

Intergroup Financial Services Corp. Reports Third Quarter 2007 Earnings

Lima, Peru, October 30, 2007. Intergroup Financial Services Corp. (Bolsa de Valores de Lima: IFS) announced today its unaudited results for the third quarter of 2007. These results are reported on a consolidated basis in accordance with Peruvian GAAP in nominal Peruvian Nuevos Soles.

Highlights

Intergroup

- Intergroup's 3Q07 earnings per share were S/.0.92 (net income: S/.85mm), a 137% increase over 2Q06, due mainly to higher financial income and growth in other income
- ROE was 27.9%, an increase from 21.5% in 3Q06, despite higher average equity resulting from Intergroup's placement of new shares in June 2007

Interbank

- Interbank's net income grew 133% YoY and 85% QoQ, driven by growth in financial income and other income
- Interbank's loan portfolio increased 36% YoY and 12% QoQ, with strong performances in both the retail and commercial portfolios
- NIM at Interbank reached 8.0%, above the banking industry's average of 6.9%
- Interbank's asset quality and coverage of ratios improved significantly, with PDLs at 1.4% of total loans, and coverage at 268%

Interseguro

- Interseguro's net income grew from S/.0.4 million to S/.10.5 million YoY, but fell 66% QoQ due to lower investment income

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Intergroup

INTERGROUP OVERVIEW

Intergroup's earnings per share were S/.0.92 in 3Q07 (net income: S/.84.7 million), an increase of 136.7% compared to 3Q06 and 21.8% compared to 2Q07. Annualized ROE was 27.9% in 3Q07, similar to 2Q07, and above 21.5% in 3Q06. This increase was the result of higher net income during 3Q07, which offset the higher level of average equity.

Intergroup's Balance Sheet Summary

S/. million	3Q06	2Q07	3Q07	%chg QoQ	%chg YoY
Cash and due from banks	1,526.7	1,834.4	1,771.5	-3.4%	16%
Investments, net	2,405.1	2,941.0	3,106.3	5.6%	29.2%
Loan portfolio, net	3,893.4	4,763.9	5,326.6	11.8%	36.8%
Fixed assets, net	388.2	406.5	426.2	4.8%	9.8%
Discontinued operations	347.4	0.0	0.0		
Other assets	248.8	266.7	311.3	16.7%	25.1%
Total Assets	8,809.7	10,212.4	10,941.9	7.1%	24.2%
Deposits and obligations	5,591.5	6,337.5	6,819.9	7.6%	22.0%
Due to banks	527.8	870.7	991.8	13.9%	87.9%
Bonds and obligations	277.6	265.9	240.5	-9.6%	-13.4%
Technical reserves for premiums and claims	1,210.8	1,304.2	1,307.7	0.3%	8.0%
Discontinued operations	255.5	0.0	0.0		
Other liabilities	210.5	239.3	299.8	25.3%	42.4%
Total Liabilities	8,073.6	9,017.6	9,659.7	7.1%	19.6%
Intergroup shareholders' equity	691.0	1,172.8	1,257.5	7.2%	82.0%
Minority interest	45.1	22.0	24.7	12.5%	-45.1%
Total shareholders' equity	736.1	1,194.8	1,282.2	7.3%	74.2%

Year-on-Year Performance

Net income (attributable to Intergroup's shareholders) rose 136.7% YoY, due mainly to a 32.2% increase in financial income, a 30.1% rise in fee income, and growth of S/.44.6 million in other income and expenses. Higher financial income resulted from higher average loan volume at Interbank, as well as higher investment yields and

volume at Interseguro. Growth in other income and expenses resulted from the profitable sale of certain restructured loans at Interbank.

Intergroup's Profit and Loss Statement Summary

S/. million	3Q06	2Q07	3Q07	%chg QoQ	%chg YoY
Financial income	222.0	292.0	293.5	0.5%	32.2%
Financial expenses	-50.7	-72.5	-76.6	5.7%	51.3%
Gross financial margin	171.3	219.5	216.8	-1.2%	26.6%
Provisions	-35.3	-33.7	-36.0	6.6%	1.8%
Net financial margin	136.0	185.8	180.9	-2.6%	33.0%
Fee income from financial services, net	54.0	60.3	70.2	16.4%	30.1%
Result from insurance underwriting, net	-17.5	-22.8	-14.0	-38.5%	-20.1%
Administrative expenses	-104.7	-120.9	-139.5	15.4%	33.2%
Net operating margin	67.7	102.4	97.6	-4.7%	44.1%
Depreciation and amortization	-12.6	-13.6	-12.1	-10.8%	-3.9%
Other income (expenses)	2.9	2.6	47.5	nm	nm
Income before tax and profit sharing	58.1	91.4	133.0	45.4%	129.0%
Income tax and profit sharing	-19.4	-26.0	-45.6	75.3%	135.4%
Income from continuing operations	38.7	65.5	87.4	33.5%	125.8%
Income from discontinued operations	-1.7	-0.3	0.0	nm	nm
Net income	37.0	65.2	87.4	34.1%	135.9%
Attributable to IFS shareholders	35.8	69.5	84.7	21.8%	136.7%
EPS	0.41	0.76	0.92		
ROA	21.5%	27.9%	27.9%		

Net financial margin rose 33.0%, driven by financial income growth at Interbank and Interseguro, and was partially offset by a 51.3% rise in financial expenses, also attributable to both subsidiaries. Provisions rose only 1.8%, despite an increase of 35.9% in Interbank's loan portfolio, due to significant improvements in asset quality.

Fee income increased 30.1%, mainly due to a larger number of credit card and deposit accounts at Interbank, in addition to an increased number of transactions in the bank's expanding ATM network. In 3Q07, Interseguro's loss resulting from insurance underwriting totaled S/.14.0 million, a decrease of S/.3.5 million (20.1%) compared to the loss reported in 3Q06, due to a 44.4% decline in change in reserves. Administrative expenses rose 33.2%, due to the expansion of Interbank's network, and to costs related to the acquisition of new customers.

Net operating margin increased 55.8%, driven by growth in net financial margin and other income (expenses), and partially offset by higher administrative expenses. This increase, combined with growth in other income and expenses drove income before taxes to grow 129.0% and net income to rise 135.9%.



Quarter-on-Quarter Performance

Net income (attributable to Intergroup's shareholders) rose 21.8% QoQ, despite a 4.7% decline in operating margin, due to growth of S/.44.6 million in other income and expenses. The decline in operating margin was the result of a lower financial margin and higher administrative expenses, and was partially offset by growth in fee income and a decline in the insurance underwriting loss.

Net financial margin fell 2.6%, as growth in Interbank's financial income was offset by a 46.1% decline in Interseguro's investment income and an exchange loss of S/.8.5 million posted by Intergroup. Interseguro's investment income fell mainly as a result of losses reported on the company's equity portfolio. Intergroup's exchange loss resulted from the revaluation of the Nuevo Sol and its effects on Intergroup's holdings of U.S. dollar-denominated instruments. Financial expenses at the consolidated level grew at a lower rate than at both subsidiaries, as one-time expenses related to Intergroup's IPO declined during 3Q07.

Fee income from financial services increased 16.4%, mainly as a result of growth in Interbank's credit card, corporate finance and contingent loan fees. The insurance underwriting loss decreased by S/.8.8 million, mainly due to a 26.1% decline in Interseguro's change in reserves.

Other financial income grew by S/.44.6 million, primarily due to Interbank's profitable sale of certain restructured loans. As a result of this increase, income before tax and profit sharing grew 45.4% QoQ.

Net income grew 33.5%, a lower rate than income before taxes, due to a rise in the effective income tax rate, from 28.4% in 2Q07 to 34.2% in 3Q07. This increase was the result of differing earnings growth rates at subsidiaries with different tax status: Most of Interseguro's revenues are tax exempt, while Interbank's are not. Interbank's net earnings grew 86% QoQ, and Interseguro's fell 66%, leading to a lower proportion of tax-exempt items in Intergroup's consolidated earnings. Interbank's strong earnings performance also led to a significant increase in minority interest, which in turn resulted in slower growth in earnings attributable to IFS shareholders.

CONTRIBUTION OF SUBSIDIARIES

The table below illustrates the contributions of both Interbank and Interseguro to Intergroup's earnings.



Intergroup's Profit and Loss Statement Summary

S/. million	3Q06	2Q07	3Q07	%chg QoQ	%chg YoY
Interbank	35.1	44.1	81.7	85.1%	132.6%
Interseguro	0.4	36.3	10.5	-71.2%	nm
Intergroup accounts:					
Return on investment portfolio and time deposit		0.2	4.8		
Exchange loss, net		-0.7	-8.5		
IPO expenses		-7.1	-1.4		
Consolidation adjustments	0.3	-3.4	-2.4		
Total	35.8	69.5	84.7	21.8%	136.7%

The following two sections analyze in detail the performance of both subsidiaries.

Interbank

SUMMARY

Interbank's net income in 3Q07 totaled S/.84.5 million, an increase of 131.3% YoY, and 86.3% QoQ. The annualized return on average equity was 46.8% in 3Q07, a significant increase from 24.9% in 3Q06 and 27.7% in 2Q07.

Profit and Loss Statement Summary

S/. million	3Q06	2Q07	3Q07	%chg QoQ	%chg YoY
Financial income	196.0	233.6	260.9	11.7%	33.1%
Financial expenses	-48.1	-61.5	-70.3	14.3%	46.3%
Gross financial margin	148.0	172.1	190.6	10.7%	28.8%
Provisions	-35.3	-33.7	-36.0	6.6%	1.8%
Net financial margin	112.6	138.4	154.6	11.7%	37.3%
Fee income from financial services, net	55.7	62.4	73.4	17.6%	31.7%
Administrative expenses	-99.8	-114.9	-130.2	13.3%	30.5%
Net operating margin	68.6	85.9	97.8	13.9%	42.7%
Depreciation and amortization	-12.1	-12.7	-11.4	-10.3%	-6.0%
Other income (expenses)	-1.9	-6.3	37.9	nm	nm
Income before tax and profit sharings	54.5	67.0	124.3	85.7%	128.0%
Income tax and profit sharing	-18.0	-21.5	-39.9	85.0%	121.3%
Net Income	36.5	45.4	84.5	86.0%	131.3%
ROE	24.9%	27.7%	46.8%		

The main drivers for the YoY increase in net income were a 33.1% rise in financial income and growth of S/ .39.8 million in other income and expenses. As a result of financial income growth, net financial margin increased 37.3% YoY, while net interest margin decreased from 8.4% in 3Q06 to 8.0% in 3Q07.

Net income grew 86.0% QoQ, due to an 11.7% rise in financial income and an increase of S/ .44.2 million in other income and expenses. The increase in financial income was due mainly to a 9.4% rise in the average volume of interest earning assets. This increase was partially offset by a 14.3% rise in financial expenses, which led net interest margin to fall from 8.3% in 2Q07 to 8.0% in 3Q07.

Fee income from financial services grew 31.7% YoY and 17.6% QoQ, due mainly to higher transaction levels in a larger number of credit card and deposit accounts. Administrative expenses rose 30.5% YoY and 13.3% QoQ, due to the expansion of Interbank's branch and ATM network. However, as a result of higher income, the efficiency ratio declined from 55.0% in 3Q06 and 54.4% in 2Q07 to 53.6% in 3Q07.

The above-mentioned increases in net financial margin and fee income led net operating margin to grow 42.7% YoY and 13.9% QoQ.

Additionally, a reversal in other income and expenses contributed to net earnings growth. This account, which includes loan recoveries, general provisions, and income from previous years, rose from losses of S/.1.9 million in 3Q06 and S/.6.3 million in 2Q07 to a profit of S/37.9 million in 3Q07. The main reason for this reversal was the profitable sale of certain restructured loans.

INTEREST EARNING ASSETS

Interbank's interest earnings assets reached S/.8,422.3 million as of September 30, 2007, an increase of 8.8% QoQ and 27.9% YoY. The quarterly increase was primarily attributable to an 11.6% increase in the bank's loan portfolio. The yearly increase was due to growth rates of 36.9% in loans and 27.6% in investments.

The bank's investment portfolio is mainly comprised of Certificates of Deposit in the Peruvian Central Bank and Peruvian Sovereign and Global bonds.

Interest Earning Assets

S/. million	3Q06	2Q07	3Q07	%chg QoQ	%chg YoY
Cash and due from banks	1,522.8	1,503.4	1,602.3	6.6%	5.2%
Investment, net	1,168.3	1,460.0	1,490.3	2.1%	27.6%
Loan portfolio, net	3,893.4	4,777.3	5,329.8	11.6%	36.9%
Total interest earnings assets	6,584.5	7,740.6	8,422.3	8.8%	27.9%

Net direct loans were S/.5,329.8 million as of September 30, 2007, an increase of 36.9% QoQ and 11.1% YoY. Growth has been achieved with and improvement in quality, due to quarterly and yearly declines in past due loans and restructured and refinanced loans. Current loans grew 14.1% QoQ and 42.9% YoY.

Loan Portfolio

S/. million	3Q06	2Q07	3Q07	%chg QoQ	%chg YoY
Current loans:					
Retail	1,981.8	2,410.2	2,728.4	13.2%	37.7%
Commercial	1,847.1	2,387.7	2,744.3	14.9%	48.6%
Total current loans	3,828.9	4,797.8	5,472.7	14.1%	42.9%
Restructured and refinanced loans	251.6	229.5	137.1	-40.3%	-45.5%
Past due loans	104.2	94.6	78.9	-16.6%	-24.2%
Gross loans	4,184.6	5,122.0	5,688.8	11.1%	35.9%
Add (less)					
Accrued and deferred interest	-74.6	-122.9	-147.6	20.0%	97.9%
Allowance for loan losses	-216.6	-221.7	-211.4	-4.6%	-2.4%
Total direct loans, net	3,893.4	4,777.3	5,329.8	11.6%	36.9%

The strong quarterly growth in current loans was due to increases in the commercial and retail portfolios. Commercial loans grew 14.9% QoQ, due to increased investment activity in Peru and strong efforts at Interbank's commercial banking division. Retail loans grew 13.2% QoQ, due to a 35.0% rise in mortgage loans and a 9.5% increase in other consumer loans, which are comprised mainly of payroll deduction loans. The increase in mortgage loans was primarily explained by Interbank's acquisition, on September 1 2007, of Banco del Trabajo's mortgage loan portfolio, which was comprised of more than 3,000 loans and totaled S/. 179.9 million.

Breakdown of Current Retail Loans

S/. million	3Q06	2Q07	3Q07	%chg QoQ	%chg YoY
Consumer loans:					
Credit cards	629.6	750.0	763.1	1.7%	21.2%
Other consumer	823.1	1,082.7	1,185.6	9.5%	44.0%
Total consumer loans	1,452.6	1,832.8	1,948.7	6.3%	34.1%
Mortgages	529.2	577.4	779.7	35.0%	47.3%
Total retail loans	1,981.8	2,410.2	2,728.4	13.2%	37.7%

Current loans grew 42.9% YoY, driven by strong growth rates in the retail and commercial segments. Interbank's asset quality and coverage ratios improved significantly, due to a 45.5% YoY decline in restructured and refinanced loans, and a 24.2% fall in past due loans. This improvement in asset quality was the result of the sale, during 3Q07, of certain refinanced and restructured loans.

FUNDING STRUCTURE

Over the five years prior to 2007, deposits grew at a faster pace than other sources of funding at Interbank. As a result, as of September 30, 2006, deposits accounted for 88.1% of Interbank's total funding.

Funding Structure

S/. million	3Q06	2Q07	3Q07	%chg QoQ	%chg YoY
Deposits and obligations	5,591.3	6,343.1	6,817.9	7.5%	21.9%
Due to banks	488.8	826.2	986.6	19.4%	101.8%
Bonds and obligations	266.4	255.6	229.9	-10.1%	-13.7%
Total	6,346.6	7,424.9	8,034.3	8.2%	26.6%
AUM (Interfondos)	1,173	1,939	1,912	-1.4%	63.0%
% of funding					
Deposits and obligations	88.1%	85.4%	84.9%		
Due to banks	7.7%	11.1%	12.3%		
Bonds and obligations	4.2%	3.4%	2.9%		

However, during 2007, the above-mentioned trend has changed. While total funding increased 8.2% QoQ and 26.6% YoY, deposits increased 7.5% QoQ and 21.9% YoY. As a result, the share of deposits in Interbank's total funding declined from 88.1% in 3Q06 to 85.4% in 2Q07 and 84.9% in 3Q07. This deviation from the trend can be

explained by two factors: First, while growth in deposits remains strong, it has slowed from previous years due to a shift in retail customers' savings preferences towards mutual funds, as evidenced by the growth in Interbank's assets under management. Second, due to accelerating growth rates in interest earning assets, the bank has used additional sources of funding.

As shown in the table below, quarterly and yearly growth in deposits was driven by increases in the retail and commercial segments. Also, growth has been faster in demand deposits than in other types of accounts.

Breakdown of Deposits

S/. million	3Q06	2Q07	3Q07	%chg QoQ	%chg YoY
By Customer Segment:					
Retail	2,599.5	2,942.5	3,094.9	5.2%	19.1%
Commercial	2,991.8	3,400.6	3,722.9	9.5%	24.4%
Total	5,591.3	6,343.1	6,817.9	7.5%	21.9%
By Type:					
Demand	799.0	995.0	1,189.5	19.5%	48.9%
Savings	1,737.2	1,868.0	2,033.1	8.8%	17.0%
Time	2,729.6	2,764.2	2,911.9	5.3%	6.7%
Other	325.5	716.0	683.5	-4.5%	110.0%
Total	5,591.3	6,343.1	6,817.9	7.5%	21.9%

FINANCIAL MARGIN

Gross financial margin increased 28.8% YoY and 10.7% QoQ, driven primarily by growth in average volumes of interest earning assets.

Financial Income

S/. million	3Q06	2Q07	3Q07	%chg QoQ	%chg YoY
Interest and commissions on loans	151.3	174.5	192.5	10.3%	27.2%
Investment income	22.0	29.4	26.8	-9.0%	21.9%
Interest on due from banks and interbank funds	10.1	11.4	12.8	12.2%	26.4%
Financial income before exch. difference	183.3	215.3	232.0	7.8%	26.6%
Exchange difference	12.7	18.3	28.9	57.6%	127.9%
Total Financial Income	196.0	233.6	260.9	11.7%	33.1%
Average interest earning assets	6,420.8	7,384.5	8,081.5	9.4%	25.9%
Average yield on assets*	11.4%	11.7%	11.5%		

*Annualized. Excludes exchange difference

Financial income increased 33.1% YoY and 11.7% QoQ. Excluding exchange rate differences, financial income growth was 26.6% YoY and 7.8% QoQ.

The main drivers for YoY growth were a 27.2% increase in interest and commissions on loans, and a 21.9% increase in investment income. Growth in interest and commissions on loans was explained by a 29.0% rise in average volume, which was

partially offset by a decrease on the annualized average yield on loans, from 15.4% in 3Q06 to 15.2% in 3Q07. Investment income rose due to a 42.3% increase in the average volume of investments, and was partially offset by a 122 bps decline in the annualized average yield. Despite the decline in yields, a shift in the portfolio mix led the annualized average yield on Interbank's interest earning assets to rise from 11.4% in 3Q06 to 11.5% in 3Q07.

Financial income grew 11.7% QoQ, due to a 10.3% increase in interest and commissions on loans and a 57.6% increase in exchange difference. Interest and commissions on loans rose as a result of 11.5% growth in average loan volumes, and was partially offset by a decline in the annualized yield, from 15.4% in 2Q07 to 15.2% in 3Q07. Investment income declined 9.0% QoQ, due to a 100 bps decline in the annualized average yield on investments. As a result of this decline, the annualized average yield on interest earning assets fell from 11.7% in 2Q07 to 11.5% in 3Q07. Growth in exchange difference is due to a larger number of spot transactions carried out at Interbank, and to the revaluation of the bank's investments in foreign currency denominated instruments.

Financial Expenses

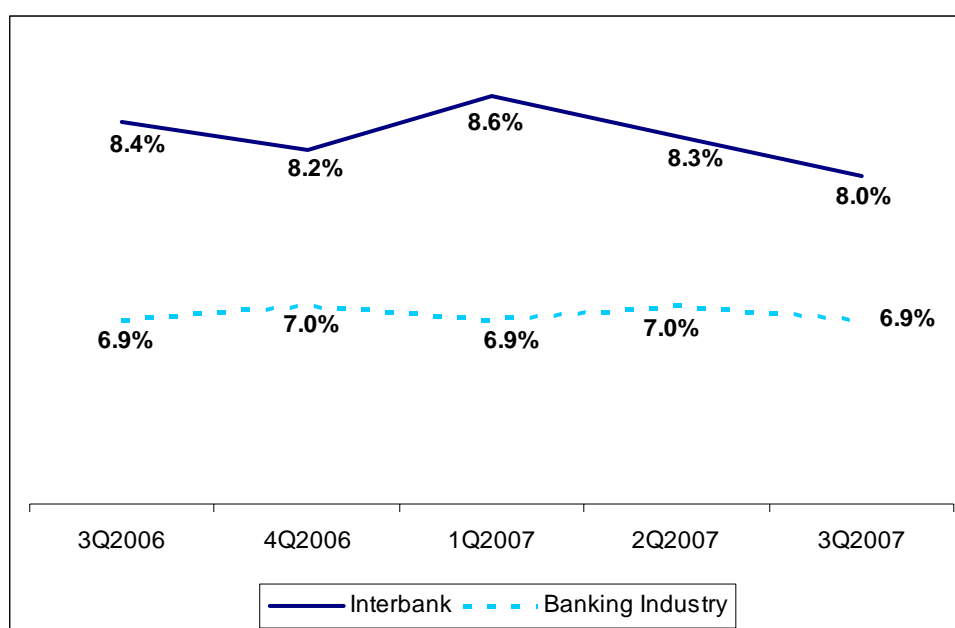
S/. million	3Q06	2Q07	3Q07	%chg QoQ	%chg YoY
Interest and commissions on deposits	34.8	44.8	50.8	13.3%	45.9%
Interest and fees on deposits and due to banks	5.9	8.6	11.2	30.1%	87.6%
Interest on securities, bonds and other obligatio	4.6	4.3	4.2	-1.8%	-8.1%
Other financial expenses	2.7	3.8	4.1	8.9%	53.2%
Total Financial Expenses	48.1	61.5	70.3	14.3%	46.3%
Average interest bearing liabilities	6,214.7	7,088.4	7,729.6	9.0%	24.4%
Average cost of funding	3.1%	3.5%	3.6%		

Financial expenses increased 46.3% YoY and 14.3% QoQ. The yearly rise resulted from a 45.9% increase in interest on deposits and an 87.6% rise in interest on due to banks. The increase in interest on deposits is explained by a 26.0% growth rate in the average volume of deposits and a 40 bps increase in the annualized average cost. Interest on due to banks rose 87.6% YoY, due to a 33.0% increase on average volume and a 140 bps rise in the annualized average cost of financing, from 3.6% in 2Q06, to 5.1% in 2Q07.

Financial expenses increased 14.3% QoQ, primarily due to a 13.3% increase in interest on deposits and a 30.1% rise in interest on due to banks. Growth in interest on deposits was attributable to a 6.7% rise in average volume and a 20 bps increase in the annualized average cost of deposits. The increase in interest on due to banks was the result of a 36% rise in average volume, partially offset by a 20 bps decrease in the annualized average cost.

As a result of higher costs on deposits and interest on due to banks, Interbank's annualized average cost of funding rose from 3.1% in 3Q06 to 3.5% in 2Q07 and 3.6% in 3Q07.

Net Interest Income



Interbank's net interest margin fell from 8.4% in 3Q06 to 8.3% in 2Q07 and to 8.0% in 3Q07, primarily as a result of the above-mentioned increases in the average cost of funding. Additionally, a 20 bps QoQ decline in the average yield of interest earning assets contributed to the QoQ reduction in NIM.

Interbank's net interest margin remains significantly above the Peruvian banking industry's average, due to a higher concentration on high yielding consumer loans.

PROVISIONS

Total provision expenses increased 6.6% QoQ and 1.8% YoY, significantly below average loan growth rates. The annualized ratio of provision expense to average loans was 2.7% in 3Q07, a decline from 3.4% in 3Q06, as a result of an improvement in the quality of Interbank's loan portfolio.

Composition of Provision Expense

S/. million	3Q06	2Q07	3Q07	%chg QoQ	%chg YoY
Provisions recognized as expense:					
For possible loan losses	-41.5	-36.7	-40.7	10.9%	-1.9%
For impairment of investments	0.3	-0.9	0.0	-	-99.7%
Total provisions recognized as expense	-41.2	-37.6	-40.7	8.2%	-1.2%
Recoveries	5.9	3.9	4.8	21.2%	-19.6%
Total provision expense	-35.3	-33.7	-36.0	6.6%	1.8%
Loan provision / average loans	3.4%	2.7%	2.7%		

The ratio of past due loans to total loans continued to steadily decline, from 2.5% in 3Q06 to 1.8% in 2Q07 and 1.4% 3Q07. Reserve coverage remains high, with loan loss allowances accounting for 267.9% of past due loans.

Provision for Loan Losses

S/. million	3Q06	2Q07	3Q07	%chg QoQ	%chg YoY
Balance at the beginning of the quarter	230.6	227.1	242.3	6.7%	5.1%
Provision recognized as expense for the period	41.5	36.7	40.7	10.9%	-1.9%
Write-offs, extinguishment of debt and sales	-50.3	-18.8	-39.6	111.2%	-21.3%
Recoveries	-5.9	-3.9	-4.8	21.2%	-19.6%
Exchange difference, net	21.2	1.2	-5.1	nm	nm
Balance at the end of the quarter	<u>237.1</u>	<u>242.3</u>	<u>239.1</u>	<u>-1.3%</u>	<u>0.8%</u>
Direct loans	216.6	221.7	211.4	-4.6%	-2.4%
Indirect loans	20.5	20.6	27.6	34.4%	35.0%
Past due loans / Total loans	2.5%	1.8%	1.4%		
Reserve coverage	208.0%	234.4%	267.9%		

FEE INCOME FROM FINANCIAL SERVICES

Gross fee income from financial services increased 27.6% YoY and 16.4% QoQ. The main drivers for YoY income growth were sharp rises in fees on credit and debit cards, account maintenance, ATM use, and corporate finance.

Fee Income from Financial Services, Net

S/. million	3Q06	2Q07	3Q07	%chg QoQ	%chg YoY
Credit and debit card	20.6	24.0	24.2	0.7%	17.2%
Fee for services	24.2	26.6	29.5		
Fee for insurance, saving accounts, maintenance	18.6	19.8	21.9	10.7%	17.6%
Fees for collection and payment services	2.6	2.7	2.9	9.4%	12.9%
Others	12.3	12.2	19.8	62.5%	61.4%
Fee income from financial services	63.2	69.3	80.7	16.4%	27.6%
Expenses relating to financial services	-7.5	-6.9	-7.3	5.8%	-2.9%
Fee income from financial services, net	55.7	62.4	73.4	17.6%	31.7%

ADMINISTRATIVE EXPENSES

Administrative expenses increased 30.5% YoY and 13.3% QoQ, due to the expansion of Interbank's distribution network, a higher level of business activity, and the costs of acquiring an increasing number of new clients. This increase in expenses was offset by a rise in income, which led the annualized efficiency ratio to fell from 55.0% in 3Q06 and 54.4% in 2Q07 and 53.6% in 3Q07.

Administrative Expenses

S/. million	3Q06	2Q07	3Q07	%chg QoQ	%chg YoY
Personnel and board of directors expenses	38.8	46.2	51.1	10.6%	31.7%
Services received from third parties	57.0	65.2	74.8	14.7%	31.2%
Taxes and contributions	4.0	3.6	4.4	22.2%	8.7%
Total	99.8	114.9	130.2	13.3%	30.5%
Efficiency ratio	55.0%	54.4%	53.6%		

OTHERS

Other Income (Expenses)

S/. million	3Q06	2Q07	3Q07	%chg QoQ	%chg YoY
Depreciation	-9.6	-10.5	-9.2	-12.6%	-4.4%
Amortization	-2.5	-2.2	-2.2	1.0%	-12.0%
Total depreciation and amortization	-12.1	-12.7	-11.4	-10.3%	-6.0%
Income (expenses) for recoveries	9.0	8.3	18.8	125.6%	108.2%
Extraordinary income (expenses)	-7.3	-3.6	-0.4	-89.0%	-94.6%
Provisions for contingencies and other provisions	-3.1	-10.9	5.7	nm	nm
Income (expenses) of prior years	-0.5	0.0	13.8	nm	nm
Other Income (Expenses)	-1.9	-6.3	37.9	nm	nm
Total	-14.1	-19.0	26.5	nm	nm

Other income and expenses rose from losses of S/1.9 million in 3Q06 and S/6.3 million in 2Q07 to a profit of S/37.9 million in 3Q07, due mainly to a provisions reversed and profits posted in relation to the sale of certain restructured loans.

CAPITALIZATION

The ratio of risk-weighted assets to regulatory capital was 9.1 as of September 30, 2007, above the 8.0 ratio of June 30, 2007 and the 7.9 ratio of September 30, 2006, but significantly below the maximum 11.0 ratio set by Peruvian banking regulations. The increase in the ratio was driven by a 7.0% rise in risk weighted assets and a 5.2% decline in regulatory capital. Regulatory capital fell because a US\$ 15 million subordinated loan could no longer be considered as Tier II capital.

Capitalization

S/. million	3Q06	2Q07	3Q07	%chg QoQ	%chg YoY
Tier I	595.6	702.7	702.7	0.0%	18.0%
Tier II	156.3	149.6	108.0	-27.8%	-30.9%
Deductions	-90.1	-66.6	-65.6	-1.6%	-27.2%
Regulatory capital	661.9	785.6	745.1	-5.2%	12.6%
Risk weighted assets	5,152.3	6,223.5	6,657.3	7.0%	29.2%
Risk weighted assets to regulatory capital	7.9	8.0	9.1	12.9%	14.6%
BIS ratio	12.7%	12.5%	11.0%	-11.5%	-12.7%

Interseguro

SUMMARY

Interseguro's net income during 3Q007 was S/.10.5 million, an increase of 2269% YoY and a decrease of 66% QoQ. The LTM ROE grew from 53.9% in 3Q06 to 54.1% in 3Q07. Over the same period, ROA increased from 5.7% to 6.2%.

Profit and Loss Statement Summary

S/. million	3Q06	2Q07	3Q07	%chg QoQ	%chg YoY
Premiums	74.1	58.2	60.5	3.9%	-18.3%
Premiums ceded	-1.2	-1.3	-1.2	-5.2%	-2.3%
Fees	-5.8	-6.0	-6.2	4.5%	7.5%
Claims	-25.9	-28.9	-34.4	18.7%	32.5%
Change in reserves	-59.7	-45.0	-33.2	-26.1%	-44.4%
Direct expenses	-0.8	-1.1	-1.3	22.7%	57.1%
Technical margin	-19.5	-24.0	-15.8	34.0%	18.7%
Indirect expenses	-3.3	-3.7	-3.3	-9.8%	0.1%
Investment income, net	23.2	58.4	31.5	-46.1%	35.6%
Exchange difference	0.0	0.2	2.2	1282.8%	4733.4%
Extraordinary income (expenses)	0.0	0.0	-4.0	-	-
Net income	0.4	30.8	10.5	-66.0%	2269.0%

The main driver for yearly earnings growth was a 35.6% YoY rise in investment income, which was partially offset by lower premiums and higher claims. The main reasons for the quarterly decline in net earnings were a 46.1% reduction in investment income and a one-time S/.4.0 million tax adjustment recognized during 3Q07.

Interseguro remains the leading provider of annuities in Peru, with a market share of 25.4% during 3Q07. The company's share of the life insurance market was 13.9% during the same period, down from 18.3% in 3Q06 and 14.5% in 2Q07.

PREMIUMS

Premiums increased 3.9% QoQ and decreased 18.3% YoY. As shown in the table below, the YoY decline was primarily due to a 30.6% reduction in annuity premiums. While Interseguro has maintained its market share in annuities, the market has contracted because of two factors: The first was a delay in the approval of the regulation for an early retirement law. This delay reduced the number of new retirees from the private pension system, which constitute the core client base for

annuities in Peru. The second factor was competition from the Private Pension System, which has attained significantly high returns.

Premiums by Business Line						
S/. million	3Q06	2Q07	3Q07	%chg QoQ	%chg YoY	Market Share
Individual life	4.5	4.3	4.9	12.8%	8.3%	5.0%
Annuities	48.7	34.8	33.8	-2.7%	-30.6%	23.7%
Group life	4.5	5.3	5.2	-0.2%	15.5%	5.5%
Disability and survivor benefits	12.8	10.9	12.6	15.6%	-1.6%	16.6%
Mandatory traffic accident	3.5	3.0	4.0	32.7%	13.6%	7.8%
TOTAL	74.1	58.2	60.5	3.9%	-18.3%	11.0%

RESERVES, CLAIMS AND OPERATING EXPENSES

Change in reserves fell 44.4% YoY, due to lower annuity premiums sold, and 26.1% QoQ, due to adjustments in reserves for annuities and for disability and survivor benefits.

Reserves by Business Line					
S/. million	3Q06	2Q07	3Q07	%chg QoQ	%chg YoY
Individual life	1.7	1.5	0.0	-100.5%	-100.5%
Annuities	49.4	33.6	28.9	-14.2%	-41.6%
Group life	0.1	0.0	-0.3	2084.9%	-500.1%
Disability and survivor benefits	9.5	10.4	4.5	-56.6%	-52.3%
Mandatory traffic accident	-1.0	-0.6	0.2	126.1%	116.4%
TOTAL	59.7	45.0	33.2	-26.1%	-44.4%

Claims increased 18.7% QoQ and 32.5% YoY. The quarterly increase was due to higher claims in disability and survivor (57.5%), life (42.2%) and mandatory traffic accident (27.7%) policies. YoY growth was due to increased claims in life (175%), disability and survivor (76.9%) and group (57%) policies.

Claims by Business Line					
S/. million	3Q06	2Q07	3Q07	%chg QoQ	%chg YoY
Individual life	0.6	1.2	1.7	42.2%	175.0%
Annuities	13.8	15.7	16.5	4.6%	19.3%
Group life	0.6	1.9	0.9	-53.2%	57.0%
Disability and survivor benefits	7.2	8.1	12.7	57.5%	76.9%
Mandatory traffic accident	3.8	2.0	2.6	27.7%	-31.6%
TOTAL	25.9	28.9	34.4	18.7%	32.5%

As a result of the above-mentioned factors, technical margin was S/.-15.8 million in 3Q07, S/. 8.2 million higher than in 2Q07, and S/. 3.6 million higher than in 3Q06.

Indirect expenses decreased 9.8% QoQ and increased 0.1% YoY.

INVESTMENT INCOME

Investment income increased 35.5% YoY, as a result of two factors: an 11% increase in the average investment portfolio, and a 390 bps rise in the annualized average yield, from 8.3% to 12.2%. As shown in the tables below, growth in portfolio size and yield was particularly strong in Interseguro's real estate investments.

Investment income decreased 46.1% QoQ, due mainly to losses posted on equities and funds.

Investment Income, Net					
S/. million	3Q06	2Q07	3Q07	%chg QoQ	%chg YoY
Income:					
Fixed income	23.2	23.5	35.5	50.9%	53.2%
Equity and Mutual funds	1.0	34.6	-5.7	-116.3%	-671.2%
Real estate	1.2	3.5	3.1	-11.3%	151.2%
Total income	25.4	61.7	33.0	-46.5%	29.7%
Expenses	-2.2	-3.3	-1.5	54.1%	-31.6%
Investment income, net	23.2	58.4	31.5	-46.1%	35.5%

Investment Portfolio					
S/. million	3Q06	2Q07	3Q07	%chg QoQ	%chg YoY
Fixed income	854.4	873.3	848.9	-2.8%	-0.6%
Equity and Mutual funds	342.4	354.3	326.5	-7.8%	-4.6%
Real estate	89.7	106.4	168.3	58.1%	87.6%
Other	91.6	179.5	185.0	3.0%	102.0%
TOTAL	1,378.0	1,513.5	1,528.7	1.0%	10.9%