

Intercorp Financial Services, Inc.

Second Quarter 2021 Conference Call

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CORPORATE PARTICIPANTS

Luis Felipe Castellanos - *Chief Executive Officer, Intercorp Financial Services*

Michela Casassa - *Chief Financial Officer, Intercorp Financial Services*

Gonzalo Basadre - *Chief Executive Officer of Interseguro*

Bruno Ferreccio - *Chief Executive Officer of Inteligo*

Rafael Borja - *InspIR Group*

PRESENTATION

Operator

Good morning, and welcome to Intercorp Financial Services Second Quarter 2021 Conference Call. All lines have been placed on mute to prevent any background noise. Please be advised that today's conference is being recorded. After the presentation, we will open the floor for questions. At that time, instructions will be given as to the procedure to follow if you would like to ask a question.

Also, you can submit online questions at any time today using the window on the webcast, and they will be answered after the presentation during the Q&A session. Simply type your question in the box and click, Submit Question.

It is now my pleasure to turn the call over to Rafael Borja of InspIR Group. Sir, you may begin.

Rafael Borja

Thank you, and good morning, everyone. On today's call, Intercorp Financial Services will discuss its second quarter 2021 earnings. We are very pleased to have with us Mr. Luis Felipe Castellanos, Chief Executive Officer of Intercorp Financial Services; Mrs. Michela Casassa, Chief Financial Officer of Intercorp Financial Services; Mr. Gonzalo Basadre, Chief Executive Officer of Interseguro; and Mr. Bruno Ferreccio, Chief Executive Officer of Inteligo. They will be discussing the results that were distributed by the company yesterday, August 11.

There is also a video webcast presentation to accompany the discussion during this call. If you didn't receive a copy of the presentation or the earnings report, they are now available on the company's website ifs.com.pe to download a copy. Otherwise, for any reason, if you need any assistance today, please call InspIR Group in New York at 212-710-9686.

I would like to remind you that today's call is for investors and analysts only. Therefore, questions from the media will not be taken. Please be advised that forward-looking statements may be made during this conference call. These do not account for future economic circumstances, industry conditions, the company's future performance, or financial results. As such, the statements made are based on several assumptions and factors that could change, causing actual results to materially differ from the current expectations. For a complete note on forward-looking statements, please refer to the earnings presentation and report issued yesterday.

It is now my pleasure to turn the call over to Mr. Luis Felipe Castellanos, Chief Executive Officer of Intercorp Financial Services, for his opening remarks. Mr. Castellanos, please go ahead, sir.

Luis Felipe Castellanos

Welcome to IFS Second Quarter 2021 Earnings Call. Thanks, everyone, for making the time to attend our call. I hope you and your families remain safe and healthy. Let me start by giving you a brief overview of the health and macro situation in Peru. On the sanitary front, Peru was able to speed up its vaccination process, and as a result, currently around 27% of the population, or 8.9 million individuals, have had the first dose, while 19% have also received the second dose or a single-shot vaccine.

Focalized lockdown measures have softened across the country, and numbers indicate we are ending the second wave. We know that we must get ready for a third wave, and the new government is planning accordingly. The improved sanitary conditions continue to have a

positive impact on the economic recovery of the country. Despite the volatility witnessed during the electoral cycle, economic activity in the country has continued to show a robust rebound.

Accumulated GDP growth levels as of the month of May point towards a 20% increase as a result of important base effects, strong public investment, and tailwinds from higher commodity prices and an improved trade balance. For the rest of the year, growth will probably trim down towards low double digits as the base effects dissipate over the next couple of quarters.

As we all know, on July 28 the new government took office. Political challenges remain high in the country as the government takes its first steps and the business community, and the population in general, assess the nominations in different positions, including the Cabinet, and the first measures are announced. The consumer and business confidence indicators continue at low levels, signaling that economic activity will likely slow down in the coming months.

In the meantime, we have seen volatility in the exchange rate and the weakening of the local currency, which has had effects on inflation. Under this scenario, IFS' franchise continues to prove strength and resilience. We remain confident that our team has the experience and skills to manage through trying times, as we have done successfully in the past. Again, our clear strategic focus has taken IFS to reach another solid quarter, with strong results in all operating segments and increased market shares in our strategic businesses.

In each of our subsidiaries, we have top results within the Peruvian financial system. Our liquidity, capitalization, and provisioning levels, together with our risk management skills, our strong focus on efficiency, our digital strategy, and our presence in the minds of our customers give us confidence that our platform is well positioned to continue helping Peruvians with their financial needs in the future. The opportunity continues to be there as financial services underpenetration in the country remains high. We have the platform to make our work good.

I will pass it on to Michela to update you on the strong results of this quarter with a detailed review of our operations. Thank you, and please remain safe.

Michela Casassa

Thank you, Luis Felipe, and good morning, everybody. And welcome again to Intercorp Financial Services second quarter earnings call. This time, we have divided the presentation in four parts, which include financial highlights, key messages, the results by segment, and trends and takeaways at the end.

I will start with a brief summary of financial highlights on Slides 2 to 5. The main highlights for the quarter are: for IFS, we've registered another strong quarter with a return on adjusted equity at 20%. With this, the first half earnings of 984 million soles reached a 21.7% ROE. We've registered a 17.2% year-over-year growth in revenues for the first half. Efficiency ratio stays low at 31.2% in the first half, improving almost 200 basis points year-over-year. We continue to have solid capitalization, strong liquidity and manageable dollarization levels. Our digital indicators continue to support IFS strategy.

For Interbank, earnings continue to build up with an 18.8% ROE in the first half. The good news is that we have seen accelerated growth in retail loans in the second quarter, which has allowed us to gain 20 basis points market share during this quarter, and 14.5% market share in retail deposits, again up 40 basis points in the quarter and 70 basis points year-over-year, the first quarter with an improving NIM since the pandemic started, up 20 basis points Q-on-Q, and the second consecutive quarter with cost of risk below pre-COVID levels.

Moreover, we've seen a recovery in expenses, which is driven by the recovery in activity, but we continue with our focus on efficiency and branch rationalization. For Interseguro, solid profits in the first half drove ROE up to 50% due to higher results from investments. It is another quarter with a strong return on the investment portfolio at 7.7%, and gross premiums plus collections have increased 7.4% during the quarter, with regular annuities picking up. We've also seen a strong gain in the annuities market share to 31.2% in the second Q.

For Inteligo, 30% ROE for the second consecutive quarter, with a significant year-over-year growth in the first half 2021 revenues, mainly driven by other income but also by net interest income. Other income has been positively affected by mark-to-market on the investment portfolio, and assets under management plus deposits grew 7.3% only in the quarter, which has driven the yearly growth to 20.7%.

One of the very positive news of this quarter, again, is that the top line has continued to be strong, driving the first half 2021 growth in revenues to 17.2% when compared to the first semester last year. This is mainly thanks to a recovery in most revenue lines, which includes net interest income, fees, and other income, indicating an improvement in the quality of top line. This recovery has taken place in all three operating companies.

Now I will focus on the key messages we would like you to take home from this call on Slide 7. There are six key messages which we will cover in detail in the following slides. First, the economic recovery in Peru continues. Second, we have a strong balance sheet with capital, liquidity, and dollarization levels substantially better when compared to pre-COVID levels.

Third, we have seen a strong recovery in our core indicators in all three operating companies. Fourth, the digital trends continue to support IFS strategy, which translates into growth of clients and businesses. Fifth, cost of risk continues to be below pre-COVID levels. And the sixth one is that we continue with our focus on efficiency and branch rationalization.

Moving to Slide Number 8, we can see that the economic activity in Peru has continued to recover from the low levels registered in the second quarter of last year. Since March 21 onwards, we are seeing double digit monthly GDP growth rates as well as in the main economic sectors. As a result, Peru's GDP figure is now near pre-COVID levels, evidencing a robust rebound.

In the period comprising January- May 2021, the GDP growth rate is 20% year-over-year and was favored by the reopening of the economy, the progress in the vaccination program, as mentioned by Luis Felipe, and the base effect from last year when most of the activities were suspended to contain the pandemic. The positive performance is widespread in sectors like construction, manufacturing, commerce, metals, and electricity and water. However, GDP growth should soften over the coming quarters as base effects dissipate, expecting a growth rate of around 10% by year end.

On Slides 9 through 11, the second message relates to capital, liquidity, and dollarization. On Slide 9, we continue to have a solid capital position in all three operating companies of IFS. Our total capital ratio as of the end of June was 16.5% at Interbank, compared to 15.4% of the system as a whole, and the minimum 8.6% required by the Superintendency. This means we have increased to almost 800 basis points the buffer in our total capital ratio after the superintendency decided to lower temporarily the minimum requirement. Our core equity tier 1 ratio improved 10 basis points in the quarter, up to 11.5%.

At Interseguro, our solvency ratio stands at 160%, well above the 100% required, while at Inteligo, our capitalization ratio is 22%, again well above the 8% required. On Page 10, we continue to register high levels of liquidity. Up to March, there was an improvement in liquidity in the financial system due to the funds coming from the private pension funds as well as the unused portion of the funds coming from the Reactiva Peru loans.

Starting April, and after the first polls for the second round of the presidential elections, we started experiencing a tightening of liquidity in the financial system and at Interbank. During this second quarter, total deposit base at Interbank decreased 3.1%, reducing the yearly growth to 9%. There was an outflow of dollars from the system, which decreased the liquidity in that currency. But as of the end of July, the total liquidity of the system in both currencies remains good and the loan-to-deposit ratio for Interbank is at 94%, still better than pre-COVID levels which were above 100%.

Moreover, the loan-to-deposit ratio in both currencies is at healthy levels, with the loan-to-deposit ratio in soles at 107%, well below the 123% of the system. The good news is that during July, our retail deposit base increased 6% in one month, as July is typically a very liquid month. We continue to have ample liquid financial assets, with 26 billion soles at Interbank, out of which more than 16 billion soles are cash and equivalents and have around 900 million soles at IFS standalone level, out of which around 250 million soles are cash and equivalents, which could cover IFS current obligations.

On Slide 11, our loan book has a manageable level of dollarization, with little exchange rate risk, as the remaining commercial loans in dollars correspond to export companies with no currency risk. Only 23% of total loans is comprised of dollars and only 6% of retail loans.

Moving on to the third message of Slide 12, monthly operating trends at IFS have continued to show positive developments in activity for this quarter as well as for July 2021. At Interbank, debit and credit cards turnover has continued to increase substantially, reaching 45% above pre-COVID levels. New disbursements of payroll deduction loans to the public sector employees are growing 28% versus pre-COVID levels, while mortgages have registered a slowdown in growth in July and are growing 3% versus pre-COVID levels after reaching a record in June.

Total fees for Interbank are at 82% of pre-COVID levels, with commercial banking fees recovering faster than retail fees, mainly thanks to the new business coming from the aggressive Reactiva loan strategy. In the case of Interseguro and Inteligo, their recovery was much stronger, with gross premiums in July this year at 136% versus pre-COVID levels and assets under management at plus 21% in July versus February last year.

On Slide 13, we are showing the quarter evolution of total revenues for IFS. We have seen a second strong consecutive quarter in terms of total revenues, which drives a 17.2% increase in revenue during the first half of the year. This growth is mainly coming from, first, stabilization of Interbank revenues, second, a strong recovery in revenues coming from other income from investments, but also other sources of revenue at Interseguro and Inteligo.

The diversification of IFS businesses has definitely played an important role in the yearly recovery of revenues. The banking business continues to recover in a more gradual way, mainly due to the pressure in the net interest income and NIM coming from low yield Reactiva

loans, excess cash, portfolio mix, and a smaller contribution, of credit cards and a low-rates environment.

Now moving to the fourth key message on Slide 14, our digital KPIs have stabilized during last month as the strong growth in activity is reflecting a more stable mix in channel usage. Digital users as of July are 78% of our customer base, up 18 points in the past two years. 100% digital customers who are clients that do not use branches or contact center any longer and who use digital channels plus ATMs and corresponding agents only for cash in and cash out, have reached 56% in July, up 25 points from June 2019.

Digital sales have also performed well. At Interbank, retail digital sales reached 55% in July and at Interseguro SOAT digital sales reached 81%, both increasing sharply in the last two years. We have continued to see an important number of new digital accounts being opened for individuals. As of the end of July, 61% of new retail savings accounts were opened digitally, and new digital client acquisition of retail customers reached 45% compared to 14% in June two years ago. Our investments to build our digital capabilities during the last years have definitely played to an advantage for our customers and operations under the current circumstances.

On Slide 15, we have reached more than 4.2 million retail customers at the bank and 116,000 businesses. Our retail client base has increased 14% CAGR in the past two years, while our commercial client base has increased 37%. Our 100% retail digital customers have grown at a CAGR of almost 16% in the past years, reaching almost 1.5 million customers.

Plin, the P2P feature among multiple banks, operating with cellphone numbers, is already active in more than 4.2 million users as of the end of July, 41% out of which use Interbank as their key account. Tunki, our 100% digital solution for payments relaunched in February last year, has reached 1.3 million users as of the end of July. Moreover, both payment initiatives have aggressively started to increase their number of merchants, reaching a combined number of 650,000 as of the end of July, five times higher than one year ago.

The fifth key message refers to the low level of provisions registered for the second consecutive quarter at 1.7 below pre-COVID levels. The three positive trends that we have been experiencing in the past quarter have continued to develop further during this quarter.

On Slide 16, the first of this trend is that outstanding rescheduled loans have continued to decrease. As of June, outstanding rescheduled loans were 7.8 billion soles, or 19% of the total loan book.

This number represents a 39% decrease versus the peak of June last year. This is true for both retail and commercial portfolios. Moreover, the number of total clients rescheduled has also decreased as the new inflow has been marginal during these last months.

On slide 17, the second positive trend is that we have continued to see a very good payment behavior among Interbank's clients. As of July 2021, 99% of our total retail portfolio has already had a payment due. 71% of the retail portfolio has not been rescheduled and is registering a very good payment behavior. 99.1% of clients are paying their installments. Zero percent has requested an additional relief and only 0.9% has not paid.

Of the 29% of the retail portfolio, which has been rescheduled as of July, 97.4% of clients are paying their installments. Only 0.1% have requested an additional relief, and only 2.5% has not

paid. Again, summing up, new relief requests and not paid, this represents a low number of 2.6% as of July which compares to 3% as of April.

A similar payment behavior has been observed for credit cards as of July, with percentage of payments of almost 99% for the 63% of the portfolio that has not been rescheduled while almost 99% for reactive rescheduling, 97% for unilateral rescheduling, and around 96% for structural rescheduling.

As for SMEs is concerned, the outstanding rescheduled portfolio is small, around 750 million soles out of which 96% of clients have been paying their installments out of the 98% that have had payments already due as of the end of July.

On slide 18, the third positive trend is the low level of provisions. Cost of risk for the quarter was extraordinarily low, at 1.7%, below the 1.8% of the previous quarter and below pre-COVID levels of 2.2% for 2019. Mainly due to the low cost of risk in retail which today has a lower contribution coming from credit cards, which is the product with the higher cost of risk in the portfolio. This is reflected in the low cost of risk for retail in the quarter, which was 3.2%, down from 3.4% in the first quarter and below the 4% for the full year 2019 pre-COVID levels.

Commercial banking continues to have low levels of cost of risk thanks to our small participation in the SME segment and was 0.4% for the quarter and below the 0.5% for the first quarter. NPL coverage for the bank as of June is at almost 170%, and for retail loans, it's at almost 200%. Our stock of provision as of the end of June represents around 7% of our total loans excluding Reactiva guaranteed portion of loans.

Finally, the last key message on slide 19 refers to the disciplined and proactive management of costs IFS has pursued before and after COVID started. During the first half of '21, we have registered a very low efficiency ratio of 31% at IFS, below the 33% registered last year and well below our guidance of 35 to 37%. Mainly thanks to the positive impacts on revenues previously described which have contributed to our operating leverage as the 17% increase in semi-annual revenues more than surpasses the 11.9% increase in costs.

This quarter, though, we have seen a recovery in expenses driven by banking activity when compared to the previous year. It is important to remember that during 2020, IFS was one of the few financial services institutions in the region which was able to execute an aggressive cost reduction program which ended up reducing the total cost base for IFS 5% for the full year.

At Interbank, efficiency ratio is at 40.8% for the semester, above the 37.2% registered last year as expenses have increased 9.5%, as we start to see increases in the variable costs in line with the recovery of the activity as well as continuous expenses in technology as anticipated during our two previous conference calls and reflected in our guidance.

Moreover, we have continued with our branch optimization program started in 2016 and have closed additional 62 branches since the pandemic started, reaching a total reduction in number of branches of 33% or almost 100 branches from the peak in 2016. Expenses will continue to increase during the next quarters when compared to the previous year driven by variable costs, investments in technology, and some additional expenses related to our commercial alliance with Rappi.

Guidance remains at 35 -37% cost income ratio for the full year for IFS, most likely, we will be in the lower end of that range.

Now, let's have a closer look at some additional indicator by segments in slides 20 to 27.

On slide 21, we're showing a recovery in most of our key banking indicators, including, for the first since the pandemic started, NIM, which was up 20 basis points in the quarter. The recovery of NIM in the quarter is mainly due to a recovery in yields. Total fee and other income decreased 14.5% in the quarter, mainly driven by the strong investment results of the first quarter, with fee income recovering and growing 1.7% in the quarter and 44% when compared to the same quarter last year.

Other expenses increased 3.9% in the quarter and 24% when compared to one year ago as the second quarter last year was the strongest in terms of lockdown, which strongly impacted the level of activity. Efficiency ratio for the quarter is at 42.5%.

On slide 22, the positive news come from the accelerated growth in the retail loans, which reached 4.1% in the quarter, resulting in a gain of market share of 20 basis points in the quarter and also a recovery in the size of the portfolio back almost to pre-COVID levels. We have registered a strong growth in all retail products, with consumer loans growing 3.7% in the quarter, mortgages growing a record 5.7%, and payroll deductible loans to the public sector growing 2% this quarter.

Moreover, July has seen a further acceleration, especially in credit cards which registered a 1.7% growth in one month, the highest seen in the year so far. Commercial banking grew 7.2% in the year, mainly due to Reactiva, but was down 1% in the quarter.

On slide 23, during the second quarter, there has been a reduction in the total amount of deposits of the system. In the case of Interbank, deposits decreased 3.1% in the quarter but grew 9.1% year over year with retail deposits decreasing 0.7% in the quarter but growing 11.3% year over year, which has allowed us to gain 40 basis points market share in the quarter and 70 basis points year over year to a record 14.5% as of June.

Cost of funds remained stable at 1.4% representing a reduction of 80 basis points year over year. This positive development came from several factors, like decreases in market rates, a better funding mix, and higher funding from the central bank.

On slide 24 to 25, let's have a look at Interseguro. Quarterly premiums continue to show a very strong growth of 7.4% QoQ, driving the yearly growth to more than 100%. Most business lines grew with mandatory annuities leading the growth in premiums. Interseguro registered also a strong gain in market share in annuities in the quarter, reaching 31.2% compared to a 28.7% market share in the previous quarter.

On slide 25, Interseguro's investment portfolio decreased 1.3% on a quarterly basis mainly due to sales in the portfolio but grew 3.8% on a yearly basis. Results from investments continued strong this quarter but below the extraordinary high first quarter with return-on-investment portfolio still high at 7.7% this quarter, well above the 6.3% registered one year ago.

Moving on to our wealth management segment on slide 26, Inteligo posted strong revenues in the quarter again, beating the extraordinary high level registered in the first quarter. Net interest income grew more than 5% in the quarter. Other income grew almost 10% with fee income flat after a particularly positive trend last quarter and more than 20% up versus last year.

On slide 27, Inteligo's assets under management plus deposits had a strong growth during the quarter of 7.3%, driving the yearly growth to 20.7% and reached 27.2 billion soles in June. Earnings of 90 million soles for this quarter are above the strong first quarter of 87 and drives the semi-annual earnings to 177 million soles, with a 30.9% ROE.

On slide 29, we are providing a comparison of our semi-annual results with the operating trends expected for 2021. As we mentioned in a previous conference call, 2021 will be a year of rebuilding the portfolio at Interbank to foster growth in the coming years. Interseguro and Inteligo should continue to grow despite an extraordinary good year for both companies in 2020 despite COVID.

First, talking about capital, we expect Interbank capital to remain at sound levels well above regulatory requirements. As of June, total capital ratio of 16.1% and core equity tier 1 ratio of 11.5% are above the guidance.

In terms of profitability, the first half '21, IFS return adjusted equity is at 21.7%, well above the guidance, and should be above the 14% for the full year 2021. Given the strong results of the first half, we expect to beat our guidance by at least 200 basis points. The extent of this beat, of course, will largely depend on the speed of the recovery in activity.

Talking about loan growth, year to date loan growth as of June was 4.3% for retail and -1 for commercial, in line with our guidance. We expect retail loans to continue building up by year end.

NIM was 3.9% in the semester, but 4% in the quarter, growing 20 basis points, which bring us to the low end of the guidance provided, which is what we are expecting also for year end. In terms of cost of risk, it came again below the guidance at 1.7% in the quarter and 1.8% in the semester, slightly below pre-COVID levels. So, we are expecting cost of risk to start gradually increasing as the credit card portfolio builds up. In fact, we continue maintaining our guidance of around 2%.

In terms of efficiency ratio, the efficiency ratio for IFS was 31% in the semester, better than our 35 to 37% guidance. We have continued with our cost efficiency efforts in branch rationalization program but we expect an increase in expenses in the coming quarters in line with the recovery of activity which drives variable costs and further acceleration of our digital investments, including building our venture with Rappi. So, we should end up the year in the low end of the guidance.

Moving to slide 30, we wanted to give you a brief summary of the main actions we have undertaken towards a stronger corporate governance and ESG disclosure since the IPO on the New York Stock Exchange in July 2019. We have undertaken a series of actions, which include that right after the IPO, we improved our reporting standards in line with best practices in the financial services industry. Starting September 2019 and up to April this year, we have implemented SOX controls with KPMG, resulting in improved internal controls and procedures.

During the second quarter 2020, we appointed an independent audit committee at IFS and the internal SOX auditor. In the first quarter this year, we appointed a new board, including a representative of minority shareholders for the private pension funds and we included new disclosures related to ESG in our reports.

On the second quarter this year, we have successfully concluded our first audit on SOX internal controls performed by Ernst & Young. And we are currently participating for the first time in the Standard & Poor's Global Corporate Sustainability assessment.

Finally, on slide 31, I want to close the presentation with a brief summary of the six key messages discussed before. First, the economic recovery in Peru continues. Second, IFS has a strong balance sheet with capital, liquidity, and dollarization levels substantially better when compared to pre-COVID levels.

Third, we have seen a strong recovery in our core indicators in all three operating companies which is reflected in revenues and profitability. Fourth, the digital trends continue to support IFS strategy, which translates into growth of clients and businesses. Five, cost of risk continues to be below pre-COVID levels for the second consecutive quarter. And six, we continue our focus on efficiency and branch rationalization.

Thank you very much. Now, we welcome any questions you might have.

QUESTION AND ANSWER

Operator

Yes. Thank you. At this time, we will open the floor for your questions. First, we will take the questions from the conference call and then the webcast questions.

If you would like to ask a question, please press star then one on your touchtone phone now. Questions will be taken in the order in which they are received. If at any time you would like to remove yourself from the questioning queue, just press star then two. Again, to ask a question, please press star then one.

For the webcast viewers, simply type your questions in the box and click submit a question. We will pause momentarily to compile our list of the questioners.

And the first question on the phone today comes from Ernesto Gabilondo from Bank of America.

Ernesto Gabilondo

Hi. Good morning, Luis Felipe and Michela. Congratulations on your strong second quarter results and your ROE above 20%.

My first question is on the economic and political outlook. We have seen that economic growth remains as one of the highest in the region. However, political uncertainty has generated an important impact in the Peruvian stocks.

I believe one of the key concerns were related to who will be appointed at the central bank. According to some Peruvian local newspapers, President Castillo wants to keep Velarde as the head of the central bank, something that could provide continuity and could reduce risks related to talk of cap rates in the sector.

So, can you give us an update on what are you expecting at the central bank? And what are the reasons that you are finding to be more optimistic on the political front?

Then, my second question is on loan and net interest income growth. We have seen loan growth continue to show modest recovery. However, as you pointed out, retail is already picking

up. The economy remains strong. So, how should we think about loan growth and NIMs in the second half? And maybe some potential trends for the next year. Thank you.

Luis Felipe Castellanos

Hi. Ernesto, thanks for your question. Let me take on the first part. Very simple. We know basically the same as you regarding the central bank. There is not strong confirmation yet, but there is a view that the government could pursue confirming Julio Velarde. That's--we're waiting for that news to come in.

And regarding the political scenario, we obviously are cautious. There's early in the process. There's lots of moving pieces. So, we are paying attention to the announcements by the government and the steps being taken in terms of announcements and measures.

So, again, we're very focused on executing our strategy. We believe we have the platform to be successful in Peru. In different circumstances, we've proven that not only in the last, let's say, 10 years since I've been at IFS, but Interbank and the company has been here for--Interbank for over 100 years and Interseguro and Inteligo since mid '90s. And we've seen lots going on in Peru and we always had a team very focused on executing on the opportunities while being cautious in terms of the risks that arise depending on the situation.

So, I hope that addresses the first part of your question. And then, on the second, more specific regarding the trends, let me pass it on to Michela.

Michela Casassa

Thank you, Luis Felipe. Good morning, Ernesto, and thank you for the question.

Let me first comment on what we are expecting for year end. And as I was mentioning on the comment on guidance, in terms of loan growth, we have seen roughly 4% year to date growth in retail. Okay? But when we see the trend between the first quarter and the second quarter, the good news, and also looking at July, the good news is that consumer loans, especially credit cards, are now starting to pick up.

So, we are expecting the year end figure for retail especially to be in line more or less with the guidance that we gave, which was a single digit growth. But given that we are 4% already in the first half, we are expecting to be between 8 and 9% for year end.

Now, in terms of the commercial portfolio, though, the guidance continues to be a slight reduction. Notice as the Reactiva loans start to be repaid and we are replacing those loans with regular loans but not at the same pace also given the expectations and the uncertainty.

In terms of NIM, as you have seen for IFS, we have registered a 3.8% NIM first quarter, 4% in the second quarter. And what we are seeing for the rest of the year is NIMs close to 4%. So, we are now still guiding for a year end figure which is in the low end of the range, close to 4%.

As far as 2022 is concerned, to be sincere, at this point, I'm not going to be able to give you any figure yet as we are just now in the process of starting strategic planning and the budget for next year. Now, still, there are a number of variables that we need to see how they behave in order to be able to estimate those figures.

Ernesto Gabilondo

Okay. Perfect. Thank you very much, Luis Felipe and Michela. Just let me elaborate last question in operating expenses. I believe this is the only line that is growing much higher than the rest of the lines in the P&L. So, just wondering, how do you see OPEX growth in the next quarters?

Luis Felipe Castellanos

Go ahead, Michela.

Michela Casassa

Yeah. Yes, let me take it. There are a number of things that are driving the increase in expenses for the first half. And basically, who's driving the growth in expenses is the banking segment. In the slides I am showing you that for the first half, those expenses are growing 9.5%. And what is driving growth is technology and that has been the case if you want for many years now. More strongly, the variable costs related to marketing and credit card expenses.

We have seen an increase in the turnover of debit and credit cards. You have seen more than 40%. So, that is something that strongly drives the expenses.

So, we are expecting for the second half of the year to continue to have these increases in expenses. And again, the two things that will drive expenses is technology and variable costs. And that is why despite the fact that we have an efficiency ratio of 31% for this semester, we are still guiding for the low end of the range now at around 35%.

There are also a number of additional costs that we are incurring related to our partnership with Rappi that have already materialized in the first half and will continue to be the case for the months to come.

So, with that--and when we see especially the efficiency ratio of Interbank this year will deteriorate as expenses are recovering faster than revenues because of the pressure in NIM, but we expect that to change in the coming years when the operating leverage for Interbank will continue to be as it was before with revenues growing faster than expenses.

I don't know if this covers it, Ernesto.

Ernesto Gabilondo

Yes. Perfect. Thank you very much, Michela.

Luis Felipe Castellanos

Yeah. Ernesto and Michela, let me add something regarding that, that we have to pay attention to also specifically on efficiency ratio because everything that Michela has mentioned is right. But I will also call the attention to the change in the risk profile of our credit card portfolio, and that is bringing lower revenues from that portfolio and hopefully the risk appetite that we have is still higher and probably that will continue to increase revenues in the future.

But right now, what we're seeing is customers are coming in with lower rates but significant lower risk cost as well. You can see that both in our local book--and in our IFS book where provisions are at very low levels.

So, when looking at efficiency ratios, specifically for what revenues coming from credit card relate to, you have to take a look also at the after risk return for that portfolio, which at the end,

is bringing in a very positive equation in terms of results, and that's also a positive impact on net income and ROE. Thank you.

Ernesto Gabilondo

Understood. Thank you very much, Luis Felipe.

Operator

Thank you. And the next question comes from Jason Mollin from Scotiabank.

Jason Mollin

Hi. Thanks for the opportunity, Luis Felipe and Michela. I have two questions. The first one may be just an update on the joint venture with Rappi and how that's going. And if there's any metrics that you think we should be tracking closely on that front.

And my second question is more of a general question that encompasses a bit of what you've been discussing about politics and some uncertainty. My question would be on that front if you can talk about--we've been focused for some time on interest rate caps, changes in the pension system, and potential implications for annuities, higher taxes. I mean, you have a very conservative ROE outlook for this year, greater than 14%, excuse me. I think the greater than is an important part of that statement given the almost 22% ROE you generated in the first half.

How should we think about the scenarios going forward with potential policies and how IFS can protect itself or protect returns for shareholders in this environment? You've mentioned that the track record of doing this in the past, but how should we think about the future? And is this government and potential policies different--could be different than what we've seen in the past? Thank you.

Luis Felipe Castellanos

Okay. Hi, Jason. How are you? Let me take on both and maybe Michela can complement a bit.

On the first one, the joint venture with Rappi is going well. Obviously, we launched that at the beginning of the pandemic. So, it has had some delays because--like, getting something to start operationally under that scenario has not been that simple, but it's been accelerating recently. We have the solution operating and working very well. So far, we have reached around 180,000 customers for the venture, of which the recently launched 100% digital credit card is at around 25,000 customers.

So, it's going well. It's building up. We're learning how to work together with Rappi, like a very traditional institution like Interbank. Even though we have DNA of innovation, working with 100% digital native company as Rappi, obviously, we're seeing some challenges and opportunity, but we are gaining traction.

I guess in the future, we'll be the same as we are highlighting in our reports the growth of Plin, which has reached over 4 million customers and the growth of Tunki that has reached over 1.3 million customers. And we could include the Rappi evolution, that, again, it's around 180,000 customers so far and we expect that to continue to accelerate.

Regarding the second part of your question in terms of the political environment and what we can expect, what we know is what has been announced. Now, obviously, there's--in the presidential speech, there was a reference to looking for a new role in the Banco de la Nacion, which is a state-owned bank, probably that has to go through a process of changing laws or

whatever through congress. So, that's something we're monitoring, but that has been announced.

And the other thing that has been announced has been the intention to continue with reforms on private pension system, which is a business as you know, we do not operate. We're obviously looking at that closely as well because it has an impact on the overall health of the financial system in Peru. It could create some opportunities for us, but we're monitoring that.

And there's not much yet specific in terms of measures towards the financial system. What it is already in place is the rates cap, which the central bank is already enacted and we're operating under that environment. We have seen some effects, not that much, on the rates that we have for our customers because we are basically below that cap. But in the delinquency commissions we could charge, that has changed. We have lost those revenues now for approximately 60, 70 million soles per year, but that's already reflected in this quarter fully. So, those are new levels of revenues we have from those.

And then, we remain with expectations of what's going to come. Again, we manage that closely. I think what we need to do--our mandate is being as efficient as possible in case different reasons and continue to put pressure on our revenues or our spreads. So, that's something that we have been doing forever and we will continue to do that because that's the way we have been operating and we operate at Intercorp Financial Services for many years.

And then, very focused in terms of building competitive advantages not to be everything to everyone but in what we are good. And where we're good is --wealth management, the life insurance business, and the annuity business that Interseguro runs, and certain commercial banking services and specifically in consumer financing. That's our strength.

We are--for our digital transformation; we have seen the results. We have no way back on that front. We continue to rationalize our operations including our branches, and we continue to increase in number of customers. We have increased more than 25% our customer base in the last year. So, that has us very happy and that's the way to pursue.

And then, what could happen now, as mentioned in the introductory statement and also while Michela was talking is that the growth of the overall system could decelerate because of different measures, because of macro conditions. And then, we will have, as management, to see what we do. We are generating excess capital. So, an alternative could be for the benefit of our shareholders, maybe we boost up dividends in case growth does not materialize and we continue to be over capitalized or maybe we will evaluate what usually management does in these situations, maybe a share buyback could be a program, something like we've done in the past.

So, it's early still to tell, but we have been through these processes before and we acted differently. Again, the priority is to look for opportunities to continue fostering growth and serving and helping Peruvians with their financial needs. But obviously, we also are looking for the best interest of our shareholders. So, nothing is off the table in terms of making sure that we enhance shareholder value given the cards we have on hand.

And regarding the ROE, I think Michela mentioned, obviously above 14% was the guidance under an uncertain scenario. We're doing much better than that. And we do expect to have a significant beat over those numbers. Let's see how the second half materializes, but based on what we're seeing, we do feel confident that it's going to be a material beat over those levels.

Jason Mullin

Thank you very much. Appreciate hearing your views.

Luis Felipe Castellanos

Thank you.

Operator

Thank you. And the next question comes from Andres Soto with Santander.

Andres Soto

Good morning to all and thank you, Luis Felipe and Michela, for the opportunity to ask questions. My question is regarding your ROE guidance, which sounds quite conservative given the performance in the first half of the year.

So, I would like to understand when you look in the second half this, the implied guidance will be on ROE in the range of 8 to 10%. How do you break that down between your different business units? Is this a result of having much lower trading gains expected for the insurance and wealth management businesses? Or is it something related to your banking unit?

Luis Felipe Castellanos

Let me pass it on to Michela, see if she has more detail on that.

Michela Casassa

Okay. Good morning, Andres. Thanks for the question.

I mean, what we have seen in the first half, you see the numbers in ROE are extremely high for insurance and also Inteligo. So, basically, let me just one second go through this slide, the first slide of the presentation.

Okay. So, we have--for the first half, we have 21.7% ROE for IFS which is composed of 18.8% for the bank, 50% for insurance, and 30.9% for Inteligo. Have in mind that in the past--and let's say we had a terrible 2020 and now we're having a very good 2021. But in the past, the guidance has always been for IFS to be in ROE around 18%. 18, to 20%. The bank was more or less the same.

Insurance was, if you remember, at levels of 15% ROE. And wealth management, it was always around 20 to 25% ROE.

So, basically, what has happened this first half is that the bank is already--if you want at our sustainable ROE, but for a number of reasons that will change in time--so, during the first half, the bank has had first an extremely low cost of risk, the 1.8 and 1.7% is still below the pre-COVID level. And second, that during the first quarter, the banking segment has also had some extraordinary gains in the portfolio.

Now, I don't know if you remember, we've had a big sale of government bonds. And what is happening this quarter with banking is that we are having high trading income because of the FX volatility. So, some of those things in the banking segment will not repeat during the second half. But, on the other side, banking is recovering in terms of the core, so net interest income and fee.

So, it is difficult to think that we are going to improve that ROE that we have registered in banking.

In the case of Interseguro, the 50% ROE of the first half is for sure extraordinary. Now, remember, it was 15% pre-COVID. And we've had in the first and second quarter extraordinary gains coming from the portfolio. Now, the return on the investment portfolio has been above 10% in the first quarter, 7.7% in the second quarter. And the regular levels were 6.5% pre-COVID.

So, again, we've had some extraordinary gains there that we'll not repeat during the second half.

And in the case of Inteligo, it's really --maybe a little bit more positive. We have had extraordinary gains during the first two quarters of the year. But in that case, we might have some additional ones depending on how market behaves.

So, if you sum up everything together, the 21.7% ROE of IFS, it's difficult to repeat in the second half of the year as we're expecting lower ROE, especially I would say in the insurance business. But to some extent, it could also be in the banking business.

So, guidance was 14% when we started the year. Of course, we were not expecting such a strong two quarters. That's why now we're looking at our yearend figures. If you want the core ones--without the extraordinary things, we are pretty confident that we will beat this 14%. I said at the beginning at least 200 basis points. Now, it could be more depending also on the difficult to predict part related to the portfolio of Inteligo, especially, but to some extent also on Interseguro.

So, I know it's not a straightforward answer Andres, but that's more or less what we see for the second half and why we are not expecting such a high ROE as the first half.

Andres Soto

No, thank you for that, Michela. And my second question is, it's probably a follow up on the comment that Luis Felipe just made about increased return to shareholders given the diminished growth outlook.

In the past when IFS stock was undervalued, stock buyback was the preferred alternative for you guys. I would like to see what are your thoughts about that vis a vis the possibility of an extraordinary dividend given the, you know, the current liquidity and the dual-listing structure that you currently have.

Luis Felipe Castellanos

Yeah. Hi, Andres. It's--again, there are different mechanisms to do that. We've used both, actually. At some points, we bumped up our dividends and at a different moment, we did establish a buyback program that we managed for a couple of years. Again, we have many alternatives.

We have not taken a decision. Obviously, we'll have to take this to our board and then go through the necessary approvals. It's just what I wanted to highlight the elements that we have on our heads in terms of thinking how we will phase the upcoming months depending on what we see in terms of growth.

Obviously, this is something that still needs to be discussed. So, there's not specific preference or any specific conclusion around that.

Andres Soto

That's very clear. Thank you, Luis Felipe. And if I may follow up on that. All your business units are well above the minimum levels required by the regulator. How we can or what is your sensitivity or what is your target in terms of how much above the regulatory limits you want to be when you think about these decisions to return capital to shareholders?

Luis Felipe Castellanos

Yeah. Usually, it has been, like a buffer of between 200 and 300 basis points above the minimum regulatory levels. And that basically continues on the overall. However, now, we're also looking at core equity tier 1 and that probably creates a barometer there. So, I don't know, Michela, if you want to complement--.

Michela Casassa

--Yeah--.

Luis Felipe Castellanos

--But I think that obviously we will need to look at both numbers. Having not only the buffer that we want at the overall capital ratio, but also, we're looking at the core equity tier levels and we want to be at sound numbers.

Michela Casassa

Yeah. I'm just going back to the guidance that we have for capital. At least for year end, we have for total capital ratio more than 15 and core equity tier 1 ratio more than 11%. So, basically, where we have a big buffer is in the total capital ratio. Moreover, now given that the superintendency decreased the requirement, which was before more than 10% and now it's at eight point something percent.

So, we have a very big buffer there. But the buffer in core equity tier 1 is much smaller because we are there at 11.5%.

But what we have to bear in mind, though, is that these numbers are built with the local accounting earnings. In the local accounting earnings, we do still have, say, an important number there of provisions that we did last year because of COVID that we need to see how are they going to be treated given the low growth that we have experienced this year. So, there could be an opportunity there.

But for sure, what we have to have in mind is that core equity tier 1 cannot decrease a lot versus the levels that we have today.

Andres Soto

Perfect, that's very clear. Thank you both.

Luis Felipe Castellanos

Thank you.

Operator

Thank you. And the next question comes from Carlos Gomez with HSBC.

Carlos Gomez

Hello. Good morning. First, congratulations on the results and the good presentation as always.

Two specific questions. One on the Reactiva program. How is it evolving? How is the payback? And do you expect this program to be extended and at some point, perhaps, for the banks to have to make a contribution for it? Is that a possibility that you're contemplating?

And second, we know that rate caps have been implemented at central bank, a rate which is probably higher where you do most of your business. At what level do the rate caps have to be lower so that they start affecting your credit card business? Thank you.

Luis Felipe Castellanos

Okay. Let me take a crack at this, Carlos. Thanks for your question.

The Reactiva program is evolving very well. As you know, we were active participants. We helped a big number of customers. And also, we took the opportunity to enhance our commercial banking platform, specifically in the medium-sized enterprises and also in the small sized enterprises. So, that's behaving well.

The payback is according to what we expected. So, that's good. The government launched the possibly to extend certain tenors. We are working actively with customers to take advantage of that.

We do not have clear indication of how the program will evolve or if it will be extended. I guess it all depends on the extent of the economic recovery. So far, the economic recovery, as we have mentioned, looks to be on the right track. So, we will be--we're paying attention to that.

But so far, the program has worked very well. It helped the economy very well. And it helped Interbank particularly very well because we have been able to strengthen our platform and relationship with commercial banking.

I don't know really what you mean by contribution. Maybe you can clarify a little bit later.

And then, in terms of the rate caps, again, our portfolio--the main effect of rate caps is towards smaller financial institutions, but particularly to those, like Cajas or small Financieras that focus on independent customers with lack of track record. So, probably those are the ones that are being hit. You can see our average yields of our portfolios are below that.

So, every time you decrease that probably it will hit a small portion of the portfolio, but we don't--it has to be higher than what we've seen and expect to really have a material effect on our portfolio.

However, as I mentioned, one of the byproducts of that was the late payment fee that was also touched upon that regulation, which that really impacted us and the whole financial system because that's the way we do it. We used to do it. It's the way that it used to be done in many countries.

And the concern there is not really the 60 or 70 million soles that that brought in revenues, but it is what will be the effect on payment behavior going forward of the Peruvian consumer. Because that's--if you know that you are late by some days, you will receive a fee, that creates consciousness on behaving well in terms of payment. So, that's something that we're looking at

because we have transmitted, we have reported to the superintendency and regulators and that's our main concern. Will this have a long-term effect in changing the customer behavior in terms of being on date for payment or not? So, that's probably the effect that we're looking at more closely rather than just the revenues that we have lost for that fee.

Carlos Gomez

Okay. So, to clarify--sorry.

Michela Casassa

Sorry. Just if I can add some information related to the Reactiva loans so that you have a sense of the size. I mean, we reached--during the third quarter last year, we reached a loan book for Reactiva loans of 6.7 billion soles. In those 6.7 billion soles, there was, roughly speaking, 2 billion for the small businesses, almost 4 billion for the mid-sized companies, and 700 million for corporate.

What has happened as of the end of June is that now we have 6 billion soles. So, it has decreased around 12%, that portfolio. What has decreased is actually the portion of the corporate Reactiva loans. That has decreased more than 40% because of pre-payments. And also, we have seen a decrease in the mid-sized companies of around 15%.

The small business portfolio of Reactiva is the one that continues to be stable. Also, because of the new--let's say the new deadline given by the government in terms of giving more free time, let's say, for companies. So far, around 12% Reactiva loans have already been paid as of the end of June.

Carlos Gomez

Okay. That's very clear. And to clarify my question, some of these programs, number one, they can be extended and eventually they get extended for a long period of time. And at some point, they are extended at low rates and at some point, the financial institutions have to take care of them. It becomes more of a cost than a benefit. So, I was asking if that is something that you contemplate, or it doesn't seem to be in the horizon right now.

Luis Felipe Castellanos

No, we do not expect that to be happening. We already put out our contribution as you named it in doing this program with rates basically spread zero to what we are used to do with these types of customers. So, I think that was a contribution. And again, the program has worked well. We don't see something happening in the future. We do not expect that. We hope it doesn't change.

Carlos Gomez

Very clear. Thank you so much.

Luis Felipe Castellanos

Thank you.

Operator

Thank you. And the next question comes from Daniel Mora with Credicorp Capital.

Daniel Mora

Hi. Good morning. Thank you for the presentation and congratulations for the results. I have a couple of questions. The first one is regarding loan growth. Considering the pace of growth of

credit cards in the second quarter and also in July, when do you believe that Interbank can reach again the pre-COVID level of the credit card portfolio?

And my second question is regarding Interseguro. Can we--what are your thoughts in the coming quarter regarding gross premiums and the adjustment of technical reserves and the claims considering that given the COVID situation, the claims have gone on. And also, the adjustment of the technical reserves has a different performance than normalized figures. Can you provide more color regarding the strengths in the insurance business? Thank you so much.

Luis Felipe Castellanos

Okay. Thank you for your question. On the credit cards, let me pass it on to Michela. We do expect a gradual recovery and hopefully we're witnessing that. But Michela probably has more detail. And then, maybe Gonzalo can help us in the second part of your question.

Michela Casassa

Yes. Good morning, Daniel. Related credit cards still--now, there is a long way to growth. Have in mind that the credit card portfolio alone decreased, roughly speaking, one-third, like 30% during COVID.

Now, what we have seen during the second quarter was, like, first stabilization. We had one month of growth; two months stable. And now, we have seen July being a very positive month. So, we expect that together, with the turnover we are seeing for credit cards and debit cards that this will continue.

But have in mind that the decrease was really, really sharp. And we are in an uncertainty scenario. For sure it is not going to be this year. We have to run the numbers for the growth expected next year to see whether or not that can take place during 2022.

Luis Felipe Castellanos

And Gonzalo, can you help out with the second part of the question, please? We can't hear you, Gonzalo.

Gonzalo Basadre

Yeah. Sure. What we see for the second half of the year regarding premiums first, we see strong growth continuing. We haven't yet seen any deceleration in our lines of business. So, we have no concerns there.

With regards to claims, it's very uncertain. The third wave is probably coming in the next few months. But we feel confident that we've been able to pass the first and second with no major incidents. So, we feel confident that the claims part will be okay.

The part that we have more uncertainty is the performance of the portfolio. Markets are very volatile right now. So, depending on how they behave, that will affect the results for the second half.

Luis Felipe Castellanos

Thank you, Gonzalo.

Daniel Mora

Perfect. Thank you so much for the answers.

Luis Felipe Castellanos

Thank you.

Operator

Thank you. And the next question comes from Alonso Aramburu with BTG.

Alonso Aramburu

Hi. Good morning. Thank you for the call. I wanted to ask about margins, and you had a nice increase in yields in the retail portfolio. I think it's 40 basis points quarter over quarter. Can you comment on what's driving that increase? Are you going to need to risk your segment? Or are you just repricing? And do you think this can continue to second half of the year?

And also, related to margins, there's a central bank meeting today. There's some expectations that rates will start to increase maybe the second half, maybe not today. Can you remind us, what's the impact of higher rates on your margins? Thank you.

Luis Felipe Castellanos

Sure, Alonso. Okay. Let me pass it on to Michela so she can give us a little bit of detail on that.

Michela Casassa

Hello, Alonso. How are you? Thanks for the question.

The first part related to what is driving the increase in NIM is mainly the return on the portfolio. Okay? And what we have seen, at least for the second quarter, is mainly coming from credit cards. So, actually, what has happened is that--I mean, we are starting to see a growth in credit cards, but moreover, within the different credit cards products we have seen an improvement in the cash part of it, which has a higher yield.

So, basically, the average yield of credit card has improved in the second quarter versus the previous one. And we expect that to be the case for the coming quarter.

So, talking about specifically the risk profile. I mean, actually, to be sincere, the risk profile that we have today in credit cards is below our appetite. And that is because with one-third of the portfolio disappearing and the low growth of the past month. Actually, what has happened is that the overall credit card portfolio is at a very low level of risk and that is reflected in provisions as Luis Felipe mentioned, but it also impacts revenues.

So, what we are trying to build up for the future is a better, let's say, risk return formula where we will see cost of risk going up, but we are aiming at a higher increase in yields and revenues in order to improve the overall profitability of the business.

And I will kindly ask you to repeat your second question because I'm not sure if I got exactly the point.

Alonso Aramburu

Yes. I was asking about the possibility of the central bank hiking rates which we're seeing in other countries. And how would that impact your margins?

Michela Casassa

Well, as Luis Felipe mentioned before, we already have the cap in rates, if that is what you are referring to, and that has not materially impacted Interbank so far. Of course, we will need to

see how the caps--I mean, there is a formula that has been established and that is monitored by the central bank that will update once every quarter. And we need to check whether or not that continues to decrease substantially.

But so far, the impact has been marginal. What we have seen, though, is that impact that Luis Felipe mentioned before in the fees of credit cards related to the late payment fee. That one already was a hit of 60 to 70 million soles this year. So, that shouldn't repeat in the following month or year.

Luis Felipe Castellanos

Yeah. Michela, I think Alonso refers to the action that the central bank can take in raising the reference rate. And we're also waiting for--.

Michela Casassa

--Ah. Okay. Okay. Sorry. Yeah.

Luis Felipe Castellanos

We're waiting for that. Obviously, again, if the reference rate goes up, it will have an impact in terms of the commercial business. As you know, we run it on the spread. So, probably that won't affect very much. The pricing there is usually fast and simple.

And then, we'll have to see what we do in the retail portfolio. Probably mortgages again. The new mortgages go out. We'll manage it based on spread. That's easier. And then, we need to see the impact on the other types of loans, like consumer loans or credit cards.

However, again, I think the offsetting to any potential increase is the increased risk appetite that we're having for the portfolio. So, we do expect to, if things go as planned, to continue bringing in customers that will come in with higher rates. So, probably some offsetting will come from that front. But again, we will need to wait and see what really happens in the announcement today.

Alonso Aramburu

Okay. Thank you, Luis Felipe. Thank you, Michela.

Michela Casassa

Thank you.

Operator

Thank you. And there appear to be no further questions on the phone or on the webcast at this time. I would like to return the floor to Ms. Casassa for any closing remarks.

Luis Felipe Castellanos

Yeah. Before Michela closes, let me add something that we just learned a couple of weeks ago. We wanted to share also with you because it's the basis of everything that we do, which is our employees. And we have been--Interbank has been named the best place to work for--in Latin America. So it's number one in Latin America by the great place to work. We're very happy about that.

We wanted to share it with you not only because we're proud of our--the way our employees are facing these testing times [...] to serve Peruvians, but also because, as you know, it's part of our core strategy in order to provide excellent service to Peruvians. So, while we maintain this good

level of working environment, we are confident that are our strategy will continue to be deployed.

So, that's from my part. Thank you very much to everyone for attending the call. As you know, we have a strong franchise that is performing well. It's recovering nicely from tough times that we underwent during 2020. And we do remain confident that we will be up to the task for any challenge that comes in the coming months. We have a very strong franchise that is proving that has a diversification and focus in order to continue to drive good results while diminishing risks.

So, with that, let me pass it on to Michela for closing.

Michela Casassa

Yes. Not much to add. Thank you, again, everybody for joining the call. And we will see everybody again during our third quarter conference call. Thank you. Bye-bye.

Operator

Thank you. This concludes today's conference call. You may now disconnect.