Intercorp Financial Services Inc.
Second Quarter 2021 Earnings

Lima, Peru, August 11, 2021. Intercorp Financial Services Inc. (Lima Stock Exchange/NYSE: IFS) announced today its unaudited results for the second quarter 2021. These results are reported on a consolidated basis under IFRS in nominal Peruvian soles.

Intercorp Financial Services: Another strong quarter, ROAE at 20.0%

- 1H21 earnings of S/ 984 million and 21.7% ROAE
- 17.2% YoY growth in revenues in 1H21
- Efficiency ratio of 31.2% in 1H21, improving 190 bps YoY
- Solid capitalization, strong liquidity and manageable dollarization
- Digital indicators continue to support IFS' strategy

Interbank: Earnings continue to build up, 18.8% ROAE in 1H21

- Accelerated growth in retail loans in 2Q21, gaining 20 bps market share
- 14.5% market share in retail deposits, up 40 bps QoQ
- First quarter with improving NIM since the pandemic started, up 20 bps QoQ
- 2nd consecutive quarter with cost of risk below pre COVID-19 levels
- Recovery in expenses driven by activity with continued focus on efficiency

Interseguro: Solid profits in 1H21 drove ROAE up to 50.0% due to higher results from investments

- Another quarter with strong ROIP at 7.7%
- Gross premiums plus collections increased 7.4% QoQ, regular annuities picking up
- Strong gain in annuities market share to 31.2% in 2Q21

Inteligo: 30% ROAE for 2nd consecutive quarter

- Significant YoY growth in 1H21 revenues mainly driven by other income and net interest income
- Other income positively affected by M2M on the investment portfolio
- AUM & deposits grew 7.3% QoQ and 20.7% YoY

Intercorp Financial Services

SUMMARY

Intercorp Financial Services' Statement of financial position					
S/ million				%chg	%chg
	06.30.20	03.31.21	06.30.21	06.30.21 03.31.21	06.30.21 06.30.20
Assets					
Cash and due from banks and inter-bank funds	15,156.3	19,260.5	19,410.4	0.8%	28.1%
Financial investments	21,198.7	24,678.8	24,278.1	-1.6%	14.5%
Loans, net of unearned interest	42,061.8	43,491.4	43,875.2	0.9%	4.3%
Impairment allowance for loans	-2,731.3	-2,654.5	-2,467.0	-7.1%	-9.7%
Property, furniture and equipment, net	899.3	814.8	788.6	-3.2%	-12.3%
Other assets	5,195.1	4,451.2	4,654.3	4.6%	-10.4%
Total assets	**81,779.8**	**90,042.3**	**90,539.7**	**0.6%**	**10.7%**
Liabilities and equity					
Deposits and obligations	44,144.7	49,396.1	49,491.7	0.2%	12.1%
Due to banks and correspondents and inter-bank funds	7,997.7	9,003.3	9,027.4	0.3%	12.9%
Bonds, notes and other obligations	7,495.4	8,020.4	8,250.9	2.9%	10.1%
Insurance contract liabilities	11,803.0	11,768.3	11,567.7	-1.7%	-2.0%
Other liabilities	2,502.1	2,932.8	2,883.0	-1.7%	15.2%
Total liabilities	**73,943.0**	**81,121.0**	**81,220.8**	**0.1%**	**9.8%**
Equity, net					
Equity attributable to IFS' shareholders	7,795.0	8,874.9	9,271.5	4.5%	18.9%
Non-controlling interest	41.8	46.4	47.4	2.3%	13.4%
Total equity, net	**7,836.8**	**8,921.3**	**9,318.9**	**4.5%**	**18.9%**
Total liabilities and equity net	**81,779.8**	**90,042.3**	**90,539.7**	**0.6%**	**10.7%**

Intercorp Financial Services' net profit was S/ 455.6 million in 2Q21, compared to profits of S/ 528.7 million in 1Q21 and a loss of S/ -457.3 million in 2Q20.

It is worth mentioning that IFS' results in 2Q20 were affected by (i) the negative impact on interest income from the modification of contractual cash flows due to the loan rescheduling schemes offered to customers affected by the COVID-19 pandemic in our banking segment, for S/ 136.6 million or S/ 96.3 million after taxes in such quarter; and (ii) the adjustments of the bank's expected loss models to address the impact of the COVID-19 pandemic in 2Q20.

IFS's annualized ROAE was 20.0% in 2Q21, below the 23.7% registered in 1Q21 but representing a clear improvement in profitability compared to the situation in 2Q20.

Intercorp Financial Services' P&L statement					
S/ million	2Q20	1Q21	2Q21	%chg QoQ	%chg YoY
Interest and similar income	1,043.5	1,085.7	1,112.3	2.5%	6.6%
Interest and similar expenses	-308.2	-251.8	-244.9	-2.8%	-20.6%
Net interest and similar income	**735.2**	**833.9**	**867.5**	**4.0%**	**18.0%**
Impairment loss on loans, net of recoveries	-1,290.5	-189.0	-177.8	-5.9%	-86.2%
Recovery (loss) due to impairment of financial investments	-11.9	47.2	-7.8	n.m.	-34.7%
Net interest and similar income after impairment loss	**-567.2**	**692.1**	**681.9**	**-1.5%**	**n.m.**
Fee income from financial services, net	142.6	201.3	200.6	-0.3%	40.7%
Other income	187.3	387.7	268.1	-30.8%	43.1%
Total premiums earned minus claims and benefits	-65.3	-117.9	-45.9	-61.0%	-29.7%
Net Premiums	119.6	211.9	225.0	6.2%	88.2%
Adjustment of technical reserves	-3.9	-88.9	-46.0	-48.3%	n.m.
Net claims and benefits incurred	-181.0	-240.9	-225.0	-6.6%	24.3%
Other expenses	-415.9	-512.0	-525.8	2.7%	26.4%
Income before translation result and income tax	**-718.5**	**651.0**	**578.9**	**-11.1%**	**n.m.**
Translation result	-5.7	-30.6	-20.5	-32.9%	n.m.
Income tax	266.9	-91.7	-102.8	12.1%	n.m.
Profit for the period	**-457.3**	**528.7**	**455.6**	**-13.8%**	**n.m.**
Attributable to IFS' shareholders	**-453.5**	**526.3**	**453.4**	**-13.8%**	**n.m.**
EPS	**n.m.**	**4.56**	**3.93**		
ROAE	**n.m.**	**23.7%**	**20.0%**		
ROAA	**n.m.**	**2.4%**	**2.0%**		
Efficiency ratio	**33.3%**	**30.0%**	**32.4%**		

Quarter-on-quarter performance

Profits decreased 13.8% QoQ mainly due to lower other income at Interseguro and Interbank, in addition to a negative performance in results due to impairment of financial investments at Interseguro. Moreover, higher other expenses across all subsidiaries and a higher effective tax rate at Interbank also contributed to reduce IFS' net profit compared to 1Q21. These effects were partially compensated by an improvement in the insurance's net underwriting result, as well as by higher net interest and similar income across all subsidiaries.

Net interest and similar income increased S/ 33.6 million QoQ, or 4.0%, mainly as a result of higher interest on financial investments and loans at Interbank, higher return of the fixed income portfolio and incremental dividends at Interseguro, and lower funding costs at Inteligo. These factors were partially offset by a reduction in interest on due from banks and inter-bank funds at Interbank.

Impairment loss on loans decreased 5.9% QoQ, mainly due to lower provision requirements in both retail and commercial loan books at Interbank. Furthermore, Interseguro reported a negative performance in results due to impairment of financial investments, mostly related to a reversion of provision for impairment on a fixed income instrument that occurred in 1Q21.

Net fee income from financial services remained relatively stable QoQ, as higher commissions at Interbank were offset by lower fees at Inteligo.

Other income decreased S/ 119.6 million QoQ, or 30.8%, mainly attributable to lower net gain on sale of financial investments at Interseguro and Interbank, in addition to lower valuation gain from investment property at Interseguro. These effects were partially offset by higher mark-to-market valuations on proprietary portfolio investments at Inteligo.

Total premiums earned minus claims and benefits at Interseguro showed a quarterly improvement of S/ 72.0 million, mainly explained by reductions of S/ 42.9 million in adjustment of technical reserves and S/ 15.9 million in net claims and benefits incurred, as well as by an increase of S/ 13.1 million in net premiums.

Other expenses increased S/ 13.8 million QoQ, or 2.7%, mainly attributed to (i) higher salaries and employee benefits at Interbank; (ii) the effect of a higher foreign exchange rate in certain cost components and an increase in total headcount at Inteligo; and (iii) higher administrative expenses at Interseguro.

IFS' effective tax rate increased, from 14.8% in 1Q21 to 18.4% in 2Q21, as a result of a higher effective tax rate at Interbank.

Year-on-year performance

The annual performance of IFS' bottom line was mainly due to lower impairment loss on loans at Interbank in addition to increases across all subsidiaries in net interest and similar income, other income, and net fee income. Additionally, higher total premiums earned minus claims and benefits at Interseguro also contributed to the positive performance in earnings.

Net interest and similar income grew S/ 132.3 million YoY, or 18.0%, mainly due to lower interest expense and higher interest income at Interbank, in addition to a higher return of the fixed income portfolio and to incremental dividends at Interseguro. Additionally, lower cost of funding caused by large liquidity inflows in non-interest bearing accounts at Inteligo also contributed to the increase in net interest and similar income.

Impairment loss on loans declined S/ 1,112.7 million YoY, or 86.2%, explained by lower requirements across the board, in turn associated with a base effect when comparing to the situation in 2Q20, when the bank adjusted its expected loss models to address the impact of the COVID-19 pandemic. The better performance in provision charges was mainly attributed to 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 reached pre-COVID-19 levels. Additionally, Inteligo reported a lower loss on impairment of financial investments.

Net fee income from financial services increased S/ 58.0 million YoY, or 40.7%, mainly due to higher commissions from credit card services, fees from maintenance and mailing of accounts, transfer fees and commissions on debit card services, and commissions from banking services at Interbank. Additionally, Inteligo reported higher fees from funds management, associated with a higher foreign exchange rate between periods.

Other income increased S/ 80.8 million YoY, or 43.1%, mainly due to higher net gain on foreign exchange transactions and on financial assets at fair value through profit or loss at Interbank, and to the effect of positive mark-to-market valuations on proprietary portfolio investments at Inteligo. Additionally, growth in valuation gain from investment property and in net gain on financial assets at fair value at Interseguro, also contributed to the increase in other income.

On a yearly basis, total premiums earned minus claims and benefits at Interseguro grew S/ 19.4 million explained by an increase of S/ 105.4 million in net premiums, partially offset by growth of S/ 44.0 million in net claims and benefits incurred and S/ 42.1 million in adjustment of technical reserves.

Other expenses grew S/ 109.9 million YoY, or 26.4%, as a result of (i) a base effect related to the cost containment measures implemented in 2Q20 to offset the impacts of the COVID-19 pandemic on revenues across all subsidiaries, and (ii) a moderate recovery in activity.

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	2Q20	1Q21	2Q21	%chg QoQ	%chg YoY
Interbank	-567.7	319.8	274.3	-14.2%	n.m.
Interseguro	58.5	137.1	108.9	-20.6%	86.2%
Inteligo	32.6	86.9	89.6	3.1%	n.m.
Corporate and eliminations	19.3	-15.0	-17.2	14.5%	n.m.
IFS profit for the period	**-457.3**	**528.7**	**455.6**	**-13.8%**	**n.m.**

Interbank

SUMMARY

Interbank's profits were S/ 274.3 million in 2Q21, compared to a net profit of S/ 319.8 million in 1Q21 and a loss of S/ -567.7 million in 2Q20. The quarterly reduction was mainly attributed to a S/ 52.7 million decrease in other income, in addition to a S/ 15.7 million increase in other expenses and a higher effective tax rate. These factors were partially offset by increases of S/ 23.1 million in net interest and similar income, and S/ 2.7 million in net fee income from financial services, as well as by a S/ 11.0 million reduction in impairment loss on loans.

The annual performance in net profit was mainly explained by a S/ 1,112.6 million decrease in impairment loss on loans and by increases of S/ 90.8 million in net interest and similar income, S/ 49.9 million in net fee income from financial services, and S/ 29.7 million in other income. These effects were partially compensated by resumed income tax payments and S/ 83.3 million higher other expenses due to the recovery in activity.

It is worth mentioning that Interbank's results in 2Q20 were affected by the negative impact on interest income from the modification of contractual cash flows due to the loan rescheduling schemes offered to customers affected by the COVID-19 pandemic, for S/ 96.3 million after taxes in such quarter.

Interbank's ROAE was 17.3% in 2Q21, below the 20.5% registered in 1Q21 but representing a clear improvement in profitability compared to the situation in 2Q20.

Banking Segment's P&L Statement					
S/ million	2Q20	1Q21	2Q21	%chg QoQ	%chg YoY
Interest and similar income	853.1	865.0	881.3	1.9%	3.3%
Interest and similar expense	-273.8	-218.1	-211.2	-3.1%	-22.9%
Net interest and similar income	**579.3**	**647.0**	**670.1**	**3.6%**	**15.7%**
Impairment loss on loans, net of recoveries	-1,290.5	-188.9	-177.9	-5.9%	-86.2%
Recovery (loss) due to impairment of financial investments	0.2	-0.0	-0.4	n.m.	n.m.
Net interest and similar income after impairment loss	**-711.1**	**458.0**	**491.8**	**7.4%**	**n.m.**
Fee income from financial services, net	113.0	160.2	162.9	1.7%	44.2%
Other income	102.2	184.6	131.9	-28.5%	29.1%
Other expenses	-336.3	-403.9	-419.6	3.9%	24.7%
Income before translation result and income tax	**-832.2**	**398.8**	**367.1**	**-8.0%**	**n.m.**
Translation result	1.1	1.6	0.2	-87.6%	-81.2%
Income tax	263.3	-80.7	-93.0	15.3%	n.m.
Profit for the period	**-567.7**	**319.8**	**274.3**	**-14.2%**	**n.m.**
ROAE	**n.m.**	**20.5%**	**17.3%**		
Efficiency ratio	**41.4%**	**39.1%**	**42.5%**		
NIM	**4.0%**	**3.7%**	**3.9%**		
NIM on loans	**6.8%**	**6.9%**	**7.0%**		

INTEREST-EARNING ASSETS

Interbank's interest-earning assets reached S/ 66,108.9 million as of June 30, 2021, a decrease of 1.5% QoQ, but an increase of 11.9% YoY.

The quarterly reduction in interest-earning assets was attributed to decreases of 7.1% in cash and due from banks and inter-bank funds, and 2.7% in financial investments, partially offset by an increase of 1.5% in loans. The reduction in cash and due from banks and inter-bank funds was mainly due to lower restricted funds and deposits at the Central Bank. The decrease in financial investments was mainly a result of lower balances of global bonds and Central Bank Certificates of Deposits (CDBCR), partially compensated by higher corporate bonds and sovereign bonds.

The YoY increase in interest-earning assets was attributed to growth of 28.0% in financial investments, 20.6% in cash and due from banks and inter-bank funds, and 5.4% in loans. The increase in financial investments resulted from higher volumes of sovereign bonds, CDBCR and global bonds, while growth in cash and due from banks and inter-bank funds resulted mainly from higher deposits at the Central Bank, partially offset by lower restricted funds at the Central Bank.

Interest-earning assets					
S/ million	06.30.20	03.31.21	06.30.21	%chg 06.30.21 03.31.21	%chg 06.30.21 06.30.20
Cash and due from banks and inter-bank funds	13,830.4	17,968.5	16,686.2	-7.1%	20.6%
Financial investments	7,605.2	10,003.1	9,733.9	-2.7%	28.0%
Loans	37,668.1	39,112.9	39,688.8	1.5%	5.4%
Total interest-earning assets	**59,103.7**	**67,084.4**	**66,108.9**	**-1.5%**	**11.9%**

Loan portfolio					
S/ million	06.30.20	03.31.21	06.30.21	%chg 06.30.21 03.31.21	%chg 06.30.21 06.30.20
Performing loans					
Retail	18,706.1	17,870.3	18,610.2	4.1%	-0.5%
Commercial	20,221.2	21,907.3	21,684.8	-1.0%	7.2%
Total performing loans	**38,927.4**	**39,777.6**	**40,295.1**	**1.3%**	**3.5%**
Restructured and refinanced loans	258.6	267.9	246.5	-8.0%	-4.7%
Past due loans	977.6	1,347.8	1,262.5	-6.3%	29.1%
Total gross loans	**40,163.7**	**41,393.3**	**41,804.0**	**1.0%**	**4.1%**
Add (less)					
Accrued and deferred interest	235.6	373.9	351.6	-6.0%	49.2%
Impairment allowance for loans	-2,731.2	-2,654.3	-2,466.8	-7.1%	-9.7%
Total direct loans, net	**37,668.1**	**39,112.9**	**39,688.8**	**1.5%**	**5.4%**

The evolution of performing loans was affected by disbursements and prepayments of commercial loans under the Reactiva Peru Program. As of June 30, 2021, these loans amounted S/ 6,082.0 million, compared to balances of S/ 6,348.4 million as of March 31, 2021 and S/ 3,832.6 million as of June 30, 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 1.3% QoQ, as retail loans sequentially grew 4.1%, while commercial loans decreased 1.0%. Excluding the effect of the Reactiva Peru Program in the comparing periods, performing loans and commercial loans would have increased 2.3% and 0.3% QoQ, respectively.

Retail loans grew 4.1% QoQ due to increases of 5.7% in mortgages and 3.0% in consumer loans. Growth in mortgages was explained by higher demand in both traditional and MiVivienda products, while the increase in consumer loans resulted from higher balances of cash loans, vehicle loans, payroll deduction loans and credit cards.

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

Performing loans grew 3.5% YoY explained by a 7.2% increase in commercial loans, partially compensated by a 0.5% reduction in retail loans. Excluding the effect of the Reactiva Peru Program, performing loans and commercial loans would have decreased 2.5% and 4.8% YoY, respectively.

The annual growth in commercial loans was mainly explained by higher short and medium-term lending in the mid-sized and small-sized segments, as well as higher trade finance loans in the corporate segment. These effects were partially offset by lower short and medium-term lending in the corporate segment, as well as lower leasing operations in the corporate and mid-sized segments.

The YoY decrease in retail loans was due to a reduction of 9.6% in consumer loans, partially compensated by an increase of 14.5% in mortgages. The reduction in consumer loans was a result of lower credit cards, cash loans and vehicle 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 June 30, 2021, and in line with the measures implemented to help our customers to overcome the impacts from the COVID-19 pandemic, 318 thousand clients had their loans rescheduled, out of which approximately 306 thousand were retail clients and around 12 thousand, commercial clients. Loans that were subject to some kind of rescheduling represented S/ 7.8 billion or 18.6% of our total portfolio. Of these, S/ 5.6 billion were retail loans (28.2% of total retail loans), and the remaining S/ 2.2 billion were commercial loans (10.0% of total commercial loans).

Breakdown of retail loans					
S/ million				%chg	%chg
	06.30.20	03.31.21	06.30.21	06.30.21 03.31.21	06.30.21 06.30.20
Consumer loans:					
Credit cards & other loans	7,374.1	5,778.0	5,992.0	3.7%	-18.7%
Payroll deduction loans(1)	4,271.4	4,445.2	4,534.9	2.0%	6.2%
Total consumer loans	**11,645.5**	**10,223.3**	**10,526.9**	**3.0%**	**-9.6%**
Mortgages	7,060.6	7,647.0	8,083.4	5.7%	14.5%
Total retail loans	**18,706.1**	**17,870.3**	**18,610.2**	**4.1%**	**-0.5%**

(1) Payroll deduction loans to public sector employees.

FUNDING STRUCTURE

Funding structure					
S/ million				%chg	%chg
	06.30.20	03.31.21	06.30.21	06.30.21 03.31.21	06.30.21 06.30.20
Deposits and obligations	41,449.4	46,636.8	45,209.3	-3.1%	9.1%
Due to banks and correspondents and inter-bank funds	7,681.6	8,672.4	8,695.5	0.3%	13.2%
Bonds, notes and other obligations	6,336.9	6,674.7	6,876.6	3.0%	8.5%
Total	**55,467.9**	**61,983.9**	**60,781.3**	**-1.9%**	**9.6%**
% of funding					
Deposits and obligations	74.7%	75.2%	74.4%		
Due to banks and correspondents and inter-bank funds	13.9%	14.0%	14.3%		
Bonds, notes and other obligations	11.4%	10.8%	11.3%		

Interbank's funding base was exposed to temporary withdrawals of deposits from the financial system and a depreciation of the foreign exchange rate, all this associated with the recent political events in the country. In addition, it was still influenced by the 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 June 30, 2021, the balance of such special funding was S/ 5,435.3 million, compared to S/ 5,661.9 million as of March 31, 2021 and S/ 2,533.6 million as of June 30, 2020.

The bank's total funding base decreased 1.9% QoQ, in line with the performance of interest-earning assets. This was explained by a reduction of 3.1% in deposits and obligations, partially offset by increases of 3.0% in bonds, notes and other obligations, and 0.3% 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 1.7% QoQ, while due to banks and correspondents and inter-bank funds would have increased 8.3%.

The quarterly decrease in deposits and obligations was mainly due to reductions of 20.8% in institutional deposits and 0.7% in retail deposits, partially offset by a 3.7% increase in commercial deposits.

The QoQ growth in bonds, notes and other obligations was mainly attributable to a 2.7% depreciation of the foreign exchange rate with respect to 1Q21.

The bank's total funding base grew 9.6% YoY, below the annual growth in interest-earning assets, and was explained by increases of 13.2% in due to banks and correspondents and inter-bank funds, 9.1% in deposits and obligations, and 8.5% 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 4.6% YoY, but due to banks and correspondents and inter-bank funds would have decreased 36.7%.

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, as well as higher short-term funding from COFIDE and correspondent banks abroad.

The annual growth in deposits and obligations was mainly explained by increases of 13.8% in commercial deposits and 11.3% in retail deposits, partially offset by a 6.5% reduction in institutional deposits.

The YoY increase in bonds, notes and other obligations was mainly attributable to a 9.0% depreciation of the foreign exchange rate with respect to 2Q20.

As of June 30, 2021, the proportion of deposits and obligations to total funding was 74.4%, slightly lower than the 74.7% reported as of June 30, 2020. Likewise, the proportion of institutional deposits to total deposits decreased from 17.3% as of June 30, 2020 to 14.8% as of June 30, 2021.

Breakdown of deposits					
S/ million				%chg	%chg
	06.30.20	03.31.21	06.30.21	06.30.21	06.30.21
				03.31.21	06.30.20
By customer service:					
Retail	18,834.4	21,115.3	20,967.0	-0.7%	11.3%
Commercial	15,067.7	16,534.4	17,148.7	3.7%	13.8%
Institutional	7,179.8	8,480.3	6,712.9	-20.8%	-6.5%
Other	367.6	506.9	380.7	-24.9%	3.6%
Total	**41,449.4**	**46,636.8**	**45,209.3**	**-3.1%**	**9.1%**
By type:					
Demand	12,660.8	13,603.1	14,117.8	3.8%	11.5%
Savings	15,232.8	18,738.5	19,580.5	4.5%	28.5%
Time	13,551.2	14,280.9	11,505.0	-19.4%	-15.1%
Other	4.7	14.3	5.9	-58.8%	25.1%
Total	**41,449.4**	**46,636.8**	**45,209.3**	**-3.1%**	**9.1%**

NET INTEREST AND SIMILAR INCOME

Net interest and similar income					
S/ million				%chg	%chg
	2Q20	1Q21	2Q21	QoQ	YoY
Interest and similar income	853.1	865.0	881.3	1.9%	3.3%
Interest and similar expense	-273.8	-218.1	-211.2	-3.1%	-22.9%
Net interest and similar income	**579.3**	**647.0**	**670.1**	**3.6%**	**15.7%**
NIM	**4.0%**	**3.7%**	**3.9%**	**20 bps**	**-10 bps**

Interest and similar income					
S/ million	2Q20	1Q21	2Q21	%chg QoQ	%chg YoY
Interest and similar income					
Due from banks and inter-bank funds	2.0	6.1	4.5	-26.0%	n.m.
Financial investments	57.7	62.9	65.4	3.9%	13.3%
Loans	793.4	796.0	811.4	1.9%	2.3%
Total Interest and similar income	**853.1**	**865.0**	**881.3**	**1.9%**	**3.3%**
Average interest-earning assets	57,564.2	69,134.6	69,157.2	0.0%	20.1%
Average yield on assets (annualized)	5.9%	5.0%	5.1%	10 bps	-80 bps

Interest and similar expense					
S/ million	2Q20	1Q21	2Q21	%chg QoQ	%chg YoY
Interest and similar expense					
Deposits and obligations	-145.6	-90.8	-84.1	-7.4%	-42.2%
Due to banks and correspondents and inter-bank funds	-47.6	-38.1	-35.3	-7.3%	-25.8%
Bonds, notes and other obligations	-80.6	-89.1	-91.8	3.0%	13.9%
Total Interest and similar expense	**-273.8**	**-218.1**	**-211.2**	**-3.1%**	**-22.9%**
Average interest-bearing liabilities	50,725.0	61,220.4	61,382.6	0.3%	21.0%
Average cost of funding (annualized)	2.2%	1.4%	1.4%	0 bps	-80 bps

QoQ Performance

Net interest and similar income grew 3.6% QoQ due to a 1.9% increase in interest and similar income, in addition to a 3.1% decrease in interest and similar expense.

The higher interest and similar income was due to increases of 3.9% in interest on financial investments and 1.9% in interest on loans, partially offset by a 26.0% reduction in interest on due from banks and inter-bank funds.

Interest on financial investments increased S/ 2.5 million QoQ, or 3.9%, due to 4.0% growth in the average volume, while the average yield remained stable at 2.7% in 2Q21. The increase in the average volume was a consequence of higher investments in sovereign bonds, CDBCR and corporate bonds, partially offset by lower balances of global bonds.

Interest on loans grew S/ 15.4 million QoQ, or 1.9%, as the result of a 10 basis point increase in the average yield, together with 0.4% growth in the average loan portfolio.

The higher average rate on loans, from 7.6% in 1Q21 to 7.7% in 2Q21, was explained by a yield increase of 40 basis points in retail loans, partially offset by a reduction of 20 basis points in commercial loans. The yield increase in retail loans was due to higher rates in consumer loans and mortgages. In the commercial portfolio, rates decreased in short and medium-term loans, partially compensated by higher rates in trade finance loans and leasing operations.

The higher average volume of loans was attributed to 1.2% growth in retail loans, partially offset by a decrease of 0.3% in commercial loans. In the retail portfolio, the higher average volume was mostly due to a 4.4% increase in mortgages, partially compensated by a 1.0% reduction in consumer loans. In the commercial portfolio, average volumes decreased mainly due to reductions of 2.4% in short and medium-term loans, and 0.9% in leasing operations, partially offset by 17.6% higher trade finance loans.

Interest on due from banks and inter-bank funds decreased S/ 1.6 million QoQ, or 26.0%, explained by a 2.9% reduction in the average volume, while the nominal average rate remained relatively stable. The decrease in the average volume was due to lower deposits and reserve funds at the Central Bank.

The nominal average yield on interest-earning assets increased 10 basis points QoQ, from 5.0% in 1Q21 to 5.1% in 2Q21, in line with the higher return on loans.

The lower interest and similar expense was due to reductions of 7.4% in interest on deposits and obligations, and 7.3% in interest on due to banks and correspondents, partially compensated by a 3.0% 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 offset by 0.7% growth in the average volume. The decrease in the average cost was due to lower rates paid to retail deposits, partially compensated by higher rates on institutional deposits. Moreover, rates on commercial deposits remained stable. The higher average volume was explained by increases of 5.1% in commercial deposits and 0.4% in retail deposits, partially offset by a decrease of 7.1% in institutional deposits. By currency, average balances of dollar-denominated deposits grew 4.5% while average soles-denominated deposits decreased 1.2%.

Interest on due to banks and correspondents decreased S/ 2.8 million QoQ, or 7.3%, explained by a 3.8% reduction in the average volume, while the average cost slightly decreased 10 basis points. The decrease in the average volume was mostly attributed to lower funding from the Central Bank, partially compensated by higher funding from correspondent banks abroad and COFIDE. The lower average cost was explained by lower rates paid to correspondent banks abroad and the Central Bank.

The increase in interest on bonds, notes and other obligations was mainly due to 2.9% growth in the average volume of such obligations, basically explained by a 3.2% depreciation of the average foreign exchange rate with respect to 1Q21.

The average cost of funding remained stable in 2Q21 despite the lower implicit cost of deposits and obligations, and due to banks and correspondents.

As a result of the above, net interest margin was 3.9% in 2Q21, 20 basis points higher than the 3.7% reported in 1Q21.

<u>YoY Performance</u>

Net interest and similar income increased 15.7% YoY due to a 22.9% reduction in interest and similar expense, in addition to a 3.3% increase in interest and similar income. However, 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/ 136.6 million in 2Q20, interest and similar income, and net interest and similar income would have decreased 11.0% and 6.4% YoY, respectively.

The lower interest and similar expense was due to reductions of 42.2% in interest on deposits and obligations, and 25.8% in interest on due to banks and correspondents, partially offset by a 13.9% increase in interest on bonds, notes and other obligations.

Interest on deposits and obligations decreased S/ 61.5 million YoY, or 42.2%, explained by an 80 basis point reduction in the average cost, from 1.5% in 2Q20 to 0.7% in 2Q21, partially compensated by 20.0% growth in the average volume. The lower average cost was due to reductions in rates paid to institutional, retail and commercial deposits, associated with the low interest rate environment. Growth in volumes came across all client segments. By currency, average balances of dollar-denominated deposits increased 26.4% while average soles-denominated deposits grew 17.0%.

Interest on due to banks and correspondents declined S/ 12.3 million YoY, or 25.8%, as the result of a 140 basis point reduction in the average cost, from 3.0% in 2Q20 to 1.6% in 2Q21, partially compensated by 36.0% growth in the average volume. On one hand, the reduction in the average cost was explained by lower rates paid to funding provided by correspondent banks abroad, the Central Bank and COFIDE. On the other 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.

The higher interest on bonds, notes and other obligations was explained by 11.4% growth in the average volume, mainly attributable to a 9.7% depreciation of the foreign exchange rate with respect to 2Q20.

The average cost of funding decreased 80 basis points YoY, from 2.2% in 2Q20 to 1.4% in 2Q21, in line with the lower implicit cost of most interest-bearing liabilities.

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, 13.3% in interest on financial investments, and 2.3% in interest on loans.

Interest on due from banks and inter-bank funds grew S/ 2.5 million YoY, or more than two-fold, explained by 43.6% growth in the average volume, while the average yield remained relatively stable. 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 financial investments increased S/ 7.7 million YoY, or 13.3%, due to 44.5% growth in the average volume, partially offset by a 70 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 3.4% in 2Q20 to 2.7% in 2Q21, was explained by lower returns on CDBCR, sovereign bonds and global bonds.

Interest on loans increased S/ 18.0 million YoY, or 2.3%, explained by 8.5% growth in the average volume, partially offset by a 50 basis point reduction in the average yield. However, 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 2Q20, interest on loans would have decreased 12.7% YoY.

The higher average volume of loans was attributed to 20.5% growth in commercial loans, partially offset by a 2.6% reduction in retail loans. In the commercial portfolio, the higher average volume was mainly due to a 29.3% 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 11.0% in consumer loans, partially compensated by an 11.9% increase in mortgages.

The annual decrease in the average rate on loans, from 8.2% in 2Q20 to 7.7% in 2Q21, was due to a reduction of 150 basis points in commercial loans, partially offset by an increase of 140 basis points in retail loans. The decrease in commercial loans was explained by lower rates on all types of loans, while the increase in the retail portfolio was explained by higher average yields on consumer loans and mortgages. 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 an impact on the average rate on loans.

The nominal average yield on interest-earning assets decreased 80 basis points YoY, from 5.9% in 2Q20 to 5.1% in 2Q21, in line with the lower returns on financial investments and loans. 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 2Q20, the nominal average yield on interest earning assets would have decreased 180 basis points, from 6.9% in 2Q20 to 5.1% in 1Q21.

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.

As a result of the above, net interest margin was 3.9% in 2Q21, 10 basis points lower than the 4.0% reported in 2Q20. 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 2Q20, net interest margin would have decreased 110 basis points, from 5.0% in 2Q20 to 3.9% in 2Q21.

IMPAIRMENT LOSS ON LOANS, NET OF RECOVERIES

Impairment loss on loans, net of recoveries decreased 5.9% QoQ and 86.2% 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 mortgages, while in the commercial portfolio, in loans to small-sized companies.

The annual decrease in provisions was mainly explained by lower requirements across the board, in turn associated with a base effect when comparing to the situation in 2Q20, when the bank adjusted its expected loss models to address the impact of the COVID-19 pandemic.

The better performance in provision charges was mainly attributed to 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 reached pre-COVID-19 levels.

As a result of the above, the annualized ratio of impairment loss on loans to average loans was 1.7% in 2Q21, lower than the 1.8% and 13.4% reported in 1Q21 and 2Q20, respectively.

Impairment loss on loans, net of recoveries					
S/ million	2Q20	1Q21	2Q21	%chg QoQ	%chg YoY
Impairment loss on loans, net of recoveries	-1,290.5	-188.9	-177.9	-5.9%	-86.2%
Impairment loss on loans/average gross loans	13.4%	1.8%	1.7%	-10 bps	n.m.
NPL ratio (at end of period)	3.4%	3.4%	3.2%	-20 bps	-20 bps
NPL coverage ratio (at end of period)	182.7%	170.5%	168.7%	-180 bps	n.m.
Impairment allowance for loans	2,731.2	2,654.3	2,466.8	-7.1%	-9.7%

The NPL ratio decreased 20 basis points QoQ and YoY, to 3.2% in 2Q21. On one hand, the quarterly reduction was due to an 80 basis point decrease in retail loans' NPL, mainly driven by credit cards, partially compensated by a 20 basis point increase in the commercial portfolio. On the other hand, the annual reduction in the NPL ratio was explained by a 60 basis point decrease in the retail portfolio, partially offset by a 30 basis point increase in the commercial portfolio.

Furthermore, the NPL coverage ratio was 168.7% as of June 30, 2021, lower than the 170.5% reported as of March 31, 2021 and the 182.7% registered as of June 30, 2020.

FEE INCOME FROM FINANCIAL SERVICES, NET

Net fee income from financial services increased S/ 2.7 million QoQ, or 1.7%, mainly explained by higher commissions from banking services, fees from maintenance and mailing of accounts, transfer fees and commissions on debit card services, fees from indirect loans, and fees from collection services. These effects were partially offset by lower commissions from credit card services.

Net fee income from financial services grew S/ 49.9 million YoY, or 44.2%, mainly due to increases of S/ 22.0 million in commissions from credit card services, S/ 21.0 million in fees from maintenance and mailing of accounts, transfer fees and commissions on debit card services, and S/ 18.3 million in commissions from banking services. This was explained by a base effect when compared to the level of fees in 2Q20, when most of the business activities in Peru were affected by the national lockdown.

Fee income from financial services, net					
S/ million	2Q20	1Q21	2Q21	%chg QoQ	%chg YoY
Income					
Commissions from credit card services	48.8	71.1	70.8	-0.4%	45.2%
Commissions from banking services	58.1	74.5	76.4	2.6%	31.5%
Maintenance and mailing of accounts, transfer fees and commissions on debit card services	34.0	53.5	55.0	3.0%	61.9%
Fees from indirect loans	11.4	15.9	16.2	2.1%	42.2%
Collection services	8.4	12.5	12.8	1.8%	51.5%
Other	11.3	14.5	18.3	26.4%	62.2%
Total income	**172.0**	**241.9**	**249.6**	**3.2%**	**45.1%**
Expenses					
Insurance	-24.8	-26.3	-26.1	-0.8%	5.1%
Fees paid to foreign banks	-3.0	-5.5	-11.3	n.m.	n.m.
Other	-31.2	-49.9	-49.2	-1.4%	57.6%
Total expenses	**-59.0**	**-81.7**	**-86.6**	**6.0%**	**46.8%**
Fee income from financial services, net	**113.0**	**160.2**	**162.9**	**1.7%**	**44.2%**

OTHER INCOME

Other income decreased S/ 52.7 million QoQ, mainly explained by lower net gain on sale of financial investments due to a base effect derived of the gain on sale of sovereign bonds realized in 1Q21. This was partially offset by an increase in net gain on foreign exchange transactions and on financial assets at fair value through profit or loss, associated with a higher currency volatility.

Other income grew S/ 29.7 million YoY due to an increase in net gain on foreign exchange transactions and on financial assets at fair value through profit or loss, partially offset by a decrease in net gain on sale of financial investments.

Other income					
S/ million	2Q20	1Q21	2Q21	%chg QoQ	%chg YoY
Net gain on foreign exchange transactions and on financial assets at fair value through profit or loss	70.1	69.6	107.8[(1)]	54.9%	53.9%
Net gain on sale of financial investments	30.3	98.5	6.5	-93.4%	-78.4%
Other	1.8	16.5	17.5	6.4%	n.m.
Total other income	**102.2**	**184.6**	**131.9**	**-28.5%**	**29.1%**

(1) Includes S/ 118.8 million of net gain on foreign exchange transactions and S/ -10.9 million of net gain (loss) on financial assets at fair value though profit or loss (derivatives).

OTHER EXPENSES

Other expenses increased S/ 15.7 million QoQ, or 3.9%, and S/ 83.3 million YoY, or 24.7%, as a result of higher salaries and employee benefits, as well as administrative expenses. These effects were mainly explained by (i) a base effect related to the cost containment measures implemented in 2Q20 to offset the impacts of the COVID-19 pandemic on revenues, and (ii) a moderate recovery in activity.

The efficiency ratio was 42.5% in 2Q21, compared to the 39.1% reported in 1Q21 and the 41.4% registered in 2Q20. However, excluding the negative impact from the modification of contractual cash flows in 2Q20, the efficiency ratio would have been 35.3% in 2Q20.

Other expenses					
S/ million				%chg	%chg
	2Q20	1Q21	2Q21	QoQ	YoY
Salaries and employee benefits	-127.4	-136.1	-157.4	15.6%	23.6%
Administrative expenses	-144.8	-192.4	-194.9	1.3%	34.6%
Depreciation and amortization	-56.8	-59.1	-58.0	-1.8%	2.2%
Other	-7.4	-16.2	-9.2	-43.3%	24.9%
Total other expenses	**-336.3**	**-403.9**	**-419.6**	**3.9%**	**24.7%**
Efficiency ratio	**41.4%**	**39.1%**	**42.5%**	**340 bps**	**110 bps**

REGULATORY CAPITAL

The ratio of regulatory capital to risk-weighted assets (RWA) was 16.5% as of June 30, 2021, below the 16.9% reported as of March 31, 2021, but higher than the 14.7% registered as of June 30, 2020.

In 2Q21, regulatory capital increased 1.2% QoQ, while RWA grew 3.8% QoQ due to higher capital requirements for credit risk. The higher RWA for credit risk were attributed to an increase of 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 16.9% growth in regulatory capital, partially offset by a 4.0% increase in RWA. Regulatory capital increased as a result of the "4.00% Subordinated Notes due 2030" for US$300 million issued in July 2020, as well as the addition of S/ 166.9 million in capital, reserves and earnings with capitalization agreement during the last twelve months. The YoY increase in RWA was mostly attributed to higher capital requirements for credit risk, market risk and operating risk. RWA for credit risk grew due 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 to higher RWA for loans.

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 June 30, 2021, Interbank's capital ratio of 16.5% was significantly higher than its risk-adjusted minimum capital ratio requirement, established at 8.6%. As previously mentioned, the minimum regulatory capital ratio requirement was 8.0%, while the additional capital requirement for Interbank was 0.6% as of June 30, 2021. Furthermore, Core Equity Tier 1 (CET1) was 11.5% as of June 30, 2021, above the 11.1% reported as of June 30, 2020.

Regulatory capital					
S/ million				%chg	%chg
	06.30.20	03.31.21	06.30.21	06.30.21	06.30.21
				03.31.21	06.30.20
Tier I capital	5,932.7	6,039.0	6,098.5	1.0%	2.8%
Tier II capital	1,780.3	2,867.3	2,917.4	1.7%	63.9%
Total regulatory capital	7,712.9	8,906.3	9,015.8	1.2%	16.9%
Risk-weighted assets (RWA)	52,552.2	52,684.0	54,664.5	3.8%	4.0%
Total capital ratio	**14.7%**	**16.9%**	**16.5%**	**-40 bps**	**180 bps**
Tier I capital / RWA	**11.3%**	**11.5%**	**11.2%**	**-30 bps**	**-10 bps**
CET1	**11.1%**	**11.4%**	**11.5%**	**10 bps**	**40 bps**

Interseguro

SUMMARY

Interseguro's profits reached S/ 108.9 million in 2Q21, a decrease of S/ 28.2 million QoQ, but an increase of S/ 50.4 million YoY.

The quarterly result was mainly explained by a S/ 67.5 million reduction in other income, in turn explained by lower net gain on sale of financial investments, and a S/ 53.3 million negative performance in results due to impairment of financial investments, mostly related to a reversion of provision for impairment on a fixed income instrument that occurred in 1Q21. These factors were partially compensated by increases of S/ 72.0 million in total premiums earned minus claims and benefits, and S/ 14.3 million in net interest and similar income, in addition to a S/ 4.6 million improvement in translation result.

The annual increase in net profit was mainly due to growth of S/ 37.9 million in net interest and similar income, S/ 19.5 million in other income, and S/ 19.4 million in total premiums earned minus claims and benefits. These effects were partially offset by an increase of S/ 24.1 million in other expenses, as well as by negative performances of S/ 2.6 million in translation result and S/ 1.3 million in loss due to impairment of financial investments.

Interseguro's ROAE was 43.2% in 2Q21, below the 56.6% reported in 1Q21 and the 46.3% reported in 2Q20.

Insurance Segment's P&L Statement					
S/ million	2Q20	1Q21	2Q21	%chg QoQ	%chg YoY
Interest and similar income	150.5	175.9	190.3	8.2%	26.5%
Interest and similar expenses	-20.7	-22.5	-22.6	0.6%	9.5%
Net Interest and similar income	**129.8**	**153.4**	**167.7**	**9.3%**	**29.2%**
Recovery (loss) due to impairment of financial investments	-5.1	46.9	-6.4	n.m.	26.5%
Net Interest and similar income after impairment loss	**124.7**	**200.3**	**161.3**	**-19.5%**	**29.3%**
Fee income from financial services, net	-1.3	-2.4	0.3	n.m.	n.m.
Other income	63.6	150.6	83.1	-44.8%	30.7%
Total premiums earned minus claims and benefits	-65.3	-117.9	-45.9	-61.0%	-29.7%
Net premiums	119.6	211.9	225.0	6.2%	88.2%
Adjustment of technical reserves	-3.9	-88.9	-46.0	-48.3%	n.m.
Net claims and benefits incurred	-181.0	-240.9	-225.0	-6.6%	24.3%
Other expenses	-55.7	-78.8	-79.8	1.3%	43.1%
Income before translation result and income tax	**65.9**	**151.8**	**119.0**	**-21.6%**	**80.4%**
Translation result	-7.5	-14.7	-10.1	-31.4%	35.2%
Income tax		-	-	n.m.	n.m.
Profit for the period	**58.5**	**137.1**	**108.9**	**-20.6%**	**86.2%**
ROAE	**46.3%**	**56.6%**	**43.2%**		
Efficiency ratio	**10.5%**	**10.0%**	**9.9%**		

RESULTS FROM INVESTMENTS

Results from Investments [1]					
S/ million	2Q20	1Q21	2Q21	%chg QoQ	%chg YoY
Interest and similar income	150.5	175.9	190.3	8.2%	26.5%
Interest and similar expenses	-9.5	-10.8	-9.9	-8.0%	5.0%
Net interest and similar income	**141.0**	**165.1**	**180.4**	**9.3%**	**27.9%**
Recovery (loss) due to impairment of financial investments	-5.1	46.9	-6.4	n.m.	26.5%
Net Interest and similar income after impairment loss	**136.0**	**212.0**	**174.0**	**-17.9%**	**28.0%**
Net gain (loss) on sale of financial investments	34.2	87.6	8.6	-90.2%	n.m.
Net gain (loss) on financial assets at fair value through profit or loss	22.5	16.3	36.4	n.m.	61.9%
Rental income	9.7	8.3	14.8	78.4%	51.4%
Gain on sale of investment property	-	-	-	n.m.	n.m.
Valuation gain (loss) from investment property	-5.0	35.5	21.1	-40.6%	n.m.
Other[1]	-5.0	-4.2	-1.0	-75.6%	-79.2%
Other income	**56.5**	**143.4**	**79.8**	**n.m.**	**41.3%**
Results from investments	**192.4**	**355.4**	**253.7**	**-28.6%**	**n.m.**

(1) Only includes transactions related to investments.

NET INTEREST AND SIMILAR INCOME

Net interest and similar income related to investments was S/ 180.4 million in 2Q21, an increase of S/ 15.3 million QoQ, or 9.3%, and S/ 39.4 million YoY, or 27.9%.

The quarterly and annual performances were mainly explained by increases of S/ 14.4 million and S/ 39.8 million in interest and similar income, respectively, mostly attributed to a higher return of the fixed income portfolio and to incremental dividends.

RECOVERY (LOSS) DUE TO IMPAIRMENT OF FINANCIAL INVESTMENTS

Loss due to impairment of financial investments was S/ 6.4 million in 2Q21, compared to a recovery of S/ 46.9 million in 1Q21 and a loss of S/ 5.1 million in 2Q20.

The quarterly performance was mainly due to a reversion of provision for impairment on a fixed income investment in 1Q21, which was not repeated in this quarter.

The YoY deterioration was explained by increases in the amortized cost of non-investment grade instruments.

OTHER INCOME

Other income related to investments was S/ 79.8 million in 2Q21, a decrease of S/ 63.6 million QoQ, but an increase of S/ 23.3 million YoY.

The quarterly reduction was mainly due to decreases of S/ 79.0 million in net gain on sale of financial investments and S/ 14.4 million in valuation gain from investment property. These factors were partially compensated by growth of S/ 20.1 million in net gain on financial assets at fair value, mostly related to positive mark-to-market, and S/ 6.5 million in rental income.

The annual increase was mainly explained by growth of S/ 26.1 million in valuation gain from investment property, related to a depreciation of the foreign exchange rate which increased the value of the dollar-denominated real estate portfolio, S/ 13.9 million in net gain on financial assets at fair value and S/ 5.1 million in rental income, partially offset by a decrease of S/ 25.6 million in net gain on sale of financial investments.

TOTAL PREMIUMS EARNED MINUS CLAIMS AND BENEFITS

Total Premiums Earned Minus Claims And Benefits					
S/ million	2Q20	1Q21	2Q21	%chg QoQ	%chg YoY
Net premiums	119.6	211.9	225.0	6.2%	88.2%
Adjustment of technical reserves	-3.9	-88.9	-46.0	-48.3%	n.m.
Net claims and benefits incurred	-181.0	-240.9	-225.0	-6.6%	24.3%
Total premiums earned minus claims and benefits	**-65.3**	**-117.9**	**-45.9**	**-61.0%**	**-29.7%**

Total premiums earned minus claims and benefits were S/ -45.9 million in 2Q21, an improvement of S/ 72.0 million QoQ and S/ 19.4 million YoY.

The quarterly result was explained by reductions of S/ 42.9 million in adjustment of technical reserves and S/ 15.9 million in net claims and benefits incurred, as well as by an increase of S/ 13.1 million in net premiums.

The annual performance was the result of an increase of S/ 105.4 million in net premiums, partially offset by growth of S/ 44.0 million in net claims and benefits incurred and S/ 42.1 million in adjustment of technical reserves.

NET PREMIUMS

Net Premiums by Business Line					
S/ million	2Q20	1Q21	2Q21	%chg QoQ	%chg YoY
Annuities	42.3	116.2	130.4	12.3%	n.m.
D&S	0.0	0.0	0.0	20.1%	2.1%
Individual Life	29.5	39.8	41.3	3.8%	40.3%
Retail Insurance	47.8	55.9	53.2	-4.8%	11.5%
Net Premiums	**119.6**	**211.9**	**225.0**	**6.2%**	**88.2%**

Net premiums were S/ 225.0 million in 2Q21, an increase of S/ 13.1 million QoQ, or 6.2%, and S/ 105.4 million YoY, or 88.2%.

The quarterly result was mainly due to growth of S/ 14.2 million in annuities.

The annual performance in net premiums was due to increases of S/ 88.1 million in annuities, S/ 11.8 million in individual life and S/ 5.4 million in retail insurance premiums.

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	2Q20	1Q21	2Q21	%chg QoQ	%chg YoY
Annuities	16.8	-65.2	-22.5	-65.5%	n.m.
Individual Life	-26.3	-19.5	-25.2	29.5%	-4.0%
Retail Insurance	5.6	-4.3	1.7	n.m.	-68.9%
Adjustment of technical reserves	**-3.9**	**-88.9**	**-46.0**	**-48.3%**	**n.m.**

Adjustment of technical reserves was S/ 46.0 million in 2Q21, a decrease of S/ 42.9 million QoQ, but an increase of S/ 42.1 million YoY.

The quarterly reduction was mainly due to a decrease of S/ 42.7 million in technical reserves for annuities, mostly attributed to (i) lower technical reserves for inflation-indexed annuities due to the decrease in inflation rate, and (ii) a higher mortality rate resulting from the COVID-19 pandemic. Likewise, the quarterly performance was also the result of a S/ 6.0 million reduction in reserve requirements for retail insurance, partially offset by a S/ 5.7 million increase in technical reserves for individual life, associated with a higher profitability of flex life products, which are linked to equity investments on behalf of clients.

The annual growth was mainly explained by an increase of S/ 39.3 million in technical reserves for annuities, mostly attributed to (i) the effect of higher sales, and (ii) higher technical reserves for inflation-indexed annuities due to an increase in the inflation rate. Additionally, the annual performance in the adjustment of technical reserves was also explained by S/ 3.9 million higher requirements in retail insurance, partially offset by a S/ 1.1 million reduction in individual life.

NET CLAIMS AND BENEFITS INCURRED

Net Claims and Benefits Incurred by Business Line					
S/ million	2Q20	1Q21	2Q21	%chg QoQ	%chg YoY
Annuities	-163.4	-174.0	-180.4	3.7%	10.4%
D&S	0.1	-0.7	-0.3	-50.7%	n.m.
Individual Life	-3.4	-3.8	-11.9	n.m.	n.m.
Retail Insurance	-14.2	-62.5	-32.4	-48.2%	n.m.
Net claims and benefits incurred	**-181.0**	**-240.9**	**-225.0**	**-6.6%**	**24.3%**

Net claims and benefits incurred reached S/ 225.0 million in 2Q21, a decrease of S/ 15.9 million QoQ, but an increase of S/ 44.0 million YoY.

The quarterly result was due to a S/ 30.1 million decrease in retail insurance claims, partially offset by growth of S/ 8.1 million in individual life claims and S/ 6.4 million in annuity benefits.

The annual performance was mainly explained by increases of S/ 18.2 million in retail insurance claims, S/ 17.0 million in annuity benefits and S/ 8.5 million in individual life claims.

It is worth mentioning that the higher claims in individual life and retail insurance, mainly related to credit life insurance, were associated to the COVID-19 mortality in Peru.

OTHER EXPENSES

Other Expenses					
S/ million	2Q20	1Q21	2Q21	%chg QoQ	%chg YoY
Salaries and employee benefits	-17.1	-23.3	-22.7	-2.7%	32.5%
Administrative expenses	-8.7	-12.7	-13.7	8.1%	56.5%
Depreciation and amortization	-6.4	-6.3	-6.3	-0.3%	-2.2%
Expenses related to rental income	0.8	-0.2	-0.7	n.m.	n.m.
Other	-24.3	-36.2	-36.4	0.6%	50.1%
Other expenses	**-55.7**	**-78.8**	**-79.8**	**1.3%**	**43.1%**

Other expenses increased S/ 1.0 million QoQ, or 1.3%, and S/ 24.1 million YoY, or 43.1%.

The quarterly result was mainly due to increases of S/ 1.0 million in administrative expenses, S/ 0.5 million in expenses related to rental income, and S/ 0.2 million in other expenses, partially offset by a reduction of S/ 0.6 million in salaries and employee benefits.

The annual performance in other expenses was mainly due to growth of S/ 5.6 million in salaries and employee benefits, and S/ 5.0 million in administrative expenses, mainly related to base effects after cost containment measures that were implemented in 2Q20 to deal with the COVID-19 pandemic.

Inteligo

SUMMARY

Inteligo’s net profit in 2Q21 was S/ 89.6 million, an increase of S/ 2.7 million QoQ, or 3.1%, and more than two-fold YoY growth.

The quarterly growth in profits was mainly explained by increases of 9.7% in other income due to mark-to-market valuations on proprietary portfolio investments, and 5.3% in net interest and similar income. These effects were partially offset by a negative performance in translation result and 4.8% higher other expenses.

The annual performance was mainly attributable to an improvement in other income due to better mark-to-market valuations on proprietary portfolio investments in 2Q21 compared to 2Q20. Other positive drivers were the increases of 43.2% in net interest and similar income, and 21.4% in net fee income from financial services, as well as a the lower loss on impairment of financial investments. These effects were partially offset by 27.4% growth in other expenses.

From a business development perspective, Inteligo’s prospection process was effective within the political uncertainty around Peru’s presidential elections and continued to show positive results in terms of new account openings, higher deposits from clients and higher assets under management. Accordingly, Inteligo’s AUM grew 1.0% QoQ and 16.9% YoY as of June 30, 2021. When considered client deposits plus AUM, growth rates were 7.3% and 20.7%, respectively.

Consequently, Inteligo’s ROAE was 30.4% in 2Q21, in line with the 30.7% reported in 1Q21 and well above the 17.2% registered in 2Q20. Furthermore, the efficiency ratio was 25.5% in 2Q21.

Wealth Management Segment's P&L Statement

S/ million	2Q20	1Q21	2Q21	%chg QoQ	%chg YoY
Interest and similar income	33.3	37.8	39.3	3.8%	18.0%
Interest and similar expenses	-12.5	-9.6	-9.5	-0.6%	-23.8%
Net interest and similar income	**20.8**	**28.2**	**29.7**	**5.3%**	**43.2%**
Impairment loss on loans, net of recoveries	0.0	-0.1	0.0	n.m.	n.m.
Recovery (loss) due to impairment of financial investments	-6.9	0.4	-0.9	n.m.	-86.4%
Net interest and similar income after impairment loss	**13.8**	**28.6**	**28.8**	**0.9%**	**n.m.**
Fee income from financial services, net	40.4	49.3	49.1	-0.5%	21.4%
Other income	10.3	47.7	52.3	9.7%	n.m.
Other expenses	-26.6	-32.4	-33.9	4.8%	27.4%
Income before translation result and income tax	**37.9**	**93.2**	**96.3**	**3.3%**	**n.m.**
Translation result	-2.6	-2.7	-4.3	61.9%	64.8%
Income tax	-2.7	-3.6	-2.4	-34.4%	-10.8%
Profit for the period	**32.6**	**86.9**	**89.6**	**3.1%**	**n.m.**
ROAE	**17.2%**	**30.7%**	**30.4%**		
Efficiency ratio	**37.1%**	**25.4%**	**25.5%**		

ASSETS UNDER MANAGEMENT & DEPOSITS

AUM reached S/ 22,557.7 million in 2Q21, a S/ 212.4 million or 1.0% increase QoQ and a S/ 3,255.6 million or 16.9% growth YoY. This was mostly because of a higher foreign exchange rate, in addition to the execution of adequate client prospection strategies.

Client deposits were S/ 4,595.6 million in 2Q21, a S/ 1,630.0 million or 55.0% increase QoQ, and a S/ 1,405.7 million or 44.1% increase YoY. The yearly growth was mainly due to net new funds from clients amid uncertainty caused by recent political events in Peru.

NET INTEREST AND SIMILAR INCOME

Net interest and similar income					
S/ million	2Q20	1Q21	2Q21	%chg QoQ	%chg YoY
Interest and similar income					
Due from banks and inter-bank funds	1.7	0.8	1.0	23.8%	-42.1%
Financial Investments	15.2	21.3	22.1	3.8%	45.9%
Loans	16.4	15.7	16.2	2.9%	-1.5%
Total interest and similar income	**33.3**	**37.8**	**39.3**	**3.8%**	**18.0%**
Interest and similar expenses					
Deposits and obligations	-11.8	-8.5	-8.4	-1.5%	-28.6%
Due to banks and correspondents	-0.7	-1.0	-1.1	7.5%	51.1%
Total interest and similar expenses	**-12.5**	**-9.6**	**-9.5**	**-0.6%**	**-23.8%**
Net interest and similar income	**20.8**	**28.2**	**29.7**	**5.3%**	**43.2%**

Inteligo's net interest and similar income was S/ 29.7 million in 2Q21, a S/ 1.5 million, or 5.3% increase when compared with 1Q21.

Net interest and similar income increased S/ 8.9 million YoY, or 43.2%, mainly as a consequence of the lower cost of funding caused by large liquidity inflows in non-interest bearing accounts.

FEE INCOME FROM FINANCIAL SERVICES

Fee income from financial services, net					
S/ million	2Q20	1Q21	2Q21	%chg QoQ	%chg YoY
Income					
Brokerage and custody services	2.8	3.2	3.1	-0.5%	13.1%
Funds management	38.0	46.6	46.5	-0.2%	22.5%
Total income	**40.8**	**49.8**	**49.7**	**-0.2%**	**21.9%**
Expenses					
Brokerage and custody services	-0.1	-0.2	-0.3	73.0%	n.m.
Others	-0.2	-0.3	-0.3	-2.3%	24.6%
Total expenses	**-0.3**	**-0.5**	**-0.6**	**30.0%**	**73.0%**
Fee income from financial services, net	**40.4**	**49.3**	**49.1**	**-0.5%**	**21.4%**

Net fee income from financial services was S/ 49.1 million in 2Q21, a decrease of S/ 0.2 million, or 0.5% when compared to the previous quarter. This reduction was mainly explained by lower assets under management at Interfondos, as a result of the political uncertainty around Peru's presidential elections.

On a YoY basis, net fee income from financial services increased S/ 8.7 million, or 21.4%. This was mainly explained by an increase in fees from funds management, associated with a higher foreign exchange rate between periods.

OTHER INCOME

Other income					
S/ million	2Q20	1Q21	2Q21	%chg QoQ	%chg YoY
Net gain on sale of financial investments	-7.4	20.0	0.3	-98.6%	n.m.
Net trading gain (loss)	18.8	29.7	45.9	54.4%	n.m.
Other	-1.1	-2.0	6.1	n.m.	n.m.
Total other income	**10.3**	**47.7**	**52.3**	**9.7%**	**n.m.**

Inteligo's other income reached S/ 52.3 million in 2Q21, an increase of S/ 4.6 million QoQ and S/ 42.0 million YoY, mainly attributable to the effect of positive mark-to-market valuations on proprietary portfolio investments.

OTHER EXPENSES

Other expenses					
S/ million	2Q20	1Q21	2Q21	%chg QoQ	%chg YoY
Salaries and employee benefits	-14.8	-19.2	-20.0	4.4%	34.7%
Administrative expenses	-8.1	-8.9	-9.8	9.6%	20.8%
Depreciation and amortization	-3.5	-3.7	-3.7	-0.1%	4.0%
Other	-0.1	-0.6	-0.4	-24.7%	n.m.
Total other expenses	**-26.6**	**-32.4**	**-33.9**	**4.8%**	**27.4%**
Efficiency ratio	**37.1%**	**25.4%**	**25.5%**		

Other expenses reached S/ 33.9 million in 2Q21, an increase of S/ 1.5 million QoQ, or 4.8%, and S/ 7.3 million YoY, or 27.4%. This was mainly due to the effect of a higher foreign exchange rate in certain cost components between the comparing periods, in addition to an increase in total headcount.