Intercorp Financial Services

Intercorp Financial Services Inc.
First Quarter 2021 Earnings

Lima, Peru, May 12, 2021. Intercorp Financial Services Inc. (Lima Stock Exchange/NYSE: IFS) announced today its unaudited results for the first quarter 2021. These results are reported on a consolidated basis under IFRS in nominal Peruvian soles.

Intercorp Financial Services: Record earnings of S/ 528.7 million in 1Q21, ROAE at 23.7%

- Earnings grew in all subsidiaries supported by lower provision charges and solid results from investments
- Strong recovery in revenues mainly due to insurance business
- Digital trends continue to support IFS' strategy
- Disciplined cost control helps efficiency
- Solid capital ratios at all business segments

Interbank: Strong recovery in earnings in 1Q21, thanks to lower provisions and higher results from investments

- Key banking indicators recovering while retail loans resume growth
- Strong deposit franchise with 14.1% market share in retail deposits
- Cost of funds down almost by half from last year, at 1.4%
- NIM still under pressure due to asset/loan mix and excess cash
- 1.8% CoR in 1Q21, below pre COVID-19 levels
- Continued focus on efficiency and branch rationalization

Interseguro: Profits surged in 1Q21 due to higher results from investments

- Business activity accelerates above pre COVID-19 levels, regular annuities leading the recovery
- Solid quarter in gross premiums plus collections, up 14.3% QoQ and 25.1% YoY
- Strong net gain on sale from financial investments, ROIP at 10.4%
- Market leader in annuities with a 28.7% share

Inteligo: Sound 1Q21 results, ROAE at 30.7%

- Profits normalized from negative results in 1Q20 and all-time high levels in 4Q20
- Significant growth in fee income from funds management and commercialization of structured products
- Cost savings from reduced use of office spaces and lower administrative expenses
- AUM grew 6.5% QoQ and 24.1% YoY

Intercorp Financial Services

SUMMARY

Intercorp Financial Services' Statement of financial position					
S/ million	03.31.20	12.31.20	03.31.21	%chg 03.31.21/ 12.31.20	%chg 03.31.21/ 03.31.20
Assets					
Cash and due from banks and inter-bank funds	11,733.3	18,783.6	19,260.5	2.5%	64.2%
Financial investments	18,634.9	24,277.1	24,678.8	1.7%	32.4%
Loans, net of unearned interest	38,556.6	43,504.3	43,491.4	0.0%	12.8%
Impairment allowance for loans	-1,494.5	-2,984.9	-2,654.5	-11.1%	77.6%
Property, furniture and equipment, net	935.6	844.4	814.8	-3.5%	-12.9%
Other assets	3,445.7	3,811.5	4,451.2	16.8%	29.2%
Total assets	**71,811.6**	**88,236.0**	**90,042.3**	**2.0%**	**25.4%**
Liabilities and equity					
Deposits and obligations	37,568.9	47,149.3	49,396.1	4.8%	31.5%
Due to banks and correspondents and inter-bank funds	5,446.1	9,689.9	9,003.3	-7.1%	65.3%
Bonds, notes and other obligations	6,973.4	7,778.8	8,020.4	3.1%	15.0%
Insurance contract liabilities	11,157.4	12,501.7	11,768.3	-5.9%	5.5%
Other liabilities	2,119.5	2,162.5	2,932.8	35.6%	38.4%
Total liabilities	**63,265.3**	**79,282.1**	**81,121.0**	**2.3%**	**28.2%**
Equity, net					
Equity attributable to IFS' shareholders	8,499.6	8,908.1	8,874.9	-0.4%	4.4%
Non-controlling interest	46.7	45.8	46.4	1.2%	-0.7%
Total equity, net	**8,546.3**	**8,953.9**	**8,921.3**	**-0.4%**	**4.4%**
Total liabilities and equity net	**71,811.6**	**88,236.0**	**90,042.3**	**2.0%**	**25.4%**

Intercorp Financial Services' net profit was S/ 528.7 million in 1Q21, an increase of S/ 151.3 million QoQ, or 40.1%, and S/ 383.8 million YoY, or more than three-fold.

It is worth noting that IFS' profits in 4Q20 were affected by the negative impact on interest income of the modification of contractual cash flows due to the loan rescheduling schemes offered to customers affected by the COVID-19 pandemic, for S/ 14.0 million after taxes in such quarter. Excluding this impact, IFS's net profit would have increased 35.1% QoQ in 1Q21.

IFS annualized ROAE was 23.7% in 1Q21, higher than the 17.5% registered in 4Q20 and the 6.6% annualized ROAE reported in 1Q20. Excluding the previously mentioned impact from the modification of contractual cash flows in 4Q20, ROAE would have resulted in 18.1% in such period.

Intercorp Financial Services' P&L statement					
S/ million	1Q20	4Q20	1Q21	%chg QoQ	%chg YoY
Interest and similar income	1,248.2	1,187.2	1,085.7	-8.6%	-13.0%
Interest and similar expenses	-338.1	-266.5	-251.8	-5.5%	-25.5%
Net interest and similar income	**910.1**	**920.7**	**833.9**	**-9.4%**	**-8.4%**
Impairment loss on loans, net of recoveries	-312.6	-327.5	-189.0	-42.3%	-39.5%
Recovery (loss) due to impairment of financial investments	-40.5	22.3	47.2	n.m.	n.m.
Net interest and similar income after impairment loss	**557.0**	**615.5**	**692.1**	**12.5%**	**24.3%**
Fee income from financial services, net	220.3	185.9	201.3	8.2%	-8.6%
Other income	39.3	282.3	387.7	37.3%	n.m.
Total premiums earned minus claims and benefits	-60.8	-89.7	-117.9	31.5%	94.0%
Net Premiums	178.2	178.4	211.9	18.8%	18.9%
Adjustment of technical reserves	-52.9	-53.5	-88.9	66.3%	68.1%
Net claims and benefits incurred	-186.1	-214.5	-240.9	12.3%	29.5%
Other expenses	-511.2	-536.8	-512.0	-4.6%	0.2%
Income before translation result and income tax	**244.6**	**457.2**	**651.0**	**42.4%**	**n.m.**
Translation result	-23.9	-3.7	-30.6	n.m.	28.2%
Income tax	-75.8	-76.1	-91.7	20.5%	20.9%
Profit for the period	**144.9**	**377.4**	**528.7**	**40.1%**	**n.m.**
Attributable to IFS' shareholders	**143.4**	**376.0**	**526.3**	**40.0%**	**n.m.**
EPS	**1.24**	**3.26**	**4.56**		
ROAE	**6.6%**	**17.5%**	**23.7%**		
ROAA	**0.8%**	**1.7%**	**2.4%**		
Efficiency ratio	**36.3%**	**31.8%**	**30.0%**		

Quarter-on-quarter performance

Profits increased 40.1% QoQ mainly due to lower impairment loss on loans at Interbank, in addition to higher other income at Interseguro and Interbank, and a recovery in fee income at Inteligo. Moreover, lower other expenses across all subsidiaries also contributed to IFS' net profit increase compared to 4Q20. These effects were partially offset by reductions in net interest and similar income at Interbank and Inteligo, as well as in the insurance's net underwriting result, and a negative performance in translation result at Interseguro and Inteligo.

Net interest and similar income decreased S/ 86.8 million, or 9.4% QoQ, mainly due to lower interest on loans at Interbank and to a base effect of a special dividend received in 4Q20 from investments at Inteligo. These factors were partially offset by a reduction in net interest and similar expense at Interbank, due to a lower cost of deposits. Net interest and similar income remained relatively stable at Interseguro.

Impairment loss on loans decreased 42.3% QoQ, mainly due to lower provision requirements in both retail and commercial loan books at Interbank. Furthermore, Interseguro reported a reversion of provision for impairment on a fixed income investment.

Net fee income from financial services increased S/ 15.4 million, or 8.2% QoQ, mainly explained by higher funds management fees and spreads on structured products at Inteligo, partially offset by lower commissions from banking services at Interbank.

Other income increased S/ 105.4 million, or 37.3% QoQ, mainly attributable to higher net gain on sale of financial investments at Interbank and Interseguro, in addition to increases in valuation gain from investment property at Interseguro. These effects were partially compensated by lower mark-to-market valuations on proprietary portfolio investments due to a base effect at Inteligo.

Total premiums earned minus claims and benefits at Interseguro showed a quarterly reduction of S/ 28.2 million, mainly explained by S/ 35.4 million higher constitution of technical reserves and an increase of S/ 26.4 million in net claims and benefits incurred. These effects were partially offset by S/ 33.5 million growth in net premiums.

Other expenses decreased S/ 24.8 million, or 4.6% QoQ, mainly attributed to (i) lower salaries and employee benefits at Interbank, related to a base effect worth S/ 35.2 million in employee profit sharing, (ii) another base effect at Interseguro, associated with the rescue of life insurance policies that happened in 4Q20; and (iii) lower expenses in maintenance and other charges related to the reduced use of office spaces and administrative expenses at Inteligo.

IFS effective tax rate reduced, from 16.8% in 4Q20 to 14.8% in 1Q21, mainly attributed to a lower effective tax rate at Interbank.

Year-on-year performance

Profits increased more than three-fold YoY mainly due to higher other income across all subsidiaries and lower impairment loss on loans at Interbank. These factors were partially offset by reductions in net interest and similar income, and in net fee income, both at Interbank. Additionally, higher net claims and benefits incurred at Interseguro also contributed to offset the positive performance in earnings.

Net interest and similar income decreased S/ 76.2 million, or 8.4% YoY, mainly due to lower interest income at Interbank. This factor was partially offset by an increase in interest and similar income attributed to a higher volume of assets at Interseguro and a decrease in the cost of funding at Inteligo.

Impairment loss on loans reduced S/ 123.6 million, or 39.5% YoY, explained by lower requirements in credit cards, cash loans and payroll deduction loans, as well as in the small-sized and medium-sized segments of the commercial loan book. The better performance in provision charges was mainly attributed to the adjustments of the bank's expected loss models to address the improvement in payment behavior among Interbank's retail clients during the last months, coupled with the fact that growth in retail loans has not yet significantly recovered. Additionally, Interseguro reported a reversion of provision for impairment on a fixed income investment.

Net fee income from financial services decreased S/ 19.0 million, or 8.6% YoY, mainly due to lower commissions from credit cards and banking services at Interbank. These effects were partially compensated by higher funds management fees and spreads on structured products at Inteligo.

Other income increased S/ 348.4 million, or more than nine-fold YoY, mainly due to positive mark-to-market valuations on proprietary portfolio investments at Inteligo. Additionally, increases in net gain on sale of financial investments and in net gain on financial assets at fair value at both Interseguro and Interbank, also contributed to the growth of other income.

On a yearly basis, total premiums earned minus claims and benefits at Interseguro decreased S/ 57.1 million explained by S/ 54.8 million higher net claims and benefits incurred, and a S/ 36.0 million increase in adjustment of technical reserves, partially offset by a S/ 33.7 million increase in net premiums.

Other expenses remained relatively stable YoY, as a result of efficiency plans still in place despite the growing levels of business activity.

IFS effective tax rate decreased, from 34.4% in 1Q20 to 14.8% in 1Q21, mainly attributed to the positive contribution of Interseguro and Inteligo to IFS' profits, together with a lower effective tax rate at Interbank.

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	1Q20	4Q20	1Q21	%chg QoQ	%chg YoY
Interbank	221.5	193.8	319.8	65.0%	44.4%
Interseguro	-21.6	37.7	137.1	n.m.	n.m.
Inteligo	-54.7	154.7	86.9	-43.8%	n.m.
Corporate and eliminations	-0.4	-8.7	-15.0	71.8%	n.m.
IFS profit for the period	**144.9**	**377.4**	**528.7**	**40.1%**	**n.m.**

Interbank

SUMMARY

Interbank's profits were S/ 319.8 million in 1Q21, an increase of S/ 126.0 million QoQ, or 65.0%, and S/ 98.3 million YoY, or 44.4%. The quarterly result was mainly attributed to a S/ 138.7 million reduction in impairment loss on loans and a S/ 72.2 million increase in other income, in addition to a S/ 10.2 million decrease in other expenses. These factors were partially offset by reductions of S/ 80.3 million in net interest and similar income, and S/ 3.1 million in net fee income from financial services.

It is worth mentioning that Interbank's results in 4Q20 were affected by the negative impact on interest income of the modification of contractual cash flows due to the loan rescheduling schemes offered to customers affected by the COVID-19 pandemic, for S/ 14.0 million after taxes in such quarter.

The annual performance in net profit was mainly explained by a S/ 123.7 million decrease in impairment loss on loans and a S/ 74.9 million increase in other income, as well as by a S/ 11.9 million reduction in other expenses. These effects were partially compensated by decreases of S/ 87.3 million in net interest and similar income and S/ 30.2 million in net fee income from financial services.

Interbank's ROAE was 20.5% in 1Q21, an improvement compared to the 12.8% and 13.8% registered in 4Q20 and 1Q20, respectively. Excluding the negative impact from the modification of contractual cash flows in 4Q20, ROAE would have resulted in 13.7% in such period.

Banking Segment's P&L Statement					
S/ million	1Q20	4Q20	1Q21	%chg QoQ	%chg YoY
Interest and similar income	1,037.1	959.2	865.0	-9.8%	-16.6%
Interest and similar expense	-302.8	-231.9	-218.1	-6.0%	-28.0%
Net interest and similar income	**734.3**	**727.3**	**647.0**	**-11.0%**	**-11.9%**
Impairment loss on loans, net of recoveries	-312.6	-327.6	-188.9	-42.3%	-39.6%
Recovery (loss) due to impairment of financial investments	-0.2	0.3	-0.0	n.m.	-78.2%
Net interest and similar income after impairment loss	**421.5**	**400.1**	**458.0**	**14.5%**	**8.7%**
Fee income from financial services, net	190.4	163.3	160.2	-1.9%	-15.8%
Other income	109.7	112.5	184.6	64.1%	68.2%
Other expenses	-415.8	-414.1	-403.9	-2.5%	-2.8%
Income before translation result and income tax	**305.8**	**261.8**	**398.8**	**52.3%**	**30.4%**
Translation result	-2.9	-1.2	1.6	n.m.	n.m.
Income tax	-81.4	-66.8	-80.7	20.8%	-0.9%
Profit for the period	**221.5**	**193.8**	**319.8**	**65.0%**	**44.4%**
ROAE	**13.8%**	**12.8%**	**20.5%**		
Efficiency ratio	**38.8%**	**39.7%**	**39.1%**		
NIM	**5.6%**	**4.3%**	**3.7%**		
NIM on loans	**8.6%**	**7.7%**	**6.9%**		

INTEREST-EARNING ASSETS

Interbank's interest-earning assets reached S/ 67,084.4 million as of March 31, 2021, an increase of 2.3% QoQ and 29.5% YoY.

The quarterly growth in interest-earning assets was attributed to increases of 11.6% in financial investments, 1.4% in cash and due from banks and inter-bank funds, and 0.7% in loans. Growth in financial investments was mainly a result of higher balances of Central Bank Certificates of Deposits (CDBCR), sovereign bonds, and global bonds. The increase in cash and due from banks and inter-bank funds was mainly due to higher funds at the Central Bank.

The YoY increase in interest-earning assets was attributed to growth of 74.5% in cash and due from banks and inter-bank funds, 65.3% in financial investments, and 10.3% in loans. Growth in cash and due from banks and inter-bank funds resulted mainly from higher deposits and reserve funds at the Central Bank, while the increase in financial investments, from higher volumes of sovereign bonds, global bonds and CDBCR.

Interest-earning assets					
S/ million				%chg	%chg
	03.31.20	12.31.20	03.31.21	03.31.21	03.31.21
				12.31.20	03.31.20
Cash and due from banks and inter-bank funds	10,295.8	17,720.5	17,968.5	1.4%	74.5%
Financial investments	6,052.4	8,966.3	10,003.1	11.6%	65.3%
Loans	35,451.0	38,859.0	39,112.9	0.7%	10.3%
Total interest-earning assets	**51,799.2**	**65,545.9**	**67,084.4**	**2.3%**	**29.5%**

Loan portfolio					
S/ million				%chg	%chg
	03.31.20	12.31.20	03.31.21	03.31.21	03.31.21
				12.31.20	03.31.20
Performing loans					
Retail	19,313.4	17,837.1	17,870.3	0.2%	-7.5%
Commercial	16,106.0	21,914.2	21,907.3	0.0%	36.0%
Total performing loans	**35,419.4**	**39,751.3**	**39,777.6**	**0.1%**	**12.3%**
Restructured and refinanced loans	258.8	287.1	267.9	-6.7%	3.5%
Past due loans	1,004.2	1,405.2	1,347.8	-4.1%	34.2%
Total gross loans	**36,682.3**	**41,443.6**	**41,393.3**	**-0.1%**	**12.8%**
Add (less)					
Accrued and deferred interest	263.1	400.1	373.9	-6.5%	42.1%
Impairment allowance for loans	-1,494.4	-2,984.7	-2,654.3	-11.1%	77.6%
Total direct loans, net	**35,451.0**	**38,859.0**	**39,112.9**	**0.7%**	**10.3%**

The evolution of performing loans was mostly affected by disbursements and prepayments of commercial loans under the Reactiva Peru Program. As of March 31, 2021, these loans amounted S/ 6,348.4 million, compared to a balance of 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 slightly increased QoQ, as retail loans resumed growth in 1Q21, while commercial loans remained stable. Excluding the effect of the Reactiva Peru Program in the comparing periods, performing loans and commercial loans would have increased 0.9% and 1.7% QoQ, respectively.

Retail loans grew 0.2% QoQ due to an increase of 3.6% in mortgages, partially offset by a reduction of 2.2% in consumer loans. Growth in mortgages was explained by higher demand in both traditional and MiVivienda products, while the decrease in consumer loans, by 5.8% lower credit cards and other loans, partially offset by 2.9% higher payroll deduction loans.

Commercial loans were sequentially stable due to a combination of factors. On one hand, lower short and medium-term lending, mostly to corporate and small-sized segments, as well as lower leasing operations in the corporate segment and trade finance loans in the medium-sized segment. On the other hand, higher trade finance loans in the corporate segment, as well as higher short and medium-term lending to the medium-sized segment.

Performing loans grew 12.3% YoY explained by a 36.0% increase in commercial loans, partially compensated by a 7.5% reduction in retail loans. Excluding the effect of the Reactiva Peru Program, performing loans and commercial loans would have decreased 5.6% and 3.4% YoY, respectively.

The annual growth in commercial loans was mainly explained by higher short and medium-term lending in all client segments, as opposed to leasing operations and trade finance loans, which declined in all client segments.

The YoY decrease in retail loans was due to a reduction of 16.8% in consumer loans, partially compensated by an increase of 8.8% in mortgages. The reduction in consumer loans was a result of lower credit cards and other loans, partially offset by higher payroll deduction loans. Growth in mortgages was due to higher demand in both traditional and MiVivienda products.

It is worth mentioning that, as of March 31, 2021, and in line with the measures implemented to help our customers to overcome the impacts from the COVID-19 pandemic, 348 thousand clients had their loans rescheduled, out of which approximately 335 thousand were retail clients and around 13 thousand, commercial clients. Loans that were subject to some kind of rescheduling represented S/ 9.2 billion or 22.2% of our total portfolio. Of these, S/ 6.7 billion were retail loans (34.7% of total retail loans), and the remaining S/ 2.6 billion were commercial loans (11.5% of total commercial loans).

Breakdown of retail loans					
S/ million				%chg	%chg
	03.31.20	12.31.20	03.31.21	03.31.21	03.31.21
				12.31.20	03.31.20
Consumer loans:					
Credit cards & other loans	7,925.0	6,135.7	5,778.0	-5.8%	-27.1%
Payroll deduction loans(1)	4,361.4	4,318.9	4,445.2	2.9%	1.9%
Total consumer loans	**12,286.5**	**10,454.6**	**10,223.3**	**-2.2%**	**-16.8%**
Mortgages	7,027.0	7,382.5	7,647.0	3.6%	8.8%
Total retail loans	**19,313.4**	**17,837.1**	**17,870.3**	**0.2%**	**-7.5%**

(1) Payroll deduction loans to public sector employees.

FUNDING STRUCTURE

Funding structure					
S/ million				%chg	%chg
	03.31.20	12.31.20	03.31.21	03.31.21 12.31.20	03.31.21 03.31.20
Deposits and obligations	35,062.1	44,576.8	46,636.8	4.6%	33.0%
Due to banks and correspondents and inter-bank funds	5,087.7	9,388.1	8,672.4	-7.6%	70.5%
Bonds, notes and other obligations	5,832.3	6,491.9	6,674.7	2.8%	14.4%
Total	**45,982.1**	**60,456.9**	**61,983.9**	**2.5%**	**34.8%**
% of funding					
Deposits and obligations	76.2%	73.7%	75.2%		
Due to banks and correspondents and inter-bank funds	11.1%	15.6%	14.0%		
Bonds, notes and other obligations	12.7%	10.7%	10.8%		

Interbank's funding base continued to expand on strong deposits growth, while maintaining long-term debt provided by the Central Bank, associated with the bank's active involvement in the auctions of funds for the Reactiva Peru Program. As of March 31, 2021, the balance of such special funding was S/ 5,661.9 million, compared to S/ 5,887.9 million as of December 31, 2020.

The bank's total funding base increased 2.5% QoQ, slightly above the performance of interest-earning assets. This was explained by growth of 4.6% in deposits and obligations, and 2.8% in bonds, notes and other obligations, partially offset by a 7.6% reduction 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 increased 3.2% QoQ, while due to banks and correspondents and inter-bank funds would have decreased 14.0%.

The quarterly increase in deposits and obligations was mainly due to growth of 7.6% in institutional deposits, 6.7% in commercial deposits, and 1.5% in retail deposits.

The QoQ growth in bonds, notes and other obligations was mainly attributable to a 3.8% depreciation of the foreign exchange rate with respect to 4Q20.

The quarterly decrease in due to banks and correspondents and inter-bank funds was explained by lower long-term funding from the Central Bank and COFIDE, associated with end of the auctions of funds for the Reactiva Peru Program. These effects were partially offset by higher short-term funding from COFIDE.

The bank's total funding base grew 34.8% YoY, above the annual growth in interest-earning assets, and was explained by increases of 70.5% in due to banks and correspondents and inter-bank funds, 33.0% in deposits and obligations, and 14.4% in bonds, notes and other obligations. Excluding the effect of the Reactiva Peru Program's funds, the bank's total funding base would have increased 22.5% YoY, but due to banks and correspondents and inter-bank funds would have decreased 40.8%.

The YoY increase in due to banks and correspondents and inter-bank funds was mainly the result of higher long-term funding from the Central Bank, associated with the bank's participation in the auctions of funds for the Reactiva Peru Program.

The annual growth in deposits and obligations was mainly explained by increases of 63.3% in institutional deposits, 30.1% in commercial deposits, and 25.6% in retail deposits.

The YoY increase in bonds, notes and other obligations was mainly attributable to the placement in the international market of a US$ 300 million subordinated bond in June 2020, in addition to a 9.3% depreciation of the foreign exchange rate with respect to 1Q20. It is worth mentioning that these effects were partially compensated by the execution of an optional redemption of the prevailing hybrid bonds "8.50% Junior Subordinated Notes due 2070" for US$ 200 million in April 2020.

As of March 31, 2021, the proportion of deposits and obligations to total funding was 75.2%, slightly lower than the 76.2% reported as of March 31, 2020. Likewise, the proportion of institutional deposits to total deposits increased from 14.8% as of March 31, 2020 to 18.2% as of March 31, 2021.

Breakdown of deposits					
S/ million				%chg	%chg
	03.31.20	12.31.20	03.31.21	03.31.21 12.31.20	03.31.21 03.31.20
By customer service:					
Retail	16,816.6	20,810.5	21,115.3	1.5%	25.6%
Commercial	12,710.5	15,502.8	16,534.4	6.7%	30.1%
Institutional	5,193.8	7,880.5	8,480.3	7.6%	63.3%
Other	341.2	383.0	506.9	32.3%	48.5%
Total	**35,062.1**	**44,576.8**	**46,636.8**	**4.6%**	**33.0%**
By type:					
Demand	10,874.2	12,726.3	13,603.1	6.9%	25.1%
Savings	12,580.6	17,852.3	18,738.5	5.0%	48.9%
Time	11,592.6	13,992.2	14,280.9	2.1%	23.2%
Other	14.8	6.0	14.3	n.m.	-3.4%
Total	**35,062.1**	**44,576.8**	**46,636.8**	**4.6%**	**33.0%**

NET INTEREST AND SIMILAR INCOME

Net interest and similar income					
S/ million				%chg	%chg
	1Q20	4Q20	1Q21	QoQ	YoY
Interest and similar income	1,037.1	959.2	865.0	-9.8%	-16.6%
Interest and similar expense	-302.8	-231.9	-218.1	-6.0%	-28.0%
Net interest and similar income	**734.3**	**727.3**	**647.0**	**-11.0%**	**-11.9%**
NIM	**5.6%**	**4.3%**	**3.7%**	**-60 bps**	**-190 bps**

Interest and similar income					
S/ million	1Q20	4Q20	1Q21	%chg QoQ	%chg YoY
Interest and similar income					
Due from banks and inter-bank funds	15.9	5.5	6.1	10.3%	-62.0%
Financial investments	51.7	64.7	62.9	-2.7%	21.6%
Loans	969.4	889.0	796.0	-10.5%	-17.9%
Total Interest and similar income	**1,037.1**	**959.2**	**865.0**	**-9.8%**	**-16.6%**
Average interest-earning assets	52,823.1	67,839.2	69,134.6	1.9%	30.9%
Average yield on assets (annualized)	7.9%	5.7%	5.0%	-70 bps	-290 bps

Interest and similar expense					
S/ million	1Q20	4Q20	1Q21	%chg QoQ	%chg YoY
Interest and similar expense					
Deposits and obligations	-174.8	-101.9	-90.8	-10.9%	-48.1%
Due to banks and correspondents and inter-bank funds	-38.1	-41.4	-38.1	-8.0%	0.0%
Bonds, notes and other obligations	-89.9	-88.5	-89.1	0.7%	-0.8%
Total Interest and similar expense	**-302.8**	**-231.9**	**-218.1**	**-6.0%**	**-28.0%**
Average interest-bearing liabilities	45,598.4	59,830.9	61,220.4	2.3%	34.3%
Average cost of funding (annualized)	2.7%	1.6%	1.4%	-20 bps	-130 bps

QoQ Performance

Net interest and similar income decreased 11.0% QoQ due to a 9.8% reduction in interest and similar income, partially offset by a 6.0% decrease in interest and similar expense. Moreover, excluding the negative impact from the modification of contractual cash flows due to the loan rescheduling schemes offered to customers affected by the COVID-19 pandemic for S/ 19.9 million in 4Q20, interest and similar income, and net interest and similar income would have decreased 11.7% and 13.4% QoQ, respectively.

The lower interest and similar income was due to reductions of 10.5% in interest on loans and 2.7% in interest on financial investments, partially offset by 10.3% growth in interest on due from banks and inter-bank funds.

Interest on loans decreased S/ 93.0 million, or 10.5% QoQ, as the result of an 80 basis point reduction in the average yield, together with a 0.7% reduction in the average loan portfolio. Likewise, excluding the previously mentioned impact from the modification of contractual cash flows due to the loan rescheduling schemes offered to customers affected by the COVID-19 pandemic in 4Q20, interest on loans would have decreased 12.4% QoQ.

The lower average rate on loans, from 8.4% in 4Q20 to 7.6% in 1Q21, was explained by yield reductions of 130 basis points in retail loans and 40 basis points in commercial loans. The yield decrease in retail loans was explained by lower rates in consumer loans, partially compensated by higher average yields on mortgages. In the commercial portfolio, rates decreased in trade finance loans, short and medium-term loans, and leasing operations.

The slightly lower average volume of loans was attributed to decreases of 0.7% in retail loans and 0.6% in commercial loans. In the retail portfolio, the lower average volume was mostly due to a reduction of 3.4% in consumer loans, partially compensated by a 3.5% increase in mortgages. In the commercial portfolio, average volumes decreased mainly due to reductions of 2.9% in leasing operations and 1.9% in short and medium-term loans, partially offset by 4.3% higher trade finance loans.

Interest on financial investments decreased S/ 1.8 million, or 2.7% QoQ, due to a 30 basis point reduction in the average yield, partially offset by 8.8% growth in the average volume. The decrease in the average yield was due to lower returns on CDBCR, corporate bonds, global and sovereign bonds. The increase in the average volume was a consequence of higher investments in sovereign bonds, CDBCR and global bonds, partially offset by lower balances of corporate bonds from financial and non-financial institutions.

Interest on due from banks and inter-bank funds grew S/ 0.6 million, or 10.3% QoQ, explained by 4.8% growth in the average volume, while the nominal average rate remained stable. The increase in the average volume was due to higher deposits at the Central Bank, partially compensated by lower reserve funds.

The nominal average yield on interest-earning assets decreased 70 basis points QoQ, from 5.7% in 4Q20 to 5.0% in 1Q21, as a consequence of the lower returns on loans and investments. Moreover, excluding the negative impact from the modification of contractual cash flows due to the loan rescheduling schemes offered to customers affected by the COVID-19 pandemic in 4Q20, the nominal average yield on interest-earning assets would have decreased 80 basis points, from 5.8% in 4Q20 to 5.0% in 1Q21.

The lower interest and similar expense was due to reductions of 10.9% in interest on deposits and obligations, and 8.0% in interest on due to banks and correspondents, partially compensated by a 0.7% increase in interest on bonds, notes and other obligations.

The quarterly decrease in interest on deposits and obligations was due to a 10 basis point reduction in the average cost, partially compensated by 4.7% growth in the average volume. The decrease in the average cost was due to lower rates paid to institutional and retail deposits, while rates on commercial deposits remained stable. The higher average volume was explained by growth in all segments of deposits. By currency, average balances of dollar-denominated deposits grew 9.2% while average soles-denominated deposits increased 2.6%. This differentiated growth by currency also contributed to the lower average cost, as dollar deposits generally bear lower rates than soles deposits.

Interest on due to banks and correspondents decreased S/ 3.3 million, or 8.0% QoQ, explained by an 8.1% reduction in the average volume, while the average cost remained stable. The decrease in the average volume was mostly attributed to lower funding from the Central Bank, related to the winding up of the Reactiva Peru Program, in addition to lower funding from correspondent banks abroad.

The increase in interest on bonds, notes and other obligations was mainly due to 2.0% growth in the average volume of these obligations, basically explained by a 2.2% depreciation of the average foreign exchange rate with respect to 4Q20.

The average cost of funding decreased 20 basis points QoQ, from 1.6% in 4Q20 to 1.4% in 1Q21, in line with the lower implicit cost of deposits and obligations, and the important contribution of this source of funding over total interest-bearing liabilities.

As a result of the above, net interest margin was 3.7% in 1Q21, 60 basis points lower than the 4.3% reported in 4Q20. Likewise, excluding the previously mentioned impact from the modification of contractual cash flows due to the loan rescheduling schemes offered to customers affected by the COVID-19 pandemic in 4Q20, net interest margin would have decreased 70 basis points, from 4.4% in 4Q20 to 3.7% in 1Q21.

<u>YoY Performance</u>

Net interest and similar income decreased 11.9% YoY due to a 16.6% reduction in interest and similar income, partially offset by a 28.0% decrease in interest and similar expense.

The lower interest and similar income was due to reductions of 62.0% in interest on due from banks and inter-bank funds, and 17.9% in interest on loans, partially offset by 21.6% growth in interest on financial investments.

Interest on due from banks and inter-bank funds decreased S/ 9.8 million, or 62.0% YoY, explained by a 50 basis point reduction in the average yield, partially compensated by 77.0% growth in the average volume. On one hand, the decrease in the nominal average rate was mainly related to a lower rate on inter-bank funds, as well as to lower returns on deposits and reserve funds at the Central Bank. On the other hand, the increase in the average volume was explained by higher deposits and reserve funds at the Central Bank, partially offset by a lower average balance of inter-bank funds.

Interest on loans decreased S/ 173.4 million, or 17.9% YoY, due to a 290 basis point reduction in the average yield, partially offset by 13.2% growth in the average volume.

The annual decrease in the average rate on loans, from 10.5% in 1Q20 to 7.6% in 1Q21, was due to reductions of 230 basis points in retail loans and 190 basis points in commercial loans. The reduction in the retail portfolio was explained by lower average yields on consumer loans and mortgages, while the decrease in commercial loans was explained by lower rates on all types of loans. It is worth mentioning that the loan rescheduling carried out as part of the measures implemented to deal with the COVID-19 pandemic during the last year has negatively affected the average yield on loans in the comparing periods, especially in the retail segment. Additionally, the incidence of the low-return loans offered to several commercial clients as part of the Reactiva Peru Program also has had an impact on the average rate on loans.

The higher average volume of loans was attributed to 35.1% growth in commercial loans, partially offset by a 4.7% reduction in retail loans. In the commercial portfolio, the higher average volume was mainly due to a 65.4% increase in short and medium-term loans, attributed to the disbursement of loans under the Reactiva Peru Program, despite lower balances of trade finance loans and leasing operations. In the retail portfolio, average volumes decreased mainly due to a reduction of 12.0% in consumer loans, partially compensated by an 8.2% increase in mortgages. This change in loan mix is also a factor explaining the lower average return on loans in the comparing periods.

Interest on financial investments increased S/ 11.2 million, or 21.6% YoY, due to 63.2% growth in the average volume, partially offset by a 90 basis point reduction in the average yield. The increase in the average volume was the result of higher average balances of sovereign bonds, global bonds and CDBCR. The decrease in the nominal average rate, from 3.6% in 1Q20 to 2.7% in 1Q21, was explained by lower returns on sovereign bonds, CDBCR and corporate bonds.

The nominal average yield on interest-earning assets decreased 290 basis points YoY, from 7.9% in 1Q20 to 5.0% in 1Q21, in line with the lower returns on all components of interest-earning assets. It is worth mentioning that the change in asset mix, with volumes of cash and investments growing significantly more than the higher-yielding loan component, also explains the negative performance of the average yield on interest-earning assets in the comparing periods.

The lower interest and similar expense was due to reductions of 48.1% in interest on deposits and obligations, and 0.8% in interest on bonds, notes and other obligations, while interest on due to banks and correspondents remained stable.

Interest on deposits and obligations decreased S/ 84.0 million, or 48.1% YoY, explained by a 120 basis point reduction in the average cost, from 2.0% in 1Q20 to 0.8% in 1Q21, partially compensated by 29.1% growth in the average volume. The lower average cost was due to reductions in rates paid to institutional, commercial and retail deposits, associated with the low interest rate environment. Growth in volumes came across all client segments. By currency, average balances of soles-denominated deposits increased 30.0% while average dollar-denominated deposits grew 27.4%.

The reduction in interest on bonds, notes and other obligations was explained by higher efficiencies in this component of interest-bearing liabilities, associated with liability management transactions executed throughout 2020, such as the redemption of international hybrid bonds in April 2020 followed by the issuance of a new international subordinated bond in July 2020.

Interest on due to banks and correspondents remained stable, as a more than two-fold growth in the average volume was completely offset by a 170 basis point reduction in the average cost, from 3.4% in 1Q20 to 1.7% in 1Q21. On one hand, the increase in the average volume was due to higher funding provided by the Central Bank, related to the bank's participation in the Reactiva Peru Program. On the other hand, the reduction in the average cost was explained by lower rates paid to funding provided by the Central Bank, correspondent banks abroad and COFIDE.

The average cost of funding decreased 130 basis points YoY, from 2.7% in 1Q20 to 1.4% in 1Q21, in line with the lower implicit cost of all interest-bearing liabilities.

As a result of the above, net interest margin was 3.7% in 1Q21, 190 basis points lower than the 5.6% reported in 1Q20. Again, the relevant factors that explained the negative performance of NIM in the comparing periods were related to (i) the different asset mix with higher contribution of cash and investments compared to loans, (ii) the change in loan portfolio mix with lower participation of consumer loans, (iii) the incidence of low-return loans from the Reactiva Peru Program, and (iv) the low interest rate environment.

IMPAIRMENT LOSS ON LOANS, NET OF RECOVERIES

Impairment loss on loans, net of recoveries decreased 42.3% QoQ and 39.6% YoY.

The quarterly reduction was due to lower provision requirements in both retail and commercial loan books. In the retail portfolio, the reduction in provisions was mainly driven by lower requirements in credit cards and cash loans, while in the commercial portfolio, in loans to mid-sized companies.

The annual decrease in provisions was mainly explained by lower requirements in credit cards, cash loans and payroll deduction loans, as well as in the small-sized and medium-sized segments of the commercial loan book.

The better performance in provision charges was mainly attributed to the adjustments of the bank's expected loss models to address the improvement in payment behavior among Interbank's retail clients during the last months, coupled with the fact that growth in retail loans has not yet significantly recovered.

As a result of the above, the annualized ratio of impairment loss on loans to average loans was 1.8% in 1Q21, lower than the 3.1% and 3.4% reported in 4Q20 and 1Q20, respectively.

Impairment loss on loans, net of recoveries					
S/ million	1Q20	4Q20	1Q21	%chg QoQ	%chg YoY
Impairment loss on loans, net of recoveries	-312.6	-327.6	-188.9	-42.3%	-39.6%
Impairment loss on loans/average gross loans	3.4%	3.1%	1.8%	-130 bps	-160 bps
NPL ratio (at end of period)	2.7%	3.6%	3.4%	-20 bps	70 bps
NPL coverage ratio (at end of period)	136.1%	181.5%	170.5%	n.m.	n.m.
Impairment allowance for loans	1,494.4	2,984.7	2,654.3	-11.1%	77.6%

The NPL ratio decreased 20 basis points QoQ and grew 70 basis points YoY, to 3.4% in 1Q21. On one hand, the quarterly reduction was due to a 60 basis point reduction in retail loans' NPL, mainly driven by cash loans. On the other hand, the annual growth was explained by a 210 basis point growth in the retail portfolio, partially offset by a 20 basis point reduction in the commercial portfolio.

Furthermore, the NPL coverage ratio was 170.5% as of March 31, 2021, lower than the 181.5% reported as of December 31, 2020, but higher than the 136.1% registered as of March 31, 2020.

FEE INCOME FROM FINANCIAL SERVICES, NET

Net fee income from financial services decreased S/ 3.1 million QoQ, or 1.9%, mainly explained by reductions of S/ 5.1 million in commissions from banking services and S/ 0.8 million in fees from maintenance and mailing of accounts, transfer fees and commissions on debit card services. These effects were partially offset by increases of S/ 1.1 million in fees from indirect loans and S/ 1.0 million in fees from collection services.

Net fee income from financial services decreased S/ 30.2 million YoY, or 15.8%, mainly due to reductions of S/ 20.0 million in commissions from credit card services, S/ 11.6 million in commissions from banking services, and S/ 2.6 million in fees from maintenance and mailing of accounts, transfer fees and commissions on debit card services.

Fee income from financial services, net					
S/ million	1Q20	4Q20	1Q21	%chg QoQ	%chg YoY
Income					
Commissions from credit card services	91.1	70.7	71.1	0.6%	-21.9%
Commissions from banking services	86.1	79.6	74.5	-6.4%	-13.5%
Maintenance and mailing of accounts, transfer fees and commissions on debit card services	56.1	54.3	53.5	-1.6%	-4.7%
Fees from indirect loans	12.9	14.8	15.9	7.3%	22.8%
Collection services	10.0	11.5	12.5	9.0%	25.9%
Other	8.4	10.7	14.5	35.3%	72.5%
Total income	**264.5**	**241.6**	**241.9**	**0.1%**	**-8.5%**
Expenses					
Insurance	-25.4	-27.2	-26.3	-3.3%	3.4%
Fees paid to foreign banks	-3.2	-4.9	-5.5	12.0%	69.1%
Other	-45.5	-46.2	-49.9	8.1%	9.9%
Total expenses	**-74.1**	**-78.3**	**-81.7**	**4.4%**	**10.2%**
Fee income from financial services, net	**190.4**	**163.3**	**160.2**	**-1.9%**	**-15.8%**

OTHER INCOME

Other income increased S/ 72.1 million QoQ, mainly explained by higher net gain on sale of financial investments, partially offset by a reduction in net gain on foreign exchange transactions and on financial assets at fair value through profit or loss.

Other income grew S/ 74.9 million YoY due to increases in net gain on sale of financial investments, and net gain on foreign exchange transactions and on financial assets at fair value through profit or loss.

Other income					
S/ million	1Q20	4Q20	1Q21	%chg QoQ	%chg YoY
Net gain on foreign exchange transactions and on financial assets at fair value through profit or loss	59.9	79.4	69.6(1)	-12.3%	16.2%
Net gain on sale of financial investments	37.5	7.7	98.5	n.m.	n.m.
Other	12.4	25.4	16.5	-35.2%	32.9%
Total other income	**109.7**	**112.5**	**184.6**	**64.1%**	**68.2%**

(1) Includes S/ 51.5 million of net gain on foreign exchange transactions and S/ 18.1 million of net gain (loss) on financial assets at fair value though profit or loss (derivatives).

OTHER EXPENSES

Other expenses decreased S/ 10.2 million QoQ, or 2.5%, and S/ 11.9 million YoY, or 2.8%.

On one hand, the quarterly reduction in expenses was mainly a result of lower salaries and employee benefits, related to a base effect worth S/ 35.2 million in profit sharing due to the accounting of non-tax deductible voluntary provisions under local GAAP accounting standards in 4Q20. On the other hand, the annual decrease in expenses was explained by lower salaries and employee benefits, partially compensated by higher administrative expenses.

The efficiency ratio was 39.1% in 1Q21, compared to the 39.7% reported in 4Q20 and the 38.8% registered in 1Q20. However, excluding the negative impact from the modification of contractual cash flows in 4Q20, the efficiency ratio would have been 38.9% in 4Q20.

Other expenses					
S/ million	1Q20	4Q20	1Q21	%chg QoQ	%chg YoY
Salaries and employee benefits	-168.6	-170.0	-136.1	-19.9%	-19.3%
Administrative expenses	-175.4	-163.3	-192.4	17.8%	9.7%
Depreciation and amortization	-57.4	-64.4	-59.1	-8.2%	2.9%
Other	-14.3	-16.3	-16.2	-0.7%	13.8%
Total other expenses	**-415.8**	**-414.1**	**-403.9**	**-2.5%**	**-2.8%**
Efficiency ratio	**38.8%**	**39.7%**	**39.1%**	**-60 bps**	**30 bps**

REGULATORY CAPITAL

The ratio of regulatory capital to risk-weighted assets (RWA) was 17.0% as of March 31, 2021, in line with that reported as of December 31, 2020, but higher than the 16.1% registered as of March 31, 2020.

In 1Q21, regulatory capital increased 2.5% QoQ. Similarly, RWA grew 2.4% QoQ due to higher capital requirements for credit risk and market risk. The higher RWA for credit risk were attributed to increased RWA for loans and a higher risk weight applied to intangible assets, as well as to higher RWA for financial investments.

The annual increase in the total capital ratio was due to 8.5% growth in regulatory capital, partially offset by a 2.8% increase in RWA. Regulatory capital increased as a result of the addition of S/ 287.8 million in capital, reserves and earnings with capitalization agreement during the last twelve months, as well as the "4.00% Subordinated Notes due 2030" for US$300 million issued in July 2020. These effects were partially compensated by the execution of an optional redemption of US$ 200 million hybrid bonds in April 2020. The YoY increase in RWA was mostly attributed to higher capital requirements for market risk and credit risk. RWA for credit risk grew due to higher risk weights applied to intangible assets by disposition of the SBS, with impact on the bank's increasing digital investments. This was partially offset by lower RWA for loans.

As of March 31, 2021, Interbank's capital ratio of 17.0% was significantly higher than its risk-adjusted minimum capital ratio requirement, established at 10.6%. The minimum regulatory capital ratio requirement was 10.0%, while the additional capital requirement for Interbank was 0.6% as of March 31, 2021. Furthermore, Core Equity Tier 1 (CET1) was 11.5% as of March 31, 2021, below the 12.0% reported as of March 31, 2020.

Regulatory capital					
S/ million				%chg	%chg
	03.31.20	12.31.20	03.31.21	03.31.21	03.31.21
				12.31.20	03.31.20
Tier I capital	6,218.8	5,930.7	6,096.6	2.8%	-2.0%
Tier II capital	2,045.2	2,811.5	2,867.3	2.0%	40.2%
Total regulatory capital	8,264.0	8,742.1	8,964.0	2.5%	8.5%
Risk-weighted assets (RWA)	51,265.3	51,451.8	52,684.0	2.4%	2.8%
Total capital ratio	**16.1%**	**17.0%**	**17.0%**	**0 bps**	**90 bps**
Tier I capital / RWA	**12.1%**	**11.5%**	**11.6%**	**10 bps**	**-50 bps**
CET1	**12.0%**	**11.5%**	**11.5%**	**0 bps**	**-50 bps**

Interseguro

SUMMARY

Interseguro's profits reached S/ 137.1 million in 1Q21, an increase of S/ 99.4 million QoQ and a positive reversion compared to the S/ 21.6 million loss reported in 1Q20.

The quarterly growth was mainly explained by a S/ 92.3 million increase in other income, in turn explained by higher net gain on sale of financial investments, and a S/ 33.0 million positive effect in loss due to impairment of financial investments, as well as by a S/ 15.2 million reduction in other expenses. These factors were partially offset by a S/ 28.2 million decrease in total premiums earned minus claims and benefits, and a negative performance in translation result of S/ 12.8 million.

The annual performance in bottom-line results was mainly due to growth of S/ 133.3 million in other income and S/ 5.3 million in net interest and similar income, in addition to a S/ 87.0 million positive effect in loss due to impairment of financial investments. These effects were partially compensated by a reduction of S/ 57.1 million in total premiums earned minus claims and benefits, and an increase of S/ 6.4 million in other expenses.

As a result of the strong contribution of other income, Interseguro's ROAE was 56.6% in 1Q21.

Insurance Segment's P&L Statement					
S/ million	1Q20	4Q20	1Q21	%chg QoQ	%chg YoY
Interest and similar income	167.9	176.0	175.9	0.0%	4.7%
Interest and similar expenses	-19.8	-22.7	-22.5	-1.0%	13.5%
Net Interest and similar income	**148.1**	**153.2**	**153.4**	**0.1%**	**3.6%**
Recovery (loss) due to impairment of financial investments	-40.1	13.9	46.9	n.m.	n.m.
Net Interest and similar income after impairment loss	**108.0**	**167.1**	**200.3**	**19.8%**	**85.5%**
Fee income from financial services, net	-1.0	-2.2	-2.4	8.0%	n.m.
Other income	17.3	58.3	150.6	n.m.	n.m.
Total premiums earned minus claims and benefits	-60.8	-89.7	-117.9	31.5%	94.0%
Net premiums	178.2	178.4	211.9	18.8%	18.9%
Adjustment of technical reserves	-52.9	-53.5	-88.9	66.3%	68.1%
Net claims and benefits incurred	-186.1	-214.5	-240.9	12.3%	29.5%
Other expenses	-72.4	-94.0	-78.8	-16.2%	8.7%
Income before translation result and income tax	**-9.0**	**39.5**	**151.8**	**n.m.**	**n.m.**
Translation result	-12.6	-1.9	-14.7	n.m.	17.1%
Income tax	-	-	-	n.m.	n.m.
Profit for the period	**-21.6**	**37.7**	**137.1**	**n.m.**	**n.m.**
ROAE	**n.m.**	**17.1%**	**56.6%**		
Efficiency ratio	**11.9%**	**12.1%**	**10.0%**		

RESULTS FROM INVESTMENTS

Results from Investments (1)					
S/ million	1Q20	4Q20	1Q21	%chg QoQ	%chg YoY
Interest and similar income	167.9	176.0	175.9	0.0%	4.7%
Interest and similar expenses	-8.6	-10.9	-10.8	-0.5%	25.1%
Net interest and similar income	**159.3**	**165.1**	**165.1**	**0.0%**	**3.6%**
Recovery (loss) due to impairment of financial investments	-40.1	13.9	46.9	n.m.	n.m.
Net Interest and similar income after impairment loss	**119.2**	**179.0**	**212.0**	**18.4%**	**77.9%**
Net gain (loss) on sale of financial investments	23.9	21.2	87.6	n.m.	n.m.
Net gain (loss) on financial assets at fair value through profit or loss	-31.6	30.4	16.3	-46.5%	n.m.
Rental income	9.1	9.1	8.3	-9.5%	-8.7%
Gain on sale of investment property	-	-	-	n.m.	n.m.
Valuation gain (loss) from investment property	11.5	-6.5	35.5	n.m.	n.m.
Other(1)	-3.4	-3.9	-4.2	9.2%	25.6%
Other income	**9.5**	**50.3**	**143.4**	**n.m.**	**n.m.**
Results from investments	**128.7**	**229.3**	**355.4**	**55.0%**	**n.m.**

(1) Only includes transactions related to investments.

NET INTEREST AND SIMILAR INCOME

Net interest and similar income related to investments was S/ 165.1 million in 1Q21, stable QoQ, and 3.6% higher YoY.

The annual performance was mainly explained by an S/ 8.0 million increase in interest and similar income, mostly attributed to a higher volume of assets, partially offset by a S/ 2.2 million increase in interest and similar expenses.

RECOVERY (LOSS) DUE TO IMPAIRMENT OF FINANCIAL INVESTMENTS

Recovery due to impairment of financial investments was S/ 46.9 million in 1Q21, compared to a recovery of S/ 13.9 million in 4Q20 and a loss of S/ 40.1 million in 1Q20.

The quarterly and annual performances were mainly due to a reversion of provision for impairment on a fixed income investment that was downgraded in relation to the COVID-19 pandemic in 1Q20. This investment was upgraded from CCC+ to B in 1Q21.

OTHER INCOME

Other income related to investments was S/ 143.4 million in 1Q21, an increase of S/ 93.1 million QoQ and S/ 133.9 million YoY.

The quarterly and annual performances were mainly explained by increases of S/ 66.4 million and S/ 63.7 million, respectively, in net gain on sale of financial investments, as well as by increases in valuation gain from investment property. The annual increase was also related to a better performance in net gain on financial assets at fair value, mostly related to positive mark-to-market, however the quarterly growth was partially offset by a S/ 14.1 million decrease in net gain on financial assets at fair value.

TOTAL PREMIUMS EARNED MINUS CLAIMS AND BENEFITS

Total Premiums Earned Minus Claims And Benefits					
S/ million	1Q20	4Q20	1Q21	%chg QoQ	%chg YoY
Net premiums	178.2	178.4	211.9	18.8%	18.9%
Adjustment of technical reserves	-52.9	-53.5	-88.9	66.3%	68.1%
Net claims and benefits incurred	-186.1	-214.5	-240.9	12.3%	29.5%
Total premiums earned minus claims and benefits	**-60.8**	**-89.7**	**-117.9**	**31.5%**	**94.0%**

Total premiums earned minus claims and benefits were S/ -117.9 million in 1Q21, a decrease of S/ 28.2 million QoQ and S/ 57.1 million YoY.

The quarterly reduction was mainly due to S/ 35.4 million higher constitution of technical reserves and an increase of S/ 26.4 million in net claims and benefits incurred. These effects were partially offset by S/ 33.5 million growth in net premiums.

The annual performance was explained by S/ 54.8 million higher net claims and benefits incurred, and a S/ 36.0 million increase in adjustment of technical reserves, partially offset by a S/ 33.7 million increase in net premiums.

NET PREMIUMS

Net Premiums by Business Line					
S/ million	1Q20	4Q20	1Q21	%chg QoQ	%chg YoY
Annuities	78.2	85.9	116.2	35.2%	48.7%
D&S	0.1	0.1	0.0	-66.4%	-69.6%
Individual Life	32.6	37.5	39.8	6.1%	22.2%
Retail Insurance	67.4	54.8	55.9	2.0%	-17.0%
Net Premiums	**178.2**	**178.4**	**211.9**	**18.8%**	**18.9%**

Net premiums were S/ 211.9 million in 1Q21, an increase of S/ 33.5 million, or 18.8%, QoQ and S/ 33.7 million, or 18.9%, YoY.

The quarterly result was mainly due to growth of S/ 30.3 million in annuities and S/ 2.3 million in individual life. The higher annuities were a result of better market conditions, which drove premiums above pre COVID-19 levels, while individual life premiums grew due to an improvement in the collection of premiums.

The annual performance in net premiums was mainly due to increases of S/ 38.0 million in annuities and S/ 7.2 million in individual life. These factors were partially offset by a S/ 11.5 million reduction in retail insurance premiums, explained by decreases in premiums related to credit life insurance and card protection insurance products.

ADJUSTMENT OF TECHNICAL RESERVES

Adjustment of Technical Reserves by Business Line					
S/ million	1Q20	4Q20	1Q21	%chg QoQ	%chg YoY
Annuities	-48.5	-34.1	-65.2	91.3%	34.5%
Individual Life	7.2	-23.4	-19.5	-16.7%	n.m.
Retail Insurance	-11.6	4.0	-4.3	n.m.	-63.2%
Adjustment of technical reserves	**-52.9**	**-53.5**	**-88.9**	**66.3%**	**68.1%**

Adjustment of technical reserves was S/ 88.9 million in 1Q21, an increase of S/ 35.4 million QoQ and S/ 36.0 million YoY.

The quarterly and annual growth were explained by increases of S/ 31.1 million and S/ 16.7 million, respectively, in 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. Likewise, the quarterly performance was also the result of S/ 8.3 million growth in reserve requirements for retail insurance, partially offset by a S/ 3.9 million reduction in technical reserves for individual life, associated with a lower profitability of flex life products, which are linked to equity investments on behalf of clients.

Additionally, the annual performance in the adjustment of technical reserves was also explained by S/ 26.7 million higher requirements in individual life, partially offset by a S/ 7.3 million reduction in retail insurance.

NET CLAIMS AND BENEFITS INCURRED

Net Claims and Benefits Incurred by Business Line					
S/ million	1Q20	4Q20	1Q21	%chg QoQ	%chg YoY
Annuities	-163.7	-174.3	-174.0	-0.2%	6.3%
D&S	-0.4	0.1	-0.7	n.m.	82.6%
Individual Life	-1.5	-3.9	-3.8	-3.2%	n.m.
Retail Insurance	-20.6	-36.4	-62.5	71.6%	n.m.
Net claims and benefits incurred	**-186.1**	**-214.5**	**-240.9**	**12.3%**	**29.5%**

Net claims and benefits incurred reached S/ 240.9 million in 1Q21, an increase of S/ 26.4 million QoQ and S/ 54.8 million YoY.

The quarterly and annual performances were mainly explained by increases of S/ 26.1 million and S/ 41.9 million, respectively, in retail insurance claims, in turn associated with higher claims in credit life insurance due to the COVID-19 mortality in Peru. Likewise, the annual performance was also the result of increases of S/ 10.3 million in annuity benefits and S/ 2.3 million in individual life claims.

OTHER EXPENSES

Other Expenses					
S/ million	1Q20	4Q20	1Q21	%chg QoQ	%chg YoY
Salaries and employee benefits	-18.9	-21.8	-23.3	6.9%	23.3%
Administrative expenses	-9.2	-12.2	-12.7	3.6%	37.7%
Depreciation and amortization	-6.4	-6.4	-6.3	-1.5%	-1.0%
Expenses related to rental income	-1.4	-1.1	-0.2	-78.3%	-83.5%
Other	-36.5	-52.5	-36.2	-30.9%	-0.8%
Other expenses	**-72.4**	**-94.0**	**-78.8**	**-16.2%**	**8.7%**

Other expenses decreased S/ 15.2 million QoQ, or 16.2%, and grew S/ 6.4 million YoY, or 8.7%.

The quarterly reduction was mainly due to decreases of S/ 16.3 million in other expenses, mainly explained by the regularization in the rescue of life insurance policies in 4Q20 which did not happen again in 1Q21, and S/ 0.9 million in expenses related to rental income, partially offset by increases of S/ 1.5 million in salaries and employee benefits, and S/ 0.5 million in administrative expenses.

The annual performance in other expenses was mainly due to increases of S/ 4.4 million in salaries and employee benefits, and S/ 3.5 million in administrative expenses, mainly associated with a higher operational activity between the comparing periods.

Inteligo

SUMMARY

Inteligo's net profit in 1Q21 was S/ 86.9 million, a decrease of S/ 67.8 million, or 43.8% QoQ, but a positive reversion compared to the S/ 54.7 million loss reported in 1Q20.

The quarterly reduction in profits was mainly explained by a 55.4% decrease in other income due to mark-to-market valuations on proprietary portfolio investments. Additionally, net interest and similar income was 30.1% lower, mainly explained by a special dividend received in 4Q20 on one of our investments. These effects were partially compensated by 22.0% stronger fee income from financial services and 17.5% lower other expenses.

The annual performance was mainly attributable to a positive reversion in other income due to better mark-to-market valuations on proprietary portfolio investments in 1Q21 compared to 1Q20. Other positive drivers were the increases of 14.7% in fee income from financial services and 10.5% in net interest and similar income, as well as a 7.2% reduction in other expenses.

From a business development perspective, Inteligo's prospection process continued to show positive results in terms of new account openings and higher assets under management. Accordingly, Inteligo's AUM grew 6.5% QoQ and 24.1% YoY as of March 31, 2021.

Consequently, Inteligo's ROAE was 30.7% in 1Q21. Furthermore, the efficiency ratio was 25.4% in 1Q21.

Wealth Management Segment's P&L Statement					
S/ million	1Q20	4Q20	1Q21	%chg QoQ	%chg YoY
Interest and similar income	41.1	51.1	37.8	-26.0%	-8.0%
Interest and similar expenses	-15.5	-10.8	-9.6	-10.9%	-38.3%
Net interest and similar income	**25.5**	**40.4**	**28.2**	**-30.1%**	**10.5%**
Impairment loss on loans, net of recoveries	0.0	0.0	-0.1	n.m.	n.m.
Recovery (loss) due to impairment of financial investments	-0.2	8.1	0.4	-95.1%	n.m.
Net interest and similar income after impairment loss	**25.3**	**48.5**	**28.6**	**-41.1%**	**12.7%**
Fee income from financial services, net	43.0	40.5	49.3	22.0%	14.7%
Other income	-85.8	106.9	47.7	-55.4%	n.m.
Other expenses	-34.9	-39.2	-32.4	-17.5%	-7.2%
Income before translation result and income tax	**-52.3**	**156.6**	**93.2**	**-40.5%**	**n.m.**
Translation result	-3.0	1.9	-2.7	n.m.	-11.1%
Income tax	0.7	-3.9	-3.6	-6.9%	n.m.
Profit for the period	**-54.7**	**154.7**	**86.9**	**-43.8%**	**n.m.**
ROAE	**n.m.**	**62.8%**	**30.7%**		
Efficiency ratio	**n.m.**	**20.6%**	**25.4%**		

ASSETS UNDER MANAGEMENT & DEPOSITS

AUM reached S/ 22,345.3 million in 1Q21, a S/ 1,356.4 million or 6.5% increase QoQ and a S/ 4,339.4 million or 24.1% growth YoY. This was mostly due to strengthened mark-to-market valuations from the appreciation of client assets and the higher foreign exchange rate, as well as to the execution of adequate client prospection and conversion strategies throughout the year.

Client deposits were S/ 2,965.6 million in 1Q21, a S/ 110.1 million or 3.9% increase QoQ, and a S/ 78.8 million or 2.7% increase YoY. The yearly growth was mainly due to the higher foreign exchange rate during the period.

NET INTEREST AND SIMILAR INCOME

Net interest and similar income					
S/ million	1Q20	4Q20	1Q21	%chg QoQ	%chg YoY
Interest and similar income					
Due from banks and inter-bank funds	2.7	1.1	0.8	-26.8%	-70.3%
Financial Investments	21.2	34.2	21.3	-37.6%	0.7%
Loans	17.2	15.9	15.7	-1.0%	-8.8%
Total interest and similar income	**41.1**	**51.1**	**37.8**	**-26.0%**	**-8.0%**
Interest and similar expenses					
Deposits and obligations	-13.1	-9.8	-8.5	-13.3%	-34.8%
Due to banks and correspondents	-2.4	-0.9	-1.0	15.9%	-57.2%
Total interest and similar expenses	**-15.5**	**-10.8**	**-9.6**	**-10.9%**	**-38.3%**
Net interest and similar income	**25.5**	**40.4**	**28.2**	**-30.1%**	**10.5%**

Inteligo's net interest and similar income was S/ 28.2 million in 1Q21, a S/ 12.2 million, or 30.1% decrease when compared with 4Q20. This was mainly explained by a special dividend received in 4Q20 on one of our investments.

Net interest and similar income increased S/ 2.7 million or 10.5% YoY, mainly explained by a decrease in the cost of funding. Nonetheless, there was also a negative effect related to net interest margin compression in the lending business.

FEE INCOME FROM FINANCIAL SERVICES

Fee income from financial services, net					
S/ million	1Q20	4Q20	1Q21	%chg QoQ	%chg YoY
Income					
Brokerage and custody services	5.7	2.2	3.2	40.9%	-44.5%
Funds management	37.7	38.6	46.6	20.7%	23.8%
Total income	**43.4**	**40.9**	**49.8**	**21.8%**	**14.8%**
Expenses					
Brokerage and custody services	-0.1	-0.2	-0.2	21.5%	46.6%
Others	-0.2	-0.3	-0.3	-0.1%	15.2%
Total expenses	**-0.4**	**-0.4**	**-0.5**	**8.1%**	**26.9%**
Fee income from financial services, net	**43.0**	**40.5**	**49.3**	**22.0%**	**14.7%**

Net fee income from financial services was S/ 49.3 million in 1Q21, an increase of S/ 8.8 million, or 22.0% when compared to the previous quarter. On a YoY basis, net fee income from financial services increased S/ 6.3 million, or 14.7%. This growth is mainly explained by higher funds management fees and spreads on structured products.

OTHER INCOME

Other income					
S/ million	1Q20	4Q20	1Q21	%chg QoQ	%chg YoY
Net gain on sale of financial investments	-33.1	23.3	20.0	-14.5%	n.m.
Net trading gain (loss)	-51.2	84.6	29.7	-64.9%	n.m.
Other	-1.4	-1.0	-2.0	95.7%	40.7%
Total other income	**-85.8**	**106.9**	**47.7**	**-55.4%**	**n.m.**

Inteligo's other income reached S/ 47.7 million in 1Q21, a decrease of S/ 59.2 million QoQ and a positive reversion of the loss accounted in 1Q20. The performance was mainly attributable to the effects of mark-to-market valuations on proprietary portfolio investments in the comparing periods.

OTHER EXPENSES

Other expenses					
S/ million	1Q20	4Q20	1Q21	%chg QoQ	%chg YoY
Salaries and employee benefits	-20.9	-24.0	-19.2	-20.1%	-8.2%
Administrative expenses	-10.0	-11.2	-8.9	-20.0%	-10.7%
Depreciation and amortization	-4.0	-3.6	-3.7	2.9%	-7.7%
Other	0.0	-0.5	-0.6	13.5%	n.m.
Total other expenses	**-34.9**	**-39.2**	**-32.4**	**-17.5%**	**-7.2%**
Efficiency ratio	**n.m.**	**20.6%**	**25.4%**		

Other expenses reached S/ 32.4 million in 1Q21, a decrease of S/ 6.8 million, or 17.5% QoQ, and S/ 2.5 million, or 7.2% YoY. This was mainly due to lower expenses in maintenance and other charges related to the reduced use of office spaces and administrative expenses.