

Intercorp Financial Services Inc. Third Quarter 2014 Earnings

Lima, Peru, November 10, 2014. Intercorp Financial Services Inc. (Bolsa de Valores de Lima: IFS) announced today its unaudited results for the third quarter 2014. These results are reported on a consolidated basis under IFRS in nominal Peruvian Nuevos Soles.

Intercorp Financial Services:

- 3Q14 net profit was S/. 275.0 million, a 19.7% increase YoY and a 2.3% decrease QoQ
- The quarterly decrease in net profit was mainly driven by lower other income in 3Q14 when compared to a strong result in 2Q14 in Interseguro and Inteligo, while the YoY increase was mainly driven by strong performances at Interbank and Inteligo
- Annualized ROAE was 28.3%

Interbank:

- Net profit in 3Q14 was a record quarter for Interbank, with S/. 187.3 million, a 5.9% increase QoQ and a 18.1% increase YoY
- Performing loans expanded 1.2% QoQ and 15.1% YoY, driven by growth in consumer loans
- NIM improved 30 bps QoQ and YoY from 6.1% in 3Q13 and 2Q14 to 6.4% in 3Q14
- Annualized ROAE was 25.2%

Interseguro:

- Net profit was S/. 69.4 million in 3Q14, a decrease of 14.0% QoQ and 4.7% YoY
- The decrease in the QoQ results was mainly driven by a significant real estate appreciation recognized in 2Q14 and lower profit from sale of investment property in 3Q14. The YoY decrease was mainly due to a low other income in 3Q14 when compared to strong results in 3Q13
- Annuity sales increased 25.3% YoY supported by market expansion and gains in market share
- Annualized ROAE was 52.6%

Inteligo:

- Net profit was S/. 28.1 million in 3Q14, a decrease of 33.9% QoQ and a 106.1% increase YoY
- The QoQ decrease was mainly due to a lower other income in 3Q14 when compared to 2Q14 results
- AuM + Deposits increased 12.4% QoQ and 20.0% YoY
- Annualized ROAE was 23.2%

Intercorp Financial Services

Net profit was S/. 275.0 million in 3Q14, a 2.3% decrease QoQ and a 19.7% increase YoY. IFS ROAE was 28.3% in 3Q14, below the 29.6% in 2Q14 but above the 26.2% in 3Q13.

Intercorp Financial Services' P&L statement					
S/. million	3Q13	2Q14	3Q14	%chg QoQ	%chg YoY
Interest and similar income	625.3	692.5	716.2	3.4%	14.5%
Interest and similar expense	-169.3	-200.4	-200.4	0.0%	18.4%
Net interest and similar income	456.0	492.1	515.7	4.8%	13.1%
Provision for loan losses, net of recoveries	-75.8	-118.4	-97.5	-17.7%	28.7%
Net interest and similar income after provision for loan losses	380.3	373.7	418.3	11.9%	10.0%
Fee income from financial services, net	150.1	176.6	171.0	-3.2%	13.9%
Other income	101.9	151.3	116.9	-22.8%	14.7%
Total premiums earned less claims and benefits	28.2	13.2	47.1	256.2%	66.9%
Net Premiums	139.5	177.0	168.1	-5.1%	20.4%
Adjustment in technical reserves	-66.7	-128.8	-74.1	-42.4%	11.2%
Net claims and benefits incurred	-44.6	-35.0	-46.8	33.6%	4.9%
Other expenses	-363.1	-363.1	-392.1	8.0%	8.0%
Income before translation result and income tax	297.4	351.8	361.1	2.7%	21.4%
Translation result	4.0	1.2	-16.1	n.m.	n.m.
Income tax	-71.6	-71.4	-70.0	-1.9%	-2.3%
Profit for the period	229.7	281.6	275.0	-2.3%	19.7%
Attributable to equity holders of the group	228.6	280.4	273.8	-2.3%	19.8%
EPS	2.1	2.6	2.5		
ROAE	26.2%	29.6%	28.3%		

InterCorp Financial Services' Statement of financial position					
S/. million	3Q13	2Q14	3Q14	%chg QoQ	%chg YoY
Assets					
Cash and due from banks and inter-bank funds	7,268.9	6,262.4	6,150.7	-1.8%	-15.4%
Trading securities and investments available for sale	5,964.2	6,308.4	7,537.4	19.5%	26.4%
Loans, net of unearned income	19,996.7	22,796.3	23,127.4	1.5%	15.7%
Allowance for loan losses	-654.8	-767.7	-791.0	3.0%	20.8%
Property, furniture and equipment, net	562.7	573.0	571.6	-0.2%	1.6%
Other assets	2,018.8	2,103.0	1,967.6	-6.4%	-2.5%
Total assets	35,156.6	37,275.5	38,563.7	3.5%	9.7%
Liabilities and equity					
Deposits and obligations	20,853.7	21,962.6	22,419.4	2.1%	7.5%
Due to banks and correspondents	3,072.6	2,776.8	2,951.4	6.3%	-3.9%
Bonds, notes and other obligations	3,395.6	4,338.5	4,469.3	3.0%	31.6%
Insurance contract liabilities	2,966.6	3,457.3	3,581.5	3.6%	20.7%
Other liabilities	1,272.1	1,005.0	1,114.2	10.9%	-12.4%
Total liabilities	31,560.6	33,540.3	34,535.9	3.0%	9.4%
Equity					
Equity holders of IFS	3,576.8	3,714.7	3,920.8	5.5%	9.6%
Non-controlling interest	19.2	20.5	107.0	422.2%	458.4%
Total equity	3,596.0	3,735.2	4,027.8	7.8%	12.0%
Total liabilities and equity	35,156.6	37,275.5	38,563.7	3.5%	9.7%

Quarter-on-quarter performance

Profit decreased 2.3% QoQ mainly due to a 22.8% decline in other income and a 8.0% increase in other expenses, partially offset by a 4.8% increase in net interest and similar income and a 42.4% decline in adjustment in technical reserves.

Interest and similar income increased 3.4% driven by a 5.1% increase in interest on loans at Interbank, while interest and similar expense remained stable QoQ.

Provision expenses decreased 17.7% due to improvements in asset quality, particularly in credit cards, which generated lower provision requirements for loan deterioration. However, the lower provision requirements in credit cards were partly offset by higher requirements on mortgage and commercial loans.

Fee income from financial services, net decreased 3.2% QoQ mainly explained by a 3.6% decline in fee income at Interbank, which was related to lower credit card maintenance and mailing of account fees. This effect was partially offset by an 8.7% increase in fee income at Inteligo, related to higher brokerage & custody services.

Interseguro's total premiums earned less claims and benefits more than tripled QoQ, mainly as a result of a 42.2% reduction in adjustment of technical reserves, which was driven by lower annuity sales and the use of a higher weighted average discount rate to calculate technical reserves for annuities.

Other income declined 22.8% QoQ due to decreases of 79.5% and 55.4% at Inteligo and Interseguro, respectively. Such decreases were partially offset by a 22.5% increase in Interbank's other income. The decline in Inteligo's other income was related to lower market valuations of securities held for trading, while the reduction

in Interseguro's other income was related to a significant real estate appreciation recognized in 2Q14 and lower profit from sale of investment property in 3Q14. The QoQ increase in Interbank's other income was related to higher gains on foreign exchange transactions with customers.

Other expenses increased 8.0% mainly explained by a 7.3% increase at Interbank, which was mainly due to increases in administrative expenses and depreciation and amortization expenses.

IFS effective tax rate increased slightly QoQ, from 20.2% in 2Q14 to 20.3% in 3Q14, as a result of a lower profit contribution from Interseguro, whose investment income is tax-exempt.

Year-on-year performance

Profits increased by S/. 45.3 million or 19.7% YoY, mainly due to increases of S/. 59.7 million in net interest and similar income, S/. 20.9 million in fee income from financial services, net and S/. 18.9 million in total premiums earned less claims and benefits. Such growth was partially offset by increases of S/. 29.0 million and S/. 21.7 million in other expenses and provisions for loan losses, respectively.

Interest and similar income rose 14.5% mainly explained by an increase of 19.0% in the average loan volume at Interbank.

Interest and similar expenses increased 18.4% YoY due to higher interest on bonds and deposits at Interbank. The growth in interest on bonds was attributed to two subordinated bond issues in the last 12 months. The rise in interest on deposits was explained by an increase in the average nominal rate and a higher average volume.

Provisions for loan losses, net of recoveries grew 28.7% due higher provision requirements for retail loans at Interbank, which were driven by an increase in the average volume of credit cards and other consumer loans.

Fee income from financial services increased 13.9% YoY as a result of increases of 47.3% at Inteligo and 6.7% at Interbank. The increase in fee income from Inteligo was mainly explained by higher funds management fees, in line with AuM expansion, while the increase at Interbank was driven by higher fees from contingent operations such as letters of guarantee.

Interseguro's total premiums earned less claims and benefits increased 66.9% as a result of a 20.4% increase in net premiums.

Other income increased by S/. 15.0 million, or 14.7% YoY, due to an increase of S/. 14.5 million at Interbank and a reversion from a negative result in 3Q13 to a positive result in 3Q14 at Inteligo, which accounted for a S/. 9.5 million increase in other income. Both effects were partially offset by a S/. 10.3 million decrease at Interseguro. The increase at Interbank was driven by results from derivatives instruments that were positively affected by the U.S. dollar appreciation against the nuevo sol, while the increase at Inteligo was related to higher net gains on sale of securities. The decline at Interseguro's other income was explained by a decrease in valuation gain from investment property, as certain real estate investments in Lima were sold by the end of 2013.

Other expenses grew by S/. 29.0 million or 8.0% YoY mainly due to increases of S/. 18.9 million at Interbank and S/. 8.9 million at Interseguro. The higher expenses at Interbank were related to increases in administrative expenses and salaries and employee benefits. Expenses at Interseguro grew due to increases in sales force commissions, expenses related to rental income and expenses related to the sale of real estate property.

IFS effective tax rate decreased from 23.8% in 3Q13 to 20.3% in 3Q14 as a result of a lower effective tax rate at Interbank due to higher tax-exempt income and lower non-deductible expenses as a percentage of income before taxes in 3Q14.

CONTRIBUTION BY SEGMENTS

The following table shows the contribution of Interbank, Interseguro and Inteligo to Intercorp Financial Services' net profit. The performance of each of the three segments is discussed in detail in the following sections.

Intercorp Financial Services' Profit by segment					
S/. million	3Q13	2Q14	3Q14	%chg QoQ	%chg YoY
Interbank	158.5	176.7	187.3	5.9%	18.1%
Interseguro	72.8	80.7	69.4	-14.0%	-4.7%
Inteligo	13.6	42.6	28.1	-33.9%	106.1%
Corporate and eliminations	-15.2	-18.4	-9.7	-47.0%	-35.9%
IFS profit for the period	229.7	281.6	275.0	-2.3%	19.7%

Interbank

SUMMARY

Interbank's profit reached S/. 187.3 million in 3Q14, a S/. 10.6 million increase QoQ and a S/. 28.8 million increase YoY. The quarterly increase was mainly due to a S/. 20.9 million decline in provision for loan losses and a S/. 14.3 million growth in net interest and similar income, factors which were partially offset by a S/. 22.4 million increase in other expenses.

The annual growth in profits in 3Q14 was due to a S/. 60.4 million increase in net interest and similar income, and a S/. 14.5 million increase in other income, which were partly offset by S/. 21.7 million increase in provision for loan losses and a S/. 18.9 million increase in other expenses.

Interbank's ROAE was 25.2% in 3Q14, slightly lower than the 25.4% reported in 2Q14, but above the 24.6% registered in 3Q13.

Banking Segment's P&L Statement					
S/. million	3Q13	2Q14	3Q14	%chg QoQ	%chg YoY
Interest and similar income	552.7	627.1	642.7	2.5%	16.3%
Interest and similar expenses	-157.7	-186.0	-187.4	0.7%	18.8%
Net interest and similar income	394.9	441.0	455.3	3.2%	15.3%
Provision for loan losses, net of recoveries	-75.8	-118.4	-97.5	-17.7%	28.7%
Net interest and similar income after provision for loan losses	319.2	322.7	357.9	10.9%	12.1%
Fee income from financial services, net	144.2	159.6	153.9	-3.6%	6.7%
Other income	69.9	68.9	84.4	22.5%	20.8%
Other expenses	-311.2	-307.7	-330.1	7.3%	6.1%
Income before translation result and income tax	222.1	243.5	266.1	9.3%	19.8%
Translation result	3.9	-0.5	-12.8	n.m.	n.m.
Income tax	-67.6	-66.3	-66.1	-0.3%	-2.2%
Profit for the period	158.5	176.7	187.3	5.9%	18.1%
ROAE	24.6%	25.4%	25.2%		

INTEREST-EARNING ASSETS

Interbank's interest-earning assets reached S/. 28,909.7 million in 3Q14, an increase of 2.0% QoQ and 9.2% YoY.

The quarterly increase was due to increases of 28.2% in investments available for sale and 1.3% in loans, which were partly offset by a 9.6% decline in cash and due from banks. The growth in investments was mainly due to a higher volume of Central Bank Certificates of Deposit (CDBCR), whereas the increase in loans was mainly explained by growths in credit cards and other consumer loans. The decline in cash and due from banks was mainly a result of lower reserve requirements in local currency by the Central Bank.

The annual growth in interest-earning assets was attributed to increases of 48.7% in investments available for sale and 15.4% in loans, which were partially offset by a 27.8% decline in cash and due from banks. The increase in investments was mainly

due to higher volumes of CDBCR and fixed income investments, while growth in loans was mostly focused in consumer and commercial loans. The decline in cash and due from banks was attributed to lower reserve requirements by the Central Bank.

Interest-earning assets					
S/. million	3Q13	2Q14	3Q14	%chg QoQ	%chg YoY
Cash and due from banks and inter-bank funds	5,429.6	4,339.0	3,922.3	-9.6%	-27.8%
Investments available for sale	2,133.3	2,474.2	3,171.3	28.2%	48.7%
Loans	18,905.3	21,537.2	21,816.1	1.3%	15.4%
Total Interest-earning assets	26,468.1	28,350.4	28,909.7	2.0%	9.2%

Loan portfolio					
S/. million	3Q13	2Q14	3Q14	%chg QoQ	%chg YoY
Performing loans					
Retail	8,919.4	10,031.9	10,448.3	4.2%	17.1%
Commercial	9,350.5	10,756.5	10,585.3	-1.6%	13.2%
Total Performing loans	18,270.0	20,788.5	21,033.6	1.2%	15.1%
Restructured and refinanced loans	118.3	131.2	138.3	5.4%	16.9%
Past due loans	330.6	406.6	430.0	5.8%	30.1%
Total gross loans	18,718.8	21,326.3	21,601.9	1.3%	15.4%
Add (less)					
Accrued and deferred interest	186.4	210.9	214.2	1.6%	14.9%
Allowance for loan losses	-653.4	-766.4	-789.6	3.0%	20.8%
Total direct loans, net	18,251.8	20,770.8	21,026.6	1.2%	15.2%

Performing loans grew 1.2% QoQ as a result of a 4.2% increase in retail loans, which was partially offset by a 1.6% reduction in commercial loans. Retail loans increased due to growths of 7.2% in credit cards, 3.3% in other consumer loans and 2.7% in mortgage loans. In credit cards, 3Q14 was the sixth consecutive quarter of solid growth, notwithstanding the past-due-loan ratio in such product reduced to 3.6% in 3Q14, from the 3.9% registered in 3Q13 and the 3.8% reported in 2Q14. Commercial loans slightly declined in volume, mainly driven by a decrease in medium-term loans and trade finance loans within the corporate business.

Performing loans increased 15.1% YoY. Retail loans increased 17.1%, driven by growths of 30.4% in credit cards, 13.6% in other consumer loans and 11.4% in mortgage loans. Commercial loans grew 13.2% mainly due to increases in medium-term loans within the corporate and middle market businesses as well as trade finance loans.

Breakdown of retail loans					
S/. million	3Q13	2Q14	3Q14	%chg QoQ	%chg YoY
Consumer loans:					
Credit cards	2,331.4	2,837.5	3,040.9	7.2%	30.4%
Other consumer	3,034.3	3,338.9	3,447.7	3.3%	13.6%
Total consumer loans	5,365.7	6,176.4	6,488.6	5.1%	20.9%
Mortgages	3,553.7	3,855.6	3,959.8	2.7%	11.4%
Total retail loans	8,919.4	10,031.9	10,448.3	4.2%	17.1%

FUNDING STRUCTURE

Funding structure					
S/. million	3Q13	2Q14	3Q14	%chg QoQ	%chg YoY
Deposits	18,994.2	20,275.7	20,302.4	0.1%	6.9%
Due to banks and inter-bank funds	3,225.1	2,876.1	3,060.6	6.4%	-5.1%
Bonds	3,001.4	3,963.7	4,116.6	3.9%	37.2%
Total	25,220.7	27,115.6	27,479.6	1.3%	9.0%
% of funding					
Deposits	75.3%	74.8%	73.9%		
Due to banks and inter-bank funds	12.8%	10.6%	11.1%		
Bonds	11.9%	14.6%	15.0%		

Interbank's funding base grew 1.3% QoQ, lower than the increase in interest-earning assets. The growth was mainly due to increases of 6.4% in due to banks and inter-bank funds, and 3.9% in bonds, while the volume of deposits remained stable. The increase in due to banks and inter-bank funds was driven by higher short-term local funding from COFIDE.

The bank's total funding base increased 9.0% YoY, slightly below the growth in interest-earning assets. The increase was due to growths of 37.2% in bonds and 6.9% in deposits, partially offset by a 5.1% decrease in due to banks and inter-bank funds. As a result, the proportion of bonds to total funding increased from 11.9% in 3Q13 to 15.0% in 3Q14, while the proportion of deposits to total funding declined from 75.3% in 3Q13 to 73.9% in 3Q14.

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. Such increase was slightly attenuated by the maturity of a US\$15.0 million subordinated bond in October 2013.

The YoY growth in deposits was attributed to increases of 14.9% in retail deposits and 8.8% in institutional deposits, which were partly offset by a decrease of 5.7% in commercial deposits. As a result, the proportion of retail deposits to total deposits increased from 38.6% in 3Q13 to 41.5% in 3Q14.

Breakdown of deposits					
S/. million	3Q13	2Q14	3Q14	%chg QoQ	%chg YoY
By customer service:					
Retail	7,334.8	8,217.3	8,427.5	2.6%	14.9%
Commercial	6,574.3	6,963.2	6,198.9	-11.0%	-5.7%
Institutional	4,848.8	4,830.8	5,274.4	9.2%	8.8%
Other	236.2	264.5	401.6	51.8%	70.0%
Total	18,994.2	20,275.7	20,302.4	0.1%	6.9%
By type:					
Demand	5,783.6	6,048.3	5,524.2	-8.7%	-4.5%
Savings	5,249.5	5,663.3	5,921.4	4.6%	12.8%
Time	7,948.6	8,557.3	8,843.8	3.3%	11.3%
Other	12.5	6.9	12.9	86.4%	3.1%
Total	18,994.2	20,275.7	20,302.4	0.1%	6.9%

NET INTEREST AND SIMILAR INCOME

Net interest and similar income					
S/. million	3Q13	2Q14	3Q14	%chg QoQ	%chg YoY
Interest and similar income	552.7	627.1	642.7	2.5%	16.3%
Interest and similar expense	-157.7	-186.0	-187.4	0.7%	18.8%
Net interest and similar income	394.9	441.0	455.3	3.2%	15.3%
NIM	6.1%	6.1%	6.4%	30 bps	30 bps

Interest and similar income					
S/. million	3Q13	2Q14	3Q14	%chg QoQ	%chg YoY
Interest and similar income					
Due from banks and inter-bank funds	6.7	2.8	2.4	-14.8%	-64.0%
Investments available for sale	16.1	33.2	19.2	-42.1%	19.4%
Loans	529.8	591.0	621.0	5.1%	17.2%
Total Interest and similar income	552.7	627.1	642.7	2.5%	16.3%
Average interest-earning assets	25,816.5	28,888.8	28,630.0	-0.9%	10.9%
Average yield on assets (annualized)	8.6%	8.7%	9.0%	30 bps	40 bps

Interest and similar expense					
S/. million	3Q13	2Q14	3Q14	%chg QoQ	%chg YoY
Interest and similar expense					
Deposits and obligations	-70.1	-85.1	-83.0	-2.5%	18.5%
Due to banks and correspondents	-38.6	-33.9	-36.8	8.5%	-4.7%
Bonds, notes and other obligations	-49.1	-67.0	-67.6	0.8%	37.6%
Total Interest and similar expense	-157.7	-186.0	-187.4	0.7%	18.8%
Average interest-bearing liabilities	21,327.6	23,451.6	22,835.9	-2.6%	7.1%
Average cost of funding (annualized)	-3.0%	-3.2%	-3.3%	-10 bps	-30 bps

QoQ Performance

Net interest and similar income increased 3.2% QoQ as the result of a 2.5% growth in interest and similar income, which was partially offset by a 0.7% increase in interest and similar expenses.

The rise in interest and similar income was due to an increase of 5.1% in interest on loans, partially offset by reductions of 42.1% in interest on investments available for sale and 14.8% in interest due from banks and inter-bank funds.

The growth in interest on loans was due to increases of 2.7% in the average volume of the loan portfolio and 30 basis points in the average yield, from 11.2% in 2Q14 to 11.5% in 3Q14. The higher average volume was attributed to increases of 4.3% retail loans and 1.1% in commercial loans. In the retail portfolio, higher volume was due to growths of 7.4% in credit cards, 3.8% in other consumer loans and 2.4% in mortgages. In the commercial portfolio, volumes grew 2.1% in medium-term loans and 2.1% in leasing. The higher average yield was explained by a 60 basis point increase in the retail portfolio, partially offset by a 10 basis point decrease in the commercial portfolio. The increase in yield on retail loans was mainly due to higher rates on credit cards and a higher proportion of these within said portfolio. The lower average yield on commercial loans was mainly due to decreases in rates on medium-term loans and leasing.

Interest on investments available for sale decreased by S/. 14.0 million, or 42.1%, as a result of a lower average rate on the investment portfolio which was partly offset by a higher average volume. The decline in the nominal average rate, from 5.2% in 2Q14 to 2.7% in 3Q14, accounted for a S/. 15.9 million decrease and was attributable to a decline in U.S. dollars rates and a higher dollar denominated component within our investment portfolio. The higher average volume accounted for a S/. 1.9 million increase and was a result of higher investments in global bonds and CDBCR holdings.

The nominal average rate on interest-earning assets increased 30 basis points QoQ, from 8.7% in 2Q14 to 9.0% in 3Q14, due to a higher yield on the loan portfolio and its higher proportion over total interest-earning assets.

Interest and similar expense rose 0.7% QoQ due to increases of 8.5% in interest due to banks and correspondents and 0.8% in interest on bonds, notes and other obligations. Such increases were partially offset by a 2.5% decrease in interest on deposits and obligations.

The increase in interest due to banks and correspondents was explained by a 5.2% increase in average volume and a higher nominal average rate. The higher average volume was a result of an increase in local funding from COFIDE, while the increase in the nominal average rate, from 4.8% in 2Q14 to 5.0% in 3Q14, was driven by an increase in the average cost of foreign funding.

Interest on bonds, notes and other obligations increased by S/. 0.6 million in 3Q14 mainly as a result of a 2.2% growth in the average volume, partly offset by a lower nominal average rate. The higher average volume accounted for S/. 1.5 million of the increase and was a result of a 3.4% depreciation of the nuevo sol against the U.S. dollar that resulted in a higher average volume of bonds denominated in dollars, which represent 89.5% of total bonds.

Interest on deposits and obligations decreased by S/. 2.1 million due to a 5.1% decrease in average volume that was partially offset by a slightly higher nominal average rate. The lower average volume accounted for a S/. 4.5 million decrease in interest expense and was explained by the decline in commercial deposits, while a 10 basis points increase in the nominal average rate accounted for a S/. 2.4 million increase in interest expense.

The average cost of funds increased from 3.2% in 2Q14 to 3.3% in 3Q14, mainly due to the higher average cost of institutional deposits and due to banks.

YoY Performance

Net interest and similar income grew 15.3% YoY due to increases of 16.3% in interest and similar income, partially offset by a 18.8% rise in interest and similar expense.

The growth in interest and similar income was due to increases of 17.2% in interest on loans and 19.4% in interest on investments available for sale, partially offset by a 64.0% reduction in interest due from banks and inter-bank funds.

The S/. 91.2 million increase in interest on loans was explained by a 19.0% growth in the average loan volume, partially offset by a 10 basis point decrease in the average yield, from 11.6% in 3Q13 to 11.5% in 3Q14. Growth in average volume was due to increases of 19.5% in the commercial portfolio and 18.1% in the retail portfolio. The higher volume of commercial loans was due to growths of 45.6% in trade finance loans, 19.9% in medium-term loans and 7.4% in leasing. In the retail portfolio, volumes rose 32.6% in credit cards, 13.9% in other consumer and 12.6% in mortgage loans. The lower average yield was explained by a 70 basis point reduction in the commercial portfolio and a higher proportion of commercial loans within the total loan portfolio, partially offset by a 70 basis point increase in the retail portfolio. The lower yield on the commercial portfolio was attributed to decreased rates in the majority of products, while the yield increase in the retail portfolio was mainly due to higher rates on credit cards and other consumer loans.

Interest on investments available for sale increased by S/. 3.1 million YoY, or 19.4%, as a result of a higher average volume which was partially offset by a lower nominal average rate. The growth in volume accounted for S/. 4.7 million of the increase and was a result of higher investments in sovereign, global and corporate bonds. The lower average rate on the investment portfolio was due to lower returns in the CDBCR portfolio.

The S/. 4.3 million decrease in interest on due from banks and inter-bank funds was explained by a 30 basis point decline in the nominal average rate, and a 24.3% decline in the average volume. The lower rate was mainly due to a reduced yield on overnight deposits in the Central Bank, given that in 3Q13 these were mainly constituted in soles whereas in 3Q14 they were in dollars, which earn a significantly lower yield. The lower volume was mainly due to lower reserve requirements in local currency by the Central Bank.

The nominal average rate on interest-earning assets was 9.0% in 3Q14, a 40 basis point increase with respect to the 8.6% registered in 3Q13, mainly as a result of the higher proportion of loans, which have a higher average rate, within the total interest-earning assets.

Interest and similar expense increased 18.8% YoY due to growths of 37.6% in interest on bonds, notes and other obligations, and 18.5% in interest on deposits and obligations. Such increases were partly offset by a 4.7% decrease in interest on due to banks and correspondents.

Interest on bonds, notes and other obligations increased by S/. 18.5 million, or 37.6%, mainly as a result of a 35.5% increase in average volume and a slightly higher nominal average rate. The growth in average volume accounted for a S/. 17.7 million increase in interest expense and 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 increase in the nominal average rate, from 6.6% in 3Q13 to 6.7% in 3Q14, was also attributable to the subordinated bonds issues.

Interest on deposits and obligations increased by S/. 12.9 million mainly attributable to a higher nominal average rate and a 5.9% increase in the average volume. The increase in the nominal average rate accounted for an S/. 8.3 million increase in interest expense and was related to higher rates of institutional deposits. The higher average volume, accounted for the remaining S/. 4.6 million increase and was a result of higher retail and commercial deposits.

The decline in interest on due to banks and correspondents was due to a lower average volume, partly offset by a 50 basis point increase in the nominal average rate. The lower average volume accounted for a S/. 5.4 million decrease and was due to reductions in foreign funding, partially offset by an increase in local funding from COFIDE. The higher nominal average rate accounted for a S/. 3.6 million increase in interest expense and was explained by an increase in the nominal average rate in U.S. dollars and a larger proportion of local funding within the total due to banks and correspondents, as rates in nuevos soles are higher than rates in dollars.

The average cost of funds increased from 3.0% in 3Q13 to 3.3% in 3Q14, mainly as a result of two effects, the higher nominal average rate on deposits and the fact that bonds, which have a higher rate, represented a larger portion of the total funding base.

Net Interest Margin

As a result of the above, net interest margin was 6.4% in 3Q14, 30 basis points higher than the 6.1% reported in 2Q14 and 3Q13.

PROVISION FOR LOAN LOSSES, NET OF RECOVERIES

Provision for loan losses, net of recoveries decreased 17.7% QoQ and increased 28.7% YoY. As a result, the annualized ratio of provision expense to average loans was 1.8% in 3Q14, lower than the 2.3% registered in 2Q14, but slightly higher than the 1.7% reported in 3Q13.

The lower provision expense QoQ was a result of improvements in asset quality, particularly in credit cards, which generated lower provision requirements for loan deterioration and internal alignment with other products. However, the lower provision requirements in credit cards were partly offset by higher requirements on mortgage and commercial loans.

The increase in provision expenses YoY was mainly a result of higher provisioning in retail loans, driven by an increase in the average volume of credit cards and other consumer loans.

Provision for loan losses, net of recoveries					
S/. million	3Q13	2Q14	3Q14	%chg QoQ	%chg YoY
Provision for loan losses, net of recoveries	-75.8	-118.4	-97.5	-17.7%	28.7%
Past-due-loan ratio (at end of period)	1.8%	1.9%	2.0%	10 bps	20 bps
Provision for loan losses/average gross loans	1.7%	2.3%	1.8%	-50 bps	10 bps
Coverage ratio (at end of period)	197.6%	188.5%	183.6%	-490 bps	-1400 bps
Allowance for loan losses (at end of period)	653.4	766.4	789.6	3.0%	20.8%

The past-due-loan ratio was 2.0% in 3Q14, 10 basis points above the 1.9% reported in 2Q14 and 20 basis points above the 1.8% registered in 3Q13. The higher past-due-loan ratio QoQ and YoY was the result of two loan-mix effects: while PDL ratios for commercial and mortgages loans increased, PDL ratios for consumer loans declined. As a consequence, the coverage ratio of the past-due loan portfolio decreased from 197.6% in 3Q13 and 188.5% in 2Q14 to 183.6% in 3Q14.

FEE INCOME FROM FINANCIAL SERVICES, NET

Fee income from financial services, net decreased by S/. 5.7 million, or 3.6%, QoQ due to a S/. 6.0 million decrease in maintenance and mailing of accounts, interchange fees, transfers and credit and debit card services fees, which was partly offset by a S/. 2.8 million increase in commissions from banking services. The lower credit card fees was a result of the increasing number of customers migrating to on-line credit card account statements, which are delivered free of charge. The increase in commissions from banking services was a result of higher transaction and savings account fees and higher insurance premiums sold for Interseguro.

The S/. 9.7 million, or 6.7%, increase YoY in fee income from financial services, net was mainly attributable to a S/. 6.3 million increase in commissions from banking services and a S/. 5.3 million increase in fees from indirect loans. Such increases were partly offset by a S/. 1.5 million decline in maintenance and mailing of accounts, interchange fees, transfers and credit and debit card services fees. The higher commissions from banking services fees was a result of higher insurance premiums sold, while the increase in fees from indirect loans was due to higher fees from letters of guarantee.

Fee income from financial services, net					
S/. million	3Q13	2Q14	3Q14	%chg QoQ	%chg YoY
Income					
Maintenance and mailing of accounts, interchange fees, transfers and credit and debit card services	103.4	107.9	101.9	-5.6%	-1.5%
Commissions from banking services	55.9	59.4	62.2	4.7%	11.2%
Fees for indirect loans	9.0	12.6	14.3	13.8%	59.2%
Collection services	5.2	5.0	5.9	17.6%	13.0%
Funds management	8.0	6.8	7.0	3.2%	-12.3%
Other	6.2	6.2	5.7	-9.1%	-8.1%
Total income	187.7	197.9	196.9	-0.5%	4.9%
Expenses					
Insurance	-32.6	-30.4	-33.0	8.3%	1.1%
Fees paid to foreign banks	-5.6	-0.5	-2.6	n.m.	-52.9%
Other	-5.3	-7.4	-7.4	-0.1%	41.5%
Total expenses	-43.5	-38.3	-43.0	12.2%	-1.0%
Fee income from financial services, net	144.2	159.6	153.9	-3.6%	6.7%

OTHER INCOME

Other income increased by S/. 15.5 million QoQ mainly due to a S/. 5.2 million increase in net gain on foreign exchange transactions and a S/. 5.0 million increase in net gain on sale of securities. The increase in net gain on foreign exchange transactions was attributable to an increase in income from forward foreign exchange agreements with customers.

The YoY growth in other income was a result of a S/. 6.6 million increase in net gain on sale of securities and a S/. 13.7 million increase in net trading income. However, such increases were partly offset by a S/. 12.1 million decrease in net gain on foreign exchange transactions. The higher net trading income was mainly driven by derivatives instruments that were positively affected by the appreciation of the U.S. dollar against the nuevo sol during 2014 compared to 2013. This increase in net trading income was considerably offset by a reduction in income from forward foreign exchange agreements with clients.

Other income					
S/. million	3Q13	2Q14	3Q14	%chg QoQ	%chg YoY
Net gain on foreign exchange transactions	71.4	54.1	59.3	9.7%	-17.0%
Net gain on sale of securities	0.3	1.9	6.9	n.m.	n.m.
Net trading (loss) income	-12.4	1.6	1.3	-20.5%	n.m.
Other	10.5	11.4	16.9	48.8%	60.4%
Total other income	69.9	68.9	84.4	22.5%	20.8%

OTHER EXPENSES

Other expenses increased by S/. 22.4 million, or 7.3%, QoQ and S/. 18.9 million, or 6.1%, YoY. The quarterly growth was mainly due to increases of 8.4% in administrative expenses and 9.0% in depreciation and amortization expenses, while salaries and employee benefits expenses remained relatively stable. The increase in administrative expenses was due to higher expenses for third-party services provided

to Interbank, which include miscellaneous services, public relations and publicity expenses.

The annual growth in other expenses was a result of increases of 8.0% in administrative expenses, 3.3% in salaries and employee benefits and 13.9% in depreciation and amortization expenses. The increase in administrative expenses was related to higher property leases, miscellaneous services and maintenance expenses. The increase in salaries and employee benefits expenses was related to a higher average headcount in 3Q14 compared to 3Q13.

The efficiency ratio was 46.6% in 3Q14, higher than the 45.9% reported in 2Q14, but lower than the 49.8% registered in 3Q13.

Other expenses					
S/. million	3Q13	2Q14	3Q14	%chg QoQ	%chg YoY
Salaries and employee benefits	-129.3	-132.8	-133.6	0.6%	3.3%
Administrative expenses	-151.3	-150.8	-163.5	8.4%	8.0%
Depreciation and amortization	-23.0	-24.0	-26.1	9.0%	13.9%
Other	-7.6	-0.1	-6.9	n.m.	-9.7%
Total other expenses	-311.2	-307.7	-330.1	7.3%	6.1%
Efficiency ratio	49.8%	45.9%	46.6%	70 bps	-320 bps

REGULATORY CAPITAL

The ratio of regulatory capital to risk-weighted assets (RWA) was 15.8% in 3Q14, remained stable QoQ and was above the 13.7% reported in 3Q13.

The annual increase in the capital ratio was due to a 40.3% growth in regulatory capital, partially offset by a 21.3% increase in RWA. The YoY increase in regulatory capital was mainly a result of the two subordinated bond issuances for US\$50.0 million in December 2013 and US\$300.0 million in March 2014.

As of 3Q14, Interbank's capital ratio of 15.8% was 400 basis points above its risk-adjusted minimum capital ratio, established at 11.8%. The minimum regulatory capital ratio requirement was 10.0%, while the additional capital requirement for Interbank was 1.8% as of 3Q14.

Regulatory capital					
S/. million	3Q13	2Q14	3Q14	%chg QoQ	%chg YoY
Tier I capital	2,509.2	2,838.7	2,967.7	4.5%	18.3%
Tier II capital	835.1	1,653.0	1,722.8	4.2%	106.3%
Total regulatory capital	3,344.3	4,491.7	4,690.5	4.4%	40.3%
Risk-weighted assets	24,497.6	28,393.1	29,711.7	4.6%	21.3%
BIS ratio	13.7%	15.8%	15.8%	0 bps	210 bps
Tier I capital / risk-weighted assets	10.2%	10.0%	10.0%	0 bps	-20 bps

Interseguro

SUMMARY

Insurance Segment's P&L Statement					
S/. million	3Q13	2Q14	3Q14	%chg QoQ	%chg YoY
Interest and similar income	45.3	53.2	48.8	-8.3%	7.6%
Interest and similar expenses	-0.4	-2.1	-2.1	1.7%	n.m.
Net interest and similar income	45.0	51.1	46.7	-8.7%	3.8%
Fee income from financial services, net	-0.5	-0.4	-0.6	35.0%	13.8%
Other income	38.7	63.8	28.4	-55.4%	-26.6%
Total premiums earned less claims and benefits	28.2	13.2	47.1	256.2%	66.9%
Net premiums	139.5	177.0	168.1	-5.1%	20.4%
Adjustment of technical reserves	-66.7	-128.8	-74.1	-42.4%	11.2%
Net claims and benefits incurred	-44.6	-35.0	-46.8	33.6%	4.9%
Other expenses	-37.4	-48.0	-46.3	-3.6%	23.8%
Income before translation result and income tax	74.0	79.8	75.4	-5.5%	1.9%
Translation result	-1.2	0.9	-6.0	n.m.	n.m.
Income tax	-	-0.0	-0.0	n.m.	n.m.
Profit for the period	72.8	80.7	69.4	-14.0%	-4.7%
Discount rate impacts on technical reserves	40.3	31.8	56.9	79.0%	41.4%
Profit excl. discount rate impacts	32.5	48.9	12.5	-74.5%	-61.6%
ROAE	52.6%	74.3%	52.6%		
ROAE excl. discount rate impacts	28.0%	43.8%	10.3%		
Efficiency ratio	12.2%	15.0%	14.0%		

Interseguro's profit in 3Q14 was S/. 69.4 million, a decrease of S/. 11.3 million QoQ and S/. 3.4 million YoY. The annualized ROAE for 3Q14 was 52.6%, below the 74.3% reported in 2Q14 and stable compared to the ROAE registered in 3Q13.

The QoQ decline in profits was mainly due to a decrease of S/. 35.4 million in other income, a loss of S/. 6.9 million in translation result and a decrease of S/. 4.4 million in net interest and similar income, partially offset by an increase of S/. 33.9 million in total premiums earned less claims and benefits.

The YoY decline was mainly due to a decrease of S/. 10.3 million in other income, an increase of S/. 8.9 million in other expenses and a loss of S/. 4.8 million in translation result, partially offset by increases of S/. 18.9 million in total premiums earned less claims and benefits and S/. 1.7 million in net interest and similar income.

RESULTS FROM INVESTMENTS

Results from Investments ⁽¹⁾					
S/. million	3Q13	2Q14	3Q14	%chg QoQ	%chg YoY
Interest and similar income	45.3	53.2	48.8	-8.3%	7.6%
Interest and similar expenses	-0.4	-2.1	-2.1	1.7%	n.m.
Net interest and similar income	45.0	51.1	46.7	-8.7%	3.8%
Fee income from financial services, net	-0.1	-0.2	-0.2	-2.9%	n.m.
Net gain on sale of securities	6.1	22.8	12.8	-44.0%	109.7%
Net trading loss (income)	-1.5	-1.6	2.0	n.m.	n.m.
Rental income	8.6	9.4	8.1	-14.4%	-6.3%
Profit from sale of investment property	0.0	13.7	0.8	-94.2%	n.m.
Valuation gain from investment property	24.3	15.3	2.0	-86.9%	-91.8%
Other ⁽¹⁾	-0.2	0.3	0.2	-45.5%	n.m.
Other income	37.4	59.7	25.6	-57.1%	-31.4%
Expenses related to rental income	-0.8	-1.3	-2.0	56.3%	149.8%
Other ⁽¹⁾	-1.2	-4.2	-2.8	-32.4%	125.2%
Expenses	-2.1	-5.5	-4.8	-11.4%	134.9%
Results from investments	80.3	105.4	67.5	-36.0%	-15.9%

1. Only includes transactions related to investments.

NET INTEREST AND SIMILAR INCOME

Net interest and similar income in 3Q14 was S/. 46.7 million, a decrease of S/. 4.4 million QoQ and an increase of S/. 1.7 million YoY.

The QoQ decline was mainly due to a decrease in interest on investments available-for-sale, driven by a 20 basis point reduction in the nominal average rate of Interseguro's investment portfolio, partially offset by a 7.3% increase in the average volume.

The YoY growth was mainly due to an increase in interest on investments available-for-sale as a result of a 19.5% increase in the average volume of Interseguro's investment portfolio, partially offset by a 20 basis point decrease in the nominal average rate.

OTHER INCOME

Other income in 3Q14 was S/. 25.6 million, a decrease of S/. 34.1 million QoQ and S/. 11.8 million YoY.

The QoQ decline was mainly due to decreases of S/. 13.3 million in valuation gain from investment property, S/. 12.9 million in profit from sale of investment property and S/. 10.0 million in net gain on sale of securities. The decrease in valuation gain from investment property was due to a significant real estate appreciation recognized in 2Q14, as real estate developments in Lima and the mid-east of the country progressed and a development in the North of Peru was finished. The decrease in profit from sale of investment property was driven by the sale in 2Q14 of a piece of land which had a high commercial value. The decrease in net gain on sale of securities was mainly due to lower gains in bonds and funds.

The YoY decline in other income was largely explained by a decrease of S/. 22.3 million in valuation gain from investment property, partially offset by increases of S/. 6.7 million in net gain on sale of securities and S/. 3.5 million in net trading income. Valuation gain from investment property decreased as certain real estate investments in Lima were sold by the end of 2013. The increase in net gain on sale of securities was due to higher gains in bonds and equity. The increase in net trading income was driven by a loss of S/. 1.8 million recognized in 3Q13, related to a currency forward position that resulted from the depreciation of the nuevo sol against the U.S. dollar, whereas in 3Q14, despite further currency depreciation, a gain of S/. 1.9 million was recognized due to renegotiated contracts.

TOTAL PREMIUMS EARNED LESS CLAIMS AND BENEFITS

Total premiums earned less claims and benefits					
S/. million	3Q13	2Q14	3Q14	%chg QoQ	%chg YoY
Net premiums	139.5	177.0	168.1	-5.1%	20.4%
Adjustment of technical reserves	-66.7	-128.8	-74.1	-42.4%	11.2%
Net claims and benefits incurred	-44.6	-35.0	-46.8	33.6%	4.9%
Total premiums earned less claims and benefits	28.2	13.2	47.1	256.2%	66.9%

Interseguro's total premiums earned less claims and benefits reached S/. 47.1 million in 3Q14, an increase of S/. 33.9 million QoQ and S/. 18.9 million YoY.

The QoQ increase was explained by a reduction of S/. 54.7 million in adjustment of technical reserves, partially offset by an increase of S/. 11.8 million in net claims and benefits incurred and a decrease of S/. 8.9 million in net premiums.

The YoY growth was explained by an increase of S/. 28.6 million in net premiums, partially offset by increases of S/. 7.4 million in adjustment of technical reserves and S/. 2.2 million in net claims and benefits incurred.

NET PREMIUMS

Net premiums by business line					
S/. million	3Q13	2Q14	3Q14	%chg QoQ	%chg YoY
Annuities	94.2	127.1	118.1	-7.0%	25.3%
Individual Life	7.9	7.4	8.8	18.7%	10.7%
Retail Insurance	37.4	42.6	41.2	-3.3%	10.1%
Credit Life Insurance	17.1	20.3	23.2	14.1%	35.2%
Mandatory Traffic Accident (SOAT)	6.2	7.2	7.5	4.1%	20.1%
Card Protection	8.9	8.8	3.3	-62.5%	-63.0%
Other	5.1	6.3	7.2	15.0%	41.9%
Net Premiums	139.5	177.0	168.1	-5.1%	20.4%

Annuities include premiums from pension-related insurance (disability and survivorship) which Interseguro ceased to offer in 2007 and are currently in run off.

Net premiums in 3Q14 were S/. 168.1 million, a decrease of S/. 8.9 million QoQ and an increase of S/. 28.6 million YoY.

The QoQ decline was mainly due to decreases of S/. 9.0 million in Annuities and S/. 1.4 million in Retail Insurance, partially offset by an increase of S/. 1.4 million in Individual Life. The decrease in Annuities was due to a market contraction of 2.5% and market share loss of 120 basis points. The decrease in Retail Insurance was driven by a reduction in Card Protection, partially offset by higher premiums in Credit Life Insurance. The reduction in Card Protection premiums was due to a reversal of S/. 1.3 million for uncollected premiums of policies considered cancelled as a result of a more conservative cancellation criteria. The increase in Credit Life Insurance premiums was due primarily to the overall growth of insured credits.

The YoY growth in net premiums was mainly attributable to higher sales in Annuities and Retail Insurance. The increase in Annuities was achieved by Interseguro's leadership position in a market that increased 30.0% on an annual basis. The increase in Retail Insurance was due to higher premiums in Credit Life Insurance, in line with overall growth of insured credits as well as increased prices.

ADJUSTMENT OF TECHNICAL RESERVES

Adjustment of technical reserves					
S/. million	3Q13	2Q14	3Q14	%chg QoQ	%chg YoY
Annuities	-57.3	-120.5	-69.0	-42.8%	20.4%
Individual Life	-3.5	-4.3	-3.6	-14.7%	5.0%
Retail Insurance	-5.9	-4.0	-1.5	-61.1%	-73.9%
Adjustment of technical reserves	-66.7	-128.8	-74.1	-42.4%	11.2%

Annuities include adjustment of technical reserves from pension-related insurance (disability and survivorship) which Interseguro ceased to offer in 2007 and are currently in run off.

Interseguro's adjustment of technical reserves in 3Q14 was S/. 74.1 million, a decrease of S/. 54.7 million QoQ but an increase of S/. 7.4 million YoY.

The QoQ decrease was mainly driven by lower annuity sales and the use of a higher weighted average discount rate to calculate technical reserves for annuities. The weighted average discount rate increased from 3.84% in 1Q14 to 3.93% in 2Q14 leading to release technical reserves during 2Q14. The weighted average discount rate further increased to 4.12% in 3Q14 increasing the release of technical reserves.

The YoY increase is largely driven by additional reserves constituted for increased sales in annuities, partially offset by a larger release of reserves due to changes in the weighted average discount rates.

NET CLAIMS AND BENEFITS INCURRED

Net claims and benefits incurred					
S/. million	3Q13	2Q14	3Q14	%chg QoQ	%chg YoY
Annuities	-36.4	-25.7	-35.5	38.1%	-2.5%
Individual Life	-0.1	-0.0	-0.5	n.m.	n.m.
Retail Insurance	-8.1	-9.3	-10.8	16.4%	32.9%
Credit Life Insurance	-5.9	-5.7	-7.7	35.4%	31.5%
Mandatory Traffic Accident (SOAT)	-2.4	-2.8	-2.3	-17.1%	-4.2%
Card Protection	-0.1	-0.0	-0.2	n.m.	35.6%
Other	0.3	-0.8	-0.6	-19.4%	n.m.
Total net claims and benefits incurred	-44.6	-35.0	-46.8	33.6%	4.9%

Annuities include claims and benefits incurred from pension-related insurance (disability and survivorship) which Interseguro ceased to offer in 2007 and are currently in run off.

Net claims and benefits incurred in 3Q14 were S/. 46.8 million, an increase of S/. 11.8 million QoQ and S/. 2.2 million YoY.

The QoQ growth was due to increases of S/. 9.8 million in claims related to Annuities and S/. 1.5 million in Retail Insurance. The increase in Annuities was due to a reversal of incurred but not reported claims of pension-related insurance policies that were determined to be non-claimable, largely recognized in 2Q14. The increase in Retail Insurance was due to an increase in Credit Life Insurance claims.

The YoY growth was due to increases of S/. 1.8 million in Credit Life Insurance claims and S/. 0.9 million in other retail insurance products.

OTHER EXPENSES

Other Expenses					
S/. million	3Q13	2Q14	3Q14	%chg QoQ	%chg YoY
Salaries and employee benefits	-12.2	-17.1	-15.7	-8.3%	28.4%
Administrative expenses	-6.5	-6.6	-7.2	9.5%	11.1%
Depreciation and amortization	-0.4	-0.7	-0.8	14.4%	95.7%
Third-party commissions	-14.0	-13.2	-14.4	9.0%	2.7%
Expenses related to rental income	-0.8	-1.3	-2.0	56.3%	149.8%
Other	-3.4	-9.1	-6.1	-32.4%	78.9%
Other Expenses	-37.4	-48.0	-46.3	-3.6%	23.8%

Other expenses in 3Q14 were S/. 46.3 million, a decrease of S/. 1.7 million QoQ and an increase of S/. 8.9 million YoY.

The QoQ decline was due to decreases of S/. 3.0 million in other expenses and S/. 1.4 million in salaries and employee benefits, partially offset by increases of S/. 1.2 million in third-party commissions and S/. 0.6 million in administrative expenses. The decrease in other expenses was due to a S/. 3.0 million loss provision registered in 2Q14 related to the closure of the Mortgage Administration Company, a subsidiary of Interseguro. The decrease in salaries and employee benefits was mainly due to a reduction in back-office personnel expenses. The increase in third-party commissions was due to higher insurance premiums that led to higher commissions paid by Interseguro to Interbank and to third parties.

The YoY growth in other expenses was due to increases of S/. 3.5 million in salaries and employee benefits, S/. 2.7 million in other expenses, S/. 1.2 million in expenses related to rental income and S/. 0.7 million in administrative expenses. The increase in salaries and employee benefits was due to increases of S/. 2.4 million in sales force commissions and S/. 1.0 million in back-office personnel expenses, in line with business growth. The increase in other expenses was due to a S/. 1.9 million loss on land preparation and protection work that was not charged when such land was sold.

Inteligo

SUMMARY

Inteligo's profit was S/. 28.1 million in 3Q14, a S/. 14.5 million or 33.9% decrease QoQ and a S/. 14.5 million or 106.1% increase YoY. The quarterly decrease was attributable to a smaller contribution to other income from net gain on sale of securities and net trading gain from our portfolio investments, as well as a 14.3% lower net interest and similar income.

The annual increase in net profit was substantially explained by a 47.3% growth in fee income from financial services and a positive effect YoY in other income.

AuM plus client deposits reached S/. 10,830.1 million, a 12.4% increase QoQ and a 20.0% growth YoY.

Inteligo's ROAE in 3Q14 was 23.2%, lower than the 34.2% reported in 2Q14 but above the 13.2% registered in 3Q13.

Wealth Management Segment's P&L Statement					
S/. million	3Q13	2Q14	3Q14	%chg QoQ	%chg YoY
Interest and similar income	26.6	28.1	24.5	-12.7%	-7.6%
Interest and similar expenses	-11.4	-12.4	-11.1	-10.7%	-2.4%
Net interest and similar income	15.2	15.7	13.5	-14.3%	-11.4%
Fee income from financial services, net	18.5	25.0	27.2	8.7%	47.3%
Other income	-4.5	24.4	5.0	-79.5%	n.m.
Other expenses	-16.6	-22.6	-18.1	-19.9%	9.3%
Income before translation result and income tax	12.6	42.5	27.6	-35.2%	118.8%
Translation result	1.0	0.0	0.5	n.m.	n.m.
Income tax	-	-0.0	0.0	n.m.	n.m.
Profit for the period	13.6	42.6	28.1	-33.9%	106.1%
ROAE	13.2%	34.2%	23.2%		

ASSETS UNDER MANAGEMENT & DEPOSITS

Inteligo's Assets under Management (AuM) reached S/. 8,635.7 million in 3Q14, a S/. 992.4 million or 13.0% growth QoQ and a S/. 1,558.2 million or 22.0% increase YoY.

Our client deposits reached S/. 2,194.4 million in 3Q14, a S/. 202.5 million or 10.2% increase QoQ and a S/. 250.2 million or 12.9% growth YoY.

NET INTEREST AND SIMILAR INCOME

Net interest and similar income					
S/. million	3Q13	2Q14	3Q14	%chg QoQ	%chg YoY
Interest and similar income					
Due from banks and inter-bank funds	-0.1	0.1	0.1	2.7%	n.m.
Investments available for sale	11.0	10.9	7.4	-32.5%	-33.2%
Loans	15.7	17.1	17.1	-0.2%	9.1%
Total Interest and similar income	26.6	28.1	24.5	-12.7%	-7.6%
Interest and similar expense					
Deposits and obligations	-11.0	-11.5	-11.9	3.5%	9.0%
Due to banks and correspondents	-0.4	-0.9	0.9	n.m.	n.m.
Total Interest and similar expense	-11.4	-12.4	-11.1	-10.7%	-2.4%
Net interest and similar income	15.2	15.7	13.5	-14.3%	-11.4%

Inteligo's net interest and similar income in 3Q14 was S/. 13.5 million, a S/. 2.2 million or 14.3% decrease QoQ and a S/. 1.7 million or 11.4% decrease YoY.

Interest and similar income decreased by S/. 3.6 million or 12.7% QoQ mainly due to lower interest on investments available for sale.

Interest and similar expense decreased by S/. 1.3 million or 10.7% QoQ mainly as a result of a positive reversion in interest and fees due to banks and correspondents.

Interest and similar income decreased by S/. 2.1 million or 7.6% YoY mainly attributable to lower interest on available for sale investments, partially offset by higher interest on loans as a result of an increase in the average volume of Inteligo's loan portfolio.

Interest and similar expense decreased slightly YoY, 2.4%, as growth in interest on deposits and obligations was more than offset by a positive reversion in interest and fees due to banks and correspondents.

FEE INCOME FROM FINANCIAL SERVICES, NET

Fee income from financial services, net					
S/. million	3Q13	2Q14	3Q14	%chg QoQ	%chg YoY
Income					
Commissions from banking services	-	-0.6	-	n.m.	n.m.
Brokerage and custody services	5.0	1.9	7.1	268.2%	40.9%
Funds management	16.8	25.6	21.5	-16.0%	27.8%
Total income	21.8	26.9	28.6	6.1%	30.8%
Expenses					
Brokerage and custody services	-	-0.5	-0.5	-8.0%	n.m.
Other	-3.4	-1.4	-0.9	-36.7%	-73.8%
Total expenses	-3.4	-1.9	-1.4	-28.9%	-59.8%
Fee income from financial services, net	18.5	25.0	27.2	8.7%	47.3%

Fees from financial services reached S/. 28.6 million in 3Q14, an increase of S/. 1.7 million or 6.1% QoQ. Higher fees were attributable to a S/. 5.2 million increase in brokerage & custody services, partially offset by lower funds management services, which decreased by S/. 4.1 million.

Expenses related to fee income from financial services decreased by S/. 0.5 million, or 28.9% QoQ.

Inteligo's net fee income from financial services in 3Q14 reached S/. 27.2 million, a S/. 2.2 million or 8.7% increase when compared to the previous quarter.

When compared with 3Q13, fees from financial services increased by S/. 6.8 million or 30.8% in 3Q14. The result was attributable to both, brokerage & custody and funds management services, which increased 40.9% and 27.8% respectively. Brokerage & custody fees increased due to higher activity of Inteligo SAB's clients in new issuances of fixed income securities. Funds management commissions increased as a consequence of higher AuM at Inteligo Bank, which grew 22.0% YoY.

Expenses related to fee income from financial services in 3Q14 decreased by S/. 2.0 million, or 59.8% YoY.

Net fee income from financial services in 3Q14 increased by S/. 8.7 million or 47.3% when compared to the same quarter in 2013.

OTHER INCOME

Other income					
S/. million	3Q13	2Q14	3Q14	%chg QoQ	%chg YoY
Net gain on sale of securities	-3.0	8.3	6.0	-27.1%	n.m.
Net trading (loss) income	-1.4	16.1	-1.0	n.m.	-26.3%
Other	-0.1	0.0	-0.0	n.m.	n.m.
Total other income	-4.5	24.4	5.0	-79.5%	n.m.

Inteligo's other income in 3Q14 was S/. 5.0 million, a S/. 19.4 million decrease QoQ. This was mainly the result of a lower net trading gain as mark to market valuations of securities held for trading increased strongly in 2Q14 compared to 3Q14.

Other income increased by S/. 9.5 million in 3Q14 compared to 3Q13. The result was mainly attributable to higher net gains on sale of securities.

OTHER EXPENSES

Other expenses					
S/. million	3Q13	2Q14	3Q14	%chg QoQ	%chg YoY
Salaries and employee benefits	-9.1	-9.4	-9.5	1.4%	5.2%
Administrative expenses	-6.8	-5.5	-7.9	42.1%	14.7%
Depreciation and amortization	-0.7	-0.8	-0.8	-3.3%	15.0%
Impairment loss on available for sale investme	-0.0	-6.9	-0.0	n.m.	n.m.
Other	0.0	-0.0	0.1	n.m.	n.m.
Total other expenses	-16.6	-22.6	-18.1	-19.9%	9.3%
Efficiency ratio	56.8%	24.1%	39.7%		

Other expense in 3Q14 was S/. 4.5 million lower QoQ, mainly due to a S/. 6.9 million impairment loss on an available for sale investment in 2Q14.

In 3Q14, administrative expenses increased by S/. 2.4 QoQ due to higher expenses for third party related services.

Inteligo's other expense reached S/. 18.1 million in 3Q14, an increase of S/. 1.5 million or 9.3% YoY. The increase was mainly explained by S/. 1.1 million higher expenses for third party services.