

## Intergroup Financial Services Corp. Reports Third Second Quarter 2008 Earnings

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Lima, Peru, October 28, 2008. Intergroup Financial Services Corp. (Bolsa de Valores de Lima: IFS) announced today its unaudited results for the third quarter 2008. These results are reported on a consolidated basis in accordance with Peruvian GAAP in nominal Peruvian Nuevos Soles.

### Highlights

#### Intergroup

- Intergroup's key business lines continued posting strong performances. However, net earnings fell 58% QoQ and 53% YoY, as a result of trading and foreign exchange losses attributable to the global financial crisis.
- Excluding non-recurring items, net earnings rose 17% YoY but declined 4% QoQ.
- Trading losses totaled S/.29.2mm after taxes, and resulted from realized losses on the sale of bonds at Interbank and Interseguro, and mark-to-market losses on Interseguro's equity portfolio. The value of Interseguro's equity portfolio fell 6.5% QoQ, a favorable performance when compared with a 31% drop in the Lima Stock Exchange's index.
- Interbank's exposure to the Brazilian real led to S/.15mm in exchange rate losses. This exposure has resulted in a S/.8.2mm gain for Interbank in 2008, and was hedged in September.

#### Interbank

- Interbank's net income fell 30.9% QoQ and 38.2% YoY, as trading and foreign exchange losses offset significant increases in interest on loans and fee income. Additionally, the YoY comparison is affected by a S/.26.5mm gain on the sale of a non-performing loan posted in 3Q07.
- Recurring earnings rose 25% QoQ and 19% YoY.
- Interbank's loan portfolio increased 46% YoY and 10% QoQ. As a result, the bank registered significant gains in market share.
- The average yield on loans increased 26 bps QoQ, but recurring NIM fell as a result of higher reserve requirements set by the Central Bank.
- Interbank's asset quality and coverage remain strong, with past due loans at 1.0% of total loans, and coverage at 291%.

#### Interseguro

- Interseguro posted a loss in 3Q08 as a result of the effects of the financial crisis on its fixed income and equity portfolios.
- Annuity sales rose 25% QoQ, allowing Interseguro to regain the leading position in the annuity market.

## Intergroup

### INTERGROUP OVERVIEW

Intergroup's earnings per share was S/0.43 in 3Q08 (net income: S/39.8mm), a decrease of 53.0% compared to 3Q07 and 58.0% compared to 2Q08. Annualized ROE was 11.7% in 3Q08, below the 27.9% in 2Q08 and 3Q07. This decline is mainly attributable to trading and foreign exchange losses totaling S/59.9 million, caused by the global financial crisis. On a recurring basis, Intergroup's net earnings rose 17.1% YoY but declined 4.3% QoQ. The performance within the company's core businesses remains strong, as demonstrated by loan growth of 10.4% QoQ and 45.4% YoY. The past-due-loan ratio was 1.0%, while Interseguro posted a 25% increase in annuity sales, and significant gains in market share.

Intergroup's Balance Sheet Summary

S/. million	3Q07	2Q08	3Q08	%chg QoQ	%chg YoY
Cash and due from banks	1,771.5	2,589.7	3,354.1	29.5%	89.3%
Investments, net	3,106.3	3,683.4	3,664.0	-0.5%	18.0%
Loan portfolio, net	5,326.6	7,054.3	7,788.2	10.4%	46.2%
Fixed assets, net	426.2	446.1	468.0	4.9%	9.8%
Other assets	311.3	605.4	523.0	-13.6%	68.0%
<b>Total Assets</b>	<b>10,941.9</b>	<b>14,378.9</b>	<b>15,797.3</b>	<b>9.9%</b>	<b>44.4%</b>
Deposits and obligations	6,819.9	8,316.4	9,406.5	13.1%	37.9%
Due to banks	991.8	2,516.5	2,754.5	9.5%	177.7%
Bonds and obligations	240.5	278.3	380.6	36.7%	58.3%
Technical reserves for premiums and claims	1,307.7	1,372.5	1,414.5	3.1%	8.2%
Other liabilities	299.8	517.9	472.9	-8.7%	57.8%
<b>Total Liabilities</b>	<b>9,659.7</b>	<b>13,001.6</b>	<b>14,429.0</b>	<b>11.0%</b>	<b>49.4%</b>
Intergroup shareholders' equity	1,257.5	1,350.6	1,362.0	0.8%	8.3%
Minority interest	24.7	26.8	6.3	-76.3%	-74.4%
<b>Total shareholders' equity</b>	<b>1,282.2</b>	<b>1,377.3</b>	<b>1,368.3</b>	<b>-0.7%</b>	<b>6.7%</b>

The following chart shows the effect of non-recurring items on Intergroup's net earnings.

S/. million	3Q07	2Q08	3Q08	%chg QoQ	%chg YoY
Reported earnings	87.4	97.2	36.6	-62.3%	-58.1%
Non-recurring items(*)					
Sales of assets	-18.3	-8.3	-	n.m	n.m
Trading losses	-	2.1	29.2	n.m	n.m
Foreign exchange gains and losses	-	-6.5	15	n.m	n.m
Total	-18.3	-12.7	44.2	n.m	n.m
Recurring earnings	69.1	84.5	80.9	-4.3%	17.1%

(\*) Net of income taxes

### Year-on-Year Performance

Despite loan growth of 45.4%, net income (attributable to Intergroup's shareholders) declined 53.0% YoY due mainly to a 2.7% decrease in net financial margin, attributable to trading and foreign exchange losses. Additionally, other income (expenses) declined by S/.19.6mm, as a result of an extraordinary gain reported by Interbank in 3Q07 on the sale of a non performing loan. Excluding these non-recurring items, Intergroup's net earnings rose 17.1% YoY.

Interest on loans rose 48.9% YoY, but was offset by a 38.2% decline in investment income arising from S/. 34.3mm trading losses, and by S/. 21.8mm in foreign exchange losses. As a result, gross financial margin grew only 4.1% YoY. These losses are discussed in detail within the sections relating to Interbank and Interseguro.

Additionally, provision expenses grew 38.1% due to a 45.4% increase in Interbank's loan portfolio and stricter provisioning requirements on consumer loans set by the Peruvian Banking Superintendent.

Intergroup's Profit and Loss Statement Summary

S/. million	3Q07	2Q08	3Q08	%chg QoQ	%chg YoY
Financial income	293.5	410.6	378.4	-7.9%	28.9%
Financial expenses	-76.6	-102.4	-152.7	49.1%	99.2%
<b>Gross financial margin</b>	<b>216.8</b>	<b>308.2</b>	<b>225.7</b>	<b>-26.8%</b>	<b>4.1%</b>
Provisions	-36.0	-39.7	-49.6	25.0%	38.1%
<b>Net financial margin</b>	<b>180.9</b>	<b>268.5</b>	<b>176.0</b>	<b>-34.4%</b>	<b>-2.7%</b>
Fee income from financial services, net	67.2	71.3	82.0	14.9%	22.1%
Result from insurance underwriting, net	-11.0	-14.1	-18.8	33.4%	71.3%
Administrative expenses	-142.3	-189.9	-188.4	-0.8%	32.4%
<b>Net operating margin</b>	<b>94.8</b>	<b>135.9</b>	<b>50.9</b>	<b>-62.6%</b>	<b>-46.3%</b>
Depreciation and amortization	-12.1	-14.5	-15.2	4.8%	25.5%
Other income (expenses)	50.3	14.5	30.7	112.1%	-38.9%
<b>Income before tax and profit sharing</b>	<b>133.0</b>	<b>135.9</b>	<b>66.4</b>	<b>-51.1%</b>	<b>-50.1%</b>
Income tax and profit sharing	-45.6	-38.7	-29.8	-23.1%	-34.7%
Income from continuing operations	87.4	97.2	36.6	-62.3%	-58.1%
<b>Net income</b>	<b>87.4</b>	<b>97.2</b>	<b>36.6</b>	<b>-62.3%</b>	<b>-58.1%</b>
<b>Attributable to IFS shareholders</b>	<b>84.7</b>	<b>94.9</b>	<b>39.8</b>	<b>-58.0%</b>	<b>-53.0%</b>
<b>EPS</b>	<b>0.92</b>	<b>1.03</b>	<b>0.43</b>		
<b>ROE</b>	<b>27.9%</b>	<b>27.9%</b>	<b>11.7%</b>		

Fee income increased 22.1%, driven by volume and transaction growth. Interseguro's loss from insurance underwriting totaled S/.18.8 million, a 71.3% increase compared to the loss reported in 3Q07, mainly due to a S/. 9.9 million increase in reserves. Administrative expenses rose 32.4% mainly due to the expansion of Interbank's branch network.

As a result of the above-mentioned factors, income before taxes and profit sharing declined 50.1% and while net income decreased 53.0%.

#### Quarter-on-Quarter Performance

Trading and foreign exchange losses led net income (attributable to Intergroup's shareholders) to decline 58.0% QoQ. Excluding non-recurring items, net income fell 4.3% QoQ.

Net financial margin decreased 34.4% due to S/. 34.3mm in trading losses and a S/.21.8mm foreign exchange losses resulting from the global financial crisis. These losses are discussed in detail in the sections relating to Interbank and Interseguro.

Fee income from financial services increased 14.9% as a result of higher commissions for collection and payment services, contingent operations, and fees on corporate finance and credit and debit cards. Administrative expenses remained stable.

The above-mentioned investment and foreign exchange losses led income before taxes and profit sharing to decline 51.1% QoQ. Additionally, the effective tax rate rose from 28.5% to 44.8%, due to the fact that investment losses at Interseguro are



non-tax deductible, as a result of the tax exempt status on most of the company's revenues. A higher effective tax rate caused a 62.3% decline in net income, a higher proportion than the decline in income before taxes.

## STOCK SWAP PROGRAM

In August 2008, Intergroup launched a stock swap program, offering Interbank's minority shareholders the option of exchanging shares in Interbank for shares in Intergroup. The rate of exchange was 0.1059 shares of Intergroup for each share of Interbank tendered.

As a result of this program, Intergroup's ownership stake in Interbank rose from 97.2% to 99.3%, while shares outstanding increased from 92,179,513 to 93,615,451. This transaction has been accretive for Intergroup's shareholder, leading to a 1% increase in earnings per share.

## CONTRIBUTION OF SUBSIDIARIES

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

S/. million	3Q07	2Q08	3Q08	%chg QoQ	%chg YoY
Interbank	81.7	73.3	55.4	-24.4%	-32.3%
Interseguro	10.5	19.9	-16.0	n.m	n.m
Intergroup accounts:					
Return on investment portfolio	4.8	7.1	4.4	-37.4%	-6.7%
Exchange loss, net	-8.5	-0.2	-0.5	129.1%	-93.6%
Taxes on dividends	0.0	-3.5	-1.8	-50.0%	n.m.
Other expenses and other income	-6.6	-0.8	-1.7	130.3%	-73.6%
Consolidation adjustments	-2.4	-0.9	0.0	n.m	n.m.
<b>Total</b>	<b>84.7</b>	<b>94.9</b>	<b>39.8</b>	<b>-58.0%</b>	<b>-53.0%</b>

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

## Interbank

### SUMMARY

Interbank's net earnings were S/. 52.2mm in 3Q08, a 38.2% decrease YoY and a 30.9% decrease QoQ. Annualized ROE was 23.6% in 3Q08, less than the 36.3% in 2Q08, and the 46.8% in 3Q07. This decrease was the result of trading and foreign exchange losses totaling S/.38.1mm, attributable to the global financial crisis. The YoY comparison was additionally affected by a S/.26.5mm gain reported in 3Q07 as a result of the sale of a non-performing loan. Excluding non-recurring items, net income grew 24.8% QoQ, and 18.6% YoY.

Net income was S/.201.4mm in the first nine months of 2008, a 20.0% increase over the same period in 2007.

#### Profit and Loss Statement Summary

S/. million	3Q07	2Q08	3Q08	%chg QoQ	%chg YoY
Financial income	260.1	351.5	322.0	-8.4%	23.8%
Financial expenses	-69.5	-91.5	-108.1	18.2%	55.5%
<b>Gross financial margin</b>	<b>190.6</b>	<b>260.0</b>	<b>213.8</b>	<b>-17.8%</b>	<b>12.2%</b>
Provisions	-36.0	-39.7	-49.6	25.0%	38.1%
<b>Net financial margin</b>	<b>154.6</b>	<b>220.3</b>	<b>164.2</b>	<b>-25.5%</b>	<b>6.2%</b>
Fee income from financial services, net	73.4	80.1	89.5	11.7%	21.9%
Administrative expenses	-133.0	-183.9	-182.0	-1.0%	36.8%
<b>Net operating margin</b>	<b>95.0</b>	<b>116.6</b>	<b>71.7</b>	<b>-38.5%</b>	<b>-24.6%</b>
Depreciation and amortization	-11.4	-13.9	-14.6	4.8%	27.9%
Other income (expenses)	40.7	5.9	22.0	nm	-46.0%
<b>Income before tax and profit sharing</b>	<b>124.3</b>	<b>108.6</b>	<b>79.0</b>	<b>-27.2%</b>	<b>-36.4%</b>
Income tax and profit sharing	-39.9	-33.0	-26.8	-18.9%	-32.8%
<b>Net Income</b>	<b>84.5</b>	<b>75.6</b>	<b>52.2</b>	<b>-30.9%</b>	<b>-38.2%</b>
<b>ROE</b>	<b>46.8%</b>	<b>36.3%</b>	<b>23.6%</b>		

The following chart shows the non-recurring components of Interbank's net income.

S/. million	3Q07	2Q08	3Q08	%chg QoQ	%chg YoY
Reported earnings	84.5	75.6	52.2	-31.0%	-38.2%
Non-recurring items(*)					
Sales of assets	-18.3	-8.3	-	n.m	n.m
Trading losses	-	2.1	11.2	n.m	n.m
Foreign exchange gains and losses	-	-6.5	15	n.m	n.m
Total	-18.3	-12.7	26.2	n.m	n.m
Recurring earnings	66.2	62.9	78.5	24.8%	18.6%

(\*) Net of income taxes

The performance of Interbank's core businesses remained very strong during 3Q07, as demonstrated by loan growth of 10.1% QoQ and 45.4% YoY, a 26 bps increase in the average yield of loans, a 1.0% past-due loan ratio, an 11.7% QoQ increase in fee income, and a 1.0% QoQ decline in administrative expenses.

### INTEREST EARNING ASSETS

Interbank's interest earning assets reached S/.12,848.9 million as of September 30, 2008, an increase of 12.2% QoQ and 52.6% YoY. The QoQ growth was primarily attributable to a 29.3% increase in cash and a 10.4% increase in net loans. Yearly growth was due to a 106.3% rise in cash and a 46.1% increase in net loans. The growth in cash was attributable to increases in reserves requirements from the Peruvian Central Bank.

#### Interest Earning Assets

S/. million	3Q07	2Q08	3Q08	%chg QoQ	%chg YoY
Cash and due from banks	1,602.3	2,558.5	3,305.0	29.2%	106.3%
Investments, net	1,490.3	1,843.1	1,755.4	-4.8%	17.8%
Loan portfolio, net	5,329.8	7,054.3	7,788.5	10.4%	46.1%
<b>Total interest earnings assets</b>	<b>8,422.3</b>	<b>11,456.0</b>	<b>12,848.9</b>	<b>12.2%</b>	<b>52.6%</b>

The bank's investment portfolio is comprised mainly of certificates of deposit issued by the Peruvian Central Bank, and Peruvian sovereign and global bonds. Total investments fell 4.8% QoQ primarily as a result of the sale of sovereign bonds held for trading.

#### Loan Portfolio

S/. million	3Q07	2Q08	3Q08	%chg QoQ	%chg YoY
Current loans:					
Retail	2,728.4	3,594.2	4,011.5	11.6%	47.0%
Commercial	2,744.3	3,634.9	3,945.6	8.5%	43.8%
Total current loans	5,472.7	7,229.1	7,957.1	10.1%	45.4%
Restructured and refinanced loans	137.1	100.4	100.1	-0.3%	-27.0%
Past due loans	78.9	77.9	82.6	6.0%	4.6%
<b>Gross loans</b>	<b>5,688.8</b>	<b>7,407.4</b>	<b>8,139.7</b>	<b>9.9%</b>	<b>43.1%</b>
Add (less)					
Accrued and deferred interest	-147.6	-131.6	-111.0	-15.6%	-24.8%
Allowance for loan losses	-211.4	-221.4	-240.2	8.5%	13.6%
<b>Total direct loans, net</b>	<b>5,329.8</b>	<b>7,054.3</b>	<b>7,788.5</b>	<b>10.4%</b>	<b>46.1%</b>

Net loans reached S/. 7,788.5 million as of September 30th 2008, an increase of 46.1% YoY and 10.4% QoQ.

The 10.4% QoQ increase in net loans is explained by high growth rates in the commercial and retail portfolios. Retail loans grew 11.6% QoQ, driven by increases of 17.3% in credit cards, 9.1% in other consumer loans and 9.5% in mortgage loans. Commercial loans grew 8.5% QoQ due to increased investment activity in Peru and strong efforts at Interbank's commercial banking division.

Current loans grew 45.4% YoY, driven by growth rates exceeding 40% in the retail and commercial segments. Retail loans grew 47.0%, and reached S/. 4,011.5 million in 3Q08.

#### Breakdown of Current Retail Loans

S/. million	3Q07	2Q08	3Q08	%chg QoQ	%chg YoY
Consumer loans:					
Credit cards	763.1	1,060.3	1,244.1	17.3%	63.0%
Other consumer	1,185.6	1,574.4	1,717.1	9.1%	44.8%
Total consumer loans	1,948.7	2,634.7	2,961.2	12.4%	52.0%
Mortgages	779.7	959.5	1,050.3	9.5%	34.7%
Total retail loans	2,728.4	3,594.2	4,011.5	11.6%	47.0%

As a result of significant growth rates in retail loans, Interbank has posted strong market share gains in its key business lines, as shown in the table below.

#### Market Share of Current Retail Loans

Source: SBS	3Q07	2Q08	3Q08	%chg QoQ	%chg YoY
Consumer loans:					
Credit cards	15.2%	17.2%	19.0%	1.8%	3.8%
Other consumer	17.8%	18.2%	18.4%	0.2%	0.6%
Total consumer loans	16.7%	17.6%	18.6%	1.0%	1.9%
Mortgages	9.8%	10.7%	11.0%	0.3%	1.2%
Total retail loans	14.0%	15.2%	15.8%	0.6%	1.8%



## FUNDING STRUCTURE

Funding Structure					
S/. million	3Q07	2Q08	3Q08	%chg QoQ	%chg YoY
Deposits and obligations	6,817.9	8,324.7	9,397.2	12.9%	37.8%
Due to banks:					
Short term	671.0	1,562.6	1,742.4	11.5%	159.7%
Long term	315.6	841.5	881.1	4.7%	179.2%
Total due to banks	986.6	2,404.0	2,623.5	9.1%	165.9%
Bonds and obligations	229.9	268.9	377.0	40.2%	64.0%
<b>Total</b>	<b>9,020.9</b>	<b>13,401.6</b>	<b>15,021.3</b>	<b>12.1%</b>	<b>66.5%</b>
AUM (Interfondos)	1,912	2,429	1,400	-42.4%	-26.8%
<u>% of funding</u>					
Deposits and obligations	75.6%	62.1%	62.6%		
Due to banks	10.9%	17.9%	17.5%		
Bonds and obligations	2.5%	2.0%	2.5%		

Interbank's interest-bearing liabilities grew 54.3% YoY, in-line with growth in interest-earning assets. Growth in deposits was strong at 37.8% YoY, but lower than total asset growth. As a result, the share of deposits in the bank's total funding declined from 84.9% in 3Q07 to 75.8% in 3Q08. During 2008, the bank has used additional sources of funding such as inter-bank lines of credit, long-term bank financing and bond issues.

Breakdown of Deposits					
S/. million	3Q07	2Q08	3Q08	%chg QoQ	%chg YoY
<b>By Customer Segment:</b>					
Retail	2,929.3	3,326.6	3,647.2	9.6%	24.5%
Commercial	3,421.5	4,539.8	5,705.6	25.7%	66.8%
Other obligations	467.0	458.3	44.4	-90.3%	-90.5%
<b>Total</b>	<b>6,817.9</b>	<b>8,324.7</b>	<b>9,397.2</b>	<b>12.9%</b>	<b>37.8%</b>
<b>By Type:</b>					
Demand	1,189.5	1,354.5	1,415.7	4.5%	19.0%
Savings	2,033.1	2,199.1	2,354.5	7.1%	15.8%
Time	2,911.9	4,079.0	5,323.0	30.5%	82.8%
Other	683.5	692.2	303.9	-56.1%	-55.5%
<b>Total</b>	<b>6,817.9</b>	<b>8,324.7</b>	<b>9,397.2</b>	<b>12.9%</b>	<b>37.8%</b>

## FINANCIAL MARGIN

Financial Margin					
S/. millones	3T07	2T08	3T08	% var TaT	% var AaA
Financial income	260.1	351.5	322.0	-8.4%	23.8%
Financial expenses	-69.5	-91.5	-108.1	18.2%	55.5%
<b>Gross financial margin</b>	<b>190.6</b>	<b>260.0</b>	<b>213.8</b>	<b>-17.8%</b>	<b>12.2%</b>

Interest on loans grew 48.9% YoY and 16.9% QoQ, primarily as a result of higher loan volumes. However, gross financial margin grew only 12.2% YoY and fell 17.8% QoQ, as financial income was affected by foreign exchange losses and by lower investment income resulting from trading losses in the bank's sovereign bonds.

As a consequence, financial income fell 8.4% QoQ, and grew 23.8% YoY, a much lower rate than the 55.5% increase in financial expenses.

Financial Income					
S/. million	3Q07	2Q08	3Q08	%chg QoQ	%chg YoY
Interest and commissions on loans	192.5	245.1	286.6	16.9%	48.9%
Investment income	26.8	40.4	16.6	-59.0%	-38.2%
Interest on due from banks and interbank funds	12.0	11.5	12.4	7.6%	3.2%
Financial income before exch. difference	231.3	297.0	315.5	6.2%	36.4%
Exchange difference	28.9	54.5	6.5	-88.2%	-77.7%
<b>Total Financial Income</b>	<b>260.1</b>	<b>351.5</b>	<b>322.0</b>	<b>-8.4%</b>	<b>23.8%</b>
Average interest earning assets	8,159.8	10,569.5	12,001.3	13.5%	47.1%
<b>Average yield on assets*</b>	<b>11.3%</b>	<b>11.2%</b>	<b>10.5%</b>		

\*Annualized. Excludes exchange difference

Interest on loans grew 48.9% YoY, but was offset by a 77.7% decrease in exchange rate difference and a 38.2% decline in investment income. The increase in interest on loans is explained by 47.4% growth in average volume and a 20 bps rise in average yields, from 15.3% in 3Q07 to 15.5% in 3Q08. Interest on cash and interbank funds rose only 3.2% YoY, despite a 62.7% increase in average volume due to a 103 bps decrease in the annualized average yield, attributable to lower returns paid by the Central Bank on reserve requirement deposits.

The decrease in investment income was explained by a S/. 16.3 mm loss on the bank's sovereign bond position. As a consequence of the global financial crisis, the average yield in Peruvian sovereign bonds rose 133 bps, from 7.36% to 8.69%, leading prices to fall 18.2%. Exchange rate difference fell 77.7% YoY, primarily due to a S/.21.8mm loss on a US\$30mm long position on the Brazilian real. This position has

yielded a total gain of S/. 8.2mm in the first nine months 2008. By the end of 3Q08, Interbank had hedged the position and neutralized its exposure to the real.

As a result of lower investment returns and a higher proportion of assets held in cash as reserve requirements, the annualized average yield on interest earning assets fell from 11.3% in 3Q07 to 10.5% in 3Q08.

Financial income fell 8.4% QoQ despite a 16.9% QoQ increase in interest on loans, due to a 59.0% decrease in investment income, and a 88.2% decrease in exchange rate difference. The increase in interest and commissions on loans is explained by a 14.9% expansion in average volume and a 26 bps rise in the average yield, from 15.2% in 2Q08 to 15.5% in 3Q08. The decline in investment income is explained by a 493 bps reduction in the annualized average yield, from 8.5% in 2Q08 to 3.5% in 2Q08, due to the above-mentioned loss in Interbank's sovereign bond position. The decrease in exchange rate difference is explained by a loss arising from Interbank's exposure to the Brazilian real. A 7.6% increase on interest on cash and interbank funds was due to 22.4% growth in the average volume of reserve requirement deposits.

#### Financial Expenses

S/. million	3Q07	2Q08	3Q08	%chg QoQ	%chg YoY
Interest and commissions on deposits	50.8	63.3	69.6	9.9%	36.9%
Interest and fees on deposits and due to banks	11.2	19.8	29.7	50.0%	166.7%
Interest on securities, bonds and other obligations	4.2	4.3	4.6	6.0%	9.3%
Other financial expenses	3.4	4.0	4.2	5.3%	24.8%
<b>Total Financial Expenses</b>	<b>69.5</b>	<b>91.5</b>	<b>108.1</b>	<b>18.2%</b>	<b>55.5%</b>
Average interest bearing liabilities	7,839.6	10,224.3	11,642.1	13.9%	48.5%
<b>Average cost of funding</b>	<b>3.6%</b>	<b>3.6%</b>	<b>3.7%</b>		

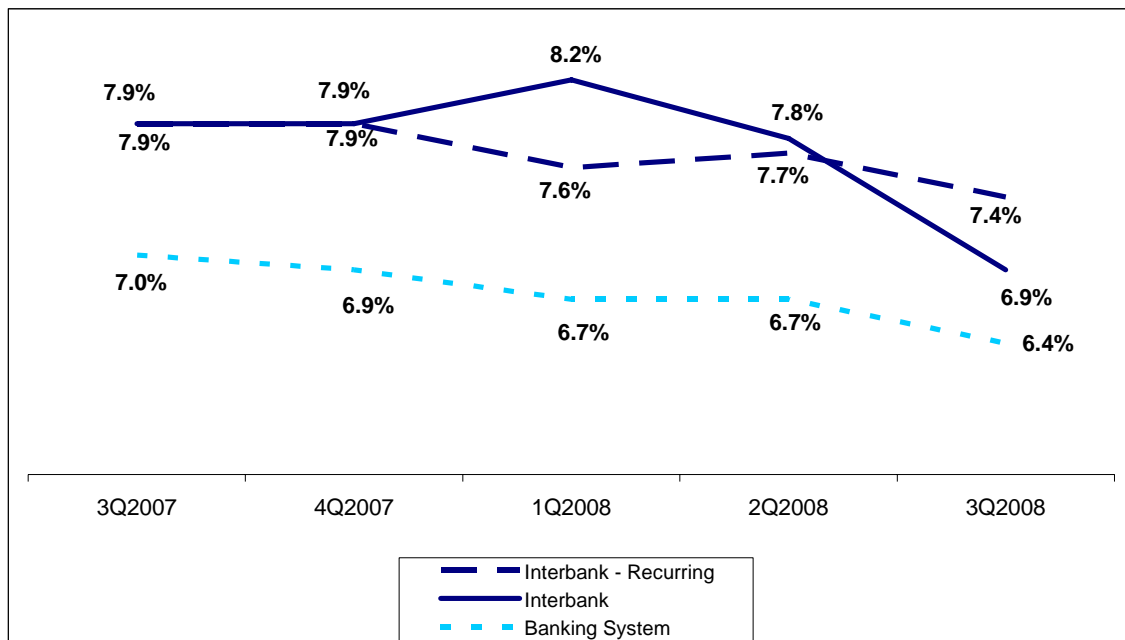
Financial expenses increased 55.5% YoY, due to a 36.9% increase in interest on deposits and a 166.7% rise in interest due to banks. The increase in interest deposits was due to a 31.0% growth in the average volume of deposits and a 17 bps increase in the annualized average cost, attributable to a higher proportion of time deposits, which rose from 42.7% of total deposits in 3Q07 to 56.7% in 3Q08. Interest due to banks increased as a result of a 223.6% expansion in average volume, which was partially offset by a 123 bps decline in the annualized average cost.

Financial expenses rose 18.2% QoQ, due to increases of 50.0% in interest due to banks, 9.9% in interest on deposits, and 6.0% in interest on securities, bonds and other obligations. Interest due to banks rose as a result of a 23.6% increase in average volume, and a 38 bps increase in average cost. Growth in interest on deposits was attributable to a 9.1% rise in average volume, and a 7 bps increase in the annualized average cost.

The increase in interest on securities, bonds and other obligations is explained by a 28.1% rise in average volume, attributable to a S/. 110.0mm subordinated bond issue placed in September 2008.

Interbank’s annualized average cost of funding increased 10 bps, from 3.6% in 3Q07 to 3.7% in 3Q08 due to a larger proportion of time deposits, bank loans and bonds in the funding structure.

### Net Interest Margin



Net interest margin fell from 7.9% in 3Q07 to 6.9% in 3Q08, as a result of the decrease in the average yield on interest earning assets and the increase in the average cost of funding, mainly due to higher reserve requirements established by Peru’s Central Bank. Excluding non-recurring items, net interest margin was 7.4% in 3Q08.

### PROVISIONS

Total provision expenses increased 25.0% QoQ and 38.1% YoY, due to higher loan volumes and stricter provision requirements on consumer loans set by the Peruvian Banking Superintendent. Despite the new requirements, the annualized ratio of provision expense to average loans declined from 3.0% in 3Q07 to 2.8% in 3Q08.

#### Composition of Provision Expense

S/. million	3Q07	2Q08	3Q08	%chg QoQ	%chg YoY
Provisions recognized as expense:					
For possible loan losses	-40.7	-41.6	-53.5	28.8%	31.5%
For impairment of investments	0.0	0.1	0.1	mn	mn
Total provisions recognized as expense	-40.7	-41.5	-53.4	28.9%	31.2%
Recoveries	4.8	1.7	3.8	118.3%	-21.0%
<b>Total provision expense</b>	<b>-36.0</b>	<b>-39.7</b>	<b>-49.6</b>	<b>25.0%</b>	<b>38.1%</b>
<b>Loan provision / average loans</b>	<b>3.0%</b>	<b>2.3%</b>	<b>2.8%</b>		

The ratio of past due loans to total loans sharply declined, from 1.4% in 3Q07 to 1.0% in 3Q08. Reserve coverage grew from 267.9% in 3Q07 to 290.9% in 3Q08.

#### Provision for Loan Losses

S/. million	3Q07	2Q08	3Q08	%chg QoQ	%chg YoY
Balance at the beginning of the quarter	242.3	236.5	241.6	2.2%	-0.3%
Provision recognized as expense for the period	40.7	41.6	53.5	28.8%	31.5%
Write-offs, extinguishment of debt and sales	-39.6	-34.6	-24.7	-28.6%	-37.6%
Recoveries	-4.8	-1.7	-3.8	118.3%	-21.0%
Reallocation to receivable accounts	0.0	-9.1	0.0	-100.0%	nm
Reallocation of deferred interests	0.0	0.0	0.0	nm	nm
Exchange difference, net	-5.1	9.0	0.8	nm	nm
Balance at the end of the quarter	<b>239.1</b>	<b>241.6</b>	<b>267.5</b>	<b>10.7%</b>	<b>11.9%</b>
Direct loans	211.4	221.4	240.2	8.5%	13.6%
Indirect loans	27.6	20.2	27.3	35.1%	-1.2%
<b>Past due loans / Total loans</b>	<b>1.4%</b>	<b>1.1%</b>	<b>1.0%</b>		
<b>Reserve coverage</b>	<b>267.9%</b>	<b>284.3%</b>	<b>290.9%</b>		

## FEE INCOME FROM FINANCIAL SERVICES

Gross fee income from financial services increased 21.9% YoY. The main drivers for YoY income growth were increases in fees on credit and debit cards, collection services, contingent operations, account maintenance, and ATM use.

#### Fee Income from Financial Services, Net

S/. million	3Q07	2Q08	3Q08	%chg QoQ	%chg YoY
Credit and debit card	24.2	31.6	35.4	11.8%	46.4%
Fees for services	29.5	33.5	35.1	4.7%	18.9%
Contingent operations	4.3	5.0	6.3	24.0%	46.5%
Fees for collection and payment services	2.9	4.4	4.6	5.4%	60.2%
Others	19.8	14.3	17.8	24.5%	-10.4%
<b>Fee income from financial services</b>	<b>80.7</b>	<b>88.9</b>	<b>99.1</b>	<b>11.5%</b>	<b>22.9%</b>
Expenses relating to financial services	-7.3	-8.7	-9.6	10.3%	33.0%
<b>Fee income from financial services, net</b>	<b>73.4</b>	<b>80.1</b>	<b>89.5</b>	<b>11.7%</b>	<b>21.9%</b>

## ADMINISTRATIVE EXPENSES

Administrative expenses fell 1.0% QoQ and increased 36.8% YoY. This increase was explained by the expansion of Interbank's distribution network, a higher level of business activity, and costs related to the acquisition of new clients.

As a result of higher expenses and a lower financial margin, the annualized efficiency ratio rose from 54.7% in 3Q07 to 64.8% in 3Q08.

### Administrative Expenses

S/. million	3Q07	2Q08	3Q08	%chg QoQ	%chg YoY
Personnel and board of directors expenses	53.9	71.3	71.2	-0.1%	32.2%
Services received from third parties	74.8	106.2	104.5	-1.6%	39.8%
Taxes and contributions	4.4	6.3	6.3	-0.6%	43.7%
<b>Total</b>	<b>133.0</b>	<b>183.9</b>	<b>182.0</b>	<b>-1.0%</b>	<b>36.8%</b>
<b>Efficiency ratio</b>	<b>54.7%</b>	<b>58.1%</b>	<b>64.8%</b>		

## OTHERS

### Other Income (Expenses)

S/. million	3Q07	2Q08	3Q08	%chg QoQ	%chg YoY
Depreciation	-9.2	-11.0	-11.6	5.4%	25.8%
Amortization	-2.2	-2.9	-3.0	2.8%	36.9%
<b>Total depreciation and amortization</b>	<b>-11.4</b>	<b>-13.9</b>	<b>-14.6</b>	<b>4.8%</b>	<b>27.9%</b>
Income (expenses) for recoveries	18.8	20.3	9.4	-54.0%	-50.1%
Extraordinary income (expenses)	-0.4	-2.7	-1.2	-53.3%	212.4%
Provisions for contingencies and other provisions	8.5	-13.0	12.7	nm	48.0%
Income (expenses) of prior years	13.8	1.2	1.2	-4.2%	-91.3%
<b>Other Income (Expenses)</b>	<b>40.7</b>	<b>5.9</b>	<b>22.0</b>	<b>270.1%</b>	<b>-46.0%</b>
<b>Total</b>	<b>29.3</b>	<b>-8.0</b>	<b>7.4</b>	<b>nm</b>	<b>-74.8%</b>

Other income fell 46.0% from an unusually high level in 3Q07, when the sale of a non-performing loan generated a S/.26.5mm gain for Interbank.

## CAPITALIZATION

The ratio of regulatory capital to risk-weighted assets was 10.5% as of September 30, 2008, above the 10.4% reported in 2Q08, below 11.0% in 3Q07, while significantly above the minimum 9.1% ratio established by Peruvian banking regulations. Tier I capital increased 27.5% YoY, primarily due to the capitalization of first half 2008 earnings. Tier II capital rose 70.0% QoQ, due to a S/.110mm subordinated bond issue placed in September 2008.

Capitalization

S/. million	3Q07	2Q08	3Q08	%chg QoQ	%chg YoY
Tier I	669.9	838.7	852.2	1.6%	27.2%
Tier II	75.2	92.2	156.7	70.0%	108.5%
Regulatory capital	745.1	930.9	1,008.9	8.4%	35.4%
<b>Risk weighted assets to regulatory capital</b>	<b>9.1</b>	<b>9.6</b>	<b>9.5</b>	<b>-1.2%</b>	<b>4.2%</b>
<b>BIS ratio</b>	<b>11.0%</b>	<b>10.4%</b>	<b>10.5%</b>	<b>1.2%</b>	<b>-4.0%</b>
<b>Tier I / risk weighted assets</b>	<b>10.1%</b>	<b>9.6%</b>	<b>8.9%</b>	<b>-6.6%</b>	<b>-11.2%</b>

## Interseguro

### SUMMARY

Interseguro reported a net loss of S/.16.0mm in 3Q08, down from net income of S/.10.5mm in 3Q07 and S/.19.9mm in 2Q08. The main reason for this performance was a significant decline in investment income, attributable to the effect of the global financial crisis on Interseguro's fixed income and equity investments.

#### Profit and Loss Statement Summary

S/. million	3Q07	2Q08	3Q08	%chg QoQ	%chg YoY
Premiums	60.3	48.1	57.5	19.5%	-4.7%
Premiums ceded	-1.2	-1.3	-1.6	20.2%	27.8%
Fees	-2.4	-1.8	-2.0	12.8%	-16.5%
Claims	-37.3	-29.1	-33.5	14.9%	-10.3%
Change in reserves	-28.7	-31.9	-38.6	21.0%	34.5%
Diverse Income, net	-2.4	-0.4	-1.0	115.4%	-59.4%
<b>Technical margin</b>	<b>-11.8</b>	<b>-16.5</b>	<b>-19.1</b>	<b>16.1%</b>	<b>62.6%</b>
Adm. expenses	-7.4	-8.0	-8.9	11.5%	21.0%
Investment income, net*	29.6	44.4	12.1	-72.7%	-59.1%
<b>Net income</b>	<b>10.5</b>	<b>19.9</b>	<b>-16.0</b>	<b>n.m.</b>	<b>n.m.</b>

\*Includes Exchange difference and extraordinary items

### PREMIUMS

Premium sales increased 19.5% QoQ and decreased 4.7% YoY. As shown in the table below, the YoY decline was primarily due to a 97.0% reduction in disability and survivor benefit premiums, attributable to the loss of a key account.

The QoQ increase is primarily explained by a 25.0% increase in annuity sales.

#### Premiums by Business Line

S/. million	3Q07	2Q08	3Q08	%chg QoQ	%chg YoY
Individual Life	4.8	5.2	6.1	18.2%	27.3%
Annuities	33.8	30.5	38.2	25.0%	12.8%
Group Life	5.1	7.2	7.3	2.7%	43.8%
Disability and survivor benefits	12.6	1.1	0.4	-65.6%	-97.0%
Mandatory traffic accident	4.0	4.1	5.5	32.5%	37.8%
<b>Total</b>	<b>60.3</b>	<b>48.1</b>	<b>57.5</b>	<b>19.5%</b>	<b>-4.7%</b>



In the third quarter 2008, Interseguro reported 10.3% market share in the life insurance sector and had regained the leading position in the annuity market.

## RESERVES, CLAIMS AND OPERATING EXPENSES

Change in reserves increased 34.5% YoY and 21.0% QoQ, due to higher sales of annuities and mandatory traffic accident premiums.

### Reserves on Premiums by Business Line

S/. million	3Q07	2Q08	3Q08	%chg QoQ	%chg YoY
Individual Life	0.0	2.1	1.0	-53.3%	-
Annuities	28.9	28.9	36.4	25.9%	26.1%
Group Life	-0.3	0.6	0.2	-60.2%	175.6%
Mandatory traffic accident	0.2	0.3	1.0	205.1%	521.0%
<b>Total</b>	<b>28.7</b>	<b>31.9</b>	<b>38.6</b>	<b>21.0%</b>	<b>34.5%</b>

Claims increased 14.9% QoQ and decreased 10.3% YoY. The quarterly increase was due to higher claims in disability and survivor benefits (29.9%) and group life (27.8%) policies. The YoY decrease was due to a 40.8% decline in disability and survivor benefits claims.

### Claims by Business Line

S/. million	3Q07	2Q08	3Q08	%chg QoQ	%chg YoY
Individual Life	0.1	0.1	0.4	-178.7%	679.5%
Annuities	16.5	16.6	17.6	6.2%	6.5%
Group Life	0.9	1.2	1.6	27.8%	65.1%
Disability and survivor benefits	16.9	7.7	10.0	29.9%	-40.8%
Mandatory traffic accident	2.9	3.5	3.9	11.4%	34.7%
<b>Total</b>	<b>37.3</b>	<b>29.1</b>	<b>33.5</b>	<b>14.9%</b>	<b>-10.3%</b>

As a result of the above-mentioned factors, technical margin was S/.-19.1 million in 3Q08, S/. 2.6 million lower than 2Q08, and S/. 7.3 million lower than 3Q07.

Administrative expenses increased 11.5% QoQ and 21.0% YoY. The quarterly increase is explained by higher advertising, administrative and personnel expenses.

## INVESTMENT INCOME

Investment income decreased 59.1% YoY, as a result of a S/16.3mm decline in the value of Interseguro's equity and mutual fund portfolio, and a S/1.6mm loss on the sale of fixed income securities. The trading loss on fixed income securities was due to a general decline in fixed income security prices, as a result of the global financial crisis. As of September 30, Interseguro sold its fixed income trading portfolio.

Despite holding stocks with low volatility, Interseguro reported a loss equivalent to 6.5% of the value of its equity and mutual fund portfolio in 3Q08. This decline compares favorably with the 31.0% QoQ decline in the Lima Stock Exchange index.

The losses described above were partially offset by a significant increase in real estate revenues. In addition to rental income, Interseguro posted a S/.6.5mm gain on the sale of a property during 3Q08.

Interseguro reported a S/.2.2 exchange rate gain in 3Q08. The Company has hedged most of its exposure to foreign currency, and expects no significant variations in exchange gains or losses moving forward.

Interseguro's investment portfolio rose 15.5% YoY, from S/.1,528.7mm to S/.1,736.8mm. All of the growth was destined to fixed income securities and real estate investments.

Investment Income, Net					
S/. million	3Q07	2Q08	3Q08	%chg QoQ	%chg YoY
<b>Income:</b>					
Fixed Income	37.1	46.7	18.2	-61.1%	-51.0%
Equity and Mutual Funds	-6.7	15.1	-16.3	n.m.	-144.1%
Real estate	3.4	5.0	10.7	112.7%	209.2%
<b>Total income</b>	<b>33.8</b>	<b>66.8</b>	<b>12.5</b>	<b>-81.3%</b>	<b>-63.0%</b>
Expenses	-2.1	-2.5	-2.7	7.8%	28.3%
Exchange difference	1.9	-20.0	2.2	n.m.	14.0%
Others*	-4.0	0.0	0.1	n.m.	-102.4%
<b>Net income</b>	<b>29.6</b>	<b>44.4</b>	<b>12.1</b>	<b>-72.7%</b>	<b>-59.1%</b>

\* Others considered income and expenses for extraordinary writ-off reversal, taxation and fiscal administrative penalties.

Investment Portfolio					
S/. million	3Q07	2Q08	3Q08	%chg QoQ	%chg YoY
Fixed Income	848.9	887.9	949.5	6.9%	11.8%
Equity and Mutual Funds	326.5	293.9	269.7	-8.2%	-17.4%
Real estate	168.3	244.3	192.8	-21.1%	14.6%
Others*	185.0	271.9	351.8	29.4%	90.2%
<b>Total</b>	<b>1,528.7</b>	<b>1,698.0</b>	<b>1,763.8</b>	<b>3.9%</b>	<b>15.4%</b>

\* Others considered private REIT's shares.