

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

Intergroup Financial Services Corp. and Subsidiaries

Unaudited consolidated financial statements as of December 31, 2011 and
audited as of December 31, 2010

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Intergroup Financial Services Corp. and Subsidiaries

Consolidated balance sheets

As of December 31, 2011 (unaudited) and December 31, 2010 (audited)

	Nota	2011 S/.(000)	2010 S/.(000)		Nota	2011 S/.(000)	2010 S/.(000)
Assets				Liabilities and equity			
Cash and due from banks	5			Deposits and obligations	12	13,042,471	11,878,629
Cash and clearing		1,146,420	1,019,846	Inter-bank funds		7,002	3,005
Deposits in the Peruvian Central Bank		1,032,869	3,075,793	Deposits from financial entities		113,297	140,325
Deposits in domestic and foreign banks		218,482	349,835	Due to banks and correspondents	13	1,630,181	2,216,627
Restricted funds		84,619	112,519	Accounts payable, provisions and other liabilities	11	649,525	528,277
Interest accrued on cash and due from banks		978	2,865	Bonds and other obligations	14	2,718,132	3,135,198
		<u>2,483,368</u>	<u>4,560,858</u>	Technical reserves for premiums and claims	15	2,178,078	1,869,622
				Total liabilities		20,338,686	19,771,683
Inter-bank funds		34,421	50,008	Equity	16		
Investments, net	6	3,531,353	2,805,164	Equity attributable to Intergroup's equity holders:			
Loan portfolio, net	9	13,731,268	11,750,308	Capital stock		799,581	799,581
Held-to-maturity investments, net	7	1,106,402	806,928	Capital surplus		268,077	268,077
Real estate investment, net	8	495,823	653,283	Treasury stock		(213,855)	(72,678)
Investment in associates, net		36,093	31,074	Unrealized results, net		29,792	26,129
Property, furniture and equipment, net	10	444,387	481,962	Retained earnings		<u>1,482,902</u>	<u>1,076,359</u>
Accounts receivable and other assets, net	11	855,972	741,395			2,366,497	2,097,468
Total assets		<u>22,719,087</u>	<u>21,880,980</u>	Minority interest		13,904	11,829
Off-balance sheet accounts	18			Total equity		<u>2,380,401</u>	<u>2,109,297</u>
Contingent assets		29,727,389	27,202,724	Total liabilities and equity		<u>22,719,087</u>	<u>21,880,980</u>
Other off-balance sheet assets accounts		38,323,931	35,834,113	Off-balance sheet accounts	18		
		<u>68,051,320</u>	<u>63,036,837</u>	Contingent assets		29,727,389	27,202,724
				Other off-balance sheet assets accounts		38,323,931	35,834,113
						<u>68,051,320</u>	<u>63,036,837</u>

Intergroup Financial Services Corp. and Subsidiaries

Consolidated statements of income

For the years ended December 31, 2011 (unaudited) and December 31, 2010 (audited)

	Nota	2011 S/.(000)	2010 S/.(000)
Financial income	19	2,463,584	2,147,242
Financial expense	19	(566,178)	(449,704)
Gross financial margin		1,897,406	1,697,538
Provision for loan losses, net	9(d)	(402,381)	(391,427)
Net financial margin		1,495,025	1,306,111
Fee income from financial services	20	566,656	496,465
Expenses relating to financial services	20	(66,058)	(52,421)
Result from insurance underwriting, net	21(a)	(64,098)	(47,532)
Operating margin		1,931,525	1,702,623
Administrative expenses	22(a)	(1,014,921)	(974,827)
Net operating margin		916,604	727,796
Provision for contingencies and other		(13,516)	(22,135)
Depreciation of property, furniture and equipment	10(a)	(71,224)	(69,205)
Amortization of intangibles		(18,552)	(25,265)
Amortization of interest premium		(3,374)	(3,925)
Operating income		809,938	607,266
Other income, net	23	112,911	90,683
Income before Income tax		922,849	697,949
Income Tax	17(b)	(223,312)	(195,694)
Net income		699,537	502,255
Attributable to:			
Intergroup's equity shareholders		695,696	499,095
Minority interest		3,841	3,160
		699,537	502,255
Basic and diluted earnings per share attributable to Intergroup (stated in Nuevos Soles)	24	7.679	5.472
Weighted average number of outstanding shares (in thousands)	24	90,603	91,206

Intergroup Financial Services Corp. and Subsidiaries

Consolidated statements of changes in shareholders' equity

For the years ended December 31, 2011 (unaudited) and December 31, 2010 (audited)

	Number of shares (in thousands)		Attributable to Intergroup's equity holders					Total	Minority interest	Total shareholder's equity
	Issued	In treasury	Capital stock	Treasury stock	Capital surplus	Unrealized gains	Retained earnings			
			S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)			
Balance as of January 1, 2010	93,615	(2,098)	799,581	(66,983)	268,077	43,925	764,766	1,809,366	13,270	1,822,636
Declared and paid dividends, note 16(a)	-	-	-	-	-	-	(255,690)	(255,690)	-	(255,690)
Dividends paid to minority shareholders'	-	-	-	-	-	-	-	-	(1,369)	(1,369)
Net variation of unrealized results on sale investment of the Company and Subsidiaries, net of income tax, note 16(d)	-	-	-	-	-	(7,654)	-	(7,654)	(345)	(7,999)
Net variation of unrealized results on derivative financial instruments, net of income tax, note 16(d)	-	-	-	-	-	(10,142)	-	(10,142)	(72)	(10,214)
Net variation of treasury stock held by Subsidiaries, note 16(b)	-	605	-	(5,695)	-	-	68,716	63,021	-	63,021
Acquisition of minority interest, note 2(b)	-	-	-	-	-	-	-	-	(3,195)	(3,195)
Net income	-	-	-	-	-	-	499,095	499,095	3,160	502,255
Other	-	-	-	-	-	-	(528)	(528)	380	(148)
Balance as of December 31, 2010	<u>93,615</u>	<u>(1,493)</u>	<u>799,581</u>	<u>(72,678)</u>	<u>268,077</u>	<u>26,129</u>	<u>1,076,359</u>	<u>2,097,468</u>	<u>11,829</u>	<u>2,109,297</u>
Balance as of January 1, 2011	93,615	(1,493)	799,581	(72,678)	268,077	26,129	1,076,359	2,097,468	11,829	2,109,297
Declared and paid dividends, note 16(a)	-	-	-	-	-	-	(291,900)	(291,900)	-	(291,900)
Net variation of unrealized results on sale investment of the Company and Subsidiaries, net of income tax, note 16(d)	-	-	-	-	-	(1,618)	-	(1,618)	-	(1,618)
Net variation of unrealized results on derivative financial instruments, net of income tax, note 16(d)	-	-	-	-	-	5,281	-	5,281	-	5,281
Net variation of treasury stock held by Subsidiaries, note 16(b)	-	(1,584)	-	(141,177)	-	-	-	(141,177)	-	(141,177)
Net income	-	-	-	-	-	-	695,696	695,696	3,841	699,537
Other	-	-	-	-	-	-	2,747	2,747	(1,766)	981
Balance as of December 31, 2011	<u>93,615</u>	<u>(3,077)</u>	<u>799,581</u>	<u>(213,855)</u>	<u>268,077</u>	<u>29,792</u>	<u>1,482,902</u>	<u>2,366,497</u>	<u>13,904</u>	<u>2,380,401</u>

Intergroup Financial Services Corp. and Subsidiaries

Consolidated statements of cash flows

For the years ended December 31, 2011 (unaudited) and December 31, 2010 (audited)

	2011	2010
	S/.(000)	S/.(000)
Reconciliation of net income with cash provided by operating activities		
Net income	699,537	502,255
Adjustments to net income		
Plus (minus)		
Provision for loan losses, net	402,381	391,427
Depreciation of property, furniture, equipment and realizable assets	71,224	69,205
Amortization of intangibles and other	21,926	29,190
Provision for assets received as payment and seized through legal actions	80	14
Income from sale and valuation of investments, net	(132,723)	(111,078)
Gain from sale of assets received as payment and seized through legal actions	(304)	(6,192)
Income from sale of real estate investments	(80,059)	(3,802)
Other, net	(10,460)	(2,603)
Net changes in asset and liability accounts		
Decrease (increase) in receivable accrued interest	45,984	(63,704)
(Decrease) increase in payable accrued interest	(43,343)	64,027
Decrease (increase) in restricted funds	27,900	(42,560)
Net increase in other assets	(105,059)	(23,848)
Net increase in other liabilities	121,248	(2,676)
Increase in technical reserves	308,456	345,355
	<hr/>	<hr/>
Net cash provided by operating activities	1,326,788	1,145,010

Consolidated statements of cash flows (continued)

	2011 S/.(000)	2010 S/.(000)
Cash flows from investing activities		
Purchase of property, furniture and equipment	(34,490)	(68,160)
Sale of assets received as payment and seized through legal actions	195	10,420
Purchase of intangibles	(30,574)	(19,602)
	<u>(64,869)</u>	<u>(77,342)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Net increase in loan portfolio	(2,425,898)	(2,466,780)
Decrease (increase) in real estate investments	157,460	(76,973)
Net (increase) decrease in investments and held-to-maturity investments	(950,954)	98,952
Net increase in deposits and obligations	1,160,774	474,025
Net (decrease) increase in deposits from financial entities	(27,028)	32,395
Collection of dividends net of associate investments decrease	5,441	5,797
Net (decrease) increase in due to banks and correspondents	(537,197)	1,018,307
Net (decrease) increase in bonds and other obligations outstanding	(419,904)	1,641,136
Net decrease (increase) in receivable inter-bank funds	15,587	(50,008)
Net increase (decrease) in payable inter-bank funds	3,997	(236,951)
Payment of dividends	(291,900)	(255,690)
	<u>(3,309,622)</u>	<u>184,210</u>
Net cash provided by (used in) financing activities		
	(2,047,703)	1,251,878
Net cash increase	<u>4,445,474</u>	<u>3,193,596</u>
Balance of cash at the beginning of year	<u>2,397,771</u>	<u>4,445,474</u>
Balance of cash at end of year		

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Intergroup Financial Services Corp. and Subsidiaries

Notes to the consolidated financial statements

For the years ended December 31, 2011 (unaudited) and December 31, 2010 (audited)

1. Business activity

Intergroup Financial Services Corp. (henceforth "Intergroup" or "the Company") is a limited liability holding corporation incorporated in Panama on September 19, 2006, as the result of the restructuring of its shareholder IFH Peru Ltd. (henceforth "IFH", a holding corporation incorporated in 1997, in The Bahamas), during 2007. As of December 31, 2011, IFH directly and indirectly holds 68.93 percent of Intergroup's issued capital stock and 71.28 percent of Intergroup's shares representative of its issued capital stock (directly and indirectly 70.80 percent and 71.95 percent, respectively, as of December 31, 2010).

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

As of December 31, 2011 and 2010, Intergroup holds 99.29 percent and 100 percent of the capital stock of Banco Internacional del Perú S.A.A. – Interbank (henceforth "the Bank") and of Interseguro Compañía de Seguros S.A. (henceforth "Interseguro"), respectively. Intergroup and Subsidiaries operations are concentrated in Peru. Their main activities and balances of assets, liabilities and equity are described in Note 2.

The consolidated financial statements as of December 31, 2011 have been approved by the Board of Directors on January 31, 2012. The consolidated financial statements as of December 31, 2010 have been approved by The General Shareholders Meeting held on March 30, 2011.

2. Subsidiaries activities

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

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

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

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As of December 31, 2011, the Bank has 241 offices and a branch established in Panama (233 offices as of December 31, 2010). Additionally, it has 100 percent of:

Subsidiary	Activity
Interfondos S.A. Sociedad Administradora de Fondos	As of December 31, 2011 and 2010, manages mutual funds and investment funds with equity book values of approximately S/.2,161 million and S/.2,524 million, respectively.
Internacional de Títulos Sociedad Titulizadora S.A. - Intertitulos S.T.	As of December 31, 2011 and 2010, manages securitization funds, with combined assets of approximately S/.1,105 million and S/.1,027 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.
Interbank - Perú Representações e Participações Brasil Ltda.	A representation office of the Bank in Brasil.
Patrimonio en Fideicomiso – D.S. 093-2002-EF, Interproperties Perú - Corporación Inmobiliaria de la Unión 600 S.A.	A special purpose entity, see paragraph (c) below.

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

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

Interseguro has the following subsidiaries:

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

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- (c) Patrimonio en Fideicomiso D.S. 093-2002- EF, Interproperties Perú
 On April 23, 2008, this equity trust fund was incorporated with the contribution of several assets from some of Interbank Group's subsidiaries for the purpose of forming a real estate administration independent of each of the investors considered as originators, through which the various real estate projects approved by the managing committee are structured, executed and developed, and through which these originators or trustees, as applicable, are able to invest in real estate projects.

The subsidiaries that consolidate their financial information with Intergroup and that contributed assets to the equity trust fund are: (i) Corporación Inmobiliaria de la Unión 600 S.A., a subsidiary of the Bank, and (ii) Interseguro Compañía de Seguros S.A. Intergroup has also directly contributed with assets to the equity trust fund.

In accordance with the applicable accounting principles, this entity is a Special Purpose Entity (SPE) which must be consolidated by Intergroup. The assets contributed by the subsidiaries mentioned above are included in the accompanying consolidated financial statements in the caption "Real estate investment, net". See Note 8.

In September 2011, a new equity trust fund was incorporated called "Patrimonio en Fideicomiso D.S. 093-2002-EF – Interproperties Holding" for the purpose of forming a real estate administration independent of each of the investors considered as originators, through which real estate projects are executed and whose yields are served as endorsement to (i) certificates of participation issued; and, (ii) the fulfillment of other obligations contracted directly or by third parties with the purpose of obtaining the resources that are necessary to carry out the referred investments. With this objective, some of the assets that formed part of the previous equity trust fund were transferred to this new equity trust fund.

The subsidiaries that consolidate their financial information with Intergroup and that contributed assets to this new equity trust fund are: (i) Corporación Inmobiliaria de la Unión 600 S.A., a subsidiary of the Bank, and (ii) Intergroup.

In November 2011, Interseguro sold part of its assets to this new equity trust fund for approximately S/184,328,000. As a result of this operation S/80,059,000 was recorded as "Financial income" in the consolidated statement of income.

The table below presents a summary of the audited individual financial statements of the Bank, Interseguro and the SPE (for the amount that affects Intergroup and its Subsidiaries), before eliminations for consolidation with Intergroup, as of December 31, 2011 (unaudited) and 2010 (audited); and for the years then ended:

	Banco Internacional del Perú S.A.A. – Interbank		Interseguro Compañía de Seguros S.A.		SPE	
	2011 S/.(000)	2010 S/.(000)	2011 S/.(000)	2010 S/.(000)	2011 S/.(000)	2010 S/.(000)
Total assets	19,997,763	19,332,087	2,692,167	2,315,624	287,667	662,603
Total liabilities	18,042,205	17,665,062	2,285,990	1,953,313	33,394	283,410
Shareholders' equity, net	1,955,558	1,667,025	406,177	362,311	254,273	379,193
Operating income	666,060	660,618	187,460	84,502	12,854	21,646
Net income	540,928	497,541	187,460	84,502	13,338	12,674

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Notes to the consolidated financial statements (continued)

3. Accounting principles and practices

In the preparation and presentation of the accompanying consolidated financial statements, Management has complied with the regulations established by the SBS and effective in Peru as of December 31, 2011 and 2010, for financial entities (Intergroup, the Bank and its Subsidiaries) as well as for insurance entities (Interseguro and its Subsidiaries).

The accounting principles and practices as of December 31, 2011 are the same as those applied in the audited consolidated financial statements dated March 10, 2011 except for the following in relation with the accounting treatment of workers' profit sharing of Subsidiaries:

At the meeting of the International Financial Reporting Interpretation Committee (IFRIC) held in November 2010, it was concluded that the workers' profit sharing shall be treated under IAS 19 "Employee Benefits" instead of IAS 12 "Income Tax". Consequently, an entity is only compelled to recognize a liability when the employee has rendered services; therefore, under this consideration the deferred workers' profit sharing shall not be calculated as it corresponded to future services that shall not be construed as obligations or rights under IAS 19 and the current workers' profit sharing shall be recorded as a personnel expense in the statements of income.

In Peru, the standard practice was to calculate and record the deferred workers' profit sharing in the financial statements. On February 25, 2011, the SBS issued the Resolution N°2740-2011, which established that the accounting treatment of workers' profit sharing since 2011 must follow the IFRIC. In 2011, this modification was applied prospectively without affecting the 2009 and 2010 financial statements, except for the reclassification of workers' profit sharing as personnel expense in the caption "Administrative expenses".

As established by SBS, the Bank recorded the following issues as of December 31, 2011:

1. Balance of deferred worker's profit sharing, amounting to S/.4'856,000, was offset affecting retained earnings.
2. Since January 2011, current expense of worker's profit sharing was recorded as personnel expense.
3. For comparative purposes, 2010 worker's profit sharing expense amounting to S/.33,213,000, was reclassified to "Personnel expense" caption.
4. For comparative purposes, 2010 worker's profit sharing balance was reclassified to "Other assets" caption.

These accounting records were included in the accompanying consolidated financial statements.

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, 2011, the weighted average exchange rates in the market as published by the SBS for transactions in US Dollars were S/.2.695 per US\$1.00 bid and S/.2.697 per US\$1.00 ask (S/.2.808 bid and S/.2.809 ask, as of December 31, 2010 respectively). As of December 31, 2011, the exchange rate established by the SBS to record assets and liabilities in foreign currency was S/.2.696 per US\$1.00 (S/.2.890 as of December 31, 2010).

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Notes to the consolidated financial statements (continued)

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

	2011	2010
	US\$(000)	US\$(000)
Assets		
Cash and due from banks	641,363	971,166
Investments and Held-to-maturity investments, net	914,942	800,135
Loan portfolio, net	2,405,803	1,840,025
Accounts receivable and other assets	<u>77,671</u>	<u>76,001</u>
	<u>4,039,779</u>	<u>3,687,327</u>
Liabilities		
Deposits and obligations	2,095,154	2,113,473
Deposits from financial entities	17,474	15,730
Due to banks and correspondents	622,058	486,678
Bonds and other obligations	663,029	976,326
Accounts payable, provisions and other liabilities	185,470	63,383
Technical reserves for premiums and claims	<u>582,449</u>	<u>525,625</u>
	<u>4,165,634</u>	<u>4,181,215</u>
Forwards transactions - net long position	64,621	555,769
Currency swap transactions - net position	<u>(51,057)</u>	<u>(58,261)</u>
Net asset (liability) position	<u>(112,291)</u>	<u>3,620</u>

As of December 31, 2011, the net long position from derivative transactions corresponds to foreign currency forward purchase and sale contracts for notional amounts of approximately US\$768,321,000 and US\$703,700,000, equivalent to S/.2,071,393,000 and S/.1,897,176,000, respectively (purchase and sale contracts of US\$1,170,833,000 and US\$615,064,000 as of December 31, 2010, equivalent to S/.3,288,870,000 and S/.1,727,716,000, respectively), see Note 18.

As of December 31, 2011, the net position in derivatives related to currency swap agreements corresponds to exchange operations (Nuevos Soles exchanged for US Dollars and vice versa) with notional amounts of approximately US\$ 30,968,000 and US\$ 8,025,000, equivalent to S/. 83,490,000 and S/. 221,138,000 respectively, see Note 18.

As of December 31, 2011, the net position in derivatives related to currency swap agreements corresponds to exchange operations (Nuevos Soles exchanged for US Dollars and vice versa) with notional amounts of approximately US\$ 7,888,000 and US\$ 66,149,000, equivalent to S/. 22,157,000 and S/. 185,814,000, see Note 18.

As of December 31, 2011, Intergroup and Subsidiaries has granted indirect loans (contingent operations), in foreign currency for approximately US\$ 771,152,000, equivalent to S/. 2,079,026,000 (US\$ 554,996,000, equivalent to S/. 1,558,984,000 as of December 31, 2010), see Note 18; which are not part of the exchange position indicated previously.

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Notes to the consolidated financial statements (continued)

5. Cash and due from banks

As of December 31, 2011, cash and due from banks includes approximately US\$468,784,000 and S/. 504,891,000 (US\$796,777,000 and S/.502,855,000 as of December 31, 2010), which represents the legal reserve that the Bank must establish for deposits received from third parties. These funds are kept in the Bank's vaults and in the Central Reserve Bank of Peru (henceforth "BCRP" for its Spanish acronym). The Bank maintains such legal reserve within the limits required by prevailing regulations.

As of December 31, 2011, the legal reserve maintained by the Bank at the BCRP does not accrue interest, except for the part that exceeds the minimum reserve required in foreign and local currency. At such date, the monthly amount by which foreign currency deposits exceeded minimum legal reserve requirements was approximately US\$ 155,598,000, equivalent to S/. 419,492,000, and accrued interest at an annual average rate of 0.17 percent (US\$ 487,523,000, equivalent to S/. 1,369,452,000, and an annual average rate of 0.16 percent as of December 31, 2010), while the exceeding amount in local currency was approximately S/. 120,038,000 and accrued interest at an annual average rate of 2.45 percent (S/. 72,118,000, and accrued interest at an annual average rate of 1.2 percent as of December 31, 2010).

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

In October 2010, the BCRP introduced into the financial market time deposits ("DPBCRP", for its acronym in Spanish) that can only be accessed by bank entities established in Peru, with an average maturity of less than 90 days. The DPBCRP recorded in this caption as of December 31, 2010, amounted to approximately S/. 1,109,400,000,000 and accrued an annual interest between 2.97 and 3.20 percent.

As of December 31, 2011 and 2010, this caption includes restricted funds for approximately S/. 84,617,000 and S/. 112,519,000, respectively, which corresponds, mainly to requirements from counterparties of derivative transactions and funds provided from remittances received via SWIFT messages which guarantee the payment of the notes issued by IBK DPR Securitizadora; see further detail in Note 14(d) and 14(e).

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6. Investment, net

(a) This caption includes the following:

	2011 S/.(000)	2010 S/.(000)
Investment at fair value through profit and loss - (Trading)		
Peruvian sovereign bonds	5,748	22,195
Corporate bonds	18,202	17,147
Investment in shares quoted on the Lima Stock Exchange	<u>2,704</u>	<u>1,979</u>
	<u>26,654</u>	<u>41,321</u>
Available-for-sale investments		
Negotiable bank certificates in local currency with variable rate issued by BCRP (b)	-	807,113
Financial and corporate bonds (c)	823,387	729,549
Credit Suisse Nassau Branch and London Branch - Variable coupon principal protected notes (Royalty Pharma) (d)	375,349	411,410
Negotiable Bank Certificates issued by BCRP (g)	1,499,221	11,784
Peruvian and foreign private sector shares (h)	235,043	170,595
Mutual and investment funds participations (j)	118,022	93,096
Government Bonds:		
- Peruvian Global Bonds (f)	76,373	181,466
- Bonds guaranteed by the Peruvian Government (e)	185,311	207,422
- Brazilian Global Bonds	23,109	-
- United States of America Global Bonds	73,954	47,663
- Colombian Sovereign Bonds	10,029	
- Mexican Global Bonds	6,149	6,278
- Panamanian Sovereign Bonds	-	5,074
Royalty Pharma Cayman Partners, LP participations(i)	<u>56,784</u>	<u>68,885</u>
	<u>3,482,731</u>	<u>2,740,335</u>
Add - Accrued interest on investments	<u>21,968</u>	<u>23,508</u>
Total	<u>3,531,353</u>	<u>2,805,164</u>

(b) The negotiable bank certificates in local currency with variable rate were issued by BCRP (CDV-BCRP) since October, 2010, are denominated in Nuevos Soles and are subject to an adjustment of their interest rate related to changes in the referential rate established by the BCRP.

As of December 31, 2010, the maturity of said certificates was between January and June 2011 and accrued annual interest rates between 3.065 and 3.100 percent.

During 2011 and 2010, the interest accrued on CDV-BCRP amounted to approximately S/. 26,904,000 and S/ 3,000, respectively, and is included in the "Financial income" caption of the consolidated statement of income.

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

Notes to the consolidated financial statements (continued)

(c) As of December 31, 2011 and 2010, corresponds to corporate bonds of various Peruvian and foreign companies and financial bonds issued mostly by local financial entities.

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

- Upon their maturity, together with the payment of the notes' principal,
- If the prepayment option is executed, in which case it will receive the shares plus an amount equivalent to the zero coupon bond at the execution date.

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

During the effective term of the notes, they will pay a yield equivalent to the dividends that CSB receives on the Royalty Pharma. During the periods ended 2011 and 2010, Intergroup and Subsidiaries received for this concept approximately US\$9,351,000 and US\$10,274,000, respectively (equivalent to approximately S/.25,318,000, S/.29,027,000, respectively), which amount is included in the "Financial income" caption of the consolidated statement of income.

For valuation purposes since January 2010, the part related to the fixed yield (zero coupon bond) has been separated from the part related to the variable yield (shares) and therefore it has been recognized the accrued interest on zero coupon bond.

As December 31, 2010, the Credit Suisse Nassau Branch and Credit Suisse London Branch notes classified as available-for-sale investments consist of 1,627,439 and 1,234,000 Royalty Pharma Cayman Partners LP participations amounting to approximately US\$100,170,000 and US\$49,355,000, respectively, and a zero-coupon financial instrument issued by CSB amounting to approximately US\$18,043,000 and US\$16,067,000, respectively, which would allow to collect the nominal amount of the capital Note plus the shares of Royalty Pharma at maturity.

With respect to the variable component of the Notes, in August 2011, Royalty Pharma completed a Proposed Share Exchange among its investors; as a result, the Company and its Subsidiaries received US\$29,316,000 (equivalent to approximately S/.81,293,000). As a result of this operation, US\$7,017,000 (equivalent to approximately S/.19,415,000) was recorded as "Financial income" in the consolidated statement of income.

(e) As of December 31, 2011, Peruvian sovereign bonds are denominated in Nuevos Soles, have maturities between September 2013 and February 2042 and accrue effective annual interest at rates between 4.40 and 8.60 percent. As of December 31, 2010, had maturities between August 2020 and February 2042 and accrued effective annual interest at rates between 6.85 and 7.84 percent.

(f) As of December 31, 2011, the Peruvian Global Bonds are denominated in US Dollars, have maturities between February 2015 and November 2033 (between May 2016 and November 2050 as of December 31, 2010) and accrue effective annual interest rates between 7.13 and 9.88 percent (between 5.63 and 8.75 percent as of December 31, 2010).

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Notes to the consolidated financial statements (continued)

During the periods ended 2011 and 2010, the interest accrued on these bonds amounted to approximately S/. 5,553,000 and S/. 8,105,000, respectively, and are included in the "Financial income" caption of the consolidated statements of income.

- (g) As of December 31, 2011 the Negotiable Bank Certificates issued by the BCRP (CDN-BCRP), are denominated in Nuevos Soles, have maturities between January and March 2012 (in August 2011 as of December 31, 2010), and accrue effective annual interest rates between 3.95 and 4.14 percent (3.35 percent as of December 31, 2010).

During the periods ended 2011 and 2010, the interest accrued on CDN-BCRP amounted to approximately S/. 10,158,000 and S/. 16,795,000, respectively, and are included in the "Financial income" caption of the consolidated statements of income.

- (h) Correspond mainly to shares of private sector companies, recorded to their market value according to the Lima Stock Exchange.
- (i) As of December 31, 2011 and 2010, corresponds to 375,212 participations held by Intergroup and Interfondos S.A. Sociedad Administradora de Fondos in the Royalty Pharma fund.

The estimated fair value of the participations as of December 31, 2011 and 2010 has been determined by Company and its Subsidiaries based on the NAV (Net Asset Value) provided by the fund administrators, which has been reviewed by Management, concluding that this is a reasonable indication of their fair value.

During the periods ended 2011 and 2010, the Company received dividends from these participations for approximately S/.4,721,000 and S/. 5,543,000, respectively, which are recorded in the "Financial Income" caption of the consolidated statements of income.

In August 2011, Royalty Pharma completed a Proposed Share Exchange among its investors, as a result, the Company and its Subsidiaries received US\$5,557,000 (equivalent to approximately S/.15,410,000). As a result of this operation, US\$1,525,000 (equivalent to approximately S/. 4,229,000) was recorded as "Financial income" in the consolidated statement of income.

- (j) As of December 31, 2011 and 2010, correspond to participations in local and foreign investment funds recorded at their quoted value as of the end of the month, which Management estimates is a reasonable estimation of their market value.
- (k) As of December 31, 2011 and 2010, Management has estimated the fair value of the available-for-sale investments based on market quotations, and if not available, based on discounted cash flows using market rates according to the respective risk rating.

Management has determined that unrealized losses as of December 31, 2011 and 2010 are of temporary nature. The Company has the capacity and intents to hold each of these investments with unrealized losses for a period of time sufficient to allow a recovery in the fair value, which may occur at their maturity; therefore, it considers that unrealized losses do not qualify as an impairment that needs to be recognized in the results of the year.

Notes to the consolidated financial statements (continued)

7. Held-to-maturity investments, net

(a) This item comprises the following:

	2011 S/.(000)	2010 S/.(000)
Corporate and financial bonds(b)	699,945	514,894
Sovereign bonds (c)	382,865	265,586
Investment in real estate projects	23,592	26,469
Others	-	10
	<u>1,106,402</u>	<u>806,959</u>
Less - Provision for impairments	-	(31)
	<u>1,106,402</u>	<u>806,928</u>

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

	2011 S/.(000)	2010 S/.(000)
Instruments issued by local companies		
Instruments rated in Peru		
AAA	268,398	167,150
AA- to AA+	8,085	4,091
BBB- to BBB+	33,682	-
Instruments rated abroad		
AAA	29,837	-
AA- to AA+	22,405	-
BBB - to BBB+	92,479	2,805
Instruments issued by foreign entities		
Foreign classification		
AAA	7,629	-
BBB- to BBB+	237,430	340,848
	<u>699,945</u>	<u>514,894</u>

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Notes to the consolidated financial statements (continued)

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

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

	2011 S/.(000)	2010 S/.(000)
Peruvian sovereign bonds	363,969	183,660
Mexican sovereign bonds	18,896	30,981
Other sovereign bonds	<u>-</u>	<u>50,945</u>
	<u>382,865</u>	<u>265,586</u>

- (d) Management has estimated the fair value of these investments based on quotes available on the Lima Stock Exchange, foreign stock exchanges; (mainly for sovereign, corporate and financial bonds) or, should those quotes not exist, discounting expected cash flows at an interest rate that reflects the security's risk rating.

As of December 31, 2011 and 2010, investments correspond to corporate and financial bonds issued by companies with good credit risk ratings, and the sovereign bonds of countries with good credit risk classification. For this reason, there is not any impairment to be provisioned.

8. Real estate investments, net

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

- (a) Real Plaza Mall - located in the city of Chiclayo, began its operations in November 2005. The building comprises two main areas, for which Interseguro has three lease contracts signed for 30 and 20 year terms, with Saga Falabella S.A., Cineplex S.A. and Supermercados Peruanos S.A. respectively, (these latter two are related entities), which provide for a minimal monthly lease payment, as well as a variable payment based on sales and services revenues received by the tenants.
- (b) Real Plaza Huancayo Mall - located in the city of Huancayo began operations in July 2008 and comprises a hypermarket, department stores, cinema complex, retail stores and entertainment area. Interseguro has a lease contract signed for 30 years with Supermercados Peruanos S.A., Tiendas Peruanas S.A. and Cineplex S.A. (related entities), which provides a minimal monthly lease payment as well as a variable payment based on sales revenues.

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

Notes to the consolidated financial statements (continued)

- (c) Real Plaza Centro Cívico Mall - located in the city of Lima began to operations in December 2009. It mainly comprises a cinema complex and retail stores. Interseguro holds the concession of surface rights on this building with the ONP. The lease term is for 30 years, which may be extended upon expiration, and requires an annual payment to the ONP equivalent to 15 percent of the mall's gross income or US \$800,000, whatever the highest.
- (d) Real Plaza Trujillo Mall - located in the city of Trujillo, began operations in July 2007 and comprises a hypermarket, department stores, cinema complex and an entertainment area. For the first three, Interseguro has a lease contract for 30 years with Supermercados Peruanos S.A., Tiendas Peruanas S.A. and Cineplex S.A. (related entities), which provides a minimal monthly lease payment as well as a variable payment based on sales revenues.
- (e) Real Plaza Pro Mall - located in the city of Lima, began its operations in June 2008, and comprises a hypermarket, a complex of retail stores, bank entities and food court. For the first one it has signed a lease contract for 30 years with Supermercados Peruanos S.A. (a related entity), which includes a minimal monthly payment as well as a variable payment based on the hypermarket's sales and services revenue.
- (f) Real Plaza Arequipa Mall - located in the city of Arequipa, began operations in October 2010 and comprises a hypermarket, department stores, retail stores and an entertainment area. Interseguro has a lease contract signed for 30 years with Supermercados Peruanos S.A., Tiendas Peruanas S.A. (related entities), which provides a minimal monthly lease payment as well as a variable payment based on sales revenues.

Likewise, over this building a surface contract is maintained for a 30 year terms with an association named "Religiosas del Sagrado Corazón de Jesús", by which the surface rights over the building was acquired and the mall was constructed.

Management periodically obtains independent appraisals of the Company's real estate investments. Based on these appraisals, as of December 31, 2011 and 2010, Management has determined that the book value is lower than the estimated fair value.

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

Notes to the consolidated financial statements (continued)

9. Loan portfolio, net

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

	2011 S/.(000)	2010 S/.(000)
Direct loans		
Loans	9,366,209	8,104,002
Leasing receivables	1,903,408	1,742,852
Credit cards receivables	2,177,006	1,747,487
Discounted notes	321,302	283,502
Factoring receivables	249,783	150,290
Advances and overdrafts	106,877	40,207
Refinanced and restructured loans	87,122	93,057
Past due and under legal collection loans	216,419	187,945
	<u>14,428,126</u>	<u>12,349,342</u>
Add (less)		
Accrued interest from performing loans	126,535	169,092
Deferred interest and interest collected in advance	(230,189)	(262,357)
Allowance for loan losses (d)	(593,204)	(505,769)
	<u>13,731,268</u>	<u>11,750,308</u>
Total direct loans	<u>13,731,268</u>	<u>11,750,308</u>
Indirect loans	<u>3,671,833</u>	<u>2,975,234</u>

As of December 31, 2011 and 2010, 51 percent of the direct and indirect loan portfolio corresponded to 1,644 and 1,082 customers, respectively. Loans were mainly granted to companies established in Peru or to companies whose shareholders have investments mostly in Peru.

In December 2011, the Bank acquired a consumer loan portfolio from Caja Rural de Ahorro y Crédito Nuestra Gente S.A.A. for approximately S/ 100,071,000.

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Notes to the consolidated financial statements (continued)

- (c) As of December 31, 2011 and 2010, the credit risk classification of the Bank's loan portfolio according to SBS standards, is as follows:

Risk category	2011		2010	
	S/.(000)	%	S/.(000)	%
Normal	16,911,260	93.43	14,263,418	93.10
With potential problem	530,148	2.93	519,473	3.40
Substandard	192,250	1.06	151,588	1.00
Doubtful	274,115	1.51	233,097	1.50
Loss	192,186	1.06	157,000	1.00
Total	18,099,959	100	15,324,576	100

- (d) As of December 31, 2011 and 2010, financial entities in Peru must constitute allowances for loan losses considering the risk classification mentioned above and using the percentages indicated in the SBS Resolution 11356-2008 and in the SBS Resolution 6941-2008, respectively, as follows:

- (i) For "Normal" category:

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

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

Through Circular SBS B-2193-2010, dated on September 28, 2010, the SBS informed to the financial entities the reactivation of pro-cyclical component rates for the allowance on direct and indirect loans for borrowers classified as "Normal", because the macroeconomic indicators that activate the rule, were met on that month.

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

Notes to the consolidated financial statements (continued)

- (ii) For loans classified as "Potential problem", "Substandard", "Doubtful" and "Loss"; depending upon if the loans are: Loans Without Guarantees (LWG), Loans With Preferred Guarantees (LWPG) Loans With Readily Preferred Guarantees (LWRPG) or Loans with Highly Liquid Preferred Guarantees (LWHLPG), the following percentages were used as of December 31, 2011 and 2010:

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

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

- (d) The table below presents the allowances for loan losses (direct and indirect):

	2011 S/.(000) (*)	2010 S/.(000) (*)
Balance at the beginning of the year	550,872	433,302
Provision recognized as year expense (includes pro-cyclical provisions)	475,598	417,949
Prior years provision recoveries	(73,217)	(26,522)
Write-offs, extinguishments and sales	(306,870)	(287,551)
Reclassification from allowance for account receivables	4,591	17,239
Exchange result, net	<u>(6,061)</u>	<u>(3,545)</u>
Balance at the end of the year	<u>644,913</u>	<u>550,872</u>

- (*) The allowance for loan losses includes the provisions for indirect loans and for credit risk related to over-indebtedness amounting to approximately S/. 51,709,000 and S/. 45,103,000 as of December 31, 2011 and 2010, respectively; which are recorded in the "Accounts payable, provisions and other liabilities" caption of the consolidated balance sheet; see Note 11.

In Management's opinion, the allowance for loan losses recorded as of December 31, 2011 and 2010 complies with SBS regulations in effect at those dates.

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Notes to the consolidated financial statements (continued)

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

(f) The table below presents the direct loan portfolio as of December 31, 2011 and 2010, classified by maturity dates:

	2011 S/.(000)	2010 S/.(000)
Outstanding		
Due within 1 month	2,080,082	1,445,125
From 1 to 3 months	1,909,444	1,927,043
From 3 months to 1 year	2,828,157	2,766,420
From 1 to 5 years	5,306,044	4,351,748
More than 5 years	<u>2,087,979</u>	<u>1,671,061</u>
	14,211,706	12,161,397
Past due loans	136,916	124,230
Loans in legal collection	<u>79,504</u>	<u>63,715</u>
	<u>14,428,126</u>	<u>12,349,342</u>

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Notes to the consolidated financial statements (continued)

10. Property, furniture and equipment, net

(a) The table below presents the movement of this caption as of December 31, 2011 and 2010:

Descripción	Land	Buildings and facilities	Furniture and equipment	Vehicles	Leasehold improvements	In-transit equipment and work in progress	Total 2011	Total 2010
	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Cost								
Balance as of January 1	67,673	492,344	365,515	4,212	72,597	14,293	1,016,634	1,014,753
Additions	1,078	6,279	24,456	3	4,500	(1,826)	34,490	68,160
Disposals and write-offs	(271)	(4,904)	(7,699)	-	(142)	-	(13,016)	(26,966)
Transfers to intangibles, Note 12(e)	-	-	-	-	-	3,713	3,713	(39,313)
Balance as of December 31	68,480	493,719	382,272	4,215	76,955	16,180	1,041,821	1,016,634
Accumulated depreciation								
Balance as of January 1	-	287,089	212,038	4,079	31,466	-	534,672	480,179
Depreciation for the year	-	15,880	41,676	38	13,630	-	71,224	69,205
Disposals and write-offs	-	(1,152)	(7,257)	(1)	(52)	-	(8,462)	(14,712)
Balance as of December 31	-	301,817	246,457	4,116	45,044	-	597,434	534,672
Net book value	68,480	191,902	135,815	99	31,911	16,180	444,387	481,962

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

(c) Management periodically reviews the residual values, useful life and the depreciation method to ensure they are consistent with the economic benefits and life expectation for the property, furniture and equipment. In Management's opinion, there is no evidence of impairment of the value in use of property, furniture and equipment as of December 31, 2011 and 2010.

(d) With SBS authorization, in the prior years the Bank recorded voluntary revaluations over certain fixed assets at their fair values which were determined by an independent appraiser and amounted to approximately S/. 61,140,000; which generated a deferred Income Tax and workers' profit sharing liability. As of December 31, 2011 and 2010 the value of the revaluations, net of their accumulated depreciation, amounts to approximately S/. 41,645,000 and S/. 43,589,000, respectively.

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Notes to the consolidated financial statements (continued)

11. **Accounts receivable and other assets, accounts payable, allowances and other liabilities**

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

	2011	2010
	S/.(000)	S/.(000)
Accounts receivable and other assets		
Value added tax credit (b)	214,060	200,826
Other accounts receivable, net	170,522	117,464
Investment fund participation (c)	108,848	91,620
Intangible assets, net (e)	98,566	80,863
Deferred Income Tax, net	53,906	37,540
Transactions in process (d)	39,423	58,167
Deferred charges	37,377	27,572
Rights paid to related entity (e)	33,840	38,733
Accounts receivable related to derivative financial instruments	33,016	23,334
Prepaid income tax	14,097	32,457
Interest premium (f)	11,887	5,905
Assets received as payment and seized through legal actions, net	9,178	10,450
Prepaid rent	6,652	7,616
Accounts receivable for sale of investments (h)	20,299	-
Other	4,301	8,848
	<u>641,912</u>	<u>540,569</u>
Accounts payable, provisions and other liabilities -		
Other accounts payable	229,736	183,532
Transactions in process (d)	145,202	156,006
Accounts payable related to derivative financial instruments	124,413	66,770
Workers' profit sharing and salaries payable, note 16(a)	58,797	51,545
Allowance for losses on indirect loan portfolio (contingent loans), note 9(d)	51,709	45,103
Provision for contingencies (g)	14,240	15,333
Accounts payable for purchase of investments (h)	18,595	-
Other	6,833	9,988
	<u>649,525</u>	<u>528,277</u>

(b) Corresponds to the value added tax ("IGV" for its Spanish acronym) resulting from the purchase of goods devoted mostly to leasing operations carried out by the Bank, to be recovered through the collection of such lease transactions.

(c) Corresponds to certificates of participation that the Bank maintains in an investment fund dedicated to grant operating leases to domestic companies. In May 2010, by means of Resolution 24987-2010, the SBS required the Bank to record these participations in the "Other asset" caption at its amortized cost.

(d) 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 balance sheet account on the following month. These transactions do not affect the consolidated results as of December 31, 2011 and 2010.

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

Notes to the consolidated financial statements (continued)

- (e) In December 2003, the Bank entered into a concession agreement with Supermercados Peruanos S.A., a related entity, to install financial services locations in the stores of Supermercados Peruanos S.A. for a 15 year-term under this agreement the Bank paid an amount in foreign currency equivalent to S/. 32,323,000 on December 31, 2003 (Value Added Tax included) which is being amortized over a 15 year period. In addition, during 2009 the Bank entered into a new concession agreement for new spaces ceded to the Bank in new stores of Supermercados Peruanos S.A., for an amount of approximately S/.16,494,000, which is being amortized during the contract period which is 6 years and 8 months.

The Bank has recorded for such concepts an expense of approximately S/. 4,641,000 and S/. 4,704,000, during the periods ended 2011 and 2010 which is included in the "Administrative expenses" caption of the consolidated statements of income.

- (f) Corresponds to the premium on the acquisition of the Banco del Trabajo and Crédito Nuestra Gente S.A.A. loan portfolio in September 2007 and December 2011, respectively. The amortization expense is calculated following the straight-line method in a period of 5 years.
- (g) As of December 31, 2011 and 2010, these amounts include provisions for sundry legal contingencies originated from ongoing lawsuits against the Company and its Subsidiaries owing to the nature of the business. The Company and its Subsidiaries establish provisions for such law suits when, in the opinion of Management and its internal legal advisers, it is probable that the liability will be assumed by the Company and its Subsidiaries and the amount can be reliably estimated.
- (h) As of December 31, 2011, corresponds to accounts receivable and payable originated by the selling and purchasing of Global and Sovereign bonds registered at the trading date according to accounting principles effective in Peru. These transactions were made mostly with local financial institutions, AFP's and Mutual Funds and were collected and paid during the first days of January 2012.

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Notes to the consolidated financial statements (continued)

12. Deposits and obligations

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

	2011	2010
	S/.(000)	S/.(000)
Time deposits	5,213,301	5,091,476
Saving deposits	4,124,098	3,662,475
Demand deposits	2,978,486	2,575,322
Deposits in guarantee (*)	646,785	451,215
Taxes payable	51,681	71,164
Other obligations	<u>5,084</u>	<u>7,009</u>
	13,019,435	11,858,661
Interest payable	<u>23,036</u>	<u>19,968</u>
Total	<u>13,042,471</u>	<u>11,878,629</u>

(*) As of December 31, 2011 and 2010, corresponds mainly to restricted deposits given as guarantees by clients, in connection with direct and indirect loans granted by the Bank for approximately S/. 503,140,000 and S/.339,316,000, 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, 2011 and 2010, approximately S/.4,919,650,000 and S/.4,299,874,000, respectively, of deposits and obligations are covered by the "Deposit Insurance Fund".

(d) The table below presents the balance of time deposits classified by maturity as of December 31, 2011 and 2010:

	2011	2010
	S/.(000)	S/.(000)
Due within 1 month	1,516,730	881,056
From 1 to 3 months	334,809	383,984
From 3 months to 1 year	2,520,657	3,344,931
From 1 to 5 years	<u>841,105</u>	<u>481,505</u>
	<u>5,213,301</u>	<u>5,091,476</u>

Notes to the consolidated financial statements (continued)

13. Due to banks and correspondents

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

	2011 S/.(000)	2010 S/.(000)
By type		
Loans received from foreign entities (b)	774,708	1,161,322
Promotional credit lines (c)	812,497	955,272
Obligations with local banks	<u>30,595</u>	<u>38,403</u>
	1,617,800	2,154,997
Interest and commissions payable	<u>12,381</u>	<u>61,630</u>
	<u>1,630,181</u>	<u>2,216,627</u>
By term		
Short term	460,243	1,539,801
Long term	<u>1,169,938</u>	<u>676,826</u>

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

(b) Promotional credit lines include loans in Nuevos Soles and US Dollars received from Corporacion Financiera de Desarrollo (COFIDE), which correspond to credit lines granted to promote economic development in Peru. These loans are guaranteed with loan portfolio up to the limit of the credit line used and include specific agreements on their use, financial conditions to be maintained and other administrative matters. In Management's opinion, such requirements have been complied with. These loans bear annual interest rates ranging between 5.00 and 11.00 percent in 2011 and 2010.

Notes to the consolidated financial statements (continued)

14. Bonds and other obligations

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

Issuer	Issuance	Annual Nominal interest rate	Interest Payment basis	Maturity	Authorized amount (000)	Used amount (000)	Outstanding balances as of December 31, 2011 S/.(000)	Outstanding balances as of December 31, 2010 S/.(000)
Negotiable notes (DPR)								
IBK DPR Securitizadora (d)	First issue	Libor 3M + 2.75% / 3M + 3.00%	Quarterly	2014-2015	US\$200,000	US\$200,000	346,778	474,331
IBK DPR Securitizadora (e)	First issue	Libor 3M + 4.25%	Quarterly	2016	US\$121,000	US\$121,000	320,220	330,582
							<u>666,998</u>	<u>804,913</u>
Subordinated bonds (b)								
Interbank – first program	First issue	6.75%	Semiannually	2013	US\$30,000	US\$15,000	40,170 (*)	41,838 (*)
Interbank – first program	Third issue (A series)	3.5% + (VAC)	Quarterly	2023	S/. 135,000	S/. 110,000	110,000	110,000
Interbank – first program	Fifth issue (A, B and C series)	8.80%/10.50%	Quarterly	2011	US\$30,000	US\$15,000	-	42,117 (*)
Interbank – first program	Second issue (B series)	9.50%	Semiannually	2023	US\$50,000	US\$30,000	80,880	84,270
Interbank – first program	Fifth issue (A series)	8.50%	Semiannually	2019	S/. 135,000	S/. 3,300	3,300	3,300
Interbank – first program	Sixth issue (A series)	8.16%	Semiannually	2019	US\$45,000	US\$15,110	40,737	42,444
Interseguro– first program	First issue	9.00%	Quarterly	2016	US\$5,000	US\$5,000	13,480	14,045
							<u>288,567</u>	<u>338,014</u>
Leasing Bonds (c)								
Interbank	First issue (Second program)	6.45%	Quarterly	2013	S/. 136,600	S/. 136,450	136,450	136,450
							<u>136,450</u>	<u>136,450</u>
Mortgage bonds								
Interbank – first program	First issue (A series)	4.90%	Semiannually	2014	US\$10,000	US\$10,000	6,470	9,550
Interbank – first program	Second issue (A and B Series)	5.6355% / Libor 6M + 0.90 p.b.	Semiannually	2015	US\$10,000	US\$10,000	8,088	11,798
							<u>14,558</u>	<u>21,348</u>
International Issuance through Panamanian Branch								
Junior Subordinated notes (f)	First issue	8.50%	Semiannually	2070	US\$200,000	US\$200,000	527,679	548,846
Senior bonds (g)	First issue	5.75%	Semiannually	2020	US\$400,000	US\$400,000	1,043,594	1,113,710
							<u>1,571,273</u>	<u>1,662,556</u>

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Notes to the consolidated financial statements (continued)

Securizations bonds ()**

Patrimonios en Fideicomiso – D.S. N°093-2002-EF, Interproperties Perú	First issue - Fifth class	8.50%	Monthly	2011	US\$10,000	US\$10,000	-	28,090
Patrimonios en Fideicomiso – D.S. N°093-2002-EF, Interproperties Perú – Serie 1	Second issue - Seventh class	9.50%	Monthly	2014	US\$8,500	US\$8,500	-	23,876
Patrimonios en Fideicomiso – D.S. N°093-2002-EF, Interproperties Perú – Serie 2	Second issue - Seventh class	8.00%	Monthly	2012	US\$11,500	US\$11,500	-	32,304
Patrimonios en Fideicomiso – D.S. N°093-2002-EF, Interproperties Perú – Serie 1	Third issue - Eight class	8.50%	Monthly	2013	US\$8,000	US\$8,000	-	20,101
Patrimonios en Fideicomiso – D.S. N°093-2002-EF, Interproperties Perú – Serie 2	Thirth issue - Eight class	8.50%	Monthly	2013	US\$12,000	US\$12,000	-	30,098
							-	134,469
Interest payable							40,286	37,448
							2,718,132	3,135,198

(*) Bonds and other obligations held by Intergroup and its Subsidiaries amounting to S/. 270,000 and S/.315,000 as of December 31, 2011 and 2010, respectively, have been eliminated from the outstanding balances.

(**) As of December 31, 2011, Securizations bonds of Patrimonio en Fideicomiso – D.S. N°093-2002-EF, Interproperties Perú were transferred to Patrimonio en Fideicomiso D.S. 093-2002-EF – Interproperties Holding.

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Notes to the consolidated financial statements (continued)

- (b) Subordinated bonds do not have specific guarantees.
- (c) As indicated in Note 10(b), Peruvian financial entities are prohibited from pledging their fixed assets. Fixed assets acquired in connection with leasing operations that are funded through the issuance of leasing bonds are regarded as a guarantee of the related bonds.
- (d) In June 2008, IBK DPR Securitizadora (a special-purpose entity domiciled in Bermuda and consolidated by Intergroup) issued negotiable long-term notes for US\$200,000,000 equivalent to approximately S/.346,778,000 and S/.474,331,000 net of transaction cost and capital repayments as of December 31, 2011 and 2010, respectively. The notes were disbursed in to two tranches, of US\$ 60,000,000 and US\$140,000,000, with maturities in 2014 and 2015, respectively; they accrue interest at the 3-month Libor rate plus a margin. The notes issued are guaranteed by remittances received by the Bank through SWIFT transfers, such remittances are subsequently transferred by the Bank to IBK DPR Securitizadora as received. The issuance of these notes has standard clauses on meeting financial ratios and other administrative matters which, in Management's opinion, do not affect the Bank's operation and are being met.

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

- (e) In June 2009, IBK DPR Securitizadora issued long-term negotiable notes for US\$121,200,000 equivalent to approximately S/.320,220,000 and S/.330,582,000, net of transaction cost and capital repayments, as of December 31, 2011 and 2010, respectively, with maturity in 2016; they accrue interest at the 3-month Libor rate plus a margin. The notes issued are guaranteed by remittances received by the Bank through SWIFT transfers, such remittances are subsequently transferred by the Bank to IBK DPR Securitizadora as received. The issuance of these notes has standard clauses on meeting financial ratios and other administrative matters which, in Management's opinion, do not affect the Bank's operation and are being met.

For these transactions, the Bank has entered into a interest-rate swaps contract with nominal amounts of US\$121,200,000, for which it receives the 3-month Libor rate plus a margin of 4.25 percent and pays an annual fixed rate of 7.9 percent starting from September 2009. The swap schedule is exactly equal to that of the loan and the Bank has recorded this derivative as a cash-flow hedge; see Note 18(d).

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Notes to the consolidated financial statements (continued)

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

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

- (g) In September 2010, the Bank issued senior bonds denominated "5.750 percent Senior Notes due 2020". These bonds will mature in October 2020 and bear a fixed annual interest rate of 5.75 percent. The Bank can redeem 100 percent of the bonds on any coupon payment date paying as a penalty and interest rate equal to the American Treasury plus 50 basis points. The principal payment will take place at the maturity date of the bonds or when the Bank redeems the bonds.
- (h) International issuances are listed at the Luxemburg Stock Exchange. Likewise, local and international issuances maintain certain financial and operating covenants which in Management's opinion, the Bank has complied with at the dates of the balance sheets.

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Notes to the consolidated financial statements (continued)

15. Technical reserves for premiums and claims

(a) This item consists of the following:

	2011 S/.(000)	2010 S/.(000)
Technical reserves for premiums (b)	2,128,544	1,816,211
Technical reserves for claims (c)	<u>49,534</u>	<u>53,411</u>
	<u>2,178,078</u>	<u>1,869,622</u>

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

	2011 S/.(000)	2010 S/.(000)
Life mathematical reserves		
Annuities reserves	1,944,210	1,642,030
Retirement, disability and survival pensions	117,250	115,252
Life insurance	56,488	49,935
Unearned premium reserve		
Compulsory traffic accident insurance (SOAT)	9,458	8,624
General insurance	<u>1,138</u>	<u>370</u>
	<u>2,128,544</u>	<u>1,816,211</u>

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

	2011		
	Claims reported S/.(000)	IBNR (e) S/.(000)	Total S/.(000)
Life insurance	5,068	174	5,242
Retirement, disability and survival pensions	38,735	14	38,749
Compulsory traffic accident insurance (SOAT)	2,510	2,111	4,621
Personal accidents	882	-	882
General insurance	<u>40</u>	<u>-</u>	<u>40</u>
	<u>47,235</u>	<u>2,299</u>	<u>49,534</u>
	2010		
	Claims reported S/.(000)	IBNR (e) S/.(000)	Total S/.(000)
Life insurance	5,157	159	5,316
Retirement, disability and survival pensions	43,495	14	43,509
Compulsory traffic accident insurance (SOAT)	2,424	1,449	3,873
Personal accidents	696	-	696
General insurance	<u>17</u>	<u>-</u>	<u>17</u>
	<u>51,789</u>	<u>1,622</u>	<u>53,411</u>

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Notes to the consolidated financial statements (continued)

- (d) In Interseguro Management's opinion, these balances reflect the exposure to life and general insurance contracts as of December 31, 2011 and 2010, in accordance with SBS regulations.
- (e) As of December 31 2011 and 2010, the incurred but not reported claims have been determined in accordance with in force regulations approved by SBS. In such sense, in Management's opinion it is adequate to properly respond to the incurred but not reported claims.
- (f) Below are the main assumptions for the estimation for annuities reserves, disability and survival reserves, and life insurance as of December 31, 2011 and 2010:

Type	Tables	Technical interest %
Annuities reserves (*)	RV-2004 modified, RV-85 MI-85 and others	3.00 - 5.45
Retirement, disability and survival (*)	RV85,MI-85 and B-85	Old regime 3 and 4.5, New regime in accordance with the rate published monthly by the SBS
Life insurance	CSO 80 adjusted	4.00 – 5.00

(*) Mortality tables are established by SBS

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

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Notes to the consolidated financial statements (continued)

16. Equity

(a) Capital stock

As of December 31, 2011 and 2010 Intergroup's capital stock is represented by 93,615,451 shares with a par value of US\$9.72 per share, of which IFH directly or indirectly holds 64,532,623 shares representing 68.93 percent of Intergroup's capital stock issued (as of December 31, 2010, 66,281,142 shares representing 70.80 percent of Intergroup's capital stock issued).

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

The General Shareholders Meeting held on March 30, 2010 agreed to distribute US\$90,000,000 in dividends for the 2009 year (equivalent to approximately S/.255,690,000).

(b) Treasury stock

As of December 31, 2011, the Bank holds 3,077,240 shares of Intergroup, the amount paid for these shares amounted to S/.213,855,000. As of December 31, 2010, the Bank and Interseguro held 1,358,490 and 134,316 shares of Intergroup, respectively, the amount paid for these shares amounted to S/.67,766,000 and S/.4,912,000, respectively.

During 2011 Interseguro sold Intergroup shares, generating gains of approximately S/.8,453,000, net of income tax and Workers' profit sharing. During 2010, the Bank and Interseguro sold Intergroup shares, generating gains of approximately S/.55,332,000 and S/.13,384,000, respectively, net of income tax and workers' profit sharing. These gains are recorded in the "Retained earnings" caption of the consolidated balance sheet.

(c) Capital surplus

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

(d) Unrealized results on financial instruments

The table below presents the components of this caption:

	2011	2010
	S/.(000)	S/.(000)
Unrealized gains (losses) on available-for-sale investment, net of income tax	58,497	60,114
Unrealized losses on hedging financial derivatives instruments, net of income tax	<u>(28,705)</u>	<u>(33,985)</u>
	<u>29,792</u>	<u>26,129</u>

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Notes to the consolidated financial statements (continued)

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

Intergroup is not required to calculate shareholders' equity for legal purpose (regulatory capital). As of December 31, 2011 and 2010, the shareholders' equity for legal purpose, required for the subsidiaries of Intergroup dedicated to financial and insurance activities in Peru, calculated according to SBS standards, detailed below:

Bank's Shareholders' equity for legal purposes (regulatory capital)

In June 2008, by means of Legislative Decree 1028, the Banking Act was amended. The amendments established that the regulatory capital must be equal to or more than 10 percent of the total risk weighted assets and contingent operations, which includes market risk, operational risk and credit risk. According to standards in force, this ratio has been gradually implemented until July 2011. As of December 31, 2011 and 2010, the minimum requirement is 10 and 9.8 percent, respectively.

As of December 31, 2011 and 2010, the weighted assets and contingent credits by credit risk and shareholders' equity for legal purpose (regulatory capital basic and supplementary) pursuant to the Banking Act in effect at those dates was determined as follows in millions of Nuevos Soles:

	2011	2010
Total risk weighted assets and credits	17,289,422	14,599,466
Total regulatory capital	2,363,168	2,106,916
Basic regulatory capital (Level 1)	1,820,803	1,417,511
Supplementary regulatory capital (Level 2)	542,365	689,405
Global regulatory capital ratio	13.67%	14.43%

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

In accordance with SBS resolution SBS 1124-2006, amended by the resolutions SBS 8243-2008, 12687-2008 and 5587-2009, Interseguro forced to maintain a regulatory net equity with the purpose of maintain a minimal equity intended to support the technical risks and other risks that could affect it. The regulatory net equity shall be greater than the amount resulting from the sum of the solvency net equity and the guarantee fund and the regulatory net equity assigned to cover credit risks.

As of December 31, 2011 and 2010, Interseguro calculates an effective equity coverage surplus as follows:

	2011 S/.(000)	2010 S/.(000)
Regulatory net equity total	209,649	212,910
Less:		
Solvency equity	(122,462)	(106,402)
Guarantee fund	<u>(42,862)</u>	<u>(37,241)</u>
Surplus	<u>44,325</u>	<u>69,267</u>

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Notes to the consolidated financial statements (continued)

(f) Subsidiaries' legal and special reserves

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

Pursuant to Legislative Decree 770 (which is no longer in force), the Bank established a reserve in order to cover potential losses on assets received as payment and seized through legal actions prior to December 31, 1994. As of December 31, 2011 and 2010, the balance of such reserve amounted to S/.8,819,000. The Bank is not allowed to distribute or use this reserve without prior SBS authorization.

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

17. Tax situation

(a) Because it is incorporated in Panama, 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 from entities domiciled in Peru. The entity that distributes the dividends is responsible of performing the retention of the indicated tax. In this regard, since the Company controls the entities that distribute dividends, recognizes the amount of said income tax, recording it as an expense in the period when such dividends belong. In this sense, during the periods ended 2011 and 2010, the Company has recorded S/. 20,254,000 and S/. 8,806,000, respectively, in the consolidated statements of income.

(b) Intergroup's Subsidiaries are subject to Peruvian Tax Law, in compliance with current Peruvian legislation; they calculate their Income tax on the basis of their individual financial statements. As of December 31, 2011 and 2010, the statutory Income tax rate was 30 percent on taxable income, after calculating the workers' profit sharing, which according to current legislation is determined using a 5 percent rate.

(c) The tax exemption over capital gains arising from the disposal of securities through the Lima Stock Exchange, as well as interest and other gains obtained from debt instruments issued by the Peruvian Government was extended until December 31, 2009. Since January 1, 2010, only interest and capital gains resulting from bonds issued by the Republic of Peru and from BCRP certificates of deposit used for monetary regulation purposes are exempted from the Income Tax. Likewise, only interest and capital gains resulting from bonds issued before March 11, 2007 are also exempted.

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

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Notes to the consolidated financial statements (continued)

Since 2011, with the Income Tax modification, introduced by Act 29645, interest and other income generated by foreign loans granted to the national public sector, must also be included as an item unaffected by the Income Tax. In addition, with regards to unaffected interest in development credits such operations are those intended to fund projects or programs for the development of the country in public infrastructure and public services as well as to finance credits for micro businesses, according to Resolution SBS 11356-2008 (or any posterior replacing regulation).

Through Act 29820, the tax exemptions of article 19 of the Income Tax Act approved by Supreme Decree 179-2004-EF has been extended until December 31, 2012.

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

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

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

- (d) For the purpose of determining the Income Tax and the Value Added Tax, the transfer prices agreed for transactions between related entities, or for transactions conducted with or through entities domiciled in low or zero tax countries must be supported by documentation containing information on the valuation methods applied and the criteria used in the determination of such prices. The Tax Authority has the right to request this information.

Based on analysis of the Company and its Subsidiaries operations, in the opinion of Management and its legal advisors, the application of these tax standards would not have any material consequences on the consolidated financial statements as of December 31, 2011 and 2010.

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

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

In the opinion of the Bank's and Interseguro's Management and their legal advisors, any possible additional tax assessment would not have any material consequences on the consolidated financial statements as of December 31, 2011 and 2010.

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Notes to the consolidated financial statements (continued)

18. Off-balance sheet accounts

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

	2011 S/.(000)	2010 S/.(000)
Indirect loans, Note 9(a)		
Bank letters of guaranty and stand-by letters of credit (b)	3,123,669	2,583,908
Import and export letters of credit (b)	528,311	295,082
Due from bank acceptances (b)	<u>19,853</u>	<u>96,244</u>
	<u>3,671,833</u>	<u>2,975,234</u>
Foreign currency forwards transactions, Note 4		
Held for trading		
Purchase of foreign currency forwards (c)	2,071,393	3,288,870
Sale of foreign currency forwards (c)	1,897,176	1,727,716
Currency swap transaction (c)	169,828	67,520
Held as hedging		
Currency swap transaction (d)	<u>134,800</u>	<u>140,451</u>
	<u>4,273,197</u>	<u>5,224,557</u>
Responsibilities under credit line agreements (e)	<u>21,782,359</u>	<u>19,002,933</u>
Total contingent operations	<u>29,727,389</u>	<u>27,202,724</u>
Other off-balance sheet accounts (g)		
Interest rates swaps		
Held for trading (c)	51,224	53,371
Held as hedging, Note (d)	<u>638,426</u>	<u>813,461</u>
	<u>689,650</u>	<u>866,832</u>
Guarantees received	13,334,780	12,219,574
Trusts (f)	1,442,523	2,133,202
Securities in custody	2,521,300	2,742,985
Mutual and investment funds managed by Interfondos Sociedad Administradora de Fondos	2,161,339	2,524,859
Equity trust managed by Internacional de Títulos Sociedad Titulizadora S.A. - Intertítulos S.T.	1,104,751	1,027,149
Collections on behalf of third parties	357,689	292,866
Loan portfolio sold	60,510	63,123
Suspended interests	96,014	70,777
Other	<u>16,555,375</u>	<u>13,892,746</u>
	<u>37,634,281</u>	<u>34,967,281</u>
Total other off-balance sheet accounts	<u>38,323,931</u>	<u>35,834,113</u>
Total off-balance sheet accounts	<u>68,051,320</u>	<u>63,036,837</u>

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

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Notes to the consolidated financial statements (continued)

Intergroup and Subsidiaries applies the same credit policies for granting and evaluating the provisions required for direct loans when performing contingent operations including obtaining guarantees when it deems it necessary. Guarantees vary and include deposits in financial institutions or other assets.

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

- (c) As of December 31, 2011 and 2010, the Bank, Interseguro and Interfondos maintained derivative operations related to purchase and sale agreements of foreign currency transaction ("forwards") for trading purposes. These contracts are agreements by which the future delivery of foreign currency is agreed, by which the seller agrees to deliver on a specific future date an amount of foreign currency at a pre-determined price. The risk arises from the possibility that the counterparty does not meet the agreed terms and from changes that take place in the exchange rates of the currencies at which the transactions are carried out. These contracts generally have maturities no longer than one year, are carried out only to satisfy client needs and are registered at their estimated fair value.
- (d) As of December 31, 2011 and 2010, the Company and Subsidiaries hold a currency swap transaction, which according to SBS approval, has been classified as a cash flow hedge for the issuance of leasing bonds; see Note 14(a). In economic terms this transaction translates the debt issued in Nuevos Soles into US Dollars. This transaction has maturity in March 2013.

Additionally, the Company and its Subsidiaries hold four interest rates swaps hedges aimed to cover the variable rate component of certain due to banks and correspondents. As of December 31, 2011 and 2010, said instruments have maturities between June 2014 and June 2016.

- (e) Unused lines of credit and loans granted but not disbursed do not correspond to commitments to grant loans; and include consumer lines of credit and other consumer loans that are cancelled when the customer receives notice to that effect.
- (f) The Bank provides custody, trust, corporate management, investment management and consulting services to third parties, in which the Bank carries out instructions on behalf of its customers and does not assume responsibility for those decisions. These assets are not included in these consolidated financial statements.
- (g) The balance of "Other off-balance sheet accounts" includes different transactions recorded mainly for control purposes. The most important balance corresponds to guarantees received and is expressed at the agreed value of guarantees as of the date of the loan agreement. This balance does not represent the fair value of guarantees held by Intergroup and Subsidiaries.

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Notes to the consolidated financial statements (continued)

19. Financial income and expense

The table below presents the components of this caption:

	2011 S/.(000)	2010 S/.(000)
Financial income		
Interest and commissions on loans	1,732,331	1,573,419
Interest on due from banks and inter-bank funds	20,321	14,832
Investments income:		
Income from interests over investments	288,731	195,276
Income from sale and valuation of investments, net	85,894	124,955
Equity share from investments in associates, net	<u>10,460</u>	<u>7,966</u>
	2,137,737	1,916,448
Rental income from real estate investments	46,829	65,934
Income from sale of real estate investments, note 2(c)	80,059	3,802
Exchange differences, net	173,661	145,220
Other financial income	<u>25,298</u>	<u>15,838</u>
Total financial income	<u>2,463,584</u>	<u>2,147,242</u>
Financial expenses		
Interest and commissions on deposits and obligations	179,213	136,612
Interest and fees on deposits and due to banks and correspondents	147,982	146,748
Interest on bonds and obligations outstanding	143,997	84,685
Deposit Insurance fund premium fees	<u>20,579</u>	<u>18,007</u>
	491,771	386,052
Loss on derivative financial products, net	29,266	15,391
Other financial expense	<u>45,141</u>	<u>48,261</u>
Total financial expense	<u>566,178</u>	<u>449,704</u>
Gross financial margin	<u>1,897,406</u>	<u>1,697,538</u>

20. Income and expenses from financial services

The table below presents the components of this caption:

	2011 S/.(000)	2010 S/.(000)
Fee income from financial services		
Fee for miscellaneous services	214,166	199,929
Credit and debit card commissions	162,246	130,899
Commissions on contingent operations	44,136	39,635
Fee for collections of services	22,782	21,151
Income from financial advisory services	13,009	17,783
Other	<u>110,317</u>	<u>87,068</u>
Total	<u>566,656</u>	<u>496,465</u>
Expenses relating to financial services		
Credit and debit card expenses	13,662	12,264
Fees paid to foreign banks	11,294	9,859
Other	<u>41,102</u>	<u>30,298</u>
Total	<u>66,058</u>	<u>52,421</u>

Notes to the consolidated financial statements (continued)

21. Result of insurance underwriting, net

The table below presents the components of this caption:

	2011	2010
	S/.(000)	S/.(000)
Assumed premiums	457,656	471,185
Adjustment of technical reserves for assumed premiums (c)	(374,064)	(385,820)
Claims on assumed premiums	(137,060)	(126,136)
Ceded premiums	(8,994)	(7,988)
Claims on ceded premiums	<u>6,151</u>	<u>6,065</u>
Gross technical result	(56,311)	(42,694)
Commissions from written premiums	(7,252)	(10,488)
Other technical income	4,561	11,268
Other technical expenses	<u>(5,096)</u>	<u>(5,618)</u>
Technical result, net	<u>(64,098)</u>	<u>(47,532)</u>

22. Administrative expenses

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

	2011	2010
	S/.(000)	S/.(000)
Personnel and Board of Directors expenses (c)	494,567	471,556
Services received from third parties (b)	493,530	477,660
Taxes and contributions	<u>26,824</u>	<u>25,611</u>
Total	<u>1,014,921</u>	<u>974,827</u>

(b) 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.

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

	2011	2010
	S/.(000)	S/.(000)
Salaries	372,434	347,393
Social security	30,887	28,718
Severance indemnity expenses	28,744	26,500
Vacation, health care and other	23,661	34,485
Worker's profit sharing expense	<u>38,841</u>	<u>34,460</u>
Total	<u>494,567</u>	<u>471,556</u>

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

Notes to the consolidated financial statements (continued)

23. Other income, net

The table below presents the components of this caption:

	2011 S/.(000)	2010 S/.(000)
Recovery of prior year write-off loans	99,195	60,932
Commissions and other services from mutual funds administration	28,427	28,106
Net gain on sale of assets received as payment and seized through legal actions	304	6,192
Income tax over dividends	(20,254)	(10,092)
Employee retirement incentive	(10,287)	(7,123)
Provision for assets received as payment and seized through legal actions	(80)	(15)
Other, net	<u>15,606</u>	<u>12,683</u>
Total other income, net	<u>112,911</u>	<u>90,683</u>

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

Notes to the consolidated financial statements (continued)

24. Earnings per share

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

	Outstanding shares (in thousands)	Shares considered in computation (in thousands)	Days as of the end of year	Weighted average number of shares (in thousands)
2010				
Balance as of January 1, 2010	91,517	91,517	365	91,517
Purchase of treasury stock	(600)	(600)	268	(441)
Purchase of treasury stock	(640)	(640)	169	(296)
Sale of treasury stock	685	685	128	259
Sale of treasury stock	1,161	1,161	Various	167
Balance as of December 31, 2010	92,123	92,123		91,206
Net earnings attributable to Intergroup S/.(000)				499,095
Net basic and diluted earnings per share attributable to Intergroup (Nuevos soles)				5.472
2011				
Balance as of January 1, 2011	92,123	92,123	365	92,123
Sale of treasury stock	134	134	362	133
Purchase of treasury stock	(1,719)	(1,719)	351	(1,653)
Balance as of December 31, 2011	90,538	90,538		90,603
Net earnings attributable to Intergroup S/.(000)				695,696
Net basic and diluted earnings per share attributable to Intergroup (Nuevos soles)				7.679

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

Notes to the consolidated financial statements (continued)

25. Transactions with related parties and affiliated companies

(a) The table below presents the balances with related and affiliated companies as of December 31, 2011 and 2010:

	2011	2010
	S/.(000)	S/.(000)
Assets		
Cash and due from banks	35,412	4,150
Held-to-maturity investments (real estate projects),	49,471	26,469
Loan portfolio, net	150,544	143,019
Other assets	53,689	34,073
Liabilities		
Deposits and obligations	214,931	218,683
Bonds and other obligations	2,966	16,987
Other liabilities	2,519	17
Income (expense)		
Financial income	25,546	34,582
Administrative expenses	(24,940)	(4,514)
Other, net	19,309	2,797
Off-balance sheet accounts		
Indirect loans	28,045	44,937

(b) Some shareholders, directors and officers of Intergroup and Subsidiaries have been involved, either directly or indirectly, in credit transactions with Intergroup and Subsidiaries as permitted by Peruvian legislation, which regulates and limits certain transactions with employees, directors and officers of financial institutions. As of December 31, 2011, loans and other credits to employees and directors amounted approximately to S/.60,395,000 (S/.54,904,000 as of December 31, 2010).

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

(c) As of December 31, 2011 and 2010, Intergroup participated in different domestic and foreign mutual and investment funds managed by its Subsidiaries or related parties.

In addition, as of December 31, 2010 the Bank has entered into foreign currency sale forwards with mutual funds managed by Interfondos S.A. - Sociedad Administradora de Fondos, for a notional amount of S/. 78,762,000, which are presented in the "Contingencies" caption of the consolidated balance sheets.

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

Notes to the consolidated financial statements (continued)

26. Risk assessment

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

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

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

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

Market risk -

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

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

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

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

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

Notes to the consolidated financial statements (continued)

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

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

Liquidity risk -

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

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

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

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

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

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

Notes to the consolidated financial statements (continued)

Cash flow risk and fair value of interest rate changes -

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

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

Resources for commercial funding are mainly obtained from short-term liabilities, which generally bear interest at fixed and variable 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 Subsidiaries is exposed to the effects of fluctuations in foreign currency exchange rates prevailing over its financial position and cash flows. The Management of the Subsidiaries sets limits on the level of exposure by currency and in total of overnight positions and monitors these levels on a daily basis.

Most assets and liabilities in foreign currency are stated in US Dollars. Foreign currency transactions are made at free market exchange rate. As of December 31, 2011 and 2010, Intergroup and its Subsidiaries' assets and liabilities in foreign currencies are shown in Note 4. Intergroup has used derivative financial instruments in order to hedge, partially, this risk.

Credit risk

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

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

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

Notes to the consolidated financial statements (continued)

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

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

Risk of the insurance activity

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

As far as the insurance contract portfolio is concerned, where large number and probability theory applies to setting prices and provisions, the main risk Interseguro 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 such reinsurance agreements is to prevent total net insurance losses from affecting Interseguro's equity and liquidity in any given year.

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

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

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

Notes to the consolidated financial statements (continued)

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

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

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

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

27. Fair value of financial instruments

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

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

A significant portion of the assets and liabilities of Intergroup and Subsidiaries is comprised by short-term financial instruments, with a remaining maturity of less than one-year. Therefore, these short-term financial instruments are considered to have a fair value equivalent to their book value at the consolidated balance sheet dates, except for those with 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:

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Notes to the consolidated financial statements (continued)

- Cash and due from banks represent cash and short-term deposits that do not represent significant credit or interest risks; in consequence, their book value is equivalent to their fair value in the consolidated balance sheets.
- Available-for-sale investments are recorded at their fair value, and as a result their book value is equivalent to that amount.
- In the case of held to maturity financial investments, their estimated fair values have been computed considering the quotes or price information that existed as of December 31, 2011 and 2010, respectively. As for held-to-maturity financial investment that do not have price quotes, their estimated market value as of December 31, 2011 and 2010, respectively, has been determined by discounting the expected cash flows at an interest rate that reflects the security's risk rating.
- Most the loans granted by Intergroup and Subsidiaries are mainly short term and/or accrue interest that can be readjusted when market conditions change. As a result, their book value, net of the allowance for loans losses required by the SBS, excluding the increase in the pro-cyclical provisions as indicated by Note 9, is considered to be the best estimate of their fair value as of the date of the consolidated financial statements.
- The fair value of deposits and obligations is similar to their book value, mainly, due to their liquid nature and interest rates, which are can be comparable to other similar liabilities in the market at the date of the consolidated balance sheets.
- Due to banks and correspondents, generate variable interest rate terms and/or preferential rates, similar to the ones in force in the market. For liabilities that bear interest and have original maturities longer than one year, the fair value has been calculated based on discounted future cash flows, using the effective interest rate for liabilities with similar characteristics. The estimated fair value approximates the fair value.
- As disclosed in Note 18, the Bank participates in indirect loan operations. Based on the level of fees currently charged for such operations and taking into account their maturity and interest rates together with the present creditworthiness of the counterparties, the difference between their book value and their fair value is not significant.
- Derivative transactions such as currency forwards, currency and interest rate swaps are recorded at their fair value, consequently, there are not differences with their book value.

Based on the analysis above, Intergroup and Subsidiaries Management believes that, as of December 31, 2011 and 2010, the estimated fair values of Intergroup and Subsidiaries financial instruments do not differ significantly from their book values.

28. Additional explanation for English translation

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