

Intercorp Financial Services Inc. Fourth Quarter 2021 Earnings

Lima, Peru, February 10, 2022. Intercorp Financial Services Inc. (Lima Stock Exchange/NYSE: IFS) announced today its unaudited results for the fourth quarter 2021. These results are reported on a consolidated basis under IFRS in nominal Peruvian soles.

Intercorp Financial Services: Record earnings of S/ 1,800 million in 2021, IFS' ROAE at 19.3%

- Strong recovery in core indicators driving top line growth
- 4Q21 results impacted by negative mark-to-market on investments
- Recovery in operating activity resulted in 8% YoY growth in revenues, efficiency at 35%
- Strong progress in digital indicators thanks to our “two-tier” digital strategy to foster growth
- Solid capital ratios at all IFS' segments
- Sustainability as a future competitive advantage

Interbank: Profitability recovers on higher revenues and lower provisions, FY21 ROAE at 21.0% and 4Q21 at 27.8%

- Consumer loans grew 15% YoY, gaining 60 bps in market share
- 10% growth in retail deposits, market share at 15%
- Risk-adjusted NIM recovering, contribution of consumer loans still below pre COVID-19 levels
- Healthy asset quality, 0.9% CoR (1.6% excluding reversal of COVID-19 provisions)
- Expense growth driven by recovery of activity and digital investments
- Our “two-tier” digital strategy allowed us to grow our customer base ~20%

Interseguro: Strong full-year results, FY21 ROAE at 28.2%

- Premiums grew more than 70% YoY, strong performance across all business lines
- Investment portfolio increased 2.4% QoQ, ROIP at 4.7%
- Net insurance underwriting loss decreased 76.7% QoQ and 77.2% YoY
- Market leader in annuities with a 31% share in 2021

Inteligo: FY21 profits grew 16.6% with FY21 ROAE at 23.0%

- Strong revenues in 2021 driven by fee income and positive mark-to-market during the year
- Fee income from financial services increased 20% in the year
- Continued growth in AUM & deposits: 14% YoY
- 4Q21 results affected by negative mark-to-market on investment portfolio

Intercorp Financial Services

SUMMARY

2021 Performance

Intercorp Financial Services' profits were S/ 1,800.2 million in 2021, an increase of more than four-fold compared to 2020. The recovery in net profit was mainly driven by a significant decrease of 84.1% in impairment loss on loans and growth of 16.6% in other income, 13.9% in net fee income from financial services, and 2.2% in net interest and similar income. These factors were partially offset by 18.4% higher other expenses, weakened translation result and resumed income tax payment.

It is worth mentioning that IFS' results in 2021 were favored by (i) the reversion of loan loss provisions due to refined calculations of the expert criteria in our banking segment for S/ 297.2 million, or S/ 209.5 million after taxes in 4Q21, and (ii) extraordinary investment income for S/ 87.1 million in our insurance segment in 1Q21.

IFS's ROAE was 19.3% in 2021, well above the 4.5% registered in 2020. Excluding the previously mentioned one-off impacts of the reversion of loan loss provisions due to refined calculations of the expert criteria in our banking segment in 4Q21 and the extraordinary investment income in our insurance segment in 1Q21, ROAE would have resulted in 16.3% in 2021.

Intercorp Financial Services' P&L Statement					
S/ million	2019	2020	2021	%chg 21/20	%chg 20/19
Interest and similar income	4,847.2	4,665.0	4,605.6	-1.3%	-3.8%
Interest and similar expenses	-1,424.0	-1,192.3	-1,057.9	-11.3%	-16.3%
Net interest and similar income	3,423.3	3,472.7	3,547.7	2.2%	1.4%
Impairment loss on loans, net of recoveries	-750.8	-2,393.9	-381.6	-84.1%	n.m.
Recovery (loss) due to impairment of financial investments	-6.8	-32.9	30.9	n.m.	n.m.
Net interest and similar income after impairment loss	2,665.7	1,045.8	3,197.0	n.m.	-60.8%
Fee income from financial services, net	925.9	723.5	823.8	13.9%	-21.9%
Other income	592.1	776.7	905.6	16.6%	31.2%
Total premiums earned minus claims and benefits	-279.6	-279.1	-272.1	-2.5%	-0.2%
Net Premiums	689.3	615.8	1,040.5	69.0%	-10.7%
Adjustment of technical reserves	-268.7	-100.8	-395.3	n.m.	-62.5%
Net claims and benefits incurred	-700.3	-794.1	-917.3	15.5%	13.4%
Other expenses	-1,978.3	-1,910.7	-2,262.8	18.4%	-3.4%
Income before translation result and income tax	1,925.7	356.3	2,391.6	n.m.	-81.5%
Translation result	17.8	-45.7	-89.3	95.3%	n.m.
Income tax	-493.3	72.9	-502.1	n.m.	n.m.
Profit for the period	1,450.1	383.5	1,800.2	n.m.	-73.6%
Attributable to IFS' shareholders	1,441.3	383.3	1,790.2	n.m.	-73.4%
EPS	12.80	3.32	15.51		
ROAE	18.3%	4.5%	19.3%		
ROAA	2.1%	0.5%	2.0%		
Efficiency ratio	34.4%	32.2%	34.7%		

Net interest and similar income grew due to a higher return of the fixed income portfolio at Interseguro and lower interest and similar expenses at Inteligo. These effects were partially offset by a slight reduction in net interest and similar income at Interbank.

Impairment loss on loans, net of recoveries decreased 84.1% in 2021 compared to the previous year. The reduction in provision expenses was mainly explained by (i) the reversion of loan loss provisions due to refined calculations of the expert criteria in our banking segment for S/ 297.2 million in the last quarter of 2021, and (ii) a base effect when comparing to the situation in 2020, when the bank adjusted its expected loss models to address the impact of the COVID-19 pandemic. These factors were partially offset by higher provision requirements in the commercial portfolio, mainly referred to loan exposures to small-sized and medium-sized companies at Interbank.

Growth in net fee income from financial services was mainly due to higher commissions across most products and services at Interbank and higher fees at Inteligo. It is worth to mention that to the fee income line favored from a base effect when compared to the level of fees in 2020, when most of the business activities in Peru were affected by mobility restrictions.

Other income grew as a result of positive performances across all three subsidiaries, mainly supported by net gain of foreign exchange transactions and on financial assets at fair value through profit or loss at Interbank. In addition, higher net gain on sale of securities, rental income and net gain on valuation of real estate investments at Interseguro, and positive mark-to-market valuation on investments in the full year at Inteligo also contributed to the positive result in other income.

Total premiums earned less claims and benefits were S/ -272.0 million in 2021, compared to S/ -279.1 million reported in 2020. The annual performance was due to S/ 424.8 million growth in net premiums, partially offset by increases of S/ 294.5 million in adjustment of technical reserves and S/ 123.2 million in net claims and benefits incurred.

The increase in other expenses was mostly attributed to higher administrative expenses, as well as higher salaries and employee benefits across all three subsidiaries. On one hand, growth in administrative expenses was mainly related to marketing and credit card expenses, and IT services at Interbank. On the other hand, growth in salaries and employee benefits was associated to higher employee profit sharing at Interbank, in addition to promotions and recruitment of new employees, together with the effect of a higher foreign exchange rate in the cost base at Inteligo. It is worth mentioning that investments in digital ventures at IFS' platform have also had a significant weight in the increase of total other expenses in 2021.

The efficiency ratio was 34.7% in 2021, compared to the 32.2% registered in 2020.

Intercorp Financial Services' Statement of financial position					
S/ million	12.31.20	09.30.21	12.31.21	%chg 12.31.21 09.30.21	%chg 12.31.21 12.31.20
Assets					
Cash and due from banks and inter-bank funds	18,783.6	20,330.7	17,134.5	-15.7%	-8.8%
Financial investments	24,277.1	24,154.7	24,547.3	1.6%	1.1%
Loans, net of unearned interest	43,504.3	44,037.3	45,070.5	2.3%	3.6%
Impairment allowance for loans	-2,984.9	-2,298.7	-2,064.9	-10.2%	-30.8%
Property, furniture and equipment, net	844.4	795.0	815.1	2.5%	-3.5%
Other assets	3,811.5	5,367.6	4,451.4	-17.1%	16.8%
Total assets	88,236.0	92,386.6	89,953.9	-2.6%	1.9%
Liabilities and equity					
Deposits and obligations	47,149.3	50,904.7	48,897.9	-3.9%	3.7%
Due to banks and correspondents and inter-bank funds	9,689.9	8,473.8	8,522.8	0.6%	-12.0%
Bonds, notes and other obligations	7,778.8	8,640.3	8,389.7	-2.9%	7.9%
Insurance contract liabilities	12,501.7	11,412.0	11,958.1	4.8%	-4.3%
Other liabilities	2,162.5	3,158.0	2,630.0	-16.7%	21.6%
Total liabilities	79,282.1	82,588.7	80,398.5	-2.7%	1.4%
Equity, net					
Equity attributable to IFS' shareholders	8,908.1	9,750.0	9,504.0	-2.5%	6.7%
Non-controlling interest	45.8	47.9	51.3	7.2%	12.0%
Total equity, net	8,953.9	9,797.9	9,555.4	-2.5%	6.7%
Total liabilities and equity net	88,236.0	92,386.6	89,953.9	-2.6%	1.9%

4Q21 Performance

Intercorp Financial Services' net profit was S/ 264.4 million in 4Q21, a reduction of S/ 287.1 million QoQ, or 52.1%, and S/ 113.0 million YoY, or 30.0%.

IFS's annualized ROAE was 10.9% in 4Q21, below the 23.1% and 17.5% registered in 3Q21 and 4Q20, respectively.

As mentioned before, IFS' results in 4Q21 were favored by (i) the reversion of loan loss provisions due to refined calculations of the expert criteria in our banking segment for S/ 297.2 million, or S/ 209.5 million after taxes.

InterCorp Financial Services' P&L statement					
S/ million	4Q20	3Q21	4Q21	%chg QoQ	%chg YoY
Interest and similar income	1,187.2	1,170.5	1,237.1	5.7%	4.2%
Interest and similar expenses	-266.5	-270.5	-290.7	7.5%	9.1%
Net interest and similar income	920.7	900.0	946.3	5.2%	2.8%
Impairment loss on loans, net of recoveries	-327.5	-112.1	97.4	n.m.	n.m.
Recovery (loss) due to impairment of financial investments	22.3	-8.5	-0.0	-99.4%	n.m.
Net interest and similar income after impairment loss	615.5	779.4	1,043.7	33.9%	69.6%
Fee income from financial services, net	185.9	199.1	222.9	12.0%	19.9%
Other income	282.3	377.1	-127.2	n.m.	n.m.
Total premiums earned minus claims and benefits	-89.7	-87.7	-20.5	-76.6%	-77.1%
Net Premiums	178.4	254.9	348.6	36.8%	95.5%
Adjustment of technical reserves	-53.5	-108.8	-151.5	39.3%	n.m.
Net claims and benefits incurred	-214.5	-233.9	-217.6	-7.0%	1.4%
Other expenses	-536.8	-585.6	-639.4	9.2%	19.1%
Income before translation result and income tax	457.2	682.3	479.4	-29.7%	4.9%
Translation result	-3.7	-16.6	-21.6	30.3%	n.m.
Income tax	-76.1	-114.2	-193.4	69.4%	n.m.
Profit for the period	377.4	551.5	264.4	-52.1%	-30.0%
Attributable to IFS' shareholders	376.0	549.4	261.1	-52.5%	-30.6%
EPS	3.26	4.76	2.26		
ROAE	17.5%	23.1%	10.9%		
ROAA	1.7%	2.4%	1.2%		
Efficiency ratio	31.8%	33.6%	44.6%		

Quarter-on-quarter performance

Profits decreased 52.1% QoQ mainly due to lower other income at Inteligo, Interseguro and at the holding company level, in addition to an increase in other expenses across all three subsidiaries. Moreover, a higher effective tax rate at Interbank also weighed down on earnings. These factors were partially compensated by a reversion of impairment loss on loans at Interbank and higher net interest and similar income at Interbank and Inteligo. Additionally, growth in net fee income at Interbank and an improvement in total premiums earned minus claims and benefits at Interseguro also contributed to offset the reduction in earnings.

Net interest and similar income increased S/ 46.3 million QoQ, or 5.2%, mainly explained by higher yields on all interest-earnings assets at Interbank and incremental dividends received from investments during the quarter and interest income from regular loans at Inteligo. These effects were partially offset by lower interest and similar income at Interseguro, mostly attributed to a lower inflation rate that had a negative impact on returns of the fixed income portfolio.

Impairment loss on loans, net of recoveries reversed in 4Q21 due to (i) refined calculations of the expert criteria worth S/ 297.2 million at Interbank, and (ii) improved payment behavior among Interbank's retail clients. Furthermore, Interseguro reported a positive performance in results due to impairment of financial investments, mostly related to an additional provision for impairment on a fixed income investment in 3Q21, which was not repeated in 4Q21.

Net fee income from financial services increased S/ 23.8 million QoQ, or 12.0%, mainly explained by higher commissions across most products and services at Interbank. These factors were partially offset by lower fees from indirect loans at Interbank and the effect of a sequentially lower foreign exchange rate on Inteligo's dollar-denominated fee base.

Other income decreased S/ 504.3 million QoQ, mainly attributable to negative mark-to-market valuations and unrealized losses on Inteligo's proprietary portfolio, in addition to a lower valuation gain from investment property at Interseguro. These effects were partially compensated by growth in net gain on sale of financial investments at Interseguro and a small increase in other income at Interbank.

Total premiums earned minus claims and benefits at Interseguro were S/ -20.5 million in the quarter. This resulted from a S/ 93.8 million increase in net premiums, in addition to a S/ 16.3 million reduction in net claims and benefits incurred, partially offset by an increase of S/ 42.7 million in adjustment of technical reserves.

Other expenses increased S/ 53.8 million QoQ, or 9.2%, mainly attributed to higher depreciation and amortization charges at Interbank, and administrative expenses at Interseguro and Inteligo as a result of increased operational activity.

IFS' effective tax rate increased, from 17.2% in 3Q21 to 42.3% in 4Q21, as a result of a higher effective tax rate at Interbank and a lower contribution to profits from Inteligo.

Year-on-year performance

Profits decreased 30.0% YoY mainly due to lower other income at Inteligo and Interseguro, and higher other expenses across all three subsidiaries. These factors were partially compensated by a reversion of impairment loss on loans at Interbank as well as an improvement in total premiums earned minus claims and benefits at Interseguro. Moreover, increases in net fee income at Interbank and Inteligo, and in net interest and similar income at Interbank and Interseguro also contributed to compensate the reduction in earnings.

Net interest and similar income grew S/ 25.6 million YoY, or 2.8%, mainly due to higher interest on loans, and on due from banks and inter-bank funds at Interbank, in addition to an increase in interest and similar income at Interseguro, mostly attributed to a higher return of the fixed income portfolio. These effects were partially offset by lower interest income from Inteligo's investment portfolio.

Impairment loss on loans, net of recoveries reversed in 4Q21 due to (i) refined calculations of the expert criteria worth S/ 297.2 million at Interbank, and (ii) improved payment behavior among Interbank's retail clients. Additionally, Interseguro reported a recovery due to impairment of financial investments in 4Q20, mostly related to a reversion of provision for impairment on a fixed income investment in such quarter, which was not repeated in 4Q21.

Net fee income from financial services increased S/ 37.0 million YoY, or 19.9%, mainly due to higher commissions across most products and services at Interbank. Furthermore, Inteligo reported higher fund management fees and brokerage fees due to increased trading volumes, triggered by higher price volatility and client appetite for investing or rebalancing portfolios.

Other income declined S/ 409.5 million YoY, mainly attributable to negative mark-to-market valuations and unrealized losses on Inteligo's proprietary portfolio, in addition to decreases in net gain on financial assets at fair value and in valuation gain from investment property at Interseguro. These effects were partially compensated by increases in net gain on sale of financial investments and rental income at Interseguro, and in net gain on foreign exchange transactions and on financial assets at fair value through profit or loss at Interbank.

On a yearly basis, total premiums earned minus claims and benefits at Interseguro improved S/ 69.2 million, explained by S/ 170.3 million growth in net premiums, partially offset by increases of S/ 98.0 million in adjustment of technical reserves and S/ 3.1 million in net claims and benefits incurred.

Other expenses grew S/ 102.6 million YoY, or 19.1%, as the result of (i) higher administrative expenses across all three subsidiaries, (ii) higher depreciation and amortization charges at Interbank an Inteligo and (iii) an increase in salaries and employee benefits at Interseguro. It is worth mentioning that investments in digital ventures have also had a significant weight in the increase of total other expenses, as well as the base effects after cost containment measures that were implemented across all subsidiaries during 2020 to deal with the COVID-19 pandemic.

IFS' effective tax rate increased, from 16.8% in 4Q20 to 42.3% in 4Q21, as a result of a higher effective tax rate at Interbank and a lower contribution to profits from Inteligo and Interseguro.

CONTRIBUTION BY SEGMENTS

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

Intercorp Financial Services' Profit by segment					
S/ million	4Q20	3Q21	4Q21	%chg QoQ	%chg YoY
Interbank	193.8	299.1	467.1	56.1%	n.m.
Interseguro	37.7	13.4	13.4	-0.5%	-64.6%
Inteligo	154.7	183.7	-76.6	n.m.	n.m.
Corporate and eliminations	-8.7	55.2	-139.4	n.m.	n.m.
IFS profit for the period	377.4	551.5	264.4	-52.1%	-30.0%

Interbank

SUMMARY

2021 Performance

Interbank's net profit reached S/ 1,360.3 million in 2021, compared to almost break-even results in the previous year.

The yearly performance was mainly attributed to a S/ 2,014.9 million reduction in impairment loss on loans and increases of S/ 108.4 million in other income and S/ 57.7 million in net fee income from financial services. These factors were partially offset by resumed income tax payments and S/ 254.4 million higher other expenses, in addition to a decrease of S/ 39.4 million in net interest and similar income.

It is worth mentioning that Interbank's results in 2021 were favored by the reversion of loan loss provisions due to refined calculations of the expert criteria for S/ 297.2 million, or S/ 209.5 million after taxes in 4Q21.

Interbank's ROAE was 21.0% in 2021, representing a clear improvement in profitability compared to the situation in 2020. Excluding the one-off impact of the reversion of loan loss provisions due to refined calculations of the expert criteria, ROAE would have resulted in 17.9% in 2021.

Banking Segment's P&L Statement					
S/ million	2019	2020	2021	%chg 21/20	%chg 20/19
Interest and similar income	4,074.0	3,836.4	3,636.8	-5.2%	-5.8%
Interest and similar expense	-1,290.1	-1,053.4	-893.1	-15.2%	-18.3%
Net interest and similar income	2,783.9	2,783.1	2,743.7	-1.4%	0.0%
Impairment loss on loans, net of recoveries	-750.8	-2,393.9	-379.0	-84.2%	n.m.
Recovery (loss) due to impairment of financial investments	0.0	0.2	-0.5	n.m.	n.m.
Net interest and similar income after impairment loss	2,033.2	389.3	2,364.2	n.m.	-80.9%
Fee income from financial services, net	827.1	619.8	677.5	9.3%	-25.1%
Other income	434.3	444.1	552.5	24.4%	2.3%
Other expenses	-1,611.5	-1,533.5	-1,787.9	16.6%	-4.8%
Income before translation result and income tax	1,683.1	-80.2	1,806.2	n.m.	n.m.
Translation result	-5.6	-6.0	7.2	n.m.	6.7%
Income tax	-449.0	80.5	-453.2	n.m.	n.m.
Profit for the period	1,228.5	-5.7	1,360.3	n.m.	n.m.
ROAE	21.2%	n.m.	21.0%		
Efficiency ratio	38.9%	38.6%	42.7%		
NIM	5.6%	4.6%	4.0%		
NIM on loans	8.7%	7.8%	7.1%		

Net interest and similar slightly decreased 1.4%, as a 5.2% decline in interest and similar income was almost completely compensated by a 15.2% reduction in interest and similar expense.

The lower interest and similar income was due to a 6.7% contraction in interest on loans, partially offset by increases of 45.5% in interest on due from banks and inter-bank funds, and 11.6% in interest on financial investments.

Interest on loans decreased S/ 239.8 million, or 6.7%, due to a 110 basis point reduction in the average rate, partially offset by a 6.5% higher average volume.

The lower average rate on loans, from 9.0% in 2020 to 7.9% in 2021, was due to yield reductions in all client segments. In retail loans rates decreased on other consumer loans and mortgages. In the commercial portfolio, rates decreased on all types of loans. It is worth mentioning that the incidence of the low-return loans offered to several commercial clients as part of the Reactiva Peru Program had an impact on the average rate on loans.

The higher average volume of loans was attributed to growth of 12.3% in commercial loans and 0.8% in retail loans. In the commercial portfolio, the higher average volume was mainly due to a 14.3% increase in short and medium-term loans, attributed to the extension of loans under the Reactiva Peru Program, as well as 10.4% growth in trade finance loans. In the retail portfolio, average volumes grew due to a 10.9% increase in mortgages, partially offset by a 5.2% contraction in the average balance of consumer loans.

Interest on due from banks and inter-bank funds increased S/ 12.5 million, or 45.5%, explained by 23.8% growth in the average volume and a relatively stable nominal average rate. The increase in the average volume was explained by higher deposits at the Central Bank, partially offset by a lower average balance of inter-bank funding and reserve funds.

Interest on financial investments increased S/ 27.8 million, or 11.6%, due to 31.2% growth in the average volume, partially offset by a 50 basis point reduction in the average yield. The increase in the average volume was mainly the result of higher average balances of sovereign bonds, Central Bank Certificates of Deposits (CDBCR) and global bonds. The decrease in the nominal average rate, from 3.3% in 2020 to 2.8% in 2021, was mainly explained by lower returns on all types of securities, especially CDBCR and corporate bonds from financial institutions.

As a result of the above, the nominal average yield on interest-earning assets decreased a full percentage point, from 6.3% in 2020 to 5.3% in 2021.

The 15.2% lower interest and similar expense was due to reductions of 31.0% in interest on deposits and obligations, and 13.9% in interest on due to banks and correspondents, partially offset by an 8.7% increase in interest on bonds, notes and other obligations.

Interest on deposits and obligations decreased S/ 166.2 million, or 31.0%, explained by a 50 basis point reduction in the average cost, from 1.3% in 2020 to 0.8% in 2021, partially offset by 14.4% growth in the average volume. The lower average cost was due to reductions in rates paid to institutional, retail and commercial deposits. Growth in volumes came across all client segments. By currency, average balances of soles-denominated deposits increased 11.1% while average dollar-denominated deposits grew 21.4%.

Interest on due to banks and correspondents decreased as a result of a 70 basis point reduction in the average cost, from 2.4% in 2020 to 1.7% in 2021, partially compensated by 18.5% growth in the average volume. On one hand, the reduction in the average

cost was explained by lower rates paid to all types of funding, especially that provided by correspondent banks abroad and inter-bank funds. On the other hand, the increase in the average volume was due to higher funding provided by the Central Bank and COFIDE.

The higher interest on bonds, notes and other obligations was explained by 10.5% growth in the average volume, mainly attributable to a 10.6% depreciation of the average foreign exchange rate with respect to 2020.

The average cost of funding decreased 50 basis points, from 2.0% in 2020 to 1.5% in 2021, in line with the lower implicit cost of all interest-bearing liabilities.

As a result of the above, net interest margin was 4.0% in 2021, 60 basis points lower than the 4.6% reported in 2020.

Impairment loss on loans, net of recoveries decreased S/ 2,014.9 million, or 84.2%, compared to the previous year. The reduction in provision expenses was mainly related to (i) the reversion of loan loss provisions due to refined calculations of the expert criteria for S/ 297.2 million in the last quarter of 2021, and (ii) a base effect when comparing to the situation in 2020, when the bank adjusted its expected loss models to address the impact of the COVID-19 pandemic. These factors were partially offset by higher provision requirements in the commercial portfolio, mainly referred to loan exposures to small-sized and medium-sized companies.

The S/ 57.7 million, or 9.3%, increase in net fee income from financial services was mainly due to higher commissions across most products and services, again attributed to a base effect when compared to the level of fees in 2020, when most of the business activities in Peru were affected by mobility restrictions.

Other income grew S/ 108.4 million, or 24.4%, mainly due to an increase in net gain of foreign exchange transactions and on financial assets at fair value through profit or loss, in turn associated with a higher currency volatility.

Other expenses increased S/ 254.4 million, or 16.6%, mainly as a result of higher administrative expenses, as well as higher salaries and employee benefits. On one hand, growth in administrative expenses was mainly related to higher marketing and credit card expenses, and IT services. On the other hand, salaries and employee benefits grew due to higher employee profit sharing. It is worth mentioning that investments in digital ventures have also had a significant weight in the increase of total other expenses.

The efficiency ratio was 42.7% in 2021, compared to the 38.6% registered in 2020.

Results before translation result and income tax were S/ 1,806.2 million in 2021, representing a clear improvement compared to the result registered in 2020. This improvement was partially offset by resumed income tax payments.

As a result of the above, profits for the period were S/ 1,360.3 million compared to net results of S/ -5.7 million in 2020. Excluding the one-off impact of the reversion of loan loss provisions due to refined calculations of the expert criteria, Interbank's profits would have reached S/ 1,150.8 million in 2021.

4Q21 Performance

Interbank's profits were S/ 467.1 million in 4Q21, an increase of S/ 168.0 million QoQ, or 56.1%, and S/ 273.3 million YoY, or more than two-fold. The quarterly result was mainly attributed to a reversion of impairment loss on loans, as well as increases of S/ 64.5 million in net interest and similar income, and S/ 22.1 million in net fee income from financial services. These factors were partially offset by an increase of S/ 27.6 million in other expenses, as well as a higher effective tax rate and a negative performance in translation result.

The annual performance in net profit was also explained by the reversion of impairment loss on loans and by increases of S/ 24.9 million in net fee income from financial services, S/ 18.3 million in net interest and similar income, and S/ 7.2 million in other income. These effects were partially compensated by higher other expenses of S/ 81.9 million, in addition to a higher effective tax rate and a negative performance in translation result.

As mentioned before, Interbank's results were favored by the reversion of loan loss provisions due to refined calculations of the expert criteria for S/ 297.2 million, or S/ 209.5 million after taxes in 4Q21.

Interbank's ROAE was 27.8% in 4Q21, above the 18.6% and 12.8% registered in 3Q21 and 4Q20, respectively. Excluding the one-off impact of the reversion of loan loss provisions due to refined calculations of the expert criteria, ROAE would have resulted in 15.5% in 4Q21.

Banking Segment's P&L Statement					
S/ million	4Q20	3Q21	4Q21	%chg QoQ	%chg YoY
Interest and similar income	959.2	907.0	983.5	8.4%	2.5%
Interest and similar expense	-231.9	-225.9	-237.9	5.3%	2.6%
Net interest and similar income	727.3	681.1	745.6	9.5%	2.5%
Impairment loss on loans, net of recoveries	-327.6	-110.0	97.8	n.m.	n.m.
Recovery (loss) due to impairment of financial investments	0.3	-0.3	0.1	n.m.	-61.5%
Net interest and similar income after impairment loss	400.1	570.9	843.5	47.7%	n.m.
Fee income from financial services, net	163.3	166.1	188.2	13.3%	15.2%
Other income	112.5	116.3	119.7	2.9%	6.4%
Other expenses	-414.1	-468.4	-496.0	5.9%	19.8%
Income before translation result and income tax	261.8	384.9	655.4	70.3%	n.m.
Translation result	-1.2	19.5	-14.2	n.m.	n.m.
Income tax	-66.8	-105.3	-174.2	65.4%	n.m.
Profit for the period	193.8	299.1	467.1	56.1%	n.m.
ROAE	12.8%	18.6%	27.8%		
Efficiency ratio	39.7%	47.1%	42.2%		
NIM	4.3%	4.0%	4.4%		
NIM on loans	7.7%	7.0%	7.4%		

INTEREST-EARNING ASSETS

Interbank's interest-earning assets reached S/ 65,790.4 million as of December 31, 2021, a 1.4% reduction QoQ but a 0.4% increase YoY.

The quarterly decrease in interest-earning assets was attributed to a reduction of 17.3% in cash and due from banks and inter-bank funds, partially offset by increases of 7.8% in financial investments and 3.3% in loans. The decrease in cash and due from banks and inter-bank funds was mainly due to lower deposits at the Central Bank, partially compensated by higher reserve funds at the same institution. The increase in financial investments was mainly a result of higher balances of sovereign bonds, partially offset by lower balances of global bonds.

The YoY increase in interest-earning assets was attributed to growth of 12.2% in financial investments and 6.3% in loans. These effects were partially compensated by a reduction of 18.6% in cash and due from banks and inter-bank funds. The increase in financial investments resulted from higher volumes of sovereign bonds, Central Bank Certificates of Deposits (CDBCR) and corporate bonds, while the decrease in cash and due from banks and inter-bank funds resulted mainly from lower deposits at the Central Bank.

Interest-earning assets					
S/ million				%chg	%chg
	12.31.20	09.30.21	12.31.21	12.31.21	12.31.21
				09.30.21	12.31.20
Cash and due from banks and inter-bank funds	17,720.5	17,433.8	14,420.8	-17.3%	-18.6%
Financial investments	8,966.3	9,337.6	10,062.2	7.8%	12.2%
Loans	38,859.0	39,985.8	41,307.4	3.3%	6.3%
Total interest-earning assets	65,545.9	66,757.2	65,790.4	-1.4%	0.4%

Loan portfolio					
S/ million				%chg	%chg
	12.31.20	09.30.21	12.31.21	12.31.21	12.31.21
				09.30.21	12.31.20
Performing loans					
Retail	17,837.1	19,281.7	20,261.1	5.1%	13.6%
Commercial	21,914.2	21,028.8	20,963.5	-0.3%	-4.3%
Total performing loans	39,751.3	40,310.5	41,224.6	2.3%	3.7%
Restructured and refinanced loans	287.1	226.1	236.5	4.6%	-17.6%
Past due loans	1,405.2	1,388.2	1,550.7	11.7%	10.4%
Total gross loans	41,443.6	41,924.8	43,011.8	2.6%	3.8%
Add (less)					
Accrued and deferred interest	400.1	357.3	357.7	0.1%	-10.6%
Impairment allowance for loans	-2,984.7	-2,296.3	-2,062.1	-10.2%	-30.9%
Total direct loans, net	38,859.0	39,985.8	41,307.4	3.3%	6.3%

The evolution of performing loans was affected by the disbursement and maturity or prepayment of commercial loans under the Reactiva Peru Program. As of December 31, 2021, these performing loans amounted S/ 4,459.0 million, compared to balances of S/ 5,249.0 million as of September 30, 2021 and S/ 6,616.5 million as of December 31, 2020.

Also, it is worth mentioning that in November 2019, the SBS issued the Resolution No. 5570-2019 that became effective in January 2021. This resolution establishes that the reporting of the non-revolving financing part of credit cards loans must be presented as loans instead of credit card loans.

Performing loans increased 2.3% QoQ, as retail loans sequentially grew 5.1%, while commercial loans slightly decreased 0.3%. Excluding the effect of the Reactiva Peru Program in the comparing periods, performing loans and commercial loans would have increased 4.9% and 4.6% QoQ, respectively.

Retail loans grew 5.1% QoQ due to increases of 7.4% in consumer loans and 1.9% in mortgages. Growth in consumer loans resulted from higher balances of cash loans, vehicle loans and credit cards, while payroll deduction loans slowed down 1.5%. The increase in mortgages was explained by higher demand in both traditional and MiVivienda products.

The reduction in commercial loans was a result of lower short and medium-term lending, as well as lower leasing operations, both across all business segments. These effects were compensated by higher trade finance loans mainly in the corporate and mid-sized segments.

Performing loans grew 3.7% YoY explained by a 13.6% increase in retail loans, partially offset by a 4.3% reduction in commercial loans. Excluding the effect of the Reactiva Peru Program in the comparing periods, performing loans and commercial loans would have increased 11.0% and 7.9% YoY, respectively.

The YoY growth in retail loans was due to increases of 14.9% in consumer loans and 11.7% in mortgages. The increase in consumer loans resulted from higher credit cards and payroll deduction loans, among others. Growth in mortgages was due to higher demand in both traditional and MiVivienda products.

The annual reduction in commercial loans was mainly explained by lower short and medium-term lending, as well as lower leasing operations; both effects across all business segments. These factors were partially offset by higher trade finance loans across all business segments.

It is worth mentioning that, as of December 31, 2021, and in line with the measures implemented to help our customers to overcome the impacts from the COVID-19 pandemic, 262 thousand clients still had their loans rescheduled, out of which approximately 252 thousand were retail clients and around 10 thousand, commercial clients. Loans that were subject to some kind of rescheduling represented S/ 6.3 billion or 14.6% of our total portfolio. Of these, S/ 4.5 billion were retail loans (21.4% of total retail loans), and the remaining S/ 1.8 billion were commercial loans (8.0% of total commercial loans).

Breakdown of retail loans					
S/ million	12.31.20	09.30.21	12.31.21	%chg 12.31.21 09.30.21	%chg 12.31.21 12.31.20
Consumer loans:					
Credit cards & other loans	6,135.7	6,577.6	7,471.8	13.6%	21.8%
Payroll deduction loans ⁽¹⁾	4,318.9	4,611.2	4,542.1	-1.5%	5.2%
Total consumer loans	10,454.6	11,188.8	12,013.9	7.4%	14.9%
Mortgages	7,382.5	8,092.9	8,247.1	1.9%	11.7%
Total retail loans	17,837.1	19,281.7	20,261.1	5.1%	13.6%

(1) Payroll deduction loans to public sector employees.

FUNDING STRUCTURE

Funding structure					
S/ million	12.31.20	09.30.21	12.31.21	%chg 12.31.21 09.30.21	%chg 12.31.21 12.31.20
Deposits and obligations	44,576.8	46,565.6	44,966.3	-3.4%	0.9%
Due to banks and correspondents and inter-bank funds	9,388.1	8,094.5	8,112.7	0.2%	-13.6%
Bonds, notes and other obligations	6,491.9	7,128.7	6,939.0	-2.7%	6.9%
Total	60,456.9	61,788.7	60,018.0	-2.9%	-0.7%
% of funding					
Deposits and obligations	73.7%	75.4%	74.9%		
Due to banks and correspondents and inter-bank funds	15.6%	13.1%	13.5%		
Bonds, notes and other obligations	10.7%	11.5%	11.6%		

Interbank's funding base was exposed to temporary impacts on the liquidity of the financial system and a depreciation of the foreign exchange rate, factors associated with political events in the country that took place in 2021, as well as to higher savings resulting from the withdrawals of private pension funds and the unrestricted availability of the Compensation for Time of Service (CTS) accounts. In addition, it was still influenced by the funding provided by the Central Bank, associated with the bank's involvement in the Reactiva Peru Program. As of December 31, 2021, the balance of such special funding was S/ 4,389.9 million, compared to S/ 4,977.2 million as of September 30, 2021 and S/ 5,887.9 million as of December 31, 2020.

The bank's total funding base declined 2.9% QoQ, compared to the 1.4% decrease of interest-earning assets. This was explained by reductions of 3.4% in deposits and obligations and 2.7% in bonds, notes and other obligations, which were partially offset by a 0.2% increase in due to banks and correspondents and inter-bank funds. Excluding the effect of the Reactiva Peru Program's funds, the bank's total funding base would have decreased 2.1% QoQ, while due to banks and correspondents and inter-bank funds would have increased 19.4%.

The quarterly reduction in deposits and obligations was mainly due to decreases of 9.4% in commercial deposits and 1.6% in retail deposits, partially offset by 6.3% growth in institutional deposits.

The QoQ decline in bonds, notes and other obligations was mainly attributable to a 3.6% reduction of the foreign exchange rate with respect to 3Q21.

The small increase in due to banks and correspondents and inter-bank funds was mainly the result of higher funds from COFIDE and the Central Bank, which were almost fully compensated by a reduction in long-term funding provided by correspondent banks abroad.

The bank's total funding base slightly decreased 0.7% YoY, as opposed to the annual growth in interest-earning assets. This was explained by a reduction of 13.6% in due to banks and correspondents and inter-bank funds, partially compensated by growth of 6.9% in bonds, notes and other obligations, and 0.9% 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 1.9% and 6.4% YoY, respectively.

The annual 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 and COFIDE, associated with lower funds for the Reactiva Peru Program, in addition to lower long-term funds from correspondent banks abroad. These effects were partially offset by higher short-term funding provided by correspondent banks abroad and COFIDE.

The YoY increase in bonds, notes and other obligations was mainly attributable to a 10.1% depreciation of the foreign exchange rate with respect to 4Q20, partially compensated by the execution of an optional redemption of S/ 110.0 million local subordinated bonds in September 2021.

The annual growth in deposits and obligations was mainly explained by an increase of 10.1% in retail deposits, partially offset by reductions of 20.7% in institutional deposits and 0.4% in commercial deposits.

As of December 31, 2021, the proportion of deposits and obligations to total funding was 74.9%, higher than the 73.7% reported as of December 31, 2020. Likewise, the proportion of institutional deposits to total deposits decreased from 17.7% as of December 31, 2020 to 13.9% as of December 31, 2021.

Breakdown of deposits					
S/ million	12.31.20	09.30.21	12.31.21	%chg 12.31.21 09.30.21	%chg 12.31.21 12.31.20
By customer service:					
Retail	20,810.5	23,290.7	22,911.8	-1.6%	10.1%
Commercial	15,502.8	17,054.2	15,443.0	-9.4%	-0.4%
Institutional	7,880.5	5,879.1	6,251.7	6.3%	-20.7%
Other	383.0	341.6	359.8	5.3%	-6.1%
Total	44,576.8	46,565.6	44,966.3	-3.4%	0.9%
By type:					
Demand	12,726.3	14,309.2	12,310.6	-14.0%	-3.3%
Savings	17,852.3	22,196.3	22,541.9	1.6%	26.3%
Time	13,992.2	10,046.0	10,107.7	0.6%	-27.8%
Other	6.0	14.1	6.1	-56.6%	1.5%
Total	44,576.8	46,565.6	44,966.3	-3.4%	0.9%

NET INTEREST AND SIMILAR INCOME

Net interest and similar income					
S/ million	4Q20	3Q21	4Q21	%chg QoQ	%chg YoY
Interest and similar income	959.2	907.0	983.5	8.4%	2.5%
Interest and similar expense	-231.9	-225.9	-237.9	5.3%	2.6%
Net interest and similar income	727.3	681.1	745.6	9.5%	2.5%
NIM	4.3%	4.0%	4.4%	40 bps	10 bps

Interest and similar income					
S/ million	4Q20	3Q21	4Q21	%chg QoQ	%chg YoY
Interest and similar income					
Due from banks and inter-bank funds	5.5	8.2	21.1	n.m.	n.m.
Financial investments	64.7	66.1	72.4	9.5%	11.9%
Loans	889.0	832.7	890.0	6.9%	0.1%
Total Interest and similar income	959.2	907.0	983.5	8.4%	2.5%
Average interest-earning assets	67,839.2	68,814.6	68,453.0	-0.5%	0.9%
Average yield on assets (annualized)	5.7%	5.3%	5.7%	40 bps	0 bps

Interest and similar expense					
S/ million	4Q20	3Q21	4Q21	%chg QoQ	%chg YoY
Interest and similar expense					
Deposits and obligations	-101.9	-89.7	-105.2	17.2%	3.2%
Due to banks and correspondents and inter-bank funds	-41.4	-35.7	-39.6	11.0%	-4.4%
Bonds, notes and other obligations	-88.5	-100.5	-93.2	-7.3%	5.2%
Total Interest and similar expense	-231.9	-225.9	-237.9	5.3%	2.6%
Average interest-bearing liabilities	59,830.9	61,285.0	60,903.4	-0.6%	1.8%
Average cost of funding (annualized)	1.6%	1.5%	1.6%	10 bps	0 bps

QoQ Performance

Net interest and similar income grew 9.5% QoQ due to an 8.4% increase in interest and similar income, partially offset by 5.3% growth in interest and similar expense.

The higher interest and similar income was due to increases of more than two-fold in interest on due from banks and inter-bank funds, 9.5% in interest on financial investments and 6.9% in interest on loans.

Interest on due from banks and inter-bank funds grew S/ 12.9 million QoQ, or more than two-fold, explained by a 30 basis point increase in the nominal average rate, in spite of a 6.6% reduction in the average volume due to lower reserve funds at the Central Bank.

Interest on financial investments increased S/ 6.3 million QoQ, or 9.5%, due to a 20 basis point increase in the average yield, from 2.8% in 3Q21 to 3.0% in 4Q21, in addition to 1.7% growth in the average volume.

Interest on loans grew S/ 57.3 million QoQ, or 6.9%, as the result of a 40 basis point increase in the average yield, together with 1.4% growth in the average loan portfolio.

The higher average rate on loans, from 7.9% in 3Q21 to 8.3% in 4Q21, was mostly explained by yield increases in consumer loans.

The higher average volume of loans was attributed to 3.5% growth in retail loans, partially offset by a decrease of 0.5% in commercial loans. In the retail portfolio, average volumes increased 5.5% in consumer loans and 0.8% in mortgages. In the commercial portfolio, average volumes decreased 5.7% in short and medium-term loans, and 3.1% in leasing operations, partially offset by 15.1% higher trade finance loans.

The nominal average yield on interest-earning assets increased 40 basis points QoQ, from 5.3% in 3Q21 to 5.7% in 4Q21, in line with higher returns on all components of interest-earning assets.

The higher interest and similar expense was due to increases of 17.2% in interest on deposits and obligations, and 11.0% in interest on due to banks and correspondents, partially compensated by a 7.3% reduction in interest on bonds, notes and other obligations.

The quarterly growth in interest on deposits and obligations was due to a 10 basis point increase in the average cost, from 0.8% in 3Q21 to 0.9% in 4Q21, partially offset by a slight 0.3% decrease in the average volume. The increase in the average cost was due to higher rates paid to institutional deposits and certain commercial deposits following the Central Bank's decision to start increasing the monetary policy rate. However, the average rate on retail deposits remained stable. By currency, average balances of dollar-denominated deposits increased 3.9% while average soles-denominated deposits decreased 2.4%, leading to an overall stable volume.

Interest on due to banks and correspondents increased S/ 3.9 million QoQ, or 11.0%, explained by a 30 basis point increase in the average cost, partially offset by a 3.5% reduction in the average volume. The higher average cost was explained by increased 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 correspondent banks abroad.

The reduction in interest on bonds, notes and other obligations was mainly due to a lower average cost of such obligations, following the redemption of S/ 110.0 million subordinated bonds in the local market in September 2021, partially compensated by the effect of a 1.6% depreciation of the average foreign exchange rate with respect to 3Q21.

The average cost of funding increased 10 basis points, from 1.5% in 3Q21 to 1.6% in 4Q21, as the result of higher implicit cost of deposits and obligations, and due to banks and correspondents.

As a result of the above, net interest margin was 4.4% in 4Q21, 40 basis points higher than the 4.0% reported in 3Q21.

YoY Performance

Net interest and similar income grew 2.5% YoY due to a 2.5% increase in interest and similar income, partially offset by 2.6% growth 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, 11.9% in interest on financial investments and 0.1% in interest on loans.

Interest on due from banks and inter-bank funds grew S/ 15.6 million YoY, or more than three-fold, explained by growth of 40 basis points in the average yield, despite a 6.5% reduction in the average volume. The higher yield was attributed to the effect of a higher policy rate on the return of inter-bank funds and deposits at the Central Bank, while the lower average volume was explained by a reduction in deposits and reserve funds at the Central Bank.

Interest on financial investments increased S/ 7.7 million YoY, or 11.9%, mainly due to 11.3% growth in the average volume, while the average yield remained stable at 3.0% in 4Q21. The increase in the average volume was the result of higher average balances of sovereign bonds, CDBCR and corporate bonds.

Interest on loans grew S/ 1.0 million YoY, or 0.1%, explained by 1.7% growth in the average volume, partially offset by a 10 basis point reduction in the average yield.

The higher average volume of loans was attributed to growth of 6.8% in retail loans, partially offset by a 2.6% reduction in commercial loans. In the retail portfolio, average volumes grew due to increases of 11.7% in mortgages and 3.6% in consumer loans. In the commercial portfolio, the lower average volume was mainly attributed to certain maturities and prepayments of loans under the Reactiva Peru Program, which resulted in decreasing volumes in working capital loans and leasing operations, despite a strong surge in trade finance loans.

The annual decrease in the average rate on loans, from 8.4% in 4Q20 to 8.3% in 4Q21, was mainly due to lower yields on consumer and commercial loans. It is worth mentioning that the incidence of the low-return loans offered to several commercial clients as part of the Reactiva Peru Program has had a negative impact on the average rate on loans.

The nominal average yield on interest-earning assets remained stable YoY, at 5.7% in 4Q21, as a consequence of the offsetting performances in the asset mix.

The higher interest and similar expense was due to increases of 5.2% in interest on bonds, notes and other obligations, and 3.2% in interest on deposits and obligations, partially offset by a 4.4% contraction in interest on due to banks and correspondents.

The higher interest on bonds, notes and other obligations was explained by 9.0% growth in the average volume, mainly attributable to a 12.5% depreciation of the foreign exchange rate with respect to 4Q20.

Interest on deposits and obligations increased S/ 3.3 million YoY, or 3.2%, mostly explained by 5.1% growth in the average volume, while the average cost remained relatively stable at 0.9% in 4Q21. By currency, average balances of dollar-denominated deposits increased 17.4% while average soles-denominated deposits decreased 0.6%.

Interest on due to banks and correspondents declined \$/ 1.8 million YoY, or 4.4%, as the result of a 17.5% decrease in the average volume, partially compensated by a 30 basis point increase in the average cost, from 1.7% in 4Q20 to 2.0% in 4Q21. On one hand, the decrease in the average volume was due to lower funding from correspondent banks abroad and the Central Bank, in turn related to the bank's participation in the Reactiva Peru Program. On the other hand, the average cost increased in line with higher policy rates globally.

The average cost of funding remained stable YoY, at 1.6% in 4Q21.

As a result of the above, net interest margin was 4.4% in 4Q21, 10 basis points higher than the 4.3% reported in 4Q20.

IMPAIRMENT LOSS ON LOANS, NET OF RECOVERIES

Impairment loss on loans, net of recoveries reversed in 4Q21 due to (i) refined calculations of the expert criteria worth \$/ 297.2 million, and (ii) improved payment behavior among Interbank's retail clients.

Setting aside the provision reversal, the quarterly performance was explained by lower provision requirements in the retail loan book, partially offset by higher provision requirements in the commercial loan book. In the retail portfolio, the reduction in provisions was mainly driven by lower requirements in consumer and mortgage loans. Conversely, the increase in provisions in the commercial portfolio was explained by higher requirements in loans to corporate, small-sized and medium-sized companies.

The annual decrease in provisions was mainly explained by lower requirements in the retail loan book, partially offset by higher requirements in loans to small-sized companies.

As a result of the above, the annualized ratio of impairment loss on loans to average loans was not meaningful in 4Q21. Excluding the one-off impact of the reversion of loan loss provisions due to refined calculations of the expert criteria, the annualized ratio of impairment loss on loans to average loans would have resulted in 1.9% in 4Q21, compared to 1.1% and 3.1% reported in 3Q21 and 4Q20, respectively.

Impairment loss on loans, net of recoveries					
\$/ million	4Q20	3Q21	4Q21	%chg QoQ	%chg YoY
Impairment loss on loans, net of recoveries	-327.6	-110.0	97.8	n.m.	n.m.
Impairment loss on loans/average gross loans	3.1%	1.1%	-0.9%	n.m.	n.m.
NPL ratio (at end of period)	3.6%	3.0%	3.2%	20 bps	-40 bps
NPL coverage ratio (at end of period)	181.5%	169.2%	131.1%	n.m.	n.m.
Impairment allowance for loans	2,984.7	2,296.3	2,062.1	-10.2%	-30.9%

The NPL ratio increased 20 basis points QoQ but decreased 40 basis points YoY, to 3.2% in 4Q21. On one hand, the quarterly growth was due to a 100 basis point increase in commercial loans' NPL, driven by small-sized and medium-sized segments, partially compensated by a 70 basis point decrease in the retail portfolio. On the other hand, the lower NPL ratio YoY was explained by a 300 basis point decrease in the retail portfolio, partially offset by a 160 basis point increase in the commercial portfolio.

Furthermore, the NPL coverage ratio was 131.1% as of December 31, 2021, lower than the 169.2% reported as of September 30, 2021 and the 181.5% registered as of December 31, 2020.

FEE INCOME FROM FINANCIAL SERVICES, NET

Net fee income from financial services increased S/ 22.1 million QoQ, or 13.3%, mainly explained by higher commissions from credit card services, fees from maintenance and mailing of accounts, transfer fees and commissions on debit card services, commissions from banking services, and fees from collection services. These factors were partially offset by lower fees from indirect loans.

Net fee income from financial services grew S/ 24.9 million YoY, or 15.2%, mainly due to higher commissions from credit card services, fees from maintenance and mailing of accounts, transfer fees and commissions on debit card services, in addition to increased fees from collection services and indirect loans. These effects were partially compensated by lower commissions from banking services.

Fee income from financial services, net					
S/ million	4Q20	3Q21	4Q21	%chg QoQ	%chg YoY
Income					
Commissions from credit card services	70.7	88.5	95.3	7.7%	34.8%
Commissions from banking services	79.6	73.1	74.2	1.5%	-6.7%
Maintenance and mailing of accounts, transfer fees and commissions on debit card services	54.3	62.9	65.3	3.8%	20.2%
Fees from indirect loans	14.8	16.7	16.1	-3.7%	8.7%
Collection services	11.5	13.7	14.2	3.0%	23.0%
Other	10.7	15.9	11.9	-25.2%	11.1%
Total income	241.6	270.9	276.9	2.2%	14.6%
Expenses					
Insurance	-27.2	-25.5	-24.9	-2.3%	-8.4%
Fees paid to foreign banks	-4.9	-9.0	-6.0	-33.0%	23.1%
Other	-46.2	-70.3	-57.8	-17.8%	25.1%
Total expenses	-78.3	-104.8	-88.7	-15.4%	13.3%
Fee income from financial services, net	163.3	166.1	188.2	13.3%	15.2%

OTHER INCOME

Other income grew S/ 3.4 million QoQ, mainly explained by a lower net loss on sale of financial investments and other extraordinary concepts, partially offset by a lower net gain on foreign exchange transactions and on financial assets at fair value through profit or loss.

Other income increased S/ 7.2 million YoY due to growth in net gain on foreign exchange transactions and on financial assets at fair value through profit or loss, in addition to extraordinary income, partially compensated by a lower net gain on sale of financial investments.

Other income					
S/ million	4Q20	3Q21	4Q21	%chg QoQ	%chg YoY
Net gain on foreign exchange transactions and on financial assets at fair value through profit or loss	79.4	105.1	84.1 ⁽¹⁾	-20.0%	5.9%
Net gain on sale of financial investments	7.7	-3.9	-0.3	-92.9%	n.m.
Other	25.4	15.1	35.9	n.m.	41.4%
Total other income	112.5	116.3	119.7	2.9%	6.4%

(1) Includes S/ 112.8 million of net gain on foreign exchange transactions and S/ -28.7 million of net gain (loss) on financial assets at fair value through profit or loss (derivatives).

OTHER EXPENSES

Other expenses increased S/ 27.6 million QoQ, or 5.9%, and S/ 81.9 million YoY, or 19.8%.

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

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

It is worth mentioning that investments in digital ventures have also had a significant weight in the increase of total other expenses.

The efficiency ratio was 42.2% in 4Q21, compared to the 47.1% reported in 3Q21 and the 39.7% registered in 4Q20.

Other expenses					
S/ million	4Q20	3Q21	4Q21	%chg QoQ	%chg YoY
Salaries and employee benefits	-170.0	-164.7	-160.3	-2.7%	-5.7%
Administrative expenses	-163.3	-227.9	-217.6	-4.5%	33.2%
Depreciation and amortization	-64.4	-61.4	-66.8	8.8%	3.8%
Other	-16.3	-14.5	-51.3	n.m.	n.m.
Total other expenses	-414.1	-468.4	-496.0	5.9%	19.8%
Efficiency ratio	39.7%	47.1%	42.2%	-490 bps	250 bps

REGULATORY CAPITAL

The ratio of regulatory capital to risk-weighted assets (RWA) was 15.9% as of December 31, 2021, below the 16.3% reported as of September 30, 2021 and the 17.0% registered as of December 31, 2020.

In 4Q21, regulatory capital remained sequentially stable. RWA grew 2.6% QoQ due to higher capital requirements for credit risk, market risk and operating risk. The higher RWA for credit risk were attributed to an increase of RWA for loans, partially offset by lower RWA for other assets and financial investments.

The annual reduction in the total capital ratio was due to an 11.9% increase in RWA, partially offset by 4.5% 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. In addition, higher RWA associated with investments also contributed to the yearly increase.

Regulatory capital increased YoY mainly as a result of the depreciation of the foreign exchange rate over the dollar-denominated subordinated debt, as well as the addition of S/ 332.9 million in capital, reserves and earnings with capitalization agreement during the last twelve months. These effects were partially compensated by the execution of an optional redemption of S/ 110.0 million local subordinated bonds in September 2021.

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%.

As of December 31, 2021, Interbank's capital ratio of 15.9% was significantly higher than its risk-adjusted minimum capital ratio requirement, established at 9.0%. As previously mentioned, the minimum regulatory capital ratio requirement was 8.0%, while the additional capital requirement for Interbank was 1.0% as of December 31, 2021. Furthermore, Core Equity Tier 1 (CET1) was 12.5% as of December 31, 2021, above the 11.5% reported as of December 31, 2020, mainly due to the accumulation of earnings with no capitalization agreement.

S/ millones	Capitalización			%var	
	31.12.20	30.09.21	31.12.21	31.12.21 30.09.21	31.12.21 31.12.20
Capital primario	5,930.7	6,097.4	6,262.1	2.7%	5.6%
Capital secundario	2,811.5	3,034.7	2,873.5	-5.3%	2.2%
Patrimonio efectivo	8,742.1	9,132.1	9,135.6	0.0%	4.5%
Activos ponderados por riesgo (APR)	51,451.8	56,117.5	57,570.3	2.6%	11.9%
Patrimonio efectivo / APR	17.0%	16.3%	15.9%	-40 pbs	-110 pbs
Capital primario / APR	11.5%	10.9%	10.9%	0 pbs	-60 pbs
CET1	11.5%	12.0%	12.5%	50 pbs	100 pbs

Interseguro

SUMMARY

2021 Performance

Interseguro's profits reached S/ 272.7 million in 2021, a S/ 131.6 million, or 93.2%, increase compared to the previous year.

The yearly performance was mainly due to an increase of S/ 114.4 million in net interest and similar income, mostly explained by a higher return of the fixed income portfolio, in addition to positive performances of S/ 67.0 million in recovery due to impairment of financial investments and S/ 33.0 million in other income. These effects were partially compensated by growth of S/ 64.3 million in other expenses, as well as a S/ 24.9 million negative performance in translation result.

Insurance Segment's P&L Statement					
S/ million	2019	2020	2021	%chg 21/20	%chg 20/19
Interest and similar income	612.5	655.0	803.0	22.6%	6.9%
Interest and similar expenses	-72.5	-84.0	-117.5	39.9%	15.9%
Net Interest and similar income	540.1	571.0	685.4	20.0%	5.7%
Recovery (loss) due to impairment of financial investments	-6.2	-33.8	33.2	n.m.	n.m.
Net Interest and similar income after impairment loss	533.9	537.2	718.6	33.8%	0.6%
Fee income from financial services, net	-4.0	-6.1	-6.8	12.3%	52.2%
Other income	169.0	201.7	234.7	16.4%	19.3%
Total premiums earned minus claims and benefits	-279.6	-279.1	-272.0	-2.5%	-0.2%
Net premiums	689.4	615.8	1,040.6	69.0%	-10.7%
Adjustment of technical reserves	-268.7	-100.8	-395.3	n.m.	-62.5%
Net claims and benefits incurred	-700.3	-794.1	-917.3	15.5%	13.4%
Other expenses	-298.7	-286.0	-350.3	22.5%	-4.3%
Income before translation result and income tax	120.6	167.7	324.2	93.3%	39.1%
Translation result	9.8	-26.6	-51.5	93.6%	n.m.
Income tax	-	-	-	n.m.	n.m.
Profit for the period	130.4	141.1	272.7	93.2%	8.2%
ROAE	14.2%	18.9%	28.2%		
Efficiency ratio	13.3%	11.0%	12.2%		

Net interest and similar income was S/ 685.4 million in 2021, an increase of S/ 114.4 million compared to 2020, mainly explained by S/ 148.0 million growth in interest and similar income, partially offset by a S/ 33.5 million increase in interest and similar expenses.

Recovery due to impairment of financial investments was S/ 33.2 million, compared to a loss of S/ -33.8 million in the previous year, an improvement of S/ 67.0 million attributable to a reversion of provision for impairment on a fixed income investment that was downgraded in 2020 due to the COVID-19 pandemic. This investment was upgraded from CCC+ to B in the first quarter of 2021.

Other income was S/ 234.7 million, a S/ 33.0 million growth compared to 2020, mainly due to increases of S/ 40.7 million in net gain on sale of securities, S/ 17.9 million in rental income and S/ 16.6 million in net gain on valuation of real estate investments. These factors were partially offset by a decrease of S/ 39.0 million in net gain on financial assets at fair value.

Total premiums earned less claims and benefits were S/ -272.0 million in 2021, compared to S/ -279.1 million reported in 2020. The annual performance was due to S/ 424.8 million growth in net premiums, partially offset by increases of S/ 294.5 million in adjustment of technical reserves and S/ 123.2 million in net claims and benefits incurred.

The yearly performance in net premiums was mainly due to increases of S/ 366.0 million in annuities, S/ 42.9 million in individual life and S/ 16.8 million in retail insurance premiums.

It is worth mentioning that in 2021 the overall activity in net premiums recovered in all segments after the reduction registered in 2020 due to the impact of the COVID-19 pandemic.

The higher adjustment of technical reserves in 2021 was driven mainly by increases of S/ 257.9 million in annuities, S/ 22.2 million in retail insurance and S/ 14.4 million in individual life. Growth in technical reserves for annuities was mostly related to (i) the effect of higher sales, and (ii) higher technical reserves for inflation-indexed annuities due to an increase in the inflation rate.

Other expenses were S/ 350.3 million in 2021, a S/ 64.3 million growth when compared to 2020, mainly explained by increases of S/ 24.9 million in administrative expenses and S/ 24.9 million in salaries and employee benefits.

4Q21 Performance

Interseguro's profits reached S/ 13.4 million in 4Q21, stable QoQ, but a decrease of S/ 24.3 million YoY.

The quarterly result was mainly explained by improvements of S/ 67.2 million in total premiums earned minus claims and benefits, S/ 9.3 million in recovery due to impairment of financial investments, and S/ 1.8 million in translation result. These factors were offset by decreases of S/ 46.2 million in other income and S/ 21.7 million in net interest and similar income, in addition to S/ 10.0 million growth in other expenses.

The annual decrease in net profit was mainly due a reduction of S/ 80.9 million in other income, in addition to a S/ 12.9 million decrease in recovery due to impairment of financial investments and a S/ 10.5 million negative performance in translation result, as well as a S/ 6.9 million growth in other expenses. These effects were partially compensated by increases of S/ 69.2 million in total premiums earned minus claims and benefits, and S/ 18.1 million in net interest and similar income.

Interseguro's ROAE was 5.7% in 4Q21, above the 5.3% reported in 3Q21, but below the 17.1% registered in 4Q20.

Insurance Segment's P&L Statement					
S/ million	4Q20	3Q21	4Q21	%chg QoQ	%chg YoY
Interest and similar income	176.0	224.8	211.9	-5.7%	20.4%
Interest and similar expenses	-22.7	-31.8	-40.6	27.4%	78.3%
Net Interest and similar income	153.2	193.0	171.3	-11.2%	11.8%
Recovery (loss) due to impairment of financial investments	13.9	-8.3	1.0	n.m.	-92.6%
Net Interest and similar income after impairment loss	167.1	184.7	172.4	-6.7%	3.1%
Fee income from financial services, net	-2.2	-2.1	-2.7	29.0%	19.0%
Other income	58.3	23.6	-22.6	n.m.	n.m.
Total premiums earned minus claims and benefits	-89.7	-87.7	-20.5	-76.7%	-77.2%
Net premiums	178.4	254.9	348.7	36.8%	95.5%
Adjustment of technical reserves	-53.5	-108.8	-151.5	39.3%	n.m.
Net claims and benefits incurred	-214.5	-233.9	-217.6	-7.0%	1.4%
Other expenses	-94.0	-90.9	-100.9	11.0%	7.3%
Income before translation result and income tax	39.5	27.7	25.8	-6.9%	-34.9%
Translation result	-1.9	-14.2	-12.4	-13.0%	n.m.
Income tax	-	-	-	n.m.	n.m.
Profit for the period	37.7	13.4	13.4	-0.5%	-64.6%
ROAE	17.1%	5.3%	5.7%		
Efficiency ratio	12.1%	13.7%	16.2%		

RESULTS FROM INVESTMENTS

Results from Investments ⁽¹⁾					
S/ million	4Q20	3Q21	4Q21	%chg QoQ	%chg YoY
Interest and similar income	176.0	224.8	211.9	-5.7%	20.4%
Interest and similar expenses	-10.9	-18.3	-27.1	48.2%	n.m.
Net interest and similar income	165.1	206.5	184.8	-10.5%	12.0%
Recovery (loss) due to impairment of financial investments	13.9	-8.3	1.0	n.m.	-92.6%
Net Interest and similar income after impairment loss	179.0	198.3	185.9	-6.3%	3.8%
Net gain (loss) on sale of financial investments	21.2	18.2	31.3	71.5%	47.9%
Net gain (loss) on financial assets at fair value through profit or loss	30.4	-25.9	-26.5	2.5%	n.m.
Rental income	9.1	15.1	14.9	-1.2%	63.3%
Gain on sale of investment property	-	-	-	n.m.	n.m.
Valuation gain (loss) from investment property	-6.5	12.6	-47.3	n.m.	n.m.
Other ⁽¹⁾	-3.9	-3.0	-4.9	63.2%	27.2%
Other income	50.3	17.0	-32.5	n.m.	n.m.
Results from investments	229.3	215.3	153.3	-28.8%	-33.1%

(1) Only includes transactions related to investments.

NET INTEREST AND SIMILAR INCOME

Net interest and similar income related to investments was S/ 184.8 million in 4Q21, a decrease of S/ 21.7 million, or 10.5%, QoQ and an increase of S/ 19.7 million, or 12.0%, YoY.

On one hand, the quarterly result was mainly explained by a S/ 12.9 million decrease in interest and similar income, mostly attributed to a lower inflation rate that had a negative impact on returns of the fixed income portfolio, as well as a S/ 8.8 million growth in interest and similar expenses.

On the other hand, the annual performance was mainly explained by a S/ 35.9 million increase in interest and similar income, mostly attributed to a higher return of the fixed income portfolio, partially offset by a S/ 16.2 million growth in interest and similar expenses.

RECOVERY (LOSS) DUE TO IMPAIRMENT OF FINANCIAL INVESTMENTS

Recovery due to impairment of financial investments was S/ 1.0 million in 4Q21, compared to a loss of S/ -8.3 million in 3Q21 and a recovery of S/ 13.9 million in 4Q20.

The quarterly improvement was explained by an additional provision for impairment on fixed income investments that were downgraded due to the political uncertainty around Peru's new administration in 3Q21, which was not repeated in 4Q21.

The annual performance was mainly due to a reversion of provision for impairment on a fixed income investment in 4Q20, which was not repeated in this quarter.

OTHER INCOME

Other income related to investments was S/ -32.5 million in 4Q21, a decrease of S/ 49.5 million QoQ and S/ 82.8 million YoY.

The quarterly reduction was mainly due to a decrease of S/ 59.9 million in valuation gain from investment property, partially compensated by S/ 13.1 million growth in net gain on sale of financial investments.

The annual decrease was mainly explained by reductions of S/ 56.1 million in net gain on financial assets at fair value and S/ 40.8 million in valuation gain from investment property, partially compensated by increases of S/ 10.1 million net gain on sale of financial investments and S/ 5.8 million in rental income.

TOTAL PREMIUMS EARNED MINUS CLAIMS AND BENEFITS

Total Premiums Earned Minus Claims And Benefits					
S/ million	4Q20	3Q21	4Q21	%chg QoQ	%chg YoY
Net premiums	178.4	254.9	348.7	36.8%	95.5%
Adjustment of technical reserves	-53.5	-108.8	-151.5	39.3%	n.m.
Net claims and benefits incurred	-214.5	-233.9	-217.6	-7.0%	1.4%
Total premiums earned minus claims and benefits	-89.7	-87.7	-20.5	-76.7%	-77.2%

Total premiums earned minus claims and benefits were S/ -20.5 million in 4Q21, an improvement of S/ 67.3 million QoQ and S/ 69.3 million YoY.

The quarterly result was due to growth of S/ 93.8 million in net premiums, in addition to a S/ 16.3 million reduction in net claims and benefits incurred, partially offset by an increase of S/ 42.7 million in adjustment of technical reserves.

The annual performance was explained by a \$/ 170.3 million growth in net premiums, partially offset by increases of \$/ 98.0 million in adjustment of technical reserves and \$/ 3.1 million in net claims and benefits incurred.

NET PREMIUMS

Net Premiums by Business Line					
S/ million	4Q20	3Q21	4Q21	%chg QoQ	%chg YoY
Annuities	85.9	144.5	231.5	60.2%	n.m.
D&S	0.1	0.0	0.0	-11.9%	-66.9%
Individual Life	37.5	47.1	48.3	2.4%	28.6%
Retail Insurance	54.8	63.3	68.8	8.8%	25.6%
Net Premiums	178.4	254.9	348.7	36.8%	95.5%

Net premiums were \$/ 348.7 million in 4Q21, an increase of \$/ 93.8 million, or 36.8%, QoQ and \$/ 170.3 million, or 95.5%, YoY.

The quarterly result was mainly due to growth of \$/ 87.0 million in annuities, \$/ 5.5 million in retail insurance premiums and \$/ 1.2 million in individual life.

The annual performance in net premiums was mainly explained by increases of \$/ 145.6 million in annuities, \$/ 14.0 million in retail insurance premiums and \$/ 10.8 million in individual life.

It is worth mentioning that the overall growth in annuities was a result of better market conditions, while individual life premiums grew due to an improvement in the collection of premiums.

ADJUSTMENT OF TECHNICAL RESERVES

Adjustment of Technical Reserves by Business Line					
S/ million	4Q20	3Q21	4Q21	%chg QoQ	%chg YoY
Annuities	-34.1	-85.7	-127.9	49.3%	n.m.
Individual Life	-23.4	-14.6	-17.0	17.1%	-27.1%
Retail Insurance	4.0	-8.6	-6.6	-23.3%	n.m.
Adjustment of technical reserves	-53.5	-108.8	-151.5	39.3%	n.m.

Adjustment of technical reserves was \$/ 151.5 million in 4Q21, an increase of \$/ 42.7 million QoQ and \$/ 98.0 million YoY.

The quarterly performance was mainly due to increases of \$/ 42.2 million in technical reserves for annuities, mostly attributed to the effect of higher sales.

The annual growth was mainly explained by \$/ 93.8 million higher technical reserves for annuities, mostly attributed to (i) higher technical reserves for inflation-indexed annuities due to an increase in the inflation rate, and (ii) the effect of higher sales. Additionally, the annual performance in the adjustment of technical reserves was also explained by \$/ 10.6 million higher reserve requirements for retail insurance, partially offset by a \$/ 6.4 million reduction in individual life.

NET CLAIMS AND BENEFITS INCURRED

Net Claims and Benefits Incurred by Business Line					
S/ million	4Q20	3Q21	4Q21	%chg QoQ	%chg YoY
Annuities	-174.3	-187.1	-190.4	1.7%	9.2%
D&S	0.1	-0.3	-0.6	75.4%	n.m.
Individual Life	-3.9	-7.0	-5.6	-20.6%	42.5%
Retail Insurance	-36.4	-39.4	-21.1	-46.6%	-42.2%
Net claims and benefits incurred	-214.5	-233.9	-217.6	-7.0%	1.4%

Net claims and benefits incurred reached S/ 217.6 million in 4Q21, a decrease of S/ 16.3 million QoQ but an increase of S/ 3.1 million YoY.

The quarterly result was mainly due to a S/ 18.3 million reduction in retail insurance claims, mostly related to lower credit life insurance claims associated with a reduction of the COVID-19 mortality in Peru.

The annual performance was mainly explained by increases of S/ 16.1 million in annuity benefits and S/ 1.7 million in individual life claims, partially compensated by a decrease of S/ 15.3 million in retail insurance claims.

OTHER EXPENSES

Other Expenses					
S/ million	4Q20	3Q21	4Q21	%chg QoQ	%chg YoY
Salaries and employee benefits	-21.8	-26.5	-27.9	5.0%	27.7%
Administrative expenses	-12.2	-16.4	-21.6	31.8%	77.1%
Depreciation and amortization	-6.4	-6.4	-6.0	-5.2%	-5.6%
Expenses related to rental income	-1.1	-1.5	-2.0	27.7%	83.1%
Other	-52.5	-40.0	-43.4	8.4%	-17.3%
Other expenses	-94.0	-90.9	-100.9	11.0%	7.3%

Other expenses increased S/ 10.0 million QoQ, or 11.0%, and S/ 6.9 million YoY, or 7.3%.

The quarterly result was mainly due to increases of S/ 5.2 million in administrative expenses, S/ 3.4 million in other expenses and S/ 1.4 million in salaries and employee benefits.

The annual performance in other expenses was mainly due to growth of S/ 9.4 million in administrative expenses and S/ 6.1 million in salaries and employee benefits, mostly attributed to base effects after cost containment measures that were implemented during 2020 to deal with the COVID-19 pandemic.

Inteligo

SUMMARY

2020 Performance

Inteligo's profits reached S/ 283.5 million in 2021, a S/ 40.4 million, or 16.6%, increase compared to the previous year. This result was mainly attributable to 27.7% growth in other income, due to strong investment results for the year, and 20.1% growth in fee income from financial services, in part supported by the effect of a higher foreign exchange rate in these two revenue lines.

On the commercial front, Inteligo's prospection process showed good results in terms of new account openings and AUM growth in Private Wealth Management attributed to political events in the country, partially offset by lower assets under management at Interfondos. Accordingly, Inteligo's AUM increased 9.5% in 2021, while AUM plus deposits increased 13.9% in the same period.

Inteligo's ROAE was 23.0% in 2021, lower than the 28.0% reported in 2020, as a result of higher equity which in turn was mainly attributed to growth in accumulated results and higher unrealized results.

Wealth Management Segment's P&L Statement					
S/ million	2019	2020	2021	%chg 21/20	%chg 20/19
Interest and similar income	168.0	163.4	154.3	-5.6%	-2.7%
Interest and similar expenses	-61.5	-51.7	-39.8	-22.9%	-16.0%
Net interest and similar income	106.5	111.8	114.5	2.4%	4.9%
Impairment loss on loans, net of recoveries	0.0	0.0	-2.5	n.m.	-11.2%
Recovery (loss) due to impairment of financial investments	-0.7	0.7	-1.6	n.m.	n.m.
Net interest and similar income after impairment loss	105.8	112.5	110.3	-1.9%	6.3%
Fee income from financial services, net	164.3	164.0	197.0	20.1%	-0.2%
Other income	58.4	106.6	136.1	27.7%	82.4%
Other expenses	-123.3	-128.0	-143.4	12.0%	3.8%
Income before translation result and income tax	205.3	255.0	299.9	17.6%	24.2%
Translation result	1.4	-3.8	-7.6	96.8%	n.m.
Income tax	-6.4	-8.0	-8.8	10.1%	24.6%
Profit for the period	200.3	243.1	283.5	16.6%	21.4%
ROAE	24.7%	28.0%	23.0%		
Efficiency ratio	37.3%	33.3%	31.6%		

Inteligo's net interest and similar income was S/ 114.5 million in 2021, a S/ 2.7 million, or 2.4%, increase compared to 2020. This was mainly explained by a S/ 11.9 million, or 22.9%, reduction in interest and similar expenses compared to previous year, which more than offset the S/ 9.1 million decrease in interest and similar income.

Net fee income from financial services was S/ 197.0 million, a S/ 33.0 million, or 20.1%, increase compared to 2020.

Other income was S/ 136.1 million, a S/ 29.5 million or 27.7% increase when compared to 2020, mainly attributable to positive mark-to-market valuations on investments.

Other expenses increased S/ 15.4 million, or 12.0% in 2021, mainly explained by incremental salaries and employee benefits, associated with promotions and recruitment of new employees, in addition to the effect of a higher foreign exchange rate in the cost base between periods.

4Q21 Performance

Inteligo posted a loss of S/ 76.6 million in 4Q21, compared to profits of S/ 183.7 million in 3Q21 and S/ 154.7 million in 4Q20.

The main driver behind the 4Q21 performance was the higher volatility of global financial markets during the second half of the quarter, which resulted in a negative impact from mark-to-market conditions in Inteligo's proprietary portfolio.

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 outflows in mutual funds and the effect of a sequentially lower foreign exchange rate in the last quarter of the year. Consequently, Inteligo's AUM decreased 2.6% QoQ but grew 9.5% YoY as of December 31, 2021.

Wealth Management Segment's P&L Statement					
S/ million	4Q20	3Q21	4Q21	%chg QoQ	%chg YoY
Interest and similar income	51.1	36.7	40.5	10.5%	-20.7%
Interest and similar expenses	-10.8	-10.6	-10.1	-4.7%	-5.9%
Net interest and similar income	40.4	26.1	30.4	16.6%	-24.7%
Impairment loss on loans, net of recoveries	0.0	-2.1	-0.4	-81.2%	n.m.
Recovery (loss) due to impairment of financial investments	8.1	0.1	-1.2	n.m.	n.m.
Net interest and similar income after impairment loss	48.5	24.1	28.8	19.5%	-40.6%
Fee income from financial services, net	40.5	50.4	48.1	-4.7%	18.8%
Other income	106.9	146.6	-110.5	n.m.	n.m.
Other expenses	-39.2	-36.8	-40.3	9.5%	2.8%
Income before translation result and income tax	156.6	184.4	-74.0	n.m.	n.m.
Translation result	1.9	2.0	-2.5	n.m.	n.m.
Income tax	-3.9	-2.6	-0.2	-93.5%	-95.7%
Profit for the period	154.7	183.7	-76.6	n.m.	n.m.
ROAE	62.8%	56.7%	n.m.		
Efficiency ratio	20.6%	16.2%	n.m.		

ASSETS UNDER MANAGEMENT & DEPOSITS

AUM reached S/ 22,981 million in 4Q21, a S/ 605 million or 2.6% decrease QoQ but a S/ 1,992 million or 9.5% growth YoY. The quarterly reduction in AUM was due to outflows in mutual funds and a lower foreign exchange rate between periods. The annual increase was mainly explained by new account openings because of strong prospection and client conversion strategies at Inteligo,

Client deposits were S/ 4,171.8 million in 4Q21, a decrease of S/ 667.7 million QoQ, but an increase of S/ 1,316.3 million or 46.1% YoY. The quarterly reduction was mainly related to the conversion of client deposits into AUMs. The annual increase was due to the same factors explaining the increase of AUM, as mentioned in the previous paragraph.

NET INTEREST AND SIMILAR INCOME

Net interest and similar income					
S/ million	4Q20	3Q21	4Q21	%chg QoQ	%chg YoY
Interest and similar income					
Due from banks and inter-bank funds	1.1	2.1	2.0	-3.1%	81.5%
Financial Investments	34.2	18.5	22.1	19.4%	-35.3%
Loans	15.9	16.1	16.4	1.9%	3.5%
Total interest and similar income	51.1	36.7	40.5	10.5%	-20.7%
Interest and similar expenses					
Deposits and obligations	-10.4	-9.8	-9.5	-3.3%	-8.6%
Due to banks and correspondents	-0.3	-0.8	-0.6	-22.6%	73.2%
Total interest and similar expenses	-10.8	-10.6	-10.1	-4.7%	-5.9%
Net interest and similar income	40.4	26.1	30.4	16.6%	-24.7%

Inteligo's net interest and similar income was S/ 30.4 million in 4Q21, a S/ 4.3 million, or 16.6% increase when compared with 3Q21. This was mainly explained by incremental dividends received from investments during the quarter and interest income from regular loans.

Net interest and similar income decreased S/ 10.0 million or 24.7% YoY, mainly attributed to lower interest income from Inteligo's investment portfolio.

FEE INCOME FROM FINANCIAL SERVICES

Fee income from financial services, net					
S/ million	4Q20	3Q21	4Q21	%chg QoQ	%chg YoY
Income					
Brokerage and custody services	2.2	2.6	3.0	18.2%	34.8%
Funds management	38.6	48.3	45.4	-5.9%	17.6%
Total income	40.9	50.8	48.5	-4.7%	18.6%
Expenses					
Brokerage and custody services	-0.2	-0.2	-0.2	-15.9%	13.2%
Others	-0.3	-0.2	-0.2	23.7%	-21.9%
Total expenses	-0.4	-0.4	-0.4	1.1%	-8.5%
Fee income from financial services, net	40.5	50.4	48.1	-4.7%	18.8%

Net fee income from financial services was S/ 48.1 million in 4Q21, a decrease of S/ 2.3 million, or 4.7% when compared to the previous quarter, mainly affected by a lower foreign exchange rate between periods. In dollar terms, results were relatively stable following steady trading volumes and recurring fees from clients.

On a YoY basis, net fee income from financial services increased S/ 7.6 million, or 18.8%, mainly explained by higher fund management fees and higher brokerage fees due to increased trading volumes, triggered by higher price volatility and client appetite for investing or rebalancing portfolios.

OTHER INCOME

Other income					
S/ million	4Q20	3Q21	4Q21	%chg QoQ	%chg YoY
Net gain on sale of financial investments	23.3	8.8	13.0	47.0%	-44.3%
Net trading gain (loss)	84.6	141.5	-120.4	n.m.	n.m.
Other	-1.0	-3.7	-3.1	-16.8%	n.m.
Total other income	106.9	146.6	-110.5	n.m.	n.m.

Inteligo's other income (loss) reached S/ -110.5 million in 4Q21, a decrease of S/ 257.1 million QoQ and S/ 217.4 million YoY, mainly attributable to negative mark-to-market valuations and unrealized losses on Inteligo's proprietary portfolio during the second half of the quarter.

OTHER EXPENSES

Other expenses					
S/ million	4Q20	3Q21	4Q21	%chg QoQ	%chg YoY
Salaries and employee benefits	-24.0	-21.9	-23.1	5.5%	-3.8%
Administrative expenses	-11.2	-10.4	-12.4	19.1%	11.0%
Depreciation and amortization	-3.6	-3.9	-4.4	11.6%	22.4%
Other	-0.5	-0.6	-0.5	-23.1%	-1.8%
Total other expenses	-39.2	-36.8	-40.3	9.5%	2.8%
Efficiency ratio	20.6%	16.2%	n.m.		

Other expenses reached S/ 40.3 million in 4Q21, an increase of S/ 3.5 million, or 9.5% QoQ, mainly due to higher administrative expenses for the quarter after increased operational activity.

On a yearly basis, other expenses increased S/ 1.1 million, or 2.8% YoY, mainly as a result of higher administrative expenses, in addition to higher depreciation and amortization for the period.