Intercorp Financial Services Inc.
Third Quarter 2019 Earnings

Lima, Peru, November 12, 2019. Intercorp Financial Services Inc. (Lima Stock Exchange/NYSE: IFS) announced today its unaudited results for the third quarter 2019. These results are reported on a consolidated basis under IFRS in nominal Peruvian soles.

Intercorp Financial Services: 3Q19 earnings increased 5.8% YoY and 9M19 adjusted earnings grew 8.5% YoY

- ROAE at 18.0% and adjusted ROAE at 18.8% in 9M19
- Total revenues increased 11.4% YoY; efficiency ratio improved 20 bps QoQ and YoY
- Positive evolution of digital transformation indicators
- Relevant net income for dividend distribution reached S/ 1,421 million in 9M19, up 15.6% YoY

Interbank: Strong quarter with 19.8% ROAE

- Adjusted net profit increased 6.7% QoQ and 19.4% YoY
- 12.3% YoY loan growth, with a 17.2% increase in retail loans
- Retail deposits grew 13.9% YoY, gaining 50 bps in market share in the year
- Adjusted cost of risk decreased 20 bps QoQ
- CET1 up 80 bps QoQ and YoY

Interseguro: Solid quarter in earnings with ROAE at 14.9%

- Net profit increased 3.5% QoQ and 70.5% YoY
- Growth in individual life and retail insurance partially offsets a contraction in annuities
- Net insurance underwriting result improved 20.8% QoQ and 15.7% YoY
- ROIP increased 20 bps to 6.3%

Inteligo: Quarterly results impacted by S/ 11.2 million negative mark-to-market in investments

- AUM and loans grew 2.2% and 20.7% YoY, respectively
- Fee income increased 11.3% QoQ and 11.9% YoY

Intercorp Financial Services

SUMMARY

Intercorp Financial Services' Statement of financial position					
S/ million				%chg	%chg
	09.30.18	06.30.19	09.30.19	09.30.19/ 06.30.19	09.30.19/ 09.30.18
Assets					
Cash and due from banks and inter-bank funds	7,206.3	10,823.0	11,710.7	8.2%	62.5%
Financial investments	18,118.3	17,835.5	18,353.2	2.9%	1.3%
Loans, net of unearned interest	32,680.5	35,647.0	36,880.4	3.5%	12.9%
Impairment allowance for loans	-1,281.2	-1,411.9	-1,465.1	3.8%	14.4%
Property, furniture and equipment, net	606.0	900.2	879.8	-2.3%	45.2%
Other assets	3,381.3	3,378.4	5,045.8	49.4%	49.2%
Total assets	**60,711.2**	**67,172.2**	**71,404.9**	**6.3%**	**17.6%**
Liabilities and equity					
Deposits and obligations	31,071.9	35,373.8	36,277.2	2.6%	16.8%
Due to banks and correspondents and inter-bank funds	4,387.0	4,647.0	4,468.8	-3.8%	1.9%
Bonds, notes and other obligations	6,378.6	6,606.2	8,339.3	26.2%	30.7%
Insurance contract liabilities	10,001.9	10,935.1	11,453.3	4.7%	14.5%
Other liabilities	1,851.8	2,167.0	2,385.7	10.1%	28.8%
Total liabilities	**53,691.2**	**59,729.0**	**62,924.2**	**5.3%**	**17.2%**
Equity, net					
Equity attributable to IFS' shareholders	6,981.0	7,401.2	8,436.2	14.0%	20.8%
Non-controlling interest	38.9	42.0	44.4	5.7%	14.0%
Total equity, net	**7,019.9**	**7,443.2**	**8,480.6**	**13.9%**	**20.8%**
Total liabilities and equity net	**60,711.2**	**67,172.2**	**71,404.9**	**6.3%**	**17.6%**

Intercorp Financial Services' net profit was S/ 334.5 million in 3Q19, a 4.5% decrease QoQ, but a 5.8% increase YoY. IFS annualized ROAE was 16.8% in 3Q19, lower than the 18.5% reported in 2Q19 and the 18.7% registered in 3Q18. However, when excluding (i) the negative impact of S/ 11.2 million due to mark-to-market in investments at Inteligo, (ii) the increase in equity due to primary offering of shares in NYSE, and (iii) the increase in equity due to secondary sale of Treasury stock in NYSE, 3Q19 annualized ROAE would have been 18.1%.

Intercorp Financial Services' P&L statement					
S/ million				%chg	%chg
	3Q18	2Q19	3Q19	QoQ	YoY
Interest and similar income	1,086.2	1,201.7	1,228.9	2.3%	13.1%
Interest and similar expenses	-305.7	-342.3	-344.6	0.7%	12.7%
Net interest and similar income	**780.5**	**859.4**	**884.2**	**2.9%**	**13.3%**
Impairment loss on loans, net of recoveries	-165.8	-192.9	-223.6	15.9%	34.9%
Recovery (loss) due to impairment of financial investments	-1.2	0.8	-1.1	-245.4%	-6.9%
Net interest and similar income after impairment loss	**613.5**	**667.2**	**659.5**	**-1.2%**	**7.5%**
Fee income from financial services, net	204.6	222.7	229.8	3.2%	12.3%
Other income	136.4	129.4	141.9	9.7%	4.0%
Total premiums earned minus claims and benefits	-74.7	-79.4	-62.9	-20.8%	-15.7%
Net Premiums	173.8	164.4	157.5	-4.2%	-9.4%
Adjustment of technical reserves	-60.1	-63.6	-37.5	-41.0%	-37.6%
Net claims and benefits incurred	-188.3	-180.2	-182.9	1.5%	-2.9%
Other expenses	-457.5	-484.7	-498.0	2.7%	8.8%
Income before translation result and income tax	**422.3**	**455.2**	**470.4**	**3.3%**	**11.4%**
Translation result	-10.3	11.9	-16.8	n.m.	n.m.
Income tax	-95.9	-117.0	-119.1	1.8%	24.3%
Profit for the period	**316.1**	**350.1**	**334.5**	**-4.5%**	**5.8%**
Attributable to IFS' shareholders	**314.4**	**347.9**	**332.4**	**-4.5%**	**5.7%**
EPS	**2.84**	**3.14**	**2.94**		
ROAE	**18.7%**	**18.5%**	**16.8%**		
ROAA	**2.1%**	**2.1%**	**1.9%**		
Efficiency ratio [1]	**34.8%**	**34.8%**	**34.6%**		

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

Quarter-on-quarter performance

Profits decreased 4.5% QoQ mainly due to a negative base effect in impairment loss on loans, net of recoveries at Interbank, as well as higher other expenses mainly at Interbank and Inteligo. Furthermore, a negative performance in translation result at Interseguro and a deterioration of Inteligo's investment portfolio, attributable to negative mark-to-market valuations in 3Q19, also contributed to the quarterly reduction in earnings. It is worth mentioning that the negative performance in provision expenses at Interbank was attributed to a reversion of provisions in payroll deduction loans occurred in 2Q19, worth S/ 27.4 million after taxes. These factors offset positive performances in net interest and similar income, and in fee income.

Net interest and similar income grew 2.9% QoQ, mainly due to higher interest on loans at Interbank, partially offset by lower interest on financial investments at all three subsidiaries.

Impairment loss on loans increased 15.9% mainly as a result of the base effect previously mentioned.

Net fee income from financial services grew 3.2% QoQ, mainly explained by growth in commissions from banking services and fees from maintenance and mailing of accounts, transfer fees and commissions on debit card services, all at Interbank. Additionally, rebalancing activities implemented in 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 9.7% QoQ mainly due to increases in net gain on financial assets at fair value, net gain on sale of financial investments, valuation gain from investment property and rental income, all at Interseguro. Moreover, an increase in net gain on foreign exchange transactions and on financial assets at fair value at Interbank, also contributed to this result. These effects were partially offset by negative mark-to-market valuations on Inteligo's proprietary portfolio in the quarter.

Total premiums earned minus claims and benefits at Interseguro showed a quarterly improvement of S/ 16.5 million, explained by a S/ 26.1 million decrease in adjustment of technical reserves, partially offset by S/ 6.9 million lower net premiums and S/ 2.7 million higher net claims and benefits incurred.

Other expenses increased 2.7% QoQ mainly due to higher profit sharing, marketing and credit card expenses at Interbank. Expenses at Inteligo also increased due to the amortization of assets acquired as part of the Interfondos transaction earlier in the year.

IFS effective tax rate increased, from 25.0% in 2Q19 to 26.3% in 3Q19, mainly attributed to a higher effective tax rate at Interbank and lower tax-exempt profits from Inteligo.

Year-on-year performance

Profits increased 5.8% YoY mostly due to growth in net interest and similar income and net fee income from financial services, both mainly at Interbank, in addition to a higher net insurance underwriting result at Interseguro. These effects were partially offset by higher impairment loss on loans at Interbank and other expenses across all subsidiaries.

Net interest and similar income increased 13.3% YoY, mainly driven by higher interest on loans and interest on due from banks and inter-bank funds at Interbank and Inteligo.

Impairment loss on loans grew 34.9% YoY mainly explained by a higher volume of credit card loans at Interbank. This effect was partially compensated by lower requirements in payroll deduction loans and commercial loans to medium-sized companies.

Net fee income from financial services increased 12.3% YoY mainly due to increases in commissions from banking services and commissions from credit card services, in addition to lower expenses related to the sale of insurance products, all at Interbank. Additionally, the rebalancing activities implemented in 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 4.0% YoY mainly explained by higher net gain on foreign exchange transactions and on financial assets at fair value at Interbank, and net gain on sale of financial investments at Interseguro. These effects were partially offset by negative mark-to-market valuations on Inteligo's proprietary portfolio.

Total premiums earned minus claims and benefits at Interseguro increased S/ 11.8 million due to reductions of S/ 22.6 million in adjustment of technical reserves and S/

5.4 million in net claims and benefits incurred, partially offset by a decrease of S/ 16.3 million in net premiums.

Other expenses grew across all subsidiaries, mainly at Interbank due to increases in salaries and employee benefits, in turn related to higher profit sharing, and IT services.

IFS effective tax rate increased, from 23.3% in 3Q18 to 26.3% in 3Q19, mainly attributed to a higher effective tax rate at Interbank and lower tax-exempt profits from Inteligo.

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	3Q18	2Q19	3Q19	%chg QoQ	%chg YoY
Interbank	243.9	300.2	291.2	-3.0%	19.4%
Interseguro	19.9	32.8	34.0	3.5%	70.5%
Inteligo	59.3	33.4	18.9	-43.2%	-68.1%
Corporate and eliminations	-7.0	-16.3	-9.6	-41.2%	36.8%
IFS profit for the period	**316.1**	**350.1**	**334.5**	**-4.5%**	**5.8%**

Interbank

SUMMARY

Interbank's profits reached S/ 291.2 million in 3Q19, a S/ 9.0 million reduction QoQ, or 3.0%, but an increase of S/ 47.3 million YoY, or 19.4%. The quarterly result was mainly due to increases of S/ 30.6 million in impairment loss on loans and S/ 16.0 million in other expenses, partially offset by increases of S/ 19.3 million in net interest and similar income, S/ 12.8 million in net fee income from financial services and S/ 3.3 million in other income. It is worth mentioning that the quarterly increase in provision expenses was attributed to a base effect, as in 2Q19 there was a reversion of provisions in payroll deduction loans for S/ 27.4 million after taxes. Excluding this effect, 3Q19 profits increased 6.7% compared to 2Q19.

The annual increase in net profit was mainly a result of growth of S/ 104.1 million in net interest and similar income, S/ 29.6 million in net fee income from financial services and S/ 25.5 million in other income. Conversely, impairment loss on loans grew S/ 57.8 million and other expenses increased S/ 35.1 million. Furthermore, the effective tax rate was 27.5% in 3Q19, compared to 26.2% in 3Q18.

Interbank's ROAE was 19.8% in 3Q19, lower than the 21.7% registered in 2Q19, but higher than the 19.3% reported in 3Q18.

Banking Segment's P&L Statement

S/ million	3Q18	2Q19	3Q19	%chg QoQ	%chg YoY
Interest and similar income	898.4	1,019.1	1,038.2	1.9%	15.6%
Interest and similar expenses	-278.9	-314.9	-314.6	-0.1%	12.8%
Net interest and similar income	**619.5**	**704.3**	**723.6**	**2.7%**	**16.8%**
Impairment loss on loans, net of recoveries	-165.8	-193.0	-223.6	15.9%	34.9%
Recovery (loss) due to impairment of financial investments	0.0	0.1	-0.0	n.m.	n.m.
Net interest and similar income after impairment loss	**453.7**	**511.4**	**500.0**	**-2.2%**	**10.2%**
Fee income from financial services, net	183.8	200.6	213.4	6.4%	16.1%
Other income	73.1	95.3	98.6	3.4%	35.0%
Other expenses	-376.7	-395.8	-411.8	4.0%	9.3%
Income before translation result and income tax	**334.0**	**411.5**	**400.2**	**-2.8%**	**19.8%**
Translation result	-3.6	-3.7	1.2	n.m.	n.m.
Income tax	-86.5	-107.6	-110.2	2.3%	27.3%
Profit for the period	**243.9**	**300.2**	**291.2**	**-3.0%**	**19.4%**
ROAE	**19.3%**	**21.7%**	**19.8%**		
Efficiency ratio (1)	**42.0%**	**39.1%**	**39.2%**		
NIM	**5.6%**	**5.8%**	**5.8%**		
NIM on loans	**8.7%**	**8.9%**	**9.0%**		

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

INTEREST-EARNING ASSETS

Interbank's interest-earning assets reached S/ 48,927.8 million as of September 30, 2019, an increase of 1.7% QoQ and 13.3% YoY.

The quarterly growth in interest-earning assets was due to a 3.5% increase in loans, partially compensated by reductions of 3.8% in financial investments, and 1.0% in cash and due from banks and inter-bank funds. The reduction in financial investments was mainly a result of lower volumes of Central Bank Certificates of Deposit (CDBCR), corporate bonds from financial institutions and global bonds, while the decrease in cash and due from banks and inter-bank funds was mainly explained by lower deposits at the Central Bank.

The YoY increase in interest-earning assets was attributed to growth of 46.5% in cash and due from banks and inter-bank funds, and 12.4% in loans, partially offset by an 18.8% 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, CDBCR and corporate bonds.

Interest-earning assets					
S/ million				%chg	%chg
	09.30.18	06.30.19	09.30.19	09.30.19/ 06.30.19	09.30.19/ 09.30.18
Cash and due from banks and inter-bank funds	6,842.4	10,131.0	10,025.3	-1.0%	46.5%
Financial investments	6,227.6	5,254.5	5,056.4	-3.8%	-18.8%
Loans	30,099.6	32,717.3	33,846.1	3.5%	12.4%
Total interest-earning assets	**43,169.6**	**48,102.7**	**48,927.8**	**1.7%**	**13.3%**

Loan portfolio					
S/ million				%chg	%chg
	09.30.18	06.30.19	09.30.19	09.30.19/ 06.30.19	09.30.19/ 09.30.18
Performing loans					
Retail	15,849.7	17,958.8	18,575.5	3.4%	17.2%
Commercial	14,274.0	14,790.5	15,263.8	3.2%	6.9%
Total performing loans	**30,123.6**	**32,749.3**	**33,839.3**	**3.3%**	**12.3%**
Restructured and refinanced loans	215.5	211.1	223.5	5.9%	3.7%
Past due loans	815.2	906.1	975.2	7.6%	19.6%
Total gross loans	**31,154.3**	**33,866.5**	**35,037.9**	**3.5%**	**12.5%**
Add (less)					
Accrued and deferred interest	226.4	262.5	273.1	4.1%	20.7%
Impairment allowance for loans	-1,281.0	-1,411.7	-1,464.9	3.8%	14.4%
Total direct loans, net	**30,099.6**	**32,717.3**	**33,846.1**	**3.5%**	**12.4%**

Performing loans grew 3.3% QoQ due to balanced increases of 3.4% in retail loans and 3.2% in commercial loans.

Growth in retail loans was explained by increases of 4.9% in credit cards, 2.9% in other consumer loans and 2.7% in mortgages. 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.

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

Performing loans grew 12.3% YoY due to increases of 17.2% in retail loans and 6.9% in commercial loans.

The annual growth in retail loans was mainly due to increases of 25.3% in credit cards, 14.7% in other consumer loans and 13.3% in mortgages. Other consumer loans grew as a result of higher payroll deduction loans and cash 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 short and medium-term lending in the medium and small enterprise segments.

Breakdown of retail loans					
S/ million	09.30.18	06.30.19	09.30.19	%chg 09.30.19/ 06.30.19	%chg 09.30.19/ 09.30.18
Consumer loans:					
Credit cards	4,518.5	5,396.9	5,662.4	4.9%	25.3%
Other consumer	5,395.7	6,016.6	6,189.2	2.9%	14.7%
Total consumer loans	**9,914.2**	**11,413.6**	**11,851.6**	**3.8%**	**19.5%**
Mortgages	5,935.5	6,545.3	6,723.8	2.7%	13.3%
Total retail loans	**15,849.7**	**17,958.8**	**18,575.5**	**3.4%**	**17.2%**

FUNDING STRUCTURE

Funding structure					
S/ million	09.30.18	06.30.19	09.30.19	%chg 09.30.19/ 06.30.19	%chg 09.30.19/ 09.30.18
Deposits and obligations	29,084.2	33,112.4	33,741.8	1.9%	16.0%
Due to banks and correspondents and inter-bank funds	4,061.8	4,312.9	4,125.9	-4.3%	1.6%
Bonds, notes and other obligations	5,280.5	5,569.9	7,226.5	29.7%	36.9%
Total	**38,426.5**	**42,995.3**	**45,094.3**	**4.9%**	**17.4%**
% of funding					
Deposits and obligations	75.7%	77.0%	74.9%		
Due to banks and correspondents and inter-bank funds	10.6%	10.0%	9.1%		
Bonds, notes and other obligations	13.7%	13.0%	16.0%		

Interbank's total funding base increased 4.9% QoQ, above the performance of interest-earning assets. This was explained by increases of 29.7% in bonds, notes and other obligations, and 1.9% in deposits and obligations, partially compensated by a 4.3% reduction in due to banks and correspondents and inter-bank funds.

Growth in bonds, notes and other obligations was mainly 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. This effect will be partially offset with the execution of an optional make-whole redemption of the "5.75% Senior Notes due 2020" corporate bonds, scheduled to happen in November 2019.

The increase in deposits and obligations was mainly due to growth of 9.9% in commercial deposits and 2.9% in retail deposits, partially offset by a 17.3% decrease in institutional deposits. Finally, the decrease in due to banks and correspondents and inter-bank funds was attributed to lower long-term funding from the Central Bank.

The bank's total funding base increased 17.4% YoY, above the annual growth in interest-earning assets, and was mainly explained by growth of 36.9% in bonds, notes and other obligations, 16.0% in deposits and obligations, and 1.6% in due to banks and correspondents and inter-bank funds.

The YoY increase in bonds, notes and other obligations was mainly attributable to the two bond placements previously mentioned, 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.

The annual growth in deposits and obligations was explained by increases of 27.8% in commercial deposits and 13.9% in retail deposits, partially compensated by a 2.3% reduction in institutional deposits. Furthermore, the YoY growth in due to banks and correspondents and inter-bank funds was the result of higher long-term funding from correspondent banks abroad and the Central Bank.

As of September 30, 2019, the proportion of deposits and obligations to total funding was 74.9%, lower than the 75.7% reported as of September 30, 2018. Likewise, the proportion of institutional deposits to total deposits decreased from 16.8% as of September 30, 2018 to 14.1% as of September 30, 2019.

Breakdown of deposits

S/ million	09.30.18	06.30.19	09.30.19	%chg 09.30.19/ 06.30.19	%chg 09.30.19/ 09.30.18
By customer service:					
Retail	13,442.2	14,878.8	15,316.3	2.9%	13.9%
Commercial	10,405.8	12,099.2	13,299.7	9.9%	27.8%
Institutional	4,884.0	5,768.9	4,771.5	-17.3%	-2.3%
Other	352.2	365.5	354.3	-3.1%	0.6%
Total	**29,084.2**	**33,112.4**	**33,741.8**	**1.9%**	**16.0%**
By type:					
Demand	8,481.3	10,342.2	10,922.8	5.6%	28.8%
Savings	10,231.9	10,750.8	11,708.9	8.9%	14.4%
Time	10,357.4	12,013.5	11,095.9	-7.6%	7.1%
Other	13.6	6.0	14.2	136.3%	4.7%
Total	**29,084.2**	**33,112.4**	**33,741.8**	**1.9%**	**16.0%**

NET INTEREST AND SIMILAR INCOME

Net interest and similar income					
S/ million	3Q18	2Q19	3Q19	%chg QoQ	%chg YoY
Interest and similar income	898.4	1,019.1	1,038.2	1.9%	15.6%
Interest and similar expenses	-278.9	-314.9	-314.6	-0.1%	12.8%
Net interest and similar income	**619.5**	**704.3**	**723.6**	**2.7%**	**16.8%**
NIM[(1)]	**5.6%**	**5.8%**	**5.8%**	**0 bps**	**20 bps**

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

Interest and similar income					
S/ million	3Q18	2Q19	3Q19	%chg QoQ	%chg YoY
Interest and similar income					
Due from banks and inter-bank funds	12.3	29.3	29.0	-1.1%	n.m.
Financial investments	53.8	58.9	47.7	-19.0%	-11.3%
Loans	832.3	930.9	961.5	3.3%	15.5%
Total Interest and similar income	**898.4**	**1,019.1**	**1,038.2**	**1.9%**	**15.6%**
Average interest-earning assets	44,321.3	48,899.5	49,953.6	2.2%	12.7%
Average yield on assets (annualized)	8.1%	8.3%	8.3%	0 bps	20 bps

Interest and similar expense					
S/ million	3Q18	2Q19	3Q19	%chg QoQ	%chg YoY
Interest and similar expense					
Deposits and obligations	-151.4	-173.9	-177.9	2.3%	17.5%
Due to banks and correspondents and inter-bank funds	-39.6	-43.0	-43.0	0.0%	8.5%
Bonds, notes and other obligations	-87.8	-98.0	-93.7	-4.3%	6.7%
Total Interest and similar expense	**-278.9**	**-314.9**	**-314.6**	**-0.1%**	**12.8%**
Average interest-bearing liabilities	38,460.9	42,340.3	44,044.8	4.0%	14.5%
Average cost of funding (annualized)	2.9%	3.0%	2.9%	-10 bps	0 bps

QoQ Performance

Net interest and similar income grew 2.7% QoQ due to a 1.9% increase in interest and similar income, while interest and similar expense remained relatively stable.

The higher interest and similar income was due to a 3.3% growth in interest on loans, partially offset by a 19.0% reduction in interest on financial investments. Interest on due from banks and inter-bank funds remained relatively stable QoQ.

The higher interest on loans was due to growth of 2.6% in the average loan portfolio and 10 basis points in the average yield.

The higher average volume of loans was attributed to increases of 3.9% in retail loans and 1.0% in commercial loans. In the retail portfolio, average volumes increased 5.2% in credit cards, 3.1% in mortgages and 2.4% in payroll deduction loans. In the commercial portfolio, the higher average volume was mainly due to an 8.0% increase in trade finance loans, partially compensated by reductions of 2.4% in leasing operations and 1.2% in short and medium-term loans.

The increase in the average rate, from 11.0% in 2Q19 to 11.1% in 3Q19, was mainly explained by a yield growth of 20 basis points in retail loans, partially offset by a 20 basis point decrease in commercial loans. The increase in retail loans was due to higher average rates on consumer loans, while mortgage rates remained stable. In the commercial portfolio, rates decreased mainly as the result of lower yields on trade finance loans.

The lower interest on financial investments was explained by reductions of 70 basis points in the nominal average rate and 4.2% in the average volume. The decrease in the nominal average rate, from 4.4% in 2Q19 to 3.7% in 3Q19, was mainly a result of higher income from dividends received in 2Q19 for shares owned on IFS, which was not repeated in 3Q19. The reduction in the average volume was a consequence of lower investments in global bonds, corporate bonds and CDBCR, partially compensated by higher balances of sovereign bonds.

The nominal average yield on interest-earning assets remained stable QoQ, at 8.3%, as the higher return on loans was offset by the lower nominal rate on financial investments.

Interest and similar expenses remained relatively stable as a 2.3% growth in interest on deposits and obligations was offset by a 4.3% reduction in interest on bonds, notes and other obligations. Interest on due to banks and correspondents remained stable QoQ.

Interest on deposits and obligations increased S/ 4.0 million, or 2.3% QoQ, due to a 1.8% growth in the average volume, while the average cost remained stable. The higher average volume was explained by growth in commercial and retail deposits, partially offset by a reduction in institutional deposits. By currency, average balances of soles-denominated deposits grew 5.6% while average dollar-denominated deposits decreased 4.1%. The average cost remained stable as higher rates paid to institutional deposits were compensated by a lower cost of commercial deposits, while rates in retail deposits remained stable.

The reduction in interest on bonds, notes and other obligations was a result of the execution of a call option in July 2019 for a US$ 30 million bond.

Interest on due to banks and correspondents remained stable as a 7.8% increase in the average volume was compensated by a 30 basis point reduction in the nominal average cost.

The average cost of funding decreased 10 basis points QoQ, from 3.0% in 2Q19 to 2.9% in 3Q19, in line with the lower nominal average cost on due to banks and correspondents. It is worth mentioning that the volume increase in average interest-bearing liabilities, associated with the accounting record of the previously mentioned corporate issuances, also contributed to the lower cost of funds in 3Q19.

As a result of the above, the net interest margin remained stable QoQ, at 5.8%.

YoY Performance

Net interest and similar income grew 16.8% YoY due to a 15.6% increase in interest and similar income, partially offset by a 12.8% growth in interest and similar expense.

Growth in interest and similar income was mainly due to increases of more than two-fold in interest on due from banks and inter-bank funds, and 15.5% in interest on loans, partially offset by a 11.3% decrease in interest on financial investments.

Interest on due from banks and inter-bank funds grew S/ 16.7 million, explained by increases of 50 basis points in the nominal average rate and 39.3% in the average volume. The increase in the nominal average rate was due to higher returns on inter-bank funds and reserve funds at the Central Bank. The higher average volume was due to growth in reserve requirements and deposits at the Central Bank.

The increase in interest on loans was due to growth of 12.5% in the average volume of loans and 30 basis points in the average yield.

The higher average volume of loans was attributed to increases of 17.1% in retail loans and 7.3% in commercial loans. In the retail portfolio, volumes grew 23.9% in credit cards, 13.4% in mortgages and 12.9% in payroll deduction loans. In the commercial portfolio, the higher average volume was mainly due to a 12.2% increase in short and medium-term loans, partially offset by reductions of 8.0% in leasing operations and 3.0% in trade finance loans.

The increase in the average rate on loans, from 10.8% in 3Q18 to 11.1% in 3Q19, was mainly explained by yield growth of 10 basis points in both retail and commercial loans. The increase in retail loans was due to higher average rates on credit cards, partially compensated by lower rates on mortgages. In the commercial portfolio, rates increased mainly as the result of higher yields on trade finance loans.

The lower interest on financial investments was explained by a 17.2% reduction in the average volume, partially offset by a 20 basis point increase in the average rate, from 3.5% in 3Q18 to 3.7% in 3Q19. 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.

The nominal average yield on interest-earning assets increased 20 basis points YoY, from 8.1% in 3Q18 to 8.3% in 3Q19, as a result of higher average returns in all of its components.

Growth in interest and similar expense was due to increases of 17.5% in interest on deposits and obligations, 8.5% in interest on due to banks and correspondents, and 6.7% in interest on bonds, notes and other obligations.

Interest on deposits and obligations increased S/ 26.5 million, or 17.5% YoY, explained by a 15.1% 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 18.8% while average dollar-denominated deposits increased 9.3%.

The S/ 3.4 million, or 8.5% YoY, increase in interest on due to banks and correspondents was the result of growth of 30 basis points in the nominal average cost and 1.3% in the average volume. The increase in the average cost was attributed to higher rates paid on inter-bank funds and funding provided by the Central Bank, while the higher average volume was explained by growth in funding provided by the Central Bank and from correspondent banks abroad.

Interest on bonds, notes and other obligations grew S/ 5.9 million, or 6.7% YoY, as a result of the issuances of senior bonds in March 2019, partially compensated by lower interest attributable to the execution of the bond's call option in July 2019 previously mentioned. Additionally, a 1.5% depreciation of the exchange rate with respect to 3Q18, increased the value of bonds issued in dollars.

The average cost of funds remained stable YoY, at 2.9%, in line with the performance of cost of deposits, as they represent the majority of the funding base.

As a result of the above, net interest margin was 5.8% in 3Q19, 20 basis points higher than the 5.6% reported in 3Q18.

IMPAIRMENT LOSS ON LOANS, NET OF RECOVERIES

Impairment loss on loans, net of recoveries increased 15.9% QoQ and 34.9% YoY. The quarterly increase in provision expenses was mainly the result of a base effect, as in 2Q19 there was a reversion of provisions in payroll deduction loans for S/ 38.8 million. Excluding this effect, impairment loss on loans, net of recoveries would have decreased 3.5% QoQ.

The YoY growth was mainly explained by a higher volume of credit card loans, which require the highest level of provisions among all products even at performing stages. This effect was partially compensated by lower requirements in payroll deduction loans and commercial loans to medium-sized companies.

As a result of the above, the annualized ratio of impairment loss on loans to average loans was 2.6% in 3Q19, higher than the 2.3% reported in 2Q19 and the 2.2% registered in 3Q18. However, excluding the release of provisions for payroll deduction loans in 2Q19, the annualized ratio of impairment loss on loans to average loans would have decreased 20 basis points QoQ.

Impairment loss on loans, net of recoveries

S/ million	3Q18	2Q19	3Q19	%chg QoQ	%chg YoY
Impairment loss on loans, net of recoveries	-165.8	-193.0	-223.6	15.9%	34.9%
Impairment loss on loans/average gross loans	2.2%	2.3% (1)	2.6%	30 bps	40 bps
NPL ratio (at end of period) (2)	2.8%	2.9%	3.0%	10 bps	20 bps
NPL coverage ratio (at end of period)	136.4%	127.9%	126.4%	-150 bps	n.m.
Impairment allowance for loans	1,281.0	1,411.7	1,464.9	3.8%	14.4%

(1) Excluding the reversion of impairment loss on loans for payroll deduction loans, cost of risk was 2.8% in 2Q19.
(2) NPL ratio: Exposure under Stage 3 and refinanced loans / Total exposure (IFRS 9).

The NPL ratio increased 10 basis points QoQ and 20 basis points YoY. The quarterly growth was due to a 10 basis point increase in retail loans, while the NPL ratio in commercial loans remained stable QoQ. On the other hand, the annual growth was due to a 30 basis points higher NPL ratio in commercial loans, while the corresponding ratio in the retail portfolio remained stable YoY. Additionally, the NPL coverage ratio was 126.4% as of September 30, 2019, lower than the 127.9% reported as of June 30, 2019, and the 136.4% registered as of September 30, 2018.

FEE INCOME FROM FINANCIAL SERVICES, NET

Net fee income from financial services increased S/ 12.8 million QoQ, or 6.4%, mainly explained by growth of S/ 7.3 million in commissions from banking services, and S/ 2.0 million in fees from maintenance and mailing of accounts, transfer fees and commissions on debit card services.

Net fee income from financial services grew S/ 29.6 million YoY, or 16.1%, mainly due to increases of S/ 15.3 million in commissions from banking services and S/ 9.9 million in commissions from credit card services, in addition to lower expenses related to the sale of insurance products.

Fee income from financial services, net					
S/ million	3Q18	2Q19	3Q19	%chg QoQ	%chg YoY
Income					
Commissions from credit card services	91.5	101.3	101.4	0.2%	10.8%
Commissions from banking services	69.1	77.1	84.4	9.5%	22.1%
Maintenance and mailing of accounts, transfer fees and commissions on debit card services	63.5	60.1	62.1	3.2%	-2.3%
Fees from indirect loans	15.7	14.3	14.7	2.5%	-6.3%
Collection services	9.7	10.1	10.8	6.8%	11.6%
Other	7.2	9.9	9.6	-3.9%	33.4%
Total income	**256.6**	**272.8**	**282.9**	**3.7%**	**10.2%**
Expenses					
Insurance	-32.8	-23.9	-24.0	0.4%	-26.8%
Fees paid to foreign banks	-3.9	-4.4	-4.7	5.6%	18.2%
Other	-36.0	-43.9	-40.8	-7.1%	13.3%
Total expenses	**-72.8**	**-72.2**	**-69.4**	**-3.9%**	**-4.6%**
Fee income from financial services, net	**183.8**	**200.6**	**213.4**	**6.4%**	**16.1%**

OTHER INCOME

Other income increased S/ 3.3 million QoQ mainly due to an increase in net gain on foreign exchange transactions and on financial assets at fair value, partially compensated by a lower net gain on sale of financial investments.

Other income grew S/ 25.5 million YoY mainly explained by higher net gain on foreign exchange transactions and on financial assets at fair value, associated with currency volatility, in addition to a positive result in net gain on sale of financial investments.

Other income					
S/ million	3Q18	2Q19	3Q19	%chg QoQ	%chg YoY
Net gain on foreign exchange transactions and on financial assets at fair value through profit or loss	57.2	63.6	75.4 (1)	18.5%	31.7%
Net gain on sale of financial investments	-0.1	18.4	7.3	-60.4%	n.m.
Other	15.9	13.3	16.0	19.7%	0.2%
Total other income	**73.1**	**95.3**	**98.6**	**3.4%**	**35.0%**

(1) Includes S/ 114.4 million of net gain on foreign exchange transactions and S/ -39.1 million of net gain (loss) on financial assets at fair value though profit or loss (derivatives).

OTHER EXPENSES

Other expenses grew S/ 16.0 million QoQ, or 4.0%, and S/ 35.1 million YoY, or 9.3%. The quarterly increase was mainly due to higher salaries and employee benefits, and administrative expenses. Growth in salaries and employee benefits was mainly related to higher profit sharing, in line with the increase in earnings. On the other hand, administrative expenses grew due to higher marketing and credit card expenses.

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 3Q19, 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/ 18.2 million.

The efficiency ratio was 39.2% in 3Q19, compared to the 39.1% reported in 2Q19 and the 42.0% registered in 3Q18.

Other expenses					
S/ million	3Q18	2Q19	3Q19	%chg QoQ	%chg YoY
Salaries and employee benefits	-153.6	-163.6	-169.5	3.6%	10.4%
Administrative expenses	-180.9	-172.4	-177.7	3.1%	-1.8%
Depreciation and amortization	-33.5	-54.8	-58.6	7.0%	74.7%
Other	-8.6	-5.0	-6.0	20.0%	-30.1%
Total other expenses	**-376.7**	**-395.8**	**-411.8**	**4.0%**	**9.3%**
Efficiency ratio	**42.0%**	**39.1%**	**39.2%**	**10 bps**	**-280 bps**

REGULATORY CAPITAL

The ratio of regulatory capital to risk-weighted assets (RWA) was 15.4% as of September 30, 2019, lower than the 16.1% registered as of June 30, 2019 and the 16.2% reported as of September 30, 2018.

In 3Q19, regulatory capital increased 1.9% QoQ, while RWA grew 6.3%. Growth in regulatory capital was explained by a lower deduction 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. On the other hand, the increase in RWA was mainly due to higher capital requirements for credit risk, which includes the effect of growth in loans and the adequation to higher risk weights applied to intangibles assets, associated with incremental digital investments.

The annual reduction in the capital ratio was due to a 15.8% growth in RWA, partially offset by a 9.8% increase in regulatory capital. The YoY increase in RWA was mostly attributed to loan growth and the higher risk weights applied to intangibles assets. The annual increase in regulatory capital was mainly a result of the addition of S/ 573.3 million in capital, reserves and earnings with capitalization agreement during the last twelve months, as well as the lower deduction in regulatory capital previously mentioned.

It is worth mentioning that the SBS has initiated the implementation of an additional set of Basel III standards, in effect between 2017 and 2026. Among these, it stands out that there will be an annual 10% phase out of existing Tier I instruments, yet allowing its eligibility as Tier II capital. This is why, despite the annual increase in capital and reserves, S/ 49.9 million of the US$ 200 million junior subordinated bond issued in April 2010 no longer count as primary capital. As of September 30, 2019, 70% of this issuance was considered as primary capital, in line with the percentage registered as of June 30, 2019.

As of September 30, 2019, Interbank's capital ratio of 15.4% 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 September 30, 2019. Furthermore, Core Equity Tier 1 (CET1 as required by the Peruvian regulatory entity) as of September 30, 2019 increased 80 basis points YoY, to 11.4%, despite loan growth of 12.5% and RWA growth of 15.8% YoY.

Regulatory capital					
S/ million	09.30.18	06.30.19	09.30.19	%chg 09.30.19/ 06.30.19	%chg 09.30.19/ 09.30.18
Tier I capital	4,912.8	5,447.8	5,552.3	1.9%	13.0%
Tier II capital	1,973.9	1,976.9	2,010.3	1.7%	1.8%
Total regulatory capital	6,886.7	7,424.8	7,562.5	1.9%	9.8%
Risk-weighted assets	42,396.4	46,186.2	49,088.1	6.3%	15.8%
BIS ratio	**16.2%**	**16.1%**	**15.4%**	**-70 bps**	**-80 bps**
Tier I capital / risk-weighted assets	**11.6%**	**11.8%**	**11.3%**	**-50 bps**	**-30 bps**
CET1	**10.6%**	**10.6%**	**11.4%**	**80 bps**	**80 bps**

Interseguro

SUMMARY

Interseguro’s profits reached S/ 34.0 million in 3Q19, an increase of S/ 1.2 million QoQ and S/ 14.1 million YoY.

The quarterly growth was mainly explained by an improvement of S/ 16.5 million in total premiums earned minus claims and benefits, mainly explained by a reduction in adjustment of technical reserves, and a S/ 16.2 million increase in other income. These factors were partially offset by a contraction of S/ 6.3 million in net interest and similar income and a negative performance in translation result.

The annual increase in net profit was mainly due to growth of S/ 18.7 million in other income, and S/ 11.8 million in total premiums earned minus claims and benefits, partially offset by a S/ 5.8 million increase in other expenses.

Interseguro’s ROAE was 14.9% in 3Q19, above the 13.6% reported in 2Q19 and the 8.4% registered in 3Q18.

Insurance Segment's P&L Statement					
S/ million	3Q18	2Q19	3Q19	%chg QoQ	%chg YoY
Interest and similar income	147.3	152.2	148.0	-2.7%	0.4%
Interest and similar expenses	-14.2	-12.3	-14.5	17.3%	1.8%
Net Interest and similar income	**133.1**	**139.8**	**133.5**	**-4.5%**	**0.3%**
Recovery (loss) due to impairment of financial investments	-1.5	0.4	-0.6	n.m.	-56.5%
Net Interest and similar income after impairment loss	**131.7**	**140.2**	**132.9**	**-5.3%**	**0.9%**
Fee income from financial services, net	-1.0	-1.0	-1.2	25.8%	19.4%
Other income	36.2	38.7	54.9	41.7%	51.4%
Total premiums earned minus claims and benefits	-74.7	-79.4	-62.9	-20.8%	-15.7%
Net premiums	173.8	164.4	157.5	-4.2%	-9.4%
Adjustment of technical reserves	-60.1	-63.6	-37.5	-41.0%	-37.6%
Net claims and benefits incurred	-188.3	-180.2	-182.9	1.5%	-2.9%
Other expenses	-69.0	-74.4	-74.8	0.5%	8.3%
Income before translation result and income tax	**23.2**	**24.2**	**48.8**	**102.0%**	**110.8%**
Translation result	-3.3	8.6	-14.9	n.m.	n.m.
Income tax	-	-	-	n.m.	n.m.
Profit for the period	**19.9**	**32.8**	**34.0**	**3.5%**	**70.5%**
ROAE	**8.4%**	**13.6%**	**14.9%**		
Efficiency ratio(1)	**12.4%**	**13.8%**	**11.9%**		

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

RESULTS FROM INVESTMENTS

Results from Investments [1]					
S/ million	3Q18	2Q19	3Q19	%chg QoQ	%chg YoY
Interest and similar income	147.3	152.2	148.0	-2.7%	0.4%
Interest and similar expenses	-3.2	-2.0	-3.2	59.5%	0.7%
Net interest and similar income	**144.1**	**150.1**	**144.7**	**-3.6%**	**0.4%**
Recovery (loss) due to impairment of financial investments	-1.5	0.4	-0.6	n.m.	-56.5%
Net Interest and similar income after impairment loss	**142.6**	**150.5**	**144.1**	**-4.3%**	**1.0%**
Net gain (loss) on sale of financial investments	-7.9	14.3	17.7	23.8%	n.m.
Net gain (loss) on financial assets at fair value through profit or loss	4.9	-9.7	0.5	n.m.	-90.6%
Rental income	8.7	11.7	13.7	16.7%	56.9%
Gain on sale of investment property	-	-1.6	-4.4	n.m.	n.m.
Valuation gain (loss) from investment property	24.7	20.7	22.7	9.7%	-8.3%
Other[1]	-2.2	-3.6	-3.1	-13.7%	40.2%
Other income	**28.3**	**31.8**	**47.0**	**47.6%**	**66.4%**
Results from investments	**170.9**	**182.4**	**191.1**	**4.8%**	**11.8%**

(1) Only includes transactions related to investments.

NET INTEREST AND SIMILAR INCOME

Net interest and similar income related to investments was S/ 144.7 million in 3Q19, a decrease of S/ 5.4 million, or 3.6%, QoQ and relatively stable YoY.

The quarterly decrease was mainly explained by a S/ 4.2 million reduction in interest and similar income, due to lower returns on the equity portfolio attributable to higher income from dividends received in 2Q19 which were not repeated in 3Q19.

RECOVERY (LOSS) DUE TO IMPAIRMENT OF FINANCIAL INVESTMENTS

Loss due to impairment of financial investments was S/ 0.6 million in 3Q19, compared to a recovery of S/ 0.4 million in 2Q19 and another loss of S/ 1.5 million in 3Q18.

The quarterly performance was mainly due to increases in the amortized cost of non-investment grade instruments, while the annual improvement was mainly explained by the lower amortized cost of certain investments.

OTHER INCOME

Other income related to investments was S/ 47.0 million in 3Q19, an increase of S/ 15.2 million QoQ and S/ 18.7 million YoY.

The quarterly growth was mainly due to increases of S/ 10.2 million in net gain on financial assets at fair value, S/ 3.4 million in net gain on sale of financial investments, S/ 2.0 million in valuation gain from investment property and S/ 2.0 million in rental income, partially offset by a negative result in sale of investment property.

The annual increase was mainly explained by growth of S/ 25.6 million in result on sale of financial investments, and S/ 5.0 million in rental income, partially compensated by negative performances of S/ 4.4 million both in net gain on financial assets at fair value and in sale of investment property.

TOTAL PREMIUMS EARNED MINUS CLAIMS AND BENEFITS

Total Premiums Earned Minus Claims And Benefits					
S/ million	3Q18	2Q19	3Q19	%chg QoQ	%chg YoY
Net premiums	173.8	164.4	157.5	-4.2%	-9.4%
Adjustment of technical reserves	-60.1	-63.6	-37.5	-41.0%	-37.6%
Net claims and benefits incurred	-188.3	-180.2	-182.9	1.5%	-2.9%
Total premiums earned minus claims and benefits	**-74.7**	**-79.4**	**-62.9**	**-20.8%**	**-15.7%**

Total premiums earned minus claims and benefits were S/ -62.9 million in 3Q19, an increase of S/ 16.5 million QoQ and S/ 11.8 million YoY.

The quarterly growth was due to a S/ 26.1 million decrease in adjustment of technical reserves, partially offset by S/ 6.9 million lower net premiums and S/ 2.7 million higher net claims and benefits incurred.

The annual performance was explained by reductions of S/ 22.6 million in adjustment of technical reserves and S/ 5.4 million in net claims and benefits incurred, partially offset by a decrease of S/ 16.3 million in net premiums.

NET PREMIUMS

Net Premiums by Business Line					
S/ million	3Q18	2Q19	3Q19	%chg QoQ	%chg YoY
Annuities	78.2	75.7	64.0	-15.5%	-18.2%
D&S	13.7	0.4	0.1	-74.1%	-99.2%
Individual Life	31.0	32.1	32.9	2.7%	6.3%
Retail Insurance	51.0	56.2	60.5	7.8%	18.7%
Net Premiums	**173.8**	**164.4**	**157.5**	**-4.2%**	**-9.4%**

Net premiums were S/ 157.5 million in 3Q19, a decrease of S/ 6.9 million, or 4.2%, QoQ and S/ 16.3 million, or 9.4%, YoY.

The quarterly reduction was mainly explained by a decrease of S/ 11.7 million in annuities, partially offset by growth of S/ 4.3 million in retail insurance, while individual life premiums slightly increased S/ 0.8 million.

The annual performance in net premiums was mainly due to decreases of S/ 14.2 million in annuities and S/ 13.6 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 growth of S/ 9.5 million in retail insurance and S/ 1.9 million in individual life.

ADJUSTMENT OF TECHNICAL RESERVES

Adjustment of Technical Reserves by Business Line					
S/ million	3Q18	2Q19	3Q19	%chg QoQ	%chg YoY
Annuities	-45.4	-39.9	-19.9	-50.2%	-56.2%
Individual Life	-14.4	-21.3	-15.6	-26.6%	8.4%
Retail Insurance	-0.4	-2.4	-2.0	-16.5%	n.m.
Adjustment of technical reserves	**-60.1**	**-63.6**	**-37.5**	**-41.0%**	**-37.6%**

Adjustment of technical reserves was S/ 37.5 million in 3Q19, a decrease of S/ 26.1 million QoQ and S/ 22.6 million YoY.

The quarterly reduction was mainly due to decreases of S/ 20.0 million in annuities and S/ 5.7 million in individual life, while the annual reduction was explained by a decrease of S/ 25.5 million in annuities, partially offset by increases of S/ 1.6 million in retail insurance and S/ 1.2 million in individual life.

NET CLAIMS AND BENEFITS INCURRED

Net Claims and Benefits Incurred by Business Line					
S/ million	3Q18	2Q19	3Q19	%chg QoQ	%chg YoY
Annuities	-156.5	-162.2	-163.6	0.9%	4.6%
D&S	-14.3	0.9	0.3	-72.2%	n.m.
Individual Life	-2.4	-2.6	-1.6	-36.2%	-32.3%
Retail Insurance	-15.2	-16.4	-17.9	9.3%	17.8%
Net claims and benefits incurred	**-188.3**	**-180.2**	**-182.9**	**1.5%**	**-2.9%**

Net claims and benefits incurred reached S/ 182.9 million in 3Q19, an increase of S/ 2.7 million QoQ and a decrease of S/ 5.4 million YoY.

The quarterly growth was mainly the result of a S/ 1.5 million increase in retail insurance, mainly explained by claims in Mandatory Traffic Accident Insurance (SOAT), as well as S/ 1.4 million higher annuity benefits.

The annual reduction in net claims and benefits incurred was explained by a S/ 14.6 million decrease in disability and survivorship claims, associated with the expiration of Seguros Sura’s disability and survivorship contract in December 2018, partially offset by growth of S/ 7.1 million in annuity benefits and S/ 2.7 million in retail insurance claims.

OTHER EXPENSES

Other Expenses					
S/ million	3Q18	2Q19	3Q19	%chg QoQ	%chg YoY
Salaries and employee benefits	-18.9	-18.1	-17.9	-1.1%	-5.2%
Administrative expenses	-11.0	-13.4	-13.9	3.5%	25.4%
Depreciation and amortization	-5.1	-6.9	-4.8	-30.1%	-5.3%
Expenses related to rental income	-1.4	0.3	-1.1	n.m.	-20.6%
Other	-32.6	-36.3	-37.1	2.1%	13.7%
Other expenses	**-69.0**	**-74.4**	**-74.8**	**0.5%**	**8.3%**

Other expenses remained relatively stable QoQ and grew S/ 5.8 million, or 8.3%, YoY.

In the quarterly performance, increases in expenses related to rental income, administrative and other expenses, were offset by lower depreciation and amortization charges.

The annual increase in other expenses was mainly due to growth of S/ 4.5 million in other expenses such as third-party commissions, and S/ 2.9 million in administrative expenses, partially offset by a decrease of S/ 1.0 million in salaries and employee benefits.

Inteligo

SUMMARY

Inteligo's net profit in 3Q19 was S/ 18.9 million, a S/ 14.5 million or 43.2% decrease QoQ; and a S/ 40.4 million or 68.1% reduction YoY.

The main driver for these results was a deterioration of the investment portfolio, attributable to negative mark-to-market valuations in 3Q19.

From a business development perspective, Inteligo's prospection process continued to show consistent results. Net fee income from financial services was S/ 41.3 million in 3Q19, an 11.3% increase QoQ and 11.9% YoY.

Inteligo's ROAE was 9.7% in 3Q19, lower than the 16.8% reported in 2Q19 and the 32.5% registered in 3Q18. However, excluding the effect of asset amortization from Interfondos acquisition and the negative impact from mark-to-market in investments, ROAE was 17.3% in 3Q19.

Wealth Management Segment's P&L Statement					
S/ million	3Q18	2Q19	3Q19	%chg QoQ	%chg YoY
Interest and similar income	38.2	38.9	42.5	9.0%	11.2%
Interest and similar expenses	-11.6	-14.4	-15.9	10.4%	37.4%
Net interest and similar income	**26.6**	**24.5**	**26.6**	**8.3%**	**-0.2%**
Impairment loss on loans, net of recoveries	0.0	0.0	0.0	-25.6%	n.m.
Recovery (loss) due to impairment of financial investments	0.2	0.3	-0.5	n.m.	n.m.
Net interest and similar income after impairment loss	**26.8**	**24.8**	**26.1**	**4.9%**	**-2.8%**
Fee income from financial services, net	36.9	37.1	41.3	11.3%	11.9%
Other income	23.4	0.5	-8.9	n.m.	n.m.
Other expenses	-26.8	-28.7	-34.6	20.7%	29.2%
Income before translation result and income tax	**60.4**	**33.8**	**23.9**	**-29.3%**	**-60.5%**
Translation result	0.1	1.6	-3.2	n.m.	n.m.
Income tax	-1.2	-2.1	-1.7	-17.2%	42.9%
Profit for the period	**59.3**	**33.4**	**18.9**	**-43.2%**	**-68.1%**
ROAE	**32.5%**	**16.8%**	**9.7%**		
Efficiency ratio	**30.7%**	**45.9%**	**58.6%**		

ASSETS UNDER MANAGEMENT & DEPOSITS

AUM reached S/ 18,086.7 million in 3Q19, a S/ 392.7 million or 2.1% decrease QoQ and a S/ 386.0 million or 2.2% growth YoY; as new account openings, which generated an influx of funds as a result of a strengthened prospection and client conversion strategy, were offset by withdrawals from custody clients.

Client deposits reached S/ 3,058.1 million in 3Q19, an increase of S/ 583.2 million or 23.6% QoQ, and S/ 905.2 million or 42.0% YoY. Gowth in client deposits was associated with funding obtained from new account openings and funds obtained from certain liquidity events during the quarter.

NET INTEREST AND SIMILAR INCOME

Net interest and similar income					
S/ million	3Q18	2Q19	3Q19	%chg QoQ	%chg YoY
Interest and similar income					
Due from banks and inter-bank funds	0.6	2.1	5.4	n.m.	n.m.
Financial Investments	21.2	18.6	18.0	-3.4%	-15.1%
Loans	16.4	18.3	19.1	4.7%	16.6%
Total interest and similar income	**38.2**	**38.9**	**42.5**	**9.0%**	**11.2%**
Interest and similar expenses					
Deposits and obligations	-9.6	-11.3	-13.5	19.7%	40.8%
Due to banks and correspondents	-2.0	-3.2	-2.4	-22.8%	21.3%
Total interest and similar expenses	**-11.6**	**-14.4**	**-15.9**	**10.4%**	**37.4%**
Net interest and similar income	**26.6**	**24.5**	**26.6**	**8.3%**	**-0.2%**

Inteligo's net interest and similar income in 3Q19 was S/ 26.6 million, a S/ 2.1 million or 8.3% increase when compared with 2Q19. This was mainly attributable to interest generated by excess liquidity from deposits incoming from various sources during 3Q19.

Net interest and similar income remained stable YoY, at S/ 26.6 million in 3Q19.

FEE INCOME FROM FINANCIAL SERVICES

Fee income from financial services, net					
S/ million	3Q18	2Q19	3Q19	%chg QoQ	%chg YoY
Income					
Brokerage and custody services	3.9	3.4	6.3	87.6%	63.9%
Funds management	33.4	34.3	35.4	3.1%	6.1%
Total income	**37.2**	**37.7**	**41.7**	**10.7%**	**12.0%**
Expenses					
Brokerage and custody services	-0.2	-0.4	-0.3	-25.9%	37.5%
Others	-0.1	-0.2	-0.1	-27.2%	14.8%
Total expenses	**-0.3**	**-0.6**	**-0.4**	**-26.2%**	**30.9%**
Fee income from financial services, net	**36.9**	**37.1**	**41.3**	**11.3%**	**11.9%**

Net fee income from financial services was S/ 41.3 million in 3Q19, an increase of S/ 4.2 million or 11.3% when compared to the previous quarter. On a YoY basis, net fee income from financial services increased S/ 4.4 million or 11.9%. 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	3Q18	2Q19	3Q19	%chg QoQ	%chg YoY
Net gain on sale of financial investments	7.6	13.5	4.2	-68.8%	-44.5%
Net trading gain (loss)	17.7	-13.1	-11.2	-14.5%	n.m.
Other	-1.8	0.1	-1.9	n.m.	2.9%
Total other income	**23.4**	**0.5**	**-8.9**	**n.m.**	**n.m.**

Other income reached S/ -8.9 million in 3Q19, a decrease of S/ 9.4 million QoQ and S/ 32.3 million YoY, attributable to negative mark-to-market valuations on Inteligo's proprietary portfolio throughout the year. Excluding the negative impact from mark-to-market in investments, other income was S/ 2.3 million in 3Q19.

OTHER EXPENSES

Other expenses					
S/ million	3Q18	2Q19	3Q19	%chg QoQ	%chg YoY
Salaries and employee benefits	-15.6	-15.2	-16.7	10.0%	6.9%
Administrative expenses	-8.8	-9.5	-10.5	10.8%	18.7%
Depreciation and amortization	-2.3	-3.9	-7.4	90.8%	n.m.
Other	0.0	-0.2	0.0	-81.2%	-32.6%
Total other expenses	**-26.8**	**-28.7**	**-34.6**	**20.7%**	**29.2%**
Efficiency ratio	**30.7%**	**45.9%**	**58.6%**		

Other expenses reached S/ 34.6 million in 3Q19, an increase of S/ 5.9 million or 20.7% QoQ and S/ 7.8 million or 29.2% YoY. This was mainly related to the amortization of assets acquired as part of the Interfondos transaction earlier in the year.