Intergroup Financial Services Corp.
Reports Second Quarter 2011 Earnings

Lima, Peru, August 2, 2011. Intergroup Financial Services Corp. (Bolsa de Valores de Lima: IFS) announced today its unaudited results for the second quarter 2011. These results are reported on a consolidated basis in accordance with Peruvian GAAP in nominal Peruvian Nuevos Soles.

Intergroup:

- Net earnings increased 11.8% YoY, driven by growing loan volume and fee income at Interbank and higher investment income at Interseguro
- Earnings fell 8.9% QoQ, as a result of lower investment income at Interseguro and higher provision and financial expenses at Interbank
- Administrative expenses remained stable QoQ and YoY despite an increasing volume of business, leading to improvements in efficiency

Interbank:

- Interbank's net earnings rose 22.2% YoY driven by growth rates of 8.5% in gross financial margin and 8.4% in fee income. Administrative expenses remained stable YoY
- Net earnings remained stable QoQ. Gross financial margin grew 6.9%, but was offset by a 28.6% increase in provisions
- Loans grew 4.3% QoQ and 22.4% YoY, as a result of continuing strong demand across most segments
- Recurring NIM decreased 30 bps QoQ mainly due to a decline in loan yields and an increase in deposit costs
- Asset quality remained stable YoY, with the past-due loan ratio at 1.6%. The ratio of provision expense to average loans decreased from 3.6% in 2Q10 to 3.1% in 2Q11

Interseguro:

- Earnings rose 29.9% YoY due to a 26.0% increase in investment income
- Net income decreased 33.9% QoQ from a record level in 1Q11, as a result of lower realized gains in the investment portfolio
- Annuity sales nearly doubled YoY, driven by Interseguro's leading position in the expanding early retirement segment

Intergroup

2Q11 Performance

Net earnings (attributable to Intergroup's shareholders) were S/. 137.8 million in 2Q11, an 11.8% increase YoY and an 8.9% decrease QoQ. The YoY increase was driven by loan growth at Interbank and increasing investment income at Interseguro. The QoQ decrease was the result of lower investment income at Interseguro and higher provisions and financial expenses at Interbank. Intergroup's ROE was 29.6% in 2Q11, below the 31.1% in 1Q11 but above the 26.9% in 2Q10.

Intergroup's Profit and Loss Statement Summary					
S/. million	2Q10	1Q11	2Q11	%chg QoQ	%chg YoY
Financial income	524.3	581.6	610.1	4.9%	16.4%
Financial expenses	-105.9	-138.5	-154.3	11.4%	45.7%
Gross financial margin	**418.3**	**443.2**	**455.8**	**2.9%**	**8.9%**
Provisions	-96.6	-78.6	-101.0	28.6%	4.5%
Net financial margin	**321.7**	**364.6**	**354.8**	**-2.7%**	**10.3%**
Fee income from financial services, net	104.5	114.1	113.4	-0.6%	8.5%
Result from insurance underwriting, net	-10.5	-15.8	-13.8	-12.7%	30.8%
Administrative expenses	-241.2	-240.0	-240.3	0.1%	-0.4%
Net operating margin	**174.5**	**222.9**	**214.2**	**-3.9%**	**22.7%**
Depreciation and amortization	-24.5	-23.0	-23.5	1.8%	-4.2%
Other income (expenses)	14.9	6.4	3.0	-53.7%	-80.0%
Income before tax and profit sharing	**164.9**	**206.3**	**193.7**	**-6.1%**	**17.4%**
Income tax	-40.9	-54.0	-54.9	1.6%	34.3%
Net income	**124.0**	**152.2**	**138.7**	**-8.9%**	**11.9%**
Attributable to IFS shareholders	**123.3**	**151.3**	**137.8**	**-8.9%**	**11.8%**
EPS	**1.32**	**1.62**	**1.47**		
ROE	**26.9%**	**31.1%**	**29.6%**		

Intergroup´s Recurring Profit and Loss Statement Summary					
S/. million	2Q10	1Q11	2Q11	%chg QoQ	%chg YoY
Reported net eanings	**123.3**	**151.3**	**137.8**	**-8.9%**	**11.8%**
Non-recurring items:					
Investment gains	-3.1	0.0	-10.3	n.m.	235.6%
Provision expenses	0.0	0.0	0.0	n.m.	n.m.
Extraordinary expenses	0.0	0.0	0.0	n.m.	n.m.
Total non-recurring items	**-3.1**	**0.0**	**-10.3**	**n.m.**	**n.m.**
Recurring net earnings	**120.3**	**151.3**	**127.6**	**-15.7%**	**6.1%**
Recurring ROE	26.3%	31.1%	27.4%		

Intergroup's Balance Sheet Summary					
S/. million	2Q10	1Q11	2Q11	%chg QoQ	%chg YoY
Cash and due from banks	3,710.0	4,246.1	4,189.7	-1.3%	12.9%
Investments, net	4,403.1	4,629.5	4,375.7	-5.5%	-0.6%
Loan portfolio, net	10,367.1	12,147.0	12,668.7	4.3%	22.2%
Fixed assets, net	491.6	473.3	460.3	-2.8%	-6.4%
Other assets	1,007.3	942.7	760.8	-19.3%	-24.5%
Total Assets	**19,979.1**	**22,438.6**	**22,455.2**	**0.1%**	**12.4%**
Deposits and obligations	12,379.4	12,480.9	12,784.2	2.4%	3.3%
Due to banks	1,518.3	2,130.0	2,182.3	2.5%	43.7%
Bonds and obligations	1,996.0	3,132.8	2,955.4	-5.7%	48.1%
Technical reserves for premiums and claims	1,580.6	1,972.9	2,029.1	2.8%	28.4%
Other liabilities	762.8	911.9	567.3	-37.8%	-25.6%
Total Liabilities	**18,237.0**	**20,628.5**	**20,518.3**	**-0.5%**	**12.5%**
Intergroup shareholders' equity	1,729.1	1,799.2	1,925.5	7.0%	11.4%
Minority interest	13.0	10.9	11.4	4.7%	-11.9%
Total shareholders' equity	**1,742.1**	**1,810.1**	**1,936.9**	**7.0%**	**11.2%**

Quarter-on-quarter performance

Net earnings decreased 8.9%, driven by lower investment income at Interseguro and higher provisions and financial expenses at Interbank.

Gross financial margin grew 2.9%, as a 4.9% increase in financial income was partially offset by an 11.4% increase in financial expense.

The rise in financial income was driven by increases of 50.4% in exchange gains, 67.2% in investment income, and 2.0% in interest on loans at Interbank. These positive trends were offset by a decrease of 17.8% in investment income at Interseguro following a record level reached in 1Q11.

Financial expenses grew 11.4% driven mainly by an increase of 22.0% in interests on deposits. This increase was due to 7.9% growth in average volume and a 20 basis point increase in average cost. Despite the increase in gross financial margin, net financial margin declined 2.7% due to a 28.6% increase in provisions.

Provision expenses increased as a result of unusually low provisioning requirements in 1Q11, which have now returned to a more normal level. In particular, provisions that require banks to align their classification of clients with those of other banks were significantly lower in 1Q11.

Interseguro’s loss from insurance underwriting decreased 12.7% due to lower reserves linked to a decline in annuity sales. The decline in annuity sales is a result of market contraction in 2Q11.

Administrative expenses remained stable while business volume continued to expand. This was due to technology investments at Interbank, which have allowed the bank to conduct a larger number of transactions without increasing headcount or services received from third parties.

Net operating margin decreased 3.9%, but net earnings declined 8.9% due to higher provisions for dividend taxes and increasing earnings at Interbank.

Year-on year performance

Net earnings increased 11.8% YoY, driven by growth in loan volume and fee income at Interbank and by higher investment income at Interseguro, partially offset by a rising cost of funds.

Gross financial margin grew 8.9% as a result of a 16.4% increase in financial income, which was partially offset by a 45.7% increase in financial expenses.

Financial income growth was driven by a 26.3% increase in average loan volume at Interbank and a 26.0% increase in investment income at Interseguro. Interseguro's investment income growth was partially due to an expanding portfolio, as a result of increasing annuity sales.

Financial expenses rose 45.7%, due to increases of 56.3% in interest on deposits and 109.3% in interest on bonds. The rise in interest on deposits was attributable to growth in volume and funding costs. The increase in interest on bonds was due to a US$400 million bond issue completed by Interbank in October 2010.

Fee income grew 8.5% YoY, mainly as a result of higher fees from credit and debit cards.

Interseguro's loss from insurance underwriting grew 30.8%, due to an increase in reserves linked to significant YoY growth in annuity sales.

Administrative expenses remained stable YoY, as a result of efficiency gains at Interbank.

As a result of the strong operating trends discussed above, income before taxes rose 17.4%. However, this was partially offset by an increase in Intergroup's effective tax rate from 24.8% in 2Q10 to 28.4% in 2Q11, which was the result of lower tax-deductible income, such as realized gains on global bonds and interest on Central Bank deposits (CDBCR) at Interbank.

CONTRIBUTION OF SUBSIDARIES

The following table shows the contribution of Interbank and Interseguro to Intergroup's net earnings. Both subsidiaries made significant contributions to Intergroup's strong YoY earnings growth. The QoQ decline in Intergroup's earnings, on the other hand, was due to a 33.9% reduction in Interseguro's contribution. The performance of both subsidiaries is discussed in detail in the following two sections.

Intergroup's Profit and Loss Statement Summary					
S/. million	2Q10	1Q11	2Q11	%chg QoQ	%chg YoY
Interbank	101.6	125.1	124.1	-0.7%	22.2%
Interseguro	18.8	37.0	24.4	-33.9%	29.9%
Intergroup accounts:					
Return on investment portfolio	4.8	10.7	7.0	-35.0%	45.6%
Exchange gains (loss)	0.7	0.8	-6.7	n.m.	n.m.
Taxes on dividends	-2.2	-3.1	-6.9	122.4%	211.4%
Other income (expenses)	0.5	-9.9	-5.0	-49.6%	n.m.
Consolidation adjustments	-0.8	-9.3	0.8	-108.8%	-203.2%
Total	**123.3**	**151.3**	**137.8**	**-8.9%**	**11.8%**

Interbank

SUMMARY

Interbank's net earnings rose 22.2% YoY and remained stable QoQ. The YoY increase was due to growth rates of 8.5% in gross financial margin and 8.4% in fee income. Administrative expenses remained stable YoY.

Earnings remained stable QoQ, as gross financial margin grew 6.9%, but was offset by a 28.6% increase in provisions.

Interbank's ROE was 31.8% in 2Q11, above the 31.5% reported in 1Q11 and the 30.1% reported in 2Q10.

Profit and Loss Statement Summary					
S/. million				% chg	% chg
	2Q 10	1Q 11	2Q 11	QoQ	YoY
Financial income	467.0	498.4	537.0	7.7%	15.0%
Financial expenses	-99.8	-125.5	-138.4	10.3%	38.8%
Gross financial margin	**367.2**	**372.9**	**398.6**	**6.9%**	**8.5%**
Provisions	-96.6	-78.6	-101.0	28.6%	4.5%
Net financial margin	**270.6**	**294.3**	**297.5**	**1.1%**	**10.0%**
Fee income from financial services, net	106.9	117.0	115.9	-0.9%	8.4%
Administrative expenses	-219.3	-214.2	-220.3	2.8%	0.5%
Net operating margin	**158.2**	**197.1**	**193.1**	**-2.0%**	**22.1%**
Depreciation and amortization	-22.1	-22.3	-22.7	1.8%	2.7%
Other income (expenses)	6.1	3.1	7.4	140.8%	21.6%
Income before taxes	**142.2**	**177.9**	**177.9**	**0.0%**	**25.1%**
Income tax	-39.9	-51.9	-52.9	1.8%	32.5%
Net income	**102.3**	**126.0**	**125.0**	**-0.7%**	**22.2%**
ROE	**30.1%**	**31.5%**	**31.8%**		

Summary of Non-Recurring Items					
S/. million				% var	% var
Net of taxes	2Q 10	1Q 11	2Q 11	TaT	AaA
Net Income	102.3	126.0	125.0	-0.7%	22.2%
Non-Recurring Items:					
Investment Income	-3.1	0.0	-10.3	n.m.	235.6%
Recurring Net Income	**99.2**	**126.0**	**114.7**	**-8.9%**	**15.6%**
Recurring ROE	**29.2%**	**31.5%**	**29.2%**		

INTEREST-EARNING ASSETS

Interbank's interest-earnings assets reached S/. 18,835.8 million in 2Q11, a 0.8% increase QoQ and 14.0% increase YoY.

The loan portfolio grew 4.3% QoQ, but was offset by a 5.9% decrease in investments and cash. This decrease was due to the use of a portion of the excess liquidity held during previous quarters to fund loan growth.

The 14.0% annual growth in interest-earning assets was due to a 22.4% increase in loans.

Interest-Earning Assets					
S/. million				% chg	% chg
	2Q 10	1Q 11	2Q 11	QoQ	YoY
Cash and due from banks	3,704.7	4,239.1	4,149.9	-2.1%	12.0%
Investments, net	2,361.5	2,195.5	1,907.0	-13.1%	-19.2%
Loan portfolio, net	10,367.1	12,164.2	12,686.2	4.3%	22.4%
Other interest earning assets	82.7	93.2	92.7	-0.6%	12.1%
Total interest earnings assets	**16,516.0**	**18,691.9**	**18,835.8**	**0.8%**	**14.0%**

Loan Portfolio					
S/. million				% chg	% chg
	2Q 10	1Q 11	2Q 11	QoQ	YoY
Performing loans:					
Retail	5,260.8	6,044.3	6,278.4	3.9%	19.3%
Commercial	5,420.3	6,408.8	6,676.3	4.2%	23.2%
Total performing loans	10,681.1	12,453.1	12,954.7	4.0%	21.3%
Restructured and refinanced loans	96.1	89.2	85.3	-4.5%	-11.3%
Past due loans	174.4	191.5	205.4	7.3%	17.8%
Gross loans	**10,951.6**	**12,733.8**	**13,245.4**	**4.0%**	**20.9%**
Add (less)					
Accrued and deferred interest	-143.4	-55.7	-25.0	-55.2%	-82.6%
Allowance for loan losses	-441.1	-513.9	-534.3	4.0%	21.1%
Total direct loans, net	**10,367.1**	**12,164.2**	**12,686.1**	**4.3%**	**22.4%**

The loan portfolio grew 4.3% QoQ and 22.4% YoY, as a result of strong growth in the retail and commercial segments.

Retail loans grew 3.9% QoQ, mainly driven by increases of 5.7% in mortgages and 4.6% in credit cards. The rate of growth in mortgages was strong, but slightly lower than in previous quarters. Mortgages had expanded by 7.5% in 1Q11 and 9.7% in 4Q10, driven by very strong demand for new housing. This growth rate moderated slightly in 2Q11, due to customer caution as a result of the presidential election process in Perú. The QoQ growth rate in credit cards was one of the highest in recent quarters, driven by continuing strong consumer demand. These significant growth rates in mortgages and credit cards have led retail loans to expand by 19.3% YoY.

The commercial loan portfolio grew 4.2% QoQ and 23.2% YoY, as demand for loans among mid-sized businesses remains strong.

Breakdown of Performing Retail Loans					
S/. million				% chg	% chg
	2Q 10	1Q 11	2Q 11	QoQ	YoY
Consumer loans:					
Credit cards	1,549.6	1,808.6	1,891.1	4.6%	22.0%
Other consumer	2,203.9	2,307.8	2,349.9	1.8%	6.6%
Total consumer loans	**3,753.5**	**4,116.4**	**4,241.0**	**3.0%**	**13.0%**
Mortgages	1,507.4	1,927.9	2,037.5	5.7%	35.2%
Total retail loans	**5,260.8**	**6,044.3**	**6,278.4**	**3.9%**	**19.3%**

FUNDING STRUCTURE

Funding Structure					
S/. million				% chg	% chg
	2Q 10	1Q 11	2Q 11	QoQ	YoY
Deposits and obligations	12,554.3	12,534.4	12,911.1	3.0%	2.8%
Due to banks	2,059.2	2,664.7	2,661.9	-0.1%	29.3%
Bonds and obligations	1,073.6	2,205.1	2,073.8	-6.0%	93.2%
Interbank funds	90.4	75.4	64.7	-14.1%	-28.4%
Total	**15,777.4**	**17,479.6**	**17,711.5**	**1.3%**	**12.3%**
AUM (Interfondos)	2,343.9	2,488.7	2,079.8	-16.4%	-11.3%
% of funding					
Deposits and obligations	80.1%	72.1%	73.3%		
Due to banks	13.1%	15.2%	15.0%		
Bonds and obligations	6.8%	12.6%	11.7%		

Interbank financed its quarterly growth with an increase of S/. 376.7 million in deposits, partially offset by a decrease of S/. 131.3 million in bonds.

Commercial deposits grew 8.3% and retail deposits expanded 5.8%, as strong demand among retail and commercial clients allowed Interbank to replace a portion of its institutional deposits with more stable and lower cost sources of funding.

The decrease in bonds was the result of two factors. The first was the appreciation of 1.3% in the exchange rate, which caused a decrease in the value of US Dollar denominated bonds, which represent 88.1% of total bonds issued by Interbank. The second factor was the maturity in 2Q11 of US$10 million in subordinated bonds.

The bank's total funding base grew by S/. 1,934.1 million YoY, due to increases of S/. 1,000.3 million in bonds, S/. 602.7 million in due to banks, and S/. 356.8 million in deposits. The increase in bonds was the result of a US$400 million senior bond issue completed in October 2010. Growth in due to banks was a result of an increasing use of medium-term lines of credit with local development bank COFIDE and short-term, trade-related lines of credit with correspondent banks. The funding provided by COFIDE is tied to mortgage loans granted under government-sponsored housing programs.

Deposits grew 2.8% YoY, as significant growth rates of 19.2% in retail deposits and 14.5% in commercial deposits were offset by a 24.2% decrease in institutional deposits. As a result of increasing demand for transactional deposits, Interbank reduced the proportion of higher-cost institutional deposits, from 33.7% of its total deposit base in 2Q10 to 25.5% in 2Q11.

Breakdown of Deposits					
S/. million				% chg	% chg
	2Q 10	1Q 11	2Q 11	QoQ	YoY
By Customer Segment					
Retail	4,633.4	5,220.8	5,522.7	5.8%	19.2%
Commercial	3,577.2	3,782.1	4,096.8	8.3%	14.5%
Institutional	4,343.6	3,531.5	3,291.5	-6.8%	-24.2%
Total	**12,554.3**	**12,534.4**	**12,911.1**	**3.0%**	**2.8%**
By Type:					
Demand	3,003.3	3,058.0	3,319.6	8.6%	10.5%
Savings	3,174.0	3,832.4	4,035.5	5.3%	27.1%
Time	6,376.9	5,644.1	5,556.0	-1.6%	-12.9%
Total	**12,554.3**	**12,534.4**	**12,911.1**	**3.0%**	**2.8%**

FINANCIAL MARGIN

Financial Margin					
S/. million				% chg	% chg
	2Q 10	1Q 11	2Q 11	QoQ	YoY
Financial income	467.0	498.4	537.0	7.7%	15.0%
Financial expenses	-99.8	-125.5	-138.4	10.3%	38.8%
Gross financial margin	**367.2**	**372.9**	**398.6**	**6.9%**	**8.5%**

Financial Income					
S/. million				% chg	% chg
	2Q 10	1Q 11	2Q 11	QoQ	YoY
Interest and commissions on loans	382.9	425.0	433.5	2.0%	13.2%
Investment income	41.5	26.6	44.5	67.2%	7.2%
Interest on due from banks and interbank funds	1.2	9.5	3.8	-60.3%	n.m.
Financial income before exchange gains	425.6	461.2	481.8	4.5%	13.2%
Exchange and derivatives gains	34.9	35.7	53.7	50.4%	54.0%
Others	6.5	1.5	1.5	-1.3%	-77.5%
Total Financial Income	**467.0**	**498.4**	**537.0**	**7.7%**	**15.0%**
Average interest earning assets	15,895	18,510	18,783	1.5%	18.2%
Average yield on assets*	10.7%	10.0%	10.3%	-1.1%	-0.5%

*Annualized. Excludes exchange and derivatives gains

Financial Expenses					
S/. million				% chg	% chg
	2Q 10	1Q 11	2Q 11	QoQ	YoY
Interest and commissions on deposits	34.5	44.1	53.9	22.0%	56.3%
Interest and fees on deposits and due to banks	34.7	39.7	41.4	4.2%	19.4%
Interest on securities, bonds and other obligatior	16.9	36.7	35.4	-3.5%	109.3%
Other financial expenses	13.7	4.9	7.6	55.3%	-44.4%
Financial Expenses	**99.8**	**125.5**	**138.4**	**10.3%**	**38.8%**
Average interest bearing liabilites	13,974	17,332	17,615	1.6%	17.1%
Average cost of funding*	2.3%	2.8%	3.0%	0.2%	0.7%

*Annualized. Excludes exchange and derivatives losses

Quarter-on-Quarter Performance

Gross financial margin increased 6.9% QoQ, as a result of growth in income from loans and investments, offset by a rise in the cost of deposits.

Financial income increased 7.7%, driven by growth rates of 50.4% in exchange gains, 67.2% in investment income, and 2.0% in interest income.

The increase in interest income was attributable to 4.3% growth in the average balance of the loan portfolio, partially offset by a 50 basis point decline in the average yield. This decrease in yield took place both in the retail and commercial loan portfolios, mainly due to competitive pressures on rates.

Investment income increased 67.2% mainly as a result of dividends received and non-recurring gains on the sale of investments, for a total of S/. 15.2 million. Excluding non-recurring factors, investment income would have grown 10.2%.

Interest on cash decreased S/. 5.7 million, due to a shift in the currency in which Interbank held its liquidity at the Central Bank (BCR), from Nuevos Soles to lower-yielding US Dollars.

The S/. 18.0 million increase in exchange gains was the result of a S/. 5.9 increase in income from trading activity with clients and a S/. 9.7 increase in gains on Interbank's own exchange position.

The return on interest-earnings assets was 10.3% in 2Q11, 30 basis points higher than reported in 1Q11, mainly as a result of the increase in investment income.

Financial expenses grew 10.3% QoQ, due to increases of 22.0% in interest on deposits, 4.2% in interest on due to the banks, and S/. 2.7 million in other expenses.

The increase in interest on deposits was driven by 7.9% growth in the average volume and a 20 basis point increase in the average cost. Volume grew as a result of increases of 11.0% in commercial deposits, 11.3% in institutional deposits, and 5.0% in retail deposits. The increase in the average cost was the result of a 60 basis point increase in the average cost of institutional deposits, which was due to two factors. The first was a 50 basis point increase in the Central Bank's reference rate during the quarter, from 3.75% to 4.25%. The second factor was an increase in the proportion of institutional deposits denominated in soles, which have a higher cost than dollar-denominated deposits, from 65.5% in 1Q11 to 68.0% in 2Q11. The average cost of retail and commercial deposits remained stable QoQ.

Interest on due to banks grew 19.4%, as a result of a 60 basis point increase in the average cost, partially offset by a 7.7% decline in the average volume. The decrease in volume was due to the replacement of short-term lines of credit with local deposits. The increase in the average cost was the result of growth in medium-term funding with COFIDE, which has a higher cost than short-term lines. These loans are primarily used to fund mortgages, as previously mentioned. Funding from COFIDE accounted for 41.2% of total of lines of credit in 2Q11, compared to 35.8% in 1Q11.

The S/. 2.7 million increase in other financial expenses was attributable to losses in derivative products.

The average cost of funds was 3.0% in 2Q11, a 20 basis point increase QoQ, as a result of the higher cost of institutional deposits and growth in medium-term financing from COFIDE.

Year-on-Year Performance

Gross financial margin increased 8.5% YoY, driven by growth in the average loan volume and exchange gains, partially offset by higher financial expenses.

Financial income grew 15%, driven by increases of 13.2% in interest on loans and 54.0% in exchange and derivative gains.

The increase in interest on loans was attributable to 26.3% growth in the average volume, partially offset by a 150 basis point decline in the average yield, from 15.2% in 2Q10 to 13.7% in 2Q11. Growth in the average volume was driven by increases of 29.6% in the commercial loan portfolio and 21.5% in the retail loan portfolio. The average yield decreased in both the commercial and retail portfolios. The yield of the retail portfolio fell as a result of lower average rates on credit cards and an increase in the proportion of mortgages, from 29.2% of the retail loan portfolio in 2Q10 to 33.0% in 2Q11. The decrease in commercial loan yields was the result of competitive pressures.

Investment income rose 7.2%, as a result of higher non-recurring investment gains recorded in 2Q11 than those recorded in 2Q10.

Interest on cash grew S/. 2.6 million YoY as a result of a 37.8% increase in the average volume and a 20 basis point increase in the average yield. The increase in volume is a result of higher reserve requirements, which led to an increase in interest-bearing deposits held at the Central Bank. The yield on these deposits rose due to an increase in the reference rate, from 1.75% in 2Q10 to 4.25% in 2Q11.

Financial expenses increased 38.8% YoY, mainly due to growth rates of 56.3% in deposits, 109.3% in interest on bonds, and 19.4% in due to banks.

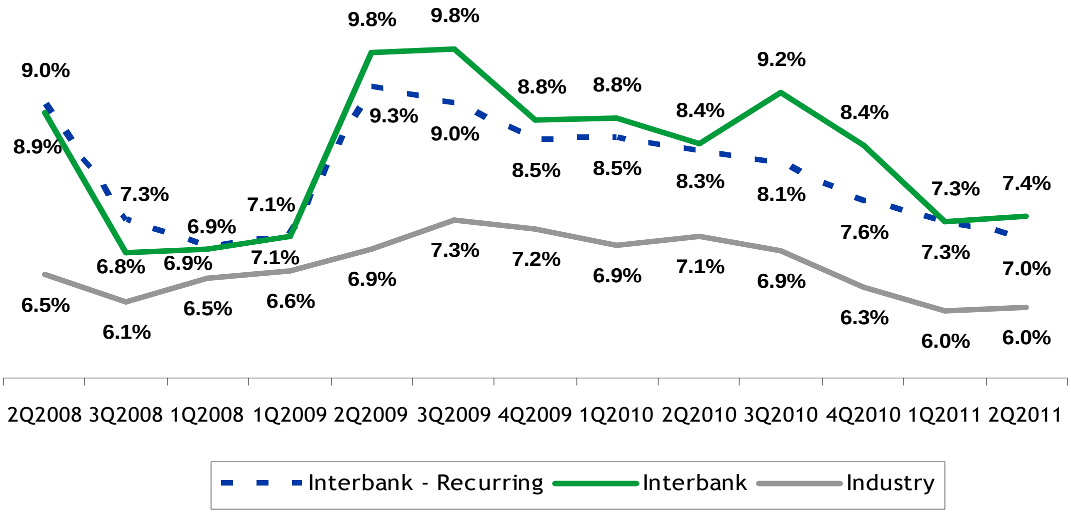
The increase in interest on bonds was due to 236.7% growth in the average volume, as a result of the senior bond issue previously mentioned.

The increase in interest on deposits was attributable to 8.6% growth in the average volume and an increase of 50 basis points in the average cost. The higher average cost was due to the impact of the reference rate increase on the cost of institutional deposits.

Interest on due to banks increased as a result of 18.8% growth in average volume, with a stable average cost.

The average cost of funding rose 70 basis points YoY, mainly due the impact of the reference rate increase and the cost of the bond issue.

Net Interest Margin*



Net interest margin increased 10 basis points QoQ, from 7.3% in 1Q11 to 7.4% in 2Q11, mainly due to the non-recurring gains reported in 2Q11. Excluding non-recurring factors, net interest margin would have decreased 30 basis points QoQ, as a result of the lower yield in the loan portfolio and the higher average cost of funds.

PROVISIONS

Provision expenses increased 28.6% QoQ and 4.5% YoY. As a result, the annualized ratio of loan loss provisions to average loans was 3.1% in 2Q11, above the 2.5% reported in 1Q11 and below the 3.6% reported en 2Q10. Provisioning requirements were unusually low in 1Q11, and have now returned to a more normalized level. In particular, provisions that require banks to align their classification of clients with those of other banks were significantly lower in 1Q11.

Composition of Provision Expense

S/. million	2Q 10	1Q 11	2Q 11	% chg QoQ	% chg YoY
Provisions recognized as expense	-96.9	-102.9	-117.8	14.4%	21.6%
Provisions reversal	0.2	24.4	16.7	-31.3%	n.m.
Total provision expense	**-96.6**	**-78.6**	**-101.0**	**28.6%**	**4.5%**
Loan provision / average loans	**3.6%**	**2.5%**	**3.1%**		

Provision for Loan Losses					
S/. million				% chg	% chg
	2Q 10	1Q 11	2Q 11	QoQ	YoY
Balance at the beginning of the quarter	-445.5	-550.9	-559.7	1.6%	25.6%
Provision recognized as expense for the period	-96.9	-102.9	-117.8	14.4%	21.6%
Write-offs, extinguishment of debt and sales	64.5	69.8	74.9	7.3%	16.0%
Provisions reversal	0.2	24.3	16.8	-30.8%	n.m.
Exchange gains	0.6	0.0	3.1	n.m.	384.9%
Balance at the end of the quarter	-477.0	-559.7	-582.7	4.1%	22.2%
Past due loans / Total loans	**1.6%**	**1.5%**	**1.6%**		
Reserve coverage	**252.9%**	**268.3%**	**260.1%**		

The ratio of past due loans to total loans increased slightly QoQ, from 1.5% in 1Q11 to 1.6% in 2Q11, but remained stable when compared to 2Q10. The coverage ratio increased from 252.9% in 2Q10 to 260.1% in 2Q11

FEE INCOME FROM FINANCIAL SERVICES

Gross fee income rose 3.1% QoQ, driven mainly by a 7.4% increase in credit and debit card fees, but was offset by a 20.8% increase in expenses relating to financial services. Growth in credit and debit card fees was mainly the result of a 5.4% increase in card activity.

Fee income grew 8.4% YoY, as a result of increases of 21.9% in credit and debit card fees and 8.9% in fees from services, partially offset by 30.7% growth in expenses related to financial services.

Fee Income from Financial Services, Net					
S/. million				% chg	% chg
	2Q 10	1Q 11	2Q 11	QoQ	YoY
Credit and debit card	42.3	48.0	51.6	7.4%	21.9%
Fees from services	49.8	54.0	54.2	0.4%	8.9%
Contingent operations	8.5	10.3	10.3	-0.9%	20.5%
Fees for collections and payment services	5.1	5.6	5.6	-0.6%	9.9%
Other fees	25.5	25.2	26.0	3.0%	1.9%
Total	**131.1**	**143.2**	**147.6**	**3.1%**	**12.5%**
Expenses relating to financial services	-24.2	-26.2	-31.6	20.8%	30.7%
Fee income from financial services, net	**106.9**	**117.0**	**115.9**	**-0.9%**	**8.4%**

ADMINISTRATIVE EXPENSES

Despite increasing transaction volumes, administrative expenses remained stable YoY and increased only 2.8% QoQ. Technology and process improvements have allowed Interbank to meet with higher volumes without increasing headcount or services received from third parties.

As a result of stable expenses, the efficiency ratio declined from 50.9% in 2Q10 and 48.3% in 1Q11 to 47.2% in 2Q11.

Administrative Expenses					
S/. million				% chg	% chg
	2Q 10	1Q 11	2Q 11	QoQ	YoY
Personnel and board of directors expenses	-107.5	-106.1	-108.7	2.5%	1.1%
Services received from third parties	-106.0	-103.0	-106.1	3.0%	0.1%
Taxes and contributions	-5.7	-5.2	-5.5	6.5%	-4.2%
Total	**-219.3**	**-214.2**	**-220.3**	**2.8%**	**0.5%**
Efficiency ratio	**50.9%**	**48.3%**	**47.2%**		

OTHERS

Other Incomes (Expenses)					
S/. million				% chg	% chg
	2Q 10	1Q 11	2Q 11	QoQ	YoY
Depreciation	-16.8	-17.3	-17.7	2.4%	5.0%
Amortization	-5.3	-5.0	-5.0	0.0%	-4.9%
Total depreciation and amortization	**-22.1**	**-22.3**	**-22.7**	**1.8%**	**2.7%**
Income (expenses) for recoveries	16.1	16.6	17.1	3.1%	6.3%
Extraordinary income (expenses)	-2.7	-4.0	-6.4	59.8%	132.8%
Provisions for contingencies and other provisions	-7.3	-9.5	-3.3	-65.2%	-54.4%
Other Income (Expenses)	**6.1**	**3.1**	**7.4**	**140.8%**	**21.6%**
Total	**-16.0**	**-19.2**	**-15.3**	**-20.5%**	**-4.6%**

Depreciation and amortization increased 1.8% QoQ and 2.7% YoY.

Other income increased S/. 4.3 million QoQ and S/. 1.3 million YoY, due mainly to a decrease in provisions for contingencies.

CAPITALIZATION

The ratio of regulatory capital to risk-weighted assets was 14.5% in 2Q11, above the 14.1% reported in 1Q11 and below the 16.0% reported in 2Q10. During 2Q11, regulatory capital increased 4.7% and risk-weighted assets increased 2.2%. The increase in regulatory capital was due to the capitalization of S/. 126.0 million in earnings from 1Q11.

As a result of the increase in capital and reserves, the cap on hybrid debt that can qualify as Tier I was raised, and an additional S/. 22.1 million from a US$200 million junior subordinated bond issue was incorporated into Interbank's Tier I capital. As of June 30, 2011, 50% of the bond issue qualified as Tier I capital. The remaining 50% of the bond qualified as Tier II capital, and will gradually be incorporated into Tier I as Interbank's capital and reserves grow.

The YoY decrease in the BIS ratio was a result of a 16.4% increase in risk weighted assets, partially offset by a 5.0% increase in regulatory capital. The increase in regulatory capital was due to the capitalization of S/. 248.3 million in earnings carried out in the last 12 months.

The ratio was significantly above the 9.75% minimum required by Peruvian banking regulations as of June 30, 2011 and the 10.0% minimum required from July 2011 onwards.

Capitalization					
S/. million				% chg	% chg
	2Q 10	1Q 11	2Q 11	QoQ	YoY
Tier I	1,414.1	1,518.4	1,655.8	9.1%	17.1%
Tier II	681.8	585.2	545.7	-6.8%	-20.0%
Regulatory capital	2,096.0	2,103.6	2,201.5	4.7%	5.0%
Risk weighted assets	13,068.4	14,883.3	15,214.8	2.2%	16.4%
BIS ratio	**16.0%**	**14.1%**	**14.5%**	**2.4%**	**-9.8%**
Tier I / risk weighted assets	**10.8%**	**10.2%**	**10.9%**	**6.7%**	**0.6%**

Interseguro

SUMMARY

Interseguro's net income was S/. 24.4 million in 2Q11, a 29.9% increase YoY and a 33.9% decrease QoQ. ROE grew from 28.7% in 2Q10 to 33.8% in 2Q11 while ROA increased from 3.7% to 4.0%.

The YoY growth was mainly explained by an S/. 11.4 million increase in investment income, partially offset by a S/. 3.9 million increase in the technical margin loss. Higher investment income is attributable to growth in interest income and realized gains in equity positions. The increase in the technical margin loss was explained by higher premiums in the early retirement segment, which generated higher reserves and higher commission costs. According to Peruvian accounting regulations, each time an annuity is sold, an accounting loss must be recognized in the profit and loss statement.

The QoQ decline was mainly as a result of a 17.8% decrease in investment income and an 18.8% increase in administrative expenses, partially offset by a decrease in the technical margin loss. During 2Q11, Interseguro recorded significantly lower realized gains in the fixed income portfolio which led to the QoQ decline in investment income. Increased expenses were a result of a marketing campaign carried out during 2Q11. The decrease in the technical margin loss was a result of lower reserves, directly related to a decline in annuity sales.

Profit and Loss Statement Summary

S/. million	2Q10	1Q11	2Q11	% chg QoQ	% chg YoY
Premiums	74.6	124.2	109.5	-11.8%	46.7%
Premiums ceded	-1.7	-1.9	-2.3	16.2%	33.5%
Fees	-2.4	-2.9	-3.2	7.2%	32.8%
Claims	-31.7	-32.4	-32.0	-1.1%	1.1%
Change in reserves	-50.9	-104.2	-89.4	-14.1%	75.8%
Diverse Income, net	-0.4	-0.8	1.1	-233.5%	-384.6%
Technical margin	**-12.4**	**-18.1**	**-16.3**	**-9.8%**	**31.6%**
Administrative expenses	-12.8	-12.3	-14.6	18.8%	14.6%
Investment income, net*	44.0	67.4	55.4	-17.8%	26.0%
Net income	**18.8**	**37.0**	**24.4**	**-33.9%**	**29.9%**
ROE	**28.7%**	**42.5%**	**33.8%**		

* Includes exchange difference

PREMIUMS

Premiums during 2Q11 were S/. 109.5 million, a 46.7% increase YoY, but a 11.8% decrease QoQ.

Premiums by Business Line					
S/. million	2Q10	1Q11	2Q11	% chg QoQ	% chg YoY
Individual Life	5.5	6.1	6.4	4.9%	16.3%
Annuities	51.8	97.1	82.7	-14.8%	59.7%
Group Life	10.5	12.5	12.3	-1.9%	16.4%
Disability and survivor benefits	0.1	0.1	0.1	-7.7%	45.3%
Mandatory traffic accident	4.9	6.0	5.3	-10.5%	8.7%
Non Life Insurance	1.8	2.4	2.6	10.1%	47.3%
TOTAL	**74.6**	**124.2**	**109.5**	**-11.8%**	**46.7%**

The QoQ decrease was due to lower annuity premiums attributable to a 33.6% market contraction in the early retirement segment. [Andrea- revisar si IS ya tiene cifras de mercado a Junio].

The YoY increase was the result of higher premiums in all Interseguro's business lines. The business line that contributed most was annuities driven by early retirement premiums that reached S/. 27.4 million in 2Q11 and only S/. 11.9 million in 2Q10 since the early retirement law was enacted later in 1Q10.

RESERVES, CLAIMS AND OPERATING EXPENSES

Change in reserves decreased 14.1% QoQ and increased 75.8% YoY driven by annuity sales.

Change in Reserves by Business Line					
S/. million	2Q10	1Q11	2Q11	%chg QoQ	%chg YoY
Individual Life	1.1	2.1	1.8	-14.2%	62.2%
Annuities	49.1	100.9	87.4	-13.4%	77.9%
Group Life	1.1	0.5	0.4	-10.7%	-61.3%
Mandatory traffic accident	-0.4	0.6	-0.3	n.m.	-28.0%
Non Life Insurance	0.0	0.0	0.1	n.m.	n.m.
TOTAL	**50.9**	**104.2**	**89.4**	**-14.1%**	**75.8%**

Claims declined 1.1% QoQ and grew 1.1% YoY. The QoQ decrease was explained by lower disability and survivor benefits claims while the YoY increase was due to higher pensions in line with higher annuities sales.

Claims by Business Line					
S/. million	2Q10	1Q11	2Q11	%chg QoQ	%chg YoY
Individual Life	-0.1	0.3	0.8	171.8%	-844.2%
Annuities	21.8	23.4	24.4	4.2%	11.8%
Group Life	3.5	3.4	3.3	-1.5%	-4.8%
Disability and survivor benefits	4.4	3.1	1.5	-51.8%	-66.3%
Mandatory traffic accident	2.0	2.1	2.0	-9.0%	-3.6%
Non Life Insurance	0.1	0.1	0.1	-9.1%	52.7%
TOTAL	**31.7**	**32.4**	**32.0**	**-1.1%**	**1.1%**

As a result of the factors described above, the technical margin loss was S/.16.3 million in 2Q11, S /. 12.4 million in 2Q10 and S /. 18.1 million in 1Q11.

Administrative expenses increased S/. 2.3 million QoQ and S/. 1.8 million YoY. The QoQ growth was explained by higher marketing expenses related to an advertising campaign launched in 2Q11. The YoY increase was explained by higher commission sales in line with premium growth.

INVESTMENT INCOME

Investment income decreased 17.8 % QoQ and increased 26.0 % YoY.

Investment Income, Net					
S/. million	2Q10	1Q11	2Q11	%chg QoQ	%chg YoY
Income:					
Fixed Income	33.0	44.1	32.7	-25.9%	-0.9%
Interest	21.1	26.4	27.5	4.1%	30.5%
Realized Gains	11.9	17.7	5.2	-70.6%	-56.3%
Equity and Mutual Funds	7.0	15.1	18.1	19.7%	156.6%
Real estate	5.0	8.3	6.1	-26.2%	21.6%
Total Income	45.0	67.5	56.9	-15.7%	26.2%
Expenses	-1.2	-1.2	-1.4	11.0%	16.1%
Exchange difference and others	0.1	1.2	-0.1	n.m.	n.m.
Net income	**44.0**	**67.4**	**55.4**	**-17.8%**	**26.0%**

The QoQ decline was explained by two factors. The first was a one-time provision expense in the real estate portfolio and the second one was a decline in realized gains in the fixed income portfolio. During 1Q11, Interseguro sold fixed income and equity investments.

The YoY increase was attributable to increases in equity income and interest earned on fixed income. During 2Q11 Interseguro recorded realized gains in the sale of shares which did not occur in 2Q10. Higher interest earned on fixed income instruments is explained by a 20.7% growth in volume and a 55 basis point increase in the average yield after the portfolio was rebalanced to include higher yielding bonds.

Investment Portfolio					
S/. million	2Q10	1Q11	2Q11	%chg QoQ	%chg YoY
Fixed Income	1,291.0	1,518.6	1,558.8	2.6%	20.7%
Equity and Mutual Funds	173.1	352.7	312.0	-11.6%	80.2%
Real estate	445.0	487.0	505.3	3.8%	13.5%
Others	4.4	4.5	4.7	3.7%	6.9%
TOTAL	**1,913.6**	**2,362.8**	**2,380.8**	**0.8%**	**24.4%**

The investment portfolio increased 0.8% QoQ and 24.4% YoY due to higher annuity sales and the price appreciation of the entire portfolio.