

Intercorp Financial Services Inc. Third Quarter 2023 Earnings

Lima, Peru, November 08, 2023. Intercorp Financial Services Inc. (Lima Stock Exchange/NYSE: IFS) announced today its unaudited results for the third quarter 2023. These results are reported on a consolidated basis under IFRS in nominal Peruvian soles.

Intercorp Financial Services: 3Q23 earnings of S/ 195.2 mm impacted by CoR and investment results

- Total revenues grew 3.8% QoQ, banking NIM stable at 5.6%
- Deceleration in fees due to decreased level of activity
- Solid efficiency levels, IFS C/I ratio at 33.8%
- ROE impacted by CoR and investment results

Banking: 3Q23 profitability still affected by rising cost of risk in retail

- NIM remains stable at 5.6%, as rising funding costs offset increasing yields
- Tight management of expenses further improves efficiency ratio to 36.5% in 3Q23
- Contained NPLs and strong coverage despite high growth in provisions
- Increasing market shares with moderation in consumer loans

Insurance: 3Q23 earnings of S/ 35.5 million

- Negative translation result in 3Q23 spoiled an otherwise good quarterly performance in insurance income
- ROIP of 6.0% in 3Q23 was flat compared to 2Q23, but lower than the 7.9% registered in 3Q22
- Market leader in annuities with a 30.5% share in 3Q23
- For periods prior to 2023, a reconstruction of results appropriate to the first adoption of IFRS17 has been performed for comparative purposes

Wealth Management: Results affected by negative impacts on investment portfolio

- Investment income still impacted by market conditions
- Slight quarterly growth in fees from financial services
- AuM grew 6% QoQ

Payments: Resilient business activity

- Payments acquirer fees increased 4% QoQ and 8% YoY
- Number of affiliated merchants and transactional volumes continue to expand
- Share of e-commerce transactions within Izipay slightly grew from 16.6% to 16.9% YoY

Intercorp Financial Services

SUMMARY

Intercorp Financial Services' Statement of financial position ⁽¹⁾					
S/ million	09.30.22	06.30.23	09.30.23	%chg 09.30.23 06.30.23	%chg 09.30.23 09.30.22
Assets					
Cash and due from banks and inter-bank funds	12,941.6	11,159.1	11,106.4	-0.5%	-14.2%
Financial investments	24,899.4	25,561.1	25,484.2	-0.3%	2.3%
Loans, net of unearned interest	47,128.8	48,399.9	49,379.8	2.0%	4.8%
Impairment allowance for loans	-2,034.7	-2,173.8	-2,301.9	5.9%	13.1%
Property, furniture and equipment, net	787.6	782.0	797.3	2.0%	1.2%
Other assets	4,982.9	4,609.3	4,893.3	6.2%	-1.8%
Total assets	88,705.6	88,337.6	89,359.0	1.2%	0.7%
Liabilities and equity					
Deposits and obligations	49,279.7	48,734.6	49,074.9	0.7%	-0.4%
Due to banks and correspondents and inter-bank funds	8,510.7	9,484.8	9,972.2	5.1%	17.2%
Bonds, notes and other obligations	8,192.9	5,620.8	5,845.9	4.0%	-28.6%
Insurance contract liabilities	10,535.0	11,935.2	11,564.2	-3.1%	9.8%
Other liabilities	3,162.7	3,171.0	3,268.5	3.1%	3.3%
Total liabilities	79,681.0	78,946.4	79,725.7	1.0%	0.1%
Equity, net					
Equity attributable to IFS' shareholders	8,974.2	9,336.8	9,577.5	2.6%	6.7%
Non-controlling interest	50.5	54.4	55.9	2.7%	10.7%
Total equity, net	9,024.6	9,391.1	9,633.3	2.6%	6.7%
Total liabilities and equity net	88,705.6	88,337.6	89,359.0	1.2%	0.7%

(1) Figures as of 09.30.22 have been re-expressed for comparison purposes due to IFRS17 adoption.

Intercorp Financial Services' net profit was S/ 195.2 million in 3Q23, representing a decrease of S/ 135.8 million QoQ, or 41.0%, and S/ 371.6 million YoY, or 65.6%.

It is worth mentioning that IFS' results in 3Q22 were supported by extraordinary income of S/ 222.5 million from revaluation of Izipay's assets at IFS. Excluding such impact, profits would have resulted in S/ 344.3 million in 3Q22, resulting in a decrease of S/ 149.1 million YoY, or 43.3%.

IFS's annualized ROE was 8.2% in 3Q23, below the 14.3% registered in 2Q23 and the 25.9% reported in 3Q22. For a comparison basis, ROE would have resulted in 16.0% in 3Q22, when excluding the above-mentioned extraordinary income in such quarter.

Intercorp Financial Services' P&L statement ⁽¹⁾					
S/ million	3Q22	2Q23	3Q23	%chg QoQ	%chg YoY
Interest and similar income	1,547.1	1,808.3	1,849.0	2.2%	19.5%
Interest and similar expenses	-462.9	-645.1	-681.2	5.6%	47.2%
Net interest and similar income	1,084.3	1,163.3	1,167.8	0.4%	7.7%
Impairment loss on loans, net of recoveries	-209.6	-416.8	-581.2	39.4%	n.m.
Recovery (loss) due to impairment of financial investments	-6.9	1.1	3.8	n.m.	n.m.
Net interest and similar income after impairment loss	867.7	747.6	590.4	-21.0%	-32.0%
Fee income from financial services, net	316.3	298.9	290.5	-2.8%	-8.2%
Other income	306.4	85.0	105.3	23.8%	-65.6%
Insurance results	-51.3	-34.2	-28.8	-16.0%	-44.0%
Other expenses	-673.5	-690.3	-688.5	-0.3%	2.2%
Income before translation result and income tax	765.6	406.9	268.8	-33.9%	-64.9%
Translation result	-58.9	27.1	-42.7	n.m.	-27.5%
Income tax	-140.0	-103.0	-31.0	-70.0%	-77.9%
Profit for the period	566.8	331.0	195.2	-41.0%	-65.6%
Attributable to IFS' shareholders	564.1	329.0	193.8	-41.1%	-65.7%
EPS	4.89	2.85	1.69		
ROE	25.9%	14.3%	8.2%		
ROA	2.6%	1.5%	0.9%		
Efficiency ratio	31.2%	35.1%	33.8%		

(1) Figures for 3Q22 have been re-expressed for comparison purposes due to IFRS17 adoption.

Quarter-on-quarter performance

Profits decreased S/ 135.8 million QoQ, or 41.0%, mainly due to a S/ 164.4 million increase in impairment loss on loans, net of recoveries, together with an S/ 8.4 million decrease in net fee income from financial services, and a negative performance in translation result. These factors were partially offset by a S/ 20.3 million increase in other income, a S/ 5.4 million improvement in insurance results, a S/ 4.5 million increase in net interest and similar income, and a S/ 1.8 million decrease in other expenses.

Impairment loss on loans, net of recoveries, increased S/ 164.4 million QoQ, or 39.4%, explained by higher provision requirements in both retail and commercial loan portfolios of our Banking business.

Net fee income from financial services decreased S/ 8.4 million QoQ, or 2.8%, mainly attributed to lower commissions from banking services and collection services, as well as higher fees paid to foreign banks in our Banking business.

Other income increased S/ 20.3 million QoQ, or 23.8%, mainly explained by a base effect related to a negative performance at the holding company level in 2Q23, as well as positive developments in valuation gain from investment property, and in net gain on sale of financial investments in our Insurance business. This was partially compensated by a mark-to-market loss on proprietary portfolio investments in our Wealth Management business, in turn attributable to negative global market trends, in addition to lower net gain on foreign exchange transactions and on financial assets at fair value through profit or loss in our Banking business.

Insurance results improved \$/ 5.4 million QoQ, as a result of higher insurance income from individual life, partially offset by higher insurance expenses in annuities.

Net interest and similar income slightly increased \$/ 4.5 million QoQ, or 0.4%, mainly due to higher average yields on all components of interest-earning assets in our Banking business, partially offset by a reduction in interest income in our Wealth Management business, in turn explained by lower dividends received from proprietary portfolio investments and lower levels of excess liquidity during the quarter.

Other expenses slightly decreased QoQ, mainly as a result of tight management of expenses in our Banking business.

Year-on-year performance

Profits decreased \$/ 371.6 million YoY, or 65.6%, mainly due to an increase of \$/ 371.6 million in impairment loss on loans, net of recoveries, in addition to a \$/ 201.1 million reduction in other income, a \$/ 25.8 million decrease in net fee income from financial services, and \$/ 15.0 million higher other expenses. These factors were partially offset by an \$/ 83.5 million increase in net interest and similar income, and a \$/ 22.5 million improvement in insurance results.

Impairment loss on loans, net of recoveries increased \$/ 371.6 million YoY, or more than two-fold, due to higher requirements in both retail and commercial loan portfolios of our Banking business.

Other income decreased \$/ 201.1 million YoY, or 65.6%, explained by the base effect of extraordinary income for \$/ 222.5 million registered in 3Q22, from revaluation of Izipay's assets at IFS.

Net fee income from financial services declined \$/ 25.8 million YoY, or 8.2%, mainly attributed to lower commissions from banking services, commissions from credit card services, and fees from collection services and indirect loans in our Banking business.

Other expenses grew \$/ 15.0 million YoY, or 2.2%, mainly due to higher salaries and administrative expenses in our Insurance business, as well as increased administrative expenses associated with higher customer acquisition and higher depreciation charges as a result of growth in the operations in our Payments business.

Net interest and similar income increased \$/ 83.5 million YoY, or 7.7%, mainly explained by higher interest income and yields across all components of interest-earning assets in our Banking business, partially offset by lower interest income in our Insurance business, in turn attributed to a decrease in inflation-linked returns, as well as in our Wealth Management business, related to higher interest expense on deposits, which was attributed to the increases in the reference interest rate of the FED.

Insurance results improved \$/ 22.5 million YoY, as a result of higher insurance income which more than offset higher insurance expense.

CONTRIBUTION BY SEGMENTS

The following table shows the contribution of Banking, Insurance, Wealth Management and Payments businesses to Intercorp Financial Services' net profit. The performance of each of the four segments is discussed in detail in the following sections.

Intercorp Financial Services' Profit by business ⁽¹⁾					
S/ million	3Q22	2Q23	3Q23	%chg QoQ	%chg YoY
Banking	365.6	274.4	196.2	-28.5%	-46.3%
Insurance	53.8	87.9	35.5	-59.6%	-34.1%
Wealth Management	-41.0	21.5	-17.7	n.m.	-56.9%
Payments	11.7	9.4	7.4	-21.2%	-36.7%
Corporate and eliminations	176.7	-62.1	-26.3	-57.7%	n.m.
IFS profit for the period	566.8	331.0	195.2	-41.0%	-65.6%

(1) Figures for 3Q22 have been re-expressed for comparison purposes due to IFRS17 adoption.

Interbank

SUMMARY

Interbank's profits were S/ 196.2 million in 3Q23, a decrease of S/ 78.2 million QoQ, or 28.5%, and S/ 169.4 million YoY, or 46.3%. The quarterly performance was mainly attributed to an increase of S/ 164.3 million in impairment loss on loans, net of recoveries, as well as reductions of S/ 9.4 million in net fee income from financial services and S/ 5.8 million in other income. These factors were partially offset by an increase of S/ 11.0 million in net interest and similar income, as well as a reduction of S/ 7.0 million in other expenses, together with a positive development in translation result.

The annual performance in net profit was mainly explained by an increase of S/ 371.6 million in impairment loss on loans, net of recoveries, in addition to reductions of S/ 14.3 million in net fee income from financial services and S/ 5.5 million in translation result. These effects were partially compensated by an increase of S/ 121.5 million in net interest and similar income.

Interbank's ROE was 10.2% in 3Q23, lower than the 14.8% reported in 2Q23 and the 21.4% registered in 3Q22.

Banking Segment's P&L Statement					
S/ million	3Q22	2Q23	3Q23	%chg QoQ	%chg YoY
Interest and similar income	1,260.6	1,544.5	1,590.9	3.0%	26.2%
Interest and similar expense	-418.6	-592.0	-627.3	6.0%	49.9%
Net interest and similar income	842.0	952.5	963.5	1.2%	14.4%
Impairment loss on loans, net of recoveries	-209.6	-416.9	-581.2	39.4%	n.m.
Recovery (loss) due to impairment of financial investments	-0.3	0.1	-0.0	n.m.	-83.3%
Net interest and similar income after impairment loss	632.1	535.8	382.3	-28.6%	-39.5%
Fee income from financial services, net	213.0	208.1	198.7	-4.5%	-6.7%
Other income	119.7	126.0	120.2	-4.6%	0.4%
Other expenses	-487.7	-497.5	-490.5	-1.4%	0.6%
Income before translation result and income tax	477.2	372.4	210.6	-43.5%	-55.9%
Translation result	12.3	-10.4	6.8	n.m.	-44.2%
Income tax	-123.9	-87.6	-21.2	-75.9%	-82.9%
Profit for the period	365.6	274.4	196.2	-28.5%	-46.3%
ROE	21.4%	14.8%	10.2%		
Efficiency ratio	40.1%	37.3%	36.5%		
NIM	5.0%	5.6%	5.6%		
NIM on loans	7.8%	8.6%	8.5%		

INTEREST-EARNING ASSETS

Interbank's interest-earning assets reached S/ 66,569.9 million as of September 30, 2023, an increase of 1.0% QoQ and 0.3% YoY.

The quarterly growth in interest-earning assets was explained by increases of 1.9% in loans and 0.9% in financial investments, partially offset by a 2.6% decrease in cash and due from banks and inter-bank funds.

The YoY increase in interest-earning assets was attributed to growth of 5.3% in loans, partially compensated by decreases of 14.0% in cash and due from banks and inter-bank funds, and 4.3% in financial investments.

Interest-earning assets					
S/ million	09.30.22	06.30.23	09.30.23	%chg 09.30.23 06.30.23	%chg 09.30.23 09.30.22
Cash and due from banks and inter-bank funds	11,144.2	9,837.3	9,579.5	-2.6%	-14.0%
Financial investments	12,025.9	11,409.5	11,508.2	0.9%	-4.3%
Loans	43,176.0	44,648.2	45,482.2	1.9%	5.3%
Total interest-earning assets	66,346.1	65,894.9	66,569.9	1.0%	0.3%

Loan portfolio					
S/ million	09.30.22	06.30.23	09.30.23	%chg 09.30.23 06.30.23	%chg 09.30.23 09.30.22
Performing loans					
Retail	22,405.6	25,057.7	25,186.0	0.5%	12.4%
Commercial	20,640.4	19,538.2	20,028.9	2.5%	-3.0%
Total performing loans	43,046.0	44,595.9	45,214.9	1.4%	5.0%
Restructured and refinanced loans	288.1	345.3	403.8	16.9%	40.2%
Past due loans	1,425.2	1,363.7	1,571.4	15.2%	10.3%
Total gross loans	44,759.3	46,304.9	47,190.1	1.9%	5.4%
Add (less)					
Accrued and deferred interest	451.1	516.9	593.9	14.9%	31.7%
Impairment allowance for loans	-2,034.3	-2,173.6	-2,301.7	5.9%	13.1%
Total direct loans, net	43,176.0	44,648.2	45,482.2	1.9%	5.3%

The evolution of performing loans continued to be affected by the disbursement and maturity or prepayment of commercial loans under the Reactiva Peru Program. As of September 30, 2023, these performing loans amounted S/ 773.2 million, compared to balances of S/ 1,031.2 million as of June 30, 2023 and S/ 2,657.3 million as of September 30, 2022.

Performing loans increased 1.4% QoQ, as commercial loans grew 2.5% while retail loans grew 0.5%. Moreover, excluding the effect of the Reactiva Peru Program in the comparing periods, total performing loans would have increased 2.0% and commercial loans would have grown 4.0%.

Commercial loans grew for the first quarter in a year, by 2.5% QoQ, as a result of higher working capital loans in the mid-sized segment, in addition to higher trade finance loans and leasing operations in the corporate segment. These factors were partially offset by lower working capital loans in the corporate segment and lower credit balances in the SME segment.

Retail loans grew 0.5% QoQ due to an increase of 1.6% in mortgages, partially offset by a decrease of 0.1% in consumer loans. Growth in mortgages resulted from higher dynamism in traditional and MiVivienda segments. The slight reduction in consumer loans was due to lower balances of personal loans and credit cards, partially compensated by higher balances of payroll deduction loans.

Performing loans grew 5.0% YoY explained by a 12.4% increase in retail loans, partially offset by a 3.0% reduction in commercial loans. Excluding the effect of the Reactiva

Peru Program in the comparing periods, performing loans and commercial loans would have increased 10.0% and 7.1% YoY, respectively.

The YoY growth in retail loans was due to increases of 16.6% in consumer loans and 6.0% in mortgages. Growth in consumer loans resulted from higher balances of cash loans and vehicle loans, payroll deduction loans and credit cards.

The annual reduction in commercial loans was mainly explained by lower balances of Reactiva Peru loans, particularly lower working capital loans in the mid and small-sized segments, as well as lower trade finance loans in the corporate segment. These effects were partially compensated by higher balances of leasing operations and working capital loans in the corporate segment.

As of 3Q23, 2Q23 and 3Q22, Interbank's rescheduled portfolio of Reactiva Peru loans amounted to S/ 896.0 million, S/ 1,075.0 million and S/ 1,707.3 million, respectively, representing 94.7% of total balances of Reactiva Peru loans in 3Q23, 87.3% in 2Q23 and 58.1% in 3Q22.

It is worth mentioning that these loans are guaranteed in large part by the Peruvian government. As of September 30, 2023, Interbank activated the guarantee coverage for an amount of S/ 774.7 million.

Breakdown of retail loans					
S/ million	09.30.22	06.30.23	09.30.23	%chg 09.30.23 06.30.23	%chg 09.30.23 09.30.22
Consumer loans:					
Credit cards & other loans	8,998.9	10,778.9	10,599.6	-1.7%	17.8%
Payroll deduction loans ⁽¹⁾	4,529.1	5,011.3	5,172.5	3.2%	14.2%
Total consumer loans	13,528.0	15,790.3	15,772.1	-0.1%	16.6%
Mortgages	8,877.6	9,267.4	9,413.9	1.6%	6.0%
Total retail loans	22,405.6	25,057.7	25,186.0	0.5%	12.4%

(1) Payroll deduction loans to public sector employees.

FUNDING STRUCTURE

Funding structure					
S/ million	09.30.22	06.30.23	09.30.23	%chg 09.30.23 06.30.23	%chg 09.30.23 09.30.22
Deposits and obligations	45,493.7	45,623.2	45,652.6	0.1%	0.3%
Due to banks and correspondents and inter-bank funds	7,925.8	9,100.5	9,522.5	4.6%	20.1%
Bonds, notes and other obligations	6,790.9	4,351.0	4,508.6	3.6%	-33.6%
Total	60,210.4	59,074.7	59,683.8	1.0%	-0.9%
% of funding					
Deposits and obligations	75.6%	77.2%	76.4%		
Due to banks and correspondents and inter-bank funds	13.1%	15.4%	16.0%		
Bonds, notes and other obligations	11.3%	7.4%	7.6%		

Interbank's funding base was still influenced by the funds provided by the Central Bank, associated with the bank's involvement in the Reactiva Peru Program. As of September

30, 2023, the balance of such special funding was S/ 690.2 million, compared to S/ 928.9 million as of June 30, 2023 and S/ 2,598.7 million as of September 30, 2022.

The bank's total funding base increased 1.0% QoQ, equal to growth of interest-earning assets. This was explained by increases of 4.6% in due to banks and correspondents and inter-bank funds, 3.6% in bonds, notes and other obligations, and 0.1% in deposits and obligations. Excluding the effect of the Reactiva Peru Program's funds, the bank's total funding base would have increased 1.5% QoQ, while due to banks and correspondents and inter-bank funds would have grown 8.1%.

The quarterly increase in due to banks and correspondents and inter-bank funds was mainly the result of higher short-term funding provided by correspondent banks abroad, as well as short-term inter-bank operations. These factors were partially compensated by lower long-term funding provided by the Central Bank and COFIDE.

The QoQ increase in bonds, notes and other obligations was mainly attributable to a higher exchange rate over the balances of dollar-denominated bonds.

The slight quarterly growth in deposits and obligations was mainly due to an increase of 2.9% in retail deposits, partially offset by decreases of 7.2% in institutional deposits and 1.5% in commercial deposits.

The bank's total funding base decreased 0.9% YoY, compared to the 0.3% increase of interest-earning assets. This was explained by a reduction of 33.6% in bonds, notes and other obligations, partially offset by increases of 20.1% in due to banks and correspondents and inter-bank funds, and 0.3% in deposits and obligations. Excluding the effect of the Reactiva Peru Program's funds, the bank's total funding base and due to banks and correspondents and inter-bank funds would have increased 2.4% and 65.8% YoY, respectively.

The yearly decrease in bonds, notes and other obligations was due to the maturity and cancellation of senior unsecured bonds in the international market for US\$ 485.0 million, as well as subordinated bonds in the local market for S/ 150.0 million, both in January 2023.

The YoY growth in due to banks and correspondents and inter-bank funds was mainly the result of higher funding provided by correspondent banks, as well as inter-bank funds and funding from COFIDE. These effects were partially compensated by lower funding provided by the Central Bank.

The annual increase in deposits and obligations was mainly attributable to growth of 28.0% in institutional deposits and 1.5% in retail deposits, partially offset by a reduction of 11.4% in commercial deposits.

As of September 30, 2023, the proportion of deposits and obligations to total funding was 76.4%, higher than the 75.6% reported as of September 30, 2022. Likewise, the proportion of institutional deposits to total deposits grew from 11.3% as of September 30, 2022 to 14.4% as of September 30, 2023.

Breakdown of deposits					
S/ million	09.30.22	06.30.23	09.30.23	%chg 09.30.23 06.30.23	%chg 09.30.23 09.30.22
By customer service:					
Retail	23,726.1	23,406.1	24,079.9	2.9%	1.5%
Commercial	16,278.2	14,635.9	14,420.9	-1.5%	-11.4%
Institutional	5,119.7	7,065.2	6,553.5	-7.2%	28.0%
Other	369.6	515.9	598.3	16.0%	61.9%
Total	45,493.7	45,623.2	45,652.6	0.1%	0.3%
By type:					
Demand	13,688.9	11,664.5	12,458.8	6.8%	-9.0%
Savings	21,331.5	18,201.1	16,854.2	-7.4%	-21.0%
Time	10,459.2	15,751.5	16,324.7	3.6%	56.1%
Other	14.1	6.2	14.9	n.m.	6.0%
Total	45,493.7	45,623.2	45,652.6	0.1%	0.3%

NET INTEREST AND SIMILAR INCOME

Net interest and similar income					
S/ million	3Q22	2Q23	3Q23	%chg QoQ	%chg YoY
Interest and similar income	1,260.6	1,544.5	1,590.9	3.0%	26.2%
Interest and similar expense	-418.6	-592.0	-627.3	6.0%	49.9%
Net interest and similar income	842.0	952.5	963.5	1.2%	14.4%
NIM	5.0%	5.6%	5.6%	0 bps	60 bps

Interest and similar income					
S/ million	3Q22	2Q23	3Q23	%chg QoQ	%chg YoY
Interest and similar income					
Due from banks and inter-bank funds	41.3	82.4	80.1	-2.9%	93.8%
Financial investments	122.1	124.0	136.4	10.0%	11.7%
Loans	1,097.2	1,338.1	1,374.4	2.7%	25.3%
Total Interest and similar income	1,260.6	1,544.5	1,590.9	3.0%	26.2%
Average interest-earning assets	66,922.4	67,860.5	68,470.1	0.9%	2.3%
Average yield on assets (annualized)	7.5%	9.1%	9.3%	20 bps	180 bps

Interest and similar expense					
S/ million	3Q22	2Q23	3Q23	%chg QoQ	%chg YoY
Interest and similar expense					
Deposits and obligations	-269.8	-412.7	-435.9	5.6%	61.6%
Due to banks and correspondents and inter-bank funds	-57.6	-117.2	-129.0	10.1%	n.m.
Bonds, notes and other obligations	-91.2	-62.1	-62.5	0.5%	-31.5%
Total Interest and similar expense	-418.6	-592.0	-627.3	6.0%	49.9%
Average interest-bearing liabilities	58,946.8	58,823.3	59,379.2	0.9%	0.7%
Average cost of funding (annualized)	2.8%	4.0%	4.2%	20 bps	140 bps

QoQ Performance

Net interest and similar income grew 1.2% QoQ due to a 3.0% increase in interest and similar income, partially compensated by 6.0% growth in interest and similar expense.

The higher interest and similar income was attributed to increases of 10.0% in interest on financial investments and 2.7% in interest on loans, partially offset by a 2.9% reduction in interest on due from banks and inter-bank funds.

Interest on financial investments grew \$/ 12.4 million QoQ, or 10.0%, due to increases of 30 basis points in the average yield, from 4.5% in 2Q23 to 4.8% in 3Q23, and 3.5% in the average volume.

Interest on loans increased \$/ 36.3 million QoQ, or 2.7%, as the result of 1.8% growth in the average loan portfolio, in addition to a 10 basis point increase in the average yield.

The higher average volume of loans was attributed to growth of 2.2% in retail loans and 1.1% in commercial loans. In the retail portfolio, average volumes increased 2.6% in consumer loans and 1.6% in mortgages. In the commercial portfolio, average volumes increased 9.7% in leasing operations and 1.4% in trade finance loans, partially compensated by a 1.4% decrease in working capital loans.

The higher average rate on loans, from 11.5% in 2Q23 to 11.6% in 3Q23, was the result of a 20 basis point increase in commercial loans, while the average yield in retail loans remained stable.

Contrary to the performance of interest on investments and loans, interest on due from banks and inter-bank funds declined \$/ 2.3 million QoQ, or 2.9%, explained by a 6.0% reduction in the average volume, despite a 10 basis point increase in the nominal average rate, from 3.2% in 2Q23 to 3.3% in 3Q23.

The nominal average yield on interest-earning assets increased 20 basis points QoQ, from 9.1% in 2Q23 to 9.3% in 3Q23, in line with the higher returns on all components of interest-earning assets.

The higher interest and similar expense was due to increases of 10.1% in interest on due to banks and correspondents, 5.6% in interest on deposits and obligations, and 0.5% in interest on bonds, notes and other obligations.

Interest on due to banks and correspondents increased \$/ 11.8 million QoQ, or 10.1%, explained by a 9.9% increase in the average volume, while the average cost remained stable at 5.5%. The higher average volume was explained by higher funds provided by correspondent banks abroad and COFIDE, partially compensated by lower funding from the Central Bank.

The quarterly growth in interest on deposits and obligations was due to a 20 basis point increase in the average cost, from 3.6% in 2Q23 to 3.8% in 3Q23, partially offset by a 0.6% decrease in the average volume. The increase in the average cost was due to higher rates paid to retail and commercial deposits, partially compensated by lower rates paid to institutional deposits. By currency, average balances of soles-denominated deposits grew 0.1%, while average dollar-denominated deposits decreased 2.1%.

The increase in interest on bonds, notes and other obligations was mostly attributed to a 0.4% higher average volume, associated with the performance of the foreign exchange rate, while the average cost remained stable at 5.6%.

The average cost of funding increased 20 basis points, from 4.0% in 2Q23 to 4.2% in 3Q23, as a consequence of the higher cost of deposits and obligations which represent the large majority of interest-bearing liabilities.

As a result of similar increases in the yield on financial assets and the cost of financial liabilities, net interest margin remained flat QoQ, at 5.6% in 3Q23.

YoY Performance

Net interest and similar income grew 14.4% YoY due to a 26.2% increase in interest and similar income, partially offset by growth of 49.9% in interest and similar expense.

The higher interest and similar income was due to increases of 93.8% in interest on due from banks and inter-bank funds, 25.3% in interest on loans and 11.7% in interest on financial investments.

Interest on due from banks and inter-bank funds grew S/ 38.8 million YoY, or 93.8%, explained by growth of 180 basis points in the average yield, from 1.5% in 3Q22 to 3.3% in 3Q23, despite an 11.0% reduction in the average volume, mostly due to lower deposits at the Central Bank.

Interest on loans increased S/ 277.2 million YoY, or 25.3%, explained by growth of 180 basis points in the average yield and 5.7% in the average volume.

The increase in the average rate on loans, from 9.8% in 3Q22 to 11.6% in 3Q23, was mainly due to higher yields on commercial, consumer and mortgage loans to a lesser extent.

The higher average volume of loans was attributed to growth of 14.0% in retail loans, partially offset by a 6.7% reduction in commercial loans. In the retail portfolio, average volumes grew due to increases of 18.8% in consumer loans and 6.4% in mortgages. In the commercial portfolio, the lower average volume was mainly attributed to decreasing volumes in trade finance and working capital loans, partially offset by higher leasing operations.

Interest on financial investments increased S/ 14.3 million YoY, or 11.7%, due to growth of 50 basis points in the average yield and 1.6% in the average volume. The increase in the nominal average rate, from 4.3% in 3Q22 to 4.8% in 3Q23, was the result of higher returns on CDBCR and corporate bonds. Growth in the average volume was the result of higher balances of sovereign bonds and CDBCR, partially compensated by lower average volumes of corporate bonds and global bonds.

The nominal average yield on interest-earning assets increased 180 basis points, from 7.5% in 3Q22 to 9.3% in 3Q23, in line with the higher returns on all components of interest-earning assets.

The higher interest and similar expense was due to increases of more than two-fold in interest on due to banks and correspondents, 61.6% in interest on deposits and obligations, while interest on bonds, notes and other obligations decreased 31.5%.

Interest on due to banks and correspondents grew S/ 71.4 million YoY, or more than two-fold, as the result of a 250 basis point increase in the average cost, from 3.0% in 3Q22 to 5.5% in 3Q23, in addition to 20.4% growth in the average volume. The increase in the average cost was due to higher rates paid to funds from correspondent banks abroad and the Central Bank. The higher average volume was explained by increased funding from correspondent banks abroad and COFIDE.

Interest on deposits and obligations increased S/ 166.1 million YoY, or 61.6%, explained by a 140 basis point growth in the average cost, from 2.4% in 3Q22 to 3.8% in 3Q23, in addition to a 2.5% increase in the average volume. By currency, average balances of soles-denominated deposits grew 4.4% while average dollar-denominated deposits decreased 1.0%.

The lower interest on bonds, notes and other obligations was mainly explained by a 33.7% decrease in the average volume, attributable to the maturity of S/ 137.9 million subordinated bonds in the local market in mid-2022, as well as US\$ 485.0 million senior bonds in the international market and S/ 150.0 million subordinated bonds in the local market, both in early 2023.

The average cost of funding increased 140 basis points, from 2.8% in 3Q22 to 4.2% in 3Q23, as a consequence of the higher implicit cost of due to banks and correspondents, as well as deposits.

As a result of the above, net interest margin was 5.6% in 3Q23, 60 basis points higher than the 5.0% reported in 3Q22.

IMPAIRMENT LOSS ON LOANS, NET OF RECOVERIES

Impairment loss on loans, net of recoveries increased 39.4% QoQ and more than two-fold YoY.

The quarterly growth was explained by higher provision requirements in both retail and commercial loan portfolios. In the retail portfolio, increase in provisions was mainly driven by higher requirements in personal loans and credit cards. In the commercial portfolio, the increase was mainly due to higher provision requirements in the corporate segment.

The annual increase in provisions was explained by higher provision requirements in both retail and commercial loan portfolios. Higher requirements in the retail loan book were mostly related to personal loans and credit cards. The increase in the commercial portfolio was mainly driven by higher provision requirements in the mid-sized segment.

As a result of the above, the annualized ratio of impairment loss on loans to average loans was 5.0% in 3Q23, higher than the 3.6% and 1.9% reported in 2Q23 and 3Q22, respectively.

Impairment loss on loans, net of recoveries					
S/ million	3Q22	2Q23	3Q23	%chg QoQ	%chg YoY
Impairment loss on loans, net of recoveries	-209.6	-416.9	-581.2	39.4%	n.m.
Impairment loss on loans/average gross loans	1.9%	3.6%	5.0%	140 bps	310 bps
S3 NPL ratio (at end of period)	2.5%	2.7%	3.1%	40 bps	60 bps
S3 NPL coverage ratio (at end of period)	182.4%	173.0%	160.6%	-1240 bps	-2180 bps
Impairment allowance for loans	2,034.3	2,173.6	2,301.7	5.9%	13.1%

The Stage 3 NPL ratio increased 40 basis points QoQ and 60 basis points YoY, to 3.1% in 3Q23. The quarterly deterioration was due to a 60 basis point increase in the retail NPL ratio, slightly offset by a 10 basis point reduction in the commercial NPL ratio. The higher Stage 3 NPL ratio YoY was explained by a 60 basis point increase in commercial loans' NPL, as well as a 40 basis point increase in retail loans' NPL.

Furthermore, the S3 NPL coverage ratio was 160.6% as of September 30, 2023, lower than the 173.0% registered as of June 30, 2023 and the 182.4% reported as of September 30, 2022. Still, it represented healthy coverage levels of impairment allowance for loans.

FEE INCOME FROM FINANCIAL SERVICES, NET

Net fee income from financial services decreased S/ 9.4 million QoQ, or 4.5%, mainly explained by lower commissions from banking services and collection services, as well as higher fees paid to foreign banks. These factors were partially offset by higher fees from maintenance and mailing of accounts, transfer fees and commissions on debit card services, commissions from credit card services, fees from indirect loans, and lower expenses related to insurance sales.

Net fee income from financial services decreased S/ 14.3 million YoY, or 6.7%, mainly due to lower commissions from banking services, commissions from credit card services, and fees from collection services and indirect loans. These effects were partially compensated by lower expenses related to insurance and higher fees from maintenance and mailing of accounts, transfer fees and commissions on debit card services.

Fee income from financial services, net					
S/ million	3Q22	2Q23	3Q23	%chg QoQ	%chg YoY
Income					
Commissions from credit card services	116.6	112.3	114.4	1.8%	-1.9%
Commissions from banking services	80.1	83.5	77.9	-6.7%	-2.8%
Maintenance and mailing of accounts, transfer fees and commissions on debit card services	72.5	73.8	76.1	3.0%	4.8%
Fees from indirect loans	17.9	15.9	17.3	8.7%	-3.5%
Collection services	15.7	15.9	14.2	-10.2%	-9.5%
Other	13.6	11.5	10.6	-7.9%	-21.9%
Total income	316.5	312.9	310.4	-0.8%	-1.9%
Expenses					
Insurance	-25.0	-21.3	-17.2	-19.0%	-31.0%
Fees paid to foreign banks	-6.9	-6.5	-6.9	6.2%	-0.4%
Other	-71.6	-77.1	-87.7	13.7%	22.4%
Total expenses	-103.5	-104.8	-111.8	6.6%	8.0%
Fee income from financial services, net	213.0	208.1	198.7	-4.5%	-6.7%

OTHER INCOME

Other income decreased S/ 5.8 million QoQ, mostly due to lower net gain on foreign exchange transactions and on financial assets at fair value through profit or loss.

Other income increased S/ 0.5 million YoY, mainly explained by the contribution of extraordinary concepts, and higher net gain on sale of financial investments, which more than offset a lower net gain on foreign exchange transactions and on financial assets at fair value through profit or loss.

Other income					
S/ million	3Q22	2Q23	3Q23	%chg QoQ	%chg YoY
Net gain on foreign exchange transactions and on financial assets at fair value through profit or loss	104.9	99.4	95.1 ⁽¹⁾	-4.3%	-9.3%
Net gain on sale of financial investments	-0.1	-0.0	1.0	n.m.	n.m.
Other	14.9	26.6	24.0	-9.6%	61.4%
Total other income	119.7	126.0	120.2	-4.6%	0.4%

(1) Includes S/ 82.1 million of net gain on foreign exchange transactions and S/ 13.0 million of net gain (loss) on financial assets at fair value through profit or loss (derivatives).

OTHER EXPENSES

Other expenses decreased S/ 7.0 million QoQ, or 1.4%, and increased S/ 2.8 million YoY, or 0.6%.

The quarterly reduction in other expenses was explained by lower salaries and employee benefits, partially offset by higher depreciation and amortization charges.

The annual increase was the result of higher administrative expenses, as well as depreciation and amortization charges, partially compensated by lower salaries and employee benefits.

The efficiency ratio was 36.5% in 3Q23, an improvement compared to the 37.3% reported in 2Q23 and the 40.1% registered in 3Q22.

Other expenses					
S/ million	3Q22	2Q23	3Q23	%chg QoQ	%chg YoY
Salaries and employee benefits	-166.9	-163.5	-149.4	-8.6%	-10.5%
Administrative expenses	-239.9	-250.1	-250.1	0.0%	4.3%
Depreciation and amortization	-63.7	-66.8	-69.0	3.2%	8.2%
Other	-17.1	-17.1	-22.0	28.9%	28.4%
Total other expenses	-487.7	-497.5	-490.5	-1.4%	0.6%
Efficiency ratio	40.1%	37.3%	36.5%	-80 bps	-360 bps

REGULATORY CAPITAL

The ratio of regulatory capital to risk-weighted assets (RWA) was 15.0% as of September 30, 2023, slightly below the 15.2% reported both as of June 30, 2023 and as of September 30, 2022.

In 3Q23, risk-weighted assets (APR) increased 3.1% QoQ due to higher capital requirements for credit risk, operational risk and market risk. The higher RWA for credit risk were attributed to higher RWA for loans, due to an increase in these, as well as higher RWA for other assets and financial investments.

Total regulatory capital increased 1.8% QoQ, mainly attributed to the increase in profits for the year, mitigated by a higher unrealized loss (UL) of available for sale investments, when compared with 2Q23.

The annual performance in the total capital ratio was due to a 2.7% increase in RWA, partially offset by 1.5% growth in regulatory capital. The increase in RWA was due to higher capital requirements for credit risk, operational risk and market risk in a lesser extent. The additional capital requirements for credit risk was due to higher RWA for loans, due to an increase in these, partially offset by lower RWA for other assets and financial investments.

The YoY performance in regulatory capital was mainly a result of the additional capitalization of 2022 results and profits for the period. These effects were partially offset by a higher UL when compared to 3Q22, as well as a lower capital treatment of local subordinated debt and the deduction of intangible assets, due to the implementation of the new SBS regulation on solvency.

Also, it is worth mentioning that, in December 2022, the SBS issued the Official Document No. 03952-2022, by which it established that, from March 1, 2023, the minimum regulatory capital ratio requirement would remain at 8.5% and would follow an adequation schedule until March 2024, date in which the minimum regulatory capital ratio requirement will reach 10.0%. However, in June 2023, the SBS issued a modification of the resolution published in December 2022, by which it modifies the adequation schedule until September 2024, new date in which the minimum regulatory capital ratio requirement will reach 10.0%.

As of September 30, 2023, Interbank's total capital ratio of 15.0% was significantly higher than the global requirement plus buffers and capital assigned to cover additional risks, by disposition of the SBS. The minimum regulatory requirement was 9.0% as of September 30, 2023. Additionally, Core Equity Tier 1 (CET1) was 11.2% under the new methodology required by the SBS, compared to the 11.4% registered as of June 30, 2023 and the 11.6% reported as of September 30, 2022, the latter being calculated under the previous methodology. It is important to mention that, under the new SBS regulation, CET1 is the main component of the Tier I capital ratio.

S/ million	Regulatory capital			%chg	
	09.30.22	06.30.23	09.30.23	09.30.23 06.30.23	09.30.23 09.30.22
Tier I capital	6,639.5	7,112.5	7,195.9	1.2%	8.4%
Tier II capital	2,873.0	2,375.2	2,460.5	3.6%	-14.4%
Total regulatory capital	9,512.4	9,487.6	9,656.4	1.8%	1.5%
Risk-weighted assets (RWA)	62,558.4	62,359.8	64,277.5	3.1%	2.7%
Total capital ratio	15.2%	15.2%	15.0%	-20 bps	-20 bps
Tier I capital / RWA	10.6%	11.4%	11.2%	-20 bps	60 bps
CET1⁽¹⁾	11.6%	11.4%	11.2%	-20 bps	-40 bps

(1) Under the new SBS regulation on solvency, in effect from January 1st, 2023 onwards, CET1 is part of the Total capital ratio, in line with Basel III guidelines.

Interseguro

SUMMARY

Interseguro adopted IFRS17 requirements starting January 1st, 2023. As permitted by this regulation, for periods prior to 2023, we hereby present a reconstruction of results appropriate to the first adoption of IFRS17 for comparative purposes.

Interseguro's profits reached S/ 35.5 million in 3Q23, which represented a decrease of S/ 52.4 million QoQ and S/ 18.3 million YoY.

The quarterly contraction was mainly due to a S/ 64.7 million negative reversion in translation result, partially offset by a S/ 5.5 million positive development in insurance results, as well as growth of S/ 3.7 million in other income and S/ 2.3 million in recovery due to impairment of financial investments.

The annual performance in net profit was mainly explained by decreases of S/ 28.3 million in net interest and similar income, and S/ 16.4 million in other income, in addition to S/ 18.3 million higher other expenses. However, these factors were partially offset by positive performances of S/ 22.6 million in insurance results and S/ 18.7 million in translation result, as well as a positive development of S/ 4.0 million in recovery due to impairment of financial investments.

As a result, Interseguro's ROE was 52.4% in 3Q23, lower than the 143.2% reported in 2Q23 and the 64.7% registered in 3Q22.

Insurance Segment's P&L Statement ⁽¹⁾					
S/ million	3Q22	2Q23	3Q23	%chg QoQ	%chg YoY
Interest and similar income	243.2	214.1	212.5	-0.7%	-12.6%
Interest and similar expenses	-31.1	-30.3	-28.7	-5.2%	-7.6%
Net Interest and similar income	212.1	183.7	183.8	0.0%	-13.4%
Recovery (loss) due to impairment of financial investments	-0.7	1.0	3.3	n.m.	n.m.
Net Interest and similar income after impairment loss	211.4	184.8	187.1	1.2%	-11.5%
Fee income from financial services, net	-2.0	-2.3	-2.5	9.8%	25.2%
Insurance results	-51.3	-34.2	-28.7	-16.0%	-44.0%
Other income	26.8	6.7	10.4	55.6%	-61.0%
Other expenses	-75.1	-94.5	-93.4	-1.1%	24.5%
Income before translation result and income tax	109.8	60.5	72.8	20.4%	-33.7%
Translation result	-56.0	27.4	-37.3	n.m.	-33.4%
Profit for the period	53.8	87.9	35.5	-59.6%	-34.1%
ROE	64.7%	143.2%	52.4%		
Efficiency ratio	6.9%	9.7%	9.2%		

(1) Figures for 3Q22 have been re-expressed for comparison purposes due to IFRS17 adoption.

RESULTS FROM INVESTMENTS

Results from Investments ⁽¹⁾					
S/ million	3Q22	2Q23	3Q23	%chg QoQ	%chg YoY
Interest and similar income	243.2	214.2	212.6	-0.7%	-12.6%
Interest and similar expenses	-18.7	-17.0	-24.9	46.5%	33.2%
Net interest and similar income	224.6	197.2	187.8	-4.8%	-16.4%
Recovery (loss) due to impairment of financial investments	-0.7	1.0	3.3	n.m.	n.m.
Net Interest and similar income after impairment loss	223.9	198.2	191.0	-3.6%	-14.7%
Net gain (loss) on sale of financial investments	-12.7	2.6	4.7	80.5%	n.m.
Net gain (loss) on financial assets at fair value through profit or loss	7.6	15.1	-47.6	n.m.	n.m.
Rental income	15.1	17.1	16.5	-3.4%	9.6%
Valuation gain (loss) from investment property	-0.2	-30.5	34.9	n.m.	n.m.
Other ⁽¹⁾	5.1	-4.2	0.5	n.m.	-90.2%
Other income	14.9	0.1	9.0	n.m.	-39.9%
Results from investments	238.8	198.3	200.0	0.9%	-16.3%

(1) Only includes transactions related to investments.

NET INTEREST AND SIMILAR INCOME

Net interest and similar income related to investments was S/ 187.8 million in 3Q23, a decrease of S/ 9.4 million QoQ, or 4.8%, and S/ 36.8 million YoY, or 16.4%.

The quarterly performance was mainly explained by an increase of S/ 7.9 million in interest and similar expenses, together with a reduction of S/ 1.6 million in interest and similar income, attributed to lower dividends registered in the last quarter.

The yearly decrease was mainly due to lower interest and similar income, caused by a downward trend in inflation rates.

RECOVERY (LOSS) DUE TO IMPAIRMENT OF FINANCIAL INVESTMENTS

Recovery due to impairment of financial investments was S/ 3.3 million in 3Q23, compared to S/ 1.0 million in 2Q23 and a loss of S/ -0.7 million in 3Q22.

OTHER INCOME

Other income related to investments was S/ 9.0 million in 3Q23, an increase of S/ 8.9 million QoQ, but a decrease of S/ 5.9 million YoY.

The quarterly increase was explained by positive performances in valuation gain from investment property, and in net gain on sale of financial investments, partially compensated by a negative development in net loss on financial assets at fair value.

The annual performance in other income was mainly due to a negative development in net loss on financial assets at fair value. This factor was partially offset by positive performances in valuation gain from investment property, and in net gain on sale of financial investments.

INSURANCE RESULTS

Insurance Results					
S/ million	3Q22	2Q23	3Q23	%chg QoQ	%chg YoY
Insurance Income	288.3	277.1	330.2	19.2%	14.5%
Insurance Expenses	-339.6	-311.3	-358.9	15.3%	5.7%
Insurance Results	-51.3	-34.2	-28.7	-16.0%	-44.0%

INSURANCE INCOME

Insurance Income					
S/ million	3Q22	2Q23	3Q23	%chg QoQ	%chg YoY
Annuities	193.7	185.2	189.5	2.3%	-2.2%
Individual Life	20.1	20.6	68.2	n.m.	n.m.
Retail Insurance	74.5	71.2	72.5	1.8%	-2.7%
Total Insurance Income	288.3	277.1	330.2	19.2%	14.5%

Insurance income was S/ 330.2 million in 3Q23, an increase of S/ 53.1 million QoQ, or 19.2%, and S/ 41.9 million YoY, or 14.5%.

The quarterly performance was mainly explained by growth of S/ 47.6 million in individual life and S/ 4.3 million in annuities.

The yearly increase was mainly explained by growth in individual life of S/ 48.1 million, partially offset by a S/ 4.2 million decrease in annuities.

INSURANCE EXPENSES

Insurance Expenses					
S/ million	3Q22	2Q23	3Q23	%chg QoQ	%chg YoY
Annuities	-356.6	-299.2	-340.6	13.8%	-4.5%
Individual Life	33.3	5.7	-15.8	n.m.	n.m.
Retail Insurance	-16.4	-17.8	-2.5	-85.9%	-84.7%
Total Insurance Expenses	-339.6	-311.3	-358.9	15.3%	5.7%

Insurance expenses were S/ 358.9 million in 3Q23, an increase of S/ 47.6 million QoQ, or 15.3%, and S/ 19.3 million YoY, or 5.7%.

The quarterly performance was mainly explained by higher expenses of S/ 41.4 million in annuities and S/ 21.5 million in individual life, partially offset by lower expenses of S/ 15.3 million in retail insurance.

The yearly increase was explained by higher expenses of S/ 49.1 million in individual life, partially offset by lower expenses of S/ 16.0 million in annuities and S/ 13.9 million in retail insurance.

OTHER EXPENSES

Other Expenses					
S/ million	3Q22	2Q23	3Q23	%chg QoQ	%chg YoY
Salaries and employee benefits	-16.2	-23.5	-26.0	10.4%	60.6%
Administrative expenses	-14.5	-16.3	-17.3	6.1%	19.6%
Depreciation and amortization	-5.7	-5.3	-4.8	-10.6%	-15.9%
Expenses related to rental income	-3.2	-1.8	-1.2	-33.5%	-63.8%
Other	-35.5	-47.5	-44.2	-7.0%	24.5%
Other expenses	-75.1	-94.5	-93.4	-1.1%	24.5%

Other expenses decreased by S/ 1.1 million QoQ, or 1.1%, and increased by S/ 18.3 million YoY, or 24.5%. Salaries and administrative expenses were the main contributors to the growth in expenses.

Inteligo

SUMMARY

Inteligo's bottom-line result in 3Q23 was S/ -17.7 million, a negative development compared to earnings in the previous quarter, but still a lower negative result compared to the same quarter of the previous year.

The quarterly performance was mainly attributable to a mark-to-market loss on proprietary portfolio investments. Other effects that explained the quarterly performance were a decrease of 26.8% in net interest and similar income, and an increase of 1.6% in other expenses, partially compensated by 2.4% higher net fee income from financial services.

On an annual basis, mark-to-market losses on proprietary portfolio investments decreased considerably in 3Q23 compared to 3Q22. This effect was offset by decreases of 39.4% in net interest and similar income, and 12.1% in net fee income.

From a business development perspective, Inteligo's prospection process continued to show positive results in terms of new account openings, assets under management growth in Private Wealth Management and Mutual funds. Consequently, Inteligo's AUM increased 5.6% QoQ and 3.3% YoY as of September 30, 2023.

Inteligo's ROE and efficiency ratio in 3Q23 were not meaningful due to the significant impact of the mark-to-market loss within other income.

Wealth Management Segment's P&L Statement					
S/ million	3Q22	2Q23	3Q23	%chg QoQ	%chg YoY
Interest and similar income	43.3	47.6	43.6	-8.4%	0.6%
Interest and similar expenses	-12.4	-21.9	-24.8	13.1%	n.m.
Net interest and similar income	30.9	25.6	18.7	-26.8%	-39.4%
Impairment loss on loans, net of recoveries	0.0	0.1	0.0	-48.2%	n.m.
Recovery (loss) due to impairment of financial investments	-6.0	0.0	0.6	n.m.	n.m.
Net interest and similar income after impairment loss	24.9	25.6	19.3	-24.6%	-22.3%
Fee income from financial services, net	40.3	34.6	35.4	2.4%	-12.1%
Other income	-68.1	-3.4	-35.7	n.m.	-47.5%
Other expenses	-34.7	-34.6	-35.1	1.6%	1.2%
Income before translation result and income tax	-37.6	22.2	-16.1	n.m.	-57.2%
Translation result	-1.8	-0.3	-0.6	87.5%	-66.0%
Income tax	-1.7	-0.4	-1.0	n.m.	-40.5%
Profit for the period	-41.0	21.5	-17.7	n.m.	-56.9%
ROE	n.m.	9.7%	n.m.		
Efficiency ratio	n.m.	60.5%	n.m.		

ASSETS UNDER MANAGEMENT & DEPOSITS

AUM reached S/ 22,720.6 million in 3Q23, a S/ 1,205.5 million or 5.6% increase QoQ, mostly explained by inflows in Mutual funds and a higher exchange rate. On an annual comparison, AuM increased S/ 728.4 million or 3.3% due to inflows in Private Wealth Management and Mutual funds.

Client deposits were S/ 3,634.0 million in 3Q23, a S/ 274.6 million or 8.2% increase QoQ, mostly explained by an increase in term deposits of clients to benefit from higher interest rates. On a yearly basis, client deposits decreased S/ 385.3 million or 9.6%.

This was mainly due to the conversion of cash positions from clients to investments in securities during 2023.

NET INTEREST AND SIMILAR INCOME

Net interest and similar income					
S/ million	3Q22	2Q23	3Q23	%chg QoQ	%chg YoY
Interest and similar income					
Due from banks and inter-bank funds	4.2	9.0	7.3	-19.0%	75.8%
Financial Investments	17.8	15.4	12.5	-18.7%	-30.0%
Loans	21.3	23.2	23.8	2.5%	11.6%
Total interest and similar income	43.3	47.6	43.6	-8.4%	0.6%
Interest and similar expenses					
Deposits and obligations	-10.3	-22.2	-23.1	3.9%	n.m.
Due to banks and correspondents	-2.0	0.3	-1.7	n.m.	-14.0%
Total interest and similar expenses	-12.4	-21.9	-24.8	13.1%	n.m.
Net interest and similar income	30.9	25.6	18.7	-26.8%	-39.4%

Inteligo's net interest and similar income was S/ 18.7 million in 3Q23, a S/ 6.9 million, or 26.8% decrease when compared with 2Q23, mainly explained by lower dividends received from proprietary portfolio investments and lower levels of excess liquidity during the quarter.

Net interest and similar income decreased S/ 12.2 million YoY, or 39.4%, as a result of a higher interest expense on deposits, which was attributed to the increases in the reference interest rate of the FED, partially offset by higher interest income on both loans and due from banks for the same reason.

FEE INCOME FROM FINANCIAL SERVICES

Fee income from financial services, net					
S/ million	3Q22	2Q23	3Q23	%chg QoQ	%chg YoY
Income					
Brokerage and custody services	2.4	2.2	2.8	24.1%	15.4%
Funds management	38.3	32.8	33.0	0.5%	-13.8%
Total income	40.7	35.1	35.8	2.0%	-12.1%
Expenses					
Brokerage and custody services	-0.2	-0.2	-0.2	3.8%	11.6%
Others	-0.2	-0.3	-0.2	-44.0%	-21.5%
Total expenses	-0.4	-0.5	-0.3	-27.3%	-7.9%
Fee income from financial services, net	40.3	34.6	35.4	2.4%	-12.1%

Net fee income from financial services was S/ 35.4 million in 3Q23, an increase of S/ 0.8 million, or 2.4% when compared to the previous quarter, mainly explained by higher fees from the wealth management segment.

On a YoY basis, net fee income from financial services decreased S/ 4.9 million, or 12.1%, mainly due to lower fees from funds management. This was explained by a lower frequency of client transactions, in turn driven by the persistent volatility in the financial markets and the high interest rates in money market products.

OTHER INCOME

Other income					
S/ million	3Q22	2Q23	3Q23	%chg QoQ	%chg YoY
Net gain on sale of financial investments	0.0	0.2	0.2	-14.0%	n.m.
Net trading gain (loss)	-67.4	-2.8	-34.4	n.m.	-48.9%
Other	-0.7	-0.9	-1.5	73.2%	n.m.
Total other income	-68.1	-3.4	-35.7	n.m.	-47.5%

Inteligo's other income (loss) reached S/ -35.7 million in 3Q23, compared to losses of S/ 3.4 million in 2Q23 and S/ 68.1 million in 3Q22. This result was mainly attributable to a mark-to-market loss, in turn attributable to negative global market trends.

OTHER EXPENSES

Other expenses					
S/ million	3Q22	2Q23	3Q23	%chg QoQ	%chg YoY
Salaries and employee benefits	-20.6	-20.8	-20.7	-0.1%	0.6%
Administrative expenses	-10.1	-9.9	-10.0	1.1%	-1.4%
Depreciation and amortization	-3.7	-3.7	-3.7	1.0%	0.3%
Other	-0.2	-0.2	-0.7	n.m.	n.m.
Total other expenses	-34.7	-34.6	-35.1	1.6%	1.2%
Efficiency ratio	n.m.	60.5%	n.m.		

Other expenses reached S/ 35.1 million in 3Q23, relatively flat against the comparing periods.

Izipay

SUMMARY

Izipay's profits were \$/ 7.4 million in 3Q23, which represented a decrease of 21.2% QoQ and 36.7% YoY.

In 3Q23, despite growth in net interest and similar income and in net fee income from financial services, the quarterly performance was affected by higher administrative expenses related to additional customer acquisition.

The annual performance in net profit was mainly explained by an 8.9% increase in other expenses, mainly associated with higher customer acquisition and depreciation given the rise in business activity. This was partially offset by 2.0% growth in net fee income from financial services, in turn related to higher income from payments acquirer where the number of merchants and monetary transactions grew 38% and 8%, respectively.

Izipay's ROE was 12.3% in 3Q23, lower than the 16.2% and 23.6% reported in 2Q23 and 3Q22, respectively.

Payments P&L Statement					
S/ million	3Q22	2Q23	3Q23	%chg QoQ	%chg YoY
Interest and similar income	0.5	2.1	2.5	21.2%	n.m.
Interest and similar expenses	-0.4	-1.3	-1.3	-1.7%	n.m.
Net interest and similar income	0.1	0.7	1.2	61.3%	n.m.
Fee income from financial services, net	84.9	87.7	86.6	-1.2%	2.0%
Payments acquirer	167.6	173.6	180.7	4.1%	7.8%
Correspondent banking	12.1	9.3	9.1	-2.6%	-25.1%
Credit cards processor	7.5	7.7	7.5	-2.4%	-0.2%
Service Cost	-102.3	-102.9	-110.7	7.5%	8.2%
Other income	8.6	8.3	8.5	1.4%	-1.9%
Other expenses	-76.5	-79.0	-83.3	5.5%	8.9%
Income before translation result and income tax	17.1	17.8	13.0	-27.1%	-24.2%
Translation result	2.6	-1.3	1.2	n.m.	-54.5%
Income tax	-8.0	-7.1	-6.7	-5.5%	-15.6%
Profit for the period	11.7	9.4	7.4	-21.2%	-36.7%
ROE	23.6%	16.2%	12.3%		
Efficiency ratio	69.7%	76.9%	81.3%		

FEE INCOME FROM FINANCIAL SERVICES, NET

Fee income from financial services, net					
S/ million	3Q22	2Q23	3Q23	%chg QoQ	%chg YoY
Income					
Payments acquirer	167.6	173.6	180.7	4.1%	7.8%
Correspondent banking	12.1	9.3	9.1	-2.6%	-25.1%
Credit cards processor	7.5	7.7	7.5	-2.4%	-0.2%
Total income	187.2	190.6	197.3	3.5%	5.4%
Expenses					
Service Cost	-102.3	-102.9	-110.7	7.5%	8.2%
Total expenses	-102.3	-102.9	-110.7	7.5%	8.2%
Fee income from financial services, net	84.9	87.7	86.6	-1.2%	2.0%

Net fee income from financial services was S/ 86.6 million in 3Q23, a decrease of S/ 1.1 million or 1.2% QoQ, mainly driven by higher acquirer license fees within the service cost, as a result of higher transactional volumes, partially offset by higher income from payments acquirer.

On a YoY basis, net fee income from financial services grew S/ 1.7 million, or 2.0%, mainly explained by higher transactional volumes in the acquirer business, partially compensated by an increase in service cost, associated with a higher level of business activity.

OTHER EXPENSES

Other expenses					
S/ million	3Q22	2Q23	3Q23	%chg QoQ	%chg YoY
Salaries and employee benefits	-17.6	-18.9	-19.1	0.9%	8.2%
Administrative expenses	-38.6	-42.6	-44.8	5.1%	16.0%
Depreciation and amortization	-9.0	-13.0	-14.4	11.5%	59.7%
Other	-11.2	-4.5	-5.0	10.7%	-55.4%
Total other expenses	-76.5	-79.0	-83.3	5.5%	8.9%
Efficiency ratio	69.7%	76.9%	81.3%		

Other expenses reached S/ 83.3 million in 3Q23, an increase of S/ 4.3 million or 5.5% QoQ, mostly due to higher administrative expenses and depreciation and amortization charges.

On a yearly basis, other expenses grew S/ 6.8 million, or 8.9% YoY, mainly as a result of increased administrative expenses associated with higher customer acquisition, as well as higher depreciation charges as a result of growth in the operations.