	27.3%
<b>Profit for the period</b>	<b>1,033.5</b>	<b>1,091.4</b>	<b>1,450.1</b>	<b>32.9%</b>	<b>5.6%</b>
<b>Adjusted profit for the period<sup>(1)(2)</sup></b>	<b>1,033.5</b>	<b>1,236.2</b>	<b>1,479.1</b>	<b>19.7%</b>	<b>19.6%</b>
<b>Attributable to IFS' shareholders</b>	<b>1,027.4</b>	<b>1,084.3</b>	<b>1,441.3</b>	<b>32.9%</b>	<b>5.5%</b>
EPS	9.61	9.85	12.80		
ROAE	19.3%	16.6%	18.3%		
Adjusted ROAE <sup>(1)(2)</sup>	19.3%	18.4%	18.6%		
ROAA	2.0%	1.8%	2.1%		
Efficiency ratio <sup>(1)(2)</sup>	36.8%	34.6%	34.0%		

(1) Excluding the aggregate negative effect of new mortality tables in our insurance segment for S/ 144.8 million in 2Q18.

(2) Excluding the one-off impact of a Liability Management transaction in our banking segment for S/ 42.5 million, or S/ 29.1 million after taxes, in 4Q19.

Growth in net interest and similar income was mainly explained by higher interest on loans at Interbank, attributed to double-digit loan growth combined with stable yields, and despite the one-off expense from the liability management transaction previously mentioned.

Impairment loss on loans, net of recoveries increased in 2019 mainly as a result of higher provision requirements in credit cards and mortgages, partially compensated by lower requirements in the commercial portfolio. It is worth mentioning that the provision expense was impacted by (i) the reversion of payroll deduction loan provisions for S/ 38.8 million in 2Q19, and (ii) the reversion of loan loss provisions for S/ 104.1 million in 4Q19 due to fine-tuning of IFRS9 models reflecting improved risk profile on customers. Likewise, loan loss provision in 2018 showed an S/ 83.0 million reversion of provisions in corporate loans, related to the bank's exposure to the construction sector.

The increase in fee income from financial services was mainly due to higher commissions from credit card services and advisory services at Interbank.

Other income grew as a result of positive performance across all three subsidiaries, particularly from foreign exchange transactions at Interbank and from sale of securities at Interseguro.

Total premiums earned less claims and benefits were S/ -295.7 million in 2019, an improvement of S/ 111.8 million compared to the previous year, mainly explained by a decrease of S/ 94.3 million in adjustment of technical reserves, in addition to higher net premiums and lower net claims and benefits incurred.

The increase in other expenses was mostly attributed to growth in depreciation and amortization charges, salaries and employee benefits at Interbank, as well as to higher general expenses at Interseguro. Inteligo also contributed with other expenses related to the amortization of assets acquired as part of the Interfondos transaction early in the year.

IFS ROAE was 18.3% in 2019, higher than the 16.6% reported in 2018. Excluding the non-recurring impact of the adoption of new mortality tables, ROAE was 18.4% in 2018. While excluding the one-off impact of the Liability Management transaction, ROAE was 18.6% in 2019, still a 20 basis point improvement in adjusted terms.

Intercorp Financial Services' Statement of financial position					
S/ million	12.31.18	09.30.19	12.31.19	%chg 12.31.19/ 09.30.19	%chg 12.31.19/ 12.31.18
<b>Assets</b>					
Cash and due from banks and inter-bank funds	8,875.4	11,710.7	11,203.4	-4.3%	26.2%
Financial investments	17,629.4	18,353.2	19,073.5	3.9%	8.2%
Loans, net of unearned interest	34,325.7	36,880.4	38,531.6	4.5%	12.3%
Impairment allowance for loans	-1,364.8	-1,465.1	-1,394.8	-4.8%	2.2%
Property, furniture and equipment, net	622.5	879.8	917.8	4.3%	47.4%
Other assets	3,656.1	5,045.8	3,187.9	-36.8%	-12.8%
<b>Total assets</b>	<b>63,744.4</b>	<b>71,404.9</b>	<b>71,519.5</b>	<b>0.2%</b>	<b>12.2%</b>
<b>Liabilities and equity</b>					
Deposits and obligations	33,682.0	36,277.2	38,093.2	5.0%	13.1%
Due to banks and correspondents and inter-bank funds	4,293.4	4,468.8	4,148.8	-7.2%	-3.4%
Bonds, notes and other obligations	6,496.8	8,339.3	6,891.1	-17.4%	6.1%
Insurance contract liabilities	10,300.5	11,453.3	11,338.8	-1.0%	10.1%
Other liabilities	1,883.4	2,385.7	2,144.2	-10.1%	13.8%
<b>Total liabilities</b>	<b>56,655.9</b>	<b>62,924.2</b>	<b>62,616.1</b>	<b>-0.5%</b>	<b>10.5%</b>
<b>Equity, net</b>					
Equity attributable to IFS' shareholders	7,048.1	8,436.2	8,856.9	5.0%	25.7%
Non-controlling interest	40.4	44.4	46.6	4.9%	15.3%
<b>Total equity, net</b>	<b>7,088.5</b>	<b>8,480.6</b>	<b>8,903.4</b>	<b>5.0%</b>	<b>25.6%</b>
<b>Total liabilities and equity net</b>	<b>63,744.4</b>	<b>71,404.9</b>	<b>71,519.5</b>	<b>0.2%</b>	<b>12.2%</b>

## 4Q19 Performance

Intercorp Financial Services' net profit was S/ 412.8 million in 4Q19, a S/ 78.3 million increase QoQ, or 23.4%, and a S/ 132.4 million growth YoY, or 47.2%. IFS annualized ROAE was 19.0% in 4Q19, higher than the 16.8% reported in 3Q19 and the 15.9% registered in 4Q18. It is worth mentioning that IFS' net profit in 4Q19 was impacted by (i) the reversion of loan loss provisions for S/ 104.1 million, or S/ 73.4 million after taxes, due to fine-tuning of IFRS9 models reflecting improved risk profile on customers at Interbank, and (ii) the one-off impact of a Liability Management transaction in financial expense for S/ 42.5 million, or S/ 29.0 million after taxes, also at Interbank. When excluding the one-off impact of the Liability Management transaction previously mentioned, 4Q19 annualized ROAE was 20.3%.

Intercorp Financial Services' P&L statement					
S/ million	4Q18	3Q19	4Q19	%chg QoQ	%chg YoY
Interest and similar income	1,128.6	1,228.9	1,249.9	1.7%	10.7%
Interest and similar expenses	-312.0	-344.6	-385.1	11.7%	23.5%
<b>Net interest and similar income</b>	<b>816.6</b>	<b>884.2</b>	<b>864.7</b>	<b>-2.2%</b>	<b>5.9%</b>
Impairment loss on loans, net of recoveries	-208.8	-223.6	-147.9	-33.9%	-29.2%
Recovery (loss) due to impairment of financial investments	10.8	-1.1	-8.3	n.m.	n.m.
<b>Net interest and similar income after impairment loss</b>	<b>618.6</b>	<b>659.5</b>	<b>708.6</b>	<b>7.4%</b>	<b>14.6%</b>
Fee income from financial services, net	232.9	229.8	250.3	8.9%	7.5%
Other income	100.4	141.9	181.9	28.1%	81.2%
Total premiums earned minus claims and benefits	-67.7	-62.9	-79.3	26.0%	17.1%
Net Premiums	172.1	157.5	156.1	-0.9%	-9.3%
Adjustment of technical reserves	-50.4	-37.5	-48.2	28.4%	-4.4%
Net claims and benefits incurred	-189.5	-182.9	-187.2	2.3%	-1.2%
Other expenses	-485.4	-498.0	-513.9	3.2%	5.9%
<b>Income before translation result and income tax</b>	<b>398.7</b>	<b>470.4</b>	<b>547.6</b>	<b>16.4%</b>	<b>37.4%</b>
Translation result	-16.7	-16.8	12.5	n.m.	n.m.
Income tax	-101.6	-119.1	-147.3	23.7%	45.0%
<b>Profit for the period</b>	<b>280.3</b>	<b>334.5</b>	<b>412.8</b>	<b>23.4%</b>	<b>47.2%</b>
<b>Adjusted profit for the period<sup>(1)</sup></b>	<b>280.3</b>	<b>334.5</b>	<b>441.8</b>	<b>32.1%</b>	<b>57.6%</b>
<b>Attributable to IFS' shareholders</b>	<b>278.6</b>	<b>332.4</b>	<b>410.3</b>	<b>23.4%</b>	<b>47.3%</b>
<b>EPS</b>	<b>2.52</b>	<b>2.94</b>	<b>3.55</b>		
<b>ROAE</b>	<b>15.9%</b>	<b>16.8%</b>	<b>19.0%</b>		
<b>ROAA</b>	<b>1.8%</b>	<b>1.9%</b>	<b>2.3%</b>		
<b>Efficiency ratio<sup>(1)</sup></b>	<b>35.3%</b>	<b>34.6%</b>	<b>33.1%</b>		

(1) Excluding the one-off impact of a Liability Management transaction in our banking segment for S/ 42.5 million, or S/ 29.0 million after taxes, in 4Q19.

## Quarter-on-quarter performance

Profits increased 23.4% QoQ mainly due to a lower impairment loss on loans at Interbank, in addition to increases in other income and net fee income from financial services at both Inteligo and Interbank. Furthermore, a positive performance in translation result at Interseguro and Inteligo also contributed to the quarterly growth in earnings. These effects were partially compensated by lower net interest and similar income at Interbank, in addition to lower net premiums earned at Interseguro and higher other expenses, also at Interseguro.

Net interest and similar income decreased 2.2% QoQ, mainly due to higher interest on bonds, notes and other obligations, in turn impacted by the one-off expense from a liability management transaction; partially offset by higher interest on loans, all at Interbank.

Impairment loss on loans decreased 33.9% mainly as a result of the reversion of loan loss provisions previously mentioned, at Interbank.

Net fee income from financial services grew 8.9% QoQ, mainly explained by growth in commissions from banking services, commissions from credit card services, and fees from maintenance and mailing of accounts, transfer fees and commissions on debit card services, all at Interbank. Additionally, rebalancing activities implemented for Inteligo's client portfolios throughout the year, together with portfolio

implementation strategies for new client funds and brokerage fees, also contributed to the positive performance.

Other income increased 28.1% QoQ mainly due to the gain on sale of written-off loans, as well as to an increase in net gain on foreign exchange transactions and on financial assets at fair value at Interbank. Moreover, positive mark-to-market valuations on Inteligo's proprietary portfolio in the quarter, also contributed to this result.

Total premiums earned minus claims and benefits at Interseguro showed a quarterly reduction of S/ 16.4 million, explained by S/ 10.7 million higher adjustment of technical reserves and an increase of S/ 4.3 million net claims and benefits incurred.

Other expenses increased 3.2% QoQ mainly due to higher salaries and employee benefits, and administrative expenses, all at Interseguro.

IFS effective tax rate remained stable QoQ, at 26.3%.

### Year-on-year performance

Profits increased 47.2% YoY mostly due to growth in other income across all subsidiaries, net interest and similar income at Interbank, and net fee income from financial services at both Inteligo and Interbank. Furthermore, the YoY performance in earnings benefited from lower impairment loss on loans at Interbank, and a positive performance in translation result at Interseguro and Inteligo.

Net interest and similar income increased 5.9% YoY, mainly driven by higher interest on loans and interest on due from banks and inter-bank funds at Interbank.

Impairment loss on loans decreased 29.2% mainly as a result of the reversion of loan loss provisions previously mentioned, at Interbank.

Net fee income from financial services increased 7.5% YoY mainly due to lower expenses related to the sale of insurance products, in addition to increases in commissions from credit card services, in fees from maintenance and mailing of accounts, transfer fees and commissions on debit card services, and in commissions from banking services, all at Interbank. Additionally, rebalancing activities implemented for Inteligo's client portfolios throughout the year, together with portfolio implementation strategies for new client funds and brokerage fees, also contributed to growth in revenues.

Other income increased 81.2% YoY mainly explained by higher net gain on foreign exchange transactions and on financial assets at fair value at Interbank, in addition to higher net gain on sale of financial investments at Interseguro and Inteligo.

Total premiums earned minus claims and benefits at Interseguro decreased S/ 11.6 million explained by S/ 16.0 million lower net premiums, partially offset by reductions of S/ 2.3 million in net claims and benefits incurred, and S/ 2.2 million in adjustment of technical reserves.

Other expenses grew across all subsidiaries, in particular due to higher depreciation and amortization charges at Interbank, as well as to the amortization of assets from Interfondos' acquisition at Inteligo.

IFS effective tax rate decreased slightly, from 26.6% in 4Q18 to 26.3% in 4Q19, mainly attributed to a lower effective tax rate at Interbank and higher tax-exempt profits from Inteligo and 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	4Q18	3Q19	4Q19	%chg QoQ	%chg YoY
Interbank	238.9	291.2	337.5	15.9%	41.3%
Interseguro	17.8	34.0	34.7	2.1%	94.9%
Inteligo	45.0	18.9	69.6	n.m.	54.6%
Corporate and eliminations	-21.3	-9.6	-29.0	n.m.	35.8%
<b>IFS profit for the period</b>	<b>280.3</b>	<b>334.5</b>	<b>412.8</b>	<b>23.4%</b>	<b>47.2%</b>

## Interbank

### SUMMARY

#### 2019 Performance

Interbank's net profit reached S/ 1,228.5 million in 2019, a 21.5% increase compared to the previous year. The main factors that contributed to this result were growth of 40.2% in other income, 11.7% in net interest and similar income, and 8.9% in net fee income from financial services. These factors were partially offset by increases of 13.6% in loan loss provisions and 7.2% in other expenses.

It is worth mentioning that Interbank's results in 2019 were affected by (i) the gain on sale of Interfondos, Interbank's former mutual funds subsidiary, to Inteligo for S/ 32.4 million after taxes in 1Q19; (ii) the reversion of payroll deduction loan provisions for S/ 27.4 million after taxes in 2Q19; (iii) the reversion of loan loss provisions for S/ 73.4 million after taxes in 4Q19 due to fine-tuning of IFRS9 models reflecting improved risk profile on customers; and (iv) the one-off impact of a Liability Management transaction for S/ 29.0 million after taxes in 4Q19.

Interbank's ROAE, excluding the gain on sale of Interfondos and the one-off impact of the Liability Management transaction previously mentioned, was 21.3% in 2019, higher than the 20.2% registered in 2018.

Banking Segment's P&L Statement					
S/ million	2017	2018	2019	%chg 19/18	%chg 18/17
Interest and similar income	3,346.2	3,559.1	4,074.0	14.5%	6.4%
Interest and similar expense	-1,047.1	-1,067.7	-1,290.1	20.8%	2.0%
<b>Net interest and similar income</b>	<b>2,299.1</b>	<b>2,491.4</b>	<b>2,783.9</b>	<b>11.7%</b>	<b>8.4%</b>
Impairment loss on loans, net of recoveries	-830.5	-660.9	-750.8	13.6%	-20.4%
Recovery (loss) due to impairment of financial investments	-	-0.1	0.0	n.m.	n.m.
<b>Net interest and similar income after impairment loss</b>	<b>1,468.7</b>	<b>1,830.5</b>	<b>2,033.2</b>	<b>11.1%</b>	<b>24.6%</b>
Fee income from financial services, net	740.5	759.5	827.1	8.9%	2.6%
Other income	368.3	309.7	434.3	40.2%	-15.9%
Other expenses	-1,399.2	-1,502.7	-1,611.5	7.2%	7.4%
<b>Income before translation result and income tax</b>	<b>1,178.2</b>	<b>1,397.0</b>	<b>1,683.1</b>	<b>20.5%</b>	<b>18.6%</b>
Translation result	13.9	-10.2	-5.6	n.m.	n.m.
Income tax	-298.6	-375.9	-449.0	19.4%	25.9%
<b>Profit for the period</b>	<b>893.5</b>	<b>1,010.9</b>	<b>1,228.5</b>	<b>21.5%</b>	<b>13.1%</b>
<b>ROAE<sup>(1)(2)</sup></b>	<b>20.1%</b>	<b>20.2%</b>	<b>21.3%</b>		
<b>Efficiency ratio<sup>(1)(2)</sup></b>	<b>40.0%</b>	<b>40.9%</b>	<b>38.0%</b>		
<b>NIM<sup>(2)</sup></b>	<b>5.5%</b>	<b>5.5%</b>	<b>5.7%</b>		
<b>NIM on loans</b>	<b>9.5%</b>	<b>9.0%</b>	<b>8.7%</b>		

(1) Excluding the gain on sale of Interfondos from Interbank to Inteligo for S/ 52.6 million, or S/ 32.4 million after taxes, in 1Q19

(2) Excluding the one-off impact of a Liability Management transaction for S/ 42.5 million, or S/ 29.0 million after taxes, in 4Q19

Net interest and similar income grew 11.7% due to a 14.5% increase in interest and similar income, partially offset by a 20.8% growth in interest and similar expense.



Growth in interest and similar income was due to increases of more than two-fold in interest on due from banks and inter-bank funds, and 14.2% in interest on loans, partially offset by a 5.8% decrease in interest on financial investments.

Interest on due from banks and inter-bank funds grew by S/ 60.3 million, or 127.7%, explained by increases of 60 basis points in the nominal average rate and 10.5% in the average volume. The higher nominal average rate, from 0.5% in 2018 to 1.1% in 2019, was due to improved returns on reserve requirements at the Central Bank, inter-bank funds and deposits at the Central Bank. On the other hand, growth in the average volume was the result of higher balances of reserve requirements and deposits at the Central Bank, partially offset by lower restricted funds and inter-bank funds. It is worth mentioning that the increase in reserve requirements was related to higher gathering of deposits, while the lower restricted funds, to fewer Repo transactions with the Central Bank throughout the year.

The increase in interest on loans accounted for most of the growth in interest and similar income, and was attributed to a 14.1% higher average volume, while the nominal average rate remained stable, at 10.9%.

The higher average volume of loans was the result of increases of 16.6% in retail loans and 11.3% in commercial loans. In the retail portfolio, the increase was mainly explained by growth of 23.5% in credit cards, 13.1% in payroll deduction loans and 12.8% in mortgages; while in the commercial portfolio, by increases of 14.4% in trade finance loans and 12.0% in short and medium-term loans, partially offset by a 5.4% reduction in leasing operations.

The nominal average rate on loans remained stable as yield reductions of 10 basis points in both retail and commercial loans were compensated by a higher proportion of credit cards within loans, since this product contributes with a higher average yield than the rest of components, even if its nominal average rate decreased when compared to 2018.

The S/ 12.9 million lower interest on financial investments was due to an 11.3% decrease in the average volume, partially offset by a 20 basis point increase in the average rate, from 3.6% in 2018 to 3.8% in 2019. The reduction in volume was a result of lower investments global bonds, Central Bank Certificates of Deposits (CDBCR), and corporate bonds, partially offset by higher balances of sovereign bonds. On the other hand, the reduction in the average rate was the result of lower returns on corporate bonds from non-financial institutions, CDBCR and sovereign bonds.

As a result of the above, the nominal average yield on interest-earning assets grew 30 basis points, from 7.9% in 2018 to 8.2% in 2019.

Interest and similar expense increased 20.8% with respect to the previous year. This was explained by growth of 25.9% in interest on bonds, notes and other obligations, and 24.4% in interest on deposits; partially offset by a decrease of 1.5% in interest on due to banks and correspondents.

Interest on bonds, notes and other obligations grew S/ 85.7 million, or 25.9% YoY, as a result of two bond placements in the international market in September 2019, for S/ 312 million and US\$ 400 million, both due in October 2026, in addition to other two 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. Additionally, the higher financial expense on bonds was also due to the execution of

an optional redemption of the prevailing “5.75% Senior Notes due 2020” which implied a non-recurring expense of S/ 42.5 million, as these bonds were being negotiated above its face value (above par). Excluding this effect, the financial expense on bonds would have increased 13.1%.

The higher interest on deposits was due increases of 11.5% in the average volume and 20 basis points in the average cost, to 2.1%. Growth in volume was attributed to increases in commercial, retail and institutional deposits. By currency, average balances of soles deposits grew 15.8% while average dollar deposits increased 4.7%. The higher cost of deposits resulted from increases in rates paid to institutional, commercial and retail deposits. This was mainly observed in time deposits, but also in commercial current accounts and retail savings accounts.

Interest on due to banks and correspondents decreased as a result of a 5.1% reduction in the average volume, partially compensated by a 20 basis point increase in the average cost, from 4.0% in 2018 to 4.2% in 2019. The reduction in the average volume was mainly due to lower funding provided by the Central Bank, as well as to a reduction in inter-bank funds. The increase in the nominal average cost was explained by higher rates on funding from correspondent banks abroad and inter-bank funds, partially offset by a lower rate on funds provided by the Central Bank.

The average cost of funding increased 30 basis points, from 2.7% in 2018 to 3.0% in 2019, in line with the higher implicit cost of all interest-bearing liabilities. Excluding the expense of the optional redemption of the prevailing “5.75% Senior Notes due 2020” corporate bonds, the average cost of funding would have increased 20 basis points, to 2.9%.

As a result of the above, net interest margin was 5.6% in 2019, 10 basis points higher than the 5.5% reported in 2018. However, excluding the expense of the optional redemption of the prevailing “5.75% Senior Notes due 2020” corporate bonds, net interest margin would have increased 20 basis points, to 5.7%.

Impairment loss on loans, net of recoveries increased 13.6% in 2019 compared to the previous year. The increase in provision expenses was mainly a result of higher provision requirements in credit cards and mortgages, partially compensated by lower requirements in the commercial portfolio, especially in the medium-enterprise segment. It is worth mentioning that the provision expense in 2019 was impacted by (i) the reversion of payroll deduction loan provisions for S/ 38.8 million in 2Q19, and (ii) the reversion of loan loss provisions for S/ 104.1 million in 4Q19 due to fine-tuning of IFRS9 models reflecting improved risk profile on customers. Likewise, provision for loan losses in 2018 showed an S/ 83.0 million reversion of provisions in corporate loans, related to the bank’s exposure to the construction sector.

The S/ 67.5 million, or 8.9%, increase in fee income from financial services was mainly attributable to higher commissions from credit card services and advisory services.

Other income grew S/ 124.6 million, or 40.2%, mainly due increases of S/ 46.6 million in net gain on foreign exchange transactions and on financial assets at fair value, and S/ 23.0 million in net gain on sale of financial investments. It is worth mentioning that, as reported in 1Q19, the higher income at Interbank from the sale of Interfondos to Inteligo is eliminated upon consolidation.

Other expenses increased S/ 108.7 million, or 7.2%, as a result of growth of 63.9% in depreciation and amortization, and 5.9% in salaries and employee benefits, partially

compensated by a 0.8% reduction in administrative expenses. Expense items related to IT services and loyalty programs were among those which rose the most, as these were associated with bank's digital transformation efforts and the higher credit cards activity, respectively.

The efficiency ratio was 38.9% in 2019, an improvement compared to the 40.9% registered in 2018. However, excluding the gain on sale of Interfondos and the one-off impact of the Liability Management transaction previously mentioned, the efficiency ratio was 38.0% in 2019.

Income before translation result and income tax increased 20.5% in 2019, which was then supported by an improvement in translation result and a lower effective tax rate, from 27.1% in 2018 to 26.8% in 2019. As a result of the above, profit for the period increased 21.5% compared to 2018.

#### 4Q19 Performance

Interbank's profits reached S/ 337.5 million in 4Q19, a S/ 46.3 million increase QoQ, or 15.9%, and an increase of S/ 98.6 million YoY, or 41.3%. The quarterly result was mainly due to a S/ 75.7 million reduction in impairment loss on loans, in addition to increases of S/ 8.7 million in other income and S/ 6.3 million in net fee income from financial services. These effects were partially offset by a S/ 25.1 million decrease in net interest and similar income, while other expenses remained relatively stable.

The annual result was mainly due to a S/ 60.9 million reduction in impairment loss on loans, in addition to increases of S/ 46.2 million in net interest and similar income, S/ 28.6 million in other income and S/ 10.9 million in net fee income from financial services. These effects were partially offset by a S/ 14.1 million increase in other expenses. The effective tax rate was 26.8% in 4Q19, compared to 26.9% in 4Q18.

It is worth mentioning that Interbank's net profit in 4Q19 was impacted by (i) the reversion of loan loss provisions for S/ 104.1 million, or S/ 73.4 million after taxes, due to fine-tuning of IFRS9 models reflecting improved risk profile on customers, and (ii) the one-off impact of a Liability Management transaction in financial expense for S/ 42.5 million, or S/ 29.0 million after taxes.

Interbank's ROAE, excluding the one-off impact of the Liability Management transaction previously mentioned, was 23.6% in 4Q19, higher than the 19.8% registered in 3Q19 and the 18.0% reported in 4Q18.

Banking Segment's P&L Statement					
S/ million	4Q18	3Q19	4Q19	%chg QoQ	%chg YoY
Interest and similar income	937.7	1,038.2	1,051.7	1.3%	12.2%
Interest and similar expense	-285.4	-314.6	-353.2	12.3%	23.8%
<b>Net interest and similar income</b>	<b>652.3</b>	<b>723.6</b>	<b>698.5</b>	<b>-3.5%</b>	<b>7.1%</b>
Impairment loss on loans, net of recoveries	-208.8	-223.6	-147.9	-33.9%	-29.2%
Recovery (loss) due to impairment of financial investments	-0.1	-0.0	0.0	n.m.	n.m.
<b>Net interest and similar income after impairment loss</b>	<b>443.4</b>	<b>500.0</b>	<b>550.6</b>	<b>10.1%</b>	<b>24.2%</b>
Fee income from financial services, net	208.8	213.4	219.7	3.0%	5.2%
Other income	78.7	98.6	107.3	8.8%	36.4%
Other expenses	-399.0	-411.8	-413.1	0.3%	3.5%
<b>Income before translation result and income tax</b>	<b>331.9</b>	<b>400.2</b>	<b>464.5</b>	<b>16.1%</b>	<b>40.0%</b>
Translation result	-5.0	1.2	-3.3	n.m.	n.m.
Income tax	-88.0	-110.2	-123.7	12.3%	40.7%
<b>Profit for the period</b>	<b>238.9</b>	<b>291.2</b>	<b>337.5</b>	<b>15.9%</b>	<b>41.3%</b>
<b>ROAE<sup>(1)</sup></b>	<b>18.0%</b>	<b>19.8%</b>	<b>23.6%</b>		
<b>Efficiency ratio<sup>(1)</sup></b>	<b>40.6%</b>	<b>39.2%</b>	<b>37.7%</b>		
<b>NIM<sup>(1)</sup></b>	<b>5.7%</b>	<b>5.8%</b>	<b>5.8%</b>		
<b>NIM on loans</b>	<b>8.8%</b>	<b>9.0%</b>	<b>8.5%</b>		

(1) Excluding the one-off impact of a Liability Management transaction for S/ 42.5 million, or S/ 29.0 million after taxes, in 4Q19.

## INTEREST-EARNING ASSETS

Interbank's interest-earning assets reached S/ 50,947.4 million as of December 31, 2019, an increase of 4.1% QoQ and 12.2% YoY.

The quarterly growth in interest-earning assets was attributed to increases of 10.2% in financial investments and 4.9% in loans, partially compensated by a 1.6% reduction in cash and due from banks and inter-bank funds. The increase in financial investments was mainly a result of higher volumes of CDBCR, sovereign bonds and corporate bonds, while the decrease in cash and due from banks and inter-bank funds was mainly explained by lower reserve requirements at the Central Bank.

The YoY increase in interest-earning assets was attributed to growth of 20.0% in cash and due from banks and inter-bank funds, and 13.2% in loans, partially offset by a 4.0% reduction in financial investments. The increase in cash and due from banks and inter-bank funds was mainly due to higher reserve funds and deposits at the Central Bank, while the reduction in financial investments, to lower volumes of global bonds and corporate bonds.

Interest-earning assets					
S/ million	12.31.18	09.30.19	12.31.19	%chg 12.31.19/ 09.30.19	%chg 12.31.19/ 12.31.18
Cash and due from banks and inter-bank funds	8,216.9	10,025.3	9,860.4	-1.6%	20.0%
Financial investments	5,809.5	5,056.4	5,574.5	10.2%	-4.0%
Loans	31,384.8	33,846.1	35,512.5	4.9%	13.2%
<b>Total interest-earning assets</b>	<b>45,411.3</b>	<b>48,927.8</b>	<b>50,947.4</b>	<b>4.1%</b>	<b>12.2%</b>

Loan portfolio					
S/ million	12.31.18	09.30.19	12.31.19	%chg 12.31.19/ 09.30.19	%chg 12.31.19/ 12.31.18
Performing loans					
Retail	16,541.1	18,575.5	19,161.2	3.2%	15.8%
Commercial <sup>(1)</sup>	14,893.6	15,263.8	16,304.5	6.8%	9.5%
<b>Total performing loans<sup>(1)</sup></b>	<b>31,434.7</b>	<b>33,839.3</b>	<b>35,465.7</b>	<b>4.8%</b>	<b>12.8%</b>
Restructured and refinanced loans	210.4	223.5	251.2	12.4%	19.4%
Past due loans	857.1	975.2	943.2	-3.3%	10.0%
<b>Total gross loans</b>	<b>32,502.2</b>	<b>35,037.9</b>	<b>36,660.1</b>	<b>4.6%</b>	<b>12.8%</b>
Add (less)					
Accrued and deferred interest	247.3	273.1	247.1	-9.5%	-0.1%
Impairment allowance for loans	-1,364.7	-1,464.9	-1,394.7	-4.8%	2.2%
<b>Total direct loans, net</b>	<b>31,384.8</b>	<b>33,846.1</b>	<b>35,512.5</b>	<b>4.9%</b>	<b>13.2%</b>

(1) Including loan repo transactions for S/ 510.0 million as of 12.31.2019.

Performing loans grew 4.8% QoQ due to increases of 6.8% in commercial loans and 3.2% in retail loans. Excluding loan repo transactions accounted in 4Q19, commercial loans grew 3.5% QoQ.

Growth in commercial loans was explained by higher short and medium-term loans, as well as trade finance loans, mostly in the corporate segment.

The quarterly increase in retail loans was due to increases of 3.7% in credit cards, 3.0% in mortgages and 2.8% in other consumer loans. Growth in other consumer loans was mainly explained by higher cash loans, payroll deduction loans and car loans, while the increase in mortgages was due to a higher demand in both traditional and MiVivienda products.

Performing loans grew 12.8% YoY due to increases of 15.8% in retail loans and 9.5% in commercial loans. Excluding loan repo transactions accounted in 4Q19, commercial loans grew 6.0% YoY.

The annual growth in retail loans was mainly due to increases of 20.5% in credit cards, 14.9% in other consumer loans and 13.0% in mortgages. Other consumer loans grew as a result of higher cash loans and payroll deduction loans; while mortgages increased due to a higher demand in both traditional and MiVivienda products.

The YoY increase in commercial loans was mainly explained by higher trade finance loans and short and medium-term lending, also supported by the above mentioned loan repo transactions.

Breakdown of retail loans					
S/ million	12.31.18	09.30.19	12.31.19	%chg 12.31.19/ 09.30.19	%chg 12.31.19/ 12.31.18
<b>Consumer loans:</b>					
Credit cards	4,871.3	5,662.4	5,870.0	3.7%	20.5%
Other consumer	5,539.1	6,189.2	6,365.2	2.8%	14.9%
<b>Total consumer loans</b>	<b>10,410.4</b>	<b>11,851.6</b>	<b>12,235.1</b>	<b>3.2%</b>	<b>17.5%</b>
Mortgages	6,130.6	6,723.8	6,926.0	3.0%	13.0%
<b>Total retail loans</b>	<b>16,541.1</b>	<b>18,575.5</b>	<b>19,161.2</b>	<b>3.2%</b>	<b>15.8%</b>

## FUNDING STRUCTURE

S/ million	Funding structure			%chg	
	12.31.18	09.30.19	12.31.19	12.31.19/ 09.30.19	12.31.19/ 12.31.18
Deposits and obligations	31,291.8	33,741.8	35,577.8	5.4%	13.7%
Due to banks and correspondents and inter-bank funds	3,968.8	4,125.9	3,831.4	-7.1%	-3.5%
Bonds, notes and other obligations	5,386.9	7,226.5	5,805.5	-19.7%	7.8%
<b>Total</b>	<b>40,647.5</b>	<b>45,094.3</b>	<b>45,214.6</b>	<b>0.3%</b>	<b>11.2%</b>
<b>% of funding</b>					
Deposits and obligations	77.0%	74.9%	74.9%		
Due to banks and correspondents and inter-bank funds	9.8%	9.1%	8.5%		
Bonds, notes and other obligations	13.7%	16.0%	12.8%		

Interbank's total funding base slightly increased 0.3% QoQ, below the performance of interest-earning assets. This was explained by a 5.4% increase in deposits and obligations, partially compensated by reductions of 19.7% in bonds, notes and other obligations, and 7.1% in due to banks and correspondents and inter-bank funds.

The increase in deposits and obligations was mainly due to growth of 42.6% in institutional deposits and 4.3% in retail deposits, partially compensated by a 7.0% decrease in commercial deposits.

The reduction in bonds, notes and other obligations was due to the execution of an optional redemption of the prevailing "5.75% Senior Notes due 2020" corporate bonds between October and November of 2019.

Finally, the decrease in due to banks and correspondents and inter-bank funds was attributed to lower medium-term funding from the Central Bank.

The bank's total funding base increased 11.2% YoY, below the annual growth in interest-earning assets, and was mainly explained by growth of 13.7% in deposits and obligations, and 7.8% in bonds, notes and other obligations, partially compensated by a 3.5% decrease in due to banks and correspondents and inter-bank funds.

The annual growth in deposits and obligations was explained by increases of 23.6% in institutional deposits, 11.5% in retail deposits and 11.3% in commercial deposits.

The YoY increase in bonds, notes and other obligations was mainly attributable to two bond placements in the international market in September 2019, for S/ 312 million and US\$ 400 million, both due in October 2026, as well as to other two 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. This growth was partially compensated by the execution of the optional redemption previously mentioned, as well as to the execution of a call option in July 2019 for a US\$ 30 million bond in the local market.

The YoY reduction in due to banks and correspondents and inter-bank funds was the result of lower short-term funding from correspondent banks abroad and medium-term funding from the Central Bank and COFIDE.

As of December 31, 2019, the proportion of deposits and obligations to total funding was 78.7%, higher than the 77.0% reported as of December 31, 2018. Likewise, the proportion of institutional deposits to total deposits increased from 17.6% as of December 31, 2018 to 19.1% as of December 31, 2019.

Breakdown of deposits					
S/ million	12.31.18	09.30.19	12.31.19	%chg 12.31.19/ 09.30.19	%chg 12.31.19/ 12.31.18
By customer service:					
Retail	14,328.4	15,316.3	15,981.9	4.3%	11.5%
Commercial	11,111.1	13,299.7	12,366.7	-7.0%	11.3%
Institutional	5,505.4	4,771.5	6,806.4	42.6%	23.6%
Other	347.0	354.3	422.7	19.3%	21.8%
<b>Total</b>	<b>31,291.8</b>	<b>33,741.8</b>	<b>35,577.8</b>	<b>5.4%</b>	<b>13.7%</b>
By type:					
Demand	9,187.2	10,922.8	10,979.6	0.5%	19.5%
Savings	10,728.4	11,708.9	11,384.9	-2.8%	6.1%
Time	11,370.1	11,095.9	13,207.0	19.0%	16.2%
Other	6.1	14.2	6.2	-56.3%	2.8%
<b>Total</b>	<b>31,291.8</b>	<b>33,741.8</b>	<b>35,577.8</b>	<b>5.4%</b>	<b>13.7%</b>

## NET INTEREST AND SIMILAR INCOME

Net interest and similar income					
S/ million	4Q18	3Q19	4Q19	%chg QoQ	%chg YoY
Interest and similar income	937.7	1,038.2	1,051.7	1.3%	12.2%
Interest and similar expense	-285.4	-314.6	-353.2	12.3%	23.8%
<b>Net interest and similar income</b>	<b>652.3</b>	<b>723.6</b>	<b>698.5</b>	<b>-3.5%</b>	<b>7.1%</b>
<b>NIM<sup>(1)</sup></b>	<b>5.7%</b>	<b>5.8%</b>	<b>5.8%</b>	<b>0 bps</b>	<b>10 bps</b>

(1) Excluding the one-off impact of a Liability Management transaction for S/ 42.5 million in 4Q19. Including this effect, NIM was 5.4% in such period.

Interest and similar income					
S/ million	4Q18	3Q19	4Q19	%chg QoQ	%chg YoY
<b>Interest and similar income</b>					
Due from banks and inter-bank funds	15.8	29.0	24.0	-17.3%	51.2%
Financial investments	52.9	47.7	49.7	4.1%	-6.1%
Loans	868.9	961.5	978.1	1.7%	12.6%
<b>Total Interest and similar income</b>	<b>937.7</b>	<b>1,038.2</b>	<b>1,051.7</b>	<b>1.3%</b>	<b>12.2%</b>
Average interest-earning assets	45,613.3	49,953.6	51,367.4	2.8%	12.6%
Average yield on assets (annualized)	8.2%	8.3%	8.2%	-10 bps	0 bps

Interest and similar expense					
S/ million	4Q18	3Q19	4Q19	%chg QoQ	%chg YoY
<b>Interest and similar expense</b>					
Deposits and obligations	-155.7	-177.9	-178.3	0.3%	14.5%
Due to banks and correspondents and inter-bank funds	-40.4	-43.0	-39.5	-8.2%	-2.3%
Bonds, notes and other obligations	-89.3	-93.7	-135.4	44.5%	51.7%
<b>Total Interest and similar expense</b>	<b>-285.4</b>	<b>-314.6</b>	<b>-353.2</b>	<b>12.3%</b>	<b>23.8%</b>
Average interest-bearing liabilities	39,537.0	44,044.8	45,154.5	2.5%	14.2%
Average cost of funding (annualized) <sup>(1)</sup>	2.9%	2.9%	2.8%	-10 bps	-10 bps

(1) Excluding the one-off impact of a Liability Management transaction for S/ 42.5 million in 4Q19. Including this effect, the annualized average cost of funding was 3.1% in such period.

## QoQ Performance

Net interest and similar income decreased 3.5% QoQ due to a 12.3% increase in interest and similar expense, partially offset by a 1.3% growth in interest and similar income.

The higher interest and similar expense was due to a 44.5% growth in interest on bonds, notes and other obligations, partially compensated by an 8.2% decrease in interest on due to banks and correspondents. Interest on deposits and obligations remained relatively stable QoQ.

The increase in interest on bonds, notes and other obligations was the result of a higher financial expense due to the execution of an optional redemption of the prevailing “5.75% Senior Notes due 2020” corporate bonds, which implied a non-recurring expense of S/ 42.5 million, as these bonds were being negotiated above its face value (above par). Excluding this effect, the financial expense on bonds would have remained relatively stable QoQ.

Interest on due to banks and correspondents decreased S/ 3.5 million, or 8.2% QoQ, due to reductions of 5.7% in the average volume and 10 basis points in the average cost, from 4.1% in 3Q19 to 4.0% in 4Q19. The decrease in the average volume was attributed to lower funding from the Central Bank, while the reduction in the average cost, to lower rates paid on inter-bank funds and funding provided by correspondent banks abroad and COFIDE.

Interest on deposits and obligations remained relatively stable as an increase of 3.7% in the average volume was almost completely offset by a slight reduction in the average cost. The higher average volume was explained by growth in institutional, retail and commercial deposits. By currency, average balances of soles-denominated deposits grew 8.0% while average dollar-denominated deposits decreased 3.9%. The slight decrease in the average cost was due to lower rates paid to institutional deposits, while rates in both commercial and retail deposits remained stable.

The average cost of funding increased 20 basis points QoQ, from 2.9% in 3Q19 to 3.1% in 4Q19, in line with the higher implicit cost on bonds, notes and other obligations. However, excluding the expense of the optional redemption of the prevailing “5.75% Senior Notes due 2020” corporate bonds, the average cost of funding would have decreased 10 basis points, to 2.8%.



The 1.3% increase in interest and similar income was due to growth of 4.1% in interest on financial investments and 1.7% in interest on loans, partially compensated by a 17.3% decrease in interest on due from banks and inter-bank funds.

Interest on financial investments increased S/ 2.0 million, or 4.1% QoQ, due to a 3.1% growth in the average volume, while the nominal average rate remained stable. The increase in the average volume was a consequence of higher investments in sovereign bonds.

The higher interest on loans was due to growth of 4.0% in the average loan portfolio, partially compensated by a 30 basis point reduction in the average yield.

The higher average volume of loans was attributed to increases of 4.9% in commercial loans and 3.3% in retail loans. In the commercial portfolio, the higher average volume was mainly due to growth of 3.9% in trade finance loans and 3.2% in short and medium-term loans, partially compensated by a 1.4% reduction in leasing operations. In the retail portfolio, average volumes increased 4.4% in credit cards, 2.7% in mortgages and 1.6% in payroll deduction loans.

The lower average rate, from 11.1% in 3Q19 to 10.8% in 4Q19, was mainly explained by yield reductions of 20 basis points in both retail and commercial loans. The decrease in retail loans was due to lower average rates on consumer loans, partially compensated by higher rates on mortgages. In the commercial portfolio, rates decreased mainly as the result of lower yields on trade finance loans and leasing operations.

Interest on due from banks and inter-bank funds decreased S/ 5.0 million, or 17.3% QoQ, explained by reductions of 20 basis points in the nominal average rate and 1.3% in the average volume. The decrease in the nominal average rate was due to lower returns on reserve requirements at the Central Bank, partially offset by higher returns on deposits at the Central Bank and inter-bank funds. On the other hand, the reduction in the average volume was due to lower deposits at the Central Bank and inter-bank funds, partially compensated by higher reserve funds at the Central Bank.

The nominal average yield on interest-earning assets decreased 10 basis points QoQ, from 8.3% in 3Q19 to 8.2% in 4Q19, in line with the lower returns on loans and on due from banks and inter-bank funds.

As a result of the above, net interest margin decreased 40 basis points, from 5.8% in 3Q19 to 5.4% in 4Q19. However, excluding the expense of the optional redemption of the prevailing “5.75% Senior Notes due 2020” corporate bonds, net interest margin would have remained stable in 4Q19, at 5.8%.

### YoY Performance

Net interest and similar income grew 7.1% YoY due to a 12.2% increase in interest and similar income, partially offset by a 23.8% growth in interest and similar expense.

Growth in interest and similar income was mainly due to increases of 51.2% in interest on due from banks and inter-bank funds, and 12.6% in interest on loans, partially offset by a 6.1% decrease in interest on financial investments.

Interest on due from banks and inter-bank funds grew S/ 8.2 million, explained by increases of 32.0% in the average volume and 20 basis points in the nominal average

rate. The higher average volume was due to growth in reserve requirements and deposits at the Central Bank. The increase in the nominal average rate was explained by higher returns on inter-bank funds and deposits at the Central Bank.

The increase in interest on loans was due to a 12.6% growth in the average volume of loans, while the average yield remained stable.

The higher average volume of loans was attributed to increases of 16.5% in retail loans and 8.2% in commercial loans. In the retail portfolio, volumes grew 22.6% in credit cards, 12.9% in mortgages and 10.9% in payroll deduction loans. In the commercial portfolio, the higher average volume was mainly due to growth of 7.8% in short and medium-term loans, and 5.1% in trade finance loans, partially offset by an 8.5% reduction in leasing operations.

The average rate on loans remained stable YoY, at 10.8%, as lower yields in all types of loans, mainly related to a better risk profile on Interbank's customers, were offset by a higher proportion of credit cards within loans, since this product contributes with a higher average yield than the rest of components, even if its nominal average rate decreased when compared to 4Q18.

The lower interest on financial investments was explained by a 11.7% reduction in the average volume, partially offset by a 20 basis point increase in the average rate, from 3.5% in 4Q18 to 3.7% in 4Q19. The decrease in the average volume was the result of lower balances of global bonds, corporate bonds and CDBCR, while the increase in the average rate was due to higher returns on global bonds and corporate bonds from financial institutions.

As a result of the above and of the high proportion of loans within interest-earning assets, the nominal average yield on interest-earning assets remained stable YoY, at 8.2%.

Growth in interest and similar expense was due to increases of 51.7% in interest on bonds, notes and other obligations, and 14.5% in interest on deposits and obligations, partially offset by a 2.3% reduction in interest on due to banks and correspondents.

Interest on bonds, notes and other obligations grew S/ 46.1 million, or 51.7% YoY, as a result of the higher financial expense due to the execution of the optional redemption of the prevailing "5.75% Senior Notes due 2020" corporate bonds previously mentioned, in addition to the issuances of senior bonds in March 2019. These effects were partially compensated by lower interest attributable to the execution of a call option in July 2019 for a US\$ 30 million bond. Excluding the expense of the optional redemption of the mentioned "5.75% Senior Notes due 2020", the financial expense on bonds would have increased 4.1% YoY.

Interest on deposits and obligations increased S/ 22.6 million, or 14.5% YoY, explained by a 14.8% growth in the average volume, while the average cost remained stable YoY, at 2.1%. The higher average volume was explained by growth in commercial, retail and institutional deposits. By currency, average balances of soles-denominated deposits grew 21.6% while average dollar-denominated deposits increased 3.5%.

The S/ 0.9 million, or 2.3% YoY, decrease in interest on due to banks and correspondents was the result of a 0.9% reduction in the average volume, while the average cost remained stable YoY, at 4.0%. The lower average volume was explained by reductions in inter-bank funds and funding provided by correspondent banks abroad

and by COFIDE. On the other hand, the average cost remained stable as higher rates paid to funds from correspondent banks abroad were offset by reductions in the average cost of inter-bank funds and funding provided by COFIDE.

The average cost of funding increased 20 basis points YoY, from 2.9% in 4Q18 to 3.1% in 4Q19, in line with the higher implicit cost on bonds, notes and other obligations. However, excluding the expense of the optional redemption of the prevailing “5.75% Senior Notes due 2020” corporate bonds, the average cost of funding would have decreased 10 basis points, to 2.8%.

As a result of the above, net interest margin was 5.4% in 4Q19, 30 basis points lower than the 5.7% reported in 4Q18. However, excluding the execution of the optional redemption of the existing “5.75% Senior Notes due 2020” corporate bonds, net interest margin would have increased 10 basis points YoY, to 5.8%.

### IMPAIRMENT LOSS ON LOANS, NET OF RECOVERIES

Impairment loss on loans, net of recoveries decreased 33.9% QoQ and 29.2% YoY. The quarterly and annual reductions were mainly explained by a reversion of loan loss provisions for S/ 104.1 million due to fine-tuning of IFRS9 models reflecting improved risk profile on customers. It is worth mentioning that in 4Q18 a S/ 20.1 million release of provisions in corporate loans, related to the bank’s exposure to the construction sector, also took place. Excluding these effects, impairment loss on loans, net of recoveries would have grown 12.7% QoQ and 10.1% YoY.

As a result of the above, the annualized ratio of impairment loss on loans to average loans was 1.7% in 4Q19, lower than the 2.6% reported in 3Q19 and 4Q18. However, excluding the previously mentioned reversions of provisions, the annualized ratio of impairment loss on loans to average loans would have increased 20 basis points QoQ and decreased 10 basis points YoY.

Impairment loss on loans, net of recoveries					
S/ million	4Q18	3Q19	4Q19	%chg QoQ	%chg YoY
Impairment loss on loans, net of recoveries	-208.8 <sup>(1)</sup>	-223.6	-147.9 <sup>(2)</sup>	-33.9%	-29.2%
Impairment loss on loans/average gross loans	2.6% <sup>(1)</sup>	2.6%	1.7% <sup>(2)</sup>	-90 bps	-90 bps
NPL ratio (at end of period)	2.9%	3.0%	2.9%	-10 bps	0 bps
NPL coverage ratio (at end of period)	130.4%	126.4%	117.7%	-870 bps	n.m.
Impairment allowance for loans	1,364.7	1,464.9	1,394.7	-4.8%	2.2%

(1) Including reversion of construction sector provisions for S/ 20.1 million in 4Q18. Excluding this effect, cost of risk was 2.9% in such period.

(2) Including reversion of loan loss provisions for S/ 104.1 million in 4Q19 due to fine-tuning of IFRS9 models reflecting improved risk profile on customers. Excluding this effect, cost of risk was 2.8% in such period.

The NPL ratio decreased 10 basis points QoQ but remained stable YoY. The quarterly decrease was due to a slight reduction in commercial loans, partially compensated by an even slighter increase in retail loans. On the other hand, the NPL ratio in both retail and commercial loans remained stable YoY. In the retail portfolio, a 30 basis point increase in consumer loans was almost completely offset by a 30 basis point decrease in mortgages. In the commercial portfolio, a lower NPL ratio in corporate loans was offset by higher NPLs in medium and small-sized companies.

Additionally, the NPL coverage ratio was 117.7% as of December 31, 2019, lower than the 126.4% reported in September 30, 2019, and the 130.4% registered as of December 31, 2018. NPL coverage ratio in credit cards was 186.0% as of year-end 2019.

## FEE INCOME FROM FINANCIAL SERVICES, NET

Net fee income from financial services increased S/ 6.3 million QoQ, or 3.0%, mainly explained by growth of S/ 7.0 million in commissions from banking services, S/ 3.0 million in commissions from credit card services, and S/ 2.5 million in fees from maintenance and mailing of accounts, transfer fees and commissions on debit card services. These effects were partially offset by lower fees from indirect loans and higher variable expenses.

Net fee income from financial services grew S/ 10.9 million YoY, or 5.2%, mainly due to lower expenses related to the sale of insurance products, in addition to increases of S/ 2.9 million in commissions from credit card services, S/ 2.6 million in fees from maintenance and mailing of accounts, transfer fees and commissions on debit card services, and S/ 2.0 million in commissions from banking services.

Fee income from financial services, net					
S/ million	4Q18	3Q19	4Q19	%chg QoQ	%chg YoY
<b>Income</b>					
Commissions from credit card services	101.5	101.4	104.4	2.9%	2.9%
Commissions from banking services	89.4	84.4	91.4	8.4%	2.3%
Maintenance and mailing of accounts, transfer fees and commissions on debit card services	62.0	62.1	64.6	4.1%	4.2%
Fees from indirect loans	14.6	14.7	13.4	-8.6%	-8.3%
Collection services	9.4	10.8	10.6	-1.7%	13.0%
Other	7.3	9.6	11.5	20.3%	57.5%
<b>Total income</b>	<b>284.1</b>	<b>282.9</b>	<b>295.9</b>	<b>4.6%</b>	<b>4.2%</b>
<b>Expenses</b>					
Insurance	-33.7	-24.0	-24.6	2.5%	-26.9%
Fees paid to foreign banks	-4.0	-4.7	-4.4	-5.1%	10.2%
Other	-37.6	-40.8	-47.1	15.7%	25.4%
<b>Total expenses</b>	<b>-75.3</b>	<b>-69.4</b>	<b>-76.2</b>	<b>9.7%</b>	<b>1.2%</b>
<b>Fee income from financial services, net</b>	<b>208.8</b>	<b>213.4</b>	<b>219.7</b>	<b>3.0%</b>	<b>5.2%</b>

## OTHER INCOME

Other income increased S/ 8.7 million QoQ mainly due to the gain on sale of written-off loans, as well as to an increase in net gain on foreign exchange transactions and on financial assets at fair value. These effects were partially compensated by a lower net gain on sale of financial investments.

Other income grew S/ 28.6 million YoY mainly explained by higher net gain on foreign exchange transactions and on financial assets at fair value, associated with currency volatility. This effect was partially offset by a reduction in net gain on sale of financial investments.

Other income					
S/ million	4Q18	3Q19	4Q19	%chg QoQ	%chg YoY
Net gain on foreign exchange transactions and on financial assets at fair value through profit or loss	43.5	75.4	77.9 <sup>(1)</sup>	3.3%	79.0%
Net gain on sale of financial investments	4.8	7.3	2.1	-71.0%	-56.3%
Other	30.3	16.0	27.4	71.4%	-9.8%
<b>Total other income</b>	<b>78.7</b>	<b>98.6</b>	<b>107.3</b>	<b>8.8%</b>	<b>36.4%</b>

(1) Includes S/ 9.8 million of net gain on foreign exchange transactions and S/ 68.0 million of net gain (loss) on financial assets at fair value through profit or loss (derivatives).

## OTHER EXPENSES

Other expenses remained relatively stable QoQ and grew S/ 14.1 million YoY, or 3.5%.

The annual growth in other expenses was explained by increases in salaries and employee benefits, and IT services. Furthermore, Interbank adopted IFRS 16 which modified the presentation of our operating leases, principally branches. In 4Q19, instead of recognizing an expense for rental of these leases, the bank recognized the associated depreciation. The impact of this change resulted in lower administrative expenses and higher depreciation and amortization totaling approximately S/ 16.8 million.

The efficiency ratio was 39.2% in 4Q19, in line with the ratio reported in 3Q19 but lower than the 40.6% registered in 4Q18. However, excluding the one-off impact of the Liability Management transaction for S/ 42.5 million in 4Q19, the efficiency ratio was 37.7%.

Other expenses					
S/ million	4Q18	3Q19	4Q19	%chg QoQ	%chg YoY
Salaries and employee benefits	-162.3	-169.5	-164.2	-3.2%	1.2%
Administrative expenses	-181.1	-177.7	-180.0	1.3%	-0.6%
Depreciation and amortization	-38.6	-58.6	-58.3	-0.4%	51.0%
Other	-17.0	-6.0	-10.6	76.5%	-37.8%
<b>Total other expenses</b>	<b>-399.0</b>	<b>-411.8</b>	<b>-413.1</b>	<b>0.3%</b>	<b>3.5%</b>
<b>Efficiency ratio<sup>(1)</sup></b>	<b>40.6%</b>	<b>39.2%</b>	<b>37.7%</b>	<b>-150 bps</b>	<b>-290 bps</b>

(1) Excluding the one-off impact of a Liability Management transaction for S/ 42.5 million in 4Q19. Including this effect, efficiency ratio was 39.2% in such period.

## REGULATORY CAPITAL

The ratio of regulatory capital to risk-weighted assets (RWA) was 15.2% as of December 31, 2019, lower than the 15.4% registered as of September 30, 2019 and the 15.8% reported as of December 31, 2018.

In 4Q19, regulatory capital increased 1.5% QoQ, while RWA grew 3.2%, mainly due to higher capital requirements for credit risk, which includes the effect of growth in loans.

The annual reduction in the capital ratio was due to a 14.2% growth in RWA, partially offset by a 9.6% increase in regulatory capital. The YoY increase in RWA was mostly

attributed to loan growth and the higher risk weights applied to intangibles assets by disposition of the SBS, with impact on the bank's increasing digital investments. The annual increase in regulatory capital was mainly a result of the addition of S/ 638.4 million in capital, reserves and earnings with capitalization agreement during the last twelve months, as well as the lower deduction in regulatory capital due to the sale of IFS' shares in July 2019 as part of IFS' IPO in NYSE, partially compensated by the elimination of a US\$ 30 million subordinated bond, which was called for early redemption in July 2019.

It is worth mentioning that in 2017 the SBS initiated the implementation of an additional set of Basel III measures. Among these, it stands out that there will be an annual 10% phase out of all Tier I instruments issued prior to the publication by the SBS of the new subordinated debt regulation. Additionally, the amount not computable as primary capital could be eligible as secondary capital. As of December 31, 2019, 70% of the US\$ 200 million junior subordinated bond issued in April 2010 no longer count as primary capital, in line with the percentage registered as of September 30, 2019. This resulted in a US\$ 20 million YoY reduction in primary capital, equivalent to the amount now registered as secondary capital.

As of December 31, 2019, Interbank's capital ratio of 15.2% was significantly higher than its risk-adjusted minimum capital ratio requirement, established at 11.6%. The minimum regulatory capital ratio requirement was 10.0%, while the additional capital requirement for Interbank was 1.6% as of December 31, 2019. Furthermore, Core Equity Tier 1 (CET1) as of December 31, 2019 increased 100 basis points YoY, to 11.6%, mainly as the result of the lower deduction in regulatory capital due to the sale of IFS' shares in July 2019 as part of IFS' IPO in NYSE, and despite the 14.2% growth in RWA in the comparable period.

Regulatory capital					
S/ million	12.31.18	09.30.19	12.31.19	%chg 12.31.19/ 09.30.19	%chg 12.31.19/ 12.31.18
Tier I capital	5,042.0	5,552.3	5,721.7	3.1%	13.5%
Tier II capital	1,965.3	2,010.3	1,957.6	-2.6%	-0.4%
Total regulatory capital	7,007.4	7,562.5	7,679.3	1.5%	9.6%
Risk-weighted assets	44,391.0	49,088.1	50,673.8	3.2%	14.2%
<b>BIS ratio</b>	<b>15.8%</b>	<b>15.4%</b>	<b>15.2%</b>	<b>-20 bps</b>	<b>-60 bps</b>
<b>Tier I capital / risk-weighted assets</b>	<b>11.4%</b>	<b>11.3%</b>	<b>11.3%</b>	<b>0 bps</b>	<b>-10 bps</b>
<b>CET1</b>	<b>10.6%</b>	<b>11.4%</b>	<b>11.6%</b>	<b>20 bps</b>	<b>100 bps</b>

## Interseguro

### SUMMARY

#### 2019 Performance

Interseguro's profits reached S/ 130.4 million in 2019, compared to a loss of S/ -61.5 million in 2018.

The yearly performance was mainly due to increases of S/ 111.8 million in total premiums earned less claims and benefits, and S/ 101.4 million in other income, in addition to a positive performance in translation result. These factors were partially offset by a S/ 25.0 million increase in other expenses, as well as a S/ 18.0 million decrease in net interest and similar income after impairment loss.

It is worth mentioning that the annual increase in total premiums earned minus claims and benefits was mainly explained by a base effect related to a one-time adjustment of S/ -144.8 million in technical reserves in 2018, as a result of the full adoption of new mortality tables published by the Peruvian regulatory entity (Superintendencia de Banca y Seguros) in 2017.

Insurance Segment's P&L Statement					
S/ million	2017	2018	2019	%chg 19/18	%chg 18/17
Interest and similar income	334.8	611.0	612.5	0.3%	82.5%
Interest and similar expense	-19.7	-54.3	-56.4	3.8%	175.7%
<b>Net Interest and similar income</b>	<b>315.0</b>	<b>556.6</b>	<b>556.1</b>	<b>-0.1%</b>	<b>76.7%</b>
Recovery (loss) due to impairment of financial investments	-5.5	11.3	-6.2	n.m.	n.m.
<b>Net Interest and similar income after impairment loss</b>	<b>309.5</b>	<b>568.0</b>	<b>550.0</b>	<b>-3.2%</b>	<b>83.5%</b>
Fee income from financial services, net	-3.7	-4.6	-4.0	-13.3%	24.4%
Other income	112.9	67.6	169.0	n.m.	-40.1%
Total premiums earned minus claims and benefits	-152.9	-407.5	-295.7	-27.4%	n.m.
Net premiums	499.5	645.4	649.1	0.6%	29.2%
Adjustment of technical reserves	-240.2	-316.8	-222.5	-29.8%	31.9%
Net claims and benefits incurred	-412.3	-736.0	-722.3	-1.9%	78.5%
Other expenses	-226.8	-273.7	-298.7	9.2%	20.6%
<b>Income before translation result and income tax</b>	<b>39.0</b>	<b>-50.1</b>	<b>120.6</b>	<b>n.m.</b>	<b>n.m.</b>
Translation result	0.9	-11.4	9.8	n.m.	n.m.
Income tax	0.0	-	-	n.m.	n.m.
<b>Profit for the period</b>	<b>39.9</b>	<b>-61.5</b>	<b>130.4</b>	<b>n.m.</b>	<b>n.m.</b>
Attributable to non-controlling interest	-	-	-	n.m.	n.m.
<b>Profit attributable to shareholders</b>	<b>39.9</b>	<b>-61.5</b>	<b>130.4</b>	<b>n.m.</b>	<b>n.m.</b>
New mortality tables impact on technical reserves	0.1	-144.8	-	n.m.	n.m.
<b>Profit excluding change in mortality tables</b>	<b>40.0</b>	<b>83.3</b>	<b>130.4</b>	<b>56.5%</b>	<b>108.5%</b>
<b>ROAE</b>	<b>7.0%</b>	<b>n.m.</b>	<b>14.2%</b>		
<b>ROAE excl. change in mortality tables</b>	<b>7.0%</b>	<b>9.4%</b>	<b>14.2%</b>		
<b>Efficiency ratio</b>	<b>15.9%</b>	<b>14.4%</b>	<b>13.1%</b>		

Net interest and similar income was S/ 556.1 million in 2019, a slight decrease of S/ 0.5 million, mainly explained by a S/ 2.1 million growth in interest and similar expenses, partially offset by a S/ 1.5 million increase in interest and similar income.

Loss due to impairment of financial investments was S/ -6.2 million, compared to a recovery of S/ 11.3 million in 2018, attributable to a S/ 10.7 million reversion of provisions for impairment loss on investments which were sold in 2018.

Other income was S/ 169.0 million, a S/ 101.4 million growth, mainly due to increases of S/ 69.9 million in net gain on sale of securities, S/ 20.0 million in net trading result and S/ 15.9 million in rental income from real estate investments. These factors were partially offset by a decrease of S/ 11.9 million in net gain on sale of real estate investments.

Total premiums earned less claims and benefits were S/ -295.7 million in 2019, an improvement of S/ 111.8 million compared to the previous year, mainly explained by a decrease of S/ 94.3 million in adjustment of technical reserves, in addition to higher net premiums and lower net claims and benefits incurred.

The yearly growth in net premiums was mainly due to increases of S/ 32.1 million in retail insurance, S/ 13.1 million in annuities and S/ 4.7 million in individual life, partially offset by a decrease of S/ 46.1 million in disability and survivorship. The reduction in disability and survivorship was due to Seguros Sura's contract expiration in December 2018.

The lower adjustment of technical reserves in 2019 was driven mainly by a decrease of S/ 137.2 million in annuities, partially offset by increases of S/ 41.4 million in individual life and S/ 1.5 million in retail insurance. Reduction in technical reserves for annuities was attributable to the base effect of the one-time adjustment in 2018, as previously mentioned. Increases in adjustment of technical reserves in 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.

Other expenses were S/ 298.7 million in 2019, a S/ 25.0 million growth, mainly explained by increases of S/ 10.4 million in third-party commissions, S/ 9.4 million in administrative expenses and S/ 5.4 million in depreciation and amortization.

#### 4Q19 Performance

Interseguro's profits reached S/ 34.7 million in 4Q19, an increase of S/ 0.7 million QoQ and S/ 16.9 million YoY.

The quarterly growth was mainly explained by a positive performance in translation result of S/ 26.6 million and an improvement of S/ 6.1 million in net interest and similar income. These factors were partially offset by a reduction of S/ 16.4 in total premiums earned minus claims and benefits, in addition to a deterioration of S/ 7.7 million in loss due to impairment of financial investments and a contraction of S/ 4.3 million in other income.

The annual increase in net profit was mainly due to growth of S/ 31.5 million in other income and a positive performance in translation result of S/ 17.0 million, partially offset by a loss due to impairment of financial investments for S/ 19.3 million and a decrease of S/ 11.6 million in total premiums earned minus claims and benefits.

Interseguro's ROAE was 14.7% in 4Q19, slightly below the 14.9% reported in 3Q19, but above the 7.8% registered in 4Q18.



Insurance Segment's P&L Statement					
S/ million	4Q18	3Q19	4Q19	%chg QoQ	%chg YoY
Interest and similar income	148.5	148.0	155.6	5.2%	4.8%
Interest and similar expense	-13.5	-14.5	-16.0	10.5%	18.5%
<b>Net Interest and similar income</b>	<b>135.0</b>	<b>133.5</b>	<b>139.6</b>	<b>4.6%</b>	<b>3.4%</b>
Recovery (loss) due to impairment of financial investments	11.0	-0.6	-8.3	n.m.	n.m.
<b>Net Interest and similar income after impairment loss</b>	<b>146.0</b>	<b>132.9</b>	<b>131.3</b>	<b>-1.2%</b>	<b>-10.1%</b>
Fee income from financial services, net	-1.1	-1.2	-0.8	-30.5%	-27.5%
Other income	19.1	54.9	50.6	-7.7%	n.m.
Net gain on sale of real estate investments	3.1	-4.4	-1.2	-72.0%	n.m.
Net gain on sale of securities	-21.1	17.7	13.5	-23.8%	n.m.
Net gain on valuation of real estate investments	16.6	22.7	9.8	-56.6%	-40.8%
Net trading loss (income)	9.3	0.5	12.3	n.m.	32.8%
Rent income from real estate investments	8.7	13.6	12.4	-9.2%	42.9%
Other	2.5	4.8	3.9	-19.1%	52.7%
<b>Total premiums earned minus claims and benefits</b>	<b>-67.7</b>	<b>-62.9</b>	<b>-79.3</b>	<b>26.0%</b>	<b>17.1%</b>
Net premiums	172.1	157.5	156.1	-0.9%	-9.3%
Adjustment of technical reserves	-50.4	-37.5	-48.2	28.4%	-4.4%
Net claims and benefits incurred	-189.5	-182.9	-187.2	2.3%	-1.2%
Other expenses	-73.2	-74.8	-78.9	5.5%	7.8%
<b>Income before translation result and income tax</b>	<b>23.1</b>	<b>48.8</b>	<b>22.9</b>	<b>-53.0%</b>	<b>-0.5%</b>
Translation result	-5.3	-14.9	11.7	n.m.	n.m.
Income tax	-	-	-	n.m.	n.m.
<b>Profit for the period</b>	<b>17.8</b>	<b>34.0</b>	<b>34.7</b>	<b>2.1%</b>	<b>94.9%</b>
Attributable to non-controlling interest	-	-	-	n.m.	n.m.
<b>Profit attributable to shareholders</b>	<b>17.8</b>	<b>34.0</b>	<b>34.7</b>	<b>2.1%</b>	<b>94.9%</b>
<b>ROAE</b>	<b>7.8%</b>	<b>14.9%</b>	<b>14.7%</b>		
<b>Efficiency ratio</b>	<b>14.2%</b>	<b>11.9%</b>	<b>13.8%</b>		

## RESULTS FROM INVESTMENTS

Results from Investments <sup>(1)</sup>					
S/ million	4Q18	3Q19	4Q19	%chg QoQ	%chg YoY
Interest and similar income	147.9	148.0	155.6	5.2%	5.2%
Interest and similar expense	-3.0	-3.2	-5.6	72.7%	84.4%
<b>Net interest and similar income</b>	<b>144.9</b>	<b>144.7</b>	<b>150.0</b>	<b>3.6%</b>	<b>3.5%</b>
Recovery (loss) due to impairment of financial investments	11.0	-0.6	-8.3	n.m.	n.m.
<b>Net Interest and similar income after impairment loss</b>	<b>155.9</b>	<b>144.1</b>	<b>141.7</b>	<b>-1.7%</b>	<b>-9.1%</b>
Net gain (loss) on sale of financial investments	-21.1	17.7	13.5	-23.8%	n.m.
Net gain (loss) on financial assets at fair value through profit c	9.3	0.5	12.3	n.m.	32.8%
Rental income	7.2	13.7	11.3	-17.8%	56.5%
Gain on sale of investment property	3.1	-4.4	-1.2	-72.1%	n.m.
Valuation gain (loss) from investment property	16.6	22.7	9.8	-56.6%	-40.8%
Other	-0.5	-3.1	-3.2	4.4%	n.m.
<b>Other income</b>	<b>14.5</b>	<b>47.0</b>	<b>42.4</b>	<b>-9.8%</b>	<b>n.m.</b>
<b>Results from investments</b>	<b>170.4</b>	<b>191.1</b>	<b>184.1</b>	<b>-3.7%</b>	<b>8.0%</b>

(1) Only includes transactions related to investments.

## NET INTEREST AND SIMILAR INCOME

Net interest and similar income related to investments was S/ 150.0 million in 4Q19, an increase of S/ 5.3 million, or 3.6%, QoQ and S/ 5.1 million, or 3.5% YoY.

The quarterly growth was mainly explained by a S/ 7.6 million increase in interest and similar income, due to improved returns on the equity portfolio attributable to higher income from dividends received in 4Q19 which did not exist in 3Q19.

The annual increase was mainly explained by a S/ 7.7 million increase in interest and similar income as a result of a higher volume of assets, partially offset by a S/ 2.6 million increase in interest and similar expenses.

## RECOVERY (LOSS) DUE TO IMPAIRMENT OF FINANCIAL INVESTMENTS

Loss due to impairment of financial investments was S/ 8.3 million in 4Q19, compared to a loss of S/ 0.6 million in 3Q19 and a recovery of S/ 11.0 million in 4Q18.

The quarterly performance was mainly due to an additional provision for impairment on financial investments, while the annual performance was mainly explained by a S/ 10.7 million reversion of provision for impairment loss in 4Q18, associated with investments which were sold in such quarter.

## OTHER INCOME

Other income related to investments was S/ 42.4 million in 4Q19, a decrease of S/ 4.6 million QoQ and an increase of S/ 27.9 million YoY.

The quarterly reduction was mainly due to decreases of S/ 12.9 million in valuation gain from investment property, S/ 4.2 million in net gain on sale of financial investments and S/ 2.4 million in rental income, partially offset by increases of S/ 11.8 million in net gain on financial assets at fair value and S/ 3.2 million in gain on sale of investment property.

The annual increase was mainly explained by growth of S/ 34.6 million in net gain on sale of financial investments, S/ 4.1 million in rental income and S/ 3.0 million in net gain on financial assets at fair value, partially offset by decreases of S/ 6.8 million in valuation gain from investment property and S/ 4.3 million in gain on sale of investment property.

## TOTAL PREMIUMS EARNED MINUS CLAIMS AND BENEFITS

Total Premiums Earned Minus Claims And Benefits					
S/ million	4Q18	3Q19	4Q19	%chg QoQ	%chg YoY
Net premiums	172.1	157.5	156.1	-0.9%	-9.3%
Adjustment of technical reserves	-50.4	-37.5	-48.2	28.4%	-4.4%
Net claims and benefits incurred	-189.5	-182.9	-187.2	2.3%	-1.2%
<b>Total premiums earned minus claims and benefits</b>	<b>-67.7</b>	<b>-62.9</b>	<b>-79.3</b>	<b>26.0%</b>	<b>17.1%</b>

Total premiums earned minus claims and benefits were S/ -79.3 million in 4Q19, a decrease of S/ 16.4 million QoQ and S/ 11.6 million YoY.

The quarterly reduction was due to S/ 10.7 million higher adjustment of technical reserves and an increase of S/ 4.3 million in net claims and benefits incurred.

The annual performance was explained by S/ 16.0 million lower net premiums, partially offset by reductions of S/ 2.3 million in net claims and benefits incurred, and S/ 2.2 million in adjustment of technical reserves.

## NET PREMIUMS

Net Premiums by Business Line					
S/ million	4Q18	3Q19	4Q19	%chg QoQ	%chg YoY
Annuities	77.9	64.0	62.6	-2.1%	-19.6%
D&S	7.6	0.1	0.0	-79.2%	-99.7%
Individual Life	34.2	32.9	34.3	4.1%	0.2%
Retail Insurance	52.5	60.5	59.2	-2.2%	12.8%
<b>Net Premiums</b>	<b>172.1</b>	<b>157.5</b>	<b>156.1</b>	<b>-0.9%</b>	<b>-9.3%</b>

Net premiums were S/ 156.1 million in 4Q19, a decrease of S/ 1.4 million, or 0.9%, QoQ and S/ 16.0 million, or 9.3%, YoY.

The quarterly reduction was mainly explained by decreases of S/ 1.4 million in annuities and S/ 1.3 million in retail insurance, partially offset by growth of S/ 1.4 million in individual life premiums.

The annual performance in net premiums was mainly due to decreases of S/ 15.3 million in annuities and S/ 7.6 million in disability and survivorship premiums, the latter due to the expiration of Seguros Sura's disability and survivorship contract in December 2018. These factors were partially offset by S/ 6.7 million higher retail insurance premiums.

## ADJUSTMENT OF TECHNICAL RESERVES

Adjustment of Technical Reserves by Business Line					
S/ million	4Q18	3Q19	4Q19	%chg QoQ	%chg YoY
Annuities	-45.4	-19.9	-25.1	26.1%	-44.7%
Individual Life	-4.7	-15.6	-23.5	50.4%	n.m.
Retail Insurance	-0.3	-2.0	0.4	n.m.	n.m.
<b>Adjustment of technical reserves</b>	<b>-50.4</b>	<b>-37.5</b>	<b>-48.2</b>	<b>28.4%</b>	<b>-4.4%</b>

Adjustment of technical reserves was S/ 48.2 million in 4Q19, an increase of S/ 10.7 million QoQ and a reduction of S/ 2.2 million YoY.

The quarterly growth was mainly due to increases of S/ 7.9 million in individual life and S/ 5.2 million in annuities, while the annual reduction was explained by a decrease of S/ 20.3 million in annuities, partially offset by an increase of S/ 18.8 million in individual life.

## NET CLAIMS AND BENEFITS INCURRED

Net Claims and Benefits Incurred by Business Line					
S/ million	4Q18	3Q19	4Q19	%chg QoQ	%chg YoY
Annuities	-159.4	-163.6	-170.5	4.2%	7.0%
D&S	-12.2	0.3	-1.2	n.m.	-89.8%
Individual Life	-1.2	-1.6	-1.4	-13.9%	19.8%
Retail Insurance	-16.7	-17.9	-14.0	-21.8%	-16.1%
<b>Net claims and benefits incurred</b>	<b>-189.5</b>	<b>-182.9</b>	<b>-187.2</b>	<b>2.3%</b>	<b>-1.2%</b>

Net claims and benefits incurred reached S/ 187.2 million in 4Q19, an increase of S/ 4.3 million QoQ and a decrease of S/ 2.3 million YoY.

The quarterly growth was mainly the result of a S/ 6.9 million increase in annuity benefits, partially offset by a S/ 3.9 million reduction in retail insurance, attributable to lower claims in credit life insurance.

The annual reduction in net claims and benefits incurred was explained by decreases of S/ 11.0 million in disability and survivorship claims, associated with the expiration of Seguros Sura's disability and survivorship contract in December 2018, and S/ 2.7 million in retail insurance, partially offset by a S/ 11.1 million growth in annuity benefits.

## OTHER EXPENSES

Other Expenses					
S/ million	4Q18	3Q19	4Q19	%chg QoQ	%chg YoY
Salaries and employee benefits	-19.7	-17.9	-19.7	9.8%	-0.3%
Administrative expenses	-14.4	-13.9	-15.7	13.4%	8.9%
Depreciation and amortization	-5.0	-4.8	-5.7	19.3%	14.5%
Expenses related to rental income	-1.5	-1.1	-1.1	0.6%	-24.1%
Other	-32.6	-37.1	-36.7	-1.2%	12.6%
<b>Other expenses</b>	<b>-73.2</b>	<b>-74.8</b>	<b>-78.9</b>	<b>5.5%</b>	<b>7.8%</b>

Other expenses increased S/ 4.1 million QoQ, or 5.5%, and S/ 5.7 million YoY, or 7.8%.

The quarterly growth was explained by increases of S/ 1.8 million, both in salaries and employee benefits and administrative expenses.

The annual increase in other expenses was mainly due to growth of S/ 4.1 million in other expenses such as third-party commissions, S/ 1.3 million in administrative expenses and S/ 0.7 million in depreciation and amortization.

## Inteligo

### SUMMARY

#### 2019 Performance

Inteligo's profits reached S/ 200.3 million in 2019, a S/ 2.7 million, or 1.4%, increase compared to the previous year. This result was mainly attributable to a 75.8% increase in other income due to improved market conditions by year-end, partially offset by higher other expenses.

It is worth noting that figures for 2018 and 2017 have been restated to reflect the incorporation of Interfondos in early 2019.

On the commercial front, Inteligo's prospection process showed good results in terms of new account openings. Accordingly, Inteligo's AUM increased 4.3% in 2019.

Inteligo's ROAE was 24.7% in 2019, below the 25.7% reported in 2018.

Wealth Management Segment's P&L Statement					
S/ million	2017	2018	2019	%chg 19/18	%chg 18/17
Interest and similar income	151.8	154.1	168.0	9.0%	1.5%
Interest and similar expenses	-53.9	-44.1	-61.5	39.4%	-18.1%
<b>Net interest and similar income</b>	<b>97.9</b>	<b>110.0</b>	<b>106.5</b>	<b>-3.2%</b>	<b>12.3%</b>
Impairment loss on loans, net of recoveries	2.5	0.8	0.0	n.m.	-69.1%
Recovery (loss) due to impairment of financial investments	-15.3	1.8	-0.7	n.m.	n.m.
<b>Net interest and similar income after impairment loss</b>	<b>85.2</b>	<b>112.6</b>	<b>105.8</b>	<b>-6.0%</b>	<b>32.1%</b>
Fee income from financial services, net	152.0	164.2	164.3	0.1%	8.0%
Other income	76.7	33.2	58.4	75.8%	-56.7%
Other expenses	-111.7	-106.5	-123.3	15.8%	-4.6%
<b>Income before translation result and income tax</b>	<b>202.2</b>	<b>203.5</b>	<b>205.3</b>	<b>0.9%</b>	<b>0.6%</b>
Translation result	1.2	-0.2	1.4	n.m.	n.m.
Income tax	-4.3	-5.7	-6.4	12.1%	33.3%
<b>Profit for the period</b>	<b>199.2</b>	<b>197.5</b>	<b>200.3</b>	<b>1.4%</b>	<b>-0.8%</b>
<b>ROAE</b>	<b>26.7%</b>	<b>25.7%</b>	<b>24.7%</b>		
<b>Efficiency ratio</b>	<b>33.5%</b>	<b>35.2%</b>	<b>37.3%</b>		

Inteligo's net interest and similar income was S/ 106.5 million in 2019, a S/ 3.5 million, or 3.2%, decrease compared to 2018. This was mainly explained by a compression in spreads due to slightly higher rates paid to client deposits.

Net fee income from financial services was S/ 164.3 million, relatively stable compared to the year before.

Other income was S/ 58.4 million, a S/ 25.2 million or 75.8% increase mainly attributable to positive mark-to-market valuations on investments.

Other expenses increased S/ 16.8, or 15.8% for the period, mainly explained by the amortization of assets acquired as part of the Interfondos transaction and the constitution of Inteligo USA earlier in the year.

## 4Q19 Performance

Inteligo's net profit in 4Q19 was \$/ 69.6 million, a \$/ 50.7 million or more than threefold increase QoQ, and a \$/ 24.6 million or 54.6% increase YoY.

The main driver of growth in profits was the contribution of other income, which reflected strong gains in 4Q19 associated with positive mark-to-market conditions in Inteligo's proprietary portfolio. A \$/ 5.7 million QoQ increase in fee income from financial services helped further the quarterly performance.

From a business development perspective, Inteligo's prospection process continued to show positive results in terms of new account openings and higher assets under management. Accordingly, Inteligo's AUM grew 1.4% QoQ and 4.3% YoY as of 4Q19.

As a consequence of these results, Inteligo's ROAE was 33.6% in 4Q19, better than the 9.7% registered in 3Q19 and the 22.9% reported in 4Q18.

Wealth Management Segment's P&L Statement					
\$/ million	4Q18	3Q19	4Q19	%chg QoQ	%chg YoY
Interest and similar income	42.1	42.5	41.0	-3.5%	-2.7%
Interest and similar expenses	-12.6	-15.9	-16.3	2.2%	29.5%
<b>Net interest and similar income</b>	<b>29.5</b>	<b>26.6</b>	<b>24.7</b>	<b>-6.9%</b>	<b>-16.3%</b>
Impairment loss on loans, net of recoveries	0.0	0.0	0.0	n.m.	85.2%
Recovery (loss) due to impairment of financial	-0.2	-0.5	0.0	-96.4%	-91.6%
<b>Net interest and similar income after impairment loss</b>	<b>29.3</b>	<b>26.1</b>	<b>24.7</b>	<b>-5.2%</b>	<b>-15.8%</b>
Fee income from financial services, net	41.6	41.3	47.0	13.8%	13.0%
Other income	4.5	-8.9	30.0	n.m.	n.m.
Other expenses	-28.7	-34.6	-33.2	-4.2%	15.5%
<b>Income before translation result and income tax</b>	<b>46.8</b>	<b>23.9</b>	<b>68.6</b>	<b>n.m.</b>	<b>46.6%</b>
Translation result	0.1	-3.2	2.3	n.m.	n.m.
Income tax	-1.8	-1.7	-1.3	-25.7%	-29.3%
<b>Profit for the period</b>	<b>45.0</b>	<b>18.9</b>	<b>69.6</b>	<b>n.m.</b>	<b>54.6%</b>
<b>ROAE</b>	<b>22.9%</b>	<b>9.7%</b>	<b>33.6%</b>		
<b>Efficiency ratio</b>	<b>37.7%</b>	<b>58.6%</b>	<b>32.4%</b>		

## ASSETS UNDER MANAGEMENT & DEPOSITS

AUM reached \$/ 18,340.6 million in 4Q19, a \$/ 253.8 million or 1.4% increase QoQ and a \$/ 747.9 million or 4.3% growth YoY; mostly due to new account openings, which generated an influx of funds resulting from strengthened prospection and client conversion strategies at Inteligo.

Client deposits reached \$/ 2,861.5 million in 4Q19, a \$/ 196.6 million or 6.4% decrease for the quarter, albeit increasing 9.7% or \$/ 252.8 million YoY. The annual growth was mainly related to funding obtained from new account openings.

## NET INTEREST AND SIMILAR INCOME

Net interest and similar income					
S/ million	4Q18	3Q19	4Q19	%chg QoQ	%chg YoY
<b>Interest and similar income</b>					
Due from banks and inter-bank funds	1.6	5.4	4.0	-25.4%	n.m.
Financial Investments	23.4	18.0	18.2	1.1%	-22.3%
Loans	17.1	19.1	18.8	-1.7%	9.7%
<b>Total interest and similar income</b>	<b>42.1</b>	<b>42.5</b>	<b>41.0</b>	<b>-3.5%</b>	<b>-2.7%</b>
<b>Interest and similar expenses</b>					
Deposits and obligations	-10.2	-13.5	-14.3	5.8%	39.2%
Due to banks and correspondents	-2.3	-2.4	-2.0	-18.1%	-13.7%
<b>Total interest and similar expenses</b>	<b>-12.6</b>	<b>-15.9</b>	<b>-16.3</b>	<b>2.2%</b>	<b>29.5%</b>
<b>Net interest and similar income</b>	<b>29.5</b>	<b>26.6</b>	<b>24.7</b>	<b>-6.9%</b>	<b>-16.3%</b>

Inteligo's net interest and similar income was S/ 24.7 million in 4Q19, a S/ 1.8 million or 6.9% decrease when compared with 3Q19. This was mainly explained by lower interest income associated with a reduced treasury position in the quarter.

Net interest and similar income decreased S/ 4.8 million or 16.3% YoY. This was a consequence of the higher cost of client deposits through the year.

## FEE INCOME FROM FINANCIAL SERVICES

Fee income from financial services, net					
S/ million	4Q18	3Q19	4Q19	%chg QoQ	%chg YoY
<b>Income</b>					
Brokerage and custody services	4.9	6.3	3.4	-46.1%	-31.1%
Funds management	37.5	35.4	44.0	24.4%	17.5%
<b>Total income</b>	<b>42.4</b>	<b>41.7</b>	<b>47.5</b>	<b>13.7%</b>	<b>11.8%</b>
<b>Expenses</b>					
Brokerage and custody services	-0.7	-0.3	-0.3	-21.7%	-65.2%
Others	-0.1	-0.1	-0.2	38.7%	n.m.
<b>Total expenses</b>	<b>-0.8</b>	<b>-0.4</b>	<b>-0.4</b>	<b>-6.3%</b>	<b>-49.3%</b>
<b>Fee income from financial services, net</b>	<b>41.6</b>	<b>41.3</b>	<b>47.0</b>	<b>13.8%</b>	<b>13.0%</b>

Net fee income from financial services was S/ 47.0 million in 4Q19, an increase of S/ 5.7 million or 13.8% when compared to the previous quarter. On a YoY basis, net fee income from financial services increased S/ 5.4 million or 13.0%. Growth in fee income was mainly explained by rebalancing activities implemented in client portfolios throughout the year, together with portfolio implementation strategies for new client funds and brokerage fees generated by go-to-market operations - primarily IPO's.

## OTHER INCOME

Other income					
S/ million	4Q18	3Q19	4Q19	%chg QoQ	%chg YoY
Net gain on sale of financial investments	9.2	4.2	-0.2	n.m.	n.m.
Net trading gain (loss)	-3.1	-11.2	32.5	n.m.	n.m.
Other	-1.6	-1.9	-2.4	25.4%	47.4%
<b>Total other income</b>	<b>4.5</b>	<b>-8.9</b>	<b>30.0</b>	<b>n.m.</b>	<b>n.m.</b>

Inteligo's other income reached S/ 30.0 million in 4Q19, an increase of S/ 38.9 million QoQ and S/ 25.5 million YoY, attributable to positive mark-to-market valuations on Inteligo's proprietary portfolio during 4Q19.

## OTHER EXPENSES

Other expenses					
S/ million	4Q18	3Q19	4Q19	%chg QoQ	%chg YoY
Salaries and employee benefits	-15.0	-16.7	-17.8	6.7%	18.8%
Administrative expenses	-11.1	-10.5	-10.6	0.7%	-4.5%
Depreciation and amortization	-2.5	-7.4	-4.6	-37.7%	86.7%
Other	-0.2	0.0	-0.2	n.m.	-3.6%
<b>Total other expenses</b>	<b>-28.7</b>	<b>-34.6</b>	<b>-33.2</b>	<b>-4.2%</b>	<b>15.5%</b>
<b>Efficiency ratio</b>	<b>37.7%</b>	<b>58.6%</b>	<b>32.4%</b>		

Other expenses reached S/ 33.2 million in 4Q19, a decrease of S/ 1.4 million or 4.2% QoQ and an increase of S/ 4.5 million or 15.5% YoY. This was mainly related to the amortization of assets acquired as part of the Interfondos transaction.