Translation of consolidated financial statements originally issued in Spanish - Note 28

Intercorp Financial Services Inc. and Subsidiaries

Consolidated financial statements as of June 30, 2012 (unaudited) December 31, 2011 (audited) and for the six-month periods ended June 30, 2012 and 2011

Translation of consolidated financial statements originally issued in Spanish - Note 28

Intercorp Financial Services Inc. and Subsidiaries

Consolidated financial statements as of June 30, 2012 (unaudited) and December 31, 2011 (audited) and for the six-month periods ended June 30, 2012 and 2011

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Intercorp Financial Services Inc. and Subsidiaries

Consolidated balance sheets

As of June 30, 2012 (unaudited) and December 31, 2011 (audited)

	Note	2012 S/.(000)	2011 S/.(000)
Assets			
Cash and due from banks	5		
Cash and clearing		1,135,165	1,146,420
Deposits in the Peruvian Central Bank		3,128,573	1,032,869
Deposits in domestic and foreign banks		488,885	218,477
Restricted funds		85,146	84,619
Interest accrued on cash and due from banks		1,555	979
		4,839,324	**2,483,364**
Inter-bank funds		191,980	34,421
Investments, net	6	3,954,576	3,599,278
Loan portfolio, net	9	14,097,327	13,731,269
Held-to-maturity investments, net	7	1,073,818	1,106,402
Real estate investment, net	8	375,180	424,255
Investment in associates, net		32,028	36,093
Property, furniture and equipment, net	10	439,924	444,248
Accounts receivable and other assets, net	11	847,512	796,469
Deferred Income Tax asset, net		57,804	56,449
Total assets		**25,909,473**	**22,712,248**
Off-balance sheet accounts	18		
Contingent assets		15,356,341	13,570,263
Other off-balance sheet assets accounts		41,044,963	38,335,745
		56,401,304	**51,906,008**

	Note	2012 S/.(000)	2011 S/.(000)
Liabilities and equity			
Deposits and obligations	12	15,117,178	13,041,820
Inter-bank funds		-	7,002
Deposits from financial entities		91,666	113,297
Due to banks and correspondents	13	2,354,688	1,704,664
Accounts payable, provisions and other liabilities	11	808,861	648,515
Deferred income tax liability, net		2,181	2,227
Bonds and other obligations	14	2,731,442	2,643,449
Technical reserves for premiums and claims	15	2,345,689	2,178,079
Total liabilities		**23,451,705**	**20,339,053**
Equity	16		
Equity attributable to Intercorp's equity holders:			
Capital stock		799,581	799,581
Capital surplus		268,077	268,077
Treasury stock		(222,735)	(214,996)
Unrealized results, net		72,706	22,833
Retained earnings		1,525,517	1,483,832
		2,443,146	2,359,327
Minority interest		14,622	13,868
Total equity		**2,457,768**	**2,373,195**
Total liabilities and equity		**25,909,473**	**22,712,248**
Off-balance sheet accounts	18		
Contingent assets		15,356,341	13,570,263
Other off-balance sheet assets accounts		41,044,963	38,335,745
		56,401,304	**51,906,008**

The accompanying notes are an integral part of these consolidated balance sheets

Intercorp Financial Services Inc. and Subsidiaries

Consolidated statements of income

For the six months periods ended June 30, 2012 and 2011 (unaudited)

	Note	2012 S/.(000)	2011 S/.(000)
Financial income	19	1,349,833	1,191,697
Financial expense	19	(273,728)	(292,766)
Gross financial margin		**1,076,105**	**898,931**
Provision for loan losses, net	9(d)	(246,742)	(179,600)
Net financial margin		**829,363**	**719,331**
Fee income from financial services	20	304,411	258,076
Expenses relating to financial services	20	(45,015)	(30,530)
Result from insurance underwriting, net	21(a)	(43,133)	(29,539)
Operating margin		**1,045,626**	**917,338**
Administrative expenses	22(a)	(539,827)	(480,839)
Net operating margin		**505,799**	**436,499**
Provision for contingencies and other		(5,158)	(12,878)
Depreciation of property, furniture and equipment	10(a)	(35,268)	(35,938)
Amortization of intangibles		(11,455)	(8,881)
Amortization of interest premium		(3,246)	(1,687)
Operating income		**450,672**	**377,115**
Other income, net	23	49,042	22,255
Income before Income tax		**499,714**	**399,370**
Income Tax	17(b)	(95,198)	(108,387)
Net income		**404,516**	**290,983**
Attributable to:			
Intercorp's equity shareholders		402,496	289,191
Minority interest		2,020	1,792
		404,516	290,983
Basic and diluted earnings per share attributable to Intercorp (stated in Nuevos Soles)	24	4.453	3.190
Weighted average number of outstanding shares (in thousands)	24	90,389	90,660

The accompanying notes are an integral part of these consolidated statements.

Intercorp Financial Services Inc. and Subsidiaries

Consolidated statements of changes in shareholders' equity

For the six month periods ended June 30, 2012 and 2011 (unaudited)

	Number of shares (in thousands)		Attributable to Intercorp's equity holders							
	Issued	In treasury	Capital stock	Treasury stock	Capital surplus	Unrealized gains	Retained earnings	Total	Minority interest	Total shareholder's equity
			S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Balance as of January 1, 2011	93,615	(1,493)	799,581	(72,678)	268,077	26,129	1,076,359	2,097,468	11,829	2,109,297
Declared and paid dividends, note 16(a)	-	-	-	-	-	-	(291,900)	(291,900)	-	(291,900)
Dividends paid to minority shareholders'	-	-	-	-	-	-	-	-	-	-
Net variation of unrealized results on sale investment of the Company and Subsidiaries, net of income tax, note 16(d)	-	-	-	-	-	(42,231)	-	(42,231)	-	(42,231)
Net variation of unrealized results on derivative financial instruments, net of income tax, note 16(d)	-	-	-	-	-	17,463	-	17,463	-	17,463
Net variation of treasury stock held by Subsidiaries, note 16(b)	-	(1,584)	-	(145,376)	-	-	-	(145,376)	-	(145,376)
Net income	-	-	-	-	-	-	289,191	289,191	1,792	290,983
Other	-	-	-	-	-	-	840	840	(2,191)	(1,351)
Balance as of June 30, 2011	93,615	(3,077)	799,581	(218,054)	268,077	1,361	1,074,490	1,925,455	11,430	1,936,885
Balance as of January 1, 2012	93,615	(3,092)	799,581	(214,996)	268,077	22,833	1,483,832	2,359,327	13,868	2,373,195
Declared and paid dividends, note 16(a)	-	-	-	-	-	-	(373,632)	(373,632)	-	(373,632)
Net variation of unrealized results on sale investment of the Company and Subsidiaries, net of income tax, note 16(d)	-	-	-	-	-	45,788	-	45,788	-	45,788
Net variation of unrealized results on derivative financial instruments, net of income tax, note 16(d)	-	-	-	-	-	4,085	-	4,085	-	4,085
Net variation of treasury stock held by Subsidiaries, note 16(b)	-	(118)	-	(7,739)	-	-	12,900	5,161	-	5,161
Net income	-	-	-	-	-	-	402,496	402,496	2,020	404,516
Other	-	-	-	-	-	-	(79)	(79)	(1,266)	(1,345)
Balance as of June 30, 2012	93,615	(3,210)	799,581	(222,735)	268,077	72,706	1,525,517	2,443,146	14,622	2,457,768

Intercorp Financial Services Inc. and Subsidiaries

Consolidated statements of cash flows

For the six-month periods ended June 30, 2012 and 2011 (unaudited)

	2012 S/.(000)	2011 S/.(000)
Reconciliation of net income with cash provided by operating activities		
Net income	404,516	290,983
Adjustments to net income		
Plus (minus)		
Provision for loan losses, net	246,742	179,600
Depreciation of property, furniture, equipment and realizable assets	35,268	35,938
Amortization of intangibles and other	14,701	10,568
Income from sale and valuation of investments, net	(29,073)	(37,151)
Income from sale of real estate investments	(106,315)	-
Gain from sale of assets received as payment and seized through legal actions	(165)	(129)
Income from lease of real estate investments	(17,528)	(12,171)
Other, net	(5,498)	(18,480)
Net changes in asset and liability accounts		
Increase in receivable accrued interest	(10,922)	(51,233)
Increase in payable accrued interest	9,563	28,361
(Increase) decrease in restricted funds	(527)	1,160
Net increase in other assets	(46,943)	(1,842)
Net increase in other liabilities	160,346	39,052
Increase in technical reserves	167,610	159,436
Net cash provided by operating activities	821,775	624,092

Consolidated statements of cash flow (continued)

	2012	2011
	S/.(000)	S/.(000)
Cash flows from investing activities		
Purchase of property, furniture and equipment	(32,823)	(14,891)
Sale of assets received as payment and seized through legal actions	1,417	74
Purchase of intangibles	(16,944)	(14,733)
Net cash used in investing activities	(48,350)	(29,550)
Cash flows from financing activities		
Net increase in loan portfolio	(601,230)	(1,054,149)
Net increase in investments and held-to-maturity investments	(223,648)	(192,355)
Net decrease (increase) in real estate investments	155,390	(18,615)
Net increase in deposits and obligations	2,068,554	903,984
Net (decrease) increase in deposits from financial entities	(21,631)	18,050
Collection of dividends net of associate investments decrease	9,587	6,151
Net increase (decrease) in due to banks and correspondents	649,390	(218,460)
Net increase (decrease) in bonds and other obligations outstanding	85,868	(180,802)
Net (increase) decrease in receivable inter-bank funds	(157,559)	26,251
Net decrease in payable inter-bank funds	(7,002)	(3,005)
Payment of dividends	(373,632)	(291,900)
	1,584,087	(1,004,850)
Net cash provided by (used in) financing activities		
Net cash increase	2,357,512	(410,308)
Balance of cash at the beginning of year	2,397,766	4,445,474
Balance of cash at end of year	4,755,278	4,035,166

The accompanying notes are an integral part of these consolidated financial statements.

Intercorp Financial Services Inc. and Subsidiaries

Notes to the consolidated financial statements

As of June 30, 2012 and December 31, 2011

1. Business activity

Intercorp Financial Services Inc. (formerly Intergroup Financial Services Corp. and henceforth "IFS" or "the Company") is a limited liability holding corporation incorporated in the Republic of Panama on September 19, 2006, as the result of the restructuring of its shareholder Intercorp Peru Ltd. (formerly IFH Peru Ltd., a holding corporation incorporated in 1997, in The Bahamas), during 2007. As of June 30, 2012, Intercorp directly and indirectly holds 68.93 percent of IFS issued capital stock and 71.38 percent of IFS shares representative of its issued capital stock (directly and indirectly 68.93 percent and 71.28 percent, respectively, as of December 31, 2011).

IFS legal domicile is 50 Street and 74 Street, ST Georges Bank Building, Republic of Panama. On the other hand, its Management and administrative offices are located at Av. Carlos Villarán 140, Urb. Santa Catalina, La Victoria, Lima, Peru.

As of June 30, 2012 and December 31, 2011, IFS holds 99.29 percent and 100 percent of the capital stock of Banco Internacional del Peru S.A.A. – Interbank (henceforth "the Bank") and of Interseguro Compañía de Seguros S.A. (henceforth "Interseguro"), respectively. IFS and its Subsidiaries operations are concentrated in Peru. Their main activities and balances of assets, liabilities and equity are described in Note 2.

The consolidated financial statements as of June 30, 2012 have been approved by the Board of Directors on July 30, 2012.
The consolidated financial statements as of December 31, 2011 were approved by Management on March 30, 2012.

2. Subsidiaries' activities

The detail and business activities of IFS Subsidiaries are described below:

(a) Banco Internacional del Perú S.A.A. - Interbank and Subsidiaries

The Bank is incorporated in Peru and is authorized by the SBS, to perform multiple banking activities in accordance with Peruvian legislation. The Bank's operations are governed by the General Act of the Financial and Insurance System and the Organic Act of the SBS - Act 26702 (henceforth the "Banking and Insurance Act") that establishes the requirements, rights, obligations, guarantees, restrictions and other operation conditions that financial and insurance entities must comply with.

As of June 30, 2012, the Bank has 249 offices and a branch established in Panama (241 offices and a branch established in Panama as of December 31, 2011). Additionally, it holds 100 percent of:

Subsidiary	Activity
Interfondos S.A. Sociedad Administradora de Fondos	As of June 30, 2012 and December 31, 2011, manages mutual funds and investment funds with equity book values of approximately S/.2,270 million and S/.2,161 million, respectively.
Internacional de Títulos Sociedad Titulizadora S.A. - Intertítulos S.T.	As of June 30, 2012 and December 31, 2011, manages securitization funds with combined assets of approximately S/.2,209 million and S/.1,105 million, respectively.
Inversiones Huancavelica S.A.	Real estate activities.
Contacto Servicios Integrales de Crédito y Cobranzas S.A.	Collection services.
Corporación Inmobiliaria de La Unión 600 S.A.	Real estate activities.

(b) Interseguro Compañía de Seguros S.A. and Subsidiaries

Interseguro was incorporated in Peru and began its operations in 1998 and is authorized by the SBS to offer life insurance products, annuities and others as authorized by Peruvian law, such as accident insurance. Interseguro's operations are governed by the Banking and Insurance Act. Likewise, during 2008 Interseguro obtained approval to operate as an insurance company which conducts both classes: life insurance risks and general risks.

Interseguro has the following subsidiaries:

Subsidiary	Activity
Real Plaza S.A.	An entity engaged in the administration of ten shopping and entertainment malls called "Centro Comercial Real Plaza", located in the cities of Chiclayo, Trujillo, Huancayo, Arequipa, Juliaca and various districts of Lima. As of June 30, 2012 and December 31, 2011, Interseguro holds 100 percent of its capital stock.
Centro Comercial Estación Central S.A.	Began operations in March 2010 and is dedicated to the administration of the mall called "Centro Comercial Estación Central" located in Lima downtown. As of June 30, 2012 and December 31, 2011, Interseguro holds 75 percent of its shares, and the remaining 25 percent belongs to Real Plaza S.A.
Interproperties Perú S.A.	An entity engaged in all activities related to real estate and the construction industry. As of June 30, 2012 and December 31, 2011, Interseguro holds 100 percent of its capital stock.
Patrimonio en Fideicomiso - D.S. 093-2002-EF, Interproperties Perú - Interseguro	A special purposes entity, see paragraph (c) below.

(c) Patrimonio en Fideicomiso D.S. 093-2002- EF, Interproperties Perú

On April 23, 2008, this equity trust fund was incorporated with the contribution of several assets from some of the entities of the Company's economic group for the purpose of creating a real estate administration independent of each of the investors considered as originators, through which the various real estate projects approved by the managing committee are structured, executed and developed, and through which these originators or trustees, as applicable, are able to invest in real estate projects.

The subsidiaries that consolidate their financial information with IFS and that contributed assets to the equity trust fund are: (i) Corporación Inmobiliaria de la Unión 600 S.A., a subsidiary of the Bank, and (ii) Interseguro Compañía de Seguros S.A. IFS has also directly contributed with assets to the equity trust fund. During 2011, it was performed the reorganization of the real estate investments maintained for the entities of the Company's economic group in order to have a more effective structure and subsequently issue debt guaranteed by those investments to allow the development of real estate projects. As part of this reorganization, the following operations were performed.

- Interproperties Holding was constituted in September 2011 – see Note 6(k) – with the contributions of real estate investments made by Corporación Inmobiliaria de la Unión 600 S.A. and IFS. The transaction generated an income of approximately S/.3,020,000 for Corporación Inmobiliaria de la Unión 600 S.A. which has been recorded in the "Financial income" caption of the consolidated statements of income.

- In November 2011, Interseguro sold at market values part of its real estate investments managed by Interproperties Perú to Interproperties Holding, thus generating an income of approximately S/.80,059,000, which has been recorded in the "Financial income" caption of the consolidated statements of income.

In accordance with the applicable accounting principles, this entity is a Special Purpose Entity (SPE) which must be consolidated by IFS. As June 30, 2012 and December 31, 2011, Interseguro maintains assets contributed to this SPE. The assets contributed by this subsidiary are included in the accompanying consolidated financial statements in the caption "Real estate investment, net". See Note 8.

The table below presents a summary of the audited individual financial statements of the Bank, Interseguro and the SPE (for the amounts that affect IFS and its Subsidiaries), before eliminations for consolidation with IFS, as of June 30, 2012 and December 31, 2011 and for the six-month periods ended June 30, 2012 and 2011:

	Banco Internacional del Perú S.A.A. – Interbank		Interseguro Compañía de Seguros S.A.		Patrimonio Interproperties	
	2012 S/.(000)	2011 S/.(000)	2012 S/.(000)	2011 S/.(000)	2012 S/.(000)	2011 S/.(000)
Total assets	23,102,449	19,997,763	2,960,154	2,690,341	200,253	287,667
Total liabilities	21,040,196	18,042,205	2,532,491	2,284,164	2,559	33,394
Shareholders' equity, net	2,062,253	1,955,558	427,663	406,177	197,694	254,273
Operating income	346,177	165,258	150,560	36,973	2,574	2,920
Net income	285,430	125,951	150,560	36,973	2,159	2,773

3. Accounting principles and practices

In the preparation and presentation of the accompanying consolidated financial statements, Management has complied with the regulations established by the SBS and effective in Peru as of June 30, 2012 and December 31, 2011, for financial entities (IFS, the Bank and its Subsidiaries) as well as for insurance entities (Interseguro and its Subsidiaries).

The accounting principles and practices as of June 30, 2012, have not changed to the principles applied to December 31, 2011, summarized in the audited report dated March 12, 2012.

Financial statements of the Subsidiary as of December 31, 2011 –

When it has been needed, certain amounts of the previous year has been reclassified in order to make them comparable with the current year presentation. In this sense, as of December 31, 2011, the Bank has reclassified in its financial statements the amount of S/ 16,143,920,000 for the purpose of presenting responsibilities under credit line agreements consolidated by client. This reclassification has been recorded as a reduction in the balance of contingent assets in the same amount.

4. Transactions in foreign currency and exchange risk exposure

Transactions in foreign currency are carried out using exchange rates prevailing in the market.

As of June 30, 2012, the weighted average exchange rates in the market as published by the SBS for transactions in US Dollars were S/.2.670 per US$ 1.00 bid and S/.2.671 per US$ 1.00 ask (S/.2.695 bid and S/.2.697 ask, as of December 31, 2011 respectively). As of June 30, 2012, the exchange rate established by the SBS to record assets and liabilities in foreign currency was S/.2.671 per US$ 1.00 (S/.2.696 as of December 31, 2011).

The table below presents a detail of IFS and its Subsidiaries foreign currency assets and liabilities, stated in US Dollars:

	2012	2011
	US$(000)	US$(000)
Assets		
Cash and due from banks	1,283,854	630,282
Inter-bank funds	70,003	10,170
Investments and Held-to-maturity investments, net	952,973	747,807
Loan portfolio, net	2,439,828	2,405,804
Accounts receivable and other assets	85,196	76,695
	4,831,854	3,870,758
Liabilities		
Deposits and obligations	2,638,656	2,095,066
Deposits from financial entities	14,317	17,474
Due to banks and correspondents	612,858	374,581
Bonds and other obligations	871,418	910,432
Accounts payable, provisions and other liabilities	109,134	66,599
Technical reserves for premiums and claims	587,549	582,450
	4,833,932	4,046,602
Forwards transactions - net long position	92,577	64,991
Currency swap transactions - net position	(42,616)	(51,057)
Net asset (liability) position	47,883	(161,910)

As of June 30, 2012, the net long position from forwards transactions corresponds to foreign currency forward purchase and sale contracts for notional amounts of approximately US$1,023,521 y US$930,944,000, equivalent to S/.2,773,889,000 y S/.2,486,635,000, respectively (purchase and sale contracts of US$ 768,321,000 and US$ 703,330,000 as of December 31, 2011, equivalent to S/.2,071,460,000 and S/.1,896,527,000, respectively); see Note 18.

As of June 30, 2012, the net position in derivatives related to currency swap agreements corresponds to exchange operations (Nuevos Soles exchanged for US Dollars and vice versa) with notional amounts of approximately US$39,658,000 y US$82,273,000, equivalent to S/.105,925,000 y S/.219,752,000 respectively (exchange operations with notional amounts of approximately US$ 30,968,000 and US$ 82,025,000, equivalent to S/.83,490,000 and S/.221,138,000, respectively, as of December 31, 2011); see Note 18.

As of June 30, 2012, IFS and its Subsidiaries has granted indirect loans (contingent operations), in foreign currency for approximately US$842,746,000, equivalent to S/.2,250,975,000 (US$ 771,152,000, equivalent to S/.2,079,026,000 as of December 31, 2011), see Note 18; which are not part of the exchange position indicated previously.

5. Cash and due from banks

As of June 30, 2012, cash and due from banks includes approximately US$999,791,000 y S/.693,496,000 (US$ 468,784,000 and S/.504,891,000 as of December 31, 2011), which represents the legal reserve that the Bank must establish for deposits received from third parties. These funds are kept in the Bank's vaults and in the Central Reserve Bank of Peru (henceforth "BCRP" by its Spanish acronym). The Bank maintains such legal reserve within the limits required by prevailing regulations.

The legal reserve maintained by the Bank at the BCRP does not accrue interests, except for the part that exceeds the minimum reserve required in foreign and local currency. As of June 30, 2012, the monthly amount by which foreign currency deposits exceeded the minimum legal reserve requirements was approximately US$13,694,000, equivalent to S/.36,577,000, and accrued interest at an annual average rate of 0.15 percent (US$ 155,598,000, equivalent to S/.419,492,000, and an annual average rate of 0.17 percent as of December 31, 2011), while the exceeding amount in local currency was approximately S/.206,983,000, and accrued interest at an annual average rate of 2.45 percent (S/.120,038,000and accrued interest at an annual average rate of 2.45 percent as of December 31, 2011).

Deposits in domestic and foreign banks are mainly in Nuevos Soles and US Dollars. All amounts are unrestricted and bear interests at market rates.

As of June 30, 2012 and December 31, 2011, this caption includes restricted funds for approximately S/.85,144,000 and S/.84,619,000, respectively, which corresponds, mainly to requirements from counterparties of derivative transactions - see Note 12(g)(iii) - and funds provided from remittances received via SWIFT messages which guarantee the payment of the notes issued by IBK DPR Securitizadora; see further detail in Note 14(d) and 14(e).

6. Fair value through profit or loss and available-for-sale investments, net

(a) This caption includes the following:

	2012 S/.(000)	2011 S/.(000)
Investment at fair value through profit and loss - (Trading)		
Peruvian sovereign bonds	8,160	8,115
Corporate bonds	38,732	18,202
Investment in shares quoted on the Lima Stock Exchange	5,531	1,629
	52,423	27,946
Available-for-sale investments		
Negotiable bank certificates in local currency with variable rate issued by BCRP (b)	1,758,537	1,499,221
Financial and corporate bonds (c)	813,699	826,637
Credit Suisse Nassau Branch and London Branch - Variable coupon principal protected notes (Royalty Pharma) (d)	385,691	375,349
Peruvian and foreign private sector shares (h)	171,252	182,415
Mutual and investment funds participations (g)	120,871	145,888
Government Bonds:		
- Peruvian Global Bonds (f)	11,834	76,373
- Bonds guaranteed by the Peruvian Goverment (e)	277,526	183,094
- Brazilian Global Bonds	40,441	19,814
- United States of America Global Bonds	123,670	73,955
- Colombian Sovereign Bonds	-	10,029
- Corean Sovereign Bonds	15,885	-
- Mexican Global Bonds	15,548	6,150
RPI International Partners, LP participations(i)	52,026	49,220
BioPharma Cayman Partners, LP participations	15,386	24,760
Royalty Pharma Cayman Partners, LP participations (i)	9,388	7,563
Interproperties Holding participations (k)	69,762	69,003
	3,881,516	3,549,471
Add - Accrued interest on investments	20,637	21,861
Total	3,954,576	3,599,278

(b) The negotiable bank certificates in local currency with variable rate were issued by BCRP (CDV-BCRP) are denominated in Nuevos Soles. As of June 30, 2012, the maturity of said certificates ranges between July 2012 and June 2013 (between January and September 2012 as of December 31, 2011) and accrued annual interest rates between 4.07 and 4.26 percent (4.10 y 4.21 percent as of December 31, 2011).

During 2012 and 2011, the interest accrued on CDV-BCRP amounted to approximately S/. 32,054,000 and S/.333,000, respectively, and is included in the “Financial income” caption of the consolidated statements of income.

(c) As of June 30, 2012 and December 31, 2011, comprise mainly corporate bonds of various Peruvian and foreign companies, and financial bonds issued mainly by local banks

(d) Corresponds to notes issued by the Credit Suisse Bank (CSB) branches in Nassau and London, due in 2036 and 2038, respectively. These notes were issued in US Dollars, are not liquid and have a fixed-yield component (zero coupon bond) and a variable-yield component based on Royalty Pharma Cayman partners LP (henceforth “Royalty Pharma”) participations, which shall be delivered to the Company and its Subsidiaries as part of the notes’ yield in the following cases:

- Upon their maturity, together with the payment of the notes’ principal.

- If the prepayment option is executed, in which case it will receive the shares plus an amount equivalent to the zero coupon bond at the execution date.

Royalty Pharma is an investment fund incorporated in Ireland and is dedicated to the purchase of royalties on medical patents and biotechnology; its participations are not liquid and require authorization for their trading.

In August 2011, Royalty Pharma performed an exchange offer among its shareholders through which the Bank exchanged a portion of the participations it held in Royalty Pharma for participations in RPI International Partners LP (henceforth “Royalty Pharma Investment”). Although the funds held the same underlying assets at the moment of the exchange offer, the new Fund offered a period of investment implementation posterior to December 31, 2011.

As of June 30, 2012, as a result of the transactions explained above, the CSB Nassau Branch and CSB London Branch notes classified as available-for-sale investments consist of 355,296 and 1,623,943 participations in Royalty Pharma and Royalty Pharma Investment, respectively for a total of approximately US$ US$121,341,000, and a zero-coupon financial instrument issued by CSB amounting to approximately US$ 23,058,000, (US$111,159,000 and a zero-coupon financial instrument issued by CSB amounting to approximately US$28,073,000 as of December 31, 2011) which would allow to collect the nominal amount of the capital note plus the participations of Royalty Pharma and Royalty Pharma Investment at maturity..

During the effective term of the notes, they will pay a yield equivalent to the dividends that CSB receives on the Royalty Pharma. During the six-month periods 2012 and 2011, IFS and its Subsidiaries received for this concept approximately US$3,717,000 and US$5,559,000, respectively (equivalent to approximately S/.9,929,000 and S/.14,848,000, respectively), which amount is included in the “Financial income” caption of the consolidated statements of income.

The estimated fair value of the notes as of June 30, 2012 and December 31, 2011 has been determined by IFS and its Subsidiaries using market information.

(e) Peruvian Sovereign Bonds are denominated in Nuevos Soles. As of June 30, 2012, the maturity of said bonds ranges between August 2020 and August 2037 (between September 2013 and February 2042, as of December 31, 2011) and accrue effective annual interest rates between 4.99 and 5.76 percent (between 4.81 and 6.65 percent as of December 31, 2011).

(f) Peruvian Global Bonds are denominated in US Dollars and have, as of June 30, 2012, maturities between May 2016 and July 2025 (between February 2015 and November 2033 as of December 31, 2011), and accrue effective annual interest rates between 1.80 and 3.43 percent (between 1.84 and 4.81 percent as of December 31, 2011).

For the six-month periods ended June 2012 and 2011, the interest accrued on these bonds amounted to approximately S/. 460,000 and S/.3,675,000, respectively and are included in the "Financial income" caption of the consolidated statements of income; see Note 19.

(g) As of June 30, 2012 and December 2011, correspond to participations in local and foreign investment funds recorded at their quoted value as of the end of the month, which Management estimates is a reasonable estimation of their market value.

(h) Correspond mainly to shares of private sector companies, recorded to their market value according to the Lima Stock Exchange.

(i) Royalty Pharma is an investment fund incorporated in Ireland and is dedicated to the purchase of royalties on medical patents and biotechnology; its participations are not liquid and require authorization for their trading.

For the six-month periods ended June 30 2012 and 2011, IFS and its Subsidiaries received dividends for approximately US$735,000 and US$1,089,000, respectively (equivalent to approximately S/.1,964,000 and S/.2,910,000, respectively), which are included in the "Financial income" caption of the consolidated statements of income.

As of June 30, 2012 and December 31, 2011 the participations classified as available-for-sale investments consist of 67,538 and 307,674 Royalty Pharma and Royalty Pharma Investment participations, respectively amounting approximately US$3,516,000 and US$19,485,000, respectively (US$2,807,000 and US$18,264,000 as of December 31,2011).

The estimated fair value of the participations as of June 30, 2012 and December 31, 2011, has been determined by Management based on the NAV (Net Asset Value) provided by the fund administrators, which has been reviewed by Management, concluding that this is a reasonable indication of their fair value.

(j) As of June 30, 2012 and December 31, 2011, Management has estimated the fair value of the available-for-sale investments based on market quotations, and if not available, based on discounted cash flows using market rates according to the respective risk rating.

(k) In September 2011, "Patrimonio en Fideicomiso D.S. No. 093-2002-EF-Interproperties Holding" (henceforth "Interproperties Holding") was constituted with the purpose of creating an autonomous and independent equity trust for each investor constituted as originator. Through this equity trust, investments in real estate projects are made so that their yields are able to back (i) the issued certificates of participation; and (ii) the compliance of other obligations contracted directly or by third parties with the purpose of obtaining the resources that are needed to make the aforementioned investments.

In that sense, the Company exchanged the real estate investments it maintained as of September 2011 – which were managed by Patrimonio en Fideicomiso – D.S No. 093-2002-EF, Interproperties Perú (see Notes 2(c) and 8) – for certificates of participation of Interproperties Holding. This exchange was performed at market values and generated an income of approximately S/.5,261,000 that has been recorded in the "Financial income" caption of the consolidated statements of income; see Note 19.

(l) Management has determined that unrealized losses as of June 30, 2012 and December 31, 2011, are of temporary nature. The Company has the capacity and intents to hold each of these investments with unrealized losses for a period of time sufficient to allow a recovery in the fair value, which may occur at their maturity; therefore, it considers that unrealized losses do not qualify as an impairment that needs to be recognized in the consolidated results of the year.

7. Held-to-maturity investments, net

(a) This item comprises the following:

	2012	2011
	S/.(000)	S/.(000)
Corporate and financial bonds(b)	662,045	692,326
Sovereign bonds (c)	409,218	390,484
Investment in real estate projects	2,555	23,592
	1,073,818	1,106,402

(b) The table below presents the balance corresponding to corporate and financial bonds, domestic and foreign, held by Interseguro, according to their risk rating:

	2012 S/.(000)	2011 S/.(000)
Instruments issued by local companies		
Instruments rated in Peru		
AAA	335,311	298,482
AA- a AA+	32,113	30,490
BBB- a BBB+	33,969	-
Instruments rated abroad		
AAA	5,045	-
AA- a AA+	137	-
BBB- a BBB+	95,761	33,682
Instruments issued by foreign entities		
Foreign classification		
A	-	27,279
BBB- a BBB+	159,709	302,393
	662,045	692,326

The credit risk identified in each financial instrument in these categories is based on the risk ratings issued by a rating agency. For investments traded in Peru, risk classifications used are those provided by "Apoyo & Asociados Internacionales S.A.C." (a Peruvian rating agency approved by the SBS and related to Fitch Ratings), and for investments traded abroad, risk classifications used are those provided by "Standard & Poors".

(c) The table below presents the balance corresponding to sovereign bonds held by Interseguro:

	2012 S/.(000)	2011 S/.(000)
Peruvian sovereign bonds	381,725	363,960
Corean Sovereign Bonds	26,710	-
Mexican sovereign bonds	783	18,896
Other sovereign bonds	-	7,628
	409,218	390,484

(d) The table below presents the components of real estate projects held by Interseguro:

	2012 S/.(000)	2011 S/.(000)
Primavera Park Plaza (i)		20,976
Cineplanet Piura (ii)	2,555	2,616
	2,555	23,592

(i) Corresponds to funds granted to "Urbi Propiedades S.A." (henceforth "Urbi" a related entity) destined to the construction of a shopping center named "Primavera Park and Plaza" located in the city of Lima, Peru, for which Ripley Peru S.A., signed a 30-year lease Contract in 2003. "Interseguro" and "Urbi" signed a Cession Rights Contract, by means of which "Urbi" cedes to Interseguro the usufruct rights over the cash flows generated by this lease contract for a minimum period of 11 years and a maximum of 16 years since January 2004. The term is subject to obtaining a certain level of profitability agreed between "Urbi" and "Interseguro". During 2012, Interseguro sold the entire project to a related entity generating an income of approximately S/.14,000,000 that has been recorded in the "Financial Income" caption of the consolidated statements of income, see Note 19.

(ii) Corresponds to a contract signed between the Interseguro and "Cineplex S.A." (a related entity) by which the latter assigns its usufruct right to a shopping center located in the city of Piura, in northern Peru, which was in force with "Multimercados Zonales S.A".; for a period of 10 years, renewable for a further 10 years at the parties discretion.

8. Real estate investment, net

As of June 30, 2012 and December 31, 2011, real estate investments are held mostly by Interseguro and Patrimonio Interproperties and are composed of shopping and entertainment malls located in Lima, Huancayo, Arequipa, Chiclayo and Trujillo, which are managed by Real Plaza, a related entity. This caption also includes building lots, buildings and works in progress for real estate projects, as explained below:

(a) Centro Comercial Real Plaza Piura – Located in the city of Piura, began its operations in November 2010. It mainly comprises a hypermarket, bank agencies, retail stores and an entertainment area. For the hypermarket, it has a lease contract for 30 years with a related entity, which provides a minimum monthly lease payment as well as variable payment based on sales.

(b) Centro Comercial Real Plaza Chorrillos –Located in the city of Lima, began its operations in November 2011. Interseguro has a lease contract with Interbank, Homecenters Peruanos S.A. and Supermercados Peruanos S.A. (all related entities) which provides a minimum monthly lease payment as well as a variable payment based on sales. In May 2012, Interseguro sold to an affiliate this building at book value.

(c) Centro Comercial Real Plaza Chiclayo -Located in the city of Chiclayo, began its operations in November 2005. The building comprises two main areas, for which there are three lease contracts signed for 20 and 30 years, respectively, which provide a minimum monthly lease payment, as well as a variable payment based on sales and services revenues received by the tenants. In June 2012, Interseguro sold this building to a related entity, generating an income of approximately S/.92,000,000, that has been recorded in the "Financial Income" caption of the consolidated statements of income, see Note 19.

(d) Centro Comercial Real Plaza Centro Cívico - Located in the city of Lima, began its operations in December 2009. It mainly comprises a cinema complex and retail stores. For the first three stores, Interseguro has a lease contract signed for 20 and 10 years with related entities which provides a minimum monthly lease payment as well as a variable payment based on sales.

Interseguro holds the concession of surface rights on these buildings with the National Pension Funds Administration ("ONP" by its Spanish acronym). The term of this contract is 30 years extendable at maturity and comprises the payment to the ONP of an annual rent over a certain percentage of the gross income obtained from the operations of the mall which shall not be less than US$ 800,000.

9. Loan portfolio, net

(a) The table below presents the components of this caption:

	2012 S/.(000)	2011 S/.(000)
Direct loans		
Loans	9,732,693	9,366,209
Leasing receivables	1,924,143	1,903,408
Credit cards receivables	2,228,927	2,177,007
Discounted notes	344,829	321,302
Factoring receivables	231,769	249,783
Advances and overdrafts	24,875	106,876
Refinanced and restructured loans	87,453	87,122
Past due and under legal collection loans	270,522	216,419
	14,845,211	14,428,126
Add (less)		
Accrued interest from performing loans	138,105	126,535
Deferred interest and interest collected in advance	(227,261)	(230,188)
Allowance for loan losses (d)	(658,728)	(593,204)
Total direct loans	14,097,327	13,731,269
Indirect loans	3,899,689	3,659,276

As of June 30, 2012 and December 31, 2011, 51 percent of the direct and indirect loan portfolio corresponded to 749 and 531 customers, respectively. Loans were mainly granted to companies established in Peru or to companies whose shareholders have investments mostly in Peru.

(b) The table below presents the direct loan portfolio distributed by economic sector as of June 30, 2012 and December 31, 2011:

	2012		2011	
Sector	Number of customers	Amount S/.(000)	Number of customers	Amount S/.(000)
Manufacturing	2,357	1,982,245	2,554	1,968,651
Commerce	8,347	1,357,209	9,478	1,299,285
Leaseholds and real estate activities	1,010	821,342	1,145	802,384
Transportation, storage and communications	1,213	535,084	1,265	436,155
Agriculture, herding, hunting and forestry	205	399,364	251	587,285
Financial intermediation	53	331,857	75	489,552
Construction	252	338,496	259	288,779
Fishing	41	190,013	47	184,268
Mining	76	415,848	84	350,858
Electricity, gas and water	27	246,651	29	221,811
Hotels y restaurants	522	160,949	624	165,572
Education	121	67,320	109	37,169
Social and health care services	105	12,838	116	9,703
Others activities	982	184,907	1,046	326,419
Other loans				
Consumer	1,119,122	5,149,275	1,091,770	4,928,307
Mortgage	27,641	2,651,813	25,402	2,331,928
Total	1,162,074	14,845,211	1,134,254	14,428,126

(c) As of June 30, 2012 and December 31, 2011, the credit risk classification of the Bank's loan portfolio according to SBS standards, is as follows:

Risk category	2012					
	Direct Loans		Indirect Loans		Total	
	S/.(000)	%	S/.(000)	%	S/.(000)	%
Normal	13,625,574	91.8	3,871,020	99.3	17,496,594	93.3
With potential problem	473,615	3.2	16,904	0.4	490,519	2.6
Substandard	225,254	1.5	7,480	0.2	232,734	1.2
Doubtful	289,307	1.9	513	0.0	289,820	1.5
Loss	231,461	1.6	3,772	0.1	235,233	1.3
Total	14,845,211	100	3,899,689	100	18,744,900	100

Risk category	2011					
	Direct Loans		Indirect Loans		Total	
	S/.(000)	%	S/.(000)	%	S/.(000)	%
Normal	13,267,006	92.0	3,631,698	99.2	16,898,704	93.4
With potential problem	510,130	3.5	20,018	0.5	530,148	2.9
Substandard	189,194	1.3	3,056	0.1	192,250	1.1
Doubtful	273,369	1.9	746	0.1	274,115	1.5
Loss	188,427	1.3	3,758	0.1	192,185	1.1
Total	14,428,126	100	3,659,276	100	18,087,402	100

(d) As of June 30, 2012 and December 31, 2011, financial entities in Peru must constitute allowances for loan losses considering the risk classification mentioned above and using the percentages indicated in SBS Resolution No. 11356-2008 and in SBS Resolution No. 6941-2008, respectively, as follows:

(i) Loans classified as "Normal" category -

	2012	
Loan types	**Fixed-rate**	**Pro-cyclical component (*)**
	%	%
Corporate	0.70	0.40
Large-business	0.70	0.45
Medium-business	1.00	0.30
Small-business	1.00	0.50
Micro-business	1.00	0.50
Mortgage	0.70	0.40
Revolving consumer loan	1.00	1.50
Non-revolving consumer loan	1.00	1.00

(*) In case the loan has highly liquid preferred guarantees (LWHLPG), the pro-cyclical component will be 0, 0.25 or 0.30 percent, depending on the loan type.

The pro-cyclical component was required by the SBS until August 30, 2009, and later through Circular SBS No.B-2193-2010, dated on September 28, 2010, the SBS informed to the financial entities the reactivation of the pro-cyclical component rates for the allowance on direct and indirect loans for borrowers classified as "Normal", because the macroeconomic indicators that activate the rule were met on that month.

(ii) For loans classified as "Potential problem", "Substandard", "Doubtful" and "Loss"; depending upon the loans are: Without Guarantees (LWG), With Preferred Guarantees (LWPG), With Readily Preferred Guarantees (LWRPG), or With Highly Liquid Preferred Guarantees (LWHLPG), as of June 30, 2012 and December 31, 2011, the following percentages were used:

Risk category	**LWG**	**LWPG**	**LWRLPG**	**LWPSLG**
	%	%	%	%
With potential problem	5.00	2.50	1.25	1.00
Substandard	25.00	12.50	6.25	1.00
Doubtful	60.00	30.00	15.00	1.00
Loss	100.00	60.00	30.00	1.00

For loans subject to substitution of credit counterparty the allowance requirement depends on the classification of the respective counterparty, for the amount covered, regardless of the debtor's credit risk classification, using the percentages indicated above.

(e) The changes in the allowance for loan losses (direct and indirect) were as follows:

	2012 S/.(000) (*)	2011 S/.(000) (*)
Balance at the beginning of the year	644,911	550,872
Provision recognized as year expense (includes pro-cyclical provisions)	290,498	475,598
Prior years provision recoveries	(43,756)	(73,218)
Write-offs, extinguishments and sales	(175,541)	(306,870)
Allowance for loan acquired	-	4,591
Exchange result, net	(1,366)	(6,062)
Balance at the end of the year	714,746	644,911

(*) The allowance for loan losses includes the provisions for indirect loans and for credit risk related to over-indebtedness amounting to approximately S/.56,018,000 and S/.51,707,000 as of June 30, 2012 and December 31, 2011, respectively, which are recorded in the "Accounts payable, provisions and other liabilities" caption of the consolidated balance sheets; see Note 11

In Management's opinion, the allowance for loan losses recorded as of June 30, 2012 and December 31, 2011, complies with SBS regulations in effect at those dates.

(f) Interest rates on loans are freely determined, based on the rates prevailing in the Peruvian market.

(g) The table below presents the direct loan portfolio as of June 30, 2012 and December 31, 2011, classified by maturity dates:

	2012 S/.(000)	2011 S/.(000)
Outstanding		
Due within 1 month	1,690,908	2,080,083
From 1 to 3 months	1,586,610	1,909,444
From 3 months to 1 year	3,469,692	2,828,157
From 1 to 5 years	5,342,353	5,306,045
More than 5 years	2,485,126	2,087,978
	14,574,689	14,211,707
Past due loans	190,195	136,915
Loans in legal collection	80,327	79,504
	14,845,211	14,428,126

10. Property, furniture and equipment, net

(a) The table below presents the movement of this caption in 2012 and 2011:

Descripción	Land	Buildings and facilities	Furniture and equipment	Vehicles	Leasehold improvements	In-transit equipment and work in progress	Total 2012	Total 2011
	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Cost								
Balance as of January 1	67,402	495,217	381,899	4,212	76,915	16,180	1,041,825	1,016,634
Additions	790	2,541	15,848	-	1,523	14,776	35,478	32,823
Disposals and write-offs	-	(4,629)	(12,596)	(123)	(20)	-	(17,368)	(9,900)
Transfers to intangibles	-	-	-	-	-	-	-	2,268
Balance as of June 30	68,192	493,129	385,151	4,089	78,418	30,956	1,059,935	1,041,825
Accumulated depreciation								
Balance as of January 1	-	301,893	246,544	4,117	45,023	-	597,577	534,672
Depreciation for the year	-	7,308	20,988	14	6,958	-	35,268	71,048
Disposals and write-offs	-	(894)	(11,831)	(107)	(2)	-	(12,834)	(8,143)
Balance as of June 30	-	308,307	255,701	4,024	51,979	-	620,011	597,577
Net book value	68,192	184,822	129,450	65	26,439	30,956	439,924	444,248

(b) Financial entities in Peru are prohibited from pledging their fixed assets.

(c) Management periodically reviews the residual values, useful life and the depreciation method to ensure they are consistent with the economic benefits and life expectation for the property, furniture and equipment. In Management's opinion, there is no evidence of impairment of the value in use of property, furniture and equipment as of June 30, 2012 and December 31, 2011.

(d) During 2012 and 20111, correspond mainly to write-offs performed by the Bank.

(e) With SBS authorization, in the prior years the Bank recorded voluntary revaluations over certain fixed assets at their fair values which were determined by an independent appraiser and amounted to approximately S/.61,140,000; which generated a deferred Income Tax. As of June 30, 2012 and December 31, 2011 the value of the revaluations, net of their accumulated depreciation, amounts to approximately S/.40,901,000 y S/.41,646,000, respectively.

11. Accounts receivable and other assets, accounts payable, provisions and other liabilities

(a) The table below presents the components of this caption:

	2012 S/.(000)	2011 S/.(000)
Accounts receivable and other assets		
Value added tax credit (b)	221,509	213,210
Other accounts receivable, net	146,279	141,034
Investment fund participation (c)	115,448	108,848
Intangible assets, net	104,356	98,597
Deferred charges	47,913	32,068
Accounts receivable related to derivative financial instruments	45,393	32,939
Accounts receivable for sale of investments	41,930	20,299
Prepaid income tax	33,337	33,468
Rights paid to related entity (e)	30,424	33,116
Transactions in process (d)	25,894	39,423
Assets received as payment and seized through legal actions, net	8,937	11,669
Interest premium (f)	8,640	11,886
Prepaid rent	5,535	6,652
Other	11,917	13,260
	847,512	**796,469**
Accounts payable, provisions and other liabilities -		
Other accounts payable	287,090	223,583
Accounts payable for purcharse of investments	165,145	74,808
Transactions in process (d)	138,197	145,202
Accounts payable related to derivative financial instruments	73,603	68,254
Dividends, workers' profit sharing and salaries payable	68,201	64,129
Allowance for contingent loans, note 9(d)	56,018	51,707
Provision for contingencies (g)	15,342	14,246
Provisions for country risk	1,501	1,070
Other	3,764	5,516
	808,861	**648,515**

(b) Corresponds to the Value Added Tax (“IGV” by its Spanish acronym) resulting from the purchase of goods devoted mostly to leasing operations carried out by the Bank, to be recovered through the collection of such lease transactions.

(c) Corresponds to certificates of participation that the Bank holds in an investment fund dedicated to grant operating leases to domestic companies. In attention to the nature of the operation, and according to the rules of the SBS, these certificates are recorded at their amortized cost.

(d) Transactions in process include transactions performed in the last days of the month and other similar types of transactions which are reclassified to their final balance sheets account in the following month. These transactions do not affect the consolidated results as of June 30, 2012 and December 31, 2011.

(e) In December 2003, the Bank entered into a 15 year concession agreement with Supermercados Peruanos S.A., a related entity, to install financial services facilities inside the stores of Supermercados Peruanos S.A. Under this agreement, the Bank paid an amount in foreign currency equivalent to S/.32,323,000 (IGV included) which is being amortized over a 15 year period. In addition, during 2009 the Bank entered into a new concession agreement for new spaces ceded to the Bank in new stores of Supermercados Peruanos S.A., for an amount of approximately S/.16,494,000, which is being amortized during the period of the contract (6 years and 8 months).

In 2012, the Bank has recorded for such concepts an expense of approximately S/. S/.2,384,000 (S/.2,333,000, during 2011), which is included in the "Administrative expenses" caption in the consolidated statements of income.

(f) The interest premium corresponds to the premium generated by the acquisition of the Banco del Trabajo mortgage portfolio and Caja Rural Nuestra Gente consumer portfolio in September 2007 and December 2011, respectively; both are amortized using the straight-line method over a period no longer than five years.

(g) As of June 30, 2012 and December 2011, these amounts include provisions for sundry legal contingencies originated from ongoing lawsuits against the Company and its Subsidiaries owing to the nature of the business. The Company and its Subsidiaries establish provisions for such law suits when, in the opinion of Management and its internal legal advisers, it is probable that the liability will be assumed by the Company and its Subsidiaries and the amount can be reliably estimated.

12. Deposits and obligations

(a) The table below presents the components of this caption:

	2012 S/.(000)	2011 S/.(000)
Time deposits (d)	7,012,656	5,213,301
Saving deposits	4,168,300	4,124,098
Demand deposits	3,104,309	2,978,486
Deposits in guarantee (*)	770,359	646,785
Taxes payable	26,489	51,016
Other obligations	5,225	5,098
	15,087,338	13,018,784
Interest payable	29,840	23,036
Total	15,117,178	13,041,820

(*) As of June 30, 2012 and December 31, 2011, corresponds mainly to restricted deposits granted as guarantees by clients, in connection with direct and indirect loans granted by the Bank for approximately S/.551,027,000 and S/.503,140,000, respectively.

(b) Interest rates applied to deposits and obligations accounts are determined by the Bank based on interest rates prevailing on the Peruvian market.

(c) As of June 30, 2012 and December 31, 201, approximately S/.4,969,772,000 and S/.4,919,650,000, respectively, of deposits and obligations are covered by the "Deposit Insurance Fund".

(d) The table below presents the balance of time deposits classified by maturity as of June 30, 2012 and December 31, 2011:

	2012 S/.(000)	2011 S/.(000)
Due within 1 month	2,796,622	1,516,730
From 1 to 3 months	299,831	334,809
From 3 months to 1 year	2,939,081	2,520,657
From 1 to 5 years	977,122	841,105
	7,012,656	5,213,301

13. Due to banks and correspondents

(a) The table below presents the components of this caption:

	2012 S/.(000)	2011 S/.(000)
By type		
Loans received from foreign entities (b)	1,460,352	849,393
Promotional credit lines (c)	881,523	812,497
Obligations with local banks	-	30,595
	2,341,875	1,692,485
Interest and commissions payable	12,813	12,179
	2,354,688	1,704,664
By term		
Short term	939,318	323,197
Long term	1,415,370	1,381,467
Total	2,354,688	1,704,664

(b) As of June 30, 2012 and December 31, 2011, includes the following:

Entity	Country	Final maturity	2012 S/.(000)	2011 S/.(000)
Cobank	United States of America	2012	253,899	274,352
Bladex	Panama	2013	240,390	134,800
Deutsche Bank	Alemania	2016	191,273	196,822
Corporación Andina de Fomento	Venezuela	2013	133,550	134,800
Standard Chartered Bank	United Kingdom	2012	133,550	-
JP Morgan Chase	United States of America	2012	133,550	-
Wells Fargo Bank	United States of America	2014	106,840	-
Sumitomo Banking Corporation	Japon	2012	93,485	-
China Development Bank	China	2016	80,130	80,880
HSBC Bank PLC	United Kingdom	2014	53,420	-
Bank of New York	United States of America	2012	40,065	-
Bear Stearns & Co.	United States of America	2012	200	250
Credit Suisse	Switzerland	2015	-	27,489
			1,460,352	849,393

As of June 30, 2012 and December 31, 2011, transactions with foreign entities bear an effective annual average interest rate of 2.64 and 2.96 percent, respectively, except Bear Stearns & Co., whose interest rate is 3 months Libor plus a margin.

Some of the loan agreements include standard clauses required to meet financial ratios, use of funds criteria and other administrative matters. In Management's opinion, said standard clauses do not limit the normal operation of the Company and its Subsidiaries and have been met in accordance with international standard practices for these transactions.

(c) Promotional credit lines represent loans in Nuevos Soles and US Dollars granted by Corporación Financiera de Desarrollo ("COFIDE" by its Spanish acronym), corresponding to credit lines aimed to promote the country's development. These liabilities are guaranteed by a loan portfolio up to the amount of the credit line used and include specific agreements on how these funds must be used, the financial conditions that have to be complied with and other administrative matters. In Management's opinion, the Bank has been meeting said requirements. These transactions accrued an annual interest rate that fluctuated between 5 and 10 percent as of June 30, 2012 and December 31, 2011.

14. Bonds and other obligations

(a) The table below presents the components of this caption:

Issuer	Issuance	Annual Nominal interest rate	Interest Payment basis	Maturity	Authorized amount	Used amount	Outstanding balances as of June 30, 2012	Outstanding balances as of December 31, 2011
					(000)	(000)	S/.(000)	S/.(000)
Negotiable notes (DPR)								
IBK DPR Securitizadora (d)	First issue	Libor 3M + 2.75% / 3M + 3.00%	Quarterly	2014-2015	US$200,000	US$200,000	288,451	318,397
IBK DPR Securitizadora (e)	First issue	Libor 3M + 4.25%	Quarterly	2016	US$121,000	US$121,000	263,635	273,917
							552,086	592,314
Subordinated bonds (b)								
Interbank – first program	First issue (A series)	6.75%	Semiannually	2013	US$30,000	US$15,000	39,787	40,170
Interbank – first program	Third issue (A series)	3.5% + (VAC)	Quarterly	2023	S/. 135,000	S/. 110,000	110,000	110,000
Interbank – first program	Second issue (B series)	9.50%	Semiannually	2023	US$50,000	US$30,000	80,130	80,880
Interbank – first program	Fifth issue (A series)	8.50%	Semiannually	2019	S/. 135,000	S/. 3,300	3,300	3,300
Interbank – first program	Sixth issue (A series)	8.16%	Semiannually	2019	US$45,000	US$15,110	40,359	40,737
Interbank – first program	Eighth issue (A series)	6.91%	Semiannually	2022	S/. 300,000	S/. 137,900	137,900	-
Interseguro– first program	First issue	9.00%	Quarterly	2016	US$5,000	US$5,000	13,355	13,480
							424,831	288,567
Leasing Bonds (c)								
Interbank	First issue (Second program)	6.45%	Quarterly	2013	S/. 136,600	S/. 136,450	136,450	136,450
							136,450	136,450
Mortgage bonds								
Interbank – first program	First issue (A series)	4.90%	Semiannually	2014	US$10,000	US$10,000	5,075	6,470
Interbank – first program	Second issue (A and B Series)	5.6355% / Libor 6M + 0.90 p.b.	Semiannually	2015	US$10,000	US$10,000	6,410	8,088
							11,485	14,558
International Issuance through Panamanian Branch								
Junior Subordinated notes (f)	First issue	8.50%	Semiannually	2070	US$200,000	US$200,000	523,308	527,679
Senior bonds (g)	First issue	5.75%	Semiannually	2020	US$400,000	US$400,000	1,040,870	1,043,594
							1,564,178	1,571,273
Interest payable							42,412	40,287
							2,731,442	2,643,449

(*) From the outstanding balances as of June 30, 2012 and December 31,2011, there have been eliminated, for consolidation purposes, the bonds and other obligations held by IFS and its Subsidiaries amounting to S/.278,000 and S/.270,000, respectively.

(b) Subordinated bonds do not have specific guarantees.

(c) As indicated in Note 10(b), Peruvian financial entities are prohibited from pledging their fixed assets. Fixed assets acquired in connection with leasing operations that are funded through the issuance of leasing bonds are regarded as a guarantee of the related bonds.

(d) In June 2008, IBK DPR Securitizadora (a special-purpose entity domiciled in Bermuda and consolidated by IFS) issued negotiable long-term notes for US$ 200,000,000 equivalent to approximately S/.288,451,000 and S/.318,397,000net of transaction cost and capital repayments as of June 30, 2012 and December 31, 2011, respectively. The notes were disbursed in to two tranches, US$ 60,000,000 and US$ 140,000,000, with maturities in 2014 and 2015, respectively; they accrue interest at the 3-month Libor rate plus a margin. The notes issued are guaranteed by remittances received by the Bank through SWIFT transfers; said remittances are subsequently transferred by the Bank to IBK DPR Securitizadora as received. The issuance of these notes has standard clauses on meeting financial ratios and other administrative matters which, in Management's opinion, do not affect the Bank's operation and are being met.

In order to hedge the variable rate component of these transactions, the Bank has entered into two interest-rate swap agreements, with notional amounts of US$ 60,000,000 and US$ 140,000,000, respectively, by which it receives the 3-month Libor rate and pays an annual fixed rate of 3.70 and 3.75 percent, respectively, starting in March 2009. The swaps' payment schedules are identical to those of the loan, and the Bank has recorded these derivatives as cash-flow hedges; see Note 18(d).

(e) In June 2009, IBK DPR Securitizadora issued long-term negotiable notes for US$ 121,200,000, equivalent to approximately S/.263,635,000 and S/.273,917,000, net of transaction cost and capital repayments, as of June 30, 2012 and December 31, 2011, respectively, with maturity in 2016; they accrue interest at the 3-month Libor rate plus a margin. The notes issued are guaranteed by remittances received by the Bank through SWIFT transfers; said remittances are subsequently transferred by the Bank to IBK DPR Securitizadora as received. The issuance of these notes has standard clauses on meeting financial ratios and other administrative matters which, in Management's opinion, do not affect the Bank's operation and are being met.

For these transactions, the Bank has entered into an interest-rate swap contract with nominal amounts of US$ 121,200,000, for which it receives the 3-month Libor rate plus a margin of 4.25 percent and pays an annual fixed rate of 7.90 percent starting in September 2009. The swap schedule is exactly equal to that of the loan and the Bank has recorded this derivative as a cash-flow hedge; see Note 18(d).

(f) In April 2010, Interbank issued junior subordinated notes denominated "Non-cumulative fixed floating rate step-up Junior Subordinated Notes due in 2070" with maturity in April 2070 and a fixed annual interest rate of 8.5 percent. Starting in April 2020, the notes will accrue interest at a floating rate per year equal to the Libor for the three-month US dollar deposits for the related interest period plus 674 basis points, provided that the floating rate for any interest period will not be less than 10.5 percent per year, with semiannual payments. Since that date, on any interest payment date, the Bank can redeem 100 percent of the notes, without penalties. Interest payments are non-cumulative if an interest payment is not made in full or paid as set forth, due to Interbank's right to cancel interest payments, a mandatory prohibition established by the SBS, or if the SBS determines that Interbank is in non-compliance with applicable minimum regulatory capital. In such cases, Interbank will not declare, pay or distribute a dividend for the period in which the interest payments are not made. The principal payment will take place at the maturity date or when the Bank redeems the notes.

This debt, considering SBS regulations, qualifies as tier 1 in computing regulatory capital and has no collaterals.

(g) In September 2010, the Bank issued senior bonds denominated "5.750 percent Senior Notes due 2020". These bonds will mature in October 2020 and bear a fixed annual interest rate of 5.75 percent. The Bank can redeem 100 percent of the bonds on any coupon payment date paying as a penalty and interest rate equal to the US Treasury plus 50 basis points. The principal payment will take place at the maturity date of the bonds or when the Bank redeems them.

(h) International issuances are listed at the Luxemburg Stock Exchange. Likewise, local and international issuances maintain certain financial and operating covenants which, in Management's opinion, the Bank has complied with at the dates of the balance sheets.

15. Technical reserves for premiums and claims

(a) This item consists of the following:

	2012 S/.(000)	2011 S/.(000)
Technical reserves for premiums (b)	2,294,833	2,128,545
Technical reserves for claims (c)	50,856	49,534
	2,345,689	2,178,079

(b) Technical reserves for premiums disclosed by type of insurance are shown below:

	2012 S/.(000)	2011 S/.(000)
Life mathematical reserves		
Annuities reserves	2,105,139	1,944,210
Retirement, disability and survival pensions	117,235	117,250
Life insurance	60,595	56,489
Unearned premium reserve		
Compulsory traffic accident insurance (SOAT)	9,779	9,458
General insurance	2,085	1,138
	2,294,833	2,128,545

(c) Technical reserves for claims disclosed by type of insurance are shown below:

	2012		
	Claims reported S/.(000)	IBNR (e) S/.(000)	Total S/.(000)
Retirement, disability and survival pensions	39,970	14	39,984
Life insurance	5,133	180	5,313
Compulsory traffic accident insurance (SOAT)	2,311	2,276	4,587
Personal accidents	938	-	938
General insurance	34	-	34
	48,386	2,470	50,856

	2011		
	Claims reported S/.(000)	IBNR (e) S/.(000)	Total S/.(000)
Retirement, disability and survival pensions	39,572	14	39,586
Life insurance	4,325	174	4,499
Compulsory traffic accident insurance (SOAT)	2,510	2,111	4,621
Personal accidents	788	-	788
General insurance	40	-	40
	47,235	2,299	49,534

(d) In Interseguro Management's opinion, these balances reflect the exposure to life and general insurance contracts as of June 30, 2012 and December 31, 2011, in accordance with SBS regulations.

(e) As of June 30, 2012 and December 31 2011, the incurred but not reported claims have been determined in accordance with in force regulations approved by SBS. In such sense, in Management's opinion it is adequate to properly respond to the incurred but not reported claims.

(f) Below are the main assumptions for the estimation for annuities reserves, disability and survivorship reserves, and life insurance as of December 31, 2011 and 2010:

Type	Tables (*)	Technical interest %(*)
Annuities reserves	Contracts issued until July 2006: RV-85, B-85 and MI-85 Contracts issued from August 2006 to May 2011: RV-2004 Modified, B-85 and MI-85. Contracts issued from June 2011: RV-2004 Modified Adjusted, B-85 Adjusted and MI-85.	3 – 4.7
Annuities reserves (additional reserve for longevity) (**)	Contracts issued from August 2006 to May 2011: RV-2004 Modified, B-2006 and MI-2006. Contracts issued from June 2011: RV-2004 Modified Adjusted, B-2006 and MI-2006.	3 – 4.7
Disability and survivorship temporary regime	B-85 and MI-85.	3 -4.5
Disability and survivorship definitive regime	Claims with accrued date up to May 2011: B-85 and MI-85. Claims with accrued from June 2011: B-85 Adjusted and MI-85.	In accordance with the rate communicated by the SBS
Complementary high-risk jobs insurance	Claims with accrued date up to May 2011: B-85 and MI-85. Claims with accrued from June 2011: B-85 Adjusted and MI-85.	3
Life insurance	CSO 80 adjusted.	3

(*) Corresponds to the mortality tables authorized by the SBS.

(**) Corresponds to the mortality tables used by the Company to constitute additional reserves, supported by international actuarial standards and have been communicated to the SBS.

The Company has consistently applied the methodology of calculation established by the SBS for the determination of the mathematical reserves as well as the assumptions used to obtain its results.

In accordance with SBS Resolution N°17728- 2010, issued on December 27, 2010, the SBS adopted new mortality tables to be used by insurance entities that provided annuities from the private pension system and the supplementary high-risk job insurance, for contracts issued from June 1, 2011.

16. Equity

(a) Capital stock -

As of June 30, 2012 and December 31, 2011 the Company's capital stock is represented by 93,615,451 shares with a par value of US$ 9.72 per share, of which Intercorp Peru Ltd. directly or indirectly holds 64,532,623 shares representing 68.93 percent of the Company's issued capital stock as of June 30, 2012 and December 31, 2011, respectively.

The General Shareholders' Meeting held on March 30, 2012 agreed to distribute US$139,000,000 in dividends corresponding to 2011 (equivalent to approximately S/.373,632,000).

The General Shareholders' Meeting held on March 30, 2011 agreed to distribute US$ 105,000,000 in dividends corresponding to 2010 (equivalent to approximately S/.291,900,000).

(b) Treasury stock -

As of June 30, 2012 , the Bank and Interseguro hold 3,077,240 and 132,788 shares of IFS, respectively, the amount paid for these shares amounted to S/.211,867,000 and S/.10,868,000, respectively (3,077,240 and 15,500 shares of the Bank and Interfondos that amounted to approximately S/.213,855,000 and S/.1,141,000 respectively as of December 31, 2011).

During 2011, Interseguro sold IFS shares generating gains of approximately S/.8,453,000, which are recorded in the "Retained earnings" caption of the consolidated balance sheets.

(c) Capital surplus -

Corresponds to the difference between the nominal value of the shares issued in June 2007 and September 2008, and their sell or exchange value. The capital surplus is presented net of the expenses incurred related to the issuance of shares.

(d) Unrealized results on financial instruments -

The table below presents the components of this caption:

	2012 S/.(000)	2011 S/.(000)
Unrealized gains on available-for-sale investment, net of income tax	97,326	51,538
Unrealized losses on hedging financial derivatives instruments, net of income tax	(24,620)	(28,705)
	72,706	22,833

(e) Shareholders' equity for legal purposes (regulatory capital) -

IFS is not required to calculate shareholders' equity for legal purposes (regulatory capital). As of June 30, 2012 and December 31, 2011, the shareholders' equity for legal purposes, required for the Subsidiaries of IFS dedicated to financial and insurance activities in Peru, calculated according to SBS standards, is detailed below:

Bank's shareholders' equity for legal purposes (regulatory capital) -

In June 2008, by means of Legislative Decree 1028, the Banking Act was amended. The amendments established that the regulatory capital must be equal to or more than 10 percent of the total risk weighted assets and contingent operations, represented by the sum of: (i) the regulatory capital requirement for market risk multiplied by 10, (ii) the regulatory capital requirement for operational risk multiplied by 10, and (iii) the weighted assets and contingent credits by credit risk. This calculation must include all balance sheet exposures or assets in local or foreign currency. This ratio will be gradually implemented until July 2011, considering the percentages and deadlines established by said Legislative Decree 1028. As of June 30, 2012 and December 31, 2011, the minimum requirement is 10.00. The Legislative Decree 1028 also distinguishes, starting in 2009, between basic equity (Level 1) and supplementary equity (Level 2), depending on the definitions and limits there-in established. In Management's opinion, these modifications are being considered in their plans and will not have significant impact on the Bank's operations.

As of June 30, 2012 and December 31, 2011, in application of Legislative Decree 128 and its modification the weighted assets and contingent credits by credit risk and shareholders' equity for legal purposes (regulatory capital basic and supplementary) pursuant to the Banking Act in effect at those dates was determined as follows in thousands of Nuevos Soles:

	2012	2011
Total risk weighted assets and credits	19,043,583	17,289,422
Total regulatory capital	2,813,160	2,363,168
Basic regulatory capital (Level 1)	2,173,176	1,820,803
Supplementary regulatory capital (Level 2)	639,984	542,365
Global regulatory capital ratio	14.77%	13.67%

In July, 2011, the SBS issued Resolution No. 8425-2011, which states that an entity must determine an additional regulatory capital. In this sense, Peruvian financial institutions must develop a process to assess the adequacy of their regulatory capital in relation with their risk profile, which must follow the methodology described in said resolution. The additional regulatory capital shall be equal to the amount of regulatory capital requirements calculated for each of the following components: economic cycle, concentration risk, market concentration risk and interest rates risk, among others. Likewise, the Bank has a term of five years starting in July 2012 to adequate its regulatory capital to the new requirements as follows:

Date of Adjustment	Percentage of the additional regulatory capital required
Jul-12	40%
Jul-13	55%
Jul-14	70%
Jul-15	85%
Jul-16	100%

As of June 30, 2012, considering the percentage of adequation established by the SBS, the additional requirement estimated by the Bank amounts approximately S/.219,907,000, which generates a global capital ratio of 13.24 percent of the Bank's regulatory capital.

In Management' opinion, the Bank will not have any inconvinience in meeting the requirements set forth in the above mentioned Resolution.

(f) Interseguro's Shareholder's equity for legal purposes (regulatory capital) -

In accordance with SBS Resolution SBS No. 1124-2006, amended by the SBS resolutions No. 8243-2008, 12687-2008 and 5587-2009, Interseguro is forced to maintain a regulatory net equity with the purpose of maintaining a minimum equity intended to support the technical risks and other risks that could affect it. The regulatory net equity shall be greater than the amount resulting from the sum of the solvency net equity and the guarantee fund and the regulatory net equity assigned to cover credit risks.

The solvency net equity is represented by the solvency margin or the minimum capital, whichever the greatest. As of June 30, 2012, the solvency net equity is represented by the solvency margin which amounts to approximately S/.132,831,000 (approximately S/.122,462,000 in 2011).

According to SBS Resolution No. 5587 -2009, modified by SBS Resolution No. 2742 – 2011 dated February 25, 2011 and Multiple Official Letter No. 13681-2011 dated March 17, 2011, unrealized gains as a result of changes in the fair value of available-for-sale investments are not included in the regulatory net equity. Also, said resolution establishes that the excess of unrealized losses over the retained earnings and the net income of the period with and without capitalization agreements shall be deducted from the regulatory net equity. The unrealized gains of the available-for-sale investments considered in the regulatory equity until February, 2011, are presented separately in this caption.

The regulatory net equity as of June 30, 2012 and December 31, 2011, comprises the following:

	2012 S/.(000)	2011 S/.(000)
Capital paid	167,308	147,308
Legal reserve	58,557	51,557
Counted portion of subordinated debt (*)	10,684	10,784
Net Income	31,680	
Regulatory net equity	268,229	209,649

(*) In accordance with SBS Resolution No. 6599 -2011, dated June 3, 2011, for purposes of computing redeemable subordinated debt in regulatory capital, a proportionally annual discount factor of 20% was applied on the principal balance of the subordinated debt, a factor to be used during the five (5) years prior to maturity, so that is not computable in the last year.

The solvency margin is the complementary support that the entities shall maintain to deal with possible situations of excess claims not foreseen in the constitution of technical reserves. The total solvency margin corresponds to the sum of the solvency margins of the type of insurance which Interseguro operates.

Furthermore, the guarantee fund represents the additional equity support that the entities shall maintain to deal with other risks that can affect them and that are not covered by the regulatory net equity, such as the investment risks and other risks. The monthly amount of such fund must be equivalent to the 35 percent of the regulatory net equity, in accordance with SBS Resolution No. 1124-2006. As of June 30, 2012, the guarantee fund amounts to approximately S/.46,491,000 (approximately S/.42,862,000 as of December 31, 2011).

As a result of the aforementioned, Management calculated an effective equity coverage surplus as follows:

	2012 S/.(000)	2011 S/.(000)
Regulatory net equity total	268,229	209,649
Less:		
Solvency equity	(132,831)	(122,462)
Guarantee fund	(46,491)	(42,862)
Surplus	88,907	44,325

(g) Subsidiaries' legal and special reserves

Pursuant to current legislation for financial and insurance entities, a reserve of at least 35 percent of the Bank's and Interseguro's paid-in capital is required to be established through annual transfers of not less than 10 percent of their net income; said legal reserve can only be used to absorb losses or be capitalized. In both cases, the Bank and Interseguro have the obligation to replenish it.

Pursuant to Legislative Decree 770 (which is no longer in force), the Bank established a reserve in order to cover potential losses on assets received as payment and seized through legal actions prior to December 31, 1994. As of June 30, 2012 and December 31, 2011, the balance of such reserve amounted to S/.8,819,000. The Bank is not allowed to distribute or use this reserve without prior SBS authorization.

In the General Shareholders' Meeting held on March 29, 2004, the Bank approved the creation of a special reserve amounting to approximately S/.10,822,000 through the transfer of income generated in 2003. The Bank is not allowed to distribute or use this reserve without prior SBS authorization.

17. Tax situation

(a) Because it is incorporated in Panama, IFS is not subject to any Income tax.

Entities and individuals not domiciled in Peru must pay an additional tax of 4.1 percent over dividends received from entities domiciled in Peru. The entity that distributes the dividends is responsible of performing the retention of the indicated tax. In this regard, since the Company controls the entities that distribute dividends, recognizes the amount of said income tax, recorded as an expense in the period when such dividends belong. In this sense, as of June 30, 2012 and December 31, 2011, the Company has recorded in this S/.7,098,000 and S/.9,937,000, respectively, in the consolidated statements of income.

(b) IFS's Subsidiaries are subject to Peruvian tax legislation. They calculate their Income Tax on the basis of their individual financial statements. As of June 30, 2012 and December 31, 2011, the statutory Income Tax rate was 30 percent over the taxable income, after calculating the workers' profit sharing, which according to current legislation is determined using a 5 percent rate.

(c) The tax exemption over capital gains arising from the disposal of securities through the Lima Stock Exchange, as well as interest and other gains deriving from debt instruments issued by the Peruvian Government was extended until December 31, 2009. Likewise, it was eliminated the tax exemption on gains generated by deposits in the domestic financial system when the receiver is a legal person.

Since January 1, 2010, only interest and capital gains resulting from bonds issued by the Republic of Peru and from BCRP certificates of deposit used for monetary regulation purposes are exempted from the Income Tax. Likewise, only interest and capital gains resulting from bonds issued before March 11, 2007 are also exempted.

Also starting in 2010, are taxable the capital gains from the disposal, redemption or rescue of securities through centralized mechanisms of negotiation in Peru. Within this context, the Income Tax Act established that, in order to determine the capital gain derived from the disposal of shares acquired prior to January 1, 2010, the tax basis shall be either the quoted prize at the end of 2009, the acquisition cost or the value recorded in the equity, whichever the highest. This regulation is applicable to legal entities when securities are sold through or outside a centralized negotiation market in Peru.

On this matter, when there takes place the disposal, redemption or rescue of shares and participations purchased or received by the taxpayer in diverse forms or opportunities, the computable cost will be given by the weighted average cost. It is worth pointing out that the weighted average cost will be equivalent to the result that is obtained from dividing the sum of the calculable costs of every value acquired in a certain moment per the number of shares, by the total amount of acquired shares, for which the cost of the shares acquired until December 31, 2009 shall be separated from the cost of the shares acquired since January 1, 2010.

Since 2011, with the Income Tax modification, introduced by Act No. 29645, interests and other income generated by foreign loans granted to the national public sector must also be included as an item unaffected by the Income Tax.

For its part, Act No. 29663 dated on February 15, 2011, subsequently amended by Act No. 29757 dated on July 21, 2011, stated that there are considered as income of Peruvian source those obtained by the indirect disposal of shares and participations representative of the capital of legal persons domiciled in the country.

For such effects, it is necessary to consider that an indirect disposal takes place when there are disposed shares or participations representative of the capital of a legal person not domiciled in the country that, in turn, is the owner – in direct form or through another or other legal persons – of shares and participations representative of the capital of one or more legal persons domiciled in the country, whenever there take place certain conditions that the law establishes. On this matter, the law also defines the assumptions in which the issuer is severally liable.

Through Act No. 29820 dated December 28, 2011, the tax exemptions established in Article 19 of the Orderly Unique Text of the Income Tax Act approved by Supreme Decree No. 179-2004-EF were extended until December 31, 2012.

Since January 1, 2010, are regarded as non taxable the rents and gains generated by assets that are backing the technical reserves from life insurance entities constituted or established in the country, for retirement, disability and survivorship pensions from the private pension funds administrators, constituted according to law.

Likewise, are regarded as non taxable the rents and gains generated by assets which that backing the technical reserves determined by law of the annuities pensions different from those mentioned in the previous paragraph and the technical reserves that life insurance entities commercialize, even when these products include a saving or investment component.

Such exemption will be maintained while the rents and gains continue to back the technical obligation previously mentioned. To proceed with the exemption, the composition of the assets which are backing the technical reserves for which the rents and gains are non taxable, shall be reported monthly to the SBS, within the terms it indicates, discriminately and with a similar level of detail required in the case of the private pension funds administrators, for the investments that are made with the resources of the managed funds.

Regarding the Value Added Tax, the Act No. 29546 extended until December 31, 2012, the tax exemptions over the interests generated by securities issued through public offers by legal persons constituted or established in the country, provided that the issuance is performed under either the Stock Market Act, approved by Legislative Decree No. 861, or the Investment Funds Act, approved by Legislative Decree No. 862, as appropriate.

Through Act No. 29666, the IGV rate was reduced from 19 percent to 18 percent since March 1, 2011.

(d) For the purpose of determining the Income Tax and the Value Added Tax, the transfer prices agreed for transactions between related entities, or for transactions conducted with or through entities domiciled in low or zero tax countries must be supported by documentation containing information on the valuation methods applied and the criteria used in the determination of such prices. The Tax Authority has the right to request this information. Based on analysis of the Company and its Subsidiaries operations, in the opinion of Management and its legal advisors, the application of these tax standards would not have any material consequences on the consolidated financial statements as of June 30, 2012 and December 31, 2011.

(e) The Tax Authority is legally entitled to review and, if necessary, adjust the Income Tax computed during a term of four years following the year in which a tax return was filed. The Income tax and Value Added Tax returns of Interbank corresponding to 2007 through 2011 and Interseguro corresponding 2007, 2008, 2010 and 2011 are pending reviewing by the Tax Authority.

On the other hand, in April 2004, June 2006, February 2007, June 2007, November 2007, October 2008 and December 2010, the Bank received Tax Assessments and Fine Imposing Resolutions related to Income Tax Returns filed in 2000, 2001, 2002, 2003, 2004, 2005 and 2006; for all of them the Bank has filed a tax claims and appeals. In March 2009, August 2010 and September 2011, the Tax Authority has issued Tax administration resolutions for the years 2000, 2001, 2002, 2003, 2004, 2005 and 2006 for which the Bank has filed appeals.

As of the date of this report, the period 2009 corresponding to the Income Tax of Interseguro is under reviewing by the Tax Authority, which has not yet issued the formal resolution regarding the determination of said review.

In the opinion of the Bank's and Interseguro's Management and their legal advisors, any possible additional tax assessment would not have any material consequences on the consolidated financial statements as of June 30, 2012 and December 31, 2011.

18. Off-balance sheet accounts

(a) The table below presents the components of this caption:

	2012	2011
	S/.(000)	S/.(000)
Indirect loans, Note 9(a)		
Bank letters of guaranty and stand-by letters of credit (b)	3,325,926	3,077,603
Import and export letters of credit (b)	526,378	561,820
Due from bank acceptances (b)	47,385	19,853
	3,899,689	3,659,276
Foreign currency forwards transactions, Note 4		
Held for trading		
Purchase of foreign currency forwards (c)	2,773,889	2,071,393
Sale of foreign currency forwards (c)	2,486,635	1,896,527
Currency swap transaction (c)	192,127	169,828
Options transaction	10,685	
Held as hedging		
Currency swap transaction (d)	133,550	134,800
	5,596,886	4,272,548
Responsibilities under credit line agreements (e)	5,859,766	5,638,439
Total contingent operations	15,356,341	13,570,263
Other off-balance sheet accounts (g)		
Interest rates swaps		
Held for trading (c)	124,073	51,224
Held as hedging, Note (d)	560,392	638,426
	684,465	689,650
Guarantees received	14,554,423	13,346,081
Trusts (f)	1,321,536	1,442,523
Securities in custody	2,624,758	2,521,300
Mutual and investment funds managed by Interfondos Sociedad Administradora de Fondos	2,269,687	2,161,852
Equity trust managed by Internacional de Títulos Sociedad Titulizadora S.A. - Intertítulos S.T.	2,209,331	1,104,751
Collections on behalf of third parties	310,695	357,689
Loan portfolio sold	59,230	60,510
Suspended interest	114,596	96,014
Consumer credit card lines	7,030,023	6,934,402
Write-off loans	4,796,348	4,350,468
Available lines from abroad	1,343,914	1,854,150
Miscellaneous	3,725,957	3,416,355
	40,360,498	37,646,095
Total other off-balance sheet accounts	41,044,963	38,335,745
Total off-balance sheet accounts	56,401,304	51,906,008

(b) In the normal course of its operations, IFS and its Subsidiaries perform contingent operations (indirect loans). These transactions expose the Company to additional credit risk beyond the amounts recognized in the consolidated balance sheets.

IFS and its Subsidiaries applies the same credit policies for granting and evaluating the provisions required for direct loans when performing contingent operations, see Note 9(d, including obtaining guarantees when it deems it necessary. Guarantees vary and include deposits in financial institutions or other assets.

Taking into account that many of the contingent operations are expected to expire without IFS and its Subsidiaries have to disburse funds, the total committed amounts do not necessarily represent future cash requirements.

(c) As of June 30, 2012 and December 31, 2011, the Bank, Interseguro and Interfondos maintain derivative operations related to purchase and sale agreements of foreign currency transaction ("forwards") for trading purposes. These contracts are agreements by which the future delivery of foreign currency is agreed, by which the seller agrees to deliver on a specific future date an amount of foreign currency at a pre-determined price. The risk arises from the possibility that the counterparty does not meet the agreed terms and from changes that take place in the exchange rates of the currencies at which the transactions are carried out. These contracts generally have maturities no longer than one year, are carried out only to satisfy client needs and are recorded at their estimated fair value.

(d) As of June 30, 2012 and December 31, 2011, the Company and its Subsidiaries hold a currency swap transaction, which according to SBS approval, has been classified as a cash flow hedge for the issuance of leasing bonds; see Note 14(a). In economic terms this transaction translates the debt issued in Nuevos Soles into US Dollars. This transaction has maturity in March 2013.

Additionally, as of June 30, 2011 and December 31, 2011, the Company and its Subsidiaries hold four interest rates swaps hedges aimed to cover the variable rate component of certain due to banks and correspondents, see further detail in Note 14(d) and 14(e). As of June 30, 2012 and December 31, 2011, said instruments have maturities between June 2014 and June 2016.

(e) Unused lines of credit and loans granted but not disbursed do not correspond to commitments to grant loans; and include consumer lines of credit and other consumer loans that are paid when the customer receives notice to that effect.

(f) The Bank provides custody, trust, corporate management, investment management and consulting services to third parties, in which the Bank carries out instructions on behalf of its customers and does not assume responsibility for those decisions. These assets are not included in these consolidated financial statements.

(g) The balance of "Other off-balance sheet accounts" includes different transactions recorded mainly for control purposes. The most important balance corresponds to guarantees received and is expressed at the agreed value of guarantees as of the date of the loan agreement. This balance does not represent the fair value of guarantees held by IFS and its Subsidiaries.

19. Financial income and expense

(a) The table below presents the components of this caption:

	2012 S/.(000)	2011 S/.(000)
Financial income		
Interest and commissions on loans	923,447	858,510
Interest on due from banks and inter-bank funds	10,219	13,321
Investments income:		
Income from interests over investments	157,950	165,994
Income from sale and valuation of investments, net	29,073	37,151
Equity share from investments in associates, net	5,522	5,761
	1,126,211	1,080,737
Income from sale of real estate investments	106,315	-
Rental income from real estate investments	17,528	12,171
Gains on derivative financial productos, net	633	-
Exchange differences, net	85,833	91,862
Other financial income	13,313	6,927
Total financial income	1,349,833	1,191,697
Financial expenses		
Interest and commissions on deposits and obligations	109,746	87,946
Interest and fees on deposits and due to banks and correspondents	64,137	81,222
Interest on bonds and obligations outstanding	69,546	79,822
Deposit Insurance fund premium fees	11,137	9,963
	254,566	258,953
Loss on derivative financial products, net	-	5,681
Other financial expense	19,162	28,132
Total	273,728	292,766
Gross financial margin	1,076,105	898,931

20. Income and expenses from financial services

The table below presents the components of this caption:

	2012 S/.(000)	2011 S/.(000)
Fee income from financial services		
Fee for miscellaneous services	121,545	101,122
Credit and debit card commissions	108,225	99,638
Commissions on contingent operations	22,019	20,562
Fee for collections of services	10,445	11,220
Income from financial advisory services	11,100	3,599
Other	31,077	21,935
Total	304,411	258,076
Expenses relating to financial services		
Credit and debit card expenses	7,392	6,829
Fees paid to foreign banks	6,439	5,121
Other	31,184	18,580
Total	45,015	30,530

21. Result of insurance underwriting, net

The table below presents the components of this caption:

	2012 S/.(000)	2011 S/.(000)
Assumed premiums	216,520	233,615
Adjustment of technical reserves for assumed premiums	(179,764)	(193,776)
Claims on assumed premiums	(73,128)	(67,726)
Ceded premiums	(3,286)	(4,008)
Claims on ceded premiums	1,532	3,268
Gross technical result	(38,126)	(28,627)
Commissions from written premiums	(4,789)	(1,186)
Other technical income	2,188	3,019
Other technical expenses	(2,406)	(2,745)
Technical result, net	(43,133)	(29,539)

22. Administrative expenses

(a) The table below presents the components of this caption:

	2012 S/.(000)	2011 S/.(000)
Services received from third parties (b)	271,866	225,166
Personnel and Board of Directors expenses (c)	253,422	241,635
Taxes and contributions	14,539	14,038
Total	539,827	480,839

(b) The amounts recorded as "Services received from third parties" correspond mainly to transportation services, repair and maintenance services, office leases, advertising expenses, public relations expenses, telecommunication costs, professional fees, among others.

(c) The table below presents the components of this caption:

	2012 S/.(000)	2011 S/.(000)
Salaries	187,947	178,370
Social security	19,499	17,898
Severance indemnity expenses	16,103	16,646
Vacation, health care and other	15,397	16,186
Worker's profit sharing expense	14,476	12,535
Total	253,422	241,635

23. Other income, net

The table below presents the components of this caption:

	2012 S/.(000)	2011 S/.(000)
Recovery of prior year write-off loans	36,883	33,644
Commissions and other services from mutual funds administration	13,786	15,217
Net gain on sale of assets received as payment and seized through legal actions	165	129
Income tax over dividends	(7,098)	(9,937)
Employee retirement incentive	(4,033)	(7,440)
Other, net	9,339	(9,358)
Total other income, net	49,042	22,255

24. Earnings per share

The table below presents the calculation of the weighted average number of shares and the earnings per share:

	Outstanding shares (in thousands)	Shares considered in computation (in thousands)	Days as of the end of year	Weighted average number of shares (in thousands)
2011				
Balance as of January 1	92,123	92,123	181	92,123
Sale of treasury stock	134	134	179	133
Purchase of treasury stock	(1,719)	(1,719)	168	(1,596)
Balance as of June 30, 2011	90,538	90,538		90,660
Net earnings attributable to Intercorp				289,191
Net basic and diluted earnings per share attributable to Intercorp (Nuevos soles)				3.190
2012				
Balance as of January 1	90,523	90,523	182	90,523
Sale of treasury stock	16	16	168	14
Purchase of treasury stock	(172)	(172)	150	(142)
Purchase of treasury stock	(61)	(61)	82	(27)
Sale of treasury stock	100	100	39	21
Balance as of June 30, 2012	90,406	90,406		90,389
Net earnings attributable to Intercorp S/.(000)				402,496
Net basic and diluted earnings per share attributable to Intercorp (Nuevos soles)				4.453

25. Transactions with related parties and affiliated companies

(a) The table below presents the balances with related and affiliated companies as of June 30, 2012 and December 31, 2011:

	2012 S/.(000)	2011 S/.(000)
Assets		
Cash and due from banks	9,252	34,006
Held-to-maturity investments (real estate projects),	2,555	23,592
Loan portfolio, net	229,394	207,473
Other assets	35,142	67,546
Liabilities		
Deposits and obligations	169,183	270,995
Bonds and other obligations	2,991	3,236
Other liabilities	6,253	118
Income (expense)		
Interest income and rentals	16,496	14,051
Administrative expenses	(8,310)	(7,421)
Other, net	3,456	6,206
Off-balance sheet accounts		
Indirect loans	66,243	57,833

(b) Shareholders, directors and officers of IFS and its Subsidiaries have been involved, either directly or indirectly, in credit transactions with IFS and Subsidiaries as permitted by Peruvian legislation, which regulates and limits certain transactions with employees, directors and officers of financial institutions. As of June 30, 2012, loans and other credits to employees and directors amounted to approximately S/.69,488,000 (S/.60,395,000 as of December 31, 2011).

In accordance with Peruvian legislation, loans to related parties cannot be made in more favorable terms than those offered to the general public.

(c) As of June 30, 2012 and December 31, 2011, IFS participated in different domestic and foreign mutual and investment funds managed by its Subsidiaries or related parties.

(d) In Management's opinion, transactions with related companies have been performed under normal market conditions. Taxes generated by these transactions and the taxable base used for computing them, are those customarily used in the industry and are determined according to prevailing tax standards.

26. Risk assessment

IFS and its Subsidiaries' activities relate mainly to the use of financial instruments, including derivatives. Each Board of Directors of the main Subsidiaries - the Bank and Interseguro - is responsible of the general direction with regards to risk management. They are also responsible for the approval of the policies and strategies currently in force. The Board approves the principles for the general risk management, as well as the policies elaborated for these specific areas.

IFS and its Subsidiaries receive deposits from its customers at both fixed and floating rates and with different terms, with the aim of profiting from interest margins by investing those funds in high-quality assets. IFS and its Subsidiaries seek to increase these margins by consolidating its short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to comply with any withdrawal that may be requested.

IFS and its Subsidiaries seeks to obtain interest margins above market average, net of provisions, by lending to borrowers by means of a variety of credit products. The exposure not only comprises direct loans, but also indirect loans, such as guarantees, letters of credit or stand-by letters of credit.

IFS and its Subsidiaries also trades financial instruments outside and inside the stock exchange market, including derivative instruments, to benefit from changes in their prices in the market in the short term and from fluctuations in exchange rates and interest rates. Management establishes limits to exposure levels for positions that may be adopted in the market during both, daily operations and overnight positions. The exposure to exchange rates and to interest rates related to such operations is normally offset and controlled through the fluctuations in the net cash amounts required to settle market positions.

Market risk -

IFS and Subsidiaries is exposed to market risks, which is the risk that the fair value or the cash flows of a financial instrument fluctuate due to changes in market prices. Market risk arises from interest rate, exchange rates and equity products, positions all of which are exposed to general and specific market movements. Also, market risk arises from changes in the volatility level of prices such as interest rates, credit spreads, exchange rates and equity investments.

The Bank separates exposures to market risk into two groups: (i) those that arise from the value fluctuation of trading portfolios due to movements of market rates or prices (Trading Book); and (ii) those that arise from changes in the structural positions of non-trading portfolios due to movements of the interest rates, prices and exchange ratios (ALM Book).

Trading portfolios include those liquid positions arising from market-making transactions where the Bank and its subsidiaries act as principal with clients or with the market. Non-trading portfolios include relatively illiquid positions, mainly deposits and loans.

The risks of trading portfolios (Trading Book) and available-for-sale investments are managed through Value at Risk (VaR) historical simulation techniques; while non-trading portfolios are managed using Asset Liability Management (ALM) techniques.

The VaR method is an estimate of the maximum potential loss that might arise if current positions were to be held unchanged for one trading session, taking into account a specific significance level. The measurement is structured so that daily losses exceeding the VaR occur, on average, not more than in one out of one hundred trading sessions. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters used in the VaR calculation.

The calculation of risks associated with long-term and structural positions is called Asset and Liability Management (ALM). Non-trading portfolios are exposed to different sensitivities that can generate a deterioration in the value of the assets compared to their liabilities and hence to a reduction of their net value. The sensitivities to which the portfolio is exposed are those of interest rate, exchange rate and management of re-pricing gaps.

The Bank's Management also establishes individual limits for marketable securities, foreign currency exchange positions and derivative instruments. These limits include both the maximum amount of exposure and the maximum loss value that can be tolerated before demanding immediate settlement in the market (stop-loss). Compliance with these limits and the Bank's VaR are reviewed by Management on a daily basis. However, the use of this control measure does not eliminate all risks of loss beyond the limits in place in the event of movements in market prices.

Liquidity risk -

The Bank is exposed to daily withdrawal of its available cash resources from overnight deposits, current accounts, maturing deposits, loans drawdown's, guarantees and other withdrawals. The Bank does not maintain funds available in cash for all of the aforementioned needs, since experience has shown that a minimum level of reinvestment of funds upon their maturity can be predicted with a high degree of certainty. The Bank's Management establishes the limits as to the minimum amount of funds that need to be available to meet such needs and the minimum level of inter-bank loans and other types of loans that should be in place to cover unexpected withdrawals.

The procedure of matching and controlling mismatches of the maturities and interest rates of assets and liabilities is essential to Management. However, it is unusual for financial institutions to be fully matched, as transacted business is often based on uncertain terms and different systems. An open position in the terms and rates could potentially increase profitability, but it also increases the risk of losses.

Maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors when assessing liquidity and exposure to changes in interest and exchange rates.

Liquidity requirements to support indirect credits (contingent loans) are significantly lower than the amount of the commitment because it is not expected that funds will be required to honor these commitments. The total amount of the commitments to provide loans does not necessarily represent the requirement of funds in the future, as the majority of these indirect credits will expire or terminate without requiring payment thereof.

Interseguro is exposed to requirements of cash, mainly for the payment of retirement pensions and insurance claims. The liquidity risk is the risk that cash may not be available in the future to pay commitments at their expiration date. Interseguro sets the limits as to the minimum amount of funds that need to be available to meet such requirements.

Interseguro controls its liquidity risk through the matching of the maturities of assets and liabilities. Therefore, the investment plan has been structured according to their expiration date, thereby having covered the risk of fund requirements destined to cover claims for incidents or other.

Cash flow risk and fair value of interest rate changes -

The cash flow interest rate risk is the risk that cash flows of a financial instrument fluctuate due to changes in market interest rates. The risk of fair value interest rates is the risk that the value of a financial instrument may fluctuate due to changes in market interest rates.

IFS and its Subsidiaries are exposed to the effect of fluctuations in market interest rates on its financial situation and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event of unexpected fluctuations. Management sets limits on the level of mismatch of interest rates that may be undertaken and monitors these levels periodically.

Resources for commercial funding are mainly obtained from short-term liabilities, which generally bear interest at fixed and variable rates prevailing in the market. Loans, customer deposits, and other financing instruments are subject to risks arising from interest rate fluctuations. Relevant contractual maturity characteristics and interest rates of such financial instruments are disclosed in the Notes to the consolidated financial statements.

Exchange rate risk -

IFS and its Subsidiaries are exposed to the effects of fluctuations in foreign currency exchange rates prevailing over its financial position and cash flows. Management of the Subsidiaries sets limits on the level of exposure by currency and in total of overnight positions and monitors these levels on a daily basis.

Most assets and liabilities in foreign currency are stated in US Dollars. Foreign currency transactions are performed at free market exchange rates. As of June 30, 2012 and December 31, 2011, IFS and its Subsidiaries' assets and liabilities in foreign currencies are shown in Note 4. IFS has used derivative financial instruments in order to partially hedge this risk.

Credit risk -

IFS and its Subsidiaries are exposed to credit risk, which is the risk that a client will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the consolidated balance sheet date. Significant changes in the economy or in a particular industry segment that represent a concentration in the portfolio of IFS and its Subsidiaries could result in losses different from those recorded at the consolidated balance sheet date. Therefore, Management of IFS and its Subsidiaries carefully manages exposure to credit risk.

The levels of credit risk undertaken are structured, by placing limits to the amount of acceptable risk related to one borrower or groups of borrowers and geographical and industry sectors. Such risks are monitored constantly and subject to frequent review. Limits in the level of credit risk by product and industry sector are approved by the Management within the framework of standards in force.

IFS and Subsidiaries' exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits when appropriate. Exposure to credit risk is also managed partially by obtaining corporate and personal guarantees, but there is a significant portion of consumer loans for which no such guarantees can be obtained.

Credit risk of insurance activities is controlled by policies and procedures that establish maximum amounts and limits that can be granted to clients according to their credit classification. Similarly, credit risk with respect to the balances of clients related to non-payments of premiums and contributions will solely persist during a specified period in the contract of the policy until maturity, when the policy is paid or terminated. The commission paid to intermediaries is offset with the accounts receivable to them in order to reduce the risk.

The maximum exposure to credit risk is represented by the book value of available funds, investments at fair value through profit or loss, available-for-sale investments, held-to-maturity investments, loans, net, premiums and other receivables, insurance and reinsurance receivables, bank acceptances and contingent loans. The exposure for any borrower, including banks and investments, is further structured by sub-limits covering on and off-balance sheet exposures (contingent accounts / indirect loans) and daily delivery risk limits to trading items such as forward foreign exchange contracts. Actual exposure and its comparison to established limits is monitored in a continuous manner.

Risk of the insurance activity -

The risk covered by any insurance contract, under its different modalities, is the possibility of the insured event occurring and, therefore, the resulting claim having a set value. Due to the nature of the insurance contract, this risk is arbitrary and therefore unpredictable.

As far as the insurance contract portfolio is concerned, where large number and probability theory applies to setting prices and provisions, the main risk that Interseguro faces is that claims and/or payment of benefits covered by the policies will exceed the book value of the insurance liabilities. This could occur if the frequency and/or severity of claims and benefits is greater than calculated. The following factors are taken into account in evaluating insurance risks:

- Frequency and severity of claims.
- Sources of uncertainty in calculating payment of future claims.
- Mortality tables for different life insurance plans.
- Changes in market rates for investments that have a direct effect on discount rates used to calculate mathematical reserves.

Interseguro has automatic reinsurance contracts to protect itself against frequent and severe losses. The purpose of such reinsurance agreements is to prevent total net insurance losses from affecting Interseguro's equity and liquidity in any given year.

Interseguro's insurance underwriting strategy has been developed to diversify the type of insurance risks accepted. Factors aggravating insurance risks include a lack of diversification of risk types and values, and geographical location. The underwriting strategy is designed to guarantee that underwriting risks are well diversified in terms of risk type and value. Underwriting limits serve to implement the selection criteria for adequate risks.

The adequacy of the reserve is a principle of the insurance management. The technical reserves of premiums and claims are estimated by Interseguro's actuaries and are reviewed by independent experts when necessary.

Management constantly monitors the trends followed by claims, which allows performing estimations of incurred but not reported claims supported in recent information. These estimations are also reviewed by independent experts.

Furthermore, Interseguro is exposed to the risk that the mortality rates associated with its clients do not reflect the real rate of mortality, which could mean that the premium calculated for the coverage offered is insufficient to cover losses. For this reason, Interseguro carries out a careful selection of risk or subscription when issuing its policies, thus enabling it to classify the degree of risk applicable to a given potential policyholder, by analyzing characteristics such as gender, whether or not the person is a smoker, health and others.

In relation to the risk of reinsurance, Interseguro's policy is to subscribe contracts only with companies with international classification determined by SBS regulation. Furthermore, Interseguro subscribes reinsurance contracts as part of its risk mitigation program, which can be in a proportional and non proportional basis. Most proportional reinsurance corresponds to automatic contracts which are entered to reduce the exposition of certain categories of business. Non proportional contracts are mainly the excess of loss of reinsurance intended to mitigate the net exposition of Interseguro to catastrophic losses. The limits to retention of excess of loss of reinsurance vary by type of insurance contract and geographical location.

Interseguro has also limited its exposition defining the highest amounts of claims in certain contracts and in the use in accordance with reinsurers to limit its exposition to catastrophic events.

The insurance contracts do not have terms or clauses particularly relevant that may have a significant impact or represent important uncertainties over Interseguro's cash flows.

In the specific case of life annuity insurance, the risk assumed by Interseguro is that the real life expectancy of the insured population is greater than that estimated at the time the annuity is calculated, which would mean a deficit in reserves from which pensions are paid.

27. Fair value of financial instruments

Fair value of financial instruments is defined as the amount at which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction, assuming an on-going enterprise.

When a financial instrument is traded on an active and liquid market, its quoted market price in an actual transaction provides the best evidence of its fair value. When a quoted market price is not available, or may not be indicative of the fair value of the financial instrument, to determine such fair value it is possible to use the current fair value of another financial instrument that is substantially similar, discounted cash flow analysis or other techniques applicable thereto, all of which are significantly affected by the assumptions used. Although Management uses its best judgment in estimating the fair value of these financial instruments, there are inherent weaknesses in any estimation technique. As a result, the fair value may not be indicative of the net realizable value or settlement value.

A significant portion of the assets and liabilities of IFS and its Subsidiaries are comprised by short-term financial instruments, with a remaining maturity of less than one-year. Therefore, these short-term financial instruments are considered to have a fair value equivalent to their book value at the consolidated balance sheets dates, except for those that can be traded on an active market.

The methodologies and assumptions used to determine fair values depend on the terms and risk characteristics of the various financial instruments as detailed below:

- Cash and due from banks represent cash and short-term deposits that do not represent significant credit or interest risks; in consequence, their book value is equivalent to their fair value in the consolidated balance sheets.

- Available-for-sale investments and investments at fair value through profit or loss are recorded at their fair value, and as a result their book value is equivalent to that amount.

- In the case of held-to-maturity financial investments, their estimated fair values have been computed considering the quotes or price information that existed as of June 30, 2012 and December 31, 2011, respectively. As for held-to-maturity financial investments that do not have price quotes, their estimated market value as of June 30, 2012 and December 31, 2011, respectively, has been determined by discounting the expected cash flows at an interest rate that reflects the security's risk rating.

- Most loans granted and accounts receivable granted by IFS and its Subsidiaries are mainly short term and/or accrue interest that can be readjusted when market conditions change. As a result, their book value, net of the allowance for loans losses required by the SBS, excluding the increase in the pro-cyclical provisions as indicated by Note 9, is considered to be the best estimate of their fair value as of the date of the consolidated financial statements.

- The fair value of deposits and obligations is similar to their book value, mainly, due to their liquid nature and interest rates, which are can be comparable to other similar liabilities in the market at the date of the consolidated balance sheets.

- Banks and correspondents generate variable interest rate terms and/or preferential rates, similar to the ones in force in the market. For liabilities that bear interest and have original maturities longer than one year, the fair value has been calculated based on discounted future cash flows, using the effective interest rate for liabilities with similar characteristics. As a result the estimated fair value does not differ significantly of its book value.

- As disclosed in Note 18, the Bank participates in indirect loan operations. Based on the level of fees currently charged for such operations and taking into account their maturity and interest rates together with the present creditworthiness of the counterparties, the difference between their book value and their fair value is not significant.

- Derivative transactions such as currency forwards, currency and interest rate swaps are recorded at their fair value consequently; there are not differences with their book value.

Based on the analysis above, Management of IFS and its Subsidiaries believes that, as of June 30, 2012 and December 31, 2011, the estimated fair values of the Company's financial instruments do not differ significantly from their book values; except for held-to-maturity investments.

28. Additional explanation for English translation

The accompanying consolidated financial statements are presented on the basis of accounting principles generally accepted in Peru for financial and insurance entities. Certain accounting practices applied by IFS and its Subsidiaries that comply with accounting principles generally accepted in Peru for financial and insurance entities may differ in certain aspects to generally accepted accounting principles in other countries. In the event of a discrepancy, the Spanish language version prevails.