Intercorp Financial Services Inc.
Second Quarter 2014 Earnings

Lima, Peru, July 25, 2014. Intercorp Financial Services Inc. (Bolsa de Valores de Lima: IFS) announced today its unaudited results for the second quarter 2014. These results are reported on a consolidated basis in accordance with Peruvian GAAP in nominal Peruvian Nuevos Soles.

Intercorp Financial Services:

- IFS net earnings were S/. 197.0 million in 2Q14, a 28.7% increase QoQ and 17.5% YoY
- Excluding non-recurring items, IFS net earnings increased 5.5% QoQ and 26.6% YoY
- The QoQ increase was driven by growths of 25.6% in fee income and 47.6% in results from financial operations
- YoY net earnings growth was mainly due to a 17.3% increase in gross financial margin, partially offset by a 40.7% rise in provision expenses
- IFS recurring ROE was 23.2% in 2Q14, above the 21.7% in 1Q14 and the 20.2% in 2Q13

Interbank:

- Interbank's net earnings reached S/. 163.5 million in 2Q14, a S/. 1.5 million increase QoQ and a S/. 5.9 million decrease YoY
- The quarterly increase was mainly due to a S/. 12.3 million growth in net fee income and a S/. 31.7 million increase in other income due to the constitution of a voluntary provision in 1Q14, which was not repeated in 2Q14.
- Excluding non-recurring factors, 2Q14 net earnings increased 22.2% YoY, in line with a 17.6% growth in gross financial margin
- Interbank's recurring ROE remained stable QoQ at 24.7% and increased 100 bps YoY
- The loan portfolio expanded 4.1% QoQ and 23.2% YoY, driven by growth in credit cards, mortgages and commercial loans
- The past due loan ratio remained stable QoQ and YoY, at 1.9%
- The efficiency ratio improved from 47.9% in 2Q13 to 47.2% in 2Q14 supported by 9.3% growth in fee income while administrative expenses grew 5.9%
- The BIS ratio was 15.8% in 2Q14, well above regulatory requirements

Interseguro:

- Interseguro's net earnings were S/. 59.0 million in 2Q14, supported by an extraordinary gain of S/. 35.6 million from the sale of a real estate property
- Excluding non-recurring factors, Interseguro's net earnings increased 153.8% QoQ and 36.6% YoY
- Interseguro's recurring ROE was 27.2% in 2Q14, above the 9.4% in 1Q14 and the 15.7% in 2Q13
- Interseguro's investment portfolio grew 3.5% QoQ and 17.7% YoY driven by higher annuity sales

Intercorp Financial Services

Net earnings (attributable to IFS shareholders) were S/. 197.0 million in 2Q14, a 28.7% increase QoQ and 17.5% YoY. When excluding non-recurring items reported in both 2Q14 and 2Q13, net earnings increased 5.5% QoQ and 26.6% YoY. IFS ROE was 26.2% in 2Q14, above the 20.1% in 1Q14 and the 23.2% in 2Q13.

Intercorp Financial Services' Statement of Comprehensive Income					
S/. million	2Q13	1Q14	2Q14	%chg QoQ	%chg YoY
Financial income	611.8	711.4	730.2	2.6%	19.4%
Financial expenses	-144.0	-166.3	-181.3	9.0%	25.9%
Gross financial margin	**467.8**	**545.1**	**548.9**	**0.7%**	**17.3%**
Provisions	-88.9	-95.3	-125.0	31.2%	40.7%
Net financial margin	**378.9**	**449.8**	**423.8**	**-5.8%**	**11.9%**
Fee income from financial services, net	59.4	49.6	62.3	25.6%	4.8%
Result from insurance underwriting, net	-15.9	-17.8	-14.0	-21.0%	-11.5%
Result from financial operations	119.3	77.8	114.8	47.6%	-3.7%
Administrative expenses	-289.8	-296.7	-307.8	3.7%	6.2%
Operating margin	**251.9**	**262.7**	**279.1**	**6.2%**	**10.8%**
Depreciation and amortization	-26.5	-27.4	-27.2	-0.4%	2.6%
Other income (expenses)	9.4	-19.9	10.1	n.m.	8.2%
Income before tax	**234.8**	**215.5**	**262.0**	**21.6%**	**11.6%**
Income tax	-65.9	-61.3	-63.9	4.2%	-3.0%
Net income	**168.9**	**154.2**	**198.1**	**28.5%**	**17.3%**
Attributable to IFS shareholders	**167.6**	**153.0**	**197.0**	**28.7%**	**17.5%**
EPS	**1.79**	**1.63**	**2.10**		
ROE	**23.2%**	**20.1%**	**26.2%**		

Intercorp Financial Services' Recurring Statement of Comprehensive Income Summary					
S/. million	2Q13	1Q14	2Q14	%chg QoQ	%chg YoY
Reported net eanings	**167.6**	**153.0**	**197.0**	**28.7%**	**17.5%**
Non-recurring income:					
IFS	-4.9	0.0	0.0	n.m.	n.m.
Interbank	-35.3	0.0	0.0	n.m.	n.m.
Interseguro	0.0	0.0	-35.6	n.m.	n.m.
Total non-recurring income	**-40.2**	**0.0**	**-35.6**	**n.m.**	**n.m.**
Recurring net earnings	**127.4**	**153.0**	**161.4**	**5.5%**	**26.6%**
Recurring ROE*	**20.2%**	**21.7%**	**23.2%**		

* IFS average shareholders' equity excludes unrealized results, declared dividends and non-recurring gains

Intercorp Financial Services' Statement of Financial Position					
S/. million				%chg	%chg
	2Q13	1Q14	2Q14	QoQ	YoY
Cash and due from banks	6,997.0	7,653.6	6,009.0	-21.5%	-14.1%
Investments, net	5,182.4	6,005.6	5,875.6	-2.2%	13.4%
Loan portfolio, net	16,666.4	19,783.1	20,584.5	4.1%	23.5%
Fixed assets, net	441.2	436.2	441.1	1.1%	0.0%
Other assets	1,252.3	1,327.7	1,350.6	1.7%	7.8%
Total Assets	**30,539.2**	**35,206.3**	**34,260.7**	**-2.7%**	**12.2%**
Deposits and obligations	17,210.1	20,858.4	19,812.7	-5.0%	15.1%
Due to banks	3,313.8	2,644.5	2,797.1	5.8%	-15.6%
Bonds and obligations	3,397.1	4,361.3	4,340.3	-0.5%	27.8%
Technical reserves for premiums and claims	2,811.1	3,180.0	3,310.5	4.1%	17.8%
Other liabilities	1,095.5	1,059.0	1,040.8	-1.7%	-5.0%
Total Liabilities	**27,827.7**	**32,103.2**	**31,301.4**	**-2.5%**	**12.5%**
IFS shareholders' equity	2,694.5	3,085.0	2,939.9	-4.7%	9.1%
Minority interest	17.1	18.0	19.4	7.6%	13.8%
Total shareholders' equity	**2,711.6**	**3,103.1**	**2,959.3**	**-4.6%**	**9.1%**

Quarter-on-quarter performance

Net earnings increased 28.7% QoQ mainly due to a 47.6% increase in results from financial operations, a 25.6% increase in fee income and a reversion from other expenses to other income, partially offset by a 31.2% increase in provisions.

Financial income increased 2.6% driven by a 3.7% increase in the average volume of loans at Interbank.

Financial expenses grew 9.0% QoQ due to increases of 28.1% in interest on bonds and 4.4% in interest on deposits at Interbank.

Provision expenses rose 31.2% due to a higher requirement for new provisions on consumer and commercial loans, and lower provision reversals in 2Q14.

Fee income increased 25.6% QoQ mainly due to higher commissions from contingent operations and fees from financial advisory at Interbank.

Interseguro's loss from insurance underwriting reduced 21.0% due to solid growth in premiums and a reduction in claims.

Results from financial operations increased 47.6% QoQ mainly due to non-recurring gains on the sale of real estate investments registered at Interseguro in 2Q14.

Administrative expenses increased 3.7% due to higher expenses for third-party services at Interbank, and a write-off provision due to the closure of the Mortgage Administration Company subsidiary of Interseguro.

The other income and expenses account reversed from an expense of S/. 19.9 million in 1Q14 to an income of S/. 10.1 million in 2Q14, mainly due to the constitution of a voluntary provision in 1Q14 at Interbank, a portion of which was released in 2Q14.

IFS effective tax rate decreased from 28.5% in 1Q14 to 24.4% in 2Q14 as a result of a higher contribution to net earnings from Interseguro, whose investment income is tax-exempt.

Year-on-year performance

Net earnings increased 17.5% YoY, mainly due to a 17.3% increase in gross financial margin, partially offset by a 40.7% growth in provisions.

Financial income rose 19.4% mainly explained by a 21.6% increase in interest and fees on loans at Interbank.

Financial expenses increased 25.9% YoY due to growths of 30.8% in interest on deposits and 46.2% in interest on bonds at Interbank.

Provisions grew 40.7% due to strong growth in the origination of credit cards and commercial loans, lower income from loan recoveries and the fact that provision expenses were unusually low in 2Q13.

Fee income increased 4.8% YoY as a result of higher commissions from letters of guarantee and revenues from collection services at Interbank.

Interseguro's loss from insurance underwriting decreased 11.5% as a result of higher premiums net of change in reserves.

Results from financial operations declined 3.7% YoY due to lower non-recurring income in 2Q14, compared to 2Q13, as well as to a reduction in income from participation of subsidiaries at Interbank.

Administrative expenses increased 6.2% mainly attributed to increases of 7.4% in expenses for third-party services and 3.7% in personnel expenses at Interbank. Additionally, administrative expenses grew 37.1% at Interseguro due to a write-off provision and higher personnel expenses.

The other income and expenses account increased 8.2% YoY due to a partial reversal in voluntary provisions from the previous period at Interbank.

IFS effective tax rate decreased from 28.1% in 2Q13 to 24.4% in 2Q14 as a result of a higher contribution to net earnings from Interseguro, whose investment income is tax-exempt.

CONTRIBUTION OF SUBSIDARIES

The following table shows the contribution of Interbank and Interseguro to Intercorp Financial Services' net earnings. The performance of both subsidiaries is discussed in detail in the following two sections.

Intercorp Financial Services' Statement of Comprehensive Income Summary					
S/. million				%chg	%chg
	2Q13	1Q14	2Q14	QoQ	YoY
Interbank	168.1	160.8	162.3	0.9%	-3.4%
Interseguro	17.1	9.2	59.0	540.2%	244.6%
IFS accounts:					
Return on investment portfolio	17.7	0.9	0.7	-14.8%	-95.8%
Exchange gains (loss)	-13.8	-1.2	-0.7	-45.1%	-95.2%
Taxes on dividends	-4.1	-3.9	-5.1	29.0%	24.0%
Other income (expenses)	-10.3	-10.5	-3.2	-69.4%	-69.0%
Consolidation adjustments	-7.0	-2.3	-16.1	n.m.	129.7%
Total	**167.7**	**153.0**	**197.0**	**28.7%**	**17.5%**

Interbank

SUMMARY

Interbank's net earnings reached S/. 163.5 million in 2Q14, a S/. 1.5 million increase QoQ and a S/. 5.9 million decrease YoY. The quarterly increase was mainly due to a S/. 12.3 million growth in fee income and a S/. 31.7 million positive reversal in other income and expenses, related to a voluntary provision registered during the last quarter. These factors were partially offset by a S/. 29.8 million increase in provision expenses.

The anual decline in net earnings in 2Q14 was mainly due to a S/. 36.2 million increase in provision expenses related to a higher activity in consumer lending, as well as a S/. 37.7 million decrease in results from financial operations. These factors offset a S/. 75.4 million increase in gross financial margin.

In 2Q13, a non-recurring result of S/. 35.6 million net of taxes was reported. Excluding said amount, 2Q14 net earnings would have increased 22.2% YoY, in line with a 17.6% growth in gross financial margin.

Interbank's ROE was 24.9% in 2Q14, slightly lower than the 25.0% reported in 1Q14. Moreover, a 29.3% ROE was registered in 2Q13 considering the non-recurring income mentioned already.

Interbank's Statement of Comprehensive Income					
S/. million				% chg	% chg
	2Q13	1Q14	2Q14	QoQ	YoY
Financial income	572.1	666.7	683.0	2.5%	19.4%
Financial expenses	-143.9	-165.3	-179.4	8.5%	24.7%
Gross financial margin	**428.2**	**501.4**	**503.6**	**0.4%**	**17.6%**
Provisions	-88.9	-95.3	-125.0	31.2%	40.7%
Net financial margin	**339.3**	**406.1**	**378.6**	**-6.8%**	**11.6%**
Fee income from financial services, net	64.6	58.4	70.6	21.0%	9.3%
Result from financial operations, net	110.6	74.0	72.8	-1.6%	-34.1%
Administrative expenses	-263.5	-267.6	-278.9	4.2%	5.9%
Operating margin	**251.0**	**270.9**	**243.1**	**-10.3%**	**-3.1%**
Depreciation and amortization	-25.7	-26.6	-26.4	-0.6%	2.9%
Other income (expenses)	6.6	-23.3	8.4	n.m.	27.8%
Income before taxes	**231.9**	**221.0**	**225.1**	**1.9%**	**-2.9%**
Income tax	-62.6	-59.0	-61.6	4.5%	-1.5%
Net income	**169.3**	**162.0**	**163.5**	**0.9%**	**-3.5%**
ROE	**29.3%**	**25.0%**	**24.9%**	**-10 bps**	**-440 bps**

Summary of Non-Recurring Items					
S/. million				% chg	% chg
Net of taxes	2Q13	1Q14	2Q14	QoQ	YoY
Net Income	169.3	162.0	163.5	0.9%	-3.5%
Result from financial operations, net:					
Gains on sale of investments, net	-35.6	0.0	0.0	n.m.	n.m.
Exchange and derivative gains (losses)	4.4	0.0	0.0	n.m.	n.m.
Other provisions	-4.4	0.0	0.0	n.m.	n.m.
Total Non-Recurring Items	-35.6	0.0	0.0	n.m.	n.m.
Recurring Net Income	133.7	162.0	163.5	0.9%	22.2%
Recurring ROE*	23.7%	24.7%	24.7%	0 bps	100 bps

* Interbank's recurring average shareholders' equity excludes unrealized results, declared dividends and non-recurring gains

INTEREST-EARNING ASSETS

Interbank's interest-earning assets reached S/. 28,923.6 million in 2Q14, a decrease of 3.5% QoQ, but an increase of 12.5% YoY.

The quarterly decline was due to decreases of 22.6% in cash and 5.3% in investments, partially offset by an increase of 4.1% in loans. The reduction in cash was explained by lower reserve funds at the Central Bank, due to a lower requirement in local currency and a reduction in the level of deposits. The decrease in investments was primarily due to a lower volume of Central Bank Certificates of Deposit (CDBCR), partially offset by an increase in fixed income investments.

The annual growth in interest-earning assets was attributed to increases of 23.5% in loans and 17.9% in investments, partially offset by a decrease of 15.4% in cash. The increase in investments was mainly due to higher volumes of Peruvian sovereign and global bonds, partially offset by lower volumes of CDBCR. The decline in cash was attributed to lower reserve funds at the Central Bank.

Interest-Earning Assets					
S/. million				% chg	% chg
	2Q13	1Q14	2Q14	QoQ	YoY
Cash and due from banks	6,984.3	7,632.9	5,909.6	-22.6%	-15.4%
Investments, net	2,061.1	2,565.1	2,429.4	-5.3%	17.9%
Loan portfolio, net	16,666.5	19,783.1	20,584.5	4.1%	23.5%
Total interest-earning assets	25,711.9	29,981.1	28,923.6	-3.5%	12.5%

Loan Portfolio					
S/. million				% chg	% chg
	2Q13	1Q14	2Q14	QoQ	YoY
Performing loans:					
Retail	8,414.8	9,611.9	10,031.9	4.4%	19.2%
Commercial	8,405.2	10,297.9	10,694.1	3.8%	27.2%
Total performing loans	16,820.0	19,909.8	20,726.0	4.1%	23.2%
Restructured and refinanced loans	113.5	126.9	131.2	3.4%	15.6%
Past due loans	322.5	383.0	406.6	6.2%	26.1%
Gross loans	17,256.0	20,419.6	21,263.8	4.1%	23.2%
Add (less)					
Accrued and deferred interest	139.0	174.7	176.0	0.7%	26.6%
Allowance for loan losses	-728.5	-811.3	-855.2	5.4%	17.4%
Total direct loans, net	16,666.5	19,783.1	20,584.5	4.1%	23.5%

Performing loans grew 4.1% QoQ. Commercial loans expanded 3.8% in 2Q14, mainly driven by trade finance loans within the corporate segment and leasing operations in the middle market segment. Retail loans increased 4.4% due to growths of 7.6% in credit cards, 4.4% in other consumer loans and 2.1% in mortgage loans. In credit cards, the fifth consecutive quarter of strong growth was recorded, while the past-due-loan ratio in such product remained low at 4.1% as of 2Q14, below the 4.7% registered in 2Q13, but slightly above the 4.0% reported in 1Q14.

Performing loans increased 23.2% YoY. Commercial loans grew 27.2% mainly due to increases in trade finance and medium-term loans within the corporate and middle market segment. Retail loans increased 19.2%, driven by growths of 34.9% in credit cards, 13.8% in mortgage loans and 14.3% in other consumer loans.

Breakdown of Performing Retail Loans					
S/. million				% chg	% chg
	2Q13	1Q14	2Q14	QoQ	YoY
Consumer loans:					
Credit cards	2,103.2	2,637.4	2,837.5	7.6%	34.9%
Other consumer	2,922.3	3,198.4	3,338.9	4.4%	14.3%
Total consumer loans	5,025.5	5,835.8	6,176.4	5.8%	22.9%
Mortgages	3,389.3	3,776.1	3,855.6	2.1%	13.8%
Total retail loans	8,414.8	9,611.9	10,031.9	4.4%	19.2%

FUNDING STRUCTURE

Funding Structure					
S/. million				% chg	% chg
	2Q13	1Q14	2Q14	QoQ	YoY
Deposits	17,643.9	21,177.5	20,229.4	-4.5%	14.7%
Due to banks	3,398.0	2,767.5	2,642.1	-4.5%	-22.2%
Bonds	2,960.8	3,950.3	3,964.4	0.4%	33.9%
Inter-bank funds	186.8	0.0	234.0	n.m.	25.3%
Total	**24,189.5**	**27,895.3**	**27,069.9**	**-3.0%**	**11.9%**
AUM (Interfondos)	2,865.8	2,381.4	2,496.6	4.8%	-12.9%
% of funding					
Deposits	72.9%	75.9%	74.7%		
Due to banks and inter-bank funds	14.8%	9.9%	10.6%		
Bonds	12.2%	14.2%	14.6%		

Interbank's funding base decreased 3.0% QoQ, in line with the reduction in interest-earning assets, mainly due to reductions of 4.5% in both deposits and due to banks.

The reduction in deposits was explained by decreases of 11.0% in commercial deposits and 6.2% in institutional deposits, partially offset by an increase of 2.3% in retail deposits. Due to banks declined due to lower liquidity requirements, as a result of the US$300.0 million subordinated bond issued in March 2014. These bonds were placed in the international market at an interest rate of 6.625%, maturing in 2029 with a call option as of March 2024.

The bank's total funding base increased 11.9% YoY, slightly below the growth in interest-earning assets. The increase was due to growths of 14.7% in deposits and 33.9% in bonds, partially offset by a 22.2% decrease in due to banks. The increase in deposits was mainly explained by growths of 34.7% in commercial deposits and 18.2% in retail deposits. As a result, the proportion of deposits to total funding increased from 72.9% in 2Q13 to 74.7% in 2Q14. Additionally, the proportion of institutional deposits to total deposits declined from 30.0% in 2Q13 to 23.9% in 2Q14.

The YoY growth in bonds was explained by two subordinated bonds issuances, the first for US$50.0 million in December 2013, placed in the local market, and the second for US$300.0 million in March 2014, placed in the international market. This was attenuated by the maturity of a US$15.0 million subordinated bond in October 2013.

The decrease in due to banks was attributed to a reduction in the use of credit lines with correspondent banks, as a consequence of ample dollar liquidity.

Breakdown of Deposits					
S/. million				% chg	% chg
	2Q13	1Q14	2Q14	QoQ	YoY
By Customer Segment					
Retail	6,949.3	8,033.2	8,217.3	2.3%	18.2%
Commercial	5,134.2	7,774.9	6,917.2	-11.0%	34.7%
Institutional	5,289.1	5,148.7	4,830.8	-6.2%	-8.7%
Other	271.2	220.7	264.1	19.6%	-2.6%
Total	**17,643.9**	**21,177.5**	**20,229.4**	**-4.5%**	**14.7%**
By Type:					
Demand	4,079.7	6,429.3	5,633.8	-12.4%	38.1%
Savings	4,870.9	5,596.5	5,621.1	0.4%	15.4%
Time	7,802.0	8,118.5	8,082.0	-0.4%	3.6%
Other	891.4	1,033.2	892.5	-13.6%	0.1%
Total	**17,643.9**	**21,177.5**	**20,229.4**	**-4.5%**	**14.7%**

FINANCIAL MARGIN

Financial Margin					
S/. million				% chg	% chg
	2Q13	1Q14	2Q14	QoQ	YoY
Financial income	572.1	666.7	683.0	2.5%	19.4%
Financial expenses	-143.9	-165.3	-179.4	8.5%	24.7%
Gross financial margin	**428.2**	**501.4**	**503.6**	**0.4%**	**17.6%**

Financial Income					
S/. million				% chg	% chg
	2Q13	1Q14	2Q14	QoQ	YoY
Interest on loans	482.5	570.7	591.4	3.6%	22.6%
Fees on loans	63.2	74.0	72.2	-2.4%	14.3%
Investment income	11.8	18.1	16.5	-8.9%	40.1%
Interest on cash and inter-bank funds	14.4	3.7	2.6	-28.8%	-81.9%
Other	0.2	0.2	0.4	113.3%	79.1%
Total financial income	**572.1**	**666.7**	**683.0**	**2.5%**	**19.4%**
Average interest-earning assets	24,840.7	29,070.3	29,452.3	1.3%	18.6%
Average yield on assets (annualized)	9.6%	9.6%	9.6%	0 bps	0 bps

Financial Expenses					
S/. million				% chg	% chg
	2Q13	1Q14	2Q14	QoQ	YoY
Interest and fees on deposits	60.0	75.2	78.5	4.4%	30.8%
Interest on due to banks and inter-bank funds	37.4	37.5	33.9	-9.8%	-9.5%
Interest on bonds	44.7	51.0	65.4	28.1%	46.2%
Other	1.8	1.5	1.7	8.5%	-5.8%
Financial expenses	**143.9**	**165.3**	**179.4**	**8.5%**	**24.7%**
Average interest-bearing liabilites	23,257.4	27,106.8	27,482.6	1.4%	18.2%
Average cost of funding (annualized)	2.5%	2.5%	2.6%	10 bps	10 bps

QoQ Performance

Gross financial margin increased 0.4% QoQ as the result of a 2.5% growth in financial income, partially offset by a 8.5% increase in financial expenses.

The rise in financial income was due to an increase of 3.6% in interest on loans, partially offset by decreases of 2.4% in fees on loans and 8.9% in interest on investments.

The growth in interest on loans was due to increases of 3.7% in the average volume of the portfolio, despite a 30 basis point reduction in the average yield, from 12.0% in 1Q14 to 11.7% in 2Q14. In the commercial portfolio, volumes grew by 17.9% in trade loans and 2.8% in leasing. In the retail portfolio, higher volume was due to growths of 5.7% in credit cards, 3.5% in other consumer loans and 2.3% in mortgage loans. The average yield lowered by 30 basis points due to reductions of 10 basis points in the retail portfolio and 30 basis points in the commercial portfolio.

The decrease in the average yield on retail loans was mainly due to lower rates on mortgage loans and other consumer loans, partially offset by higher average rates on credit cards. The lower average yield on commercial loans was mainly explained by decreases in most of the products, especially trade loans and leasing.

Interest on investments decreased 8.9% QoQ due to a reduction of 60 basis points in the average yield, despite an increase of 11.3% in the average volume. The lower average yield was mainly due to lower returns in global bonds and CDBCR. The growth in average volume was attributed to increases in global and sovereign bonds, as well as in corporate bonds.

Due to the proportional increase of financial income and average interest-earning assets, the return on average interest-earning assets remained stable QoQ, at 9.6%.

Financial expenses increased 8.5% QoQ due to increases of 4.4% in interest on deposits and 28.1% in interest on bonds, partially offset by a 9.8% decrease in interest on due to banks.

The growth in interest on deposits was mainly due to a 10 basis point increase in the average cost, while the average volume remained relatively stable. The increase in the average cost was explained by higher rates in commercial and institutional deposits, while rates on retail deposits remained stable.

The increase in interest on bonds in 2Q14 was due to a 12.7% growth in the average volume, together with an 80 basis point increase in the average cost. The higher volume was due to a US$300.0 million subordinated bond issued in 1Q14. Similarly, the higher average cost was due to the fact that said issuance was realized in mid-March and therefore the associated interest expense was incurred during only a fraction of 1Q14. The effect of the new issuance on interest expense was fully reflected in 2Q14.

The decrease in interest on due to banks was explained by a 1.8% decline in the average volume and a reduction of 40 basis points in the average cost. Both of these effects occurred mainly in foreign funding, while local funding grew 4.9% in volume and its average cost decreased by 30 basis points.

The average cost of funds increased from 2.5% in 1Q14 to 2.6% in 2Q14, mainly due to the higher average cost of bonds and deposits.

YoY Performance

Gross financial margin grew 17.6% YoY due to increases of 19.4% in financial income, partially offset by a 24.7% rise in financial expenses.

The growth in financial income was due to increases of 22.6% in interest on loans, 14.3% in fees on loans and 40.1% in interest on investments, partially offset by an 81.9% reduction in interest on cash.

The increase in interest on loans was explained by a 25.1% growth in the average loan volume, while the average yield decreased from 12.1% in 2Q13 to 11.7% in 2Q14. Growth in average volume was due to increases of 30.5% in the commercial portfolio and 19.9% in the retail portfolio. The higher volume of commercial loans was due to growths of 48.6% in trade finance loans, 32.9% in medium-term loans, and 13.2% in leasing. In the retail portfolio, average volumes increased by 32.9% in credit cards, 17.2% in mortgages and 13.6% in other consumer loans. The lower average yield was explained by a 60 basis point reduction in the commercial portfolio, partially offset by a 40 basis point increase in the retail portfolio. The lower yield on the commercial portfolio was attributed to decreased rates in the majority of products. Within the retail portfolio, the average yield on credit cards increased by 280 basis points, partially offset by decreases of 140 basis points in other consumer loans and 10 basis points in mortgages.

Interest on investments increased 40.1% YoY due to an increase of 44.6% in the average volume, partially offsetby a 10 basis point reduction in the average yield. The growth in volume was due to higher average balances in both sovereign and global bonds, as well as in corporate bonds. The lower average yield was mainly attributed to a reduction in the returns on global bonds and the CDBCR portfolio.

The decrease in interest on cash was mainly explained by a 70 basis point decline in the average yield and a 3.6% decrease in the average volume. The lower yield was mainly due to reduced returns on overnight deposits in the Central Bank, given that in 2Q13 these were mainly constituted in soles whereas in 2Q14 they were in dollars, which earn a significantly lower yield. The lower volume was mainly due to a decline in reserve funds deposited at the Central Bank.

The return on interest-earning assets remained stable YoY, at 9.6%.

Financial expenses increased 24.7% YoY due to growths of 30.8% in interest on deposits and 46.2% in interest on bonds, partially offset by a reduction of 9.5% in interest on due to banks.

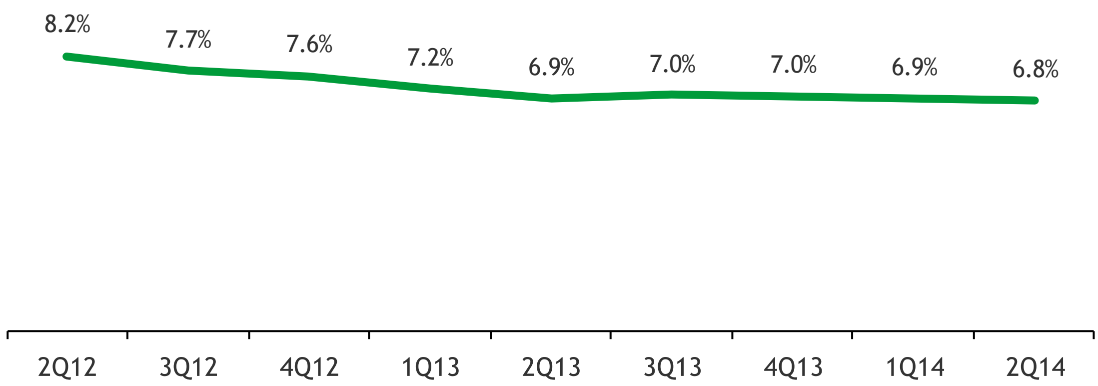
The rise in interest on deposits was attributed to a 22.9% increase in the average volume while the average cost increased by 10 basis points. The higher average volume was due to growths of 56.8% in commercial deposits and 20.3% in retail deposits, partially offset by a 3.4% decline in institutional deposits. The average cost increased by 10 basis points due to higher rates on institutional deposits, whereas the cost of commercial and retail deposits remained stable YoY.

The increase in interest on bonds was mainly due to a 37.2% growth in the average volume and a 50 basis point increase in the average cost. The higher average volume was explained by two subordinated bond issues, the first for US$50.0 million in December 2013 and the second for US$300.0 million in March 2014, partially offset by the maturity of a US$15.0 million subordinated bond in October 2013. The higher average cost was also related to the mentioned issuances which affected the 2Q14 financial expenses.

The decrease in interest on due to banks was explained by a 19.8% decline in the average volume, partially offset by a 60 basis point increase in the average cost. The decline in the average volume was due to a 40.5% decline in foreign funding, mainly offset by a 20.1% rise in local funding.

The average cost of funding increased from 2.5% in 2Q13 to 2.6% in 2Q14, mainly due to the higher average cost of bonds, due to banks and institutional deposits.

Net Interest Margin*



* Annualized. Gross financial margin / Average interest-earning assets. The gross financial margin includes fees on loans.

Net interest margin was 6.8% in 2Q14, 10 basis points lower than the 6.9% reported in 1Q14 and in 2Q13.

PROVISIONS

Provision expenses increased 31.2% QoQ and 40.7% YoY. As a result, the annualized ratio of provision expense to average loans was 2.4% in 2Q14, higher than the 1.9% registered in 1Q14 and the 2.1% reported in 2Q13.

The quarterly rise was due to higher requirements for new provisions on both consumer and commercial loans, as well as to a lower reversal of provisions during 2Q14. In regard of this, as a result of a new regulation, a reversal of payroll-deduction loan provisions was recorded in 1Q14, thus affecting QoQ comparison. Furthermore, strong growth in consumer and commercial performing loans generated a greater requirement of pro cyclical provisions. On the other hand, a 6.2% increase in non-performing loans also contributed to higher provision requirements.

The annual increase in provision expense was mainly explained by three factors. First, strong growth in credit cards and commercial loans; second, lower income from loan recoveries; and finally, the fact that provision expenses were unusually low in 2Q13.

Composition of Provision Expense					
S/. million	2Q13	1Q14	2Q14	% chg QoQ	% chg YoY
Provisions recognized as expense	-113.2	-117.0	-139.5	19.2%	23.3%
Provision recoveries	24.3	21.7	14.5	-33.3%	-40.3%
Total provision expense	**-88.9**	**-95.3**	**-125.0**	**31.2%**	**40.7%**
Provision expense / Average loans	**2.1%**	**1.9%**	**2.4%**	**50 bps**	**30 bps**

Provision for Loan Losses					
S/. million	2Q13	1Q14	2Q14	% chg QoQ	% chg YoY
Balance at the beginning of the quarter	-765.3	-838.9	-864.0	3.0%	12.9%
Provision recognized as expense for the period	-113.2	-117.0	-139.5	19.2%	23.3%
Recovery of write-off accounts	-24.6	-18.3	-18.9	3.5%	-22.9%
Provision recoveries	24.3	21.7	14.5	-33.3%	-40.3%
Write-offs, extinguishment of debt and sales	104.1	89.4	96.2	7.7%	-7.6%
Exchange result, net	-13.1	-0.9	0.9	n.m.	n.m.
Balance at the end of the quarter	**-787.7**	**-864.0**	**-910.9**	**5.4%**	**15.6%**
Past due loans / Total loans	**1.9%**	**1.9%**	**1.9%**	**0 bps**	**0 bps**
Coverage ratio	**225.9%**	**211.8%**	**210.3%**		

In 2Q14, the ratio of past due loans to total loans remained stable QoQ and YoY, at 1.9%. The coverage ratio of the past-due loan portfolio decreased from 225.9% in 2Q13 and 211.8% in 1Q14 to 210.3% in 2Q14.

FEE INCOME FROM FINANCIAL SERVICES

Fee income increased 21.0% QoQ due to higher commissions from contingent operations, such as letters of guarantee, as well as increased revenues from financial advisory.

Fee income increased 9.3% YoY as a result of a 13.2% increase in fees from letters of guarantee and higher revenues from collection services.

Fee Income from Financial Services, Net					
S/. million				% chg	% chg
	2Q13	1Q14	2Q14	QoQ	YoY
Fees from services	79.2	78.2	79.2	1.2%	0.0%
Contingent operations	11.0	12.1	12.5	3.0%	13.2%
Fees from collections and payment services	4.5	5.1	5.0	-1.1%	11.5%
Other fees	21.3	15.5	18.8	21.2%	-11.8%
Total	**116.0**	**110.9**	**115.4**	**4.1%**	**-0.5%**
Expenses relating to financial services	-51.4	-52.5	-44.8	-14.7%	-12.8%
Fee income from financial services, net	**64.6**	**58.4**	**70.6**	**21.0%**	**9.3%**

RESULTS FROM FINANCIAL OPERATIONS

Results from financial operations decreased S/. 1.2 million QoQ mainly due to a decrease in exchange and derivative gains, and lower income from participation in subsidiaries. These effects were partially offset by higher gains on the investment portfolio.

Exchange and derivative gains fell QoQ due to a reversal in derivatives account, which went from a S/. 10.0 million gain in 1Q14 to a S/. 10.6 million loss in 2Q14. Moreover, gains on arbitrage among currencies and spot operations decreased by S/. 3.1 million and S/. 2.4 million, respectively. These effects were partially offset by a S/. 13.4 million increase in gains from forward operations. The decline in income from participation in subsidiaries was due to lower results from Interfondos. On the other hand, gains on the investment portfolio rose due to a S/. 16.8 million increase in dividends received from equity investments, as well as increases of S/. 2.1 million from global bonds and S/. 2.6 million from corporate bonds.

Results from financial operations decreased S/. 37.7 million YoY due to lower gains on the investment portfolio and a decrease in income from participation in subsidiaries. These factors were partially offset by an increase in exchange and derivative gains.

Gains on the investment portfolio decreased by S/. 37.3 million YoY due to non-recurring income realized on the sale of investments in 2Q13. Income from participation in subsidiaries decreased by S/. 5.1 million, mainly due to lower results from Interfondos. Revenues from foreign exchange difference grew S/. 4.5 million due to gains on forward transactions, partially offset by decreases in revenues from derivatives, trading and arbitrage among currencies operations.

Result from Financial Operations, Net					
S/. million				% chg	% chg
	2Q13	1Q14	2Q14	QoQ	YoY
Gains on sale of investments, net	61.7	2.5	24.4	n.m.	-60.5%
Exchange and derivative gains (losses)	38.5	55.5	43.0	-22.5%	11.6%
Income from participation in subsidiaries	10.4	10.7	5.2	-51.1%	-49.7%
Other	-0.1	5.3	0.2	-96.3%	n.m.
Result from financial operations, net	**110.6**	**74.0**	**72.8**	**-1.6%**	**-34.1%**

ADMINISTRATIVE EXPENSES

Administrative expenses increased 4.2% QoQ and 5.9% YoY. The quarterly growth was mainly due to a 7.5% increase in expenses for third-party services. Personnel expenses remained relatively stable, increasing only 0.8%.

The YoY growth was mainly attributed to increases of 7.4% in expenses for third-party services and 3.7% in personnel expenses.

The efficiency ratio was 47.2% in 2Q14, higher than the 46.4% reported in 1Q14, but lower than the 47.9% recorded in 2Q13.

Administrative Expenses					
S/. million	2Q13	1Q14	2Q14	% chg QoQ	% chg YoY
Personnel and board of directors expenses	-125.0	-128.6	-129.6	0.8%	3.7%
Services received from third parties	-132.0	-131.8	-141.7	7.5%	7.4%
Taxes and contributions	-6.5	-7.3	-7.6	4.9%	17.6%
Total	**-263.5**	**-267.6**	**-278.9**	**4.2%**	**5.9%**
Efficiency ratio	**47.9%**	**46.4%**	**47.2%**	**80 bps**	**-70 bps**

OTHERS

Depreciation and amortization expenses remained stable QoQ and increased 2.9% YoY, mainly due to higher expenses for amortization of the bank's software systems.

The other income and expenses account reversed from an expense of S/. 23.3 million in 1Q14 to a gain of S/. 8.4 million in 2Q14. This reversal was explained by the constitution of a voluntary provision in 1Q14, a portion of which was released in 2Q14.

The other income and expenses account increased by S/. 1.8 million YoY mainly due to a partial reversal in voluntary provisions from the previous period.

Other Income (Expenses)					
S/. million	2Q13	1Q14	2Q14	% chg QoQ	% chg YoY
Depreciation	-17.3	-17.0	-16.5	-2.7%	-4.6%
Amortization	-8.4	-9.6	-9.9	3.1%	18.3%
Total depreciation and amortization	**-25.7**	**-26.6**	**-26.4**	**-0.6%**	**2.9%**
Income (expenses) from recoveries	5.8	-3.0	5.4	n.m.	-6.3%
Provisions for contingencies and other provisions	0.8	-20.4	3.0	n.m.	n.m.
Other income (expenses)	**6.6**	**-23.3**	**8.4**	**n.m.**	**27.8%**
Total	**-19.1**	**-49.9**	**-18.0**	**-63.9%**	**-5.7%**

CAPITALIZATION

The ratio of regulatory capital to risk-weighted assets was 15.8% in 2Q14, below the 16.8% reported in 1Q14 and above the 14.5% registered in 2Q13. The quarterly variation was due to 7.0% growth in risk-weighted assets (RWA), partially offset by a 1.1% increase in regulatory capital.

The quarterly increase in regulatory capital was explained by a 4.8% increase in generic provisions. The QoQ increase in RWA was slightly above the 4.1% loan portfolio growth.

The annual increase in the capital ratio was due to a 38.4% growth in regulatory capital, partially offset by a 27.0% increase in RWA. The YoY increase in regulatory capital was the result of four factors. The first two were subordinated bond issues for US$50.0 million in December 2013 and US$300.0 million in March 2014. The third factor was the incorporation of S/. 355.0 million in capital and reserves over the past 12 months. The final factor was the accumulation of S/. 54.8 million in additional generic provisions, a product of sustained YoY loan growth.

The increase in RWA was attributed to loan growth and two scheduled regulatory adjustments to the calculation of RWA. The first adjustment was an increase in the risk weightings assigned to retail loans, as a function of product type and term remaining, beginning September 2013. It should be noted that initially this measure only affected loans disbursed as of January 1st, 2013. The second adjustment affected the calculation of RWA, increasing the risk weighting, from 100% to 150%, assigned to certain consumer loans disbursed before 2013. The remainder of the consumer loan portfolio will be adjusted gradually to the new risk weightings each December in the years 2014 and 2015.

The YoY increase in capital and reserves allowed for an additional S/. 62.4 million from Interbank's US$200.0 million junior subordinated bond issued in April 2010 to be incorporated as Tier I capital. As of 2Q14, 80.8% of this issuance was qualified as Tier I capital and the remainder was considered Tier II capital.

As of 2Q14, Interbank's capital ratio of 15.8% remains above its risk-adjusted minimum capital ratio, established at 11.5%. The minimum regulatory capital ratio requirement was 10.0%, while the additional capital requirement for Interbank was 1.5% as of 2Q14.

Capitalization					
S/. million	2Q13	1Q14	2Q14	% chg QoQ	% chg YoY
Tier I capital	2,433.7	2,821.8	2,838.7	0.6%	16.6%
Tier II capital	812.2	1,622.5	1,653.0	1.9%	103.5%
Total regulatory capital	3,245.9	4,444.3	4,491.7	1.1%	38.4%
Risk-weighted assets	22,354.5	26,523.8	28,393.1	7.0%	27.0%
BIS ratio	**14.5%**	**16.8%**	**15.8%**	**-100 bps**	**130 bps**
Tier I capital / risk-weighted assets	**10.9%**	**10.6%**	**10.0%**	**-60 bps**	**-90 bps**

Interseguro

SUMMARY

Interseguro's net earnings reached S/. 59.0 million in 2Q14, an increase of S/. 49.8 million QoQ and S/. 41.9 million YoY. The annualized ROE was 68.7%, above the 9.4% reported in 1Q14 and the 15.7% reported in 2Q13.

The QoQ increase in net earnings is explained by a S/. 49.0 million increase in investment income, and a S/. 4.1 million higher technical margin, partially offset by a S/. 3.4 million increase in administrative expenses. The increase in investment income is mainly explained by an extraordinary gain of S/. 35.6 million from the sale of a real estate property located in Puruchuco at the north east of Lima. The higher technical margin is explained by a decrease in claims in Disability and Survivor Benefits due to the write-off of policies for which we had not received any pension application, as well as higher margins in Car Insurance, Decreasing Term Life Insurance for Credit Cards and Card Protection, partially offset by higher reserves in Individual Life due to higher returns associated to Universal Life investment funds. The increase in administrative expenses is explained by a loss provision due to the closure of the Mortgage Administration Company subsidiary of Interseguro.

The YoY increase in net earnings is mainly explained by a S/.50.3 million increase in investment income, a S/. 1.2 million lower technical margin, and a S/.7.4 million increase in administrative expenses.

Profit and Loss Statement Summary

S/. million	2Q13	1Q14	2Q14	% chg QoQ	% chg YoY
Premiums	136.8	166.8	177.8	6.6%	29.9%
Premiums ceded	-1.4	-1.5	-0.7	-51.0%	-48.4%
Fees	-11.7	-11.9	-13.2	11.6%	13.1%
Claims	-42.6	-50.9	-47.2	-7.4%	10.8%
Change in reserves	-101.5	-128.4	-140.3	9.3%	38.2%
Diverse Income, net	0.1	0.3	2.2	n.m.	n.m.
Technical margin	**-20.3**	**-25.6**	**-21.5**	**-16.0%**	**5.7%**
Administrative expenses	-19.8	-23.8	-27.2	14.3%	37.1%
Investment income, net*	57.3	58.6	107.6	83.8%	88.0%
Net income	**17.1**	**9.2**	**59.0**	**540.2%**	**244.6%**
ROE	**15.7%**	**9.4%**	**68.7%**		

* Includes exchange rate depreciation

PREMIUMS

Premiums in 2Q14 were S/.177.8 million, an increase of S/.11.0 million QoQ and S/.41.0 million YoY.

The QoQ growth is mainly due to an increase of S/.9.4 million in Annuities, and S/.2.6 million in Non-Life, partially offset by a decrease of S/. 0.6 million in Mandatory Traffic Accident premiums and S/. 0.6 million in Group Life. Increased sales in Annuities were due to a market expansion in which Interseguro maintained its leadership position. Increase premiums in Non-Life were due to the recognition of

Card Protection premiums provisions according to requirements from the new Insurance Contract Law, and to sales of Payments Protection through a new distribution channel (Financiera Uno). The lower sales in Mandatory Traffic Accident are due to a decrease in sold but not collected premiums provision during the period. The decrease in Group Life is mainly explained by lower premiums in Legal Life due to the fact that the renewal of Interbank's policy is subscribed in the first quarter.

The YoY increase is mainly attributable to higher sales in Annuities and Non-Life. The increase in Annuities was achieved by Interseguro's leadership position in a market that increased 27.1%. The increase in Non-Life is due to Card Protection premiums provisions and to increased sales of Payments Protection previously explained, as well as sales of Car Insurance and Extended Warranty.

Premiums by Business Line

S/. million	2Q13	1Q14	2Q14	% chg QoQ	% chg YoY
Individual Life	6.7	7.7	7.7	1.1%	16.0%
Annuities	93.6	117.6	127.0	8.0%	35.6%
Group Life	24.5	23.0	22.5	-2.4%	-8.4%
Disability and survivor benefits	0.0	0.1	0.1	n.m.	n.m.
Mandatory traffic accident	5.9	7.8	7.2	-8.1%	21.6%
Non Life	6.1	10.7	13.3	24.7%	119.3%
TOTAL	**136.8**	**166.8**	**177.8**	**6.6%**	**29.9%**

RESERVES, CLAIMS AND OPERATING EXPENSES

Change in reserves increased S/. 11.9 million QoQ and S/.38.8 million YoY.

The QoQ increase is mainly explained by higher reserves in Annuities and Individual Life. The higher reserves in Annuities are in line with higher sales. The increased reserves in Individual Life are due to a higher return associated to Universal Life investment funds.

The YoY increase is attributable to higher reserves in Annuities, Individual Life and Non-Life. The higher reserves in Annuities are explained by an increase of sales. The increase in Individual Life reserves is due to a higher return associated to its investment funds. The higher Non-Life reserves are explained by provisions for Card Protection required by the new Insurance Contract Law.

Change in Reserves by Business Line

S/. million	2Q13	1Q14	2Q14	% chg QoQ	% chg YoY
Individual Life	1.4	1.9	4.2	n.m.	n.m.
Annuities	99.2	122.4	132.0	7.9%	33.0%
Group Life	0.3	0.6	0.3	-38.9%	36.1%
Disability and survivor benefits	0.0	-0.8	0.1	n.m.	n.m.
Mandatory traffic accident	0.1	1.1	0.4	-58.4%	n.m.
Non Life	0.5	3.4	3.2	-5.4%	n.m.
TOTAL	**101.5**	**128.4**	**140.3**	**9.3%**	**38.2%**

Claims decreased S/.3.7 million QoQ and increased S/. 4.6 million YoY.

The QoQ decrease is mainly explained by lower claims in Disability and Survivor Benefits due to the write-off of policies for which we had not received any pension application.

The YoY increase is attributable to higher claims in Annuities related to a higher volume of pensions, offset by lower claims in Decreasing Term Life Insurance for Credit Cards due to a lower observed mortality, and Disability and Survivor Benefits due to the write-off previously mentioned.

Claims by Business Line					
S/. million	2Q13	1Q14	2Q14	% chg QoQ	% chg YoY
Individual Life	0.8	-0.1	0.0	n.m.	-94.4%
Annuities	30.4	36.8	38.1	3.4%	25.2%
Group Life	6.9	6.7	5.9	-11.4%	-13.3%
Disability and survivor benefits	1.9	3.4	-0.2	n.m.	n.m.
Mandatory traffic accident	2.4	2.4	2.8	15.3%	16.0%
Non Life	0.2	1.6	0.6	-63.9%	250.4%
TOTAL	**42.6**	**50.9**	**47.2**	**-7.4%**	**10.8%**

As a result of the factors described above, the technical margin was S/. -21.5 million in 2Q14, compared to S/. -25.6 million in 1Q14 and S/. -20.3 million in 2Q13.

Administrative expenses increased S/.3.4 million QoQ and S/. 7.4 million YoY.

The QoQ increase is explained by a loss provision due to the closure of the Mortgage Administration Company subsidiary of Interseguro.

The YoY increase is due to higher personnel expenses and a write-off provision previously mentioned.

INVESTMENT INCOME

Investment income increased S/.49.0 million QoQ and S/.50.3 million YoY.

The QoQ and YoY is mainly explained by an extraordinary gain of S/.35.6 million attributable to the sale of a real estate property located in Puruchuco at the north east of Lima, and by a S/. 9.6 million gain from the sale of equities such like Luz del Sur and Enersur.

Investment Income, Net					
S/. million	2Q13	1Q14	2Q14	% chg QoQ	% chg YoY
Income:					
Fixed Income	56.2	43.6	55.1	26.3%	-2.0%
Interest	37.2	42.7	45.9	7.5%	23.3%
Realized Gains	19.0	0.9	9.2	n.m.	-51.5%
Equity and Mutual Funds	14.1	8.1	16.9	107.8%	19.8%
Real estate	4.5	10.2	40.0	n.m.	n.m.
Total Income	74.7	61.9	112.0	80.9%	49.8%
Expenses	-1.1	-1.9	-3.4	76.5%	n.m.
Exchange difference and others	-16.4	-1.4	-1.0	-31.5%	-94.1%
Net investment income	**57.3**	**58.6**	**107.6**	**83.8%**	**88.0%**

Interseguro's investment portfolio grew 3.5% QoQ and 17.7% YoY driven by higher Annuities sales and the price appreciation of Interseguro's overall portfolio. Fixed income investments represented 76.1% of the portfolio in 2Q14, comparing to 73.4% in 1Q14 and 75.6% in 2Q13.

Investment Portfolio					
S/. million	2Q13	1Q14	2Q14	% chg QoQ	% chg YoY
Fixed Income	2,461.0	2,717.4	2,916.1	7.3%	18.5%
Equity and Mutual Funds	425.0	495.1	463.1	-6.5%	9.0%
Real estate	363.7	484.2	445.5	-8.0%	22.5%
Others	4.9	5.6	5.8	3.7%	18.4%
TOTAL	**3,254.6**	**3,702.2**	**3,830.5**	**3.5%**	**17.7%**