Translation of interim unaudited consolidated financial statements originally issued in Spanish – Note 29

Intergroup Financial Services Corp. and Subsidiaries

Unaudited consolidated financial statements as of December 31, 2008 and audited as of December 31, 2007.

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Intergroup Financial Services Corp. and Subsidiaries

Consolidated balance sheets

As of December 31, 2008 (unaudited) and December 31, 2007 (audited)

	Note	As of December 31, 2008 S/(000)	As of December 31, 2007 S/(000)
Assets			
Cash and due from banks -	5		
Cash and clearing		801,946	520,561
Deposits in the Peruvian Central Bank – BCRP		1,666,823	981,370
Deposits in domestic and foreign banks		153,634	147,679
Restricted funds		106,289	16,720
Interest accrued on cash and due from banks		16,539	11,756
		2,745,231	1,678,086
Inter-bank funds		6,030	21,002
Accounts receivable from insurance operations		8,700	11,916
Marketable investments, net	6	2,160,391	2,606,708
Held-to-maturity investments, net	7	1,605,781	918,892
Loan portfolio, net	8	8,936,916	5,919,610
Realizable assets, assets received as payment and seized through legal actions, net		13,088	28,983
Permanent investments, net	9	25,680	23,775
Property, furniture and equipment, net	10	520,361	432,157
Accounts receivable and other assets	11	560,428	296,422
Deferred asset from Income Tax and workers' profit sharing	16	56,684	99
Total assets		16,639,290	11,937,650
Off-balance sheet accounts	19		
Contingent assets		12,782,851	8,658,523
Other off-balance sheet assets accounts		25,962,788	21,785,672
		38,745,639	30,444,195

	Note	As of December 31, 2008 S/(000)	As of December 31, 2007 S/(000)
Liabilities and shareholders' equity			
Deposits and obligations	12	9,596,720	7,257,302
Inter-bank funds		90,028	40,452
Short-term deposits from financial entities		129,797	62,379
Accounts payable to insured parties		9	285
Due to banks and correspondents - short-term	13	1,955,694	1,152,648
Due to banks and correspondents - long-term	13	925,164	287,376
Accounts payable, provisions and other liabilities	11	574,291	296,868
Bonds and other obligations	14	457,051	190,188
Technical reserves for premiums and claims	15	1,496,188	1,317,642
Deferred liability from Income Tax and workers' profit sharing	16	986	2,295
Total liabilities		15,225,928	10,607,435
	17		
Shareholders' equity			
Intergroup shareholders' equity			
Capital stock		799,581	787,169
Treasury stock		(3,485)	(15,216)
Capital surplus		268,077	263,139
Non realized earnings		(64,142)	
Retained earnings		406,684	268,953
		1,406,715	1,304,045
Minority interest		6,647	26,170
Total shareholders' equity		1,413,362	1,330,215
Total liabilities and shareholders' equity		16,639,290	11,937,650
Off-balance sheet accounts	19		
Contingent liabilities		12,782,851	8,658,523
Other off-balance sheet liabilities accounts		25,962,788	21,785,672
		38,745,639	30,444,195

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

Intergroup Financial Services Corp. and Subsidiaries

Consolidated statements of income

For the years ended December 31, 2008 (unaudited) and December 31, 2007 (audited)

	Note	2008 S/(000)	2007 S/(000)
Financial income	20	1,550,601	1,212,105
Financial expense	20	(491,347)	(303,846)
Gross financial margin		1,059,254	908,259
Provision for loan losses, net	8(b)	(232,704)	(128,063)
Provision for impairment of investments, net		354	(7,627)
Net financial margin		826,904	772,569
Fee income from financial services	21	340,643	270,420
Expenses relating to financial services	21	(34,373)	(27,237)
Result from insurance underwriting, net	22	(59,017)	(55,905)
Operating margin		1,074,157	959,847
Administrative expenses	23(a)	(725,008)	(562,414)
Net operating margin		349,149	397,433
Provision for contingencies and other provisions		(12,157)	(18,949)
Depreciation of property, furniture and equipment and realizable assets		(46,074)	(41,410)
Amortization of intangibles and others		(12,610)	(7,356)
Operating income		278,308	326,455
Other income, net		82,009	81,568
Income before workers' profit sharing and Income Tax		360,317	408,023
Current and deferred workers' profit sharing	16	(14,539)	(17,752)
Current and deferred Income Tax	16	(94,470)	(105,150)
Net income		251,308	285,121
Attributable to:			
Intergroup shareholders		249,383	277,843
Minority interest		1,925	7,278
		251,308	285,121
Basic and diluted earnings per share (stated in Nuevos Soles)		2.697	3.138
Weighted average number of outstanding shares (in thousands of units)	24	92,455	88,537

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

Intergroup Financial Services Corp. and Subsidiaries

Consolidated statements of changes in shareholders' equity

For the years ended December 31, 2008 (unaudited) and December 31, 2007 (audited)

	Number of shares (in thousands)		Attributable to Intergroup shareholders							
	Issued	In treasury	Capital stock S/(000)	Treasury stock S/(000)	Capital surplus S/(000)	Non realized earnings	Retained earnings S/(000)	Total S/(000)	Minority interest S/(000)	Total shareholder's equity S/(000)
Balance as of January 1, 2007	84,487	-	349,331	-	-	-	412,914	762,245	51,584	813,829
Transfer	-	-	412,914	-	-	-	(412,914)	-	-	-
Equity effect of acquisition of minority interest in Subsidiaries	7,692	-	33,472	-	-	-		33,472	(33,472)	-
Decrease in capital stock due to change in nominal value of Intergroup´s shares, Note 17(a)	-	-	(75,038)	-	-	-	-	(75,038)	-	(75,038)
Capital contribution, Note 1(b) and 17(c)	-	-	66,490	-	275,110	-	-	341,600	-	341,600
Expenses of shares issuance, Note 17(c)	-	-	-	-	(11,971)	-	-	(11,971)	-	(11,971)
Dividends paid to minority shareholdes of the Bank and Interseguro	-	-	-	-	-	-	-	-	(6,168)	(6,168)
Net income	-	-	-	-	-	-	277,843	277,843	7,278	285,121
Treasury stock hold by Subsidiary, Note 17(b)	-	(328)	-	(15,216)	-	-	-	(15,216)	-	(15,216)
Other	-	-	-	-	-	-	(8,890)	(8,890)	6,948	(1,942)
Balance as of December 31, 2007	92,179	(328)	787,169	(15,216)	263,139	-	268,953	1,304,045	26,170	1,330,215
Dividens declared and paid	-	-	-	-	-	-	(109,520)	(109,520)	-	(109,520)
Non realized loss for impairment of marketable investments available for sale in Subsidiaries	-	-	-	-	-	(15,684))	-	(15,684)	-	(15,684)
Non realized loss for impairment of marketable investments available for sale	-	-	-	-	-	(9,368)		(9,368)		(9,368)
Non realized gain from valuation of financial instruments	-	-	-	-	-	(39,090)	-	(39,090)	-	(39,090)
Increase in equity due to Public exchange of shares, Note 1(c)	1,436	-	12,412	-	4,938	-	-	17,350	(17,350)	-
Net income	-	-	-	-		-	249,383	249,383	1,925	251,308
Variation by sale of treasury stock held by Subsidiary, Note 17(b)	-	268	-	11,731	-	-	-	11,731	-	11,731
Other							(2,132)	(2,132)	(4,098)	(6,230)
Balance as of December 31, 2008	93,615	(60)	799,581	(3,485)	268,077	(64,142)	406,684	1,406,715	6,647	1,413,362

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

Intergroup Financial Services Corp. and Subsidiaries

Consolidated statements of cash flows

For the years ended December 31, 2008 (unaudited) and December 31, 2007 (audited)

	2008 S/(000)	2007 S/(000)
Reconciliation of net income to cash provided by operating activities		
Net income from continuing operation	251,308	285,121
Adjustments to net income		
Add (less)		
Provision for loan losses, net	232,704	128,063
Provision for impairment of investment, net	(354)	7,627
Depreciation of property, furniture, equipment and realizable assets	46,074	41,411
Amortization of intangibles and other	12,610	7,356
Provision for assets received as payment and seized through legal actions	926	1,487
Result from sale of marketable securities and held-to-maturity investments	(51,713)	(99,258)
Gain from sale of assets received as payment and seized through legal actions	(17,092)	(6,232)
Deffered workers' profit sharing and Income Tax	(57,894)	(2,207)
Other, net	(11,627)	5,543
Net changes in asset and liability accounts		
Increase in receivable accrued interest	(48,990)	(17,330)
Increase in payable accrued interest	28,884	19,160
Net increase in other assets	(250,761)	(80,140)
Net increase in other liabilities	277,147	72,807
Increase in technical reserves	178,546	79,462
Net cash provided by operating activities	589,768	442,870

Consolidated statements of cash flow (unaudited) (continued)

	2008 S/(000)	2007 S/(000)
Cash flows provided by (used in) investing activities		
Purchase of property, furniture and equipment	(147,608)	(85,155)
Sale of assets received as payment and seized through legal actions	19,298	11,985
Purchase of intangibles	(4,820)	(2,809)
Sale of discontinued operation	-	94,501
Net cash provided by investing activities	(133,130)	18,522
Cash flows used in financing activities		
Increase in loan portfolio, net	(3,197,157)	(1,727,112)
Increase in marketable securities, net and investments held-to-maturity, net	(247,518)	(902,506)
Increase in deposits and obligations	2,318,108	1,493,558
Increase (decrease) in deposits in financial entities	67,418	(86,231)
Collection of dividends net of permanent investments decrease	9,722	3,355
Increase in due to banks and correspondents	1,439,593	908,439
Increase (decrease) in bonds and other obligations outstanding	260,530	(80,549)
Increase in receivable inter-bank funds	14,972	9,009
Increase in payable inter-bank funds	49,576	15,443
Capital stock contribution	-	341,600
Payment of dividends	(109,520)	-
Decrease in capital	-	(74,234)
Payment of issuance expenses	-	(11,971)
Payment of dividends to minority interest	-	(6,168)
Net cash used in financing activities	605,724	(117,367)
Cash increase, net	1,062,362	344,025
Balance of cash at the beginning of year	1,666,330	1,322,305
Balance of cash at end of year	2,728,692	1,666,330

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

Intergroup Financial Services Corp. and Subsidiaries

Notes to the consolidated financial statements (unaudited)

As of December 31, 2008 and 2007

1. Business activity and reorganization

(a) Business activity

Intergroup Financial Services Corp. (hereafter "Intergroup" or “the Company”) is a limited responsibility holding corporation incorporated in Panama on September 19, 2006, as the result of the restructuring of its shareholder structure (see the following paragraph (b)), IFH Perú Ltd. (hereafter “IFH”), a holding corporation incorporated in 1997, in The Bahamas.

Intergroup’s legal domicile is 50 Street and 74 Street ST Georges Bank Building, Republic of Panama; the management and administrative offices are in Avenida Carlos Villarán 140, Urb. Santa Catalina, La Victoria, Lima, Peru.

Intergroup and Subsidiaries operations are concentrated in Peru. Their main activities and assets, liabilities and equity levels are described in Note 2.

(b) Interbank Group’s reorganization and public tender offer of shares

During 2006 and 2007 "Interbank Group", which comprises several entities operating in Peru and other countries, through IFH, its principal holding company, reorganized its Subsidiaries in order to present a more effective structure, through the creation of new holding companies of which IFH is the principal shareholder. Intergroup is the holding company created for the purpose of grouping Peruvian financial companies that are part of the Interbank Group; therefore, as a consequence of the reorganization, on January 19, 2007, IFH transferred to Intergroup all the shares it held, directly and indirectly, in the Bank and Interseguro, approximately 373,262,000 and 87,275,000 respectively, in exchange for approximately 81,503,000 Intergroup shares. The share exchange ratio was fixed based on the Lima Stock Exchange quotation as of the date of the transaction, which was approximately S/ 6.00 and S/ 4.12 per each Bank and Interseguro share, respectively, and an exchange rate of S/ 3.189 to one US Dollar.

On April 3, 2007, a second exchange was carried out for approximately 2,072,000 and 19,170,000 shares of the Bank and Interseguro, respectively, in exchange of 2,984,000 shares of Intergroup. The share exchange ratio was fixed based on the Lima Stock Exchange quotation as of date of the transaction, which was approximately S/ 7.98 and S/ 4.18, per each Bank and Interseguro share, respectively, and an exchange rate of S/ 3.189 to one US Dollar.

Given that above-described restructuring of Interbank Group and the exchange of shares has not represented an effective change in IFH and other shareholders control of the Subsidiaries now grouped under Intergroup, according to generally accepted accounting principles for financial and insurance entities in Peru, the transfers were accounted for using the pooling-of-interest method, considering the equity values of the Bank and Interseguro.

After said exchanges of shares, IFH and Intergroup initiated a process of issuance and sale of Intergroup shares in the Peruvian and foreign market that ended on July 2007. As part of the process, 24 percent of Intergroup capital stock, approximately 22,115,000 shares, were offered. Of said amount, approximately 7,692,000 were new shares issued by Intergroup and 14,423,000 were offered by certain shareholders of Intergroup, including their majority shareholder IFH Perú Ltd. and some of its subsidiaries. The offering was made at US$ 14 per share.

(c) Public Offering Exchange of shares -

On March 2008, Intergroup's Board of Directors agreed to carry out a Public Offering Exchange of shares addressed to the stockholders of the Bank in order to exchange their Bank's shares for Intergroup's shares.

According to the terms of said offering, Intergroup offered to acquire up to 17,553,008 shares of the Bank – representing 3.12 percent of the Bank outstanding shares – in exchange of issuing certain number of Intergroup's shares. The exchange ratio would be 0.10585, so that, for each share that the Bank's stockholders would transfer to Intergroup, it would deliver in exchange 0.10585 of Intergroup's shares.

Said offering took place from August 25, 2008 to September 29, 2008. During that period acceptances for 13,565,775 shares of the Bank were received. As a consequence and based on the set exchange ratio, Intergroup issued 1,435,938 shares to be delivered to the Bank's stockholders that accepted the exchange.

After the processes of exchange, sale and issuance of shares previously explained; as of December 31, 2008, Intergroup holds 99 percent and 100 percent of the capital stock of Banco Internacional del Peru S.A.A. – Interbank (hereafter "the Bank" or "Interbank") and of Interseguro Compañía de Seguros de Vida S.A. (hereafter "Interseguro"), respectively.

2. Subsidiaries activities

The business activities of the Company's Subsidiaries are described below:

Banco Internacional del Perú S.A.A. - Interbank and Subsidiaries

The Bank is incorporated in Peru and is authorized by the Superintendencia de Banca, Seguros y Administradoras de Fondos de Pensiones (hereafter the "SBS" for its Spanish acronym), 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 Banking and Insurance Superintendency - Act No. 26702 (hereafter 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 December 31, 2008 and 2007, the Bank had 205 and 161 offices, respectively, and the following wholly-owned Subsidiaries:

Subsidiary	Activity
Interfondos S.A. Sociedad Administradora de Fondos	As of December 31, 2008 and 2007, managed mutual and investment funds with combined assets of approximately S/ 1,271 million and S/ 1,966 million, respectively.
Internacional de Títulos Sociedad Titulizadora S.A. - Intertítulos S.T.	As of December 31, 2008 and 2007, managed securitization funds, with combined assets of approximately S/512 million and S/ 473 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, owner of the Bank's former corporate headquarters.

Interseguro Compañía de Seguros de Vida 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 legislation, such as accident insurance. Interseguro's operations are governed by the Banking and Insurance Act. Likewise, the SBS has authorized Interseguro to organize itself in order to provide property and casualty insurance contracts.

Interseguro has the following subsidiaries:

Subsidiary	Activity
Real Plaza S.A.	An entity engaged in the administration of two shopping and entertainment malls called “Centro Comercial Real Plaza”, located in Chiclayo and Trujillo. As of December 31, 2008 and 2007 Interseguro owns 100 percent of its capital stock.
Interproperties Perú S.A.	An entity engaged in the administration of real estate projects. As of December 31, 2008 Interseguro owns 99.99 percent of its capital stock.
Centro Cívico S.A.	An entity whose main asset is a real estate project located in Lima. As of December 31, 2008 and 2007, Interseguro owns 65 percent of its capital stock.

Interactiva AFP S.A.

On September 25, 2007, Intergroup’s Board of Directors agreed to initiate with the SBS the required procedures to organize and operate a Private Pension Funds Administrator (hereafter “AFP” for its Spanish acronym); for such purpose it has made a capital contribution amounting to S/ 2,013,000. As of December 31, 2008, Interactiva AFP S.A. had assets and shareholder’s equity of S/ 2,025,000 (S/2,015,000 as of December 31, 2007).

As of the date of this report, Intergroup’s Board of Directors agreed the resignation of the organization process mentioned before; which was accepted by the SBS.

The table below presents a summary of the unaudited consolidated financial statements of Interbank and Interseguro, before the accounting eliminations for their consolidation with Intergroup, as of December 31, 2008 and 2007 and for the years ended on those dates:

	Banco Internacional del Perú S.A.A. - Interbank and Subsidiaries		**Interseguro Compañía de Seguros de Vida S.A. and Subsidiaries**	
	As of December 31, 2008 S/(000)	**As of December 31, 2007** S/(000)	**As of December 31, 2008** S/(000)	**As of December 31, 2007** S/(000)
Total assets	14,567,293	10,013,316	1,900,871	1,662,978
Total liabilities	13,629,214	9,187,732	1,700,805	1,450,709
Shareholders' equity, net	938,079	825,584	200,066	212,269

	Banco Internacional del Perú S.A.A. - Interbank and Subsidiaries		**Interseguro Compañía de Seguros de Vida S.A. and Subsidiaries**	
	As of December 31, 2008 S/(000)	**As of December 31, 2007** S/(000)	**As of December 31, 2008** S/(000)	**As of December 31, 2007** S/(000)
Operating Income	320,319	295,966	4,686	83,260
Net income	271,690	229,219	4,837	79,047

3. Accounting principles and practices

The accompanying consolidated financial statements have been prepared from the accounting records of the Company and its Subsidiaries, which are maintained in nominal Peruvian Nuevos Soles at the transaction's date. Intergroup prepares its financial statements according with accounting standards applicable to financial and insurance companies; in consideration that its main subsidiaries are financial and insurance companies that prepare and present their financial statements according with said standards. According with SBS standards and the Peruvian financial market practice, the Company and its Subsidiaries use the Peruvian Nuevo Sol as their functional and presentation currency.

In preparing and presenting the accompanying consolidated financial statements as of December 31, 2008, the Company's Management has complied with the regulations established by the SBS in force in Peru. These regulations are consistent with the principles used in the preparation of the consolidated financial statements as of December 31, 2007.

By means of SBS Resolution No. 1737-2006, dated December 28, 2006, the SBS established the accounting criteria for the recording of derivative financial instruments, which is consistent with the criteria in IAS 39, Financial Instruments: Recognition and Measurement in force in Peru. This standard is in force since January 1, 2007 and its adoption did not have a significant effect on the accompanying consolidated financial statements.

Certain accounting practices applied by Intergroup that conform to generally accepted accounting principles in Peru for financial and insurance entities may differ in certain significant respects from generally accepted accounting principles in other countries.

The Company's Management has used certain estimations and assumptions for the preparation of the interim consolidated financial information, such as the provision for loan losses, valuation of marketable securities and investments, useful life and recoverable value of properties, furniture and equipment and intangible assets; the allowance for realizable assets, assets received as payment and seized through legal actions; the technical reserve for premiums and claims; the valuation of derivative instruments, and the calculation of deferred Income Tax and workers' profit sharing, among others. Therefore, the final results could differ from the amounts recorded by the Company and its Subsidiaries.

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 December 31, 2008, the weighted average exchange rates in the market as published by the SBS for transactions in US Dollars were S/ 3.137 bid and S/ 3.142 ask (S/ 2.995 bid and S/ 2.997 ask, as of December 31, 2007). As of December 31, 2008, the exchange rate established by the SBS to record assets and liabilities in foreign currency was S/ 3.140 per US Dollar (S/ 2.996 as of December 31, 2007).

Notes to the consolidated financial statements (unaudited) (continued)

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

	As of December 31, 2008 US$(000)	**As of December 31, 2007** US$(000)
Assets		
Cash and due from banks	729,738	483,547
Marketable investments and held-to-maturity investments, net	620,583	614,700
Loan portfolio, net	1,533,264	1,131,347
Permanent investments, net	435	-
Accounts receivable and other assets	38,214	29,593
	2,922,234	2,259,187
Liabilities		
Deposits and obligations	1,581,225	1,492,724
Deposits from foreign and local financial entities	19,850	7,807
Due to banks and correspondents	658,118	403,914
Bonds and other obligations	56,452	63,480
Accounts payable, provisions and other liabilities	7,437	73,227
Technical reserves for premiums and claims	377,192	343,953
	2,700,274	2,385,105
Derivative transactions – Net sale position	(299,175)	157,558
Net (passive) active position	(77,215)	31,640

As of December 31, 2008, the net sale position from derivative transactions corresponds to foreign currency forward purchase and sale contracts of approximately US$242,797,000 and US$541,972,000 (operation's nominal values), equivalent to S/ 762,384,000 and S/ 1,701,793,000, respectively (US$ 402,640,000 and US$ 235,082,000 as of December 31, 2007, equivalent to S/ 1,206,309,000 and S/ 704,306,000, respectively), see Note 19(a).

As of December 31, 2008, Intergroup and its Subsidiaries have granted indirect loans (contingent operations) in foreign currency for approximately US$ 434,721,000, equivalent to S/1,365,024,000 (US$ 348,376,000, equivalent to S/ 1,043,733,000 as of December 31, 2007), see Note 19(b).

5. Cash and due from banks

As of December 31, 2008, cash and due from banks includes approximately US$ 638,762,000 and S/ 358,304,000 (US$ 421,887,000 and S/ 191,786,000 as of December 31, 2007) 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 (hereafter "BCRP" for its Spanish acronym). The Bank maintains such legal reserve within the limits required by current regulations.

As of December 31, 2008, the legal reserve maintained at the BCRP does not accrue any interest, except for deposits in foreign currency that exceed the minimum legal reserve required. Said excess amounted approximately to US$ 100,908,000 equivalent to S/ 316,852,000 (US$ 54,001,000 equivalent to S/ 161,787,000 as of December 31, 2007). As of December 31, 2008, these amounts accrued interest at an annual average rate of 0.40 percent (3.50 percent as of December 31, 2007).

Deposits in domestic and foreign banks are mainly in Nuevos Soles and US Dollars, all amounts are unrestricted and bear interest at market rates, except for indicated below.

As of December 31, 2008 and 2007, this caption includes restricted funds for approximately S/106,289,000 and S/16,720,000 respectively. These funds are mainly related with requirements made by counterparties in forward transactions.

6. Marketable investments, net

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

	As of December 31, 2008 S/(000)	As of December 31, 2007 S/(000)
Marketable investments held for trading		
Investment in shares quoted on the Lima Stock Exchange	2,028	22,443
Peruvian Sovereign Bonds (b)	31,449	139,120
	33,477	161,563
Marketable investments available for sale		
Bank Certificates issued by BCRP (d)	555,610	-
Negotiable Bank Certificates issued by BCRP (c)	148,798	767,148
Public Treasury Bonds:		
- Peruvian Global Bonds (e)	541,749	666,131
- Peruvian Sovereign Bonds	139,057	151,669
- Colombian Sovereign Bonds	-	21,771
- United States Sovereign Bonds	-	17,972
- Brasil Sovereign Bonds	-	14,387
- RFA Bonds (Peru)	4,726	4,508
- FOPE Bonds (Peru)	1,061	1,013
Financial and corporate bonds	166,840	350,351
Shares	159,546	211,815
Credit Suisse, London Branch - variable coupon principal protected notes (Royalty Pharma) (f)	160,511	153,074
Credit Suisse, Nassau Branch - variable coupon principal protected notes (Royalty Pharma) (f)	205,884	43,349
Royalty Pharma Cayman Partners, LP participations	56,956	19,474
Mutual and investment funds participations	25,363	25,041
Other	20	24
	2,166,121	2,447,727
Less		
Allowance for impairment of investment funds, shares and financial and corporate bonds	(51,284)	(22,317)
Total allowance for impairment of marketable investments available for sale	(51,284)	(22,317)
Marketable investments, net	2,148,314	2,586,973
Plus - Accrued interest on marketable investments	12,077	19,735
Total	2,160,391	2,606,708

(b) As of December 31, 2008 and 2007, Peruvian Sovereign Bonds are denominated in Nuevos Soles, have maturities between August 2011 and August 2037 and accrue effective annual interest rates between 6.90 percent and 12.25 percent.

(c) As of December 31, 2008 , the Negotiable Bank Certificates issued by BCRP are denominated in Nuevos Soles, have maturities between January 2009 and May 2010 (between January 2008 and May 2010 as of December 31, 2007) and accrue effective annual interest rates between 5.60 percent and 7.60 percent (between 4.94 percent and 6.17 percent as of December 31, 2007).

As of December 2008 and 2007, the acrueed interest of these Negotiable Certificates was approximately S/16,116,000 and S/28,819,000, respectively, and is included in the “Financial income” caption of the consolidated statements of income.

As of December 31, 2008, the Bank maintains repurchase agreements with part of its Negotiable Bank Certificates portfolio for a nominal value of approximately S/ 100,299,000. The financial instruments sold to the BCRP with repurchase agreements are considered as a guarantee of the transaction and thus are maintained as investments and a liability is recognized for the amount that will be paid for the resources obtained thereof, see Note 13(a).

(d) The Bank Certificates issued by BCRP are denominated in Nuevos Soles, have maturities between February 2009 and November 2009, and accrue effective annual interest rates between 5.94 percent and 7.57 percent.

As of December 31, 2008, the acrueed interest of these Negotiable Certificates was approximately S/33,424,000 and is included in the “Financial income” caption of the consolidated statements of income.

As of December 31, 2008, the Bank maintains repurchase agreements with part of its Bank Certificates portfolio for a nominal value of approximately S/ 554,127,000. The financial instruments sold to the BCRP with repurchase agreements are considered as a guarantee of the transaction and thus are maintained as investments and a liability is recognized for the amount that will be paid for the resources obtained thereof, see Note 13(a).

(e) As December 31, 2008, the Peruvian Global Bonds are denominated in US Dollars, have maturities between July 2025 and November 2033 (between july 2025 and March 2037 as of December 31, 2007) and accrue effective annual interest rates between 7.35 percent and 8.75 percent (between 5.07 percent and 8.75 percent as of December 31, 2007).

As of December 31, 2008, the acrueed interest of these financial instruments was approximately S/37,559,000 and is included in the “Financial income” caption of the consolidated statements of income.

As of December 31, 2007, the Bank had repurchase agreements for part of its Peruvian Global Bonds portfolio for a nominal value of approximately S/ 224,700,000, whose repurchase commitment date was January 7, 2008. The bonds sold with repurchase agreements are considered only as a guarantee of the transaction and thus are maintained as investments and a liability is recognized for the amount that will be paid for the resources obtained thereof, see Note 12(a).

(f) Corresponds to notes issued by Credit Suisse Bank (CBS) (Nassau and London branch) acquired by Intergroup, Interseguro and the Bank in the form of variable coupon bonds that guarantee the payment of the principal only upon maturity (2036 and 2038). These notes were issued in US Dollars, are not liquid and were used by CSB to acquire participation in Royalty Pharma’s equity.

The Royalty Pharma participations are part of these notes and will be delivered either as part of the yield upon their maturity, jointly with the payment of the principal, or if their holders execute the prepayment option, in which case the shares plus the amount equivalent to the value of the notes on the execution date will be received. Likewise, during the term of the notes, they will pay a yield equivalent to the amount that CSB collects as dividends from the participations in Royalty Pharma.

During the year 2008, Intergroup, Interseguro and the Bank received for this concept approximately US$ 3,277,000 (equivalent to S/ 10,290,000), an amount that is included in the "Financial income" caption of the consolidated statement of income.

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 Management’s opinion, and based on information from Royalty Pharma, the estimated market value of the notes exceeds their book value as of December 31, 2008 and 2007.

(g) Interseguro is subject to diversification limits, by issuer and by economic group, as well as other limits established by the SBS. In the opinion of Management, as of December 31, 2008 and 2007, Interseguro had complied with all investment limits established by the SBS.

7. Held-to-maturity investments, net

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

Description	As of December 31, 2008 S/(000)	As of December 31, 2007 S/(000)
Corporate and financial bonds	727,211	382,622
Peruvian sovereign bonds	200,723	194,102
Other countries sovereign bonds	119,895	20,590
Real estate investments (b)	463,898	239,673
Real estate projects	35,152	33,774
Credit Suisse, Nassau Branch - variable coupon principal protected notes (Royalty Pharma), Note 6(f)	28,008	26,724
Certificates of deposits of the Peruvian Financial System	15,211	13,178
	1,590,098	910,663
Less - Allowance for held-to-maturity investments	(236)	(404)
Add - Accrued interest on held-to-maturity investments	15,919	8,633
Total	1,605,781	918,892

(b) Corresponds to buildings and lands located in Lima, Chiclayo and Trujillo, acquired by Interseguro for the purpose of renting or developing real state projects. As of December 31, 2008, part of these real state investments have been transferred to a Trust denominated “Patrimonio en Fideicomiso D.S. N° 093-2002-EF – Interproperties Peru” for developing and executing real state projects. In addition, during 2008, other Companies of Interbank’s Group have done real state contributions also. As of December 31, 2008, the contribution of the Company and its Subsidiaries amounted to approximately S/ 175,000,000.

8. Loan portfolio, net

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

	As of December 31, 2008 S/(000)	As of December 31,2007 S/(000)
Commercial	4,656,947	3,084,771
Consumer	3,226,701	2,122,943
Mortgage	1,162,121	820,528
Micro-business – “MES” (for its Spanish acronym)	129,626	31,170
Restructured and refinanced	98,406	134,054
Past due and under legal collection	113,229	58,865
	9,387,030	6,252,331
Add (less)		
Accrued interest from standing loans	93,289	48,710
Deferred interest and interest collected in advance	(222,863)	(183,061)
Allowance for loan losses (b)	(320,540)	(198,370)
Total direct loan portfolio, net	8,936,916	5,919,610

As of December 31, 2008 and 2007, the total amount of direct and indirect loan portfolio before allowance for loan losses, is as follows:

	As of December 31, 2008 S/(000)	As of December 31, 2007 S/(000)
Direct loan portfolio	9,387,321	6,252,331
Indirect loan portfolio, Note 19(a)	1,899,355	1,424,249
Total	11,286,676	7,676,580

As of December 31, 2008 and 2007, 51 percent of the direct and indirect commercial loan portfolio corresponded to 586 and 422 clients, respectively. Loans were mainly given to companies established in Peru or to companies whose shareholders have investments mainly in Peru.

On May 22, 2007, the Board of Directors agreed the acquisition of the mortgage loan portfolio of Banco del Trabajo (a Peruvian financial entity). The acquisition was made on September 11, 2007, for a gross mortgage loan portfolio of approximately US$ 56,878,000 (equivalent to approximately S/ 179,734,000). As part of this acquisition the Bank assumed the liability that Banco del Trabajo had with Corporación Financiera de Desarrollo – COFIDE for approximately US$ 55,488,000 (equivalent to approximately S/ 175,342,000) and paid in cash approximately US$ 4,993,000 (equivalent to approximately S/ 15,778,000). The acquired loan portfolio was recorded at its gross value, including its related allowance for loan losses of approximately US$ 1,737,000 (equivalent to approximately S/ 5,492,000); the resulting interest premium, amounting to US$ 5,339,000 (equivalent to approximately S/ 16,871,000), was also recorded. As of December 31, 2008, the net interest premium amounts to S/12,653,000 (S/ 16,027,000 as of December 31, 2008) and is presented in the "Accounts receivables and other assets" caption of the consolidated balance sheets. The average maturity of this loan portfolio is November, 2020. See Note 11(a).

(b) The table below presents the movement of the allowance for loan losses determined according to the risk classification and percentages previously indicated:

	As of Decemberr 31, 2008 S/(000) (*)	**As of December 31, 2007** S/(000) (*)
Balance at the beginning of the year	224,519	219,408
Provisions recognized as year expense	268,086	139,836
Recoveries	(35,382)	(11,773)
Write-offs, extinguishments and sales	(105,886)	(109,233)
Reclassification to accounts receivable	(9,217)	(6,540)
Allowance acquired from Banco del Trabajo loan portfolio	-	5,492
Reclassification of deferred interest	3,452	-
Extinguisments	(2,381)	(5,431)
Exchange result, net	5,305	(7,240)
Balance at year end	348,496	224,519

(*) As of December 31, 2008, the allowance for loan losses balance includes additional provisions referred to procyclical rule for approximately S/ 57,126,000, allowance for indirect loans and a provision for credit risk associated with over-debtness amounting to approximately S/ 27,956,000 (approximately S/26,149,000 for allowance for indirect loans as of December 31, 2007).

In Management's opinion, the allowance for loan losses recorded as of December 31, 2008 and 2007 is in compliance with SBS rules.

(c) Interest rates on loans are freely determinated based on the rates prevailing in the Peruvian market.

9. Permanent investments, net

The table below presents the components of this caption:

	Percentage of participation (*)	Book value	
		As of December 31, 2008 S/(000)	**As of December 31, 2007** S/(000)
Investment fund administrated by Compass, Capital (Cayman) Limited	6.66	7,664	7,312
Shares			
Procesos MC Perú S.A.	50.00	16,536	15,065
Visanet Perú S.A.	15.47	2,877	2,303
Titulizadora Peruana - Sociedad Titulizadora	15.00	366	1,655
La Fiduciaria S.A.	35.00	1,211	983
Other	-	5,335	4,563
		33,989	31,881
Less			
Allowance for impairment of investment fund administrated by Compass, Capital (Cayman) Limited		(7,167)	(6,964)
Allowance for impairment of other permanent investments		(1,142)	(1,142)
		(8,309)	(8,106)
Total		25,680	23,775

(*) As of December 31, 2008 and 2007.

10. Property, furniture and equipment, net

(a) The table below presents the movement of these accounts as of December 31, 2008 and 2007:

Description	Land S/(000)	Buildings and facilities S/(000)	Furniture and equipment S/(000)	Vehicles S/(000)	Leasehold improvements S/(000)	In-transit equipment and work in progress S/(000)	As of December 31, 2008 S/(000)	As of December 31, 2007 S/(000)
Cost								
Balance as of January 1, 2008	56,359	464,347	218,746	4,827	26,710	62,222	833,211	758,951
Additions and transfers	14,791	17,644	64,560	136	21,908	28,569	147,608	85,155
Retirements and write-offs	(4,328)	(1,469)	(9,446)	(170)	(10,872)	(866)	(27,151)	(7,135)
Transfers to intangibles	-	-	-	-	-	(7,150)	(7,150)	(3,760)
Balance as of December 31, 2008	66,822	480,522	273,860	4,793	37,746	82,775	946,518	833,211
Accumulated depreciation								
Balance as of January 1, 2008	-	247,356	131,037	4,495	18,166	-	401,054	361,551
Depreciation for the year	-	13,883	28,487	120	3,158	-	45,648	40,934
Retirements and write-offs	-	(236)	(9,338)	(139)	(10,832)	-	(20,545)	(1,431)
Balance as of December 31, 2008	-	261,003	150,186	4,476	10,492	-	426,157	401,054
Net book value	66,822	219,519	123,674	317	27,254	82,775	520,361	432,157

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

(c) The Bank, with SBS's authorization, recorded in prior years voluntary revaluations of some of its assets at their market values determined by an independent appraiser amounting to approximately S/ 61,140,000. As of December 31, 2008 and 2007, the net book value of the recorded revaluations amounts to approximately S/48,322,000 and S/ 49,957,000, respectively.

(d) 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 property, furniture and equipment as of December 31, 2008 and 2007.

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

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

	As of December 31, 2008 S/(000)	As of December 31, 2007 S/(000)
Accounts receivable and other assets		
Value Added Tax credit	158,233	72,487
Acccounts receivable related to derivative financial instruments	117,590	25,680
Other accounts receivable, net	79,939	35,464
Transactions in process (b)	65,904	44,813
Derechos pagados a vinculada	30,503	32,495
Intrangible assets, net	26,251	25,089
Income Tax prepayments, net	24,419	8,104
Lease (rent) paid in advance	14,808	10,506
Interest premium, Note 8(a)	12,653	16,027
Deffered charges	10,384	9,818
Goodwill, net	2,942	-
Current accounts with reinsurance and co-insurance companies	-	203
Other	16,802	15,736
Total	560,428	296,422
Accounts payable, provisions and other liabilities		
Transactions in process (b)	215,337	101,622
Other accounts payable	148,187	86,752
Accounts payable related to derivative financial instruments	113,075	15,447
Workers' profit sharing and salaries payable	40,123	44,415
Allowance for losses on indirect loan portfolio (contingent loans), Note 8(b)	27,956	26,149
Other provisions for contingencies	19,955	10,231
Other	9,658	12,252
Total	574,291	296,868

(b) Transactions in process include deposits received, loans disbursed, payments collected, funds transferred and other similar types of transactions made in the last days of the month and reclassified to their final consolidated balance sheet account on the first days of the following month. These transactions do not affect the consolidated results.

12. Deposits and obligations

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

	As of December 31, 2008 S/(000)	As of December 31, 2007 S/(000)
Time deposits	5,150,844	3,382,624
Saving deposits	2,637,564	2,091,075
Demand deposits	1,480,048	1,291,875
Guarantee deposits (*)	267,347	216,015
Taxes payable	8,663	24,826
Repurchase agreements on Peruvian Global Bonds, Note 6(e)	-	221,552
Other obligations	4,800	3,191
	9,549,266	7,231,158
Interest payable for depostis and obligations	47,454	26,144
Total	9,596,720	7,257,302

(*) Includes restricted deposits given as guarantees by clients in connection with direct and indirect loans granted by the Bank. These deposits amounted to approximately S/237,954,000 and S/ 191,611,000, as of December 31, 2008 and 2007, respectively.

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

(c) As of December 31, 2008 and 2007, the amount covered by deposit Insurance fund (“FSD” for its Spanish acronym) amounts to S/ 87,580 and S/ 79,277, respectively.

13. Due to banks and correspondents

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

	As of December 31, 2008 S/(000)	As of December 31, 2007 S/(000)
By type		
Loans received from foreign entities (b)	1,766,399	912,118
Promotional credit lines (c)	451,046	510,357
CDN BCR Obligations – Repurchase agreements, Note 6 (c) (d)	644,623	-
	2,862,068	1,422,475
Interest and commissions payable	18,790	17,549
Total	2,880,858	1,440,024
By term		
Short term	1,955,694	1,152,648
Long term	925,164	287,376
Total	2,880,858	1,440,024

(b) Loans received from foreign entities relate mainly to loans in US Dollars received to fund export and import operations and working capital requirements of the Bank's clients. As of December 31, 2008 and 2007, the balance was made up of 17 and 14 entities, respectively, of which 3 entities represented approximately 59 percent of the balance as of December 31, 2008 (3 represented approximately 63 percent of the balance as of December, 31, 2007). These transactions bore annual interest rates ranging between 1.81 and 6.39 percent in 2008 (between 4.84 and 11.98 percent in 2007).

Some of the loan contracts include standard clauses requiring the Bank to comply with financial covenants, use of funds criteria and other administrative matters. In Management's opinion, said standard clauses do not limit the normal operation of the Bank and have been substantially fulfilled in accordance with international standard practices for these transactions.

(c) Promotional credit lines include loans received in Nuevos Soles and US Dollars from COFIDE, which correspond to credit lines granted to promote economic development in Peru. These loans are guaranteed with the related loan portfolio up to the limit of the credit line used and include specific agreements about their use, financial conditions to be maintained and other administrative matters that in Management's opinion, the Bank has complied with. These loans bear quarterly interest rates ranging between 5.12 percent and 9.17 percent during 2008 (between 3.43 percent and 9.17 percent during 2007).

(d) Corresponds mainly to a loan obtained from Credit Suisse for US$200,000,000 (equivalent to S/ 595,200,000). This loan has been disbursed in two tranches, of US$ 60 million and US$ 140 million with maturity in 2014 and 2015, respectively. This loan accrues at LIBOR plus a margin and does not have specific guarantees or conditions for its utilization.

14. Bonds and other obligations

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

Issuer	Issuance	Annual interest rate	Tipe of rate	Maturity	Authorized amount (000)	Used amount (000)	Outstanding balances as of December 31, 2008 S/(000)	Outstanding balances as of December 31, 2007 S/(000)
Leasing bonds								
Interbank	5th issue (A and B series)	4.7501% - Libor 3M + 0.875 bps	Nominal	2008	US$ 30,000	US$ 15,000	-	44,925
Interbank	1st issue	6.45%	Nominal	2013	S/ 136,600	S/ 136,450	132,910(*)	-
							132,910	44,925
Subordinated bonds (b)								
Interbank	3 rd issue (A serie)	VAC + 3.5	Nominal	2023	S/135,000	S/110,000	110,000	-
Interbank	1st Program (2nd issue)	9.50%	Nominal	2023	US$50,000	US$30,000	26,894	-
Interbank	1st issue	6.75%	Nominal	2013	US$ 30,000	US$ 15,000	47,100	44,922
Interbank	5 th issue (A, B and C series)	10.50% - 8.80%	Nominal	2011	US$ 30,000	US$ 15,000	46,767(*)	44,940(*)
Interseguro	1st issue	8%	Nominal	2013	US$ 5,000	US$ 5,000	15,700	10,681
							246,461	100,543
Mortgage bonds								
Interbank	1st issue	4.90%	Nominal	2014	US$ 10,000	US$ 10,000	16,419(*)	18,547(*)
Interbank	2nd issue (A and B series)	5.6355% - Libor 6M + 0.90 bps	Nominal	2015	US$ 10,000	US$ 10,000	20,724	23,369
							37,143	41,916
Titulization bonds								
Trust Patrimony D.S. 093-2002- EF								
Interproperties Perú	1st issue	8.50%	Nominal	2011	US$10,000	US$10,000	31,400	-
							31,400	-
Interest payable							9,137(*)	2,804
	Total						457,051	190,188

(*) For consolidation purposes, bonds and other obligations held by Intergroup and its Subsidiaries amounting to S/ 72,118,000 and S/ 4,959,000 as of December 31, 2008 and 2007, respectively, have been eliminated from the outstanding balances.

(b) Subordinated bonds do not have specific guarantees.

(c) As indicated in Note 10(b), 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.

15 Technical reserves for premiums and claims

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

	Technical reserves for premiums S/(000)	**Technical reserves for claims** S/(000)	**Total as of December 31, 2008** S/(000)	**Total as of December 31, 2007** S/(000)
Life annuity insurance	1,259,335	0	1,259,335	1,076,339
Private pension insurance	118,555	64,477	183,032	199,128
Life insurance	38,586	3,455	42,041	33,754
Compulsory traffic accident insurance (SOAT)	8,042	3,724	11,766	8,421
General and assault insurance	12	2	14	-
Total	1,424,530	71,658	1,496,188	1,317,642

(b) Private pension claims consist of estimates of the total cost, including the cost of adjustment, claims reported by the AFP, for which recipients of disability and survival benefits from the Private Pension System are pending to opt for a life annuity insurance and the insurance company of their choice, as set forth in SBS Resolution No. 900-2003; as well as funeral expenses incurred by the death of affiliates included in the disability and survival policies contracted by the AFP.

(c) In Management's opinion, these balances reflect the exposure to life annuity insurance, private pension insurance and life insurance operations as of December 31, 2008 and 2007, in accordance with SBS regulations.

(d) The main assumptions used in estimating the reserves for life annuity insurance, private pension insurance and life insurance as of December 31, 2008 and 2007 are shown below:

System	**Tables** (*)	**Technical interest** %
Life annuity insurance (*)	RV-85, RV-2004, B-85 and others	3.00 – 5.45
Private pension insurance	RV85, MI-85 and B-85	Temporary System 3 and 4.5. Final regimen in accordance with the rate published monthly by the SBS
Individual life	CSO80 adjusted	4.00 – 5.00

(*) Mortality tables are established by the SBS.

(e) In accordance with Article 311 of the Banking and Insurance Act and SBS Resolution No. 039-2002 amended by SBS Resolution No. 1149-2002 and Resolution No. 1793-2003, Interseguro must support its total technical reserves, solvency margin and guarantee fund with eligible investments that must be within the limits established by the aforementioned legal provisions.

Interseguro has eligible investments which fully cover the technical reserves as of December 31, 2008 and 2007. As of December 31, 2008 and 2007, investments destined to cover Interseguro's technical reserves are within the limits of eligible investment by country, provided by SBS, pursuant to the provisions set forth in Article 5 and Temporary Provision 4 of SBS Resolution 039-2002.

Eligible investments cannot be granted as guarantee or be subject to liens or encumbrances, or to any other measure which may impair or limit their free availability.

(f) As provided in Article 303 of the Banking and Insurance Act and SBS Resolution No. 813-97 amnended by SBS Resolution No. 827-2000, Interseguro must calculate a solvency margin as one of the parameters used to determine coverage of the regulatory net equity referred to in Note 17(f). Such margin is the largest amount resulting from applying certain percentages to the production of the last twelve months or the expenses for claims net of recoveries of the last thirty six months.

As of December 31, 2008, the solvency margin calculated by Interseguro amounted to approximately S/94,789,000 (approximately S/ 84,232,000 as of December 31, 2007), which has been computed based on the production of the last twelve months.

16. Deferred asset and liability from workers' profit sharing and Income Tax

The table below presents the amounts reported in the consolidated balance sheets and consolidated statements of income as of and for the years ended December 31, 2008 and 2007:

Consolidated balance sheets	**Deferred assets**		**Deferred liabilities**	
	2008 S/(000)	**2007** S/(000)	**2008** S/(000)	**2007** S/(000)
Income Tax	48,224	84	(839)	(1,952)
Workers' profit sharing	8,460	15	(147)	(343)
Total	56,684	99	(986)	(2,295)

Consolidated statements of income	**Workers' profit sharing**		**Income Tax**	
	2008 S/(000)	**2007** S/(000)	**2008** S/(000)	**2007** S/(000)
Current (*)	(19,983)	(18,081)	(125,500)	(107,028)
Deferred	5,444	329	31,030	1,878
Total	(14,539)	(17,752)	(94,470)	(105,150)

(*) As of December 31, 2008, includes approximately S/ 4,770,000 of Income Tax expenses recorded by Intergroup and related to dividends declared by Interbank and Interseguro of approximately S/99,309,000 and S/17,040,000, respectively. Additionally, includes a provision for S/ 6,192,000 related to dividends that Intergroup will receive for period 2008.

17. Shareholders' equity

(a) Capital stock -

As a consequence of the exchange of shares described in Note 1(b), Intergroup shareholders' equity was represented by 84,487,205 common shares with a nominal value of US$ 10 per share.

On May 7, 2007, in order to distribute to its shareholders the dividends relating to the 2006 net income received from the Bank and Interseguro during 2007; Intergroup's Board of Directors agreed to redeem all of Intergroup's shares, and to issue the same number of shares with a value of US$ 9.72 each. As a consequence, Intergroup reduced its capital stock by approximately S/ 75,038,000 (equivalent to US$ 23,656,000).

In June 2007, as a result of the issuance of shares indicated in Note 1(b), Intergroup issued 7,692,308 shares with a value of US$ 9.72 each. After the previously explained exchange of shares, reduction in value and issuance of shares, as of December 31, 2007, the capital stock of Intergroup was represented by 92,179,513 shares with a value of US$ 9.72 each; IFH held 67,408,826 shares that represented 73.13 percent of the capital stock of Intergroup.

In September 2008, as a result of the public offering exchange of shares indicated in Note 1(c), Intergroup issued 1,435,938 shares with a value of US$ 9.72 each. As of December 31, 2008, the capital stock of Intergroup is represented by 93,615,451 shares with a value of US$ 9.72 each; IFH holds 67,522,915 shares that represent 72.13 percent of the capital stock of Intergroup.

(b) Treasury stock hold by subsidiary -

As of December 31, 2008, Interseguro holds 60,000 shares of Intergroup, with an acquisiction cost of approximately S/ 3,485,000 (As of December 31, 2007 held 328,000 shares of Intergroup, with an acquisition cost of approximately S/ 15,216,000). These amounts are reducing Intergroup shareholders' equity.

(c) Capital surplus -

Correspond mainly to the difference between the values of the shares issued in June 2007, less their offering price. The capital surplus is presented net of the expenses incurred relating to the issuance; which mainly includes lawyers and investment banker's fees and transaction commissions.

(d) Bank's treasury stock -

As of December 31, 2008 and 2007, corresponds to 18,387,000 shares of the Bank, with an acquisition cost of approximately S/ 33,910,000. These shares were acquiried by the Bank for the purpose of executing an Incentives Program for the Bank's Management, following the agreement of the General Shareholders' Meeting held on July 23, 2002.

As of to date, the Bank's shareholders and Management are reviewing the terms in wich this program will be implemented.

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

As of December 31, 2008 and 2007, the Bank's shareholders' equity for legal purpose (regulatory capital) as determined in accordance with current regulations was as follows:

	As of December 31, 2008 S/(000)	**As of December 31, 2007** S/(000)
Paid-in-capital	581,135	478,628
Add		
Legal reserves	163,506	140,727
Earnings with capitalization agreement (*)	201,355	83,334
Subordinated bonds	206,285	44,940
Generic allowance for loan losses	100,641	67,898
Less		
Investments in Subsidiaries and other	(30,497)	(31,203)
Treasury stock, Note 17(d)	(33,910)	(33,910)
Non realized loss for impairment of marketable investments available for sale	(15,796)	(74)
Other	(324)	-
Total	1,172,395	750,340

(*) As of December 31, 2008, includes earnings with capitalization agreement corresponding to the period between January 1st and September 30th 2008, according to General Shareholders' Meeting and Ordinary Sesion of Directors held on March 28, 2008 and October 21, 2008, respectively. As of December 31, 2007, corresponds to earnings generated in the first semester of 2007, according to General Shareholders' Meeting held on March 29, 2007.

As of December 31, 2008 and 2007, contingent assets and liabilities weighted by credit risk amounted to approximately S/ 10,888,111,000 and S/ 7,286,617,000, respectively, which generated a global leverage for credit and market risk of 9.30 and 10.03 times, respectively, of the Bank's regulatory capital. According to the Banking Law, this ratio cannot exceed 11 times.

(f) Interseguro's shareholders' equity for legal purposes (regulatory capital) -
In accordance with SBS Resolution No. 813-97, ammended by SBS Resolutions No. 1261-98, No. 764-2001 and No. 1124-2006 (wich took effect in January 2007), Interseguro has to maintain a regulatory net equity larger 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 table below presents Interseguro's regulatory net equity as of December 31, 2008 and 2007, determined in accordance with prevailing legislation:

	As of December 31, 2008 S/(000)	**As of December 31, 2007** S/(000)
Paid-in-capital	116,011	116,011
Plus		
Legal reserves	40,604	17,211
Subordinated bonds	15,700	14,981
Retained earnings with capitalization agreement (*)	10,000	-
Total	182,315	148,203

(*) As of December 31, 2008, includes earnings generated in prior years, according to Sesion of Directors held on September 30, 2008.

In accordance with SBS Resolution No. 764-2001, the solvency net equity is established based on the bigger amount of the minimum capital provided for in Article 16 of the Banking and Insurance Act, updated by means of SBS Circular Letter No. G-123-2005 and modified by SBS Resolution No. 1124-2006 and the solvency margin (Note 15(f)). As of December 31, 2008, the solvency net equity is equivalent to the solvency margin and amounts to approximately S/94,789,000 (approximately S/ 84,232,000 as of December 31, 2007).

As of December 31, 2008, according to SBS Resolution No. 764-2001 the guarantee fund amounts to approximately S/ 33,176,000 (approximately S/ 29,481,000 as of December 31, 2007).

As of December 31, 2008 and 2007, the regulatory net equity assigned to cover credit risks does not report any value because Interseguro has neither granted premium funding under the Special System referred to in SBS Resolution No. 630-97 nor maintained guaranty granting operations, except for those related to mortgage loans received by its employees as of December 31, 2007 amounting to S/ 15,000.

As a result of the above mentioned, Management has determined the following regulatory net capital surplus:

	As of December 31, 2008 S/(000)	As of December 31, 2007 S/(000)
Total regulatory net equity	182,315	148,203
Less		
Solvency net equity	(94,789)	(84,232)
Guarantee fund	(33,176)	(29,481)
Surplus	54,350	34,490

(g) Subsidiaries' legal and special reserves -

In accordance with the Banking and Insurance Act, 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.

As of December 31, 2008 and 2007, the legal and special reserves of Intergroup's Subsidiaries, considering Intergroup's participation in the Bank and Interseguro, amounted to approximately S/ 217,819,000 and S/ 166,295,000, respectively.

In the General Shareholders' Meeting held on March 29, 2004, it was approved the creation of a special reserve amounting to approximately S/ 10,882,000, which was done through the transfer of the net income of 2003. The Bank is not allowed to distribute or use this reserve without prior SBS authorization.

In accordance with Legislative Decree No. 770 (abrogated at present), 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 December 31, 2008 and 2007, the balance of said reserve amounted to S/8,819,000.

18. Tax situation

(a) Because it is incorporated in Panama, Intergroup 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.

(b) Intergroup's Subsidiaries are subject to the Peruvian Tax System and, in compliance with current Peruvian legislation; they calculate their Income Tax on the basis of their individual financial statements. As of December 31, 2008 and 2007, the statutory Income Tax rate was 30 percent on taxable income, after calculating the workers' profit sharing, which in accordance with current legislation is determined using a 5 percent rate.

(c) Article 8 of Legislative Decree No. 970 extended until December 31, 2008, the Income Tax exemptions related to capital gains from the transfer of securities registered with the Stock Market Public Registry through centralized mechanisms of trading, as well as interest generated from those instruments. Law 29308 extends this exoneration until December 31, 2009.

Likewise, according to the prevailing Peruvian legislation, life insurance premiums in favour of individuals and insurance premiums for affiliates to the AFP's are exempt from Income Tax.

(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 (tax havens) must be supported by documentation containing information about the valuation methods applied and criteria used in the determination of prices. The Tax Authority has the right to request this information.

Based on an analysis of the operations of Intergroup and its Subsidiaries, Management and its legal counsel believe that the application of these tax standards will not result in significant contingencies for Intergroup and its Subsidiaries as of December 31, 2008 and 2007.

(e) The Tax Authority is legally entitled to review and, if necessary, adjust the Income Tax computed by the Subsidiaries 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 the Subsidiaries corresponding to 2003 through 2007 are pending review by the Tax Authority.

On the other hand, on April 2004, June 2006, February 2007, June 2007, November 2007 and October 2008, the Bank received Tax Assessments and Fine Imposing Resolutions related to Income Tax returns filed in 2000, 2001, 2002, 2003, 2004 and 2005. The Bank has already filed the respective tax claim against said resolutions. As of the date of this report, the Tax Authority Claims Department has not made a decision on the claims filed by the Bank; however, in the opinion of the Bank's Management and its legal counsel, any additional tax assessments would not be significant to the consolidated financial statements as of December 31, 2008 and 2007.

19. Off-balance sheet accounts

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

	As of December 31, 2008 S/(000)	As of December 31, 2007 S/(000)
Indirect loans (b), Note 8(a)		
Bank letters of guaranty and stand by letters of credit	1,627,503	1,252,656
Import and export letters of credit	193,190	142,828
Due from bank acceptances	78,662	28,765
	1,899,355	1,424,249
Foreign currency forwards operations (c), Note 4		
Purchase of foreign currency forwards	762,384	1,206,309
Sale of foreign currency forwards	1,701,793	704,306
	2,464,177	1,910,615
Responsabilities under credit line agreements	7,791,319	5,323,659
Other contingent operations (f)	628,000	-
	8,419,319	5,323,659
Total contingent operations	12,782,851	8,658,523
Other off-balance sheet accounts (e)		
Guarantees received	8,021,303	6,134,203
Securities in custody	1,875,031	2,485,463
Mutual and investment funds managed by Interfondos Sociedad Administradora de Fondos	1,270,788	1,966,331
Trusts	1,672,046	1,990,593
Equity trusts managed by Internacional de Títulos Sociedad Titulizadora S.A. – Intertítulos S.T.	512,165	472,665
Collections on behalf of third parties	292,092	347,765
Loan portfolio sold	70,287	68,075
Suspended interests	67,421	59,873
Interest rate swap operations (d)	646,884	42,388
Other	11,534,771	8,218,316
Total other off-balance sheet accounts	25,962,788	21,785,672
Total off-balance sheet accounts	38,745,639	30,444,195

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

The Bank applies the same credit policies for granting and evaluating the provisions required for direct loans when performing contingent operations, see Note 8(d), including obtaining guarantees when it deems it necessary. Guarantees vary and include deposits in financial institutions, securities, and real estate property or other assets.

Taking into account that many of the contingent operations (indirect loans) are expected to expire without the Bank having to disburse funds, the total committed amounts do not necessarily represent future cash requirements.

(c) As of December 31, 2008 and 2007, the derivative operations maintained by the Bank related to purchase and sale agreements of foreign currency forward transactions are as follows:

	Nominal amount				**Fair value**	
	As of December 31, 2008		**As of December 31, 2007**		**As of December 31, 2008**	**As of December 31, 2007**
	US$(000)	S/(000)	US$(000)	S/(000)	S/(000)	S/(000)
Purchase agreements	242,797	762,384	402,640	1,206,309	66,499	(8,937)
Sale agreements	541,972	1,701,793	235,082	704,306	(116,972)	18,980

These contracts are made only with the purpose of meeting the needs of the Bank's clients; and they mature within a term not to exceed two years.

(d) As of December 31, 2008, the Bank has interest rate swaps for a nominal value of approximately S/ 646,884,000, equivalent to US$ 206,014,000 and their valuation effect amounts to a liability of approximately S/ 48,422,000 (S/ 42,388,000, equivalent to US$ 14,148,000 as of December 31, 2007 and their valuation effect amounted to a liability of S/ 574,000).

(e) The balance of "Other off-balance sheet accounts" includes many transactions that are recorded for control purposes. The most significant component of this balance relates to the "Guarantees received" caption; which corresponds to items received as guarantee. Such items are accounted for at the value agreed upon as of the date of the loan contract, which does not necessarily represent their market value.

(f) On June 2008, IBK DPR Securitizadora, a special purpose vehicle, incorporated in Bermudas, issued long term negotiable notes divided in two tranches (US$ 60 million and US$ 140 million), both accruing LIBOR plus margin, and maturing in 2014 and 2015, respectively. The long term negotiable notes are secured by the colletion of the Bank's current and future inflows from electronic messages sent through the Society for Worlwide Interbank Financial Telecommunications (SWIFT) network, which have been irrevocably transferred by the Bank to IBK DPR Securitizadora at par. The long term negotiable notes have covenants related to financial ratios and other administrative matters that management considers do not affect the normal operation of the Bank.

20. Financial income and expense

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

	As of December 31, 2008 S/(000)	As of December 31, 2007 S/(000)
Financial income		
Interest and commissions on loans	1,080,239	737,708
Interest on due from banks and inter-bank funds	47,318	52,097
Income from marketable investments and held-to-maturity investments	210,256	192,959
Gain on sale of marketable investments an held-to-maturity investments	51,713	110,222
Net income from valuation of other marketable investments	39,189	10,249
Net income from permanent investments, net	17,099	10,148
Other financial income	11,512	14,654
Financial income before exchange difference, net	1,457,326	1,128,037
Exchange difference, net	93,275	84,068
Total	1,550,601	1,212,105
Financial expense		
Interests and commissions on deposits and obligations	277,731	195,521
Interests and fees on deposits and due to banks and correspondents	102,187	41,901
Interests on bonds and other obligations	19,186	17,460
Result from the sale of marketable investments	14,141	10,964
Result from the valuation of marketable investments held for trading, net	35,372	4,633
Deposit Insurance Fund fees	13,629	11,280
Other financial expenses	29,101	22,087
Total	491,347	303,846
Gross financial margin	1,059,254	908,259

21. Income and expenses from financial services

The table below presents the components of this caption:

	As of December 31, 2008 S/(000)	**As of December 31, 2007** S/(000)
Fee income from financial services		
Credit and debit card	132,421	97,513
Fees for services	127,523	63,529
Contingent operations	22,110	14,873
Fees for collection and payment services	18,078	13,674
Other	40,511	80,831
Total	340,643	270,420
Expenses relating to financial services		
Credit and debit card expenses	26,723	21,156
Fees paid to foreign banks	6,416	5,517
Other	1,234	564
Total	34,373	27,237

22. Result of insurance underwriting, net

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

	As of December 31, 2008 S/(000)	As of December 31, 2007 S/(000)
Assumed premiums	211,351	235,523
Adjustment of technical reserves for assumed premiums	(136,465)	(129,416)
Ceded premiums	(6,167)	(5,165)
Adjustment of technical reserves for ceded premiums	-	85
Claims on assumed premiums	(126,359)	(154,297)
Claims on ceded premiums	3,276	2,045
Gross technical result	(54,364)	(51,225)
Commissions from written premiums	(2,208)	(1,684)
Other technical income	1,933	1,787
Other technical expenses	(4,378)	(4,783)
Technical result, net	(59,017)	(55,095)

23. Administrative expenses

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

	As of December 31, 2008 S/(000)	As of December 31, 2007 S/(000)
Services received from third parties (c)	378,204	281,600
Personnel and Board of Directors expenses (b)	314,248	251,692
Taxes and contributions	32,556	29,122
Total	725,008	562,414

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

	As of December 31, 2008 S/(000)	As of December 31, 2007 S/(000)
Salaries	253,977	205,551
Social security	22,773	18,219
Severance indemnity expenses	17,284	13,537
Vacation, medical assistance and other	20,214	14,385
Total	314,248	251,692

(c) The amounts recorded as “Services received from third parties” correspond mainly to transportation services, repairs and maintenance services, office leases, advertising expenses, public relations expenses, telecommunication costs, professional fees, among other.

24. Earnings per share

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

	Outstanding shares, net of treasury stock (in thousands)	**Shares considered in computation** (in thousands)	**Days as of the end of year**	**Weighted average number of shares** (in thousands)
2007				
Balance as of January 1, 2007	-	-		-
Exchange of shares, carried out in 2007	81,503	81,503	365	81,503
Exchange of shares, carried out in 2007	2,984	2,984	365	2,984
Cash contribution	7,692	7,692	194	4,088
Purchase of treasury stock	(23)	(23)	52	(3)
Purchase of treasury stock	(105)	(105)	49	(14)
Purchase of treasury stock	(200)	(200)	38	(21)
Balance as of December 31, 2007	91,851	91,851		88,537
Net income S/(000)				277,843
Income per share S/				3.138
2008				
Balance as of January 1, 2008	91,851	91,851	365	91,851
Sale of treasury stock , Note 17(b)	328	328	317	285
Purchase of treasury stock, Note 17(b)	(60)	(60)	282	(47)
Exchange of shares, Note 1(c)	1,436	1,436	93	366
Balance as of December 31, 2008	93,555	93,555		92,455
Net income S/(000)				249,383
Income per share S/				2.697

25. Transactions with related parties and affiliated companies

(a) The table below presents the balances with related companies and affiliates as of December 31, 2008 and 2007:

	2008											
	Supermercados Peruanos S.A. S/(000)	IFH Perú Ltd. S/(000)	Blu Bank Ltd. S/(000)	Centura Sociedad Agente de Bolsa S/(000)	Procesos MC Perú S.A. S/(000)	Urbi Propiedades S.A. S/(000)	Cineplex S.A. S/(000)	Nessus Hoteles Peru S.A. S/(000)	Nexus Capital Partners S/(000)	Peruplast S/(000)	Other S/(000)	Total S/(000)
Assets												
Cash and due from banks	-	-	1,434	-	-	-	-	-	-	-	-	1,434
Held-to-maturity investments (real estate projects), Note 7	1,506	-	-	-	-	27,957	3,519	-	-	-	-	32,982
Loans, net	3	18,870	-	-	-	3,168	11,521	35,959	12,041	9,268	1	90,831
Other assets	27,053	25,405	-	32	-	4,309	29	-	-	-	871	57,699
Liabilities												
Deposits and obligations	29,480	623	-	19,613	1,919	1,673	6,937	693	3	3,037	2,143	66,121
Other liabilities	5,317	709	-	-	-	1,268	239	-	-	-	8,980	16,513
Results												
Interest income	472	1,112	13	8	27	349	548	266	897	625	93	4,410
Administrative expenses	14,854	-	-	384	-	13,350	44	-	-	-	1,083	29,715
Other, net	7,012	-	19	514	173	32	2,261	2,822	-	2	1	12,836
Off-balance sheet accounts												
Indirect loans	-	-	-	44,456	6,290	2,383	-	1,604	-	200	4,430	59,363

	2007											
	Supermercados Peruanos S.A. S/(000)	IFH Perú Ltd. S/(000)	Blu Bank Ltd. S/(000)	Centura Sociedad Agente de Bolsa S/(000)	Procesos MC Perú S.A. S/(000)	Urbi Propiedades S.A. S/(000)	Cineplex S.A. S/(000)	Nessus Hoteles Peru S.A. S/(000)	Nexus Capital Partners S/(000)	Peruplast S/(000)	Other S/(000)	Total S/(000)
Assets												
Cash and due from banks	-	-	4,123	-	-	-	-	-	-	-	-	4,123
Held-to-maturity investments (real estate projects), Note 7	-	-	-	-	-	26,674	3,169	-	-	-	-	29,843
Loans, net	107	17,976	-	-	1	2,532	3,469	22,637	16,140	5,539	3,359	71,760
Other assets	18,842	325	-	133	-	2,109	23	-	-	-	3,614	25,046
Liabilities												
Deposits and obligations	39,909	3,398	2	38,812	13,922	911	514	1,248	-	460	1,047	100,223
Other liabilities	-	666	509	-	-	-	13	4	-	-	52	1,244
Results												
Interest income	98	329	249	76	6	107	348	1,080	2,200	1,182	1,495	7,170
Administrative expenses	(6,874)	-	-	(65)	-	(5,535)	(74)	-	-	-	(373)	(12,921)
Other, net	3,911	58	(127)	(5,644)	(192)	2,769	1,873	693	13	(40)	378	3,692
Off-balance sheet accounts												
Indirect loans	-	-	-	718	3,045	4,158	-	1,530	-	-	10,407	19,858

(b) Some shareholders, directors and officers of Intergroup and Subsidiaries have been involved, either directly or indirectly, in credit transactions with Intergroup and its Subsidiaries as permitted by Peruvian legislation, which rules and limits certain transactions with employees, directors and officers of a bank. As of December 31, 2008, loans and other credits to employees amounted approximately to S/33,219,000 (S/ 29,466,000 as of December 31, 2007).

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

(c) As of December 31, 2008 and 2007, Intergroup and Subsidiaries participated in different local and foreign mutual and investment funds managed by Subsidiaries or related parties, as shown in the table below:

	As of December 31, 2008 S/(000)	**As of December 31, 2007** S/(000)
Marketable investments available for sale-		
Interfondos Sociedad Administradora de Fondos:		
- Fondo Mutuo Interfondo Cash	5,314	1
- Fondo Mutuo Interfondo Soles	998	-
- Fondo Mutuo Interfondo Mixto	423	681
- Fondo Mutuo Interfondo Global	105	737
- Fondo Mutuo Interfondo RF	3	3
Permanent investments-		
Compass Capital (Cayman) Limited, net	497	348
	7,340	1,770

In addition, as of December 31, 2008, the Bank has entered into foreign currency sale forwards with mutual funds managed by Interfondos Sociedad Administradora de Fondos, for a nominal value of approximately S/ 39,171,000 (selling of foreign currency for approximately S/ 30,972,000 as of December 31, 2007) which is presented in the “Off-balance sheet accounts-Foreign currency forwards operations” caption of the consolidated balance sheets.

(d) In Management’s opinion, transactions with related companies have been made 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. Business segments

Intergroup and its Subsidiaries are organized in two main lines of business, the banking business and the insurance business, see Note 2. Transactions between the business segments are carried out under normal commercial terms and conditions.

The following table presents Intergroup's and its Subsidiaries' financial information by business segments as of December 31, 2008 and 2007 and for the years ended on those dates, in thousands of Nuevos Soles:

	External income	Income from other segments	Eliminations	Total income (*)	Total expenses (**)	Administrative expenses	Depreciation and amortization	Other provisions (***)	Total operating income	Total assets	Fixed assets	Total liabilities
2008												
Banking	1,753,308	41,898	(41,898)	1,753,308	(485,821)	(683,378)	(56,996)	(244,367)	282,746	14,539,299	513,549	13,521,366
Insurance	340,912	12,068	(12,068)	340,912	(309,637)	(38,817)	(1,276)	(140)	(8,958)	1,815,420	6,812	1,666,864
Others	8,375	518	(518)	8,375	(630)	(2,813)	(412)	-	4,520	284,571	-	37,698
Total consolidated	2,102,595	54,484	(54,484)	2,102,595	(796,088)	(725,008)	(58,684)	(244,507)	278,308	16,639,290	520,361	15,225,928
2007												
Banking	1,274,577	27,022	(27,022)	1,274,577	(304,803)	(520,248)	(49,763)	(143,972)	255,791	10,002,575	428,912	9,156,653
Insurance	452,330	697	(697)	452,330	(326,806)	(32,705)	(2,267)	-	90,552	1,618,484	3,245	1,448,351
Others	(8,859)	-	-	(8,859)	(1,569)	(9,460)	-	-	(19,888)	316,591	-	2,431
Total consolidated	1,718,048	27,719	(27,719)	1,718,048	(633,178)	(562,413)	(52,030)	(143,972)	326,455	11,937,650	432,157	10,607,435

(*) Includes total interest and dividend income and net premiums earned from insurance activities.

(**) Includes the total expenses from banking activities and the expenses from insurance activities.

(***) Corresponds to reserves for loan losses, investments and other contingencies.

27. Risk assessment

Intergroup and its Subsidiaries' activities relate mainly to the use of financial instruments, including derivatives. The Bank accepts 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. The Bank seeks 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.

The Bank 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.

Intergroup and its Subsidiaries also trade 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 the exchange rates and to interest rates related to such operations is under the supervision of Management of each Subsidiary.

Risk of the insurance activity

The risk covered by any insurance contract is the possibility of the insured event occurring and, therefore, the resulting claim having a set value. By 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 the company faces is that claims and/or payment of benefits covered by the policies will exceed the book value of 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 this reinsurance negotiation 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.

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 cover 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 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.

Market risk

Intergroup and its Subsidiaries are exposed to market risks. Market risks arise from interest rate positions, exchange rates and equity products, all of which are exposed to general and specific market movements. The Subsidiaries manage their market risks on an individual basis.

The Bank uses the "Value-at-Risk" methodology to estimate the market risk of main positions held and maximum expected losses, based on a number of assumptions for a variety of changes in market conditions. The Bank's Management also establishes the acceptable value-at-risk limits, which are monitored on a daily basis.

Measurement of Value-at-Risk (VaR) is an estimate, with a reliability level established by the Bank at 99 percent of the maximum potential loss that could occur, should current positions were to be held unchanged over a determined timeframe (the term established by the Bank is one business day). Actual results are monitored regularly to verify the validity of the assumptions and parameters used for computing the VaR.

The Bank's Management also establishes individual limits for marketable investments, for its foreign currency exchange positions, as well as for its derivative instruments; these limits consider the maximum amount of exposure to be the maximum value of individual loss 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. Nevertheless, the use of this control measurement does not eliminate all the risk of losses beyond the limits in place owing to extreme 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 drawdowns, guarantees calls 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 matching and controlled mismatching of the maturities and interest rates of assets and liabilities is of extreme importance to Management. Nevertheless, it is unusual for financial institutions to be fully matched, as transacted business is often based on uncertain terms and different types.

Maturity 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 loans are significantly lower than the amount of the commitment because it is not expected that funds will be required to honor these commitments, 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’s Management 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 the 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.

Intergroup 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 on a daily basis; however, on the whole, Intergroup and its Subsidiaries present mainly short-term financing operations and with variable interest rates.

Resources for commercial funding are mainly obtained from short-term liabilities, which generally bear interest at fixed and variable interest 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

Intergroup and its Subsidiaries are exposed to the effects of fluctuations in foreign currency exchange rates prevailing over its financial position and cash flows. Each of the Subsidiaries' Management sets limits on the level of exposure by currency and in total of overnight positions.

Most assets and liabilities in foreign currency are stated in US Dollars. Foreign currency transactions are made at free market exchange rate. As of December 31, 2008 and 2007, Intergroup and its Subsidiaries' assets and liabilities in foreign currencies are shown in Note 4.

Credit risk

Intergroup 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 sector that represent a concentration in the portfolio could result in losses different from those recorded as of the consolidated balance sheet date. Therefore, Management carefully manages exposure to credit risk.

The levels of credit risk undertaken is structured by placing limits to the amount of acceptable risk related to one borrower or groups of borrowers 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.

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.

Financial assets which show a potential credit risk are mainly cash and cash equivalents, interest bearing deposits in banks, marketable investments, held-to-maturity investments, loans, derivatives, and other assets. The exposure for any one borrower, including banks and investments, is further structured by sub-limits covering on and off-balance sheet exposures and daily delivery risk limits to trading items such as forward foreign exchange contracts. Actual exposure is monitored against limits in a continuous manner.

28. Fair value of financial instruments

Fair value of financial instruments is defined as the amount for 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 in 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, other estimation techniques may be used to determine such fair value, including the current market 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 or settlement value.

A significant portion of the assets and liabilities of Intergroup and its Subsidiaries are 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 sheet dates, except for those traded within 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 follows:

- 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.

- Marketable investments available-for-sale are recorded at the lower of cost or market value, except for the debt investments held by Interseguro which are updated by the Internal Rate of Return (IRR) computed at the acquisition date; consequently, the estimated market value encompasses potential gains expected by the market but not realized. The fair value of these investments has been determined based on stock exchange prices or using investment valuation techniques. The estimated fair value of held-to-maturity investments (excluding real estate projects and investments) has been computed based on existing quotations as of the dates of the consolidated balance sheets. For held-to-maturity financial investments with no available quotations their estimated fair value has been calculated by discounting future expected cash flows using an interest rate that represents the risk classification of the investment.

- A majority of the loans granted by Intergroup and its Subsidiaries accrue interest at variable rates, which are reset monthly or quarterly. As a result, their book value, net of the allowance for loan losses required by the SBS, see Note 8, is considered to be the best estimate of their fair value as of the date of the consolidated financial statements.

- Intergroup and its Subsidiaries Management consider that the book value of the permanent investments approximates their fair value.

- The fair value of deposits and obligations is similar to their book value, mainly due to their liquid nature and the fact that their variable interest rates can be compared with other similar liabilities as of the date of the consolidated balance sheets.

- For due to banks and correspondents, bonds, and other obligations, which include variable interest rate terms and preferential rates, the Bank has estimated that their book values do not differ significantly from their fair values.

- 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 Bank's effective interest rate for liabilities with similar characteristics as of the date of the consolidated balance sheets. The estimated market value approximates the book value.

- As disclosed in Note 19, 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.

- Except for currency forwards and interest rate swaps, Intergroup and its Subsidiaries do not enter into other agreements usually described as derivative transactions. Intergroup and its Subsidiaries record these derivatives in the consolidated balance sheets at their fair value; consequently, there are no differences with their book value.

Based in the prior analysis, Intergroup and its Subsidiaries Management consider that, as of December 31, 2008 and 2007, the estimated fair values of Intergroup and its Subsidiaries financial instruments do not differ significantly from their book values; except for certain financial instruments, as explained in the preceding paragraphs, and whose estimated fair value is presented in their respective Notes to the consolidated financial statements.

29. Additional explanation for English translation

The accompanying consolidated financial statements are presented on the basis of accounting principles prescribed by the SBS, applicable to financial and insurance entities in Peru as discussed in Note 3; said accounting principles differ in certain respects to generally accepted accounting principles in other countries. In the event of any discrepancy, the Spanish - language version prevails.