Intercorp Financial Services Inc.
Second Quarter 2022 Earnings

Lima, Peru, August 15, 2022. Intercorp Financial Services Inc. (Lima Stock Exchange/NYSE: IFS) announced today its unaudited results for the second quarter 2022. These results are reported on a consolidated basis under IFRS in nominal Peruvian soles.

Intercorp Financial Services: Strong results in Banking, Insurance and Payments. Negative impact in Wealth Management

- Sustained revenues with important NIM expansion
- Stable C/I ratio in Banking, IFS' C/I ratio impacted by Wealth Management
- Solid capitalization levels
- Positive development in digital indicators in Banking and Insurance

Banking: Strong quarter in core banking activity

- Banking activity still strong, double-digit growth in NII and fees
- Shift in loan mix and repricing of new loan disbursements boosts NIM, up to 4.9%
- Increasing levels of CoR in line with shift in loan mix, up to 1.8%
- ~20% growth in customer base, reaching 5 million

Insurance: Profits almost doubled QoQ driving ROE up to 31.6%

- NII grew 27% QoQ and 30% YoY
- Gains on investments drive ROIP up to 7.7%
- Contraction in annuities business during the quarter

Wealth Management: Results affected by negative impact on investment portfolio

- Investment income still affected by market trends
- Fees from financial services grew 9% QoQ
- Slight quarterly growth in AUM and loans

Payments: Izipay, pillar for building our payments ecosystem

- Payments acquirer fees grew 10% QoQ and 75% YoY, representing 89% of total fees
- Strong growth in number of merchants and transactional volumes
- 27% ROE in 2Q22

Important disclosure

Acquisition of Procesos de Medios de Pago S.A. and Subsidiary (Izipay)

In April 2022, IFS acquired 50 percent of the capital stock of Procesos de Medios de Pago S.A. and its subsidiary Izipay S.A.C. (henceforth “Izipay Group”, “Izipay” or "acquired entities"). The amount paid for the transaction was US$83,775,000 (equivalent to approximately S/312,647,000). After this acquisition, IFS holds, directly and indirectly, 100 percent of the capital stock issued by Izipay. Before this transaction, IFS through its subsidiary Interbank, held indirectly 50 percent of the capital stock of Izipay.

This acquisition will be recorded following the guidelines and timelines set by IFRS 3 “Business Combinations” for an acquisition achieved in stages. According to said IFRS, assets and liabilities of acquired entities must be recorded at their fair value estimated at the acquisition date, including the identified intangible assets not recorded in the financial statements of the acquired entities.

As of the date of this report, the Company is under the process of determining the fair values of the acquired assets and liabilities, as well as of the intangibles not recognized by Izipay with the purpose of completing the corresponding accounting records.

For further information, please see Note 1 (c) to our interim consolidated financial statements as of June 30, 2022 (unaudited), December 31, 2021 (audited) and for the six-month periods ended June 30, 2022 and 2021 (unaudited).

Intercorp Financial Services

SUMMARY

Intercorp Financial Services' Statement of financial position					
S/ million				%chg	%chg
	06.30.21	03.31.22	06.30.22	06.30.22	06.30.22
				03.31.22	06.30.21
Assets					
Cash and due from banks and inter-bank funds	19,410.4	13,690.8	12,504.0	-8.7%	-35.6%
Financial investments	24,278.1	24,306.7	23,594.4	-2.9%	-2.8%
Loans, net of unearned interest	43,875.2	44,320.3	46,024.9	3.8%	4.9%
Impairment allowance for loans	-2,467.0	-2,039.2	-2,044.5	0.3%	-17.1%
Property, furniture and equipment, net	788.6	807.7	843.6	4.5%	7.0%
Other assets	4,654.3	4,297.7	4,780.1	11.2%	2.7%
Total assets	**90,539.7**	**85,383.9**	**85,702.5**	**0.4%**	**-5.3%**
Liabilities and equity					
Deposits and obligations	49,491.7	46,502.7	47,277.7	1.7%	-4.5%
Due to banks and correspondents and inter-bank funds	9,027.4	7,516.2	8,062.2	7.3%	-10.7%
Bonds, notes and other obligations	8,250.9	7,821.8	7,905.4	1.1%	-4.2%
Insurance contract liabilities	11,567.7	11,031.1	10,351.7	-6.2%	-10.5%
Other liabilities	2,883.0	3,490.5	3,090.6	-11.5%	7.2%
Total liabilities	**81,220.8**	**76,362.2**	**76,687.7**	**0.4%**	**-5.6%**
Equity, net					
Equity attributable to IFS' shareholders	9,271.5	8,973.3	8,965.8	-0.1%	-3.3%
Non-controlling interest	47.4	48.4	49.0	1.4%	3.4%
Total equity, net	**9,318.9**	**9,021.7**	**9,014.8**	**-0.1%**	**-3.3%**
Total liabilities and equity net	**90,539.7**	**85,383.9**	**85,702.5**	**0.4%**	**-5.3%**

Intercorp Financial Services' net profit was S/ 251.3 million in 2Q22, a decrease of S/ 152.0 million QoQ, or 37.7%, and S/ 204.2 million YoY, or 44.8%.

It is worth mentioning that IFS' results in 2Q22 were impacted by an investment loss in our Wealth Management business for S/ -147.0 million.

IFS's annualized ROE was 11.1% in 2Q22, below the 17.4% registered in 1Q22 and the 20.0% reported in 2Q21. Excluding the previously mentioned impact of investment loss in Wealth Management, ROE would have resulted in 17.5% in 2Q22.

Intercorp Financial Services' P&L statement					
S/ million				%chg	%chg
	2Q21	1Q22	2Q22	QoQ	YoY
Interest and similar income	1,112.3	1,248.1	1,392.1	11.5%	25.1%
Interest and similar expenses	-244.9	-303.4	-360.3	18.8%	47.2%
Net interest and similar income	**867.5**	**944.7**	**1,031.8**	**9.2%**	**18.9%**
Impairment loss on loans, net of recoveries	-177.8	-149.6	-193.3	29.2%	8.7%
Recovery (loss) due to impairment of financial investments	-7.8	2.0	0.3	-83.6%	n.m.
Net interest and similar income after impairment loss	**681.9**	**797.1**	**838.8**	**5.2%**	**23.0%**
Fee income from financial services, net	200.6	204.2	284.7	39.4%	41.9%
Other income	268.1	104.0	-4.8	n.m.	n.m.
Total premiums earned minus claims and benefits	-45.9	-20.7	-60.8	n.m.	32.3%
Net Premiums	225.0	272.3	233.9	-14.1%	4.0%
Adjustment of technical reserves	-46.0	-94.9	-75.3	-20.7%	63.7%
Net claims and benefits incurred	-225.0	-198.1	-219.4	10.7%	-2.5%
Other expenses	-525.8	-581.2	-661.5	13.8%	25.8%
Income before translation result and income tax	**578.9**	**503.4**	**396.4**	**-21.3%**	**-31.5%**
Translation result	-20.5	-4.9	-23.5	n.m.	14.5%
Income tax	-102.8	-95.2	-121.6	27.8%	18.3%
Profit for the period	**455.5**	**403.3**	**251.3**	**-37.7%**	**-44.8%**
Attributable to IFS' shareholders	**453.4**	**401.0**	**248.9**	**-37.9%**	**-45.1%**
EPS	**3.93**	**3.47**	**2.16**		
ROE	**20.0%**	**17.4%**	**11.1%**		
ROA	**2.0%**	**1.8%**	**1.2%**		
Efficiency ratio	**32.4%**	**37.2%**	**40.2%**		

Quarter-on-quarter performance

Profits decreased 37.7% QoQ mainly due to a higher mark-to-market loss on proprietary portfolio investments in our Wealth Management business, in addition to increases in other expenses and impairment loss on loans, both in our Banking business. It is important to note that the increase in other expenses was also explained by the addition of our new Payments business in the consolidated figures. Additionally, a decrease in total premiums earned minus claims and benefits in our Insurance business, a higher effective tax rate in our Banking business and a lower translation result at the holding company level also contributed to lower earnings QoQ. These factors were partially offset by increases in net interest and similar income in our Banking and Insurance businesses, as well as in net fee income from financial services in our Payments and Banking businesses.

Net interest and similar income grew S/ 87.1 million QoQ, or 9.2%, mainly explained by higher interest and similar income associated with higher dividends received, higher interest rates, and higher inflation rates in our Insurance business, as well as in interest on financial investments and loans in our Banking business. These effects were partially offset by lower net interest and similar income in our Wealth Management business, explained by lower coupons and dividends received from the investment portfolio, and higher interest expenses on credit lines from banks.

Impairment loss on loans, net of recoveries increased S/ 43.7 million QoQ, or 29.2%, explained by higher provision requirements in the retail loan book, partially offset by lower provisions requirements in the commercial loan book, all in our Banking business.

Furthermore, our Insurance business reported a negative performance in results due to impairment of financial investments.

Net fee income from financial services grew S/ 80.5 million QoQ, or 39.4%, mainly due to the addition of our new Payments business in the consolidated figures. Moreover, sequentially higher commissions across varied services in our Banking and Wealth Management businesses also contributed to the increase in net fee income from financial services.

Other income turned negative QoQ, mainly as a result of an investment loss in our Wealth Management business. This effect was partially compensated by higher net gain on foreign exchange transactions and on financial assets at fair value through profit or loss in our Banking business, as well as an increase in valuation gain (loss) from investment property in our Insurance business.

Total premiums earned minus claims and benefits in our Insurance business were S/ -60.7 million in the quarter, a decrease of S/ 40.0 million QoQ. This resulted from a reduction of S/ 38.4 million in net premiums, while a lower adjustment of technical reserves offset an increase in net claims and benefits incurred.

Other expenses increased S/ 80.3 million QoQ, or 13.8%, explained by higher administrative expenses, salaries and employee benefits, and depreciation and amortization charges, all in our Banking business, as well as the expense contribution of our new Payments business in the consolidated figures. These factors were partially offset by slightly lower expenses across our Insurance and Wealth Management businesses. It is important to note that an important driver of expense growth was related to investments in IT and new business ventures, in addition to variable costs associated with a higher level of marketing and credit cards activity.

IFS' effective tax rate increased, from 19.1% in 1Q22 to 32.6% in 2Q22, as a result of a higher effective tax rate in our Banking business.

Year-on-year performance

Profits decreased 44.8% YoY mainly due to lower other income attributed to negative market trends impacting investments, particularly in our Wealth Management business. Moreover, other expenses grew across all businesses and due to the addition of our new Payments business in the consolidated figures. Additionally, a decrease in total premiums earned minus claims and benefits in our Insurance business, higher provisions in our Banking business and a lower translation result also contributed to the decline in IFS' net profit compared to 2Q21.These effects were partially compensated by strong increases in net interest and similar income in our Banking and Insurance businesses, as well as in net fee income from financial services due to the contribution of our Payments and Banking businesses.

Net interest and similar income grew S/ 164.3 million YoY, or 18.9%, mainly due to higher interest on all interest-earning assets in our Banking business, in addition to an increase in interest and similar income in our Insurance business, associated with higher dividends received, higher interest rates, and higher inflation rates. These factors were partially offset by lower income from financial investments in our Wealth Management business.

Impairment loss on loans, net of recoveries grew S/ 15.5 million YoY, or 8.7%, mainly explained by higher requirements in the retail loan book as well as in the commercial loan book. Provisions increased across all components of credit in our Banking business.

Net fee income from financial services increased S/ 84.1 million YoY, or 41.9%, mainly due to the addition of our new Payments business in the consolidated figures, which reported higher income from payments acquirer due to higher transactional volumes, as well as higher commissions across most products and services in our Banking business. These effects were partially offset by a decrease in fees in our Wealth Management business, associated with lower fees from funds management and brokerage and custody services.

Other income declined S/ 272.9 million YoY, mainly attributable to a mark-to-market loss in net trading gain in our Wealth Management business, in addition to reductions in net gain (loss) on financial assets at fair value through profit or loss and in net gain (loss) on sale of financial investments, both effects in our Insurance and Banking businesses.

On a yearly basis, total premiums earned minus claims and benefits in our Insurance business decreased S/ 14.8 million due to growth of S/ 29.3 million in adjustment of technical reserves, partially compensated by a S/ 9.0 million increase in net premiums and a S/ 5.6 million decrease in net claims and benefits incurred.

Other expenses grew S/ 135.7 million YoY, or 25.8%, as the result of higher administrative expenses, salaries and employee benefits, across all businesses. Moreover, the addition of our new Payments business in the consolidated figures also contributed to the increase in other expenses. It is important to note that an important driver of expense growth in our Banking business was related to investments in IT and new business ventures, in addition to variable costs associated with a higher level of marketing and credit cards activity.

IFS' effective tax rate increased, from 18.4% in 2Q21 to 32.6% in 2Q22, as a result of a higher profit contribution from our Banking business.

CONTRIBUTION BY BUSINESS

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

Intercorp Financial Services' Profit by business					
S/ million	2Q21	1Q22	2Q22	%chg QoQ	%chg YoY
Banking	274.3	322.4	321.2	-0.4%	17.1%
Insurance	108.9	38.6	77.0	99.1%	-29.3%
Wealth Management	89.6	3.0	-120.3	n.m.	n.m.
Payments	-	-	12.6	n.m.	n.m.
Corporate and eliminations	-17.2	39.2	-39.1	n.m.	n.m.
IFS profit for the period	**455.5**	**403.3**	**251.3**	**-37.7%**	**-44.8%**

Interbank

SUMMARY

Interbank's profits were S/ 321.2 million in 2Q22, a slight decrease of S/ 1.2 million QoQ, or 0.4%, but an increase of S/ 46.9 million YoY, or 17.1%. The quarterly result was mainly attributed to increases of S/ 41.7 million in impairment loss on loans and S/ 26.4 million in other expenses, in addition to a higher effective tax rate. These factors were partially offset by increases of S/ 42.5 million in net interest and similar income, S/ 6.9 million in net fee income from financial services and S/ 2.9 million in other income, as well as a positive performance in translation result.

The annual performance in net profit was mainly explained by increases of S/ 120.4 million in net interest and similar income, and S/ 27.2 million in net fee income from financial services, as well as a positive performance in translation result. These effects were partially compensated by S/ 61.3 million higher other expenses and S/ 17.9 million lower other income, in addition to S/ 15.5 million higher impairment loss on loans.

Interbank's ROE was 19.4% in 2Q22, higher than the 19.1% and 17.3% registered in 1Q22 and 2Q21, respectively.

Banking Segment's P&L Statement					
S/ million	2Q21	1Q22	2Q22	%chg QoQ	%chg YoY
Interest and similar income	881.3	1,010.0	1,107.4	9.6%	25.7%
Interest and similar expense	-211.2	-261.9	-316.9	21.0%	50.0%
Net interest and similar income	**670.1**	**748.0**	**790.5**	**5.7%**	**18.0%**
Impairment loss on loans, net of recoveries	-177.9	-151.7	-193.4	27.5%	8.7%
Recovery (loss) due to impairment of financial investments	-0.4	-0.1	0.0	n.m.	n.m.
Net interest and similar income after impairment loss	**491.8**	**596.3**	**597.1**	**0.1%**	**21.4%**
Fee income from financial services, net	162.9	183.2	190.1	3.8%	16.7%
Other income	131.9	111.1	114.0	2.6%	-13.6%
Other expenses	-419.6	-454.5	-480.9	5.8%	14.6%
Income before translation result and income tax	**367.1**	**436.1**	**420.2**	**-3.6%**	**14.5%**
Translation result	0.2	-28.4	8.9	n.m.	n.m.
Income tax	-93.0	-85.2	-107.9	26.6%	16.0%
Profit for the period	**274.3**	**322.4**	**321.2**	**-0.4%**	**17.1%**
ROE	**17.3%**	**19.1%**	**19.4%**		
Efficiency ratio	**42.5%**	**41.7%**	**42.3%**		
NIM	**3.9%**	**4.5%**	**4.9%**		
NIM on loans	**7.0%**	**7.1%**	**7.6%**		

INTEREST-EARNING ASSETS

Interbank's interest-earning assets reached S/ 63,420.4 million as of June 30, 2022, an increase of 1.2% QoQ, but a decrease of 4.1% YoY.

The quarterly growth in interest-earning assets was attributed to an increase of 3.9% in loans, partially compensated by reductions of 7.3% in cash and due from banks and inter-bank funds, and 0.2% in financial investments. The reduction in cash and due from banks and inter-bank funds was mainly due to lower deposits at the Central Bank, partially offset by higher reserve funds at the same institution. The slight decrease in financial investments was mainly a result of lower balances of sovereign bonds, global bonds and corporate bonds from non-financial institutions, partially compensated by higher balances of Central Bank Certificates of Deposits (CDBCR) and corporate bonds from financial institutions.

The YoY decrease in interest-earning assets was explained by a 36.0% reduction in cash and due from banks and inter-bank funds, partially compensated by increases of 8.1% in financial investments and 6.4% in loans. The decrease in cash and due from banks and inter-bank funds resulted mainly from lower deposits at the Central Bank, partially offset by higher reserve funds at the same institution. The increase in financial investments resulted from higher volumes of CDBCR, sovereign bonds and corporate bonds from non-financial institutions, partially compensated by lower balances of global bonds and corporate bonds from financial institutions.

Interest-earning assets					
S/ million				%chg	%chg
	06.30.21	03.31.22	06.30.22	06.30.22	06.30.22
				03.31.22	06.30.21
Cash and due from banks and inter-bank funds	16,686.2	11,518.4	10,676.2	-7.3%	-36.0%
Financial investments	9,733.9	10,549.3	10,525.3	-0.2%	8.1%
Loans	39,688.8	40,623.5	42,218.9	3.9%	6.4%
Total interest-earning assets	**66,108.9**	**62,691.2**	**63,420.4**	**1.2%**	**-4.1%**

Loan portfolio					
S/ million				%chg	%chg
	06.30.21	03.31.22	06.30.22	06.30.22	06.30.22
				03.31.22	06.30.21
Performing loans					
Retail	18,610.2	21,067.1	22,001.5	4.4%	18.2%
Commercial	21,684.8	19,645.0	20,384.8	3.8%	-6.0%
Total performing loans	**40,295.1**	**40,712.0**	**42,386.3**	**4.1%**	**5.2%**
Restructured and refinanced loans	246.5	254.2	258.0	1.5%	4.7%
Past due loans	1,262.5	1,334.2	1,218.1	-8.7%	-3.5%
Total gross loans	**41,804.0**	**42,300.4**	**43,862.3**	**3.7%**	**4.9%**
Add (less)					
Accrued and deferred interest	351.6	361.7	400.7	10.8%	14.0%
Impairment allowance for loans	-2,466.8	-2,038.7	-2,044.1	0.3%	-17.1%
Total direct loans, net	**39,688.8**	**40,623.5**	**42,218.9**	**3.9%**	**6.4%**

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, 2022, these performing loans amounted S/ 3,337.2 million, compared to balances of S/ 3,877.5 million as of March 31, 2022 and S/ 6,077.5 million as of June 30, 2021.

Performing loans grew 4.1% QoQ, explained by increases of 4.4% in retail loans and 3.8% in commercial loans. Excluding the effect of the Reactiva Peru Program in the comparing periods, total performing loans and commercial loans would have grown 6.0% and 8.1% QoQ, respectively.

Retail loans grew 4.4% QoQ due to increases of 5.0% in consumer loans and 3.6% in mortgages. Growth in consumer loans resulted from higher balances of credit cards and cash loans, while payroll deduction loans remained relatively stable. The increase in mortgage loans was explained by higher demand in both traditional and MiVivienda products.

Growth in commercial loans was a result of higher short and medium-term lending, leasing operations and trade finance loans, mainly in the corporate segment. This was partially offset by lower loans of all commercial products in the small and mid-sized segments.

Performing loans grew 5.2% YoY explained by an 18.2% increase in retail loans, partially offset by a 6.0% reduction in commercial loans. Excluding the effect of the Reactiva Peru Program in the comparing periods, total performing loans and commercial loans would have increased 14.1% and 9.2% YoY, respectively.

The YoY growth in retail loans was due to increases of 26.6% in consumer loans and 7.3% in mortgages. The increase in consumer loans resulted from higher credit cards and payroll deduction loans, among others. Growth in mortgages was due to higher demand in both traditional and MiVivienda products.

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

In 2Q22, 1Q22 and 2Q21, Interbank's rescheduled portfolio of Reactiva Peru loans amounted to S/ 1,829.3, S/ 1,932.4 million and S/ 406.2 million, respectively, representing 52.3% of total balances of Reactiva Peru loans in 2Q22, 46.1% in 1Q22 and 6.7% in 2Q21.

It is worth mentioning that these loans are guaranteed in large part by the Peruvian government and as of June 30, 2022, Interbank activated the guarantee coverage for an amount of S/ 440.6 million.

Breakdown of retail loans

S/ million	06.30.21	03.31.22	06.30.22	%chg 06.30.22 03.31.22	%chg 06.30.22 06.30.21
Consumer loans:					
Credit cards & other loans	5,992.0	8,145.5	8,774.4	7.7%	46.4%
Payroll deduction loans(1)	4,534.9	4,545.3	4,552.2	0.2%	0.4%
Total consumer loans	**10,526.9**	**12,690.8**	**13,326.6**	**5.0%**	**26.6%**
Mortgages	8,083.4	8,376.3	8,674.9	3.6%	7.3%
Total retail loans	**18,610.2**	**21,067.1**	**22,001.5**	**4.4%**	**18.2%**

(1) Payroll deduction loans to public sector employees.

FUNDING STRUCTURE

Funding structure					
S/ million				%chg	%chg
	06.30.21	03.31.22	06.30.22	06.30.22	06.30.22
				03.31.22	06.30.21
Deposits and obligations	45,209.3	42,885.9	43,576.8	1.6%	-3.6%
Due to banks and correspondents and inter-bank funds	8,695.5	7,237.7	7,538.4	4.2%	-13.3%
Bonds, notes and other obligations	6,876.6	6,472.1	6,568.0	1.5%	-4.5%
Total	**60,781.3**	**56,595.7**	**57,683.2**	**1.9%**	**-5.1%**
% of funding					
Deposits and obligations	74.4%	75.8%	75.5%		
Due to banks and correspondents and inter-bank funds	14.3%	12.8%	13.1%		
Bonds, notes and other obligations	11.3%	11.4%	11.4%		

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, 2022, the balance of such special funding was S/ 3,139.8 million, compared to S/ 3,688.1 million as of March 31, 2022 and S/ 5,435.3 million as of June 30, 2021.

The bank's total funding base grew 1.9% QoQ, above the 1.2% growth of interest-earning assets. This was explained by increases of 4.2% in due to banks and correspondents and inter-bank funds, 1.6% in deposits and obligations, and 1.5% in bonds, notes and other obligations. Excluding the effect of the Reactiva Peru Program's funds, the bank's total funding base and the balance of due to banks and correspondents and inter-bank funds would have grown 3.1% and 23.9% QoQ, respectively.

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

The quarterly performance of deposits and obligations was mainly due to growth of 6.4% in institutional deposits and 5.5% in commercial deposits, while retail deposits decreased 2.3%.

The QoQ increase in bonds, notes and other obligations was mainly attributable to a 3.4% increase of the foreign exchange rate with respect to 1Q22, partially offset by the maturity of local subordinated bonds for S/ 137.9 million in June 2022.

The bank's total funding base decreased 5.1% YoY, more than the 4.1% annual reduction in interest-earning assets. This was explained by decreases of 13.3% in due to banks and correspondents and inter-bank funds, 4.5% in bonds, notes and other obligations, and 3.6% in deposits and obligations. Excluding the effect of the Reactiva Peru Program's funds, the bank's total funding base would have reduced 1.5%, while due to banks and correspondents and inter-bank funds would have increased 34.9% YoY.

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

The YoY decrease in bonds, notes and other obligations was mainly attributable to a lower volume given the execution of an optional redemption of S/ 110.0 million local subordinated bonds in September 2021 and the maturity of local subordinated bonds for S/ 137.9 million in June 2022, as well as a reduction of 0.9% of the foreign exchange rate with respect to 2Q21.

The annual reduction in deposits and obligations was mainly explained by decreases of 22.2% in institutional deposits and 5.0% in commercial deposits, partially offset by an increase of 3.4% in retail deposits.

As of June 30, 2022, the proportion of deposits and obligations to total funding was 75.5%, higher than the 74.4% reported as of June 30, 2021. Likewise, the proportion of institutional deposits to total deposits decreased from 14.8% as of June 30, 2021 to 12.0% as of June 30, 2022.

Breakdown of deposits					
S/ million				%chg	%chg
	06.30.21	03.31.22	06.30.22	06.30.22	06.30.22
				03.31.22	06.30.21
By customer service:					
Retail	20,967.0	22,190.3	21,686.3	-2.3%	3.4%
Commercial	17,148.7	15,447.6	16,298.1	5.5%	-5.0%
Institutional	6,712.9	4,907.7	5,222.6	6.4%	-22.2%
Other	380.7	340.4	369.8	8.7%	-2.9%
Total	**45,209.3**	**42,885.9**	**43,576.8**	**1.6%**	**-3.6%**
By type:					
Demand	14,117.8	12,417.2	13,162.5	6.0%	-6.8%
Savings	19,580.5	21,592.0	20,596.3	-4.6%	5.2%
Time	11,505.0	8,862.0	9,812.1	10.7%	-14.7%
Other	5.9	14.7	6.0	-59.5%	1.4%
Total	**45,209.3**	**42,885.9**	**43,576.9**	**1.6%**	**-3.6%**

NET INTEREST AND SIMILAR INCOME

Net interest and similar income					
S/ million				%chg	%chg
	2Q21	1Q22	2Q22	QoQ	YoY
Interest and similar income	881.3	1,010.0	1,107.4	9.6%	25.7%
Interest and similar expense	-211.2	-261.9	-316.9	21.0%	50.0%
Net interest and similar income	**670.1**	**748.0**	**790.5**	**5.7%**	**18.0%**
NIM	**3.9%**	**4.5%**	**4.9%**	**40 bps**	**100 bps**

Interest and similar income					
S/ million				%chg	%chg
	2Q21	1Q22	2Q22	QoQ	YoY
Interest and similar income					
Due from banks and inter-bank funds	4.5	34.4	15.0	-56.4%	n.m.
Financial investments	65.4	87.4	103.2	18.1%	57.8%
Loans	811.4	888.2	989.2	11.4%	21.9%
Total Interest and similar income	**881.3**	**1,010.0**	**1,107.4**	**9.6%**	**25.7%**
Average interest-earning assets	69,157.2	66,291.2	65,097.2	-1.8%	-5.9%
Average yield on assets (annualized)	5.1%	6.1%	6.8%	70 bps	170 bps

Interest and similar expense					
S/ million				%chg	%chg
	2Q21	1Q22	2Q22	QoQ	YoY
Interest and similar expense					
Deposits and obligations	-84.1	-134.3	-184.0	37.0%	n.m.
Due to banks and correspondents and inter-bank funds	-35.3	-38.8	-42.4	9.3%	20.0%
Bonds, notes and other obligations	-91.8	-88.8	-90.5	1.9%	-1.4%
Total Interest and similar expense	**-211.2**	**-261.9**	**-316.9**	**21.0%**	**50.0%**
Average interest-bearing liabilities	61,382.6	58,306.9	57,139.5	-2.0%	-6.9%
Average cost of funding (annualized)	1.4%	1.8%	2.2%	40 bps	80 bps

QoQ Performance

Net interest and similar income grew 5.7% QoQ due to a 9.6% increase in interest and similar income, partially offset by 21.0% growth in interest and similar expense.

The higher interest and similar income was due to increases of 18.1% in interest on financial investments and 11.4% in interest on loans, partially offset by a 56.4% reduction in interest on due from banks and inter-bank funds.

Interest on financial investments increased S/ 15.8 million QoQ, or 18.1%, due to a 50 basis point increase in the average yield, from 3.4% in 1Q22 to 3.9% in 2Q22, in addition to 2.2% growth in the average volume attributed to higher balances of CDBCR.

Interest on loans grew S/ 101.0 million QoQ, or 11.4%, as the result of an 80 basis point increase in the average yield, together with 1.0% growth in the average loan portfolio.

The higher average rate on loans, from 8.3% in 1Q22 to 9.1% in 2Q22, was explained by yield increases of 90 basis points in retail loans and 40 basis points in commercial loans. The yield increase in retail loans was due to higher rates on consumer loans, while the average rate on mortgages remained stable. In the commercial portfolio, rates increased across all products, particularly trade finance and working capital loans.

The slightly higher average volume of loans was attributed to 4.2% growth in retail loans, partially offset by a decrease of 2.1% in commercial loans. Consequently, the average balance of retail loans continued to be higher than that of the commercial portfolio. In the retail portfolio, average volumes increased 5.3% in consumer loans and 2.4% in mortgages. In the commercial portfolio, average volumes decreased 4.4% in trade finance loans and 1.5% in leasing operations, while balances of short and medium-term loans remained relatively stable.

Interest on due from banks and inter-bank funds declined S/ 19.4 million QoQ, or 56.4%, explained by a 60 basis point decrease in the nominal average rate, in addition to a 14.4% reduction in the average volume due to lower deposits at the Central Bank.

The nominal average yield on interest-earning assets increased 70 basis points QoQ, from 6.1% in 1Q22 to 6.8% in 2Q22, in line with the higher returns on loans and investments.

The higher interest and similar expense was due to increases of 37.0% in interest on deposits and obligations, 9.3% in interest on due to banks and correspondents, and 1.9% in interest on bonds, notes and other obligations.

The quarterly growth in interest on deposits and obligations was due to a 50 basis point increase in the average cost, from 1.2% in 1Q22 to 1.7% in 2Q22, partially offset by a 1.6% decrease in the average volume. The increase in the average cost was due to higher rates paid to institutional deposits, commercial deposits and retail time deposits, following the Central Bank's decision to accelerate the monetary policy rate hikes. By currency, average balances of soles-denominated deposits decreased 1.0% while average dollar-denominated deposits declined 2.5%.

Interest on due to banks and correspondents increased 9.3%, explained by a 30 basis point increase in the average cost, partially compensated by a reduction of 3.7% in the average volume due to lower funding from the Central Bank and correspondent banks abroad.

The 1.9% growth in interest on bonds, notes and other obligations was mainly attributable to the effect of a higher inflation rate on the debt service of local senior bonds which are adjusted to inflation, partially offset by a lower average foreign exchange rate with respect to 1Q22.

The average cost of funding increased 40 basis points, from 1.8% in 1Q22 to 2.2% in 2Q22, as a consequence of the higher cost of deposits and due to banks.

As a result of the above, net interest margin was 4.9% in 2Q22, 40 basis points higher than the 4.5% reported in 1Q22.

<u>YoY Performance</u>

Net interest and similar income grew 18.0% YoY due to a 25.7% increase in interest and similar income, partially offset by 50.0% growth in interest and similar expense.

The higher interest and similar income was due to increases of more than three-fold in interest on due from banks and inter-bank funds, 57.8% in interest on financial investments and 21.9% in interest on loans.

Interest on due from banks and inter-bank funds grew S/ 10.5 million YoY, or more than three-fold, explained by growth of 40 basis points in the average yield, despite a 36.0% reduction in the average volume. The higher yield was attributed to the effect of a higher policy rate on the return of liquid assets, while the lower average volume was explained by lower deposits at the Central Bank.

Interest on financial investments increased S/ 37.8 million YoY, or 57.8%, due to growth of 120 basis points in the average yield and 6.8% in the average volume. The increase in the nominal average rate, from 2.7% in 2Q21 to 3.9% in 2Q22, was explained by higher returns on CDBCR and sovereign bonds. Growth in the average volume was the result of higher average balances of CDBCR, corporate bonds and sovereign bonds, partially offset by lower balances of global bonds.

Interest on loans grew S/ 177.8 million YoY, or 21.9%, explained by increases of 140 basis points in the average yield and 3.6% in the average volume.

On one hand, the increase in the average rate on loans, from 7.7% in 2Q21 to 9.1% in 2Q22, was mainly due to higher yields on consumer and commercial loans. On the other hand, the higher average volume of loans was attributed to growth of 15.4% in retail loans, partially offset by a 6.7% reduction in commercial loans. In the retail portfolio, average volumes grew due to increases of 21.1% in consumer loans and 7.4% in mortgages. In the commercial portfolio, the lower average volume was mainly attributed to decreasing volumes in working capital loans and leasing operations, despite a strong growth in trade finance loans.

The nominal average yield on interest-earning assets increased 170 basis points YoY, from 5.1% in 2Q21 to 6.8% in 2Q22, in line with the higher returns on all components of interest-earning assets.

Interest and similar expense grew 50.0% mainly due to increases of more than two-fold in interest on deposits and obligations, and 20.0% in interest on due to banks and correspondents, while interest on bonds, notes and other obligations decreased 1.4%.

Interest on deposits and obligations increased S/ 99.9 million YoY, or more than two-fold, mostly explained by a 100 basis point increase in the average cost, from 0.7% in 2Q21 to 1.7% in 2Q22. Offsetting this, the average volume of deposits declined 5.9% YoY. By currency, average balances of soles-denominated deposits decreased 9.5% while average dollar-denominated deposits increased 1.2%.

Interest on due to banks and correspondents grew S/ 7.1 million YoY, or 20.0%, following a 70 basis point increase in the average cost, from 1.6% in 2Q21 to 2.3% in 2Q22, partially compensated by a 14.9% decrease in the average volume. On one hand, the average cost increased in line with higher policy rates globally. On the other hand, the decrease in the average volume was mostly due to lower funding from correspondent banks abroad and the Central Bank.

Interest on bonds, notes and other obligations slightly decreased due to the redemption of S/ 110.0 million subordinated bonds in the local market in September 2021 and the maturity of S/ 137.9 million subordinated bonds in the local market in June 2022, in addition to the effect of a 1.2% reduction of the average foreign exchange rate with respect to 2Q21.

The average cost of funding increased 80 basis points, from 1.4% in 2Q22 to 2.2% in 2Q22, as a result of the higher implicit cost of deposits and due to banks and correspondents.

As a result of the above, net interest margin was 4.9% in 2Q22, 100 basis points higher than the 3.9% reported in 2Q21.

IMPAIRMENT LOSS ON LOANS, NET OF RECOVERIES

Impairment loss on loans, net of recoveries increased 27.5% QoQ and 8.7% YoY.

The quarterly performance was explained by higher provision requirements in the retail loan book, partially offset by lower provisions requirements in the commercial loan book. In the retail portfolio, the increase in provisions was mainly driven by higher requirements in credit cards. Conversely, the decrease in provisions in the commercial portfolio was explained by lower requirements in loans to the mid-sized and corporate segments.

The annual increase in provisions was mainly explained by higher requirements in the retail loan book as well as in the commercial loan book. Growth in provisions requirements occurred across all components of the loan portfolio.

As a result of the above, the annualized ratio of impairment loss on loans to average loans was 1.8% in 2Q22, higher than the 1.4% and 1.7% reported in 1Q22 and 2Q21, respectively.

Impairment loss on loans, net of recoveries

S/ million	2Q21	1Q22	2Q22	%chg QoQ	%chg YoY
Impairment loss on loans, net of recoveries	-177.9	-151.7	-193.4	27.5%	8.7%
Impairment loss on loans/average gross loans	1.7%	1.4%	1.8%	40 bps	10 bps
S3 NPL ratio (at end of period)	2.9%	2.9%	2.6%	-30 bps	-30 bps
S3 NPL coverage ratio (at end of period)	210.1%	168.7%	185.9%	n.m.	n.m.
Impairment allowance for loans	2,466.8	2,038.7	2,044.1	0.3%	-17.1%

The Stage 3 NPL ratio decreased 30 basis points QoQ and YoY, to 2.6% in 2Q22. The quarterly reduction was due to a 90 basis point decrease in commercial loans' NPL, while the NPL ratio for the retail portfolio increased 10 basis points. The lower Stage 3 NPL ratio YoY was explained by a 130 basis point decrease in retail loans' NPL, partially offset by a 50 basis point increase in the NPL ratio for the commercial portfolio.

Furthermore, the S3 NPL coverage ratio was 185.9% as of June 30, 2022, higher than the 168.7% reported as of March 31, 2022, but lower than the 210.1% registered as of June 30, 2021.

FEE INCOME FROM FINANCIAL SERVICES, NET

Net fee income from financial services grew S/ 6.9 million QoQ, or 3.8%, mainly explained by higher commissions from credit card 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 factors were partially offset by lower commissions from banking services.

Net fee income from financial services increased S/ 27.2 million YoY, or 16.7%, mainly due to higher commissions from credit card services, fees from maintenance and mailing of accounts, transfer fees and commissions on debit card services, in addition to increased fees from collection services and fees from indirect loans. Meanwhile, commissions from banking services remained relatively stable YoY.

Fee income from financial services, net					
S/ million	2Q21	1Q22	2Q22	%chg QoQ	%chg YoY
Income					
Commissions from credit card services	70.8	95.5	105.1	10.1%	48.4%
Commissions from banking services	76.4	79.8	76.7	-3.9%	0.4%
Maintenance and mailing of accounts, transfer fees and commissions on debit card services	55.0	60.1	64.5	7.4%	17.2%
Fees from indirect loans	16.2	15.7	18.7	19.4%	15.3%
Collection services	12.8	13.8	15.4	11.9%	20.7%
Other	18.3	10.6	14.7	38.5%	-19.4%
Total income	**249.6**	**275.5**	**295.2**	**7.2%**	**18.3%**
Expenses					
Insurance	-26.1	-25.5	-25.0	-1.9%	-4.1%
Fees paid to foreign banks	-11.3	-5.7	-6.4	11.8%	-43.5%
Other	-49.2	-61.1	-73.7	20.6%	49.7%
Total expenses	**-86.6**	**-92.4**	**-105.1**	**13.8%**	**21.3%**
Fee income from financial services, net	**162.9**	**183.2**	**190.1**	**3.8%**	**16.7%**

OTHER INCOME

Other income grew S/ 2.9 million QoQ, mainly explained by a higher net gain on foreign exchange transactions and on financial assets at fair value through profit or loss, partially offset by a higher net loss on sale of financial investments.

Other income decreased S/ 17.9 million YoY mostly due to a lower net gain on foreign exchange transactions and on financial assets at fair value through profit or loss, as well as a lower net gain on sale of financial investments.

Other income					
S/ million	2Q21	1Q22	2Q22	%chg QoQ	%chg YoY
Net gain on foreign exchange transactions and on financial assets at fair value through profit or loss	107.8	79.6	86.8 (1)	9.1%	-19.5%
Net gain on sale of financial investments	6.5	-3.3	-4.9	51.5%	n.m.
Other	17.5	34.8	32.1	-7.7%	83.4%
Total other income	**131.9**	**111.1**	**114.0**	**2.6%**	**-13.6%**

(1) Includes S/ 23.3 million of net gain on foreign exchange transactions and S/ 63.4 million of net gain (loss) on financial assets at fair value though profit or loss (derivatives).

OTHER EXPENSES

Other expenses increased S/ 26.4 million QoQ, or 5.8%, and S/ 61.3 million YoY, or 14.6%.

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

It is important to note that an important driver of expense growth was related to investments in IT and new business ventures, in addition to variable costs associated with a higher level of marketing and credit cards activity.

The efficiency ratio was 42.3% in 2Q22, compared to the 41.7% reported in 1Q22 and the 42.5% registered in 2Q21.

Other expenses					
S/ million	2Q21	1Q22	2Q22	%chg QoQ	%chg YoY
Salaries and employee benefits	-157.4	-162.8	-171.3	5.2%	8.8%
Administrative expenses	-194.9	-210.5	-226.7	7.7%	16.3%
Depreciation and amortization	-58.0	-61.1	-64.8	6.1%	11.6%
Other	-9.2	-20.1	-18.1	-9.9%	97.1%
Total other expenses	**-419.6**	**-454.5**	**-480.9**	**5.8%**	**14.6%**
Efficiency ratio	**42.5%**	**41.7%**	**42.3%**	**60 bps**	**-20 bps**

REGULATORY CAPITAL

The ratio of regulatory capital to risk-weighted assets (RWA) was 15.2% as of June 30, 2022, below the 15.5% reported as of March 31, 2022 and the 16.5% registered as of June 30, 2021.

In 2Q22, RWA grew 3.8% QoQ due to higher capital requirements for credit risk and operating risk. The higher RWA for credit risk were attributed to an increase of RWA for loans and other assets, partially offset by lower RWA for financial investments. On the other hand, regulatory capital increased 2.4% QoQ attributed mainly to lower unrealized loss on investments available for sale compared to 1Q22, in addition to the effect of a higher foreign exchange rate on the balance of subordinated, dollar-denominated bonds.

The annual reduction in the total capital ratio was due to a 10.3% increase in RWA, partially offset by 1.9% growth in regulatory capital. The YoY increase in RWA was mostly attributed to higher capital requirements for credit risk and operating risk. RWA for credit risk grew due to higher RWA for loans and investments, in addition to a higher risk weight applied to intangible assets by disposition of the SBS, with impact on the bank's increasing digital investments.

Regulatory capital increased YoY mainly as a result of the addition of S/ 780.0 million in capital, reserves and earnings with capitalization agreement during the last twelve months. These effects were partially compensated by higher unrealized loss on investments available for sale, the execution of an optional redemption of S/ 110.0 million local subordinated bonds in September 2021 and the maturity of local subordinated bonds for S/ 137.9 million in June 2022.

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 was reduced from 10% to 8%. Subsequently, the Decree N°003-2022 stated that the minimum regulatory capital requirement must be maintained at 8% until August 2022 and then raised to 8.5% until March 2023, when the 10% minimum would be restored.

As of June 30, 2022, Interbank's capital ratio of 15.2% was significantly higher than its risk-adjusted minimum capital ratio requirement, established at 9.0%. As previously mentioned, the minimum regulatory capital ratio requirement was 8.0%, while the additional capital requirement for Interbank was 1.0% as of June 30, 2022. Furthermore, Core Equity Tier 1 (CET1) was 11.1% as of June 30, 2022, above the 10.9% registered as of March 31, 2022, but below the 11.5% reported as of June 30, 2021.

Regulatory capital					
S/ million	06.30.21	03.31.22	06.30.22	%chg 06.30.22 03.31.22	%chg 06.30.22 06.30.21
Tier I capital	6,098.5	6,302.4	6,420.8	1.9%	5.3%
Tier II capital	2,917.4	2,675.5	2,768.6	3.5%	-5.1%
Total regulatory capital	9,015.8	8,977.9	9,189.4	2.4%	1.9%
Risk-weighted assets (RWA)	54,664.5	58,039.6	60,267.7	3.8%	10.3%
Total capital ratio	**16.5%**	**15.5%**	**15.2%**	**-30 bps**	**-130 bps**
Tier I capital / RWA	**11.2%**	**10.9%**	**10.7%**	**-20 bps**	**-50 bps**
CET1	**11.5%**	**10.9%**	**11.1%**	**20 bps**	**-40 bps**

Interseguro

SUMMARY

Interseguro's profits reached S/ 77.0 million in 2Q22, an increase of S/ 38.4 million QoQ, but a decrease of S/ 31.9 million compared to 2Q21.

The quarterly growth was mainly explained by a S/ 37.3 million increase in other income, mostly related to higher net gain on valuation of real estate investments and rental income, yet partially offset by a net trading loss.

The annual performance in bottom-line results was mainly due to a reduction of S/ 62.5 million in other income, in addition to an increase of S/ 17.7 million in other expenses. These effects were partially compensated by improvements of S/ 50.6 million in net interest and similar income and S/ 7.9 million in translation result.

As a result of the contribution of other income, Interseguro's ROE was 31.6% in 2Q22, an improvement compared to the 15.7% registered in 1Q22, but lower than the extraordinary high-level of 43.2% reported in 2Q21.

Insurance Segment's P&L Statement					
S/ million	2Q21	1Q22	2Q22	%chg QoQ	%chg YoY
Interest and similar income	190.3	202.6	249.9	23.3%	31.3%
Interest and similar expenses	-22.6	-30.7	-31.6	2.8%	39.5%
Net Interest and similar income	**167.7**	**171.9**	**218.3**	**27.0%**	**30.2%**
Recovery (loss) due to impairment of financial investments	-6.4	5.1	-0.2	n.m.	-97.5%
Net Interest and similar income after impairment loss	**161.3**	**177.0**	**218.2**	**23.3%**	**35.3%**
Fee income from financial services, net	0.3	-2.1	-1.4	-33.5%	n.m.
Other income	83.1	-16.7	20.6	n.m.	-75.2%
Total premiums earned minus claims and benefits	-45.9	-20.7	-60.7	193.1%	32.2%
Net premiums	225.0	272.3	234.0	-14.1%	4.0%
Adjustment of technical reserves	-46.0	-94.9	-75.3	-20.7%	63.7%
Net claims and benefits incurred	-225.0	-198.1	-219.4	10.7%	-2.5%
Other expenses	-79.8	-99.3	-97.5	-1.9%	22.2%
Income before translation result and income tax	**119.0**	**38.2**	**79.2**	**107.3%**	**-33.5%**
Translation result	-10.1	0.4	-2.2	n.m.	-78.2%
Income tax	-	-	-	n.m.	n.m.
Profit for the period	**108.9**	**38.6**	**77.0**	**99.2%**	**-29.3%**
ROE	**43.2%**	**15.7%**	**31.6%**		
Efficiency ratio	**9.9%**	**15.9%**	**12.3%**		

RESULTS FROM INVESTMENTS

Results from Investments [1]					
S/ million	2Q21	1Q22	2Q22	%chg QoQ	%chg YoY
Interest and similar income	190.3	202.6	249.9	23.3%	31.3%
Interest and similar expenses	-9.9	-18.2	-19.2	5.5%	92.9%
Net interest and similar income	**180.4**	**184.4**	**230.7**	**25.1%**	**27.9%**
Recovery (loss) due to impairment of financial investments	-6.4	5.1	-0.2	n.m.	-97.5%
Net Interest and similar income after impairment loss	**174.0**	**189.5**	**230.6**	**21.7%**	**32.5%**
Net gain (loss) on sale of financial investments	8.6	-7.3	-4.7	-35.2%	n.m.
Net gain (loss) on financial assets at fair value through profit or loss	36.4	2.5	-77.1	n.m.	n.m.
Rental income	14.8	16.4	36.6	n.m.	n.m.
Gain on sale of investment property	-	-	-	n.m.	n.m.
Valuation gain (loss) from investment property	21.1	-30.8	59.7	n.m.	n.m.
Other[1]	-1.0	-4.5	-5.0	11.7%	n.m.
Other income	**79.8**	**-23.7**	**9.4**	**n.m.**	**-88.2%**
Results from investments	**253.7**	**165.8**	**240.0**	**44.7%**	**-5.4%**

(1) Only includes transactions related to investments.

NET INTEREST AND SIMILAR INCOME

Net interest and similar income related to investments was S/ 230.7 million in 2Q22, an increase of S/ 46.3 million or 25.1% QoQ, and S/ 50.3 million or 27.9% YoY.

The quarterly and annual performances were mainly explained by increases of S/ 47.3 million and S/ 59.6 million in interest and similar income, respectively, mostly associated with higher dividends received, higher interest rates, and higher inflation rates.

RECOVERY (LOSS) DUE TO IMPAIRMENT OF FINANCIAL INVESTMENTS

Loss due to impairment of financial investments was S/ -0.2 million in 2Q22, compared to a recovery of S/ 5.1 million in 1Q22 and a loss of S/ -6.4 million in 2Q21.

The decrease in recovery due to impairment of financial investments was explained by an extraordinary recovery on a fixed income investment in 1Q22.

OTHER INCOME

Other income related to investments was S/ 9.4 million in 2Q22, compared to a loss of S/ -23.7 million in 1Q22 and a high level of S/ 79.8 million reported in 2Q21.

The quarterly performance was mainly due to an increase of S/ 90.5 million in valuation gain (loss) from investment property, partially offset by a decrease of S/ 79.6 million in net gain (loss) on financial assets at fair value through profit or loss.

The annual decrease was explained by reductions of S/ 113.5 million in net gain (loss) on financial assets at fair value through profit or loss and S/ 13.3 million in net gain (loss) on sale of financial investments, partially compensated by an increase of S/ 38.6 million in valuation gain (loss) from investment property.

TOTAL PREMIUMS EARNED MINUS CLAIMS AND BENEFITS

Total Premiums Earned Minus Claims And Benefits					
S/ million	2Q21	1Q22	2Q22	%chg QoQ	%chg YoY
Net premiums	225.0	272.3	234.0	-14.1%	4.0%
Adjustment of technical reserves	-46.0	-94.9	-75.3	-20.7%	63.7%
Net claims and benefits incurred	-225.0	-198.1	-219.4	10.7%	-2.5%
Total premiums earned minus claims and benefits	**-45.9**	**-20.7**	**-60.7**	**n.m.**	**32.2%**

Total premiums earned minus claims and benefits were S/ -60.7 million in 2Q22, a deterioration of S/ 40.0 million QoQ and S/ 14.8 million YoY.

The quarterly result was mainly explained by a reduction of S/ 38.3 million in net premiums, while a lower adjustment of technical reserves offset an increase in net claims and benefits incurred.

The annual performance was due to growth of S/ 29.3 million in adjustment of technical reserves, partially compensated by a S/ 9.0 million increase in net premiums and a S/ 5.6 million decrease in net claims and benefits incurred.

NET PREMIUMS

Net Premiums by Business Line					
S/ million	2Q21	1Q22	2Q22	%chg QoQ	%chg YoY
Annuities	130.4	151.3	109.2	-27.8%	-16.2%
D&S	0.0	0.0	0.0	0.0%	-36.1%
Individual Life	41.3	49.7	51.1	2.9%	23.7%
Retail Insurance	53.2	71.3	73.6	3.2%	38.2%
Net Premiums	**225.0**	**272.3**	**234.0**	**-14.1%**	**4.0%**

Net premiums were S/ 234.0 million in 2Q22, a decrease of S/ 38.3 million, or 14.1% QoQ, but an increase of S/ 9.0 million, or 4.0% YoY.

The quarterly result was mainly due to S/ 42.1 million lower annuities, partially offset by growth of S/ 2.3 million in individual life premiums and S/ 1.4 million in retail insurance.

The annual performance in net premiums was mainly due to an increase of S/ 9.8 million in individual life premiums, while a decrease of S/ 21.2 million in annuities was offset by an increase of S/ 20.4 million in retail insurance.

ADJUSTMENT OF TECHNICAL RESERVES

Adjustment of Technical Reserves by Business Line					
S/ million	2Q21	1Q22	2Q22	%chg QoQ	%chg YoY
Annuities	-22.5	-73.5	-60.6	-17.5%	n.m.
Individual Life	-25.2	-9.6	-9.4	-2.3%	-62.8%
Retail Insurance	1.7	-11.8	-5.3	-55.3%	n.m.
Adjustment of technical reserves	**-46.0**	**-94.9**	**-75.3**	**-20.7%**	**63.7%**

Adjustment of technical reserves was S/ 75.3 million in 2Q22, a decrease of S/ 19.6 million QoQ, but an increase of S/ 29.3 million YoY.

The quarterly reduction was explained by decreases of S/ 12.9 million in technical reserves for annuities, mostly attributed to the effect of lower sales, S/ 6.5 million in technical reserves for retail insurance, explained by credit card protection, and S/ 0.2 million in technical reserves for individual life products.

The annual performance in adjustment of technical reserves was explained by S/ 38.1 million higher technical reserves for annuities and S/ 7.0 million higher reserves for retail insurance, partially offset by a S/ 15.8 million reduction in technical reserves for individual life products.

NET CLAIMS AND BENEFITS INCURRED

Net Claims and Benefits Incurred by Business Line					
S/ million	2Q21	1Q22	2Q22	%chg QoQ	%chg YoY
Annuities	-180.4	-187.7	-184.9	-1.5%	2.5%
D&S	-0.3	-0.6	-0.0	n.m.	n.m.
Individual Life	-11.9	-3.0	-2.9	-1.4%	-75.5%
Retail Insurance	-32.4	-7.0	-31.6	n.m.	-2.3%
Net claims and benefits incurred	**-225.0**	**-198.1**	**-219.4**	**10.7%**	**-2.5%**

Net claims and benefits incurred reached S/ 219.4 million in 2Q22, an increase of S/ 21.3 million QoQ, but a decrease of S/ 5.6 million YoY.

The quarterly result was attributed to a S/ 24.6 million increase in retail insurance claims, mainly explained by credit life insurance associated with COVID-19 mortality in Peru.

The annual performance was mainly explained by a positive development of S/ 9.0 million in individual life claims, partially offset by S/ 4.5 million higher annuity benefits.

OTHER EXPENSES

Other Expenses					
S/ million	2Q21	1Q22	2Q22	%chg QoQ	%chg YoY
Salaries and employee benefits	-22.7	-27.2	-25.9	-4.8%	14.3%
Administrative expenses	-13.7	-19.1	-16.3	-14.8%	19.1%
Depreciation and amortization	-6.3	-6.1	-6.4	5.5%	2.5%
Expenses related to rental income	-0.7	-0.6	-3.8	n.m.	n.m.
Other	-36.4	-46.2	-45.0	-2.7%	23.5%
Other expenses	**-79.8**	**-99.3**	**-97.5**	**-1.9%**	**22.2%**

Other expenses decreased S/ 1.8 million QoQ, or 1.9%, and grew S/ 17.7 million YoY, or 22.2%.

The quarterly reduction was mainly due to decreases of S/ 2.8 million in administrative expenses and S/ 1.3 million in salaries and employee benefits, partially offset by increases of S/ 3.2 million in expenses related to rental income and S/ 0.3 million in depreciation and amortization charges.

The annual performance in other expenses was mainly due to increases of S/ 3.2 million in salaries and employee benefits, S/ 3.1 million in expenses related to rental income, and S/ 2.6 million in administrative expenses, as well as in other third-party commissions.

Inteligo

SUMMARY

Inteligo's bottom-line result in 2Q22 was S/ -120.3 million, a negative development compared to the previous quarter and the same quarter of the previous year.

The quarterly performance was mainly explained by a mark-to-market loss on proprietary portfolio investments. Other effects that contributed to the negative result were a 7.6% decrease in net interest and similar income, and a 0.7% increase in other expenses, partially offset by a 9.3% increase in net fee income from financial services.

The annual performance was mainly attributable to a negative development in other income due to a loss in net trading gain in 2Q22 compared to 2Q21. Other factors that impacted the YoY performance were decreases of 19.2% in net interest and similar income and 9.2% in fees, as well as a 6.6% increase in other expenses.

From a business development perspective, Inteligo's prospection process continued to show positive results in terms of new account openings and assets under management growth in Private Wealth Management. However, these results were offset by outflows in mutual funds on a YoY basis and the lower mark-to-market valuation of assets under management. Consequently, Inteligo's AUM increased 0.5% QoQ, but decreased 5.0% YoY as of June 30, 2022.

Inteligo's ROE and efficiency ratio in 2Q21 were not meaningful due to the significant impact of the mark-to-market loss within other income.

Wealth Management Segment's P&L Statement					
S/ million	2Q21	1Q22	2Q22	%chg QoQ	%chg YoY
Interest and similar income	39.3	35.3	34.6	-1.8%	-11.8%
Interest and similar expenses	-9.5	-9.3	-10.6	14.2%	11.3%
Net interest and similar income	**29.7**	**26.0**	**24.0**	**-7.6%**	**-19.2%**
Impairment loss on loans, net of recoveries	0.0	2.1	0.1	-93.6%	n.m.
Recovery (loss) due to impairment of financial investments	-0.9	-3.0	0.5	n.m.	n.m.
Net interest and similar income after impairment loss	**28.8**	**25.1**	**24.7**	**-1.8%**	**-14.5%**
Fee income from financial services, net	49.1	40.8	44.6	9.3%	-9.2%
Other income	52.3	-24.3	-147.0	n.m.	n.m.
Other expenses	-33.9	-35.9	-36.1	0.7%	6.6%
Income before translation result and income tax	**96.3**	**5.7**	**-113.9**	**n.m.**	**n.m.**
Translation result	-4.3	-3.1	-5.3	69.6%	21.5%
Income tax	-2.4	0.4	-1.1	n.m.	-52.9%
Profit for the period	**89.6**	**3.0**	**-120.3**	**n.m.**	**n.m.**
ROE	**30.4%**	**1.0%**	**n.m.**		
Efficiency ratio	**25.5%**	**83.9%**	**n.m.**		

ASSETS UNDER MANAGEMENT & DEPOSITS

AUM reached S/ 21,423.8 million in 2Q22, a S/ 116.8 million or 0.5% increase QoQ but a S/ 1,133.9 million or 5.0% decrease YoY, mostly explained by outflows in mutual funds.

Client deposits were S/ 3,943.2 million in 2Q22, a S/ 108.4 million or 2.8% growth QoQ, but a S/ 652.3 million or 14.2% decrease YoY. The yearly decrease was mainly due to the conversion of cash positions from clients, received amid political uncertainty in Peru during 2021, to investments in securities during 2022.

NET INTEREST AND SIMILAR INCOME

Net interest and similar income					
S/ million	2Q21	1Q22	2Q22	%chg QoQ	%chg YoY
Interest and similar income					
Due from banks and inter-bank funds	1.0	1.9	2.0	5.9%	99.9%
Financial Investments	22.1	18.6	16.3	-11.9%	-26.1%
Loans	16.2	14.9	16.3	9.7%	0.9%
Total interest and similar income	**39.3**	**35.3**	**34.6**	**-1.8%**	**-11.8%**
Interest and similar expenses					
Deposits and obligations	-8.4	-8.4	-8.4	-0.3%	-0.6%
Due to banks and correspondents	-1.1	-0.9	-2.3	n.m.	n.m.
Total interest and similar expenses	**-9.5**	**-9.3**	**-10.6**	**14.2%**	**11.3%**
Net interest and similar income	**29.7**	**26.0**	**24.0**	**-7.6%**	**-19.2%**

Inteligo's net interest and similar income was S/ 24.0 million in 2Q22, a S/ 2.0 million, or 7.6% decrease when compared with 1Q22, mainly explained by lower coupons and dividends received from Inteligo's investment portfolio, and higher interest expenses on credit lines from banks.

Net interest and similar income decreased S/ 5.7 million YoY, or 19.2%, mainly because of lower income from financial investments.

FEE INCOME FROM FINANCIAL SERVICES

Fee income from financial services, net					
S/ million	2Q21	1Q22	2Q22	%chg QoQ	%chg YoY
Income					
Brokerage and custody services	3.1	3.2	2.5	-22.2%	-21.5%
Funds management	46.5	38.2	42.8	12.0%	-8.0%
Total income	**49.7**	**41.4**	**45.3**	**9.4%**	**-8.9%**
Expenses					
Brokerage and custody services	-0.3	-0.3	-0.2	-47.2%	-47.9%
Others	-0.3	-0.2	-0.5	n.m.	n.m.
Total expenses	**-0.6**	**-0.6**	**-0.7**	**19.1%**	**16.7%**
Fee income from financial services, net	**49.1**	**40.8**	**44.6**	**9.3%**	**-9.2%**

Net fee income from financial services was S/ 44.6 million in 2Q22, an increase of S/ 3.8 million, or 9.3% when compared to the previous quarter, mainly explained by higher fees from the funds management business.

On a YoY basis, net fee income from financial services decreased S/ 4.5 million, or 9.2%, mainly due to lower fees from funds management and brokerage and custody services.

OTHER INCOME

Other income					
S/ million	2Q21	1Q22	2Q22	%chg QoQ	%chg YoY
Net gain on sale of financial investments	0.3	-24.8	-6.8	-72.7%	n.m.
Net trading gain (loss)	45.9	1.0	-140.8	n.m.	n.m.
Other	6.1	-0.5	0.6	n.m.	-89.6%
Total other income	**52.3**	**-24.3**	**-147.0**	**n.m.**	**n.m.**

Inteligo's other income (loss) reached S/ -147.0 million in 2Q22, compared to S/ -24.3 million in 1Q22, mainly attributable to a mark-to-market loss, in turn attributable to negative global market trends. The YoY reversion in net trading gain also explained the negative performance in other income when compared with 2Q21.

OTHER EXPENSES

Other expenses					
S/ million	2Q21	1Q22	2Q22	%chg QoQ	%chg YoY
Salaries and employee benefits	-20.0	-20.9	-21.1	0.9%	5.3%
Administrative expenses	-9.8	-11.1	-11.3	1.3%	15.0%
Depreciation and amortization	-3.7	-3.7	-3.7	0.3%	0.2%
Other	-0.4	-0.2	-0.1	-43.3%	-70.2%
Total other expenses	**-33.9**	**-35.9**	**-36.1**	**0.7%**	**6.6%**
Efficiency ratio	**25.5%**	**83.9%**	**n.m.**		

Other expenses reached S/ 36.1 million in 2Q22, a slight increase of S/ 0.3 million or 0.7% QoQ, mainly due to higher personnel and administrative expenses.

On a yearly basis, other expenses increased S/ 2.2 million, or 6.6% YoY, mainly as a result of S/ 1.5 million higher administrative expenses, in addition to higher salaries and benefits to employees.

Izipay

SUMMARY

Izipay's profits were S/ 12.6 million in 2Q22, a 17.1% decrease QoQ, but an increase of 22.3% YoY.

In 2Q22, the quarterly growth in income from payments acquirer was compensated by higher service costs due to increases in acquirer license fees and expenses related to customer acquisition.

The annual performance was mainly explained by 35.8% 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 66%, respectively. These factors were partially offset by a 42.3% increase in other expenses, mainly due to higher administrative expenses given the sharp rise in business activity.

Izipay's ROE was 26.9% in 2Q22, lower than the 35.1% and 30.5% reported in 1Q22 and 2Q21, respectively.

Payments P&L Statement[(1)]					
S/ million	2Q21	1Q22	2Q22	%chg QoQ	%chg YoY
Interest and similar income	0.0	0.0	0.2	n.m.	n.m.
Interest and similar expenses	-0.6	-0.5	-0.5	-5.8%	-23.7%
Net interest and similar income	**-0.6**	**-0.5**	**-0.3**	**-47.0%**	**-59.5%**
Impairment loss on loans, net of recoveries	-	-	-	n.m.	n.m.
Recovery (loss) due to impairment of financial investments	-	-	-	n.m.	n.m.
Net interest and similar income after impairment loss	**-0.6**	**-0.5**	**-0.3**	**-47.0%**	**-59.5%**
Fee income from financial services, net	53.3	72.2	72.3	0.2%	35.8%
Other income	7.7	8.6	8.5	-1.2%	9.8%
Other expenses	-43.4	-54.0	-61.8	14.4%	42.3%
Income before translation result and income tax	**16.9**	**26.3**	**18.8**	**-28.7%**	**10.8%**
Translation result	-1.1	-3.0	1.7	n.m.	n.m.
Income tax	-5.5	-8.3	-8.0	-3.6%	43.9%
Profit for the period	**10.3**	**15.1**	**12.6**	**-17.1%**	**22.3%**
ROE	**30.5%**	**35.1%**	**26.9%**		
Efficiency ratio	**54.6%**	**54.6%**	**63.6%**		

(1) Proforma for 2Q21 and 1Q22. Please see important disclosure on page 2

FEE INCOME FROM FINANCIAL SERVICES, NET

Fee income from financial services, net					
S/ million	2Q21	1Q22	2Q22	%chg QoQ	%chg YoY
Income					
Payments acquirer	86.5	137.8	151.3	9.8%	74.9%
Correspondent banking	9.9	10.3	10.7	3.6%	8.3%
Credit cards processor	6.9	7.2	7.1	-1.3%	3.5%
Total income	**103.3**	**155.3**	**169.2**	**8.9%**	**63.7%**
Expenses					
Service Cost	-50.1	-83.1	-96.8	16.5%	93.4%
Total expenses	**-50.1**	**-83.1**	**-96.8**	**16.5%**	**93.4%**
Fee income from financial services, net	**53.3**	**72.2**	**72.3**	**0.2%**	**35.8%**

Net fee income from financial services was S/ 72.3 million in 2Q22, a slight increase of S/ 0.1 million QoQ, or 0.2%, mainly affected by higher acquirer license fees within the service cost, as a result of increased transactional volumes of foreign cards.

On a YoY basis, net fee income from financial services grew S/ 19.0 million, or 35.8%, mainly explained by higher transactional volumes in the acquirer business that resulted in an increase in income from payments acquirer of 74.9%. This effect was partially compensated by an increase of almost two-fold in service costs, associated with a higher level of business activity.

OTHER EXPENSES

Other expenses					
S/ million	2Q21	1Q22	2Q22	%chg QoQ	%chg YoY
Salaries and employee benefits	-12.9	-15.0	-17.1	14.2%	32.5%
Administrative expenses	-13.6	-20.3	-24.6	21.0%	80.6%
Depreciation and amortization	-6.4	-8.6	-9.6	11.7%	49.0%
Other	-10.5	-10.1	-10.5	4.1%	0.5%
Total other expenses	**-43.4**	**-54.0**	**-61.8**	**14.4%**	**42.3%**
Efficiency ratio	**54.6%**	**54.6%**	**63.6%**		

Other expenses reached S/ 61.8 million in 2Q22, an increase of S/ 7.8 million or 14.4% QoQ, mostly due to higher administrative expenses related to customer acquisition.

On a yearly basis, other expenses grew S/ 18.4 million or 42.3% YoY, mainly as a result of higher administrative expenses due to an increase of customer acquisition, as well as higher salaries and benefits to employees, and depreciation and amortization charges.