

Intercorp Financial Services Inc. First Quarter 2024 Earnings

Lima, Peru, May 13, 2024. Intercorp Financial Services Inc. (Lima Stock Exchange/NYSE: IFS) announced today its unaudited results for the first quarter 2024. These results are reported on a consolidated basis under IFRS in nominal Peruvian soles.

Intercorp Financial Services: 1Q24 earnings impacted by investment results and still high CoR

- Banking results partially compensate extraordinary impacts on insurance
- Revenue growth of 2% YoY and an ROE of 5.6% for the quarter
- Customer base growth continues across businesses
- Tight management of costs reflected in solid efficiency levels

Banking: Gradual improvement of CoR translates into better results for IBK

- Growth in lower-risk products and segments, due to tightening of credit standards
- Increasing market share relevance in targeted key products
- CoR still high at 4.7% but recovering from previous quarter
- Loan book boosted by Impulso MyPeru: S/ 965 disbursed by Interbank
- Better cost of funds amid lower market rates, although loan mix puts pressure on NIM

Insurance: 1Q24 results negatively impacted by non-recurrent events

- Negative non-recurring impacts in 1Q24.
- Market leader in annuities with a 31.3% share in 1Q24.
- For periods prior to 2023, a reconstruction of results appropriate to the first adoption of IFRS17 has been performed for comparative purposes.

Wealth Management: AUM growth and subtle recovery of investment portfolio

- Sequential recovery of fee income, as continued growth in AUM: 3.6% QoQ and 10.2% YoY.
- Significant QoQ decrease in other expenses driven by lower salaries and employee benefits and administrative expenses.
- Slight recovery of investment portfolio and more consistent results.

Payments: Resilient business activity

- Payments acquirer fees decreased 6.3% QoQ and increased 0.7% YoY.
- Number of affiliated merchants and transactional volumes continue to expand.
- Float to Interbank continues to increase.
- Share of e-commerce transactions within Izipay grew from 15.6% to 18.6% YoY.

Intercorp Financial Services

SUMMARY

1Q24 Performance

Intercorp Financial Services' net profit was S/ 141.1 million in 1Q24, a decrease of S/ 144.7 million QoQ, or 50.8%, and S/ 124.9 million YoY, or 47.1%. IFS's annualized ROE was 5.6% in 1Q24, below the 11.6% reported in 4Q23 and the 11.5% registered in 1Q23.

Intercorp Financial Services' P&L statement					
S/ million	1Q23	4Q23	1Q24	%chg QoQ	%chg YoY
Interest and similar income	1,658.0	1,805.0	1,800.2	-0.3%	8.6%
Interest and similar expenses	-584.6	-681.5	-667.0	-2.1%	14.1%
Net interest and similar income	1,073.5	1,123.5	1,133.2	0.9%	5.6%
Impairment loss on loans, net of recoveries	-367.6	-616.2	-548.9	-10.9%	49.3%
Recovery (loss) due to impairment of financial investments	-13.2	0.8	-38.7	n.m.	n.m.
Net interest and similar income after impairment loss	692.7	508.1	545.5	7.4%	-21.3%
Fee income from financial services, net	301.3	287.8	268.3	-6.8%	-11.0%
Other income	143.1	224.4	147.7	-34.2%	3.2%
Insurance results	-91.3	-24.1	-83.3	n.m.	-8.7%
Other expenses	-680.1	-691.2	-690.3	-0.1%	1.5%
Income before translation result and income tax	365.7	304.9	187.8	-38.4%	-48.7%
Translation result	5.6	18.4	-4.9	n.m.	n.m.
Income tax	-104.4	-37.2	-41.7	12.2%	-60.0%
Profit for the period	266.9	286.1	141.1	-50.7%	-47.1%
Attributable to IFS' shareholders	265.1	284.9	140.2	-50.8%	-47.1%
EPS	2.30	2.49	1.22		
ROE	11.5%	11.6%	5.6%		
ROA	1.2%	1.3%	0.6%		
Efficiency ratio	37.1%	36.2%	37.3%		

Quarter-on-quarter performance

Profits decreased S/ 144.7 million QoQ, or 50.8%, mainly due to a S/ 76.7 million decrease in other income, a S/ 59.2 million reduction in insurance results, a 39.5 million increase in impairment of financial investments, which occurred in the Insurance business, and a S/ 19.5 million contraction of fee income from financial services. These effects were partially compensated by a reduction of S/ 67.3 million in loan loss provisions and an increase in net interest and similar income of S/ 9.7 million.

Other income decreased S/ 76.7 million QoQ, mainly explained by a decrease of S/ 68.8 million in our Insurance business mainly as a result of non-recurring events, S/ 13.0 million in our Payments business, S/ 5.1 million in our Wealth Management business and S/ 2.8 million in our Banking business.

Insurance results showed a decline from S/ -24.1 million in 4Q23 to S/ -83.3 million in 1Q24, as a result of higher insurance expenses related to annuities, in turn related to an adjustment of S/ -22.6 millions in accounting assumptions.

Impairment loss on loans, net of recoveries, decreased S/ 67.3 million QoQ, or 10.9%, explained by lower provision requirements in both commercial and retail loan portfolios of our Banking business.

Other expenses decreased S/ 0.9 million QoQ, or 0.1%, mainly as a result of lower administrative expenses, partially offset by higher salaries and employee benefits and depreciation and amortization charges.

Net interest and similar income increased S/ 9.7 million QoQ, or 0.9%. This was explained by an increase of S/ 32.0 million in the Insurance results, related to carry interest from the proprietary portfolio of investments. However, this effect was partially offset by a decrease of S/ 22.8 million in our Banking business, which was related to a change in the composition of the loan portfolio.

Year-on-year performance

Profits decreased S/ 124.9 million YoY, or 47.1%, mainly due to a reduction of S/ 181.3 million in impairment loss on loans, net of recoveries, in addition to decreases of S/ 33.0 million in net fee income from financial services, and S/ 25.5 million loss in impairment of financial investments, which mainly occurred in our insurance business. These factors were partially offset by an increase of S/ 59.7 million in net interest and similar income other income, and a reduction of S/ 62.7 million in income tax.

Impairment loss on loans, net of recoveries increased S/ 181.3 million YoY, due to higher requirements in the retail and commercial loan portfolios of our Banking business.

Net fee income from financial services declined S/ 33.0 million YoY, or 11.0%, mainly attributed to lower commissions from credit card services, fees from collection services and commissions from banking services. Additionally, higher service cost in our Payments business, as a result of increased transactional volumes, and a reduction in correspondent banking fees affected by a higher use of digital wallets, also contributed with the lower net fee income.

Net and similar income increased S/ 59.7 million YoY, or 0.9%, attributed to a S/ 55.1 million increase in our Banking business, mostly explained by a higher interest income on loans and a lower cost of funds.

Insurance results showed a less negative result, as a result of higher insurance income, mostly from retail insurance, and stable insurance expenses.

Other expenses increased S/ 10.2 million YoY, or 1.5%, mainly due to a S/ 19.5 million increase in administrative expenses and S/ 12.9 million in depreciation and amortization charges. These effects were partially offset by lower salaries and employee benefits.

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					
S/ million	1Q23	4Q23	1Q24	%chg QoQ	%chg YoY
Banking	250.2	135.3	140.5	3.8%	-43.9%
Insurance	31.3	137.4	-19.8	n.m.	n.m.
Wealth Management	7.8	24.5	26.0	6.0%	n.m.
Payments	12.1	4.1	7.0	70.2%	-42.1%
Corporate and eliminations	-34.5	-15.3	-12.5	-18.2%	-63.7%
IFS profit for the period	266.9	286.1	141.1	-50.7%	-47.1%

Interbank

SUMMARY

1Q24 Performance

Interbank's profits were S/ 140.5 million in 1Q24, an increase of S/ 5.2 million, or 3.8%, and a reduction of S/ 109.7 million YoY, or 43.9%.

The quarterly performance was mainly attributed to lower impairment loss on loans, net of recoveries, of S/ 67.4 million, followed by a decrease of S/ 12.4 million in other expense and of S/ 4.2 million in income tax. These factors were partially offset by a decrease of S/ 23.8 million in fee income, S/ 22.8 million in net interest and similar income and S/ 2.8 million in other income.

The annual performance in net profit was explained by S/ 181.1 million higher impairment loss on loans, net of recoveries, as well as a decreases of S/ 31.2 million in net fee income from financial services and S/ 8.7 million in other income. These effects were partially compensated by a S/ 55.1 million increase in net interest and similar income and a decrease of S/ 53.2 million in income tax.

Interbank's ROE was 7.1% in 1Q24, higher than the 6.8% registered in 4Q23 and below the 13.6% reported in 1Q23.

Banking Segment's P&L Statement					
S/ million	1Q23	4Q23	1Q24	%chg QoQ	%chg YoY
Interest and similar income	1,384.6	1,556.0	1,510.4	-2.9%	9.1%
Interest and similar expense	-525.5	-619.0	-596.2	-3.7%	13.5%
Net interest and similar income	859.1	937.0	914.2	-2.4%	6.4%
Impairment loss on loans, net of recoveries	-367.7	-616.2	-548.8	-10.9%	49.3%
Recovery (loss) due to impairment of financial investments	0.2	-0.2	-0.0	-88.9%	n.m.
Net interest and similar income after impairment loss	491.6	320.6	365.4	14.0%	-25.7%
Fee income from financial services, net	207.0	199.6	175.8	-11.9%	-15.0%
Other income	127.3	121.4	118.6	-2.3%	-6.9%
Other expenses	-486.6	-475.2	-487.6	2.6%	0.2%
Income before translation result and income tax	339.3	166.3	172.2	3.5%	-49.2%
Translation result	-6.6	-5.9	-2.4	-58.4%	-62.9%
Income tax	-82.5	-25.1	-29.3	16.7%	-64.5%
Profit for the period	250.2	135.3	140.5	3.8%	-43.9%
ROE	13.6%	6.8%	7.1%		
Efficiency ratio	39.1%	36.2%	38.7%		
NIM	5.1%	5.5%	5.3%		
NIM on loans	7.6%	8.2%	8.0%		

INTEREST-EARNING ASSETS

Interbank's interest-earning assets reached S/ 68,572.5 million as of March 31, 2023, representing an increase of 3.8% QoQ and 4.6% YoY.

The quarterly increase in interest-earning assets was explained by an increase of 33.7% in cash and due from banks and inter-bank funds, partially offset by decreases of 1.2% in loans and of 0.6% in financial investments.

The YoY growth in interest-earning assets was attributed to increases of 12.9% in cash and due from banks and inter-bank funds, 10.9% in financial investments, and 1.1% in loans.

Interest-earning assets					
S/ million	03.31.23	12.31.23	03.31.24	%chg 03.31.24 12.31.23	%chg 03.31.24 03.31.23
Cash and due from banks and inter-bank funds	10,810.7	9,123.4	12,200.0	33.7%	12.9%
Financial investments	10,726.1	11,964.2	11,892.0	-0.6%	10.9%
Loans	44,017.1	45,004.8	44,480.4	-1.2%	1.1%
Total interest-earning assets	65,553.9	66,092.5	68,572.5	3.8%	4.6%

Loan portfolio					
S/ million	03.31.23	12.31.23	03.31.24	%chg 03.31.24 12.31.23	%chg 03.31.24 03.31.23
Performing loans					
Retail	24,323.8	24,785.9	24,509.5	-1.1%	0.8%
Commercial	19,613.3	19,869.8	19,416.4	-2.3%	-1.0%
Total performing loans	43,937.1	44,655.8	43,925.9	-1.6%	0.0%
Restructured and refinanced loans	336.2	462.0	471.5	2.1%	40.3%
Past due loans	1,386.8	1,652.2	1,696.1	2.7%	22.3%
Total gross loans	45,660.1	46,769.9	46,093.5	-1.4%	0.9%
Add (less)					
Accrued and deferred interest	455.7	584.2	609.4	4.3%	33.7%
Impairment allowance for loans	-2,098.6	-2,349.3	-2,222.4	-5.4%	5.9%
Total direct loans, net	44,017.1	45,004.8	44,480.4	-1.2%	1.1%

The evolution of performing loans continued to be affected by the maturity and prepayment of commercial loans under the Reactiva Peru Program. As of March 31, 2023, these performing loans amounted S/ 487.7 million, compared to balances of S/ 625.8 million as of December 31, 2023 and S/ 1,452.1 million as of March 31, 2023.

The evolution of commercial loans continued to be benefited by the Impulso MyPeru program focused on disbursing loans to SMEs and mid-sized segments. As of March 31, 2024, Interbank has disbursed a total of S/ 385.5 million by participating in 11 auctions with a market share of 18%. It is important to mention that these loans are guaranteed by the government with coverage levels between 50% to 98%.

Performing loans declined 1.6% QoQ, as commercial loans decreased 2.3% and retail loans 1.1%. Excluding the effect of the Reactiva Peru Program in the comparing periods, total performing loans and commercial loans would have also decreased 1.3% and 1.6% QoQ, respectively.

Retail loans decreased 1.1% due to a 2.7% reduction in consumer loans, partially compensated by 1.5% increase in mortgages. Consumer loans decreased due to lower balances of cash loans and credit cards, partially offset by 2.7% growth in payroll deduction loans.

The quarterly reduction in commercial loans was due to a decrease in trade finance loans in the corporate and mid-sized segment, as well as lower working capital loans, leasing operations. These effects were partially compensated by higher working capital loans and leasing operations in the corporate segment.

Performing loans remained stable YoY explained by a 0.8% increase in retail loans, partially offset by a 1.0% reduction in commercial loans. Excluding the effect of the Reactiva Peru Program in the comparing periods, performing loans and commercial loans would have increased 2.2% and 4.2% YoY, respectively.

The YoY growth in retail loans was due to increases of 6.2% in mortgages, partially offset by a 2.4% decrease in consumer loans. The decrease in consumer loans resulted from lower balances in personal loans and credit cards, partially offset by an increase of 13.7% in payroll deduction loans.

The annual reduction in commercial loans was mainly explained by lower balances of trade finance loans, and of lower working capital loans in the corporate and SMEs segment. Other factor that contributed to the annual reduction was lower balances of the mid-sized companies in most products. These effects were partially offset by higher leasing operations in the corporate segment.

As of 1Q24, 4Q23 and 1Q23, Interbank's rescheduled portfolio of Reactiva Peru loans amounted to S/ 587.0 million, S/ 730.5 million and S/ 1,266.0 million, respectively, representing 94.0% of total balances of Reactiva Peru loans in 1Q24, 94.8% in 4Q23 and 74.6% in 1Q23.

It is worth mentioning that these loans are guaranteed in large part by the Peruvian government. As of March 31, 2024, Interbank activated the guaranteed coverage for an amount of S/ 809.0 million.

Breakdown of retail loans					
S/ million	03.31.23	12.31.23	03.31.24	%chg 03.31.24 12.31.23	%chg 03.31.24 03.31.23
Consumer loans:					
Credit cards & other loans	10,358.0	9,951.0	9,340.1	-6.1%	-9.8%
Payroll deduction loans ⁽¹⁾	4,836.2	5,301.7	5,496.7	3.7%	13.7%
Total consumer loans	15,194.1	15,252.7	14,836.8	-2.7%	-2.4%
Mortgages	9,129.7	9,533.2	9,672.7	1.5%	5.9%
Total retail loans	24,323.8	24,785.9	24,509.5	-1.1%	0.8%

(1) Payroll deduction loans to public sector employees.

FUNDING STRUCTURE

Funding structure					
S/ million	03.31.23	12.31.23	03.31.24	%chg 03.31.24 12.31.23	%chg 03.31.24 03.31.23
Deposits and obligations	46,247.0	46,053.6	48,090.4	4.4%	4.0%
Due to banks and correspondents and inter-bank funds	7,848.6	8,789.0	9,120.8	3.8%	16.2%
Bonds, notes and other obligations	4,476.4	4,253.2	4,249.1	-0.1%	-5.1%
Total	58,571.9	59,095.8	61,460.3	4.0%	4.9%
% of funding					
Deposits and obligations	79.0%	77.9%	78.2%		
Due to banks and correspondents and inter-bank funds	13.4%	14.9%	14.8%		
Bonds, notes and other obligations	7.6%	7.2%	6.9%		

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 March 31,

2024, the balance of such special funding was S/ 413.8 million, compared to S/ 540.2 million as of December 31, 2023 and S/ 1,356.7 million as of March 31, 2023.

The bank's total funding base increased 4.0% QoQ, compared to the 3.8% increase of interest-earnings assets. This was explained by increases of 4.4% in deposits and obligations, 3.8% in due to banks and correspondents and inter-bank funds, partially offset by a 0.1% decrease in bonds, notes and other obligations.

The quarterly increase in due to banks and correspondents and inter-bank funds was mainly the result of higher funding provided by COFIDE and interbank funds. These effects were partially compensated by lower funding provided by the Central Bank, as well as funding provided by correspondent banks.

The quarterly growth in deposits and obligations was mainly due to increases of 0.7% in commercial deposits and 36.2% in institutional deposits, which is mainly composed of time deposits, partially offset by a 0.8% reduction in retail deposits.

The bank's total funding base grew 4.9% YoY, similar to the 4.6% increase of interest-earning assets. This is explained by increases of 16.2% in due to banks and correspondents and inter-bank funds, 4.0% in deposits and obligations, partially offset by a 5.1% decrease 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 6.7% and 34.1% YoY, respectively.

The YoY increase in due to banks and correspondents and inter-bank funds was mainly the result of higher funding provided by correspondent banks, funding provided by COFIDE, and inter-bank funds. These factors were partially compensated by lower funding provided by the Central Bank.

The annual increase in deposits was mainly attributed to increases of 3.9% in retail deposits, 10.3% in commercial deposits, partially offset by a 5.4% reduction in institutional deposits.

As of March 31, 2024, the proportion of deposits and obligations to total funding was 78.2%, higher than the 77.9% reported as of December 31, 2023.

Breakdown of deposits					
S/ million	03.31.23	12.31.23	03.31.24	%chg 03.31.24 12.31.23	%chg 03.31.24 03.31.23
By customer service:					
Retail	23,548.3	24,683.7	24,474.8	-0.8%	3.9%
Commercial	13,722.3	15,002.6	15,115.9	0.8%	10.2%
Institutional	8,418.2	5,844.8	7,961.4	36.2%	-5.4%
Other	558.2	522.5	538.2	3.0%	-3.6%
Total	46,247.0	46,053.6	48,090.4	4.4%	4.0%
By type:					
Demand	11,217.1	12,474.3	12,424.2	-0.4%	10.8%
Savings	19,451.5	17,756.3	17,883.5	0.7%	-8.1%
Time	15,563.3	15,816.4	17,767.0	12.3%	14.2%
Other	15.1	6.6	15.6	n.m.	3.3%
Total	46,247.0	46,053.6	48,090.4	4.4%	4.0%

NET INTEREST AND SIMILAR INCOME

Net interest and similar income					
S/ million	1Q23	4Q23	1Q24	%chg QoQ	%chg YoY
Interest and similar income	1,384.6	1,556.0	1,510.4	-2.9%	9.1%
Interest and similar expense	-525.5	-619.0	-596.2	-3.7%	13.5%
Net interest and similar income	859.1	937.0	914.2	-2.4%	6.4%
NIM	5.1%	5.5%	5.3%	-20 bps	20 bps

Interest and similar income					
S/ million	1Q23	4Q23	1Q24	%chg QoQ	%chg YoY
Interest and similar income					
Due from banks and inter-bank funds	82.8	74.2	88.1	18.7%	6.4%
Financial investments	122.1	143.1	147.3	2.9%	20.7%
Loans	1,179.7	1,338.7	1,275.0	-4.8%	8.1%
Total Interest and similar income	1,384.6	1,556.0	1,510.4	-2.9%	9.1%
Average interest-earning assets	67,170.1	68,656.7	69,618.3	1.4%	3.6%
Average yield on assets (annualized)	8.2%	9.1%	8.7%	-40 bps	50 bps

Interest and similar expense					
S/ million	1Q23	4Q23	1Q24	%chg QoQ	%chg YoY
Interest and similar expense					
Deposits and obligations	-377.6	-431.4	-402.9	-6.6%	6.7%
Due to banks and correspondents and inter-bank funds	-83.8	-126.8	-124.8	-1.6%	48.9%
Bonds, notes and other obligations	-64.0	-60.8	-68.4	12.5%	6.9%
Total Interest and similar expense	-525.5	-619.0	-596.2	-3.7%	13.5%
Average interest-bearing liabilities	58,249.0	59,389.8	60,278.0	1.5%	3.5%
Average cost of funding (annualized)	3.6%	4.2%	4.0%	-20 bps	40 bps

QoQ Performance

Net interest and similar income decreased 2.4% QoQ due to a 2.9% reduction in interest and similar income, partially compensated by a 3.7% decrease in interest and similar expense.

The lower interest and similar income were attributed to a 4.8% decrease in interest on loans, partially offset by increases of 18.7% in interest of due from banks and inter-bank funds and 2.9% in interest on financial investments.

Interest on loans declined S/ 63.7 million QoQ, or 4.8% explained by a 50 basis point decrease in the average yield, as well as a 1.1% reduction in the average loan portfolio.

The lower average rate on loans, from 11.3% in 4Q23 to 10.8% in 1Q24, was the result of a 80 basis point decrease in retail loans, as loan mix shifts towards low-risk products, and a stable performance in commercial loans.

The lower average volume of loans was attributed to reduction of 1.4% in commercial loans and 0.9% in retail loans. In the commercial portfolio, average loans decreased 10.1% in trade finance loans and 1.5% in working capital, partially compensated by an

increase of 1.3% in leasing operations. In the retail portfolio, average volumes decreased 2.3% in consumer loans, but increased 1.5% in mortgages.

Interest on due from banks and inter-bank funds increased S/ 13.9 million QoQ, or 18.7%, explained by a 14.0% growth in the average volume and a 10 basis point increase in the nominal average rate, from 3.2% in 4Q23 to 3.3% in 1Q24.

Interest on financial investments grew S/ 4.2 million QoQ, or 2.9%, due to an increase of 1.6% in the average volume and a stable performance in the average yield of 4.9% in 4Q23 and 1Q24.

The nominal average yield on interest-earning assets decreased 40 basis points QoQ, from 9.1% in 4Q23 to 8.7% in 1Q24, in line with lower returns on loans.

The lower interest and similar expense were due to decreases of 6.6% in interest on deposits and obligations, 1.6% in interest on due to banks and correspondents and inter-bank funds, partially offset by an increase in interest on due to bonds, notes and other obligations.

The quarterly reduction of S/ 28.5 million, or 6.6% in interest on deposits and obligations was due to a decrease in the average cost, from 3.8% in 4Q23 to 3.4% in 1Q24, as short duration deposits start to reprice. This was partially offset by a 2.7% increase in the average volume. By currency, average balances of soles-denominated deposits increased 2.4%.

Interest on due to banks and correspondents decreased S/ 2.0 million QoQ, or 1.6%, explained by a 2.2% reduction in the average volume, partially offset by a 10 basis point growth in the average cost, from 5.5% in 4Q23 to 5.6% in 1Q24.

The increase in interest on bonds, notes and other obligations of S/ 7.6 million QoQ, or 12.5% was mostly attributed to an 80 basis point increase in the average cost, from 5.6% in 4Q23 to 6.4% in 1Q24, partially offset by a 3.0% decrease in the average volume. Both impacts were associated to the issuance of US\$ 300 million subordinated bond in January 2024, the tender offer of the subordinated bond BINTPE29 for US\$ 195 million in January 2024 and the execution of the optional redemption for the remaining US\$ 105 million in March 2024.

The average cost of funding decreased 20 basis points, from 4.2% in 4Q23 to 4.0% in 1Q24, as a consequence of a lower cost of deposits and obligations, partially offset by a higher cost of banks and correspondents.

As a result of the above, net interest margin was 5.3% in 1Q24, 20 basis points lower than the 5.5% reported in 4Q23.

YoY Performance

Net interest and similar income grew 6.6% YoY due to a 9.1% increase in interest and similar income, partially offset by growth of 13.5% in interest and similar expense.

The higher interest and similar income was due to increases of 20.7% in interest on financial investments, 8.1% in interest on loans and 6.4% in interest on due from banks and inter-bank funds.

Interest on financial investments increased S/ 25.2 million YoY, or 20.7%, due to growth of 17.4% in the average volume which was mainly driven by higher balances in sovereign bonds, as well as a 10 basis point increase in the average yield, from 4.8% in 1Q23 to 4.9% in 1Q24.

Interest on loans increased S/ 95.3 million YoY, or 8.1%, explained by growth of 50 basis points in the average yield and 2.4% in the average volume.

The increase in the average rate on loans, from 10.3% in 1Q23 to 10.8% in 1Q24, was mainly due to higher yields on commercial, mortgage and consumer loans to a lesser extent.

The higher average volume of loans was attributed to growth of 5.3% in retail loans, partially offset by a 1.3% reduction in commercial loans. In the retail portfolio, average volumes grew due to increases of 4.8% in consumer loans (mainly explained by a 13.6% growth in payroll deductible loans) and 6.1% in mortgages. In the commercial portfolio, the lower average volume was mainly attributed to decreasing volumes in trade finance loans and working capital loans, partially offset by higher leasing operations.

Interest on due from banks and inter-bank funds grew S/ 5.3 million YoY, or 6.4%, explained by growth of 30 basis points in the average yield, from 3.0% in 1Q23 to 3.3% in 1Q24, despite a 3.8% reduction in the average volume.

The nominal average yield on interest-earning assets increased 50 basis points, from 8.2% in 1Q23 to 8.7% in 1Q24, in line with the higher returns on loans and due from banks.

The higher interest and similar expense was due to increases of 48.9% in interest on due to banks and correspondents and inter-bank funds, 6.9% in interest on bonds, notes and other obligations, and 6.7% in interest on deposits and obligations.

Interest on due to banks and correspondents grew S/ 41.0 million YoY, or 48.9%, as a result of increases of 22.6% in the average volume and 100 basis point in the average cost, from 4.6% in 1Q23 to 5.6% in 1Q24.

Interest on bonds, notes and other obligations grew S/ 4.4 YoY, or 6.9% was mainly explained by a 180 increase in the average cost, partially offset by a 23% decrease in the average volume. Both impacts were associated to the issuance of US\$ 300 million subordinated bond in January 2024, the tender offer of the subordinated bond BINTPE29 for US\$ 195 million in January 2024 and the execution of the optional redemption for the remaining US\$ 105 million in March 2024.

Interest on deposits and obligations increased S/ 25.3 million YoY, or 6.7%, explained by a 3.6% increase in the average volume. By currency, average balances of soles-denominated deposits grew 5.4% while average dollar-denominated deposits remained stable. In addition, average cost increased 10 basis point, from 3.3% in 1Q23 to 3.4% in 1Q24. Both effects were related to higher time deposits given the interest rate environment.

The average cost of funding increased 40 basis points, from 3.6% in 1Q23 to 4.0% in 1Q24.

As a result of the above, net interest margin was 5.3% in 1Q24, 20 basis points higher than the 5.1% reported in 1Q23.

IMPAIRMENT LOSS ON LOANS, NET OF RECOVERIES

Impairment loss on loans, net of recoveries, decreased 10.9% QoQ, while it grew by 49.3% YoY.

The quarterly performance was explained by lower provision requirements in the commercial and retail loan book. In the commercial portfolio, the decrease in provisions was driven by lower requirements across all segments, especially in the SME segment. In the retail portfolio, the decrease in provisions was primarily driven by tightened standards, which resulted in higher requirements for consumer loans and credit cards.

The annual increase in provisions was explained by higher requirements in the retail loan book, as mentioned previously, partially offset by lower requirements in the commercial loan book. Higher requirements in the retail loan book were mostly related to credit cards and consumer loans. The decrease in commercial loan provisions was due to lower requirements in the corporate and mid-sized segments, partially offset by higher requirements in the SME segment.

As a result of the above, the annualized ratio of impairment loss on loans to average loans was 4.7% in 1Q24, lower than the 5.2% reported in the 4Q23, but higher than the 3.2% reported in the 1Q23.

Impairment loss on loans, net of recoveries					
S/ million	1Q23	4Q23	1Q24	%chg QoQ	%chg YoY
Impairment loss on loans, net of recoveries	-367.7	-616.2	-548.8	-10.9%	49.3%
Impairment loss on loans/average gross loans	3.2%	5.2%	4.7%	-50 bps	150 bps
S3 NPL ratio (at end of period)	2.6%	3.2%	3.4%	20 bps	80 bps
S3 NPL coverage ratio (at end of period)	177.9%	156.8%	141.0%	-1580 bps	-3690 bps
Impairment allowance for loans	2,098.6	2,349.3	2,222.4	-5.4%	5.9%

The Stage 3 NPL ratio increased 20 basis points QoQ and 80 basis points YoY, to 3.4% in 1Q24. The quarterly growth was due to a 20 basis point increase in the retail loans' NPL, while the NPL for commercial loans increased 19 basis points. The higher Stage 3 NPL ratio YoY was explained by a 152 basis point increase in retail loans' NPL, as well as a stable performance in the commercial loans' NPL.

Furthermore, the S3 NPL coverage ratio was 141.0% as of March 31, 2023, lower than the 156.8% reported as of December 31, 2023, and the 177.9% registered as of March 31, 2023.

FEE INCOME FROM FINANCIAL SERVICES, NET

Net fee income from financial services decreased S/ 23.8 million QoQ, or 11.9%, mainly explained by lower commissions from credit card services and from banking services, as well as a reduction in maintenance and mailing of accounts, transfer fees and commissions on debit card services. Other factors that contributed to the result were less transactionality and an increase in total expenses.

Net fee income from financial services decreased S/ 31.2 million YoY, or 15.0%, mainly due to lower commissions from credit card services, fees from collection services and higher expenses. These effects were partially compensated by higher fees from maintenance and mailing of accounts.

Fee income from financial services, net					
S/ million	1Q23	4Q23	1Q24	%chg QoQ	%chg YoY
Income					
Commissions from credit card services	116.5	112.8	102.5	-9.1%	-12.0%
Commissions from banking services	76.2	80.3	75.5	-6.0%	-0.9%
Maintenance and mailing of accounts, transfer fees and commissions on debit card services	69.3	78.8	75.2	-4.6%	8.5%
Fees from indirect loans	17.4	17.8	17.4	-2.3%	0.1%
Collection services	16.8	13.8	13.4	-3.1%	-20.2%
Other	11.9	7.0	10.0	41.7%	-15.9%
Total income	308.0	310.6	294.0	-5.4%	-4.6%
Expenses					
Insurance	-16.5	-16.8	-18.7	11.4%	13.0%
Fees paid to foreign banks	-6.2	-6.8	-5.7	-16.5%	-8.6%
Other	-78.3	-87.5	-93.8	7.2%	19.7%
Total expenses	-101.0	-111.0	-118.1	6.4%	16.9%
Fee income from financial services, net	207.0	199.6	175.8	-11.9%	-15.0%

OTHER INCOME

Other income decreased S/ 2.8 million QoQ, mainly explained by lower net gain on foreign exchange transactions and on financial assets at fair value through profit or loss, partially compensated by higher net gain on sale of financial investments.

Other income decreased S/ 8.7 million YoY mainly explained by lower contribution of extraordinary concepts, partially offset by a higher net gain on foreign exchange transactions and on financial assets at fair value through profit or loss and a higher net gain on sale of financial investments.

Other income					
S/ million	1Q23	4Q23	1Q24	%chg QoQ	%chg YoY
Net gain on foreign exchange transactions and on financial assets at fair value through profit or loss	90.1	102.5	97.6	-4.8%	8.4%
Net gain on sale of financial investments	0.1	-1.8	5.8	n.m.	n.m.
Other	37.1	20.6	15.2	-26.4%	-59.1%
Total other income	127.3	121.4	118.6	-2.3%	-6.9%

(1) Includes S/ 109.6 million of net gain on foreign exchange transactions and S/ -12.0 million of net gain (loss) on financial assets at fair value through profit or loss (derivatives).

OTHER EXPENSES

Other expenses increased S/ 12.4 million QoQ, or 2.6%, and S/ 1.0 million YoY, or 0.2%.

The quarterly increase in other expenses was mainly explained by higher salaries and employee benefits, which in turn was associated to benefits recognized in March, and depreciation and amortization charges, partially offset by a decrease in administrative expenses.

The annual increase was the result of higher administrative expenses and depreciation and amortization charges, partially offset by a decrease in salaries and employee benefits.

The efficiency ratio was 38.7% in 1Q24, higher compared to the 36.2% reported in 4Q23, but lower than the 39.1% registered in 1Q23.

Other expenses					
S/ million	1Q23	4Q23	1Q24	%chg QoQ	%chg YoY
Salaries and employee benefits	-170.2	-138.7	-146.7	5.8%	-13.8%
Administrative expenses	-230.3	-247.2	-245.2	-0.8%	6.5%
Depreciation and amortization	-66.2	-69.5	-75.4	8.4%	13.9%
Other	-19.9	-19.9	-20.3	2.1%	2.1%
Total other expenses	-486.6	-475.2	-487.6	2.6%	0.2%
Efficiency ratio	39.1%	36.2%	38.7%	250 bps	-40 bps

REGULATORY CAPITAL

The ratio of regulatory capital to risk weighted assets (RWA) was 15.1% as of March 31, 2024, below the 15.5% reported as of December 31, 2023 and the 15.2% registered as of March 31, 2023.

In 1Q24, risk-weighted assets (APR) decreased 2.1% QoQ, due to lower capital requirements for credit risk and market risk, partially compensated by higher requirements for operational risk. Lower RWA for credit risk were attributed to lower RWA for loans, as well as lower RWA for financial investments, effects that were partially compensated by higher RWA for other assets.

Total regulatory capital decreased 4.2% QoQ, mainly attributed to lower profits for the year as a consequence of the dividend declaration. In March 2024 there has been a change in regulation, which establishes that the investments in companies that belong to the financial consolidated group of Interbank should be deducted from the total regulatory capital. Interbank has adjusted its total regulatory capital in accordance with its position in Izipay.

The annual decrease in the total capital ratio was explained by an increase of 2.1% in RWA, which was mitigated by a 1.8% increase in the regulatory capital. The growth in RWA was due to higher capital requirements for credit risk, operational risk and market risk. The increase in RWA for credit risk was due to higher RWA for loans, partially compensated by lower RWA for financial investments and other assets.

The YoY performance in regulatory capital was mainly a result of the incorporation of the capitalization of 2023 results, as well as for the unrealized loss (UL) in the investment portfolio available for sale. These effects were partially compensated by higher adjustments in investments on subsidiaries that are part of the financial consolidated group to which Interbank belongs, as a consequence of regulatory changes published at the end of March 2024.

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%. This date was modified with later resolutions, being the Resolution N° 274-2024, published in January 2024, the last current update, which establishes the new date for the implementation of the global limit in March 2025.

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 March 31, 2024, Interbank's total capital ratio of 15.1% was significantly higher than the global requirements plus buffers and capital assigned to cover additional risks, by disposition of the SBS. The minimum regulatory requirement was 9.0% as of December 31, 2023. Additionally, Core Equity Tier 1 (CET1) was 11.3% under the new methodology required by the SBS, compared to the 11.8% registered as of December 31, 2023, and 11.1% reported as of March 31, 2023. It is important to mention that under the new SBS regulation CET1 is the main component of the Tier I capital ratio.

S/ million	Regulatory capital			%chg	%chg
	03.31.23	12.31.23	03.31.24	03.31.24 12.31.23	03.31.24 03.31.23
Tier I capital	6,766.3	7,461.7	7,050.3	-5.5%	4.2%
Tier II capital	2,467.3	2,349.8	2,346.0	-0.2%	-4.9%
Total regulatory capital	9,233.6	9,811.5	9,396.3	-4.2%	1.8%
Risk-weighted assets (RWA)	60,890.9	63,494.9	62,168.4	-2.1%	2.1%
Total capital ratio	15.2%	15.5%	15.1%	-40 bps	-10 bps
Tier I capital / RWA	11.1%	11.8%	11.3%	-50 bps	20 bps
CET1	11.1%	11.8%	11.3%	-50 bps	20 bps

Interseguro

SUMMARY

Interseguro adopted IFRS17 requirements starting on 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/ -19.8 million in 1Q24, a negative performance compared to 4Q23 and 1Q23.

The quarterly contraction was mainly explained by decreases of S/ 68.8 million, or 90.8%, in other income, S/ 59.2 million in insurance results, S/ 39.8 loss in impairment of financial investments due to a rating downgrade of a fixed income investment, and S/ 19.1 million in translation results. These effects were partially offset by a S/ 32.0 million increase in net interest and similar income.

The annual performance in net profit was mainly explained by decreases of S/ 25.8 million in loss due to impairment of financial investments, S/ 23.0 million in other income, S/6.9 in translation results and S/ 4.4 million in other expenses. However, these factors were partially offset by a lower loss in insurance results.

As a result, Interseguro's ROE posted a not meaningful result for 1Q24 when compared to the 138.9% reported in 4Q23 and the 37.6% registered in 1Q23.

Insurance Segment's P&L Statement					
S/ million	1Q23	4Q23	1Q24	%chg QoQ	%chg YoY
Interest and similar income	228.1	196.9	238.8	21.2%	4.7%
Interest and similar expenses	-30.4	-32.6	-42.3	29.9%	39.4%
Net Interest and similar income	197.8	164.4	196.4	19.5%	-0.7%
Impairment loss on loans, net of recoveries	-	-	-	n.m.	n.m.
Recovery (loss) due to impairment of financial investments	-13.1	0.9	-38.9	n.m.	n.m.
Net Interest and similar income after impairment loss	184.7	165.3	157.5	-4.7%	-14.7%
Fee income from financial services, net	-5.1	-3.5	-2.5	-27.9%	-50.1%
Insurance results	-91.3	-24.1	-83.3	n.m.	-8.7%
Other income	30.0	75.8	7.0	-90.8%	-76.8%
Other expenses	-92.8	-93.9	-97.2	3.6%	4.7%
Income before translation result and income tax	25.5	119.5	-18.6	n.m.	n.m.
Translation result	5.7	17.9	-1.2	n.m.	n.m.
Profit for the period	31.3	137.4	-19.8	n.m.	n.m.
Attributable to non-controlling interest	-	-	-	n.m.	n.m.
Profit attributable to shareholders	31.3	137.4	-19.8	n.m.	n.m.
ROE	37.6%	138.9%	n.m.		
Efficiency ratio	11.3%	15.0%	14.4%		

RESULTS FROM INVESTMENTS

Results from Investments ⁽¹⁾					
S/ million	1Q23	4Q23	1Q24	%chg QoQ	%chg YoY
Interest and similar income	228.7	197.9	239.1	20.8%	4.6%
Interest and similar expenses	-16.4	-18.8	-28.6	52.3%	74.0%
Net interest and similar income	212.2	179.1	210.5	17.5%	-0.8%
Recovery (loss) due to impairment of financial investments	-13.1	0.9	-38.9	n.m.	n.m.
Net Interest and similar income after impairment loss	199.2	180.0	171.6	-4.7%	-13.8%
Net gain (loss) on sale of financial investments	4.3	17.4	-12.4	n.m.	n.m.
Net gain (loss) on financial assets at fair value through profit or loss	8.2	24.2	-18.8	n.m.	n.m.
Rental income	15.2	16.3	17.1	5.2%	12.7%
Valuation gain (loss) from investment property	-11.4	14.0	18.3	30.2%	n.m.
Other ⁽¹⁾	-4.7	-5.5	-2.8	-49.7%	-40.6%
Other income	11.7	66.3	1.4	-97.8%	-87.6%
Results from investments	210.9	246.3	173.1	-29.8%	-17.9%

(1) Only includes transactions related to investments.

NET INTEREST AND SIMILAR INCOME

Net interest and similar income related to investments was S/ 210.5 million in 1Q24, an increase of S/ 31.4 million QoQ, or 17.5%, and a decrease S/ 1.7 million YoY, or -0.8%.

The quarterly performance was mainly explained by an increase of S/ 41.2 million in interest and similar income due to higher inflation rates, and a reduction of S/ 9.8 million in interest and similar expenses explained by an increase in Private Annuities reserves.

The decrease in the yearly performance was due to an increase in interest and similar expenses of S/ 12.2 million due to an increase in Private Annuities reserves, partially offset by an increase of S/ 10.4 million in interest and similar income, resulting from the growth of the fixed income portfolio.

RECOVERY (LOSS) DUE TO IMPAIRMENT OF FINANCIAL INVESTMENTS

Loss due to impairment of financial investments was S/ 38.9 million in 1Q24 due to a downgrade of a fixed income investment, compared to a recovery of S/ 0.9 million in 4Q23 and to a loss of S/ 13.1 million in 1Q23.

OTHER INCOME

Other income related to investments was S/ 1.4 million in 1Q24, a decrease of S/ 64.9 million QoQ and S/ 10.3 million YoY.

The quarterly decrease was explained by a net loss on financial assets at fair value of S/ 43.0 million and a net loss on sale of financial investments of S/ 29.8 million. These effects were partially compensated by a valuation gain from investment property of S/ 4.3 million.

The annual performance in other income was mainly due to a net loss on financial assets at fair value of S/ 27.0 million and a net loss on sale of financial investments of S/ 16.7 million. These factors were partially offset by increases in valuation gain from investment property of S/ 29.7 and in rental income of S/ 1.9 million.

INSURANCE RESULTS

Insurance Results					
S/ million	1Q23	4Q23	1Q24	%chg QoQ	%chg YoY
Insurance Income	173.7	181.7	183.4	0.9%	5.5%
Insurance Expenses	-265.0	-205.9	-266.7	29.5%	0.6%
Insurance Results	-91.3	-24.1	-83.3	n.m.	-8.7%

INSURANCE INCOME

Insurance Income					
S/ million	1Q23	4Q23	1Q24	%chg QoQ	%chg YoY
Annuities	69.1	71.0	70.8	-0.3%	2.5%
Individual Life	22.4	23.2	24.5	5.5%	9.1%
Retail Insurance	82.2	87.5	88.1	0.6%	7.1%
Total Insurance Income	173.7	181.7	183.4	0.9%	5.5%

Insurance income was S/ 183.4 million in 1Q24, an increase of S/ 1.7 million QoQ, or 0.9%, and a growth of S/ 9.7 million YoY, or 5.5%.

The quarterly performance was mainly explained by increases of S/ 1.3 million in individual life, due to higher PAA products premiums, and S/ 0.6 million in retail insurance due to higher CSM release, partially offset by a decrease of S/ 0.2 million in annuities.

The yearly increase was mainly explained by a growth in retail insurance of S/ 5.9 million, S/ 2.1 million in individual life and S/ 1.7 million in annuities. These increases were mainly explained by the higher BEL Release, resulting from the growth of the business.

INSURANCE EXPENSES

Insurance Expenses					
S/ million	1Q23	4Q23	1Q24	%chg QoQ	%chg YoY
Annuities	-238.5	-203.0	-245.6	21.0%	3.0%
Individual Life	4.9	-5.5	9.4	n.m.	91.8%
Retail Insurance	-31.5	2.7	-30.5	n.m.	-3.1%
Total Insurance Expenses	-265.0	-205.9	-266.7	29.5%	0.6%

Insurance expenses were S/ 266.7 million in 1Q24, an increase of S/ 60.8 million QoQ, or -29.5%, and S/ 1.7 million YoY, or 0.6%.

The quarterly performance was mainly explained by higher expenses of S/ 42.6 million in annuities due to higher inflation rates and S/ 33.2 million in retail insurance due to a reversion of Loss Component in 4Q23 related to adjustments in mortality estimates, partially offset by lower expenses of S/ 14.9 million in individual life.

The yearly increase was mainly explained by growth in annuities of S/ 7.1, partially offset by S/ 4.5 million in individual life and S/ 1.0 million in retail insurance.

OTHER EXPENSES

Other Expenses					
S/ million	1Q23	4Q23	1Q24	%chg QoQ	%chg YoY
Salaries and employee benefits	-23.3	-31.9	-29.9	-6.1%	28.4%
Administrative expenses	-17.0	-23.9	-20.0	-16.3%	17.5%
Depreciation and amortization	-4.7	-6.9	-5.5	-20.5%	18.1%
Expenses related to rental income	-1.4	-1.8	-1.6	-14.0%	13.4%
Other	-46.5	-29.4	-40.3	37.1%	-13.4%
Other expenses	-92.8	-93.9	-97.2	3.6%	4.7%

Other expenses increased by S/ 3.3 million QoQ, or 3.6%, and by S/ 4.4 million YoY, or 4.7%.

Inteligo

Inteligo's net profit was \$/ 26.0 million in 1Q24, a \$/ 1.5 million or 6.0% increase QoQ and a \$/ 18.2 million increase YoY.

The quarterly performance was mainly attributable to mark-to-market gains on proprietary portfolio investments. Other effects that explained the QoQ growth were increases of \$/ 0.5 million, or 2.5%, in net interest and similar income, \$/ 1.7 million, or 4.8%, in net fee income from financial services, and a decrease of \$/ 8.1 million, or 17.5%, in other expenses.

On an annual comparison, mark-to-market results on proprietary portfolio investments reverted from a negative of \$/ -14.2 million in 1Q23 to a positive result of \$/ 8.1 million in 1Q24. This was partially offset by decreases of 3.7% in net interest and similar income, and 3.1% in net fee income from financial services.

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 and mutual funds. Consequently, Inteligo's AUM increased 3.6% QoQ and 10.2% YoY as of March 31, 2024.

Inteligo's ROE was 11.2% in 1Q24, higher than the 10.9% reported in 4Q23.

Wealth Management Segment's P&L Statement					
\$/ million	1Q23	4Q23	1Q24	%chg QoQ	%chg YoY
Interest and similar income	43.8	49.0	48.0	-2.0%	9.5%
Interest and similar expenses	-22.6	-29.0	-27.6	-5.1%	21.9%
Net interest and similar income	21.2	20.0	20.5	2.5%	-3.7%
Impairment loss on loans, net of recoveries	0.1	0.0	-0.2	n.m.	n.m.
Recovery (loss) due to impairment of financial investments	-0.3	0.1	0.2	n.m.	n.m.
Net interest and similar income after impairment loss	21.0	20.1	20.6	2.4%	-2.3%
Fee income from financial services, net	39.6	36.6	38.3	4.8%	-3.1%
Other income	-14.2	13.2	8.1	-38.3%	n.m.
Other expenses	-38.0	-45.9	-37.8	-17.5%	-0.6%
Income before translation result and income tax	8.3	24.0	29.2	21.7%	n.m.
Translation result	0.4	1.3	-0.8	n.m.	n.m.
Income tax	-0.9	-0.7	-2.4	n.m.	n.m.
Profit for the period	7.8	24.5	26.0	6.0%	n.m.
ROE	3.5%	10.9%	11.2%		
Efficiency ratio	80.7%	64.2%	55.5%		

ASSETS UNDER MANAGEMENT & DEPOSITS

AUM reached \$/ 24,024.7 million in 1Q24, a \$/ 843.2 million or 3.6% increase QoQ and a \$/ 2,229.7 million or 10.2% increase YoY, mostly explained by inflows in mutual funds and Private Wealth Management.

Client deposits were \$/ 3,189.1 million in 1Q24, a \$/ 122.6 million or 3.7% reduction QoQ and a \$/ 507.1 million or 13.7% decrease YoY, mainly driven by the adjustment of market rates.

NET INTEREST AND SIMILAR INCOME

Net interest and similar income					
S/ million	1Q23	4Q23	1Q24	%chg QoQ	%chg YoY
Interest and similar income					
Due from banks and inter-bank funds	10.7	11.3	8.3	-26.1%	-22.5%
Financial Investments	9.5	14.2	16.5	16.4%	73.4%
Loans	23.6	23.5	23.2	-1.5%	-1.7%
Total interest and similar income	43.8	49.0	48.0	-2.0%	9.5%
Interest and similar expenses					
Deposits and obligations	-21.4	-27.0	-25.9	-4.0%	21.1%
Due to banks and correspondents	-1.2	-2.1	-1.7	-19.1%	36.5%
Total interest and similar expenses	-22.6	-29.0	-27.6	-5.1%	21.9%
Net interest and similar income	21.2	20.0	20.5	2.5%	-3.7%

Inteligo's net interest and similar income was S/ 20.5 million in 1Q24, a S/ 0.5 million, or 2.5% increase when compared with 4Q23, mainly explained by higher dividends received from proprietary portfolio investments and lower cost of funding during the quarter.

Net interest and similar income decreased S/ 0.7 million YoY, or 3.7%, as a result of a higher interest expense on deposits, which was attributed to the increases in the reference interest rate of the US Federal Reserve, partially offset by higher interest income in financial investments.

FEE INCOME FROM FINANCIAL SERVICES

Fee income from financial services, net					
S/ million	1Q23	4Q23	1Q24	%chg QoQ	%chg YoY
Income					
Brokerage and custody services	2.9	2.5	2.8	11.3%	-1.2%
Funds management	37.1	34.4	35.9	4.5%	-3.1%
Total income	39.9	36.9	38.7	5.0%	-3.0%
Expenses					
Brokerage and custody services	-0.2	-0.2	-0.2	5.2%	-5.2%
Others	-0.2	-0.1	-0.2	63.4%	23.0%
Total expenses	-0.4	-0.3	-0.4	31.0%	8.5%
Fee income from financial services, net	39.6	36.6	38.3	4.8%	-3.1%

Net fee income from financial services was S/ 38.3 million in 1Q24, an increase of S/ 1.7 million or 4.8% when compared to the previous quarter, mainly explained by higher fees from the wealth management segment.

On a YoY basis, net fee income from financial services decreased S/ 1.3 million, or 3.1%, mainly due to lower fees from funds management. This was explained by a lower frequency of client transactions, in turn driven by the persistent volatility in the financial markets and the high interest rates in money market products.

OTHER INCOME

Other income					
S/ million	1Q23	4Q23	1Q24	%chg QoQ	%chg YoY
Net gain on sale of financial investments	0.2	-3.5	-0.5	-85.6%	n.m.
Net trading gain (loss)	-15.0	18.3	7.3	-60.2%	n.m.
Other	0.6	-1.6	1.4	n.m.	n.m.
Total other income	-14.2	13.2	8.1	-38.3%	n.m.

Inteligo's other income reached S/ 8.1 million in 1Q24, compared to losses of S/ -14.2 million in 1Q23. This performance was mainly attributable to positive mark-to-market valuations on proprietary portfolio investments.

OTHER EXPENSES

Other expenses					
S/ million	1Q23	4Q23	1Q24	%chg QoQ	%chg YoY
Salaries and employee benefits	-20.6	-27.4	-23.8	-13.3%	15.7%
Administrative expenses	-13.3	-13.5	-11.2	-17.0%	-15.5%
Depreciation and amortization	-3.8	-3.8	-2.2	-42.5%	-42.4%
Other	-0.4	-1.1	-0.6	-42.1%	51.1%
Total other expenses	-38.0	-45.9	-37.8	-17.5%	-0.6%
Efficiency ratio	80.7%	64.2%	55.5%		

Other expenses reached S/ 37.8 million in 1Q24, a decrease of S/ 8.1 million or 17.5% QoQ and of S/ 0.2 million or 0.6% YoY, mainly explained by lower salaries and employee benefits and administrative expenses.

Izipay

1Q24 Performance

Izipay's profits were S/ 7.0 million in 1Q24, which represented an increase of 70.2% QoQ and a decrease of 42.1% YoY.

The quarterly growth in profits was attributed to a decrease of S/ 6.7 million in service cost and S/ 18.5 million in other expenses. These effects were partially offset by a decrease of S/ 11.5 million in payments acquirer, in turn mostly related to lower transactional volumes in payments acquirer as an effect of the Christmas season and S/ 13.0 million in other income.

The annual performance in net profit was mainly explained by a decrease of S/ 6.5 in net fee income from financial services, in turn related to a reduction in correspondent banking's transactions of 25.3%, and a higher service cost due to increases in acquirer license fees as an effect of an increase of 11% transaction volumes in payments acquirer. Additionally, growth in other expenses of S/ 4.2 million, mainly associated to higher administrative expenses.

Izipay's ROE was 11.1% in 1Q24, higher than the 6.6% but lower than the 21.7% reported in 4Q23 and 1Q23, respectively.

Payments P&L Statement					
S/ million	1Q23	4Q23	1Q24	%chg QoQ	%chg YoY
Interest and similar income	1.7	3.0	2.9	-2.5%	71.6%
Interest and similar expenses	-1.1	-1.2	-1.2	-4.5%	10.8%
Net interest and similar income	0.6	1.8	1.7	-1.1%	n.m.
Fee income from financial services, net	86.4	84.9	79.9	-5.8%	-7.5%
Payments acquirer	170.3	183.1	171.6	-6.3%	0.7%
Correspondent banking	10.0	8.0	8.0	0.0%	-20.1%
Credit cards processor	7.5	7.8	7.6	-2.5%	2.0%
Service Cost	-101.4	-114.0	-107.2	-5.9%	5.8%
Other income	7.3	21.8	8.8	-59.6%	19.9%
Other expenses	-73.9	-96.6	-78.1	-19.1%	5.7%
Income before translation result and income tax	20.5	11.9	12.3	4.1%	-39.8%
Translation result	-0.7	-1.5	-0.4	-76.3%	-49.4%
Income tax	-7.7	-6.2	-5.0	-19.7%	-35.2%
Profit for the period	12.1	4.1	7.0	70.2%	-42.1%
ROE	21.7%	6.6%	11.1%		
Efficiency ratio	72.5%	82.0%	85.2%		

FEE INCOME FROM FINANCIAL SERVICES, NET

Fee income from financial services, net					
S/ million	1Q23	4Q23	1Q24	%chg QoQ	%chg YoY
Income					
Payments acquirer	170.3	183.1	171.6	-6.3%	0.7%
Correspondent banking	10.0	8.0	8.0	0.0%	-20.1%
Credit cards processor	7.5	7.8	7.6	-2.5%	2.0%
Total income	187.8	198.9	187.2	-5.9%	-0.3%
Expenses					
Service Cost	-101.4	-114.0	-107.2	-5.9%	5.8%
Total expenses	-101.4	-114.0	-107.2	-5.9%	5.8%
Fee income from financial services, net	86.4	84.9	79.9	-5.8%	-7.5%

Net fee income from financial services was S/ 79.9 million in 1Q24, a decrease of S/ 5.0 million or 5.8% QoQ. The result was explained by a decrease of S/ 11.5 million or 6.3% in payments acquirer, due to lower transactional volumes related to a seasonal effect and a reduction of net acquirer income as a result of the client segment mix. These effects were partially offset by a decrease of S/ 6.8 million, or 5.9% in service cost.

On a YoY basis, net fee income from financial services decreased S/ 6.5 million or 7.5%. The result was explained by an increase of S/ 5.8 million, or 5.8%, in service cost due to an increase of 11% transactional volumes. Other effect that contributed to the result was a reduction in correspondent banking of S/ 2.0 million, or 20.1%, due to a decrease in transactions of 25.3%.

OTHER EXPENSES

Other expenses					
S/ million	1Q23	4Q23	1Q24	%chg QoQ	%chg YoY
Salaries and employee benefits	-18.3	-19.5	-18.6	-5.0%	1.5%
Administrative expenses	-37.7	-54.0	-43.0	-20.3%	14.0%
Depreciation and amortization	-12.4	-15.3	-15.5	1.0%	25.0%
Other	-5.5	-7.7	-1.0	-86.8%	-81.4%
Total other expenses	-73.9	-96.6	-78.1	-19.1%	5.7%
Efficiency ratio	72.5%	82.0%	85.2%		

Other expenses reached S/ 78.1 million in 1Q24, a decrease of S/ 18.5 million, or 19.1% QoQ, explained by lower administrative expenses and others, in turn most related to negative effects recognized in 4Q23.

On a yearly basis, other expenses grew S/ 4.2 million or 5.7%, mainly as a result of an increase in administrative expenses, in turn associated with higher customer acquisition, and higher depreciation and amortization charges as a result of growth in operations.