



Intergroup Financial Services Corp. Reports Second Quarter 2010 Earnings

Lima, Peru, July 26, 2010. Intergroup Financial Services Corp. (Bolsa de Valores de Lima: IFS) announced today its unaudited results for the second quarter 2010. These results are reported on a consolidated basis in accordance with Peruvian GAAP in nominal Peruvian Nuevos Soles.

Quarterly Highlights:

Intergroup:

- Intergroup's recurring earnings increased 4.6% YoY. However, when including non-recurring investment gains in 2Q09, net earnings decreased 3.6% YoY
- Earnings fell 11.2% QoQ, mainly as a result of lower income at Interbank

Interbank:

- Recurring earnings increased 11.8% YoY, driven by growth in interest on loans and lower deposit costs
- Net earnings decreased 11.3% QoQ due to higher funding costs, provisions and administrative expenses
- Demand for credit increased after a slow first quarter, leading total loans to grow 6.8% QoQ
- Interest on loans and return on investment continued to increase. However, NIM declined 20 bps QoQ as a US\$200 Tier 1 bond issue led to a 12.1% increase in financial expenses
- Asset quality remained strong, but the ratio of provision expenses over average loans rose from 3.2% in 1Q10 to 3.7% in 2Q10
- Interbank's BIS capital ratio rose from 12.8% in 1Q10 to 16.0% 2Q10

Interseguro:

- Earnings rose 3.3% QoQ due to 22.7% growth in investment income
- Net income declined 18.2% YoY due to increases in claims, administrative expenses and reserves related to strong annuity sales
- Annuity sales grew 34.6% QoQ, driven by Interseguro's strong presence in the rapidly expanding early retirement segment

Intergroup

2Q10 Performance

Net earnings (attributable to Intergroup's shareholders) were S/. 123.3 million, an 11.2% decrease QoQ and 3.6% decrease YoY. When excluding non-recurring items, net earnings grew 4.6% YoY. Intergroup's ROE was 26.9% in 2Q10, below the 29.7% reported in 1Q09, and below the recurring ROE of 30.6% reported in 2Q09.

Intergroup's Profit and Loss Statement Summary

S/. million	2Q09	1Q10	2Q10	%chg QoQ	%chg YoY
Financial income	501.7	504.5	528.0	4.7%	5.2%
Financial expenses	-95.8	-92.1	-105.9	15.0%	10.6%
Gross financial margin	405.9	412.3	422.1	2.4%	4.0%
Provisions	-97.2	-78.9	-96.6	22.5%	-0.5%
Net financial margin	308.8	333.5	325.4	-2.4%	5.4%
Fee income from financial services, net	87.3	97.2	103.6	6.5%	18.7%
Result from insurance underwriting, net	-9.2	-4.9	-10.5	114.0%	14.7%
Administrative expenses	-206.1	-217.1	-236.7	9.1%	14.8%
Net operating margin	180.7	208.7	181.7	-12.9%	0.6%
Depreciation and amortization	-18.2	-25.4	-24.5	-3.6%	34.8%
Other income (expenses)	5.7	16.6	14.7	-11.7%	159.1%
Income before tax and profit sharing	168.2	199.9	171.9	-14.0%	2.2%
Income tax and profit sharing	-39.6	-60.3	-47.9	-20.5%	21.1%
Net income	128.7	139.6	124.0	-11.2%	-3.6%
Attributable to IFS shareholders	127.9	138.9	123.3	-11.2%	-3.6%
EPS	1.37	1.48	1.32		
ROE	34.1%	29.7%	26.9%		

Intergroup's Balance Sheet Summary

S/. million	2Q09	1Q10	2Q10	%chg QoQ	%chg YoY
Cash and due from banks	2,947.0	3,181.6	3,710.0	16.6%	25.9%
Investments, net	3,814.6	4,401.6	4,403.1	0.0%	15.4%
Loan portfolio, net	9,070.3	9,674.4	10,367.1	7.2%	14.3%
Fixed assets, net	551.6	524.0	491.6	-6.2%	-10.9%
Other assets	619.8	626.6	1,004.9	60.4%	62.1%
Total Assets	17,003.3	18,408.3	19,976.7	8.5%	17.5%
Deposits and obligations	10,902.4	11,442.4	12,379.4	8.2%	13.5%
Due to banks	1,095.0	1,538.4	1,518.3	-1.3%	38.7%
Bonds and obligations	1,490.6	1,453.8	1,996.0	37.3%	33.9%
Technical reserves for premiums and claims	1,515.1	1,536.2	1,580.6	2.9%	4.3%
Other liabilities	484.6	489.6	760.3	55.3%	56.9%
Total Liabilities	15,487.8	16,460.4	18,234.6	10.8%	17.7%
Intergroup shareholders' equity	1,507.7	1,935.4	1,729.1	-10.7%	14.7%
Minority interest	7.9	12.5	13.0	3.6%	64.1%
Total shareholders' equity	1,515.6	1,948.0	1,742.1	-10.6%	14.9%

Quarter-on-quarter performance

Net earnings declined 11.2% QoQ as a result of increases of 15.0% in financial expenses, 22.5% in provisions, 114.0% from insurance underwriting losses and 9.1% in administrative expenses. Financial income increased 4.7% QoQ.

Growth in financial income was driven by higher interest on loans and investment income. The increase in interest on loans was attributable to 6.8% growth in Interbank's loan portfolio. The increase in investment income was driven by improved returns from Interbank and Interseguro's investment portfolios.

The increase in financial expenses was directly attributable to the US\$200 Tier 1 bond issue from Interbank, a transaction that doubled the bank's outstanding bond volume.

Provision expenses increased as a result of commercial loan growth, a slight deterioration in the credit card loan portfolio and regulatory provisioning requirements.

Interseguro's loss from insurance underwriting doubled due to increases in claims and reserves linked to growth in annuity sales.

Administrative expenses at Interbank and Interseguro grew as a result of increases in variable compensation and marketing campaigns.

Year-on-year performance

Recurring net earnings increased 4.6% YoY, driven by higher interest on loans and lower interest on deposits, partially offset by an increase in the loss from insurance

underwriting and higher administrative expenses. When including non-recurring gains in Interbank's investment portfolio realized in 2Q09, net earnings decreased 3.6% YoY.

Interest on loans increased 5.5% YoY, driven by 9.5% growth in average loan volume.

Interest on deposits decreased 57.8% due to a 170 basis point decrease in the average cost. However, this was partially offset by the Tier 1 bond issue, which doubled interest on outstanding bonds. The combination of these factors led financial expenses to decrease 12.5%.

Fees from financial services increased 18.7%, driven by strong business activity in Interbank's retail and commercial segments.

Administrative expenses increased 14.8% as a result of Interbank's network expansion, higher marketing activity, and the implementation of technology projects at Interbank and Interseguro.

CONTRIBUTION OF SUBSIDIARIES

Net earnings decreased QoQ as a result of Interbank's lower earnings. On the other hand, Intergroup's YoY earnings decline was the result of decreased earnings at Interseguro. The contribution of both subsidiaries is discussed in detail in the following two sections.

Intergroup's Profit and Loss Statement Summary

S/. million	2Q09	1Q10	2Q10	%chg QoQ	%chg YoY
Interbank	101.0	114.6	101.6	-11.3%	0.6%
Interseguro	23.0	18.2	18.8	3.3%	-18.2%
Intergroup accounts:					
Return on investment portfolio	4.1	4.1	4.2	2.2%	n.m.
Exchange loss, net	1.8	0.4	1.2	198.2%	-29.3%
Taxes on dividends	-1.6	-2.2	-2.2	0.0%	40.8%
Other expenses and other income	-0.5	3.4	0.5	n.m.	-201.8%
Consolidation adjustments	0.2	0.3	-0.8	-337.5%	n.m.
Total	127.9	138.9	123.3	-11.2%	-3.6%

Interbank

SUMMARY

Interbank's recurring earnings increased 11.8% YoY, driven by higher income from interest on loans, higher fee income from financial services and lower financial expenses. However, when including non-recurring investment gains realized in 2Q09, net income remained stable YoY.

Interbank's net earnings declined 11.3% QoQ as a result of increases of 12.1% in financial expenses, 22.5% in provisions and 8.9% in administrative expenses.

Annualized ROE was 30.1% in 2Q10, below the 33.6% in 1Q10 and recurring ROE of 33.9% in 2Q09.

Profit and Loss Statement Summary

S/. million	2Q 09	1Q 10	2Q 10	% chg QoQ	% chg YoY
Financial income	474.5	455.6	470.7	3.3%	-0.8%
Financial expenses	-114.0	-89.0	-99.8	12.1%	-12.5%
Gross financial margin	360.5	366.5	370.9	1.2%	2.9%
Provisions	-97.5	-78.9	-96.6	22.5%	-0.8%
Net financial margin	263.1	287.6	274.3	-4.6%	4.3%
Fee income from financial services, net	98.6	111.6	118.6	6.3%	20.3%
Administrative expenses	-200.4	-208.8	-227.5	8.9%	13.5%
Net operating margin	161.2	190.4	165.4	-13.1%	2.6%
Depreciation and amortization	-17.3	-23.1	-22.1	-4.3%	27.5%
Other income (expenses)	-5.6	6.7	5.9	-12.3%	n.m.
Income before tax and profit sharing	138.3	174.0	149.2	-14.3%	7.9%
Expenses tax and profit sharing	-36.6	-58.6	-46.9	-20.0%	28.2%
Net income	101.7	115.4	102.3	-11.3%	0.6%
ROE	38.8%	33.6%	30.1%		

INTEREST EARNING ASSETS

Interbank's interest earning assets reached S/. 16,516.0 million in 2Q10, an 8.1% increase QoQ and an 18.9% increase YoY.

QoQ growth was the result of a 7.2% increase in net loans and an 18.1% increase in cash and due from banks.

Cash and due from banks rose S/. 566.6 million QoQ, due mainly to a US\$200 million Tier I bond issue placed in April, 2010.

Loan Portfolio

S/. million	2Q 09	1Q 10	2Q 10	% chg QoQ	% chg YoY
Current loans:					
Retail	4,640.5	5,016.2	5,260.8	4.9%	13.4%
Commercial	4,666.7	4,988.5	5,420.3	8.7%	16.1%
Total current loans	9,307.2	10,004.7	10,681.1	6.8%	14.8%
Restructured and refinanced loans	93.9	93.7	96.1	2.6%	2.3%
Past due loans	163.9	162.3	174.4	7.5%	6.4%
Gross loans	9,565.1	10,260.7	10,951.6	6.7%	14.5%
Add (less)				0.0%	0.0%
Accrued and deferred interest	-112.4	-172.2	-143.4	-16.7%	27.5%
Allowance for loan losses	-382.3	-414.0	-441.1	6.5%	15.4%
Total direct loans, net	9,070.3	9,674.5	10,367.1	7.2%	14.3%

Demand for credit increased, leading current loans to grow 6.8% QoQ after a slow first quarter where growth was only 0.6%. Loan growth was driven by higher demand for credit in the retail and commercial segments as a result of increased economic activity in Peru, as evidenced by GDP growth rates of more than 9.0% during the first two months of the quarter.

Commercial loans grew 8.7% QoQ after a 1.7% decline in 1Q10. Interbank's growth in this segment was driven by domestic demand and continuing market share gains, from 8.0% of the industry's commercial loans in 1Q10 to 8.1% in 2Q10.

Retail loans grew 4.9% QoQ, due mainly to an 8.6% increase in mortgages, and, to a lesser extent, a 3.5% increase in consumer loans. Interbank's mortgages have grown at consistently solid rates during the past 4 quarters, driven by the construction industry's strong activity and successful commercial efforts at Interbank. As a result, the bank's mortgage loan portfolio grew 22.9% YoY, and market share in the mortgage segment expanded from 10.5% in 2Q09 to 11.1% in 2Q10. Within consumer loans, credit card loans increased 3.6% QoQ, the highest growth rate in the last five quarters, as Peruvian consumer demand resumes strong growth.

Interbank's market share of total loans expanded from 10.6% in 2Q09 to 11.1% in 2Q10.

Breakdown of Performing Retail Loans

S/. million	2Q 09	1Q 10	2Q 10	% chg QoQ	% chg YoY
Consumer loans:					
Credit cards	1,455.4	1,495.3	1,549.6	3.6%	6.5%
Other consumer	1,959.1	2,132.3	2,203.9	3.4%	12.5%
Total consumer loans	3,414.5	3,627.6	3,753.5	3.5%	9.9%
Mortgages	1,226.0	1,388.5	1,507.4	8.6%	22.9%
Total retail loans	4,640.5	5,016.2	5,260.8	4.9%	13.4%

FUNDING STRUCTURE

Funding Structure					
S/. million	2Q 09	1Q 10	2Q 10	% chg QoQ	% chg YoY
Deposits and obligations	11,033	11,597	12,621	8.8%	14.4%
Due to banks	1,727	2,185	2,059	-5.8%	19.2%
Bonds and obligations	470	500	1,074	114.6%	128.5%
Interbank funds	170	36	24	-32.4%	-85.9%
Total	13,400	14,318	15,777	10.2%	17.7%
AUM (Interfondos)	1,513	2,475	2,344	-5.3%	54.9%
% of funding					
Deposits and obligations	82.3%	81.0%	80.0%		
Due to banks	12.9%	15.3%	13.1%		
Bonds and obligations	3.5%	3.5%	6.8%		

Interbank funded its quarterly growth with a S/. 1,023.6 million increase in deposits and a S/. 573.3 million increase in bonds and obligations. Deposit growth was driven by a 13.7% increase in the commercial segment. Retail deposits grew only 1.6% QoQ, as a 4.5% increase in savings accounts was offset by a 4.6% decline in time deposits. Interbank's time deposits have decreased 39.3% in the last twelve months, following an industry-wide trend caused by a significant decline in interest rates. However, the rate at which time deposits are decreasing was much lower in 2Q10 than previous quarters. Deposits continue to represent 80% of the bank's total funding.

The increase in bonds and obligations was due to a US\$200 Tier I bond issue completed in April.

Breakdown of Deposits					
S/. million	2Q 09	1Q 10	2Q 10	% chg QoQ	% chg YoY
By Customer Segment					
Retail	4,865.5	4,558.5	4,633.4	1.6%	-4.8%
Commercial	6,145.3	6,982.6	7,939.1	13.7%	29.2%
Other obligations	21.8	56.0	48.1	-14.1%	120.6%
Total	11,032.6	11,597.0	12,620.7	8.8%	14.4%
By Type:					
Demand	2,406.1	2,749.8	2,869.0	4.3%	19.2%
Savings	2,580.8	3,213.1	3,174.0	-1.2%	23.0%
Time	5,871.4	5,446.9	6,376.9	17.1%	8.6%
Other	174.3	187.3	200.7	7.2%	15.2%
Total	11,032.6	11,597.0	12,620.7	8.8%	14.4%

GROSS FINANCIAL MARGIN

Financial Margin					
S/. million	2Q 09	1Q 10	2Q 10	% chg QoQ	% chg YoY
Financial income	474.5	455.6	470.7	3.3%	-0.8%
Financial expenses	-114.0	-89.0	-99.8	12.1%	-12.5%
Gross financial margin	360.5	366.5	370.9	1.2%	2.9%

Financial income grew 3.3% QoQ due to a 2.2% increase in interest on loans and a 20.3% increase in investment income. However, gross financial margin grew only 1.2% QoQ as a result of a 12.1% increase in financial expenses, attributable to interest on the Tier I bond issue previously mentioned.

Gross financial margin increased 2.9% YoY. The gross margin includes realized gains on investment sales totaling S/. 25.9 million. Excluding non-recurring income, gross financial margin increased 6.8%, driven by a 5.5% increase in interest on loans and a 57.8% decline in interest on deposits.

Financial Income					
S/. million	2Q 09	1Q 10	2Q 10	% chg QoQ	% chg YoY
Interest and commissions on loans	362.9	374.7	382.9	2.2%	5.5%
Investment income	75.3	34.5	41.5	20.3%	-44.8%
Interest on due from banks and interbank funds	2.4	0.8	1.2	47.2%	-50.4%
Financial income before exchange gains	440.6	410.0	425.6	3.8%	-3.4%
Exchange and derivatives gains	33.7	42.5	38.6	-9.2%	14.5%
Other	0.2	3.0	6.5	n.m.	n.m.
Total Financial Income	474.5	455.6	470.7	3.3%	-0.8%
Average interest earning assets	14,090.8	15,193.1	15,894.7	4.6%	12.8%
Average yield on assets*	12.5%	10.8%	10.7%	-0.1%	-1.8%

*Annualized. Excludes exchange and derivatives gains and others

Interest on loans increased 2.2% QoQ as a result of a 3.9% increase in average loan volume, partially offset by a 10 basis point decrease in the average yield, from 14.1% in 1Q10 to 14.0% in 2Q10. The decline in the average yield was attributable to lower rates on commercial loans, related to a lower cost of funds passed on to clients. Exchange and derivative gains decreased 9.2% QoQ as a result of lower income from forward transactions and lower gains from the bank's small short position in US Dollars.

Investment income increased 20.3% QoQ as a result of S/. 6.0 million in dividends received from equity investments.

The average yield on interest earning assets was 10.7% in 2Q10, a 10 basis point decline from 1Q10.

Financial income decreased 0.8% YoY, despite a 5.5% increase in interest on loans and a 14.5% increase in exchange and derivative gains, due to a 44.8% decrease in investment income.

The decrease in investment income was due to the fact that in 2Q10 no significant investment gains were realized, whereas in 2Q09, S/. 25.9 million were realized from the sale of bonds and equities. Additionally, the yield on Central Bank certificates of deposit held by Interbank decreased from 6.3% in 2Q09 to 1.4% in 2Q10. These certificates account for 40.8% of the bank's investment portfolio.

Interest on loans increased 5.5% YoY as a result of a 9.5% increase in average volume, partially offset by a 70 basis point decrease in the average yield, from 14.7% in 2Q09 to 14.0% in 2Q10. Increased average volume was driven by 11.4% growth in the average volume of retail loans and 7.2% growth in the average volume of commercial loans. The decline in the average yield was due to lower rates on commercial loans, in line with a lower cost of funds and a more aggressive competitive environment.

Exchange and derivative gains increased 14.5% YoY due to gains in forward transactions.

Financial Expenses					
S/. million				% chg	% chg
	2Q 09	1Q 10	2Q 10	QoQ	YoY
Interest and commissions on deposits	81.7	35.0	34.5	-1.4%	-57.8%
Interest and fees on deposits and due to banks	23.6	31.9	34.7	8.6%	46.7%
Interest on bonds and other obligations	7.0	7.7	16.9	119.2%	140.2%
Other financial expenses	1.6	14.4	13.7	-5.0%	n.r.
Financial Expenses	114.0	89.0	99.8	12.1%	-12.5%
Average interest bearing liabilities	13,621.8	14,311.4	15,047.8	5.1%	10.5%
Average cost of funding	3.3%	2.5%	2.7%	0.2%	-0.7%

Financial expenses increased 12.1% QoQ, due mainly to a S/. 9.2 million increase in interest on bonds, attributable to the Tier I bond issue previously mentioned.

Interest on deposits decreased 1.4% QoQ due to a 10 basis point decline in the average cost of deposits, from 1.2% in 1Q10 to 1.1% in 2Q10, offset by 4.5% growth in the average volume.

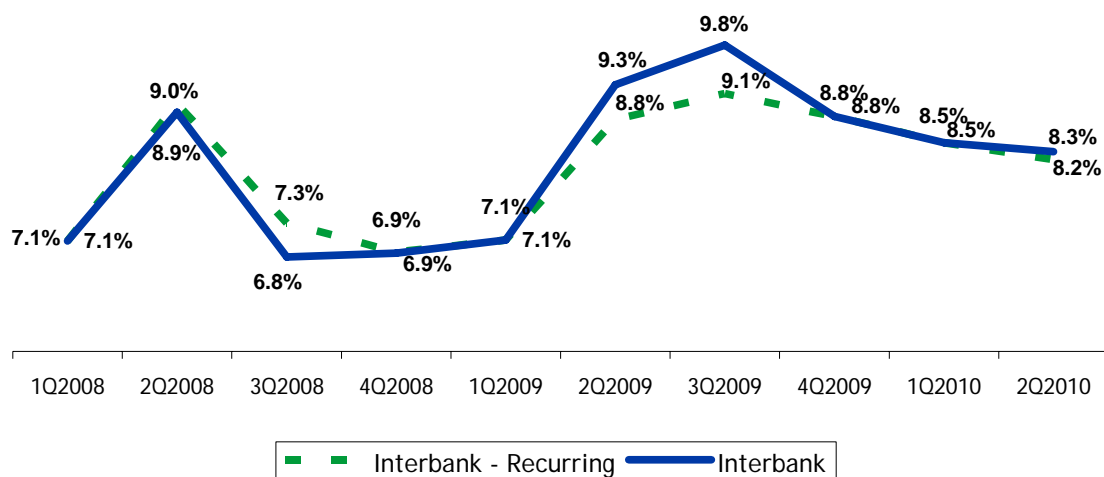
Financial expenses decreased 12.5% YoY as a result of a 57.8% decrease in interest and commissions on deposits, partially offset by a 46.7% increase in interest on bank loans, a 140.2% increase in interest on bonds and a S/. 12.1 million rise in other expenses.

The decline in interest on deposits was due to a 170 basis point decrease in the average cost of deposits, from 2.8% in 2Q09 to 1.1% in 2Q10. Interest on bank loans grew as a result of a 41.9% increase in the average volume of local and international financing lines related to the disbursement of commercial loans. Growth in interest on bonds was due to significant volume growth as a result of the Tier I bond issue. The S/. 12.1 million increase in other financial expenses was due to losses on interest rate swap contracts.

Interbank's average cost of funds decreased 60 basis points YoY, from 3.3% in 2Q09 to 2.7% in 2Q10, due to the lower cost of deposits. However, as a result of a higher

proportion of bonds in the funding structure, the average cost of funds increased 20 basis points QoQ.

Net interest margin*



* Excludes exchange and derivative gains and others

Net interest margin decreased 20 basis points QoQ, from 8.5% in 1Q10 to 8.3% in 2Q10, as a result of the higher cost of funds previously mentioned. Recurring net interest margin decreased 60 basis points YoY, from 8.8% in 2Q09 to 8.2% in 2Q10.

PROVISIONS

Net provision expenses increased 22.5% YoY, leading the ratio of provision expenses over average loans to increase from 3.2% in 1Q10 to 3.7% in 2Q10. This increase was a result of three factors. The first was an increase in past due loan ratio of credit cards, from 3.5% in 1Q10 to 3.8% in 2Q10. The second was a significant increase in provisions on commercial loans as a result of the 8.7% QoQ loan growth following a quarter in which commercial loans declined 1.4%. The third factor was the application of a regulatory requirement to align Interbank's retail clients' credit ratings to client ratings at other banks. Since ratings of payroll loan clients are usually stronger at Interbank than at other banks, this regulation requires that Interbank downgrade those clients' ratings and increase provisions on their loans.

Net provision expenses remained constant YoY. Provision expenses decreased 5.1% YoY due to an improvement in asset quality over 2Q09, a quarter in which the economic slowdown in Peru led to increasing delinquencies in the retail segment.

The decline in provision expenses was offset by lower provision reversals from a reduced number of loan payments from commercial clients.

Composition of Provision Expense					
S/. million	2Q 09	1Q 10	2Q 10	% chg QoQ	% chg YoY
Total provisions recognized as expense	-102.0	-82.1	-96.8	17.9%	-5.1%
Provision reversal	4.6	3.2	0.2	-93.7%	-95.5%
Total provision expense, net	-97.5	-78.9	-96.6	22.5%	-0.8%
Loan provision / average loans	4.2%	3.2%	3.7%		

Provision for Loan Losses					
S/. million	2Q 09	1Q 10	2Q 10	% chg QoQ	% chg YoY
Balance at the beginning of the quarter	-405.2	-433.3	-445.5	2.8%	9.9%
Provision recognized as expense for the period	-102.0	-82.1	-96.9	17.9%	-5.1%
Write-offs, extinguishment of debt and sales	86.1	64.6	64.5	-0.1%	-25.1%
Recoveries	4.6	3.2	0.2	-93.7%	-95.5%
Exchange gains	6.4	2.0	0.7	-67.8%	n.m.
Balance at the end of the period	-410.1	-445.5	-477.0	7.1%	16.3%
Past due loans / Total loans	1.7%	1.6%	1.6%		
Reserve coverage	233.2%	255.1%	252.9%		

The ratio of past due loans to total loans remained stable QoQ.

FEE INCOME FROM FINANCIAL SERVICES

Fee income from financial services grew 6.3% QoQ and 20.3% YoY. The QoQ increase was attributable to increases of 7.0% in fees from services, 14.6% in other fees and 5.7% in credit and debit card fees.

The YoY increase was attributable to increases of 27.7% in fees from services, 34.2% in other fees and 9.4% in credit card income. Growth in fees from services was the result of an increase in the volume of leasing disbursements. The increase in other income was due to higher fees in the real estate development and mortgage divisions. Fee income from credits cards increased as a result of growth in the number of active credit cards, purchases and loan volume.

Fee Income from Financial Services, Net

S/. million	2Q 09	1Q 10	2Q 10	% chg QoQ	% chg YoY
Credit and debit card	38.7	40.0	42.3	5.7%	9.4%
Fees from sevicees	39.0	46.5	49.8	7.0%	27.7%
Contingent operations	7.7	9.3	8.5	-8.1%	10.5%
Fees for collections and payment services	5.0	4.9	5.1	4.7%	2.5%
Advisory fees	19.0	22.2	25.5	14.6%	34.2%
Total	109.3	122.9	131.1	6.7%	20.0%
Expenses relating to financial services	-10.7	-11.3	-12.6	11.3%	17.0%
Fee income from financial services, net	98.6	111.6	118.6	6.3%	20.3%

ADMINISTRATIVE EXPENSES

Administrative expenses grew 8.9% QoQ as a result of a 13.3% increase in services received from third parties and a 6.1% increase in personnel expenses.

The increase in services received from third parties was attributable to the implementation of technology projects and more intense marketing activity than in previous quarters.

The increase in personnel expenses was driven by higher variable compensation related to sales growth and by a seasonal increase in provisions for vacations.

Administrative expenses increased 13.5% YoY due to a 16.5% increase in services received from third parties and a 10.3% increase in personnel expenses. In addition to the factors mentioned above, the increase was attributable to the expansion of Interbank's distribution network. Between June 2009 and June 2010, Interbank added 13 financial stores and 112 ATMs to its network.

Higher administrative expenses led the bank's efficiency ratio to increase from 48.5% in 1Q10 to 51.0% in 2Q10.

Administrative Expenses

S/. million	2Q 09	1Q 10	2Q 10	% chg QoQ	% chg YoY
Personnel and board of directors expenses	-90.5	-94.1	-99.8	6.1%	10.3%
Services received from third parties	-102.4	-105.3	-119.3	13.3%	16.5%
Taxes and contributions	-7.5	-9.5	-8.3	-12.2%	10.9%
Total	-200.4	-208.8	-227.5	8.9%	13.5%
Efficiency ratio	47.4%	48.5%	51.0%		

OTHERS

S/. million	Other Incomes (Expenses)			% chg	
	2Q 09	1Q 10	2Q 10	QoQ	YoY
Depreciation	-14.2	-16.2	-16.8	3.6%	18.3%
Amortization	-3.1	-6.9	-5.3	-23.1%	69.6%
Total depreciation and amortization	-17.3	-23.1	-22.1	-4.3%	27.5%
Income (expenses) for recoveries	9.6	15.3	15.9	4.1%	65.3%
Extraordinary income (expenses)	-2.0	1.3	-2.7	n.m.	40.7%
Provisions for contingencies and other provisions	-13.8	-9.8	-7.3	n.m.	-47.1%
Income (expenses) of prior years	0.4	0.0	0.0	n.r.	n.r.
Other Income (Expenses)	-5.6	6.7	5.9	n.m.	n.m.
Total	-23.0	-16.4	-16.2	n.m.	-29.5%

Depreciation and amortization increased 27.5% YoY and decreased 4.3 % QoQ. The YoY growth was the result of investments in technology projects and the expansion of the distribution network. The QoQ decrease in amortization expenses was due to a non-recurring adjustment to the book value of a database registered in 1Q10.

Other income rose S/. 11.5 million YoY due to an increase of S/. 6.3 million in income from recoveries, and a decrease of S/. 6.5 million in provisions for contingencies.

CAPITALIZATION

The bank's capitalization was substantially strengthened in 2Q10. The ratio of regulatory capital to risk-weighted assets was 16.0% as of 2Q10, above the 12.8% in 1Q10 and the 11.1% in 2Q09, and significantly above the 9.5% minimum required by the Peruvian Banking regulations.

The QoQ increase was due to growth rates of 17.5% in Tier I capital and 95.1% in Tier II capital compared to an 8.1% increase in risk weighted assets. The significant increase in both capital levels was due to a US\$200 million Tier I bond issue completed in April.

These bonds qualify as Tier I capital due to the bonds' characteristics of term (60 years), subordination, loss absorption and flexibility to suspend interest payments without penalties on a non-cumulative basis. However, as of June 30, 2010, only 40% of the notes qualified as Tier I in Interbank's capital due to Peruvian regulations that cap the amount of junior subordinated notes that receive Tier I treatment at 17.65% of capital and reserves. The remaining 60% of the notes qualified as Tier II capital, and will gradually be incorporated into Tier I as Interbank's capital and reserves grow.

Capitalization

S/. million	2Q 09	1Q 10	2Q 10	% chg QoQ	% chg YoY
Tier I	956.9	1,203.3	1,414.1	17.5%	47.8%
Tier II	220.5	349.5	681.8	95.1%	209.2%
Regulatory capital	1,177.4	1,552.8	2,096.0	35.0%	78.0%
Risk weighted assets	10,594.7	12,086.8	13,068.4	8.1%	23.3%
BIS ratio	11.1%	12.8%	16.0%	24.8%	44.3%
Tier I / risk weighted assets	9.0%	10.0%	10.8%	8.7%	19.8%

Interseguro

SUMMARY

2Q10 Performance

Interseguro's net income was S/. 18.8 million in 2Q10, a 3.3% increase QoQ and an 18.2% decline YoY. ROE increased from 26.4% in 1Q10 to 28.7% in 2Q10.

Profit and Loss Statement Summary

S/. million	2Q09	1Q10	2Q10	% chg QoQ	% chg YoY
Premiums	66.3	64.0	74.6	16.7%	12.5%
Premiums ceded	-1.9	-2.5	-1.7	-31.6%	-9.0%
Fees	-2.0	-2.4	-2.4	1.0%	21.1%
Claims	-28.0	-29.7	-31.7	6.6%	13.1%
Change in reserves	-45.6	-35.3	-50.9	44.2%	11.5%
Other income	0.3	-0.9	-0.4	-59.1%	n.m.
Technical margin	-10.8	-6.8	-12.4	81.5%	14.7%
Administrative expenses	-9.0	-10.8	-12.8	18.0%	41.8%
Investment income, net*	42.8	35.9	44.0	22.7%	2.8%
Net income	23.0	18.2	18.8	3.3%	-18.2%
ROE	40.8%	26.4%	28.7%		

* Includes exchange rate difference

The QoQ growth was a result of a 22.7% increase in investment income, partially offset by an 81.5% increase in the technical margin loss and an 18.0% increase in administrative expenses.

Net income declined 18.2% YoY as a result of a 14.7% increase in technical margin loss and a 41.8% increase in administrative expenses. The increase in technical margin loss was a result of higher claims and an 11.5% increase in change in reserves, directly related to higher annuity sales.

Higher administrative expenses were due an increase in sales force variable compensation and the implementation of consulting and technology projects.

PREMIUMS

Premiums by Business Line					
S/. million	2Q09	1Q10	2Q10	% chg QoQ	% chg YoY
Individual Life	5.8	5.8	5.5	-5.4%	-5.5%
Annuities	45.7	38.5	51.8	34.6%	13.3%
Group Life	8.9	11.8	10.5	-10.8%	18.1%
Disability and survivor benefits	0.1	0.1	0.1	n.m.	n.m.
Mandatory traffic accident	4.2	6.0	4.9	-17.9%	16.1%
Non Life Insurance	1.5	1.7	1.8	3.9%	19.6%
TOTAL	66.3	64.0	74.6	16.7%	12.5%

Premium sales grew 16.7% QoQ and 12.5% YoY, driven by very strong annuity sales. Growth in annuities was due to the new early retirement regime enacted in 1Q10. This regime allows affiliates to the private pension system to retire 10 years earlier than the mandatory age, thus significantly expanding the pool of potential buyers for annuities. Interseguro has a strong presence in the early retirement segment.

RESERVES AND CLAIMS

Change in reserves increased 44.3% QoQ and 11.5% YoY, as higher annuity sales led to additional reserve requirements. Change in reserves attributed to the early retirement regime accounted for 81% of the YoY increase in reserves.

Change in Reserves by Business Line					
S/. million	2Q09	1Q10	2Q10	%chg QoQ	%chg YoY
Individual Life	2.7	1.5	1.1	-26.5%	-57.7%
Annuities	43.1	32.7	49.1	50.0%	14.0%
Group Life	0.0	0.5	1.1	125.4%	n.m.
Mandatory traffic accident	0.0	0.0	0.0	n.m.	n.m.
Non Life Insurance	-0.2	0.5	-0.4	n.m.	171.7%
TOTAL	45.6	35.3	50.9	44.3%	11.5%

Claims increased 6.6% QoQ and 13.1% YoY. The QoQ increase was due to higher claims in disability and survivor benefits and group life policies, mainly in insurance tied to mortgage loans. The YoY increase was due to higher annuity payments (3.9%) and disability and survivor benefits claims (15.8%).

Claims by Business Line

S/. million	2009	1Q10	2Q10	%chg QoQ	%chg YoY
Individual Life	0.7	0.5	-0.1	-122.5%	-114.7%
Annuities	20.2	21.0	21.8	3.9%	7.8%
Group Life	1.9	2.8	3.5	22.7%	82.8%
Disability and survivor benefits	3.4	3.8	4.4	15.8%	31.1%
Mandatory traffic accident	1.7	1.6	2.0	29.7%	17.3%
Non Life Insurance	0.1	0.0	0.1	49.7%	12.0%
TOTAL	28.0	29.7	31.7	6.6%	13.1%

As a result of higher reserves and claims, the technical margin loss increased 81.5% QoQ and 14.7% YoY.

INVESTMENT INCOME

Investment Income increased 22.7% QoQ and 2.8% YoY.

Investment Income, Net

S/. million	2009	1Q10	2Q10	%chg QoQ	%chg YoY
Income:					
Fixed Income	35.7	26.6	33.0	23.9%	-7.6%
Interest	21.0	19.7	21.1	7.0%	0.2%
Realized Gains	14.6	6.9	11.9	71.9%	-18.7%
Equity and Mutual Funds	8.1	1.3	7.0	436.1%	-12.9%
Real estate	7.3	7.9	5.0	-35.8%	-31.0%
Total Income	51.1	35.8	45.0	25.9%	-11.8%
Expenses	-2.2	-0.9	-1.2	40.4%	-45.9%
Exchange difference and others	-6.5	0.9	0.1	-84.6%	n.m.
Net income	42.8	35.9	44.0	22.7%	2.8%

The QoQ increase was a result of realized gains in the fixed income and equity positions, and an increase in interest earned on fixed income instruments after the portfolio was rebalanced to include higher yielding bonds.

The YoY increase was explained by a reversal of an exchange rate loss recorded in 2Q09. In 2Q09, a 4.8% appreciation of the Nuevo Sol led to a S/. 6.1 million loss on Interseguro's long position in US Dollars. In 2Q10, there were no significant exchange gains or losses, due to stable exchange rates.

Investment Portfolio					
S/. million	2Q09	1Q10	2Q10	%chg QoQ	%chg YoY
Fixed Income	1,281.9	1,260.4	1,291.0	2.4%	0.7%
Equity and Mutual Funds	128.1	154.6	173.1	12.0%	35.2%
Real estate	422.3	488.6	445.0	-8.9%	5.4%
Others	5.1	12.4	4.4	-64.4%	-13.6%
TOTAL	1,837.5	1,916.0	1,913.6	-0.1%	4.1%

Interseguro's investment portfolio grew 4.4% YoY and was stable QoQ. The equity and mutual fund component of the portfolio grew 35.2% YoY as a result of the recovery in international and local markets.