

Intercorp Financial Services Inc. Fourth Quarter 2022 Earnings

Lima, Peru, February 13, 2023. Intercorp Financial Services Inc. (Lima Stock Exchange/NYSE: IFS) announced today its unaudited results for the fourth quarter 2022. These results are reported on a consolidated basis under IFRS in nominal Peruvian soles.

Intercorp Financial Services: 4Q22 recurring earnings of S/ 403 mm, up 3% QoQ & 53% YoY

- Strong FY22 ROE levels in banking, insurance & payments, WM still impacted by M2M
- 90 bps yearly expansion in IFS' NIM drives 7% growth in recurring revenues
- Moderate growth in expenses helps quarterly efficiency levels improve to 34.8%
- Solid capitalization levels
- Positive developments in digital and ESG indicators

Banking: Solid year in banking activity

- Resilient banking activity, moderating consumer dynamics
- Shift in loan mix and repricing expand NIM further, up to 5.4% in 4Q22
- Positive operating leverage drives quarterly efficiency ratio down to 38%
- CoR builds up in line with shift in loan mix and risk profile
- 10 bps gain in total deposits market share, 14.9% in retail deposits

Insurance: FY22 earnings of S/ 248.1 million, ROE at 26.6%

- Sequential recovery of investment portfolio on higher fixed income valuation
- ROIP of 7.4% in 4Q22 compared to 7.9% in 3Q22 and 4.7% in 4Q21
- Market leader in annuities with a 27.7% share in 4Q22

Wealth Management: Mild quarterly recovery

- Positive net income in 4Q22 as investment losses fade out
- AUM restrained due to market trends
- Revenues recover due to normalization of other income

Payments: 19% growth in yearly earnings

- Acquirer fees grew 8% QoQ and 32% YoY in 4Q22
- Strong growth in number of merchants and transactional volumes
- Share of e-commerce transactions within Izipay grew from 13.5% to 16.5% YoY
- Almost 10 mm users in Plin with exponential growth in transactions

Intercorp Financial Services

SUMMARY

2022 Performance

Intercorp Financial Services' profits were S/ 1,670.7 million in 2022, a 7.2% decrease compared to 2021. The lower net profit was mainly driven by a more than two-fold increase in impairment loss on loans, a 40.1% reduction in other income and growth of 18.6% in other expenses, in addition to a reported loss due to impairment of financial investments. These factors were partially offset by increases of 18.6% in net interest and similar income, and 38.1% in net fee income from financial services, as well as improvements in total premiums earned minus claims and benefits, and in translation result.

IFS's ROE was 17.7% in 2022, lower than the 19.3% registered in 2021.

Intercorp Financial Services' P&L Statement					
S/ million	2020	2021	2022	%chg 22/21	%chg 21/20
Interest and similar income	4,665.0	4,605.6	5,871.3	27.5%	-1.3%
Interest and similar expenses	-1,192.3	-1,057.9	-1,662.1	57.1%	-11.3%
Net interest and similar income	3,472.7	3,547.7	4,209.2	18.6%	2.2%
Impairment loss on loans, net of recoveries	-2,393.9	-381.6	-830.6	n.m.	-84.1%
Recovery (loss) due to impairment of financial investments	-32.9	30.9	-12.8	n.m.	n.m.
Net interest and similar income after impairment loss	1,045.8	3,197.0	3,365.9	5.3%	n.m.
Fee income from financial services, net	723.5	823.8	1,137.4	38.1%	13.9%
Other income	776.7	905.6	542.4	-40.1%	16.6%
Total premiums earned minus claims and benefits	-279.1	-272.1	-191.8	-29.5%	-2.5%
Net Premiums	615.8	1,040.5	1,013.3	-2.6%	69.0%
Adjustment of technical reserves	-100.8	-395.3	-345.1	-12.7%	n.m.
Net claims and benefits incurred	-794.1	-917.3	-860.0	-6.3%	15.5%
Other expenses	-1,910.7	-2,262.8	-2,683.9	18.6%	18.4%
Income before translation result and income tax	356.3	2,391.6	2,170.0	-9.3%	n.m.
Translation result	-45.7	-89.3	-36.8	-58.8%	95.3%
Income tax	72.9	-502.1	-462.5	-7.9%	n.m.
Profit for the period	383.5	1,800.2	1,670.7	-7.2%	n.m.
Attributable to IFS' shareholders	383.3	1,790.1	1,660.6	-7.2%	n.m.
EPS	3.32	15.51	14.39		
ROAE	4.5%	19.3%	17.7%		
ROAA	0.5%	2.0%	1.9%		
Efficiency ratio	32.2%	34.7%	36.1%		

Net interest and similar income grew due to a 90 basis point increase in NIM in our Banking business and growth in interest and similar income in our Insurance business. These effects were partially offset by lower interest on financial investments and higher interest expenses in our Wealth Management business.

Impairment loss on loans, net of recoveries increased more than two-fold, explained by higher provision requirements in the retail and commercial loan books, associated with a deterioration of the macroeconomic outlook in Peru.

Growth in net fee income from financial services was mainly due to higher commissions across most products and services in our Banking business and higher fees from payments acquirer in our Payments business, where the number of merchants and monetary transactions grew 73% and 50%, respectively. However, lower fees from funds management in our Wealth Management business partially compensated the positive performance.

Other income decreased as a result of negative performances across all four business, in particular mark-to-market valuation on proprietary investments in our Wealth Management business, attributed to global market trends, as well as lower net gain on sale of securities and a reported net trading loss in our Insurance business.

Total premiums earned less claims and benefits improved due to reductions in net claims and benefits incurred, and in adjustment of technical reserves, partially offset by a slight decrease in net premiums.

The increase in other expenses was mostly attributed to higher expenses in technology and marketing related to our credit card business, as well as higher personnel expenses associated with sales of individual life premiums and higher administrative expenses in our Payments business given the sharp rise in business activity.

The efficiency ratio was 36.1% in 2022, weaker than the 34.7% registered in 2021 given the negative performance of other income.

Intercorp Financial Services' Statement of financial position					
S/ million	12.31.21	09.30.22	12.31.22	%chg 12.31.22 09.30.22	%chg 12.31.22 12.31.21
Assets					
Cash and due from banks and inter-bank funds	17,134.5	12,941.6	13,489.5	4.2%	-21.3%
Financial investments	24,547.3	24,899.4	22,787.6	-8.5%	-7.2%
Loans, net of unearned interest	45,070.5	47,128.8	47,530.9	0.9%	5.5%
Impairment allowance for loans	-2,064.9	-2,034.7	-2,027.9	-0.3%	-1.8%
Property, furniture and equipment, net	815.1	787.6	791.4	0.5%	-2.9%
Other assets	4,451.4	4,984.6	4,911.1	-1.5%	10.3%
Total assets	89,953.9	88,707.3	87,482.6	-1.4%	-2.7%
Liabilities and equity					
Deposits and obligations	48,897.9	49,279.7	48,530.7	-1.5%	-0.8%
Due to banks and correspondents and inter-bank funds	8,522.8	8,510.7	7,130.7	-16.2%	-16.3%
Bonds, notes and other obligations	8,389.7	8,192.9	7,906.3	-3.5%	-5.8%
Insurance contract liabilities	11,958.1	10,037.6	10,602.4	5.6%	-11.3%
Other liabilities	2,630.0	3,172.5	3,266.6	3.0%	24.2%
Total liabilities	80,398.5	79,193.4	77,436.7	-2.2%	-3.7%
Equity, net					
Equity attributable to IFS' shareholders	9,504.0	9,462.7	9,991.2	5.6%	5.1%
Non-controlling interest	51.3	51.2	54.8	6.9%	6.7%
Total equity, net	9,555.4	9,513.9	10,046.0	5.6%	5.1%
Total liabilities and equity net	89,953.9	88,707.3	87,482.6	-1.4%	-2.7%

4Q22 Performance

Intercorp Financial Services' net profit was S/ 402.6 million in 4Q22, a reduction of S/ 210.8 million QoQ, or 34.4%, but an increase of S/ 138.2 million YoY, or 52.3%.

IFS's annualized ROAE was 16.5% in 4Q22, below the 26.5% reported in 3Q22, but above the 10.9% registered in 4Q21.

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 this one-off, ROE would have resulted in 17.1% in 3Q22.

Intercorp Financial Services' P&L statement					
S/ million	4Q21	3Q22	4Q22	%chg QoQ	%chg YoY
Interest and similar income	1,237.1	1,547.1	1,684.0	8.8%	36.1%
Interest and similar expenses	-290.7	-462.9	-535.4	15.7%	84.2%
Net interest and similar income	946.4	1,084.2	1,148.5	5.9%	21.4%
Impairment loss on loans, net of recoveries	97.4	-209.6	-278.0	32.6%	n.m.
Recovery (loss) due to impairment of financial investments	-0.0	-6.9	-8.2	18.0%	n.m.
Net interest and similar income after impairment loss	1,043.7	867.7	862.3	-0.6%	-17.4%
Fee income from financial services, net	222.9	316.3	323.2	2.2%	45.0%
Other income	-127.2	306.4	136.9	-55.3%	n.m.
Total premiums earned minus claims and benefits	-20.5	-42.2	-68.1	61.4%	n.m.
Net Premiums	348.6	271.5	235.6	-13.2%	-32.4%
Adjustment of technical reserves	-151.5	-95.1	-79.8	-16.1%	-47.3%
Net claims and benefits incurred	-217.6	-218.6	-223.9	2.4%	2.9%
Other expenses	-639.4	-687.6	-744.7	8.3%	16.5%
Income before translation result and income tax	479.4	760.5	509.7	-33.0%	6.3%
Translation result	-21.6	-7.1	-1.3	-82.3%	-94.2%
Income tax	-193.4	-140.0	-105.8	-24.4%	-45.3%
Profit for the period	264.4	613.4	402.6	-34.4%	52.3%
Attributable to IFS' shareholders	261.1	610.7	400.0	-34.5%	53.2%
EPS	2.26	5.29	3.47		
ROE	10.9%	26.5%	16.5%		
ROA	1.2%	2.8%	1.8%		
Efficiency ratio	44.6%	33.0%	34.8%		

Quarter-on-quarter performance

Profits decreased 34.4% QoQ mainly due to a base effect in other income given the extraordinary income from revaluation of Izipay's assets reported at the holding company level in the previous quarter, which offset improvements in other income in our Banking, Wealth Management and Payments businesses. Moreover, increases of 32.6% in impairment loss on loans and 8.3% in other expenses contributed to the reduction in earnings. Partially offsetting this, the 5.9% growth in net interest and similar income was driven by a 40 basis point increase in NIM in our Banking business.

IFS' effective tax rate increased, from 18.6% in 3Q22 to 20.8% in 4Q22, given the absence of tax-exempt extraordinary income at the holding company level and a positive contribution to profits from Inteligo.

Year-on-year performance

Profits increased 52.3% YoY mainly due to positive performances in other income in our Banking, Insurance and Wealth Management businesses, in addition to growth in net interest and similar income, and higher net fee income in Banking, Insurance and

Payments. These effects were partially compensated by a more than two-fold increase in impairment loss on loans, as well as 16.5% higher other expenses.

IFS' effective tax rate decreased, from 42.2% in 4Q21 to 20.8% in 4Q22, as a result of a higher contribution to profits from Inteligo and Interseguro.

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					
S/ million	4Q21	3Q22	4Q22	%chg QoQ	%chg YoY
Banking	467.1	365.6	364.9	-0.2%	-21.9%
Insurance	13.4	100.5	31.9	-68.2%	n.m.
Wealth Management	-76.6	-41.0	16.9	n.m.	n.m.
Payments	-	11.7	11.7	-0.1%	n.m.
Corporate and eliminations	-139.4	176.7	-22.9	n.m.	-83.6%
IFS profit for the period	264.4	613.4	402.6	-34.4%	52.3%

Interbank

SUMMARY

2022 Performance

Interbank's profits were S/ 1,374.1 million in 2022, which represented an increase of S/ 13.8 million YoY, or 1.0%.

The yearly performance was mainly attributed to increases of S/ 553.7 million in net interest and similar income, S/ 120.2 million in net fee income from financial services, in addition to a lower effective tax rate. These factors were partially offset by increases of S/ 453.9 million in impairment loss on loans and S/ 142.9 million in other expenses, as well as a reduction of S/ 77.1 million in other income and a negative performance in translation result.

Interbank's ROE was 19.8% in 2022, representing a lower profitability compared to the 21.0% ROE reported in 2021.

Banking Segment's P&L Statement					
S/ million	2020	2021	2022	%chg 22/21	%chg 21/20
Interest and similar income	3,836.4	3,636.8	4,774.4	31.3%	-5.2%
Interest and similar expense	-1,053.4	-893.1	-1,476.9	65.4%	-15.2%
Net interest and similar income	2,783.1	2,743.7	3,297.4	20.2%	-1.4%
Impairment loss on loans, net of recoveries	-2,393.9	-379.0	-832.9	n.m.	-84.2%
Recovery (loss) due to impairment of financial investments	0.2	-0.5	-0.7	38.9%	n.m.
Net interest and similar income after impairment loss	389.3	2,364.2	2,463.8	4.2%	n.m.
Fee income from financial services, net	619.8	677.5	797.7	17.8%	9.3%
Other income	444.1	552.5	475.4	-14.0%	24.4%
Other expenses	-1,533.5	-1,787.9	-1,930.8	8.0%	16.6%
Income before translation result and income tax	-80.2	1,806.2	1,806.1	0.0%	n.m.
Translation result	-6.0	7.2	-22.8	n.m.	n.m.
Income tax	80.5	-453.2	-409.2	-9.7%	n.m.
Profit for the period	-5.7	1,360.3	1,374.1	1.0%	n.m.
ROAE	n.m.	21.0%	19.8%		
Efficiency ratio	38.6%	42.7%	40.4%		
NIM	4.6%	4.0%	4.9%		
NIM on loans	7.8%	7.1%	7.7%		

Net interest and similar income increased 20.2%, due to 31.3% higher interest and similar income, partially compensated by a 65.4% increase in interest and similar expense.

The higher interest and similar income was due to increases of more than three-fold in interest on due from banks and inter-bank funds, 67.8% in interest on financial investments and 25.3% in interest on loans.

Interest on due from banks and inter-bank funds increased S/ 115.4 million, or more than three-fold, explained by a 110 basis point increase in the nominal average rate, partially offset by a 29.8% decrease in the average volume explained by lower deposits at the Central Bank.

Interest on financial investments increased S/ 180.7 million, or 67.8%, due to growth of 140 basis points in the average yield and 9.7% in the average volume. The higher average yield, from 2.8% in 2021 to 4.2% in 2022, was due to higher returns on CDBCR, corporate bonds from financial institutions, sovereign bonds and global bonds. The increase in the average volume was mainly the result of higher CDBCR, corporate bonds from non-financial institutions and sovereign bonds, partially offset by lower positions in global bonds and corporate bonds from financial institutions.

Interest on loans grew S/ 841.4 million, or 25.3%, due to increases of 150 basis points in the nominal average rate and 4.7% in the average volume.

The higher average rate on loans, from 7.9% in 2021 to 9.4% in 2022, was due to yield increases in both retail and commercial segments.

The higher average volume of loans was attributed to growth of 14.4% in retail loans, partially offset by a 4.1% decrease in commercial loans. In the retail portfolio, the higher average volume was mainly due to increases of 18.4% in consumer loans and 8.6% in mortgages. The reduction in commercial loans was attributed to decreases of 12.1% in short and medium-term loans, as well as 4.9% in leasing operations, partially offset by a 26.4% increase in trade finance loans.

As a result of the above, the nominal average yield on interest-earning assets expanded 190 basis points, from 5.3% in 2021 to 7.2% in 2022.

The 65.4% higher interest and similar expense was due to an increase of more than two-fold in interest on deposits and obligations, as well as 46.2% higher interest on due to banks and correspondents, partially compensated by a 4.3% decrease in interest on bonds, notes and other obligations.

Interest on deposits and obligations increased S/ 531.4 million, or more than two-fold, explained by a 120 basis point increase in the average cost, from 0.8% in 2021 to 2.0% in 2022, partially offset by a 2.8% reduction in the average volume. The increase in the average cost was due to higher rates paid in institutional, commercial and retail deposits, associated with higher reference rates globally. The reduction in the average volume was attributed to lower institutional and commercial deposits, partially compensated by higher retail deposits.

Interest on due to banks and correspondents increased as a result of a 120 basis point increase in the average cost, from 1.7% in 2021 to 2.9% in 2022, partially compensated by a 12.6% reduction in the average volume. The higher average cost was due to higher rates paid to inter-bank funds, as well as to funding from correspondent banks abroad and the Central Bank. The lower average volume was explained by lower obligations with correspondent banks abroad and the Central Bank.

The lower interest on bonds, notes and other obligations was explained by a 2.3% reduction in the average volume, as well as a 10 basis point decrease in the nominal average cost. These effects were mostly attributable to the maturity of local subordinated bonds for S/ 137.9 million in June 2022.

The average cost of funding increased 100 basis points, from 1.5% in 2021 to 2.5% in 2022, in line with the higher implicit cost of deposits and due to banks and correspondents.

As a result of the above, net interest margin was 4.9% in 2022, 90 basis points higher than the 4.0% reported in 2021.

Impairment loss on loans, net of recoveries increased S/ 453.9 million, or more than two-fold, compared to the previous year. The increase in provision expenses was mainly related to higher requirements in the retail and commercial loan books, associated with a deterioration of the macroeconomic outlook in Peru.

The S/ 120.2 million, or 17.8% increase in net fee income from financial services was mainly due to higher commissions across most products and services.

Other income decreased S/ 77.1 million, or 14.0%, mainly due to reductions in net gain on sale of securities and net gain on foreign exchange transactions.

Other expenses increased S/ 142.9 million, or 8.0%, mainly as a result of higher expenses in technology and marketing expenses related to credit cards.

The efficiency ratio was 40.4% in 2022, an improvement compared to the 42.7% registered in 2021.

Results before translation result and income tax were S/ 1,806.1 million in 2022, relatively flat when compared to the result registered in 2021. However, bottom-line results improved due to the effect of a lower effective tax rate and despite a negative performance in translation result.

As a result of the above, profits for the period were S/ 1,374.1 million, compared to net profit of S/ 1,360.3 million in 2021.

4Q22 Performance

Interbank's profits were S/ 364.9 million in 4Q22, a slight decrease of S/ 0.7 million QoQ, or 0.2%, and a reduction of S/ 102.2 million YoY, or 21.9%. The quarterly performance was mainly attributed to increases of S/ 68.6 million in impairment loss on loans, net of recoveries, and S/ 20.1 million in other expenses, in addition to a negative performance in translation result. These factors were partially offset by increases of S/ 74.9 million in net interest and similar income, and S/ 11.0 million in other income, as well as a lower effective tax rate.

The annual performance in net profit was also explained by growth of S/ 376.0 million in impairment loss on loans, net of recoveries, S/ 11.8 million in other expenses and a negative performance in translation result. These effects were partially compensated by increases of S/ 171.3 million in net interest and similar income, S/ 23.2 million in net fee income from financial services, and S/ 11.0 million in other income, together with a lower effective tax rate.

Interbank's ROE was 20.2% in 4Q22, below the 21.4% and 27.8% registered in 3Q22 and 4Q21, respectively.

Banking Segment's P&L Statement					
S/ million	4Q21	3Q22	4Q22	%chg QoQ	%chg YoY
Interest and similar income	983.5	1,260.6	1,396.4	10.8%	42.0%
Interest and similar expense	-237.9	-418.6	-479.5	14.5%	n.m.
Net interest and similar income	745.6	842.0	916.9	8.9%	23.0%
Impairment loss on loans, net of recoveries	97.8	-209.6	-278.2	32.7%	n.m.
Recovery (loss) due to impairment of financial investments	0.1	-0.3	-0.4	57.2%	n.m.
Net interest and similar income after impairment loss	843.5	632.1	638.3	1.0%	-24.3%
Fee income from financial services, net	188.2	213.0	211.4	-0.7%	12.3%
Other income	119.7	119.7	130.7	9.2%	9.1%
Other expenses	-496.0	-487.7	-507.8	4.1%	2.4%
Income before translation result and income tax	655.4	477.2	472.7	-1.0%	-27.9%
Translation result	-14.2	12.3	-15.5	n.m.	9.5%
Income tax	-174.2	-123.9	-92.2	-25.6%	-47.1%
Profit for the period	467.1	365.6	364.9	-0.2%	-21.9%
ROE	27.8%	21.4%	20.2%		
Efficiency ratio	42.2%	40.1%	37.9%		
NIM	4.4%	5.0%	5.4%		
NIM on loans	7.4%	7.8%	8.2%		

INTEREST-EARNING ASSETS

Interbank's interest-earning assets reached S/ 64,660.1 million as of December 31, 2022, a reduction of 2.5% QoQ and 1.7% YoY.

The quarterly decrease in interest-earning assets was explained by a reduction of 20.3% in financial investments, partially offset by increases of 1.8% in cash and due from banks and inter-bank funds, and 1.3% in loans.

The YoY reduction in interest-earning assets was attributed to a 21.3% reduction in cash and due from banks and inter-bank funds, as well as a 4.7% decrease in financial investments. These effects were partially compensated by an increase of 5.9% in loans.

Interest-earning assets					
S/ million	12.31.21	09.30.22	12.31.22	%chg 12.31.22 09.30.22	%chg 12.31.22 12.31.21
Cash and due from banks and inter-bank funds	14,420.8	11,144.2	11,348.4	1.8%	-21.3%
Financial investments	10,062.2	12,025.9	9,586.3	-20.3%	-4.7%
Loans	41,307.4	43,176.0	43,725.3	1.3%	5.9%
Total interest-earning assets	65,790.4	66,346.1	64,660.1	-2.5%	-1.7%

Loan portfolio					
S/ million	12.31.21	09.30.22	12.31.22	%chg 12.31.22 09.30.22	%chg 12.31.22 12.31.21
Performing loans					
Retail	20,261.1	22,405.6	23,339.5	4.2%	15.2%
Commercial	20,963.5	20,640.4	20,252.3	-1.9%	-3.4%
Total performing loans	41,224.6	43,046.0	43,591.8	1.3%	5.7%
Restructured and refinanced loans	236.5	288.1	322.9	12.1%	36.5%
Past due loans	1,550.7	1,425.2	1,365.8	-4.2%	-11.9%
Total gross loans	43,011.8	44,759.3	45,280.5	1.2%	5.3%
Add (less)					
Accrued and deferred interest	357.7	451.1	472.3	4.7%	32.1%
Impairment allowance for loans	-2,062.1	-2,034.3	-2,027.5	-0.3%	-1.7%
Total direct loans, net	41,307.4	43,176.0	43,725.3	1.3%	5.9%

The evolution of performing continued to be affected by the disbursement and maturity or prepayment of commercial loans under the Reactiva Peru Program. As of December 31, 2022, these performing loans amounted S/ 2,020.3 million, compared to balances of S/ 2,657.3 million as of September 30, 2022 and S/ 4,429.5 million as of December 31, 2021.

Performing loans increased 1.3% QoQ, as retail loans sequentially grew 4.2%, while commercial loans slightly decreased 1.9%. Excluding the effect of the Reactiva Peru Program in the comparing periods, total performing loans and commercial loans would have increased 2.9% and 1.4% QoQ, respectively.

Retail loans grew 4.2% QoQ due to increases of 5.8% in consumer loans and 1.6% in mortgages. Growth in consumer loans resulted from higher balances of cash loans, vehicle loans and credit cards, as well as a 2.2% growth in payroll deduction loans.

The quarterly reduction in commercial loans was a result of lower short and medium-term lending across all business segments, partially offset by higher leasing operations in the mid-sized segment.

Performing loans grew 5.7% YoY explained by a 15.2% increase in retail loans, partially offset by a 3.4% reduction in commercial loans. Excluding the effect of the Reactiva Peru Program in the comparing periods, performing loans and commercial loans would have increased 13.0% and 10.3% YoY, respectively.

The YoY growth in retail loans was due to increases of 19.2% in consumer loans and 9.4% in mortgages. The increase in consumer loans resulted from higher credit cards and payroll deduction loans, among others.

The annual reduction in commercial loans was mainly explained by lower balances of Reactiva Peru loans within short and medium-term loans across all segments, partially offset by higher leasing operations in corporate and mid-sized segments, as well as trade finance loans across all segments.

In 4Q22, 3Q22 and 4Q21, Interbank's rescheduled portfolio of Reactiva Peru loans amounted to S/ 1,476.4 million, S/ 1,707.3 million and S/ 1,974.2 million, respectively, representing 64.6% of total balances of Reactiva Peru loans in 4Q22, 58.1% in 3Q22 and 40.3% in 4Q21.

It is worth mentioning that these loans are guaranteed in large part by the Peruvian government. As of December 31, 2022, Interbank activated the guarantee coverage for an amount of S/ 587.5 million.

Breakdown of retail loans					
S/ million	12.31.21	09.30.22	12.31.22	%chg 12.31.22 09.30.22	%chg 12.31.22 12.31.21
Consumer loans:					
Credit cards & other loans	7,471.8	8,998.9	9,689.5	7.7%	29.7%
Payroll deduction loans ⁽¹⁾	4,542.1	4,529.1	4,629.1	2.2%	1.9%
Total consumer loans	12,013.9	13,528.0	14,318.7	5.8%	19.2%
Mortgages	8,247.1	8,877.6	9,020.8	1.6%	9.4%
Total retail loans	20,261.1	22,405.6	23,339.5	4.2%	15.2%

(1) Payroll deduction loans to public sector employees.

FUNDING STRUCTURE

Funding structure					
S/ million	12.31.21	09.30.22	12.31.22	%chg 12.31.22 09.30.22	%chg 12.31.22 12.31.21
Deposits and obligations	44,966.3	45,493.7	44,597.9	-2.0%	-0.8%
Due to banks and correspondents and inter-bank funds	8,112.7	7,925.8	6,756.6	-14.8%	-16.7%
Bonds, notes and other obligations	6,939.0	6,790.9	6,571.5	-3.2%	-5.3%
Total	60,018.0	60,210.4	57,926.0	-3.8%	-3.5%
% of funding					
Deposits and obligations	74.9%	75.6%	77.0%		
Due to banks and correspondents and inter-bank funds	13.5%	13.1%	11.7%		
Bonds, notes and other obligations	11.6%	11.3%	11.3%		

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 December 31, 2022, the balance of such special funding was S/ 1,909.4 million, compared to S/ 2,598.7 million as of September 30, 2022 and S/ 4,389.9 million as of December 31, 2021.

The bank's total funding base declined 3.8% QoQ, compared to the 2.5% decrease of interest-earning assets. This was explained by reductions of 14.8% in due to banks and correspondents and inter-bank funds, 3.2% in bonds, notes and other obligations and 2.0% in deposits and obligations. Excluding the effect of the Reactiva Peru Program's funds, the bank's total funding base would have decreased 2.8% QoQ, while due to banks and correspondents and inter-bank funds would have decreased 9.0%.

The quarterly reduction in due to banks and correspondents and inter-bank funds was mainly the result of lower long-term funding provided by the Central Bank, partially offset by higher short and long-term funds from COFIDE, as well as higher funding provided by correspondent banks abroad.

The QoQ decline in bonds, notes and other obligations was mainly attributable to a 4.2% reduction of the foreign exchange rate with respect to 3Q22.

The quarterly reduction in deposits and obligations was mainly due to decreases of 8.7% in commercial deposits and 0.2% in retail deposits, partially offset by 10.4% growth in institutional deposits.

The bank's total funding base decreased 3.5% YoY, compared to the 1.7% reduction of interest-earning assets. This was explained by reductions of 16.7% in due to banks and correspondents and inter-bank funds, 5.3% in bonds, notes and other obligations, and 0.8% 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 0.7% and 30.2% YoY, respectively.

The YoY decrease in due to banks and correspondents and inter-bank funds was mainly the result of a reduction in long-term funding provided by the Central Bank, associated with lower funds for the Reactiva Peru Program, in addition to lower short-term funding provided by correspondent banks abroad. This was partially compensated by higher long-term funds provided by correspondent banks abroad and higher funding from COFIDE.

The annual decrease in bonds, notes and other obligations was mainly attributable to the maturity of local subordinated bonds for S/ 137.9 million in June 2022 and to a 4.3% reduction of the foreign exchange rate with respect to 4Q21.

The slight reduction in deposits and obligations was mainly explained by reductions of 9.6% in institutional deposits and 3.7% in commercial deposits, partially offset by a 3.3% increase in retail deposits.

As of December 31, 2022, the proportion of deposits and obligations to total funding was 77.0%, higher than the 74.9% reported as of December 31, 2021. Likewise, the proportion of institutional deposits to total deposits decreased from 13.9% as of December 31, 2021 to 12.7% as of December 31, 2022.

Breakdown of deposits					
S/ million	12.31.21	09.30.22	12.31.22	%chg 12.31.22 09.30.22	%chg 12.31.22 12.31.21
By customer service:					
Retail	22,911.8	23,726.1	23,670.0	-0.2%	3.3%
Commercial	15,443.0	16,278.2	14,864.8	-8.7%	-3.7%
Institutional	6,251.7	5,119.7	5,650.5	10.4%	-9.6%
Other	359.8	369.6	412.6	11.6%	14.7%
Total	44,966.3	45,493.7	44,597.9	-2.0%	-0.8%
By type:					
Demand	12,310.6	13,688.9	12,020.7	-12.2%	-2.4%
Savings	22,541.9	21,331.5	20,911.8	-2.0%	-7.2%
Time	10,107.7	10,459.2	11,659.1	11.5%	15.3%
Other	6.1	14.1	6.2	-56.0%	1.0%
Total	44,966.3	45,493.7	44,597.9	-2.0%	-0.8%

NET INTEREST AND SIMILAR INCOME

Net interest and similar income					
S/ million	4Q21	3Q22	4Q22	%chg QoQ	%chg YoY
Interest and similar income	983.5	1,260.6	1,396.4	10.8%	42.0%
Interest and similar expense	-237.9	-418.6	-479.5	14.5%	n.m.
Net interest and similar income	745.6	842.0	916.9	8.9%	23.0%
NIM	4.4%	5.0%	5.4%	40 bps	100 bps

Interest and similar income					
S/ million	4Q21	3Q22	4Q22	%chg QoQ	%chg YoY
Interest and similar income					
Due from banks and inter-bank funds	21.1	41.3	64.6	56.3%	n.m.
Financial investments	72.4	122.1	134.8	10.4%	86.4%
Loans	890.0	1,097.2	1,197.0	9.1%	34.5%
Total Interest and similar income	983.5	1,260.6	1,396.4	10.8%	42.0%
Average interest-earning assets	68,453.0	66,922.4	67,534.0	0.9%	-1.3%
Average yield on assets (annualized)	5.7%	7.5%	8.3%	80 bps	260 bps

Interest and similar expense					
S/ million	4Q21	3Q22	4Q22	%chg QoQ	%chg YoY
Interest and similar expense					
Deposits and obligations	-105.2	-269.8	-313.1	16.1%	n.m.
Due to banks and correspondents and inter-bank funds	-39.6	-57.6	-78.6	36.3%	98.5%
Bonds, notes and other obligations	-93.2	-91.2	-87.8	-3.8%	-5.8%
Total Interest and similar expense	-237.9	-418.6	-479.5	14.5%	n.m.
Average interest-bearing liabilities	60,903.4	58,946.8	59,068.2	0.2%	-3.0%
Average cost of funding (annualized)	1.6%	2.8%	3.2%	40 bps	160 bps

QoQ Performance

Net interest and similar income grew 8.9% QoQ due to a 10.8% increase in interest and similar income, partially offset by 14.5% growth in interest and similar expense.

The higher interest and similar income was due to increases of 56.3% in interest on due from banks and inter-bank funds, 10.4% in interest on financial investments and 9.1% in interest on loans.

Interest on due from banks and inter-bank funds grew S/ 23.3 million QoQ, or 56.3%, explained by an 80 basis point increase in the nominal average rate, in line with higher reference rates locally, as well as 3.1% growth in the average volume due to higher reserve funds at the Central Bank.

Interest on financial investments increased S/ 12.7 million QoQ, or 10.4%, due to a 70 basis point increase in the average yield, from 4.3% in 3Q22 to 5.0% in 4Q22, partially offset by a 4.2% decrease in the average volume.

Interest on loans grew S/ 99.8 million QoQ, or 9.1%, as the result of a 70 basis point increase in the average yield, together with 1.7% growth in the average loan portfolio.

The higher average rate on loans, from 9.8% in 3Q22 to 10.5% in 4Q22, was explained by yield increases of 90 basis points in commercial loans and 40 basis points in retail loans. In the commercial portfolio, rates increased across all products, particularly and trade finance loans. The yield increase in retail loans was due to higher rates on consumer loans.

The higher average volume of loans was attributed to 3.2% growth in retail loans and slightly higher commercial loans. In the retail portfolio, average volumes increased 4.0% in consumer loans and 1.8% in mortgages. In the commercial portfolio, average volumes increased 4.9% in trade finance loans and 3.6% in leasing operations, partially offset by a 4.1% decrease in working capital loans.

The nominal average yield on interest-earning assets increased 80 basis points QoQ, from 7.5% in 3Q22 to 8.3% in 4Q22, in line with the higher returns on all components of interest-earning assets.

The higher interest and similar expense was due to increases of 36.3% in interest on due to banks and correspondents, and 16.1% in interest on deposits and obligations, partially compensated by a 3.8% reduction in interest on bonds, notes and other obligations.

Interest on due to banks and correspondents increased \$/ 21.0 million QoQ, or 36.3%, explained by a 130 basis point increase in the average cost, partially offset by a 5.1% reduction in the average volume. The higher average cost was explained by higher rates paid to funds from correspondent banks abroad and the Central Bank. The decrease in the average volume was mostly attributed to lower funding from the Central Bank, partially offset by higher funds provided by correspondent banks abroad.

The quarterly growth in interest on deposits and obligations was due to a 40 basis point increase in the average cost, from 2.4% in 3Q22 to 2.8% in 4Q22, in addition to a 1.1% increase in the average volume. The increase in the average cost was due to higher rates paid to institutional deposits, commercial deposits and retail time deposits, following the additional rate hikes globally. By currency, average balances of soles-denominated deposits grew 1.7% while average dollar-denominated deposits increased 0.1%.

The reduction in interest on bonds, notes and other obligations was attributed to a slightly lower average foreign exchange rate with respect to 3Q22.

The average cost of funding increased 40 basis points, from 2.8% in 3Q22 to 3.2% in 4Q22, as the result of the higher cost of due to banks and correspondents, and deposits.

As a result of the above, net interest margin was 5.4% in 4Q22, 40 basis points higher than the 5.0% reported in 3Q22.

YoY Performance

Net interest and similar income grew 23.0% YoY due to a 42.0% increase in interest and similar income, partially offset by growth of more than two-fold in interest and similar expense.

The higher interest and similar income was due to increases of more than three-fold in interest on due from banks and inter-bank funds, 86.4% in interest on financial investments and 34.5% in interest on loans.

Interest on due from banks and inter-bank funds grew S/ 43.5 million YoY, or more than three-fold, explained by growth of 180 basis points in the average yield, despite a 29.4% reduction in the average volume, mostly due to lower deposits at the Central Bank.

Interest on financial investments increased S/ 62.4 million YoY, or 86.4%, due to growth of 200 basis point in the average yield and 11.4% in the average volume. The increase in the nominal average rate, from 3.0% in 4Q21 to 5.0% in 4Q22, was the result of higher returns on CDBCR, corporate bonds, global bonds and sovereign bonds. Growth in the average volume was the result of higher balances of CDBCR and sovereign bonds, partially offset by lower volumes of corporate bonds and global bonds.

Interest on loans grew S/ 307.0 million YoY, or 34.5%, explained by increases of 220 basis points in the average yield and 6.2% in the average volume.

The increase in the average rate on loans, from 8.3% in 4Q21 to 10.5% in 4Q22, was mainly due to higher yields on commercial and consumer loans.

The higher average volume of loans was attributed to growth of 15.6% in retail loans, partially offset by a 2.7% reduction in commercial loans. In the retail portfolio, average volumes grew due to increases of 20.4% in consumer loans and 8.7% in mortgages. In the commercial portfolio, the lower average volume was mainly attributed to decreasing volumes in working capital loans, partially offset by higher trade finance loans and leasing operations.

The nominal average yield on interest-earning assets increased 260 basis points, from 5.7% in 4Q21 to 8.3% in 4Q22, in line with the higher returns on all components of interest-earning assets.

The higher interest and similar expense was due to increases of almost three-fold in interest on deposits and obligations, and almost two-fold in interest on due to banks and correspondents, while interest on bonds, notes and other obligations decreased 5.8%.

Interest on deposits and obligations increased S/ 207.9 million YoY, or almost three-fold, mostly explained by a 190 basis point increase in the average cost, from 0.9% in 4Q21 to 2.8% in 4Q22, partially offset by a 1.6% decrease in the average volume. By currency, average balances of soles-denominated deposits decreased 2.5% while average dollar-denominated deposits increased 0.1%.

Interest on due to banks and correspondents grew S/ 39.0 million YoY, or almost two-fold, as the result of a 230 basis point increase in the average cost, from 2.0% in 4Q21 to 4.3% in 4Q22, partially compensated by a 9.4% decrease in the average volume. The increase in the average cost was due to higher rates paid to funds from correspondent banks abroad, as well as inter-bank funds and the Central Bank, being this last component the one that explained the lower average volume.

The lower interest on bonds, notes and other obligations was explained by a 5.0% decrease in the average volume, mainly attributable to the maturity of S/ 137.9 million subordinated bonds in the local market in June 2022, in addition to the effect of a lower average foreign exchange rate with respect to 4Q21.

The average cost of funding increased 160 basis points, from 1.6% in 4Q21 to 3.2% in 4Q22, as a consequence of the higher implicit cost of deposits and due to banks and correspondents.

As a result of the above, net interest margin was 5.4% in 4Q22, 100 basis points higher than the 4.4% reported in 4Q21.

IMPAIRMENT LOSS ON LOANS, NET OF RECOVERIES

Impairment loss on loans, net of recoveries increased 32.7% QoQ and more than two-fold YoY.

The quarterly performance was explained by higher provision requirements in the retail loan book, partially offset by lower provision requirements in the commercial loan book. In the retail portfolio, the increase in provisions was mainly driven by higher requirements in credit cards and consumer loans, partially offset by lower requirements in mortgages. Conversely, the decrease in provisions in the commercial portfolio was explained by lower requirements across all segments.

The annual increase in provisions was mainly explained by higher requirements in the retail loan book, partially compensated by lower requirements in the commercial loan book. Higher requirements in the retail loan book were mostly related to consumer loans, partially offset by lower provision requirements in mortgages. The decrease in the commercial loan book was due to lower requirements across all segments.

As a result of the above, the annualized ratio of impairment loss on loans to average loans was 2.5% in 4Q22, higher than the 1.9% and the negative number reported in 3Q22 and 4Q21, respectively.

Impairment loss on loans, net of recoveries					
S/ million	4Q21	3Q22	4Q22	%chg QoQ	%chg YoY
Impairment loss on loans, net of recoveries	97.8	-209.6	-278.2	32.7%	n.m.
Impairment loss on loans/average gross loans	-0.9%	1.9%	2.5%	60 bps	340 bps
S3 NPL ratio (at end of period)	3.1%	2.5%	2.6%	10 bps	-50 bps
S3 NPL coverage ratio (at end of period)	159.4%	182.4%	173.5%	-890 bps	n.m.
Impairment allowance for loans	2,062.1	2,034.3	2,027.5	-0.3%	-1.7%

The Stage 3 NPL ratio increased 10 basis points QoQ but decreased 50 basis points YoY, to 2.6% in 4Q22. The quarterly growth was due to a 30 basis point increase in commercial loans' NPL, while the NPL ratio for the retail portfolio decreased 10 basis points. The lower Stage 3 NPL ratio YoY was explained by a 70 basis point decrease in commercial loans' NPL as well as a 20 basis point decrease in the retail loans' NPL.

Furthermore, the S3 NPL coverage ratio was 173.5% as of December 31, 2022, lower than the 182.4% reported as of September 30, 2022, but higher than the 159.4% registered as of December 31, 2021.

FEE INCOME FROM FINANCIAL SERVICES, NET

Net fee income from financial services decreased S/ 1.6 million QoQ, or 0.7%, mainly explained by higher expenses related to credit card branding and lower fees from indirect loans. These factors were partially offset by higher commissions from banking services, commissions from credit card services, fees from maintenance and mailing of

accounts, transfer fees and commissions on debit card services, and fees from collection services.

Net fee income from financial services grew S/ 23.2 million YoY, or 12.3%, mainly due to higher commissions from credit card services, commissions from banking services, fees from maintenance and mailing of accounts, transfer fees and commissions on debit card services, as well as fees from collection services and indirect loans.

Fee income from financial services, net					
S/ million	4Q21	3Q22	4Q22	%chg QoQ	%chg YoY
Income					
Commissions from credit card services	95.3	116.6	121.0	3.7%	27.0%
Commissions from banking services	74.2	80.1	84.9	5.9%	14.4%
Maintenance and mailing of accounts, transfer fees and commissions on debit card services	65.3	72.5	73.1	0.8%	11.9%
Fees from indirect loans	16.1	17.9	17.7	-0.9%	10.0%
Collection services	14.2	15.7	16.1	2.3%	13.7%
Other	11.9	13.6	9.4	-30.7%	-20.6%
Total income	276.9	316.5	322.2	1.8%	16.3%
Expenses					
Insurance	-24.9	-25.0	-21.8	-12.7%	-12.4%
Fees paid to foreign banks	-6.0	-6.9	-5.9	-13.9%	-1.4%
Other	-57.8	-71.6	-83.0	15.9%	43.7%
Total expenses	-88.7	-103.5	-110.7	7.0%	24.8%
Fee income from financial services, net	188.2	213.0	211.4	-0.7%	12.3%

OTHER INCOME

Other income grew S/ 11.0 million QoQ, mainly explained by the contribution of extraordinary concepts and a lower net loss on sale of financial investments, partially offset by a lower net gain on foreign exchange transactions and on financial assets at fair value through profit or loss.

Other income also increased S/ 11.0 million YoY mostly due a higher net gain on foreign exchange transactions and on financial assets through profit or loss.

Other income					
S/ million	4Q21	3Q22	4Q22	%chg QoQ	%chg YoY
Net gain on foreign exchange transactions and on financial assets at fair value through profit or loss	84.1	108.2	99.6 ⁽¹⁾	-8.0%	18.5%
Net gain on sale of financial investments	-0.3	-3.4	-0.7	-79.9%	n.m.
Other	35.9	14.9	31.7	n.m.	-11.7%
Total other income	119.7	119.7	130.7	9.2%	9.1%

(1) Includes S/ 113.3 million of net gain on foreign exchange transactions and S/ -13.7 million of net gain (loss) on financial assets at fair value through profit or loss (derivatives).

OTHER EXPENSES

Other expenses increased S/ 20.1 million QoQ, or 4.1%, and S/ 11.8 million YoY, or 2.4%.

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

The annual increase was the result of higher administrative expenses, in addition to slightly higher depreciation and amortization charges. These effects were partially compensated by lower salaries and employee benefits.

The efficiency ratio was 37.9% in 4Q22, an improvement compared to the 40.1% reported in 3Q22 and the 42.2% registered in 4Q21.

S/ million	Other expenses			%chg QoQ	%chg YoY
	4Q21	3Q22	4Q22		
Salaries and employee benefits	-160.3	-166.9	-155.6	-6.8%	-2.9%
Administrative expenses	-217.6	-239.9	-253.9	5.8%	16.7%
Depreciation and amortization	-66.8	-63.7	-67.6	6.1%	1.1%
Other	-51.3	-17.1	-30.6	78.7%	-40.3%
Total other expenses	-496.0	-487.7	-507.8	4.1%	2.4%
Efficiency ratio	42.2%	40.1%	37.9%	-220 bps	-430 bps

REGULATORY CAPITAL

The ratio of regulatory capital to risk-weighted assets (RWA) was 15.1% as of December 31, 2022, slightly below the 15.2% reported as of September 30, 2022 and the 15.9% registered as of December 31, 2021.

In 4Q22, risk-weighted assets (APR) grew 3.4% QoQ due to higher capital requirements for credit risk and operational risk, partially offset by lower capital requirements for market risk. The higher RWA for credit risk were attributed to an increase of RWA for loans and other assets, partially offset by lower RWA for financial investments.

Total regulatory capital increased 2.5% QoQ, mainly attributed to lower unrealized loss on investments available for sale compared to 3Q22, partially compensated by the effect of a lower foreign exchange rate on the balance of subordinated, dollar-denominated bonds.

The annual reduction in the total capital ratio was due to a 12.4% increase in RWA, partially offset by a 6.8% growth in regulatory capital. The YoY increase in RWA was mostly attributed to higher capital requirements for credit risk and operating risk. RWA for credit risk grew due to higher RWA for loans, in addition to a higher risk weight applied to intangible assets by disposition of the SBS, with impact on the bank's increasing digital investments.

Regulatory capital increased YoY mainly as a result of the addition of S/ 758.4 million in capital, reserves and earnings with capitalization agreement during the last twelve months. These effects were partially compensated by a decrease in capital treatment of local subordinated debt for S/ 68.5 million, as well as a lower exchange rate.

Also, it is worth mentioning that in June 2021, the SBS issued the Official Document No. 27358-2021 which refers to the Emergency Decree No. 037-2021, by which it established that, from April 2021 to March 2022, the minimum regulatory capital ratio requirement is reduced from 10% to 8%. Moreover, DU N° 003-2022 established that the

minimum regulatory capital ratio requirement would remain at 8% until August 2022 and then increase to 8.5% until the end of March 2023. As of the date of this report and as mentioned before, the minimum regulatory capital requirement climbed to 8.5%.

As of December 31, 2022, Interbank's capital ratio of 15.1% was significantly higher than its risk-adjusted minimum capital ratio requirement, established at 9.8%. As previously mentioned, the minimum regulatory capital ratio requirement was 8.5%, while the additional capital requirement for Interbank was 1.3% as of December 31, 2022. Furthermore, Core Equity Tier 1 (CET1) was 12.0% as of December 31, 2022, above the 11.6% reported as of September 30, 2022, but below the 12.5% registered as of December 31, 2021.

S/ million	Regulatory capital			%chg	%chg
	12.31.21	09.30.22	12.31.22	12.31.22 09.30.22	12.31.22 12.31.21
Tier I capital	6,262.1	6,639.5	7,016.4	5.7%	12.0%
Tier II capital	2,873.5	2,873.0	2,738.4	-4.7%	-4.7%
Total regulatory capital	9,135.6	9,512.4	9,754.8	2.5%	6.8%
Risk-weighted assets (RWA)	57,570.3	62,558.4	64,690.1	3.4%	12.4%
Total capital ratio	15.9%	15.2%	15.1%	-10 bps	-80 bps
Tier I capital / RWA	10.9%	10.6%	10.8%	20 bps	-10 bps
CET1	12.5%	11.6%	12.0%	40 bps	-50 bps

Interseguro

SUMMARY

2022 Performance

Interseguro's profits reached S/ 248.1 million in 2022, a S/ 24.6 million or 9.0% decrease compared to the previous year.

The full-year performance was mainly due to a S/ 188.8 million reduction in other income, mostly explained by a lower net gain on sale of securities and a reported net trading loss, in addition to S/ 48.7 million higher other expenses and S/ 33.2 million lower impairment recovery. These effects were partially compensated by an increase of S/ 125.0 million in net interest and similar income, as well as positive performances of S/ 80.2 million in total premiums earned minus claims and benefits, and S/ 41.1 million in translation result.

Insurance Segment's P&L Statement					
S/ million	2020	2021	2022	%chg 22/21	%chg 21/20
Interest and similar income	655.0	803.0	940.9	17.2%	22.6%
Interest and similar expenses	-84.0	-117.5	-130.5	11.0%	39.9%
Net Interest and similar income	571.0	685.4	810.4	18.2%	20.0%
Recovery (loss) due to impairment of financial investments	-33.8	33.2	-0.0	n.m.	n.m.
Net Interest and similar income after impairment loss	537.2	718.6	810.4	12.8%	33.8%
Fee income from financial services, net	-6.1	-6.8	-7.2	5.3%	12.3%
Other income	201.7	234.7	45.9	-80.4%	16.4%
Total premiums earned minus claims and benefits	-279.1	-272.0	-191.8	-29.5%	-2.5%
Net premiums	615.8	1,040.6	1,013.4	-2.6%	69.0%
Adjustment of technical reserves	-100.8	-395.3	-345.1	-12.7%	n.m.
Net claims and benefits incurred	-794.1	-917.3	-860.0	-6.3%	15.5%
Other expenses	-286.0	-350.3	-399.0	13.9%	22.5%
Income before translation result and income tax	167.7	324.2	258.4	-20.3%	93.3%
Translation result	-26.6	-51.5	-10.4	-79.8%	93.6%
Income tax	-	-	-	n.m.	n.m.
Profit for the period	141.1	272.7	248.0	-9.1%	93.2%
ROE	18.9%	28.2%	26.6%		
Efficiency ratio	11.0%	12.2%	9.1%		

Net interest and similar income was S/ 810.4 million in 2022, an increase of S/ 125.0 million compared to 2021, explained by S/ 137.9 million growth in interest and similar income, partially offset by a S/ 13.0 million increase in interest and similar expenses.

Recovery (loss) due to impairment of financial investments was negligible in 2022, compared to a gain of S/ 33.2 million in the previous year, attributable to the greater volatility in financial markets compared to 2021.

Other income was S/ 45.9 million, a S/ 188.8 million decrease compared to 2021, mainly due to reductions of S/ 152.1 million in net gain on sale of securities, S/ 82.5 million in net gain (loss) on financial assets at fair value through profit or loss and S/ 2.9 million in net gain on valuation of real estate investments. These factors were

partially offset by increases of S/ 8.1 million in rental income and S/ 40.5 million in other income.

Total premiums earned less claims and benefits were S/ -191.8 million in 2022, compared to S/ -272.0 million reported in 2021. The positive performance was due to reductions of S/ 57.3 million in net claims and benefits incurred, and S/ 50.2 million in adjustment of technical reserves, partially offset by a decrease of S/ 27.2 million in net premiums.

The yearly performance in net premiums was mainly due to a decrease of S/ 136.3 million in annuities, which was partially offset by increases of S/ 67.5 million in retail insurance and S/ 41.7 million in individual life.

The lower adjustment of technical reserves in 2022 was driven mainly by decreases of S/ 44.8 million in annuities and S/ 18.1 million in individual life, partially offset by an increase of S/ 12.8 million in retail insurance. The decrease in technical reserves for annuities was mostly related to lower premiums, partially compensated by higher reserves for inflation-indexed annuities due to an increase in the inflation rate.

Other expenses were S/ 399.0 million in 2022, a S/ 48.7 million increase when compared to 2021, mainly explained by increases of S/ 25.9 million third-party commissions, as well as S/ 23.7 million in salaries and employee's benefits and other expenses associated with higher individual life premiums.

4Q22 Performance

Interseguro's profits reached S/ 31.9 million in 4Q22, which represented a decrease of S/ 68.6 million QoQ, but an increase of S/ 18.5 million YoY.

The quarterly decrease was mainly due to a S/ 25.9 million negative performance in the insurance underwriting result, in addition to S/ 23.8 million higher other expenses and S/ 11.6 million lower other income.

The annual performance in net profit was mainly explained by a S/ 37.8 million positive reversion in other income, and a S/ 36.9 million increase in net interest and similar income. However, these factors were offset by a S/ 47.6 million negative performance in the insurance underwriting result, as well as a S/ 12.1 million growth in other expenses.

As a result, Interseguro's ROE was 13.8% in 4Q22, lower than the 46.8% reported in 3Q22, but higher than the 5.7% registered 4Q21.

Insurance Segment's P&L Statement					
S/ million	4Q21	3Q22	4Q22	%chg QoQ	%chg YoY
Interest and similar income	211.9	243.2	245.1	0.8%	15.7%
Interest and similar expenses	-40.6	-31.2	-37.0	18.6%	-8.8%
Net Interest and similar income	171.3	212.0	208.2	-1.8%	21.5%
Recovery (loss) due to impairment of financial investments	1.0	-0.7	-4.3	n.m.	n.m.
Net Interest and similar income after impairment loss	172.4	211.4	203.8	-3.6%	18.3%
Fee income from financial services, net	-2.7	-2.0	-1.6	-19.5%	-38.9%
Other income	-22.6	26.8	15.2	-43.3%	n.m.
Total premiums earned minus claims and benefits	-20.5	-42.2	-68.1	61.3%	n.m.
Net premiums	348.7	271.5	235.6	-13.2%	-32.4%
Adjustment of technical reserves	-151.5	-95.1	-79.8	-16.1%	-47.3%
Net claims and benefits incurred	-217.6	-218.6	-223.9	2.4%	2.9%
Other expenses	-100.9	-89.2	-113.0	26.6%	12.0%
Income before translation result and income tax	25.8	104.7	36.3	-65.3%	41.1%
Translation result	-12.4	-4.2	-4.4	3.6%	-64.5%
Income tax	-	-	-	n.m.	n.m.
Profit for the period	13.4	100.5	31.9	-68.2%	n.m.
ROE	5.7%	46.8%	13.8%		
Efficiency ratio	16.2%	8.8%	2.7%		

RESULTS FROM INVESTMENTS

Results from Investments ⁽¹⁾					
S/ million	4Q21	3Q22	4Q22	%chg QoQ	%chg YoY
Interest and similar income	211.9	243.2	245.1	0.8%	15.7%
Interest and similar expenses	-27.1	-18.7	-23.9	28.3%	-11.5%
Net interest and similar income	184.8	224.6	221.2	-1.5%	19.7%
Recovery (loss) due to impairment of financial investments	1.0	-0.7	-4.3	n.m.	n.m.
Net Interest and similar income after impairment loss	185.9	223.9	216.9	-3.1%	16.7%
Net gain (loss) on sale of financial investments	31.3	-12.7	1.4	n.m.	-95.4%
Net gain (loss) on financial assets at fair value through profit or loss	-26.5	7.6	7.3	-4.3%	n.m.
Rental income	14.9	15.1	15.1	0.1%	1.2%
Gain on sale of investment property	-	-	-	n.m.	n.m.
Valuation gain (loss) from investment property	-47.3	-0.2	-9.6	n.m.	n.m.
Other ⁽¹⁾	-4.9	5.1	-4.1	n.m.	-17.8%
Other income	-32.5	14.9	10.1	n.m.	n.m.
Results from investments	153.3	238.8	227.0	-5.0%	48.0%

(1) Only includes transactions related to investments.

NET INTEREST AND SIMILAR INCOME

Net interest and similar income related to investments was S/ 221.2 million in 4Q22, a decrease of S/ 3.4 million or 1.5% QoQ, but an increase of S/ 36.4 million or 19.7% YoY.

The quarterly performance was mainly explained by growth of S/ 5.2 million in interest and similar expenses.

The yearly performance was mostly due to higher interest and similar income, mainly attributed to a larger fixed income portfolio, as well as higher interest and inflation rates.

RECOVERY (LOSS) DUE TO IMPAIRMENT OF FINANCIAL INVESTMENTS

Loss due to impairment of financial investments was S/ -4.3 million in 4Q22, compared to a loss of S/ -0.7 million in 3Q22 and a gain of S/ 1.0 million in 4Q21.

Loss due to impairment of financial investments was relevant in 4Q22 due to the prevailing political uncertainty in Peru.

OTHER INCOME

Other income related to investments was S/ 10.1 million in 4Q22, a decrease of S/ 4.8 million QoQ, but an increase of S/ 42.6 million YoY.

The quarterly decrease was explained by reductions of S/ 9.4 million on valuation gain (loss) from investment property, and S/ 9.2 million in other transactions. These effects were partially compensated by increases of S/ 14.1 million in net gain (loss) on sale of financial investments.

The annual growth was mainly due to increases of S/ 33.8 million in net gain (loss) on financial assets at fair value through profit or loss and S/ 37.7 million in valuation gain (loss) from investment property, partially offset by a reduction of S/ 29.9 million in net gain (loss) on sale of financial investments.

TOTAL PREMIUMS EARNED MINUS CLAIMS AND BENEFITS

Total Premiums Earned Minus Claims And Benefits					
S/ million	4Q21	3Q22	4Q22	%chg QoQ	%chg YoY
Net premiums	348.7	271.5	235.6	-13.2%	-32.4%
Adjustment of technical reserves	-151.5	-95.1	-79.8	-16.1%	-47.3%
Net claims and benefits incurred	-217.6	-218.6	-223.9	2.4%	2.9%
Total premiums earned minus claims and benefits	-20.5	-42.2	-68.1	61.3%	n.m.

Total premiums earned minus claims and benefits were S/-68.1 million in 4Q22, representing a reduction of S/ 25.9 million QoQ and S/ 47.6 million YoY.

The quarterly result was explained by decreases of S/ 35.9 million in net premiums and S/ 15.3 million in adjustment of technical reserves, partially offset by an increase of S/ 5.3 million in net claims and benefits incurred.

The annual performance was explained by decreases of S/ 113.1 million in net premiums and S/ 71.1 million in adjustment of technical reserves, partially offset by an increase of S/ 6.3 million in net claims and benefits incurred.

NET PREMIUMS

Net Premiums by Business Line					
S/ million	4Q21	3Q22	4Q22	%chg QoQ	%chg YoY
Annuities	231.5	132.6	93.2	-29.7%	-59.8%
D&S	0.0	0.0	0.0	0.0%	13.5%
Individual Life	48.3	57.4	60.0	4.6%	24.4%
Retail Insurance	68.8	81.5	82.4	1.1%	19.7%
Net Premiums	348.7	271.5	235.6	-13.2%	-32.4%

Net premiums were S/ 235.6 million in 4Q22, representing reductions of S/ 35.9 million, or 13.2% QoQ, and S/ 113.1 million, or 32.4% YoY.

The quarterly result was explained by a decrease of S/ 39.4 million in annuities, attributed to a lower market share, partially offset by increases of S/ 2.6 million in individual life premiums and S/ 0.9 million in retail insurance. It is worth mentioning that the higher premiums in retail insurance were mainly related to growth of S/ 2.1 million in credit life insurance, S/ 1.3 million in card protection, partially compensated by a reduction of S/ 2.7 million in Mandatory Traffic Accident (SOAT).

The annual performance in net premiums was explained by a decrease of S/ 138.3 million in annuities, explained by a market contraction and a lower market share, partially offset by increases of S/ 13.6 million in retail insurance and S/ 11.7 million in individual life. It is worth mentioning that the higher premiums in retail insurance were mostly attributed to growth of S/ 12.1 million in credit life insurance and S/ 1.8 million in SOAT, while card protection remained relatively stable YoY.

ADJUSTMENT OF TECHNICAL RESERVES

Adjustment of Technical Reserves by Business Line					
S/ million	4Q21	3Q22	4Q22	%chg QoQ	%chg YoY
Annuities	-127.9	-64.6	-43.3	-33.0%	-66.2%
D&S	-	-	-	n.m.	n.m.
Individual Life	-17.0	-22.9	-30.8	34.5%	80.6%
Retail Insurance	-6.6	-7.6	-5.8	-24.3%	-12.2%
Adjustment of technical reserves	-151.5	-95.1	-79.8	-16.1%	-47.3%

Adjustment of technical reserves was S/ 79.8 million in 4Q22, a decrease of S/ 15.3 million QoQ and S/ 71.7 million YoY.

The quarterly decrease was explained by lower reserve requirements of S/ 21.3 million for annuities and S/ 1.8 million for retail insurance, partially offset by an increase of S/ 7.9 million in individual life.

The annual performance in adjustment of technical reserves was mainly explained by a lower reserve requirement for annuities of S/ 84.6 million, partially offset by a higher requirement for individual life of S/ 13.8 million, mostly attributed to higher premiums.

NET CLAIMS AND BENEFITS INCURRED

Net Claims and Benefits Incurred by Business Line					
S/ million	4Q21	3Q22	4Q22	%chg QoQ	%chg YoY
Annuities	-190.4	-185.8	-190.1	2.3%	-0.2%
D&S	-0.6	-0.0	-0.0	0.0%	-100.0%
Individual Life	-5.6	-2.8	-2.3	-17.3%	-58.9%
Retail Insurance	-21.1	-30.0	-31.5	4.9%	49.6%
Net claims and benefits incurred	-217.6	-218.6	-223.9	2.4%	2.9%

Net claims and benefits incurred reached S/ 223.9 million in 4Q22, representing increases of S/ 5.3 million QoQ and S/ 6.3 million YoY.

The quarterly performance was mainly the result of a S/ 4.3 million increase in annuity benefits and S/ 1.5 million in retail insurance claims.

The annual performance was explained by an increase of S/ 10.4 million in retail insurance claims, mostly attributed to growth of S/ 6.5 million in credit life insurance, S/ 0.6 million in card protection and S/ 0.3 million in SOAT claims.

OTHER EXPENSES

Other Expenses					
S/ million	4Q21	3Q22	4Q22	%chg QoQ	%chg YoY
Salaries and employee benefits	-27.9	-16.2	6.4	n.m.	n.m.
Administrative expenses	-21.6	-14.5	-11.1	-23.3%	-48.6%
Depreciation and amortization	-6.0	-5.7	-5.5	-3.4%	-9.6%
Expenses related to rental income	-2.0	-3.2	-0.2	-93.6%	-89.6%
Other	-43.4	-49.7	-102.6	106.6%	136.5%
Other expenses	-100.9	-89.2	-113.0	26.6%	12.0%

Other expenses increased S/ 23.8 million QoQ, or 26.6%, and S/ 12.1 million YoY, or 12.0%, in consideration of amendments of reported personnel expenses in 3Q22.

SUMMARY

2022 Performance

Inteligo's bottom-line result was a loss of \$/ -141.4 million in 2022, a negative result compared to profits of \$/ 283.5 million reported in 2021. This was mainly attributable to a reversion in other income, from gains of \$/ 136.1 million in 2021 to losses of \$/ -244.5 million in 2022, due to a negative mark-to-market valuation of the proprietary portfolio, in turn related to global market trends.

Other factors that explained the yearly performance were a 17.1% decrease in net fee income from financial services, due to lower fees from funds management, and an 8.5% contraction in net interest and similar income, mainly explained by a reduction of \$/ 12.3 million in interest on financial investments and higher interest expenses.

On the commercial front, Inteligo's prospection process showed good results in terms of new account openings and AUM growth in Private Wealth Management. However, these results were offset by a lower mark-to-market valuation of assets under management and a lower exchange rate. Consequently, Inteligo's AUM decreased 7.2% on a YoY basis.

Inteligo's ROE was not meaningful in 2022, due to the significant impact of the mark-to-market loss on the full-year results.

Wealth Management Segment's P&L Statement					
\$/ million	2020	2021	2022	%chg 22/21	%chg 21/20
Interest and similar income	163.4	154.3	155.1	0.5%	-5.6%
Interest and similar expenses	-51.7	-39.8	-50.3	26.3%	-22.9%
Net interest and similar income	111.8	114.5	104.8	-8.5%	2.4%
Impairment loss on loans, net of recoveries	0.0	-2.5	2.4	n.m.	n.m.
Recovery (loss) due to impairment of financial investments	0.7	-1.6	-12.0	n.m.	n.m.
Net interest and similar income after impairment loss	112.5	110.3	95.2	-13.7%	-1.9%
Fee income from financial services, net	164.0	197.0	163.3	-17.1%	20.1%
Other income	106.6	136.1	-244.5	n.m.	27.7%
Other expenses	-128.0	-143.4	-145.5	1.4%	12.0%
Income before translation result and income tax	255.0	299.9	-131.5	n.m.	17.6%
Translation result	-3.8	-7.6	-7.1	-5.6%	96.8%
Income tax	-8.0	-8.8	-2.8	-68.3%	10.1%
Profit for the period	243.1	283.5	-141.4	n.m.	16.6%
ROE	28.0%	23.0%	n.m.		
Efficiency ratio	33.3%	31.6%	n.m.		

When compared to 2021, Inteligo's net interest and similar income decreased 8.5% or \$/ 9.7 million, while net fee income from financial services declined \$/ 33.6 million or 17.1%.

Other income represented a loss of \$/ -244.5 million, a \$/ 380.5 million decrease when compared to gains in 2021, mainly attributable to negative mark-to-market valuations on investments.

Other expenses slightly increased by \$/ 2.1 million, or 1.4% in 2022, when compared with 2021.

4Q22 Performance

Inteligo's bottom-line result was S/ 16.9 million in 4Q22, a positive result compared to losses reported both in 3Q22 and 4Q21.

The quarterly performance was mainly explained by a lower mark-to-market loss on proprietary portfolio investments. Particularly, net trading results reverted from a loss of S/ 61.9 million in 3Q22 to a gain of S/ 0.6 million in 4Q22. Other factors that partially offset this result were a 22.8% decrease in net interest and similar income, as well as a 11.0% increase in other expenses and a 7.4% decrease in net fee income from financial services.

The annual performance in profits was mainly attributable to a positive reversion of net trading results, despite reporting a loss in sale of financial investments. However, decreases of 22.3% in net fee income from financial services and 21.6% in net interest and similar income partially compensated the positive development in other income.

From a business development perspective, Inteligo's prospection process continued to show positive results in terms of new account openings and assets under management growth in Private Wealth Management. However, these results were offset by a lower mark-to-market valuation of assets under management and a lower exchange rate. Consequently, Inteligo's AUM decreased 3.1% QoQ, and 7.2% YoY as of December 31, 2022.

Inteligo's ROE was 7.6% in 4Q22, an improvement compared to the situation in 3Q22 and 4Q21.

Wealth Management Segment's P&L Statement					
S/ million	4Q21	3Q22	4Q22	%chg QoQ	%chg YoY
Interest and similar income	40.5	43.3	41.9	-3.2%	3.4%
Interest and similar expenses	-10.1	-12.4	-18.0	45.9%	78.4%
Net interest and similar income	30.4	30.9	23.9	-22.8%	-21.6%
Impairment loss on loans, net of recoveries	-0.4	0.0	0.2	n.m.	n.m.
Recovery (loss) due to impairment of financial investments	-1.2	-6.0	-3.5	-42.6%	n.m.
Net interest and similar income after impairment loss	28.8	24.9	20.6	-17.4%	-28.7%
Fee income from financial services, net	48.1	40.3	37.4	-7.4%	-22.3%
Other income	-110.5	-68.1	-5.1	-92.5%	-95.4%
Other expenses	-40.3	-34.7	-38.5	11.0%	-4.5%
Income before translation result and income tax	-74.0	-37.6	14.3	n.m.	n.m.
Translation result	-2.5	-1.8	3.0	n.m.	n.m.
Income tax	-0.2	-1.7	-0.4	-76.8%	n.m.
Profit for the period	-76.6	-41.0	16.9	n.m.	n.m.
ROE	n.m.	n.m.	7.6%		
Efficiency ratio	n.m.	n.m.	67.8%		

ASSETS UNDER MANAGEMENT & DEPOSITS

AUM reached S/ 21,317.4 million in 4Q22, a S/ 674.8 million or 3.1% decrease QoQ and a S/ 1,663.3 million or 7.2% decrease YoY, mostly explained by a lower mark-to-market valuation and a lower exchange rate.

Client deposits were S/ 4,098.8 million in 4Q22, a S/ 79.5 million or 2.0% growth QoQ, but a S/ 73.0 million or 1.7% decrease YoY. The conversion of cash positions from clients to investments in securities remains limited due to market conditions.

NET INTEREST AND SIMILAR INCOME

Net interest and similar income					
S/ million	4Q21	3Q22	4Q22	%chg QoQ	%chg YoY
Interest and similar income					
Due from banks and inter-bank funds	2.0	4.2	7.9	90.1%	n.m.
Financial Investments	22.1	17.8	9.1	-49.0%	-58.9%
Loans	16.4	21.3	24.9	16.9%	51.5%
Total interest and similar income	40.5	43.3	41.9	-3.2%	3.4%
Interest and similar expenses					
Deposits and obligations	-9.2	-10.3	-16.8	62.3%	82.4%
Due to banks and correspondents	-0.9	-2.0	-1.2	-38.2%	37.8%
Total interest and similar expenses	-10.1	-12.4	-18.0	45.9%	78.4%
Net interest and similar income	30.4	30.9	23.9	-22.8%	-21.6%

Inteligo's net interest and similar income was S/ 23.9 million in 4Q22, a S/ 7.1 million, or 22.8% decrease when compared with 3Q22, mainly explained by lower dividends received from financial investments. However, interest on loans continued to increase mainly driven by the increase in the reference rate of the FED during this quarter.

Net interest and similar income decreased S/ 6.6 million YoY, or 21.6%, as a result of a lower interest income from investments and higher interest expense on deposits.

FEE INCOME FROM FINANCIAL SERVICES

Fee income from financial services, net					
S/ million	4Q21	3Q22	4Q22	%chg QoQ	%chg YoY
Income					
Brokerage and custody services	3.0	2.4	2.9	19.9%	-4.7%
Funds management	45.4	38.3	34.8	-9.0%	-23.3%
Total income	48.5	40.7	37.7	-7.3%	-22.2%
Expenses					
Brokerage and custody services	-0.2	-0.2	-0.2	10.1%	-9.3%
Others	-0.2	-0.2	-0.2	-15.5%	-10.9%
Total expenses	-0.4	-0.4	-0.3	-4.9%	-10.1%
Fee income from financial services, net	48.1	40.3	37.4	-7.4%	-22.3%

Net fee income from financial services was S/ 37.4 million in 4Q22, a decrease of S/ 3.0 million, or 7.4% when compared to the previous quarter, mainly explained by lower fees from the wealth management segment.

On a YoY basis, net fee income from financial services decreased S/ 10.7 million, or 22.3%, mainly due to lower fees from funds management and the wealth management segment. This was explained by a lower frequency of client transactions, in turn driven by the persistent volatility and uncertainty in the financial markets.

OTHER INCOME

Other income					
S/ million	4Q21	3Q22	4Q22	%chg QoQ	%chg YoY
Net gain on sale of financial investments	13.0	-5.5	-4.7	-14.6%	n.m.
Net trading gain (loss)	-120.4	-61.9	0.6	n.m.	n.m.
Other	-3.1	-0.7	-1.1	48.4%	-65.3%
Total other income	-110.5	-68.1	-5.1	-92.5%	-95.4%

Inteligo's other income (loss) reached S/ -5.1 million in 4Q22, compared to a loss of S/ -68.1 million in 3Q22, which represented an improvement but still negative results mainly attributable to a mark-to-market loss, in turn associated with negative global market trends. The YoY reversion in net trading results also explained the better performance in other income (loss) when compared with 4Q21.

OTHER EXPENSES

Other expenses					
S/ million	4Q21	3Q22	4Q22	%chg QoQ	%chg YoY
Salaries and employee benefits	-23.1	-20.6	-21.5	4.1%	-7.0%
Administrative expenses	-12.4	-10.1	-12.6	24.4%	1.7%
Depreciation and amortization	-3.7	-3.7	-4.0	7.0%	7.6%
Other	-1.2	-0.2	-0.5	91.4%	-60.4%
Total other expenses	-40.3	-34.7	-38.5	11.0%	-4.5%
Efficiency ratio	n.m.	n.m.	67.8%		

Other expenses reached S/ 38.5 million in 4Q22, an increase of S/ 3.8 million or 11.0% QoQ, mainly due to higher personnel and administrative expenses.

On a yearly basis, other expenses decreased S/ 1.8 million, or 4.5% YoY, mainly as a result of S/ 1.6 million lower personnel expenses.

Izipay

SUMMARY

2022 Performance

Izipay's profits were S/ 51.2 million in 2022, an increase of S/ 8.2 million or 19.1% compared to the previous year.

The bottom-line performance was mainly explained by 24.9% 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 73% and 50%, respectively. These positive developments were partially offset by a 23.1% increase in other expenses, mainly due to higher administrative expenses given the sharp rise in business activity.

Izipay's ROE was 26.7% in 2022, lower than the 30.2% reported in 2021.

Payments P&L Statement ⁽¹⁾			
S/ million	2021	2022	%chg YoY
Interest and similar income	0.0	1.6	n.m.
Interest and similar expenses	-2.4	-1.8	-27.3%
Net interest and similar income	-2.4	-0.2	-92.9%
Fee income from financial services, net	271.3	338.9	24.9%
Payments acquirer	411.8	636.9	54.7%
Correspondent banking	43.2	44.8	3.7%
Credit cards processor	29.7	31.4	5.6%
Service Cost	-213.4	-374.2	75.3%
Other income	41.9	39.6	-5.5%
Other expenses	-239.4	-294.6	23.1%
Income before translation result and income tax	71.4	83.6	17.1%
Translation result	-4.0	-0.6	-84.0%
Income tax	-24.5	-31.8	30.0%
Profit for the period	43.0	51.2	19.1%
ROE	30.2%	26.7%	
Efficiency ratio	56.5%	66.8%	

(1) Proforma for 2021 and 1Q22

4Q22 Performance

Izipay's profits were S/ 11.7 million in 4Q22, relatively flat QoQ and 15.1% higher YoY.

In 4Q22, quarterly growth in net fee income from financial services was compensated by higher administrative expenses related to further customer acquisition.

The annual performance in net profit was mainly explained by 11.2% 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 73% and 33%, respectively. These developments came together with a 6.1% increase in other expenses, mainly due to higher administrative expenses given the expansion of business activity.

Izipay's ROE was 22.3% in 4Q22, lower than the 23.6% and 25.5% reported in 3Q22 and 4Q21, respectively.

Payments P&L Statement ⁽¹⁾					
S/ million	4Q21	3Q22	4Q22	%chg QoQ	%chg YoY
Interest and similar income	0.0	0.5	0.9	94.3%	n.m.
Interest and similar expenses	-0.6	-0.4	-0.4	6.5%	-32.1%
Net interest and similar income	-0.6	0.1	0.5	n.m.	n.m.
Fee income from financial services, net	83.5	84.9	92.8	9.3%	11.2%
Payments acquirer	137.0	167.6	180.9	8.0%	32.1%
Correspondent banking	12.4	12.1	11.6	-4.8%	-6.7%
Credit cards processor	8.1	7.5	8.8	18.0%	9.6%
Service Cost	-74.0	-102.3	-108.5	6.1%	46.6%
Other income	16.7	8.6	13.9	61.1%	-17.0%
Other expenses	-80.8	-76.5	-85.8	12.2%	6.1%
Income before translation result and income tax	18.8	17.1	21.4	24.9%	13.9%
Translation result	- 1.7	2.6 -	2.0	n.m.	16.0%
Income tax	- 6.8 -	8.0 -	7.6	-3.8%	11.7%
Profit for the period	10.2	11.7	11.7	-0.1%	15.1%
ROE	25.5%	23.6%	22.3%		
Efficiency ratio	54.4%	69.7%	70.6%		

(1) Proforma for 4Q21

FEE INCOME FROM FINANCIAL SERVICES, NET

Fee income from financial services, net					
S/ million	4Q21	3Q22	4Q22	%chg QoQ	%chg YoY
Income					
Payments acquirer	137.0	167.6	180.9	8.0%	32.1%
Correspondent banking	12.4	12.1	11.6	-4.8%	-6.7%
Credit cards processor	8.1	7.5	8.8	18.0%	9.6%
Total income	157.5	187.2	201.4	7.6%	27.9%
Expenses					
Service Cost	-74.0	-102.3	-108.5	6.1%	46.6%
Total expenses	-74.0	-102.3	-108.5	6.1%	46.6%
Fee income from financial services, net	83.5	84.9	92.8	9.3%	11.2%

Net fee income from financial services was S/ 92.8 million in 4Q22, an increase of S/ 7.9 million QoQ, or 9.3%, mainly driven by higher income from payments acquirer, partially offset by higher acquirer license fees within the service cost, associated with a higher level of business activity.

On a YoY basis, net fee income from financial services grew S/ 9.3 million, or 11.2%, mainly explained by higher transactional volumes in the acquirer business that resulted in an increase of 32.0% in income from payments acquirer. This was partially offset by growth in service costs, as a result of increased transactional volumes of foreign-issued cards.

OTHER EXPENSES

Other expenses					
S/ million	4Q21	3Q22	4Q22	%chg QoQ	%chg YoY
Salaries and employee benefits	-14.9	-17.6	-17.6	-0.2%	18.2%
Administrative expenses	-32.4	-38.6	-46.6	20.6%	43.6%
Depreciation and amortization	-6.9	-9.0	-11.6	27.8%	67.2%
Other	-26.6	-11.2	-10.1	-9.9%	-62.1%
Total other expenses	-80.8	-76.5	-85.8	12.2%	6.1%
Efficiency ratio	54.4%	69.7%	70.6%		

Other expenses reached S/ 85.8 million in 4Q22, an increase of S/ 9.3 million QoQ, or 12.2%, mostly due to higher administrative expenses related to customer acquisition, and POS's depreciation.

On a YoY basis, other expenses grew S/ 5.0 million, or 6.1%, mainly as a result of higher administrative expenses due to increased customer acquisition, as well as higher POS's depreciation and salaries and benefits to employees.