

Intercorp Financial Services Inc. Second Quarter 2023 Earnings

Lima, Peru, August 09, 2023. Intercorp Financial Services Inc. (Lima Stock Exchange/NYSE: IFS) announced today its unaudited results for the second quarter 2023. These results are reported on a consolidated basis under IFRS in nominal Peruvian soles.

Intercorp Financial Services: 2Q23 earnings of S/ 331 mm, up 7% QoQ and 47% YoY

- Total revenues grew 15% YoY, banking NIM reaches 5.6%
- ~10% YoY growth in fees from banking & payments
- Sound efficiency levels, IFS C/I ratio at 34.9%
- ROE impacted by CoR and investment results

Banking: 2Q23 profitability affected by rising cost of risk in retail

- Increasing market shares across business lines
- Further NIM expansion to 5.6% due to increasing yield on loans
- Operating leverage improved, C/I ratio at 37.3%
- Retail CoR continues to increase, strong coverage

Insurance: 2Q23 earnings of S/ 87.9 million, important recovery in profitability after IFRS17 adoption

- Results improved on lower insurance expense for annuities
- ROIP of 6.4% in 2Q23 compared to 6.6% in 1Q23 and 7.8% in 2Q22
- Market leader in annuities with a 28.0% share in 2Q23
- For periods prior to 2023, a reconstruction of results appropriate to the first adoption of IFRS17 has been performed for comparative purposes

Wealth Management: Positive quarter as financial markets recover

- Interest income shows solid numbers for the quarter
- Recovery in other income, due to positive market trends
- AUM grew 6% YoY in dollar terms

Payments: Steady growth in business

- Payments acquirer fees increased 2% QoQ and 15% YoY
- Continuous growth in number of merchants and transactional volumes
- Share of e-commerce transactions within Izipay grew to 16%

Intercorp Financial Services

SUMMARY

Intercorp Financial Services' Statement of financial position ⁽¹⁾					
S/ million	06.30.22	03.31.23	06.30.23	%chg 06.30.23 03.31.23	%chg 06.30.23 06.30.22
Assets					
Cash and due from banks and inter-bank funds	12,504.0	12,448.5	11,159.1	-10.4%	-10.8%
Financial investments	23,594.4	24,447.2	25,561.1	4.6%	8.3%
Loans, net of unearned interest	46,024.9	47,837.5	48,399.9	1.2%	5.2%
Impairment allowance for loans	-2,044.5	-2,098.9	-2,173.8	3.6%	6.3%
Property, furniture and equipment, net	843.6	790.3	782.0	-1.1%	-7.3%
Other assets	4,801.4	4,591.6	4,609.3	0.4%	-4.0%
Total assets	85,723.8	88,016.2	88,337.6	0.4%	3.0%
Liabilities and equity					
Deposits and obligations	47,277.7	49,816.8	48,734.6	-2.2%	3.1%
Due to banks and correspondents and inter-bank funds	8,062.2	8,284.4	9,484.8	14.5%	17.6%
Bonds, notes and other obligations	7,905.4	5,801.8	5,620.8	-3.1%	-28.9%
Insurance contract liabilities	10,946.5	11,534.8	11,935.2	3.5%	9.0%
Other liabilities	3,080.9	3,442.0	3,171.0	-7.9%	2.9%
Total liabilities	77,272.7	78,879.7	78,946.4	0.1%	2.2%
Equity, net					
Equity attributable to IFS' shareholders	8,403.0	9,084.6	9,336.8	2.8%	11.1%
Non-controlling interest	48.1	51.9	54.4	4.8%	13.1%
Total equity, net	8,451.1	9,136.5	9,391.1	2.8%	11.1%
Total liabilities and equity net	85,723.8	88,016.2	88,337.6	0.4%	3.0%

(1) Figures as of 06.30.22 have been re-expressed for comparison purposes due to IFRS17 adoption.

Intercorp Financial Services' net profit was S/ 331.0 million in 2Q23, representing an increase of S/ 64.1 million QoQ, or 24.0%, and S/ 105.6 million YoY, or 46.9%.

It is worth mentioning that IFS' results in 1Q23 were impacted by the booking of an impairment affecting interest on loans for S/ 70.0 million, or S/ 41.5 million after taxes. This was related to rescheduled loans granted in 1Q23 to help customers affected by the protests and rains that occurred during such quarter, in line with SBS guidelines. Excluding such impairment, profits would have resulted in S/ 308.4 million in 1Q23, resulting in an increase of S/ 22.6 million, or 7.3% QoQ.

IFS's annualized ROE was 14.3% in 2Q23, above the 11.5% registered in 1Q23 and the 10.8% reported in 2Q22. For a comparison basis, ROE would have resulted in 13.3% in 1Q23, when excluding the above-mentioned impairment in such quarter.

Intercorp Financial Services' P&L statement ⁽¹⁾					
S/ million	2Q22	1Q23	2Q23	%chg QoQ	%chg YoY
Interest and similar income	1,392.1	1,658.0	1,808.3	9.1%	29.9%
Interest and similar expenses	-360.2	-579.9	-632.6	9.1%	75.6%
Net interest and similar income	1,031.8	1,078.2	1,175.7	9.0%	13.9%
Impairment loss on loans, net of recoveries	-193.3	-367.6	-416.8	13.4%	n.m.
Recovery (loss) due to impairment of financial investments	0.3	-13.2	1.1	n.m.	n.m.
Net interest and similar income after impairment loss	838.9	697.4	760.0	9.0%	-9.4%
Fee income from financial services, net	293.6	301.3	298.9	-0.8%	1.8%
Other income	-4.8	143.1	85.0	-40.6%	n.m.
Insurance results	-62.6	-91.3	-34.2	-62.5%	-45.3%
Other expenses	-656.1	-680.1	-690.3	1.5%	5.2%
Income before translation result and income tax	409.0	370.4	419.4	13.2%	2.5%
Translation result	-62.0	0.9	14.7	n.m.	n.m.
Income tax	-121.6	-104.4	-103.0	-1.3%	-15.3%
Profit for the period	225.4	266.9	331.0	24.0%	46.9%
Attributable to IFS' shareholders	223.0	265.1	329.0	24.1%	47.5%
EPS	1.93	2.30	2.85		
ROE	10.8%	11.5%	14.3%		
ROA	1.1%	1.2%	1.5%		
Efficiency ratio	45.4%	34.9%	34.9%		

(1) Figures for 2Q22 have been re-expressed for comparison purposes due to IFRS17 adoption.

Quarter-on-quarter performance

Profits increased S/ 64.1 million QoQ, or 24.0%, mainly due to S/ 97.5 million higher net interest and similar income, in addition to an improvement of S/ 57.1 million in insurance results. These factors were partially offset by a S/ 58.1 million contraction in other income, as well as increases of S/ 49.2 million in impairment loss on loans, net of recoveries, and S/ 10.2 million in other expenses.

Net interest and similar income increased S/ 97.5 million QoQ, or 9.0%, mainly explained by higher average yields on loans in our Banking business, as well as higher dividends received from the proprietary portfolio investments in our Wealth Management business.

Insurance results grew S/ 57.1 million QoQ as a result of lower expenses of S/ 58.4 million in annuities, partially offset by higher expenses of S/ 2.8 million in retail insurance.

Other income decreased S/ 58.1 million QoQ, or 40.6%, mainly due to lower results in our Insurance business and a negative performance at the holding company level. These effects were partially compensated by lower mark-to-market losses in our Wealth Management business, in turn associated with an improvement in global market trends.

Impairment loss on loans, net of recoveries, increased S/ 49.2 million QoQ, or 13.4%, explained by higher provision requirements in the retail loan book, especially in credit

cards, partially offset by lower requirements in the commercial loan book in our Banking business.

Other expenses increased \$/ 10.2 million QoQ, or 1.5%, due to higher administrative expenses in our Banking and Payments businesses. These effects were partially compensated by lower administrative expenses in our Wealth Management business.

IFS' effective tax rate decreased, from 28.1% in 1Q23 to 23.7% in 2Q23, as a result of higher contribution to profits from tax-exempt businesses.

Year-on-year performance

Profits increased \$/ 105.6 million YoY, or 46.9%, mainly due to increases of \$/ 143.9 million in net interest and similar income, \$/ 89.8 million in other income, \$/ 28.4 million in insurance results and \$/ 5.3 million in net fee income from financial services. These effects were partially compensated by increases of \$/ 223.5 million in impairment loss on loans, net of recoveries, and \$/ 34.2 million in other expenses.

Net interest and similar income increased \$/ 143.9 million YoY, or 13.9%, mainly explained by higher average yields across all components of interest-earning assets in our Banking business, partially offset by lower interest income in our Insurance business, in turn attributed to a decrease in inflation-linked returns.

Other income grew \$/ 89.8 million YoY, mostly due to lower mark-to-market losses in our Wealth Management business, in turn associated with an improvement in global market trends, as well as higher net gain on foreign exchange transactions and on financial assets at fair value through profit or loss in our Banking business. These factors were slightly offset by reductions in valuation results from investment property and rental income in our Insurance business.

Insurance results increased \$/ 28.4 million YoY as a result of lower insurance expense which more than offset lower insurance income.

Net fee income from financial services grew \$/ 5.3 million YoY, or 1.8%, mainly attributed to higher fees from maintenance and mailing of accounts, transfer fees and commissions on debit card services, commissions from credit card services, commissions from banking services, and lower expenses related to insurance in our Banking business.

Impairment loss on loans, net of recoveries increased \$/ 223.5 million YoY, or more than two-fold, due to higher requirements in both retail and commercial loan portfolios in our Banking business.

Other expenses grew \$/ 34.2 million YoY, or 5.2%, mainly attributed to higher administrative expenses in our Banking and Payments businesses, as well as salaries and employee benefits in our Insurance business. These effects were partially compensated by lower administrative expenses in our Wealth Management business.

IFS' effective tax rate decreased YoY, mainly as a result of the reversion of losses to profits in our Wealth Management business, and the higher contribution to profits from our Insurance business, both of which are tax-exempt.

CONTRIBUTION BY SEGMENTS

The following table shows the contribution of Banking, Insurance, Wealth Management and Payments businesses to Intercorp Financial Services' net profit. The performance of each of the four segments is discussed in detail in the following sections.

Intercorp Financial Services' Profit by business ⁽¹⁾					
S/ million	2Q22	1Q23	2Q23	%chg QoQ	%chg YoY
Banking	321.2	250.2	274.4	9.6%	-14.6%
Insurance	51.0	31.3	87.9	n.m.	72.3%
Wealth Management	-120.3	7.8	21.5	n.m.	n.m.
Payments	12.6	12.1	9.4	-21.8%	-24.8%
Corporate and eliminations	-39.1	-34.5	-62.1	80.2%	58.9%
IFS profit for the period	225.4	266.9	331.0	24.0%	46.9%

(1) Figures for 2Q22 have been re-expressed for comparison purposes due to IFRS17 adoption.

Interbank

SUMMARY

Interbank's profits were S/ 274.4 million in 2Q23, an increase of S/ 24.2 million QoQ, or 9.6%, but a reduction of S/ 46.8 million YoY, or 14.6%. The quarterly performance was mainly attributed to growth of S/ 93.4 million in net interest and similar income, partially offset by increases of S/ 49.2 million in impairment loss on loans, net of recoveries, and S/ 10.9 million in other expenses, together with a negative performance in translation result.

It is important to note that the higher net interest and similar income was partly explained by a base effect from the booking of an impairment for S/ 70.0 million in 1Q23, or S/ 41.5 million after taxes. This was related to rescheduled loans granted in 1Q23 to help customers affected by the protests and rains that occurred during such quarter, in line with SBS guidelines. Excluding such impairment, net interest and similar income would have grown 2.5% QoQ.

The annual performance in net profit was mainly explained by growth of S/ 233.5 million in impairment loss on loans, net of recoveries, and S/ 16.6 million in other expenses, in addition to a negative reversion in translation result. These factors were partially compensated by increases of S/ 162.0 million in net interest and similar income, S/ 18.0 million in net fee income from financial services, and S/ 12.0 million in other income.

Interbank's ROE was 14.8% in 2Q23, above the 13.6% reported in 1Q23, but below the 19.4% registered in 2Q22.

Banking Segment's P&L Statement					
S/ million	2Q22	1Q23	2Q23	%chg QoQ	%chg YoY
Interest and similar income	1,107.4	1,384.6	1,544.5	11.5%	39.5%
Interest and similar expense	-316.9	-525.5	-592.0	12.7%	86.8%
Net interest and similar income	790.5	859.1	952.5	10.9%	20.5%
Impairment loss on loans, net of recoveries	-193.4	-367.7	-416.9	13.4%	n.m.
Recovery (loss) due to impairment of financial investments	0.0	0.2	0.1	-27.7%	n.m.
Net interest and similar income after impairment loss	597.1	491.6	535.8	9.0%	-10.3%
Fee income from financial services, net	190.1	207.0	208.1	0.5%	9.5%
Other income	114.0	127.3	126.0	-1.0%	10.6%
Other expenses	-480.9	-486.6	-497.5	2.2%	3.4%
Income before translation result and income tax	420.2	339.3	372.4	9.8%	-11.4%
Translation result	8.9	-6.6	-10.4	57.4%	n.m.
Income tax	-107.9	-82.5	-87.6	6.3%	-18.8%
Profit for the period	321.2	250.2	274.4	9.6%	-14.6%
ROE	19.4%	13.6%	14.8%		
Efficiency ratio	42.3%	39.1%	37.3%		
NIM	4.9%	5.1%	5.6%		
NIM on loans	7.6%	7.6%	8.6%		

INTEREST-EARNING ASSETS

Interbank's interest-earning assets reached S/ 65,894.9 million as of June 30, 2023, an increase of 0.5% QoQ and 3.9% YoY.

The quarterly growth in interest-earning assets was explained by increases of 6.4% in financial investments and 1.4% in loans, partially offset by a decrease of 9.0% in cash and due from banks and inter-bank funds.

The YoY increase in interest-earning assets was attributed to growth of 8.4% in financial investments and 5.8% in loans, partially compensated by a decrease of 7.9% in cash and due from banks and inter-bank funds.

Interest-earning assets					
S/ million	06.30.22	03.31.23	06.30.23	%chg 06.30.23 03.31.23	%chg 06.30.23 06.30.22
Cash and due from banks and inter-bank funds	10,676.2	10,810.7	9,837.3	-9.0%	-7.9%
Financial investments	10,525.3	10,726.1	11,409.5	6.4%	8.4%
Loans	42,218.9	44,017.1	44,648.2	1.4%	5.8%
Total interest-earning assets	63,420.4	65,553.9	65,894.9	0.5%	3.9%

Loan portfolio					
S/ million	06.30.22	03.31.23	06.30.23	%chg 06.30.23 03.31.23	%chg 06.30.23 06.30.22
Performing loans					
Retail	22,001.5	24,323.8	25,057.7	3.0%	13.9%
Commercial	20,384.8	19,613.3	19,538.2	-0.4%	-4.2%
Total performing loans	42,386.3	43,937.1	44,595.9	1.5%	5.2%
Restructured and refinanced loans	258.0	336.2	345.3	2.7%	33.8%
Past due loans	1,218.1	1,386.8	1,363.7	-1.7%	12.0%
Total gross loans	43,862.3	45,660.1	46,304.9	1.4%	5.6%
Add (less)					
Accrued and deferred interest	400.7	455.7	516.9	13.4%	29.0%
Impairment allowance for loans	-2,044.1	-2,098.6	-2,173.6	3.6%	6.3%
Total direct loans, net	42,218.9	44,017.1	44,648.2	1.4%	5.8%

The evolution of performing loans continued to be affected by the disbursement and maturity or prepayment of commercial loans under the Reactiva Peru Program. As of June 30, 2023, these performing loans amounted S/ 1,031.2 million, compared to balances of S/ 1,452.1 million as of March 31, 2023 and S/ 3,337.8 million as of June 30, 2022.

Performing loans increased 1.5% QoQ, as retail loans sequentially grew 3.0%, while commercial loans slightly decreased 0.4%. Excluding the effect of the Reactiva Peru Program in the comparing periods, total performing loans would have increased 2.5% and commercial loans would have increased 1.9%.

Retail loans grew 3.0% QoQ due to increases of 3.9% in consumer loans and 1.5% in mortgages. Growth in consumer loans resulted from higher balances of cash loans and vehicle loans, personal loans and credit cards, as well as payroll deduction loans.

The quarterly reduction in commercial loans was a result of lower working capital loans in the mid-sized segment and trade finance loans in the corporate segment. These factors were partially offset by higher balances of working capital loans and leasing operations in the corporate segment.

Performing loans grew 5.2% YoY explained by a 13.9% increase in retail loans, partially offset by a 4.2% reduction in commercial loans. Excluding the effect of the Reactiva Peru Program in the comparing periods, performing loans and commercial loans would have increased 11.6% and 8.6% YoY, respectively.

The YoY growth in retail loans was due to increases of 18.5% in consumer loans and 6.8% in mortgages. The increase in consumer loans resulted from higher balances of cash loans and vehicle loans, credit cards and personal loans, as well as payroll deduction loans.

The annual reduction in commercial loans was mainly explained by lower balances of Reactiva Peru loans, particularly lower working capital loans in the mid and small-sized segments, as well as lower trade finance loans in the corporate segment. These effects were partially compensated by higher balances of leasing operations and working capital loans in the corporate segment.

As of 2Q23, 1Q23 and 2Q22, Interbank's rescheduled portfolio of Reactiva Peru loans amounted to S/ 1,075.0 million, S/ 1,266.0 million and S/ 1,829.3 million, respectively, representing 87.3% of total balances of Reactiva Peru loans in 2Q23, 74.6% in 1Q23 and 52.3% in 2Q22.

It is worth mentioning that these loans are guaranteed in large part by the Peruvian government. As of June 30, 2023, Interbank activated the guarantee coverage for an amount of S/ 728.5 million.

Breakdown of retail loans					
S/ million	06.30.22	03.31.23	06.30.23	%chg 06.30.23 03.31.23	%chg 06.30.23 06.30.22
Consumer loans:					
Credit cards & other loans	8,774.4	10,358.0	10,778.9	4.1%	22.8%
Payroll deduction loans ⁽¹⁾	4,552.2	4,836.2	5,011.3	3.6%	10.1%
Total consumer loans	13,326.6	15,194.1	15,790.3	3.9%	18.5%
Mortgages	8,674.9	9,129.7	9,267.4	1.5%	6.8%
Total retail loans	22,001.5	24,323.8	25,057.7	3.0%	13.9%

(1) Payroll deduction loans to public sector employees.

FUNDING STRUCTURE

Funding structure					
S/ million	06.30.22	03.31.23	06.30.23	%chg 06.30.23 03.31.23	%chg 06.30.23 06.30.22
Deposits and obligations	43,576.8	46,247.0	45,623.2	-1.3%	4.7%
Due to banks and correspondents and inter-bank funds	7,538.4	7,848.6	9,100.5	16.0%	20.7%
Bonds, notes and other obligations	6,568.0	4,476.4	4,351.0	-2.8%	-33.8%
Total	57,683.2	58,571.9	59,074.7	0.9%	2.4%
% of funding					
Deposits and obligations	75.5%	79.0%	77.2%		
Due to banks and correspondents and inter-bank funds	13.1%	13.4%	15.4%		
Bonds, notes and other obligations	11.4%	7.6%	7.4%		

Interbank's funding base was still influenced by the funds provided by the Central Bank, associated with the bank's involvement in the Reactiva Peru Program. As of June 30, 2023, the balance of such special funding was S/ 928.9 million, compared to S/ 1,356.7 million as of March 31, 2023 and S/ 3,139.8 million as of June 30, 2022.

The bank's total funding base increased 0.9% QoQ, in line with the 0.5% QoQ growth of interest-earning assets. This was explained by an increase of 16.0% in due to banks and correspondents and inter-bank funds, partially offset by a 2.8% contraction in bonds, notes and other obligations, as well as a 1.3% reduction in deposits and obligations. Excluding the effect of the Reactiva Peru Program's funds, the bank's total funding base would have increased 1.6% QoQ, while due to banks and correspondents and inter-bank funds would have grown 25.9%.

The quarterly increase in due to banks and correspondents and inter-bank funds was mainly the result of higher long and short-term funding provided by correspondent banks abroad, as well as short-term inter-bank operations. These factors were partially compensated by lower long-term funding provided by the Central Bank.

The QoQ decline in bonds, notes and other obligations was mainly attributable to a lower exchange rate over the balances of the dollar-denominated bonds.

The quarterly reduction in deposits and obligations was mainly due to a decrease of 16.1% in institutional deposits, partially offset by growth of 6.7% in commercial deposits, while retail deposits remained relatively stable.

The bank's total funding base increased 2.4% YoY, compared to the 3.9% growth of interest-earning assets. This was explained by increases of 20.7% in due to banks and correspondents and inter-bank funds, and 4.7% in deposits and obligations, partially offset by a 33.8% reduction in bonds, notes and other obligations. Excluding the effect of the Reactiva Peru Program's funds, the bank's total funding base and due to banks and correspondents and inter-bank funds would have increased 6.6% and 85.8% YoY, respectively.

The YoY growth in due to banks and correspondents and inter-bank funds was mainly the result of higher long and short-term funding provided by correspondent banks abroad, as well as higher short and long-term inter-bank funds, in addition to a higher

long-term funding from COFIDE. These effects were partially offset by lower long-term funding provided by the Central Bank.

The annual increase in deposits and obligations was mainly attributable to growth of 35.3% in institutional deposits and 7.9% in retail deposits, partially offset by a 10.2% reduction in commercial deposits.

The YoY decrease in bonds, notes and other obligations was due to the maturity and cancellation of senior unsecured bonds in the international market for US\$ 485.0 million, as well as subordinated bonds in the local market for S/ 150.0 million, both in January 2023.

As of June 30, 2023, the proportion of deposits and obligations to total funding was 77.2%, higher than the 75.5% reported as of June 30, 2022. Likewise, the proportion of institutional deposits to total deposits grew from 12.0% as of June 30, 2022 to 15.5% as of June 30, 2023.

Breakdown of deposits					
S/ million	06.30.22	03.31.23	06.30.23	%chg 06.30.23 03.31.23	%chg 06.30.23 06.30.22
By customer service:					
Retail	21,686.3	23,548.3	23,406.1	-0.6%	7.9%
Commercial	16,298.1	13,722.3	14,635.9	6.7%	-10.2%
Institutional	5,222.6	8,418.2	7,065.2	-16.1%	35.3%
Other	369.8	558.2	515.9	-7.6%	39.5%
Total	43,576.8	46,247.0	45,623.2	-1.3%	4.7%
By type:					
Demand	13,162.5	11,217.1	11,664.5	4.0%	-11.4%
Savings	20,596.3	19,451.5	18,201.1	-6.4%	-11.6%
Time	9,812.1	15,563.3	15,751.5	1.2%	60.5%
Other	5.9	15.1	6.2	-59.2%	4.6%
Total	43,576.8	46,247.0	45,623.2	-1.3%	4.7%

NET INTEREST AND SIMILAR INCOME

Net interest and similar income					
S/ million	2Q22	1Q23	2Q23	%chg QoQ	%chg YoY
Interest and similar income	1,107.4	1,384.6	1,544.5	11.5%	39.5%
Interest and similar expense	-316.9	-525.5	-592.0	12.7%	86.8%
Net interest and similar income	790.5	859.1	952.5	10.9%	20.5%
NIM	4.9%	5.1%	5.6%	50 bps	70 bps

Interest and similar income					
S/ million	2Q22	1Q23	2Q23	%chg QoQ	%chg YoY
Interest and similar income					
Due from banks and inter-bank funds	15.0	82.8	82.4	-0.5%	n.m.
Financial investments	103.2	122.1	124.0	1.6%	20.2%
Loans	989.2	1,179.7	1,338.1	13.4%	35.3%
Total Interest and similar income	1,107.4	1,384.6	1,544.5	11.5%	39.5%
Average interest-earning assets	65,097.2	67,170.1	67,860.5	1.0%	4.2%
Average yield on assets (annualized)	6.8%	8.2%	9.1%	90 bps	230 bps

Interest and similar expense					
S/ million	2Q22	1Q23	2Q23	%chg QoQ	%chg YoY
Interest and similar expense					
Deposits and obligations	-184.0	-377.6	-412.7	9.3%	n.m.
Due to banks and correspondents and inter-bank funds	-42.4	-83.8	-117.2	39.7%	n.m.
Bonds, notes and other obligations	-90.5	-64.0	-62.1	-2.9%	-31.3%
Total Interest and similar expense	-316.9	-525.5	-592.0	12.7%	86.8%
Average interest-bearing liabilities	57,139.5	58,249.0	58,823.3	1.0%	2.9%
Average cost of funding (annualized)	2.2%	3.6%	4.0%	40 bps	180 bps

QoQ Performance

Net interest and similar income grew 10.9% QoQ due to an 11.5% increase in interest and similar income, partially compensated by 12.7% growth in interest and similar expense.

The higher interest and similar income was attributed to increases of 13.4% in interest on loans and 1.6% in interest on financial investments, partially offset by a slight 0.5% reduction in interest on due from banks and inter-bank funds.

Interest and similar income grew partly explained by a base effect from the booking of an impairment for S/ 70.0 million in 1Q23, which boosted a 13.4% growth in interest on loans. The impairment was related to rescheduled loans granted in 1Q23 to help customers affected by the protests and rains that occurred during such quarter, in line with SBS guidelines. Excluding such impairment, interest on loans would have increased 7.1%, while interest and similar income and net interest and similar income would have grown 6.2% and 2.5%, respectively.

Interest on loans increased S/ 158.4 million QoQ, or 13.4%, as the result of a 120 basis point growth in the average yield, partly due to the impairment in 1Q23, in addition to 1.2% growth in the average loan portfolio. Excluding the impairment on interest on loans, the average yield would have increased 60 basis points.

The higher average volume of loans was attributed to 3.6% growth in retail loans, partially offset by a 5.4% reduction in commercial loans, as retail loans contributed more to total loans. In the retail portfolio, average volumes increased 4.9% in consumer loans and 1.4% in mortgages. In the commercial portfolio, average volumes decreased 8.6% in trade finance loans and 0.4% in working capital loans, partially compensated by 2.9% higher leasing operations.

Interest on financial investments increased S/ 1.9 million QoQ, or 1.6%, due to growth of 9.0% in the average volume and despite a 30 basis point decrease in the average yield, from 4.8% in 1Q23 to 4.5% in 2Q23.

Contrary to the performance of interest on loans and investments, interest on due from banks and inter-bank funds slightly declined S/ 0.4 million QoQ, or 0.5%, explained by a 6.8% reduction in the average volume, despite a 20 basis point increase in the nominal average rate, from 3.0% in 1Q23 to 3.2% in 2Q23.

The nominal average yield on interest-earning assets increased 90 basis points QoQ, from 8.2% in 1Q23 to 9.1% in 2Q23. However, excluding the impairment on interest on loans in 1Q23, the average return on interest-earning assets would have increased 40 basis points, from 8.7%.

The higher interest and similar expense was due to increases of 39.7% in interest on due to banks and correspondents, and 9.3% in interest on deposits and obligations, partially compensated by a 2.9% reduction in interest on bonds, notes and other obligations.

Interest on due to banks and correspondents increased S/ 33.4 million QoQ, or 39.7%, explained by a 90 basis point increase in the average cost, in addition to a 16.0% increase in the average volume. The higher average cost was explained by higher rates paid to funds provided by correspondent banks abroad and to a lesser extent from the Central Bank. Growth in the average volume was mostly attributed to higher funding from correspondent banks abroad and inter-bank funds.

The quarterly growth in interest on deposits and obligations was due to a 30 basis point increase in the average cost, from 3.3% in 1Q23 to 3.6% in 2Q23, in addition to a 1.1% increase in the average volume. The increase in the average cost was due to higher rates paid to retail deposits, partially offset by lower rates paid to commercial deposits. By currency, average balances of soles-denominated deposits grew 1.1% while average dollar-denominated deposits increased 1.3%.

The reduction in interest on bonds, notes and other obligations was mostly attributed to a 20.1% lower average volume, as a result of the maturity of US\$ 485.0 million senior bonds in the international market and S/ 150.0 million subordinated bonds in the local market, both in early 2023, in addition to a reduction of the foreign exchange rate.

The average cost of funding increased 40 basis points, from 3.6% in 1Q23 to 4.0% in 2Q23, as a consequence of the higher cost of due to banks and correspondents, as well as deposits.

As a result of the above, net interest margin was 5.6% in 2Q23, 50 basis points higher than the 5.1% reported in 1Q23. However, excluding the impairment on interest on loans in 1Q23, net interest margin would have increased 10 basis points, from 5.5%.

YoY Performance

Net interest and similar income grew 20.5% YoY due to a 39.5% increase in interest and similar income, partially offset by growth of 86.8% in interest and similar expense.

The higher interest and similar income was due to increases of more than five-fold in interest on due from banks and inter-bank funds, 35.3% in interest on loans and 20.2% in interest on financial investments.

Interest on due from banks and inter-bank funds grew S/ 67.4 million YoY, or more than five-fold, explained by growth of 270 basis points in the average yield, from 0.5% in 2Q22 to 3.2% in 2Q23, despite a 7.0% reduction in the average volume, mostly due to lower deposits at the Central Bank.

Interest on loans increased S/ 348.9 million YoY, or 35.3%, explained by growth of 240 basis points in the average yield and 6.9% in the average volume.

The increase in the average rate on loans, from 9.1% in 2Q22 to 11.5% in 2Q23, was mainly due to higher yields on commercial, consumer and mortgage loans to a lesser extent.

The higher average volume of loans was attributed to growth of 15.2% in retail loans, partially offset by a 5.4% reduction in commercial loans. In the retail portfolio, average volumes grew due to increases of 20.0% in consumer loans and 7.6% in mortgages. In the commercial portfolio, the lower average volume was mainly attributed to decreasing volumes in working capital loans, partially offset by higher leasing operations and trade finance loans.

Interest on financial investments increased S/ 20.8 million YoY, or 20.2%, due to growth of 60 basis points in the average yield and 5.0% in the average volume. The increase in the nominal average rate, from 3.9% in 2Q22 to 4.5% in 2Q23, was the result of higher returns on CDBCR and corporate bonds. Growth in the average volume was the result of higher balances of CDBCR, partially compensated by lower average volumes of corporate bonds.

The nominal average yield on interest-earning assets increased 230 basis points, from 6.8% in 2Q22 to 9.1% in 2Q23, in line with the higher returns on all components of interest-earning assets.

The higher interest and similar expense was due to increases of more than two-fold in interest on deposits and obligations, and in interest on due to banks and correspondents, while interest on bonds, notes and other obligations decreased 31.3%.

Interest on deposits and obligations increased S/ 228.7 million YoY, or more than two-fold, explained by a 190 basis point growth in the average cost, from 1.7% in 2Q22 to 3.6% in 2Q23, in addition to a 6.3% increase in the average volume. By currency, average balances of soles-denominated deposits increased 8.3% while average dollar-denominated deposits increased 2.7%.

Interest on due to banks and correspondents grew S/ 74.8 million YoY, or more than two-fold, as the result of a 320 basis point increase in the average cost, from 2.3% in 2Q22 to 5.5% in 2Q23, in addition to 14.7% growth in the average volume. The increase in the average cost was due to higher rates paid to funds from correspondent banks abroad, as well as inter-bank funds and the Central Bank, while the higher average volume was explained by increased funding from correspondent banks abroad and COFIDE.

The lower interest on bonds, notes and other obligations was mainly explained by a 32.3% decrease in the average volume, attributable to the maturity of S/ 137.9 million subordinated bonds in the local market in mid-2022, as well as US\$ 485.0 million senior bonds in the international market and S/ 150.0 million subordinated bonds in the local market, both in early 2023.

The average cost of funding increased 180 basis points, from 2.2% in 2Q22 to 4.0% in 2Q23, as a consequence of the higher implicit cost of due to banks and correspondents, and deposits.

As a result of the above, net interest margin was 5.6% in 2Q23, 70 basis points higher than the 4.9% reported in 2Q22.

IMPAIRMENT LOSS ON LOANS, NET OF RECOVERIES

Impairment loss on loans, net of recoveries increased 13.4% QoQ and more than two-fold YoY.

The quarterly increase was explained by higher provision requirements in the retail loan book, partially offset by lower requirements in the commercial loan book. In the retail portfolio, the increase in provisions was mainly driven by higher requirements in credit cards. In the commercial portfolio, the decrease was mainly due to lower provision requirements in the corporate segment.

The annual increase in provisions was explained by higher requirements in both retail and commercial loan portfolios. Higher requirements in the retail loan book were mostly related to credit cards. The increase in the commercial portfolio was mainly driven by higher provision requirements in the mid-sized segment.

As a result of the above, the annualized ratio of impairment loss on loans to average loans was 3.6% in 2Q23, higher than the 3.2% and 1.8% reported in 1Q23 and 2Q22, respectively.

Impairment loss on loans, net of recoveries					
S/ million	2Q22	1Q23	2Q23	%chg QoQ	%chg YoY
Impairment loss on loans, net of recoveries	-193.4	-367.7	-416.9	13.4%	n.m.
Impairment loss on loans/average gross loans	1.8%	3.2%	3.6%	40 bps	180 bps
S3 NPL ratio (at end of period)	2.5%	2.6%	2.7%	10 bps	20 bps
S3 NPL coverage ratio (at end of period)	185.9%	177.9%	173.0%	-490 bps	-1290 bps
Impairment allowance for loans	2,044.1	2,098.6	2,173.6	3.6%	6.3%

The Stage 3 NPL ratio increased 10 basis points QoQ and 20 basis points YoY, to 2.7% in 2Q23. The quarterly increase was due to a slightly higher commercial NPL ratio and stable retail NPL ratio. The higher Stage 3 NPL ratio YoY was explained by a 30 basis point increase in commercial loans' NPL, partially compensated by a 10 basis point decrease in retail loans' NPL.

Furthermore, the S3 NPL coverage ratio was 173.0% as of June 30, 2023, lower than the 177.9% registered as of March 31, 2023 and the 185.9% reported as of June 30, 2022. Still, it represented healthy coverage levels of impairment allowance for loans.

FEE INCOME FROM FINANCIAL SERVICES, NET

Net fee income from financial services increased S/ 1.1 million QoQ, or 0.5%, mainly explained by higher commissions from banking services, and fees from maintenance and mailing of accounts, transfer fees and commissions on debit card services. These factors were partially offset by higher expenses related to insurance, as well as lower commissions from credit card services and fees from indirect loans.

Net fee income from financial services grew S/ 18.0 million YoY, or 9.5%, mainly due to higher fees from maintenance and mailing of accounts, transfer fees and commissions on debit card services, commissions from credit card services, commissions from banking services, and lower expenses related to insurance. These effects were partially compensated by lower fees from indirect loans.

Fee income from financial services, net					
S/ million	2Q22	1Q23	2Q23	%chg QoQ	%chg YoY
Income					
Commissions from credit card services	105.1	116.5	112.3	-3.6%	6.9%
Commissions from banking services	76.7	76.2	83.5	9.6%	8.8%
Maintenance and mailing of accounts, transfer fees and commissions on debit card services	64.5	69.3	73.8	6.6%	14.4%
Fees from indirect loans	18.7	17.4	15.9	-8.7%	-15.2%
Collection services	15.4	16.8	15.9	-5.6%	2.8%
Other	14.7	11.9	11.5	-2.6%	-21.7%
Total income	295.2	308.0	312.9	1.6%	6.0%
Expenses					
Insurance	-25.0	-16.5	-21.3	28.9%	-15.0%
Fees paid to foreign banks	-6.4	-6.2	-6.5	4.3%	1.0%
Other	-73.7	-78.3	-77.1	-1.6%	4.6%
Total expenses	-105.1	-101.0	-104.8	3.8%	-0.3%
Fee income from financial services, net	190.1	207.0	208.1	0.5%	9.5%

OTHER INCOME

Other income decreased S/ 1.3 million QoQ, mainly explained by the base effect of an extraordinary income registered in 1Q23 related to a sale of property, which more than offset a higher net gain on foreign exchange transactions and on financial assets at fair value through profit or loss.

Other income increased S/ 12.0 million YoY, mostly due to a higher net gain on foreign exchange transactions and on financial assets at fair value through profit or loss.

Other income					
S/ million	2Q22	1Q23	2Q23	%chg QoQ	%chg YoY
Net gain on foreign exchange transactions and on financial assets at fair value through profit or loss	82.8	90.1	99.4 ⁽¹⁾	10.4%	20.1%
Net gain on sale of financial investments	-0.9	0.1	-0.0	n.m.	-96.2%
Other	32.1	37.1	26.6	-28.3%	-17.2%
Total other income	114.0	127.3	126.0	-1.0%	10.6%

(1) Includes S/ 128.0 million of net gain on foreign exchange transactions and S/ -28.6 million of net gain (loss) on financial assets at fair value through profit or loss (derivatives).

OTHER EXPENSES

Other expenses increased S/ 10.9 million QoQ, or 2.2%, and S/ 16.6 million YoY, or 3.4%.

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

The annual increase was the result of higher administrative expenses, and depreciation and amortization charges, partially compensated by lower salaries and employee benefits.

The efficiency ratio was 37.3% in 2Q23, an improvement compared to the 39.1% reported in 1Q23 and the 42.3% registered in 2Q22. It is important to mention that, excluding the impairment on interest on loans of S/ 70.0 million, the efficiency ratio would have been 36.9% in 1Q23.

S/ million	Other expenses			%chg QoQ	%chg YoY
	2Q22	1Q23	2Q23		
Salaries and employee benefits	-171.3	-170.2	-163.5	-4.0%	-4.6%
Administrative expenses	-226.7	-230.3	-250.1	8.6%	10.4%
Depreciation and amortization	-64.8	-66.2	-66.8	0.9%	3.1%
Other	-18.1	-19.9	-17.1	-14.1%	-5.8%
Total other expenses	-480.9	-486.6	-497.5	2.2%	3.4%
Efficiency ratio	42.3%	39.1%	37.3%	-180 bps	-500 bps

REGULATORY CAPITAL

The ratio of regulatory capital to risk-weighted assets (RWA) was 15.2% as of June 30, 2023, stable compared to the ratio reported as of March 31, 2023 and as of June 30, 2022.

In 2Q23, risk-weighted assets (APR) increased 2.4% QoQ due to higher capital requirements for credit risk, operational risk and market risk. The higher RWA for credit risk were attributed to higher RWA for loans, due to an increase in these, partially offset by lower RWA for other assets and financial investments.

Total regulatory capital increased 2.8% QoQ, mainly attributed to the increase in profits for the year and to a lower unrealized loss (UL) of available for sale investments, when compared with 1Q23.

The annual performance in the total capital ratio was due to a 3.5% increase in RWA, partially offset by 3.2% growth in regulatory capital. The increase in RWA was due to higher capital requirements for credit risk, operational risk and market risk in a lesser extent. The additional capital requirements for credit risk was due to higher RWA for loans, due to an increase in these, partially offset by lower RWA for other assets and financial investments.

The YoY performance in regulatory capital was mainly a result of the additional capitalization of 2022 results, profits for the period and the lower UL when compared to 2Q22. The effects were partially compensated by a lower capital treatment of local subordinated debt, as well as the deduction of intangible assets, due to the implementation of the new SBS regulation on solvency.

Also, it is worth mentioning that, in December 2022, the SBS issued the Official Document No. 03952-2022, by which it established that, from March 1, 2023, the minimum regulatory capital ratio requirement would remain at 8.5% and would follow an adequation schedule until March 2024, date in which the minimum regulatory capital ratio requirement will reach 10.0%. However, in June 2023, the SBS issued a modification of the resolution published in December 2022, by which it modifies the

adequation schedule until September 2024, new date in which the minimum regulatory capital ratio requirement will reach 10.0%.

As of June 30, 2023, Interbank's total capital ratio of 15.2% was significantly higher than the global requirement plus buffers and capital assigned to cover additional risks, by disposition of the SBS. The minimum regulatory requirement was 9.0% as of June 30, 2023. Additionally, Core Equity Tier 1 (CET1) was 11.4% under the new methodology required by the SBS, compared to the 11.1% registered as of March 31, 2023 and the 11.1% reported as of June 30, 2022, the latter being calculated under the previous methodology. It is important to mention that, under the new SBS regulation, CET1 is the main component of the Tier I capital ratio.

Regulatory capital					
S/ million	06.30.22	03.31.23	06.30.23	%chg 06.30.23 03.31.23	%chg 06.30.23 06.30.22
Tier I capital	6,420.8	6,766.3	7,112.5	5.1%	10.8%
Tier II capital	2,768.6	2,467.3	2,375.2	-3.7%	-14.2%
Total regulatory capital	9,189.4	9,233.6	9,487.6	2.8%	3.2%
Risk-weighted assets (RWA)	60,267.7	60,890.9	62,359.8	2.4%	3.5%
Total capital ratio	15.2%	15.2%	15.2%	0 bps	0 bps
Tier I capital / RWA	10.7%	11.1%	11.4%	30 bps	70 bps
CET1	11.1%	11.1%	11.4%	30 bps	30 bps

(1) Under the new SBS regulation on solvency, in effect from January 1st, 2023 onwards, CET1 is part of the Total capital ratio, in line with Basel III guidelines.

Interseguro

SUMMARY

Interseguro adopted IFRS17 requirements starting January 1st, 2023. As permitted by this regulation, for periods prior to 2023, we hereby present a reconstruction of results appropriate to the first adoption of IFRS17 for comparative purposes.

Interseguro's profits reached S/ 87.9 million in 2Q23, which represented an increase of S/ 56.6 million QoQ and S/ 36.9 million YoY.

The quarterly growth was mainly due to a S/ 57.1 million improvement in insurance results, a positive performance in results due to impairment of financial investments of S/ 14.1 million and an increase in translation result of S/ 9.3 million, partially offset by a S/ 23.3 million decrease in other income.

The annual performance in net profit was mainly explained by increases of S/ 55.7 million in translation result and S/ 28.4 million in insurance results. However, these factors were partially offset by reductions of S/ 22.3 million in net interest and similar income and S/ 13.9 million in other income, as well as S/ 11.3 million higher other expenses.

As a result, Interseguro's ROE was 143.2% in 2Q23, higher than the 40.5% reported in 1Q23 and the 60.4% registered 2Q22.

Insurance Segment's P&L Statement ⁽¹⁾					
S/ million	2Q22	1Q23	2Q23	%chg QoQ	%chg YoY
Interest and similar income	249.9	228.1	214.1	-6.2%	-14.3%
Interest and similar expenses	-31.5	-30.4	-17.9	-41.0%	-43.1%
Net Interest and similar income	218.4	197.8	196.1	-0.8%	-10.2%
Recovery (loss) due to impairment of financial investments	-0.2	-13.1	1.0	n.m.	n.m.
Net Interest and similar income after impairment loss	218.3	184.7	197.2	6.8%	-9.7%
Fee income from financial services, net	-1.4	-5.1	-2.3	-54.8%	63.3%
Insurance results	-62.6	-91.3	-34.2	-62.5%	-45.3%
Other income	20.6	30.0	6.7	-77.7%	-67.5%
Other expenses	-83.2	-92.8	-94.5	1.8%	13.5%
Income before translation result and income tax	91.7	25.5	72.9	n.m.	-20.5%
Translation result	-40.7	5.7	15.0	n.m.	n.m.
Profit for the period	51.0	31.3	87.9	n.m.	72.3%
ROE	60.4%	40.5%	143.2%		
Efficiency ratio	7.4%	9.0%	9.5%		

(1) Figures for 2Q22 have been re-expressed for comparison purposes due to IFRS17 adoption.

RESULTS FROM INVESTMENTS

Results from Investments ⁽¹⁾					
S/ million	2Q22	1Q23	2Q23	%chg QoQ	%chg YoY
Interest and similar income	249.9	228.7	214.2	-6.3%	-14.3%
Interest and similar expenses	-19.2	-16.4	-4.6	-72.3%	-76.3%
Net interest and similar income	230.7	212.2	209.6	-1.2%	-9.2%
Recovery (loss) due to impairment of financial investments	-0.2	-13.1	1.0	n.m.	n.m.
Net Interest and similar income after impairment loss	230.6	199.2	210.6	5.7%	-8.7%
Net gain (loss) on sale of financial investments	-4.7	4.3	2.6	-40.4%	n.m.
Net gain (loss) on financial assets at fair value through profit or loss	-77.1	8.2	15.1	82.9%	n.m.
Rental income	36.6	15.2	17.1	12.7%	-53.2%
Valuation gain (loss) from investment property	59.7	-11.4	-30.5	n.m.	n.m.
Other	-5.0	-4.7	-4.2	-10.4%	-16.5%
Other income	9.4	11.7	0.1	-99.1%	-98.9%
Results from investments	240.0	210.9	210.7	-0.1%	-12.2%

(1) Only includes transactions related to investments.

NET INTEREST AND SIMILAR INCOME

Net interest and similar income related to investments was S/ 209.6 million in 2Q23, a decrease of S/ 2.6 million QoQ, or 1.2%, and S/ 21.1 million YoY, or 9.2%.

The quarterly performance was mainly explained by a reduction of S/ 14.5 million in interest and similar income, attributed to a lower inflation rate registered in the last quarter, yet partially offset by a S/ 11.8 million decrease in interest and similar expenses.

The yearly performance was mostly due to lower interest and similar income, attributed to a downward trend in inflation rates.

RECOVERY (LOSS) DUE TO IMPAIRMENT OF FINANCIAL INVESTMENTS

Recovery due to impairment of financial investments was S/ 1.0 million in 2Q23, compared to losses of S/ -13.1 million in 1Q23 and S/ -0.2 million in 2Q22.

Loss due to impairment of financial investments was relevant in 1Q23 due to an additional provision for impairment on fixed income investments that were downgraded amid the political uncertainty around Peru's new administration in such quarter.

OTHER INCOME

Other income related to investments was S/ 0.1 million in 2Q23, a decrease of S/ 11.6 million QoQ and S/ 9.3 million YoY.

The quarterly decrease was explained by a S/ 19.1 million deterioration in valuation loss from investment property, along with a reduction of S/ 1.7 million in net gain on sale of financial investments. These effects were partially compensated by growth of

S/ 6.9 million in net gain on financial assets at fair value, and S/ 1.9 million in rental income.

The annual performance in other income was mainly due to reductions of S/ 90.2 million in valuation results from investment property, and S/ 19.5 million in rental income. These factors were partially offset by increases of S/ 92.2 million in net gain on financial assets at fair value, and S/ 7.3 million in net gain on sale of financial investments.

INSURANCE RESULTS

Insurance Results					
S/ million	2Q22	1Q23	2Q23	%chg QoQ	%chg YoY
Insurance Income	283.7	275.6	277.1	0.5%	-2.3%
Insurance Expenses	-346.2	-366.8	-311.3	-15.1%	-10.1%
Insurance Results	-62.6	-91.3	-34.2	-62.5%	-45.3%

INSURANCE INCOME

Insurance Income					
S/ million	2Q22	1Q23	2Q23	%chg QoQ	%chg YoY
Annuities	180.3	188.4	185.2	-1.7%	2.7%
Individual Life	18.8	22.1	20.6	-6.8%	9.5%
Retail Insurance	84.5	65.1	71.2	9.4%	-15.7%
Total Insurance Income	283.7	275.6	277.1	0.5%	-2.3%

Insurance income was S/ 277.1 million in 2Q23, an increase of S/ 1.5 million QoQ, or 0.5%, but a decrease of S/ 6.6 million YoY, or 2.3%.

The quarterly performance was mainly explained by growth of S/ 6.1 million in retail insurance, partially compensated by a decrease in annuities of S/ 3.2 million.

The yearly decrease was mainly explained by a reduction in retail insurance of S/ 13.3 million, partially offset by an increase in annuities of S/ 4.9 million.

INSURANCE EXPENSES

Insurance Expenses					
S/ million	2Q22	1Q23	2Q23	%chg QoQ	%chg YoY
Annuities	-352.1	-357.6	-299.2	-16.3%	-15.0%
Individual Life	37.5	5.8	5.7	-1.9%	-84.8%
Retail Insurance	-31.6	-15.0	-17.8	18.5%	-43.8%
Total Insurance Expenses	-346.2	-366.8	-311.3	-15.1%	-10.1%

Insurance expenses were S/ 311.3 million in 2Q23, a decrease of S/ 55.5 million QoQ, or 15.1%, and S/ 34.9 million YoY, or 10.1%.

The quarterly performance was mainly explained by lower expenses of S/ 58.4 million in annuities, partially offset by higher expenses of S/ 2.8 million in retail insurance.

The yearly decrease was explained by lower expenses of S/ 52.9 million in annuities and S/ 13.8 million in retail insurance, partially offset by a S/ 31.8 million negative development in individual life.

OTHER EXPENSES

Other Expenses					
S/ million	2Q22	1Q23	2Q23	%chg QoQ	%chg YoY
Salaries and employee benefits	-16.1	-23.3	-23.5	0.9%	46.3%
Administrative expenses	-16.1	-17.0	-16.3	-3.9%	1.4%
Depreciation and amortization	-6.4	-4.7	-5.3	14.4%	-17.4%
Expenses related to rental income	-3.8	-1.4	-1.8	28.7%	-53.6%
Other	-40.8	-46.5	-47.5	2.2%	16.4%
Other expenses	-83.2	-92.8	-94.5	1.8%	13.5%

Other expenses increased S/ 1.7 million QoQ, or 1.8%, and S/ 11.3 million YoY, or 13.5%.

The quarterly growth was mainly due to increases of S/ 0.6 million in depreciation and amortization charges, S/ 0.4 million in expenses related to rental income and S/ 0.2 million in salaries and employee benefits. These effects were partially compensated by a decrease of S/ 0.7 million in administrative expenses.

The annual performance in other expenses was mainly due to increases of S/ 7.4 million in salaries and employee benefits and S/ 0.2 million in administrative expenses. These factors were partially offset by decreases of S/ 2.0 million in expenses related to rental income and S/ 1.1 million in depreciation and amortization charges.

SUMMARY

Inteligo's net profit was \$/ 21.5 million in 2Q23, an increase of \$/ 13.7 million QoQ, and a positive recovery against the loss reported in 2Q22.

The quarterly performance was mainly attributable to lower losses on proprietary portfolio investments due to a recovery in the financial markets and the valuation of assets. Other effects that explained the quarterly performance were an increase of 20.6% in net interest and similar income and a decrease of 9.1% in other expenses, partially compensated by a decrease of 12.5% in net fee income from financial services.

On an annual comparison, mark-to-market losses on proprietary portfolio investments decreased considerably in 2Q23 compared to 2Q22. Other effects that contributed with the YoY performance were an increase of 6.6% in net interest and similar income and a decrease of 5.5% in other expenses, yet offset by a decrease of 22.8% in net fee income.

From a business development perspective, Inteligo's prospection process continued to show positive results in terms of new account openings and assets under management growth in Private Wealth Management. However, these results were partially offset by a sequentially lower exchange rate. Consequently, Inteligo's AUM decreased 1.3% QoQ, but grew 0.9% YoY as of June 30, 2023.

Inteligo's ROE was 9.7% in 2Q23, higher than the 3.5% reported in the previous quarter.

Wealth Management Segment's P&L Statement					
\$/ million	2Q22	1Q23	2Q23	%chg QoQ	%chg YoY
Interest and similar income	34.6	43.8	47.6	8.5%	37.3%
Interest and similar expenses	-10.6	-22.6	-21.9	-2.9%	n.m.
Net interest and similar income	24.0	21.2	25.6	20.6%	6.6%
Impairment loss on loans, net of recoveries	0.1	0.1	0.1	-23.1%	-58.8%
Recovery (loss) due to impairment of financial investments	0.5	-0.3	0.0	n.m.	n.m.
Net interest and similar income after impairment loss	24.7	21.0	25.6	21.9%	4.0%
Fee income from financial services, net	44.8	39.6	34.6	-12.5%	-22.8%
Other income	-147.0	-14.2	-3.4	-75.8%	-97.7%
Other expenses	-36.4	-38.0	-34.6	-9.1%	-5.0%
Income before translation result and income tax	-113.9	8.3	22.2	n.m.	n.m.
Translation result	-5.3	0.4	-0.3	n.m.	-93.8%
Income tax	-1.1	-0.9	-0.4	-55.9%	-63.0%
Profit for the period	-120.3	7.8	21.5	n.m.	n.m.
ROE	n.m.	3.5%	9.7%		
Efficiency ratio	n.m.	80.7%	60.5%		

ASSETS UNDER MANAGEMENT & DEPOSITS

AUM reached \$/ 21,514.9 million in 2Q23, a \$/ 280.1 million or 1.3% decrease QoQ, but a \$/ 91.1 million or 0.4% increase YoY, mostly affected by a lower exchange rate.

Client deposits were \$/ 3,359.5 million in 2Q23, a \$/ 336.8 million or 9.1% reduction QoQ and a \$/ 583.8 million or 14.8% decrease YoY. This was mainly due to the conversion of cash positions from clients to investments in securities during 2Q23.

NET INTEREST AND SIMILAR INCOME

Net interest and similar income					
S/ million	2Q22	1Q23	2Q23	%chg QoQ	%chg YoY
Interest and similar income					
Due from banks and inter-bank funds	2.0	10.7	9.0	-15.8%	n.m.
Financial Investments	16.3	9.5	15.4	61.1%	-6.0%
Loans	16.3	23.6	23.2	-1.8%	42.0%
Total interest and similar income	34.6	43.8	47.6	8.5%	37.3%
Interest and similar expenses					
Deposits and obligations	-8.4	-21.4	-22.2	3.9%	n.m.
Due to banks and correspondents	-2.3	-1.2	0.3	n.m.	n.m.
Total interest and similar expenses	-10.6	-22.6	-21.9	-2.9%	n.m.
Net interest and similar income	24.0	21.2	25.6	20.6%	6.6%

Inteligo's net interest and similar income was S/ 25.6 million in 2Q23, a S/ 4.4 million, or 20.6% increase when compared with 1Q23, mainly explained by higher dividends received from the proprietary portfolio investments.

Net interest and similar income increased S/ 1.6 million YoY, or 6.6%, as a result of higher interest income on both loans and due from banks. The YoY performance was also impacted by a higher interest expense on deposits, which was attributed to the increases in the reference interest rate of the FED.

FEE INCOME FROM FINANCIAL SERVICES

Fee income from financial services, net					
S/ million	2Q22	1Q23	2Q23	%chg QoQ	%chg YoY
Income					
Brokerage and custody services	2.5	2.9	2.2	-21.7%	-9.4%
Funds management	42.8	37.1	32.8	-11.4%	-23.3%
Total income	45.3	39.9	35.1	-12.1%	-22.5%
Expenses					
Brokerage and custody services	-0.2	-0.2	-0.2	-10.7%	-8.4%
Others	-0.3	-0.2	-0.3	73.6%	8.5%
Total expenses	-0.5	-0.4	-0.5	30.5%	1.9%
Fee income from financial services, net	44.8	39.6	34.6	-12.5%	-22.8%

Net fee income from financial services was S/ 34.6 million in 2Q23, a decrease of S/ 5.0 million, or 12.5% when compared to the previous quarter, mainly explained by lower fees from the wealth management segment.

On a YoY basis, net fee income from financial services decreased S/ 10.2 million, or 22.8%, mainly due to lower fees from funds management at the wealth management segment. This was explained by a lower frequency of client transactions, in turn driven by the persistent volatility and uncertainty in the financial markets.

OTHER INCOME

Other income					
S/ million	2Q22	1Q23	2Q23	%chg QoQ	%chg YoY
Net gain on sale of financial investments	-4.0	0.2	0.2	22.2%	n.m.
Net trading gain (loss)	-143.6	-15.0	-2.8	-81.4%	-98.1%
Other	0.6	0.6	-0.9	n.m.	n.m.
Total other income	-147.0	-14.2	-3.4	-75.8%	-97.7%

Inteligo's other income (loss) reached S/ -3.4 million in 2Q23, compared to losses of S/ -14.2 million in 1Q23 and S/ -147.0 million in 2Q22, in both cases attributable to lower mark-to-market losses, in turn associated with an improvement in global market trends.

OTHER EXPENSES

Other expenses					
S/ million	2Q22	1Q23	2Q23	%chg QoQ	%chg YoY
Salaries and employee benefits	-21.1	-20.6	-20.8	1.0%	-1.5%
Administrative expenses	-11.3	-13.3	-9.9	-25.5%	-12.3%
Depreciation and amortization	-3.7	-3.8	-3.7	-2.8%	0.3%
Other	-0.4	-0.4	-0.2	-44.9%	-35.9%
Total other expenses	-36.4	-38.0	-34.6	-9.1%	-5.0%
Efficiency ratio	n.m.	80.7%	60.5%		

Other expenses reached S/ 34.6 million in 2Q23, a decrease of S/ 3.4 million or 9.1% QoQ, mainly due to lower administrative expenses.

On a yearly basis, other expenses decreased S/ 1.8 million, or 5.0% YoY, mainly as a result of lower administrative expenses.

Izipay

SUMMARY

Izipay's profits were S/ 9.4 million in 2Q23, which represented a decrease of 21.8% QoQ and 24.8% YoY.

In 2Q23, despite growth in net interest and similar income and in net fee income from financial services, the quarterly performance was affected by higher administrative expenses related to further customer acquisition.

The annual performance in net profit was mainly explained by a 12.1% increase in other expenses, mainly associated with higher customer acquisition and depreciation given the sharp rise in business activity. This was partially offset by 8.2% growth in net fee income from financial services, in turn related to higher income from payments acquirer where the number of merchants and monetary transactions grew 53% and 16%, respectively.

Izipay's ROE was 16.2% in 2Q23, lower than the 21.7% and 26.9% reported in 1Q23 and 2Q22, respectively.

Payments P&L Statement					
S/ million	2Q22	1Q23	2Q23	%chg QoQ	%chg YoY
Interest and similar income	0.2	1.7	2.1	20.1%	n.m.
Interest and similar expenses	-0.5	-1.1	-1.3	21.6%	n.m.
Net interest and similar income	-0.3	0.6	0.7	17.6%	n.m.
Fee income from financial services, net	81.0	86.4	87.7	1.5%	8.2%
Payments acquirer	151.0	170.3	173.6	1.9%	15.0%
Correspondent banking	10.7	10.0	9.3	-6.3%	-12.8%
Credit cards processor	7.5	7.5	7.7	2.2%	2.4%
Service Cost	-88.2	-101.4	-102.9	1.5%	16.7%
Other income	8.5	7.3	8.3	13.7%	-1.7%
Other expenses	-70.5	-73.9	-79.0	6.9%	12.1%
Income before translation result and income tax	18.8	20.5	17.8	-13.2%	-5.2%
Translation result	1.7	-0.7	-1.3	74.1%	n.m.
Income tax	-8.0	-7.7	-7.1	-7.8%	-10.8%
Profit for the period	12.6	12.1	9.4	-21.8%	-24.8%
ROE	26.9%	21.7%	16.2%		
Efficiency ratio	67.2%	72.5%	76.9%		

FEE INCOME FROM FINANCIAL SERVICES, NET

Fee income from financial services, net					
S/ million	2Q22	1Q23	2Q23	%chg QoQ	%chg YoY
Income					
Payments acquirer	151.0	170.3	173.6	1.9%	15.0%
Correspondent banking	10.7	10.0	9.3	-6.3%	-12.8%
Credit cards processor	7.5	7.5	7.7	2.2%	2.4%
Total income	169.2	187.8	190.6	1.5%	12.7%
Expenses					
Service Cost	-88.2	-101.4	-102.9	1.5%	16.7%
Total expenses	-88.2	-101.4	-102.9	1.5%	16.7%
Fee income from financial services, net	81.0	86.4	87.7	1.5%	8.2%

Net fee income from financial services was S/ 87.7 million in 2Q23, an increase of S/ 1.3 million or 1.5% QoQ, mainly driven by higher income from payments acquirer, partially offset by lower correspondent banking fees and higher acquirer license fees within the service cost, as a result of higher transactional volumes.

On a YoY basis, net fee income from financial services grew S/ 6.7 million, or 8.2%, mainly explained by higher transactional volumes in the acquirer business, partially compensated by an increase in service cost, associated with a higher level of business activity.

OTHER EXPENSES

Other expenses					
S/ million	2Q22	1Q23	2Q23	%chg QoQ	%chg YoY
Salaries and employee benefits	-17.1	-18.3	-18.9	3.5%	10.4%
Administrative expenses	-33.2	-37.7	-42.6	12.8%	28.2%
Depreciation and amortization	-9.6	-12.4	-13.0	4.4%	35.1%
Other	-10.5	-5.5	-4.5	-17.4%	-57.1%
Total other expenses	-70.5	-73.9	-79.0	6.9%	12.1%
Efficiency ratio	67.2%	72.5%	76.9%		

Other expenses reached S/ 79.0 million in 2Q23, an increase of S/ 5.1 million or 6.9% QoQ, mostly due to higher administrative expenses.

On a yearly basis, other expenses grew S/ 8.5 million or 12.1% YoY, mainly as a result of increased administrative expenses associated with higher customer acquisition, as well as higher depreciation charges as a result of growth in the operations.