

Translation of consolidated financial statements originally issued in Spanish - Note 29

**Intercorp Financial Services Inc. (formerly Intergroup Financial Services Corp.) and Subsidiaries**

Consolidated financial statements as of June 30, 2013 (unaudited) and December 31, 2012 (audited) and for the six-month periods ended June 30, 2013 and 2012

## **Intercorp Financial Services Inc. and Subsidiaries**

Consolidated financial statements as of June 30, 2013 (unaudited) and December 31, 2012 (audited) and for the six-month periods ended June 30, 2013 and 2012

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**Consolidated statements of financial position**

As of June 30, 2013 (unaudited) and December 31, 2012 (audited)

	<b>Note</b>	<b>2013</b> S/.(000)	<b>2012</b> S/.(000)		<b>Note</b>	<b>2013</b> S/.(000)	<b>2012</b> S/.(000)
<b>Assets</b>				<b>Liabilities and equity</b>			
Cash and due from banks	5			Deposits and obligations	12	17,210,117	14,428,728
Cash and clearing		1,329,348	1,509,272	Inter-bank funds		186,758	9,310
Deposits in the Peruvian Central Bank		4,921,668	3,543,296	Deposits from financial entities		137,925	133,342
Deposits in domestic and foreign banks		436,829	264,324	Due to banks and correspondents	13	2,989,166	2,713,547
Restricted funds		181,179	80,131	Accounts payable, provisions and other liabilities	11	1,095,524	773,424
		<u>6,869,024</u>	<u>5,397,023</u>	Deferred income tax liability, net		-	1,588
				Bonds and other obligations	14	3,397,094	3,177,073
				Technical reserves for premiums and claims	15	2,811,068	2,455,955
				<b>Total liabilities</b>		<u>27,827,652</u>	<u>23,692,967</u>
Inter-bank funds		127,949	192,026				
Investments at fair value through profit or loss and investments available-for-sale, net	6	2,746,726	3,119,988	<b>Equity</b>	16		
Loan portfolio, net	9	16,666,413	15,058,413	Equity attributable to IFS		799,581	799,581
Held-to-maturity investments, net	7	2,040,118	1,040,316	Capital stock		268,077	268,077
Real estate investment, net	8	366,091	419,626	Capital surplus		(220,672)	(205,225)
Investment in associates, net		29,482	32,100	Treasury stock		33,677	207,261
Property, furniture and equipment, net	10	441,151	448,532	Unrealized results, net		1,813,874	1,821,212
Accounts receivable and other assets, net	11	1,198,688	861,650	Retained earnings		<u>2,694,537</u>	<u>2,890,906</u>
Deferred Income Tax asset, net		53,604	31,323	Minority interest		17,057	17,124
		<u>30,539,246</u>	<u>26,600,997</u>	Total equity		<u>2,711,594</u>	<u>2,908,030</u>
<b>Total assets</b>		<u>30,539,246</u>	<u>26,600,997</u>	<b>Total liabilities and equity</b>		<u>30,539,246</u>	<u>26,600,997</u>
<b>Off-balance sheet accounts</b>	18			<b>Off-balance sheet accounts</b>	18		
Contingent assets		16,404,436	14,872,922	Contingent assets		16,404,436	14,872,922
Other off-balance sheet assets accounts		49,785,607	44,636,791	Other off-balance sheet assets accounts		49,785,607	44,636,791
		<u>66,190,043</u>	<u>59,509,713</u>			<u>66,190,043</u>	<u>59,509,713</u>

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

## Intercorp Financial Services Inc. and Subsidiaries

### Consolidated statements of income

For the six-month periods ended June 30, 2013 and 2012 (unaudited)

	Note	2013 S/.(000)	2012 S/.(000)
Financial income	19	1,242,385	1,207,632
Financial expense	19	(282,910)	(250,022)
<b>Gross financial margin</b>		<b>959,475</b>	<b>957,610</b>
Provision for loan losses, net of recoveries	9(d)	(183,449)	(210,326)
<b>Net financial margin</b>		<b>776,026</b>	<b>747,284</b>
Fee income from financial services	20	167,031	184,050
Expenses relating to financial services	20	(50,340)	(56,151)
Result from insurance underwriting, net	21	(37,266)	(43,137)
<b>Operating margin</b>		<b>855,451</b>	<b>832,046</b>
Result of financial transactions	22	239,186	235,040
		<b>1,094,637</b>	<b>1,067,086</b>
<b>Net financial margin, to income and expenses from financial services</b>			
Administrative expenses	23(a)	(559,728)	(540,007)
Depreciation and Amortization	10(a)	(53,086)	(49,969)
<b>Net operating margin</b>		<b>481,823</b>	<b>477,110</b>
Valuation of assets and provisions		(5,670)	(4,665)
<b>Operating income</b>		<b>476,153</b>	<b>472,445</b>
Other income, net	24	19,828	27,274
<b>Income before tax</b>		<b>495,981</b>	<b>499,719</b>
Income Tax		(122,492)	(95,198)
<b>Net income</b>		<b>373,489</b>	<b>404,521</b>
<b>Attributable to:</b>			
IFS's equity shareholders		371,040	402,501
Minority interest		2,449	2,020
		<b>373,489</b>	<b>404,521</b>
<b>Basic and diluted earnings per share attributable to Intercorp (stated in Nuevos Soles)</b>	25	<b>4.098</b>	<b>4.453</b>
<b>Weighted average number of outstanding shares (in thousands)</b>	25	<b>90,533</b>	<b>90,389</b>

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

## Intercorp Financial Services Inc. and Subsidiaries

### Consolidated statements of comprehensive income

For the six-month periods ended June 30, 2013 and 2012 (unaudited)

	<b>2013</b> S/.(000)	<b>2012</b> S/.(000)
<b>Net income</b>	<b>373,489</b>	<b>404,521</b>
<b>Unrealized gains</b>		
Valuation of derivate financial instrument	(9,016)	4,106
Valuation of available-for-sale investments	(185,549)	85,140
Valuation of treasury stock	19,827	(39,122)
<b>Total comprehensive income for the period</b>	<b>198,751</b>	<b>454,645</b>
<b>Attributable to:</b>		
IFS's shareholders	197,456	452,374
Minority interest	1,295	2,271
	<b>198,751</b>	<b>454,645</b>

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

Intercorp Financial Services Inc. and Subsidiaries

Consolidated statements of changes in shareholders' equity

For the six-month periods ended June 30, 2013 and 2012 (unaudited)

	Number of shares (in thousand)		Attributable to IFS's equity holders					Minority interest S/.(000)	Total shareholder's equity S/.(000)	
	Issued	In treasury	Capital stock	Treasury stock	Capital surplus	Unrealized gains	Retained earnings			Total
			S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)			S/.(000)
<b>Balance as of January 1, 2012</b>	93,615	(3,092)	799,581	(214,996)	268,077	22,833	1,483,832	2,359,327	13,868	2,373,195
<b>Comprehensive income</b>										
Net income	-	-	-	-	-	-	402,501	402,501	2,020	404,521
<b>Other comprehensive income</b>										
Net variation of available-for-sale investments of the Company and Subsidiaries	-	-	-	-	-	84,714	-	84,714	426	85,140
Net variation of derivate financial instruments	-	-	-	-	-	4,085	-	4,085	21	4,106
Net variation of treasury stock held by subsidiary	-	-	-	-	-	(38,926)	-	(38,926)	(196)	(39,122)
<b>Total comprehensive income</b>	-	-	-	-	-	<b>49,873</b>	<b>402,501</b>	<b>452,374</b>	<b>2,271</b>	<b>454,645</b>
Net variation of treasury stock held by subsidiary	-	(117)	-	(7,739)	-	-	-	(7,739)	-	(7,739)
Declared and paid dividends	-	-	-	-	-	-	(373,632)	(373,632)	-	(373,632)
Other	-	-	-	-	-	-	12,821	12,821	(1,517)	11,304
<b>Balance as of June 30, 2012</b>	<b>93,615</b>	<b>(3,209)</b>	<b>799,581</b>	<b>(222,735)</b>	<b>268,077</b>	<b>72,706</b>	<b>1,525,522</b>	<b>2,443,151</b>	<b>14,622</b>	<b>2,457,773</b>
<b>Balance as of January 1, 2013</b>	93,615	(3,115)	799,581	(205,225)	268,077	207,261	1,821,212	2,890,906	17,124	2,908,030
<b>Comprehensive income</b>										
Net income	-	-	-	-	-	-	371,040	371,040	2,449	373,489
<b>Other comprehensive income</b>										
Net variation of available-for-sale investments of the Company and Subsidiaries	-	-	-	-	-	(184,324)	-	(184,324)	(1,225)	(185,549)
Net variation of derivate financial instruments	-	-	-	-	-	(8,956)	-	(8,956)	(60)	(9,016)
Net variation of treasury stock held by subsidiary	-	-	-	-	-	19,696	-	19,696	131	19,827
<b>Total comprehensive income</b>	-	-	-	-	-	<b>(173,584)</b>	<b>371,040</b>	<b>197,456</b>	<b>1,295</b>	<b>198,751</b>
Net variation of treasury stock held by subsidiary	-	38	-	(15,447)	-	-	-	(15,447)	-	(15,447)
Declared and paid dividends	-	-	-	-	-	-	(391,935)	(391,935)	-	(391,935)
Other	-	-	-	-	-	-	13,557	13,557	(1,362)	12,195
<b>Balance as of June 30, 2013</b>	<b>93,615</b>	<b>(3,077)</b>	<b>799,581</b>	<b>(220,672)</b>	<b>268,077</b>	<b>33,677</b>	<b>1,813,874</b>	<b>2,694,537</b>	<b>17,057</b>	<b>2,711,594</b>

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

## Intercorp Financial Services Inc. and Subsidiaries

### Consolidated statements of cash flows

For the six-month periods ended June 30, 2013 and 2012 (unaudited)

	<b>2013</b>	<b>2012</b>
	S/.(000)	S/.(000)
<b>Reconciliation of net income with cash provided by operating activities</b>		
Net income	373,489	404,521
<b>Adjustments to net income</b>		
<b>Add (less)</b>		
Provision for loan losses, net of recoveries	183,449	210,326
Depreciation of property, furniture, equipment and other assets	36,302	35,268
Amortization of intangibles and others	16,784	14,701
Gain (loss) from valuation of investments, net	(12,695)	46,985
Other, net	(9,214)	(5,663)
<b>Net changes in asset and liability accounts</b>		
(Increase) in receivable interests	(12,727)	(10,922)
Increase in payable interests	1,798	9,563
Increase in restricted funds	(101,048)	(527)
Net Increase in other assets	(350,942)	(46,943)
Net increase in other liabilities	322,100	196,757
Increase in technical reserves	355,113	167,610
	<u>802,409</u>	<u>1,021,676</u>
<b>Net cash provided by operating activities</b>	<u>802,409</u>	<u>1,021,676</u>

## Consolidated statements of cash flow (continued)

	<b>2013</b>	<b>2012</b>
	S/.(000)	S/.(000)
<b>Cash flows used in investing activities</b>		
Purchase of property, furniture and equipment	(29,478)	(32,823)
Sale of assets received as payment and seized through legal actions	-	1,417
Purchase of intangibles	(24,604)	(16,944)
	<u>(54,082)</u>	<u>(48,350)</u>
<b>Net cash used in investing activities</b>		
<b>Cash flows from financing activities</b>		
(Increase) decrease in loan portfolio	(1,774,552)	(601,230)
(Increase) decrease in investments (trading, available-for-sale and held-to-maturity)	(755,934)	(335,246)
Decrease (increase) in real estate investments	15,980	67,087
Net increase in deposits and obligations	2,774,644	2,068,554
Net increase in deposits from financial entities	4,583	(21,631)
Collection of dividends, net of increase investments in associates	9,090	9,587
Net increase in due to banks and correspondents	271,304	649,390
Increase (decrease) in bonds and other obligations outstanding	229,283	85,868
Net (Increase) decrease in receivable inter-bank funds	64,077	(157,559)
Increase (decrease) in payable inter-bank funds	177,448	(7,002)
Payment of dividends to minority shareholders	(1,362)	-
Payment of dividends	(391,935)	(373,632)
	<u>622,626</u>	<u>1,384,186</u>
<b>Net cash provided by financing activities</b>		
Net cash increase	1,370,953	2,357,512
Balance of cash at the beginning of year	5,316,892	2,397,766
	<u>6,687,845</u>	<u>4,755,278</u>
<b>Balance of cash at end of year</b>		

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



## Intercorp Financial Services Inc. and Subsidiaries

### Notes to the consolidated financial statements

As of June 30, 2013 (unaudited) and December 31, 2012 (audited)

#### 1. Business activity

Intercorp Financial Services Inc. (formerly Intergroup Financial Services Corp. and henceforth "IFS" or "the Company") is a limited liability holding corporation incorporated in the Republic of Panama on September 19, 2006, as the result of the restructuring of its shareholder Intercorp Perú Ltd. (formerly IFH Peru Ltd., a henceforth "Intercorp Perú", a holding corporation incorporated in 1997, in The Bahamas), during 2007. As of June 30, 2013, Intercorp directly and indirectly holds 68.93 percent of IFS's issued capital stock and 71.28 percent of IFS's shares representative of its outstanding capital stock (directly and indirectly 68.93 percent and 71.31 percent, respectively, as of December 31, 2012).

IFS'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 located at Av. Carlos Villaran 140, Urb. Santa Catalina, La Victoria, Lima, Peru.

As of June 30, 2013 and December 31, 2012, IFS holds 99.29 percent and 100 percent of the capital stock of Banco Internacional del Peru S.A.A. – Interbank (henceforth "the Bank") and of Interseguro Compañía de Seguros S.A. (henceforth "Interseguro"), respectively. IFS and its Subsidiaries operations are concentrated in Peru. Their main activities and balances of assets, liabilities and equity are described in Note 2.

The consolidated financial statements as of June 30, 2013 have been approved by the Board of Directors held on July 25, 2013.

The consolidated financial statements as of December 31, 2012 have been approved by General Shareholders' Meeting held on April 08, 2013.

#### 2. Subsidiaries' activities

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

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

## Notes to the consolidated financial statements (continued)

As of June 30, 2013, the Bank has 268 offices and a branch located in Panama (262 offices and a branch located in Panama as of December 31, 2012). Additionally, Interbank fully owns the following subsidiaries:

<b>Subsidiary</b>	<b>Activity</b>
Interfondos S.A. Sociedad Administradora de Fondos	As of June 30, 2013 and December 31, 2012, manages mutual funds and investment funds with equity book values of approximately S/.2,865 million and S/.2,840million, respectively
Internacional de Títulos Sociedad Titulizadora S.A. – Intertítulos S.T.	As of June 30, 2013 and December 31, 2012, manages securitization funds with combined assets of approximately S/.3.728 million and S/.2,732 million, respectively.

As of June 30, 2013, Interbank additionally owns four subsidiaries which operate in the real state and services sector, these subsidiaries are Inversiones Huancavelica S.A., Contacto Servicios Integrales de Créditos y Cobranzas S.A., Corporación Inmobiliaria de la Unión 600 S.A., Compañía de Servicios Conexos S.A – Expressnet.

- (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.

As of June 30, 2013 and December 31, 2012, Interseguro owns the following subsidiaries:

<b>Subsidiary</b>	<b>Activity</b>
Centro Comercial Estación Central S.A.	Began operations in March 2010 and is dedicated to the administration of the mall called "Centro Comercial Estación Central" located in Lima downtown. As of June 30, 2013 and December 31, 2012, Interseguro holds 75 percent of its shares, and the remaining 25 percent belongs to Real Plaza S.A.
Patrimonio en Fideicomiso – D.S. N°093-2002-EF, Interproperties Perú – Interseguro	A special purposes entity, see paragraph (d) below.

On the other hand, in July 2012, Interseguro exchanged the shares of the Subsidiaries it held –as detailed below– for shares of InRetail Perú Corp., a related company, which accounted for 0.12 percent of its capital stock. These shares were recorded as available-for-sale investments; see Note 6:

<b>Subsidiary</b>	<b>Activity</b>
Real Plaza S.A.	An entity engaged to the management of fourteen shopping centers named “Centro Comercial Real Plaza”, located in the cities of Chiclayo, Trujillo, Huancayo, Arequipa, Juliaca and several districts in the city of Lima.

## Notes to the consolidated financial statements (continued)

Subsidiary	Activity
InRetail Properties Management S.R.L., formerly Interproperties Perú S.A.	An entity engaged in all kinds of activities related to the real estate business and construction industry.
(c) AFP Interactiva S.A. -	
Through Resolution SBS N°8965-2012, dated on November 30, 2012, the SBS authorized the constitution of AFP Interactiva S.A. as a pension fund administrator. As of June 30, 2013 and December 31, 2012, the capital contribution made by the Company amounted to S/2,600,000. As of June 30, 2013, this Subsidiary has not yet started its operations.	
(d) Patrimonio en Fideicomiso – D.S. N°093-2002-EF, Interproperties Perú –	
On April 23, 2008, this Equity Fund was constituted with the contribution of several assets from different companies of InterCorp Group. Its purpose was to create a legally independent entity to each investor that acts as originator, and through which the diverse projects approved by its Administration Committee can be structured, executed and developed, and in which said originators or trustees, being the case, can perform investments in real estate projects.	

The companies that consolidate financial information with IFS and that contributed assets to the Equity Fund are:

(i) Corporación Inmobiliaria de La Unión 600 S.A., a subsidiary of the Bank, and (ii) Interseguro Compañía de Seguros S.A. IFS also contributed assets directly to the Fund. During 2011, the real estate investments held by the Subsidiaries of InterCorp Group were reorganized with the purpose of presenting a more thorough structure and posteriorly issuing debt backed by said investments that allow it to continue the development of real estate projects. As part of this reorganization, the following operations were performed:

- In September 2011, Interproperties Holding was constituted with the contributions of real estate investments managed by Interproperties Perú from: Corporación Inmobiliaria de la Unión 600 S.A. and IFS. Due to this transaction, Corporación Inmobiliaria de La Unión 600 S.A. and IFS generated earnings of approximately S/3,020,000 and S/2,241,000, respectively, which were recorded in the "Financial income" caption in the consolidated statements of income.
- In November 2011, Interseguro sold at market values part of its real estate investments managed by Interproperties Perú to Interproperties Holding, generating earnings of approximately S/80,059,000, which were recorded in the "Financial income" caption in the consolidated statements of income.
- During 2012, Interseguro sold at market values additional real estate investments managed by Interproperties Perú to Interproperties Holding, generating earnings of approximately S/98,450,000, which were recorded in the "Financial income" caption in the consolidated statements of income.

In accordance with the applicable accounting principles, Interproperties Peru is a Special Purpose Entity (SPE) which must be consolidated by IFS. As of June 30, 2013 and as of December 31, 2012, Interseguro maintains assets contributed to these SPEs. The assets contributed by this subsidiary are included in the accompanying consolidated financial statements in the caption "Real estate investment, net". See Note 8.

## Notes to the consolidated financial statements (continued)

- (e) The table below shows a summary of the separate individual financial statements of the Bank, Interseguro, the SPE (for the amounts that affect Interseguro) and AFP Interactiva S.A. before consolidation adjustments with IFS, as of June 30, 2013 and December 31, 2012 and for the six-month periods ended June 30, 2013 and 2012:

	<b>Banco Internacional del Perú S.A.A. – Interbank</b>		<b>Interseguro Compañía de Seguros S.A.</b>		<b>AFP Interactiva S.A.</b>	
	<b>30.06.13</b>	<b>31.12.12</b>	<b>30.06.13</b>	<b>31.12.12</b>	<b>30.06.13</b>	<b>31.12.12</b>
	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Total assets	27,494,874	23,539,323	3,313,997	3,103,122	2,600	2,600
Total liabilities	25,143,924	21,164,931	2,914,402	2,566,519	-	-
Shareholders' equity, net	2,350,950	2,374,392	399,595	536,603	2,600	2,600
Operating income	427,620	367,945	75,998	150,560	-	-
Net income	333,094	285,430	72,906	150,560	-	-

### 3) Accounting principles and practices and balance as of June 30, 2012

#### 3.1) Accounting principles and practices

In the preparation and presentation of the accompanying consolidated financial statements, Management of the Company and its Subsidiaries has complied with the SBS standards in force in Peru as of June 30, 2013 and December 31, 2012, for both financial entities – IFS, the Bank and its Subsidiaries – and insurance entities – Interseguro and its Subsidiaries. The accounting principles and practices as of June 30, 2013, have not been modified from those applied as of December 31, 2012, which are summarized in the audited report dated March 8, 2013, except for the changes explained in the following paragraphs.

Within the framework of harmonization of the accounting standards prescribed by the SBS with the International Financial Reporting Standards (IFRS), SBS has modified the accounting standards applicable to companies in the financial and/or insurance systems, as detailed below:

a) Main changes applicable to companies in the financial system:

a.1) Classification and valuation of investments

SBS Resolution No. 7033-2012 establishes that companies shall have a standardized methodology for the identification of impairment of financial instruments classified as available-for-sale investments and held-to-maturity investments.

a.2) Property, furniture and equipment

SBS Resolution No. 7036-2012, establishes that (i) depreciation can be performed by separate components; (ii) only the cost model is allowed; and (iii) leased properties under contractual terms longer than one year must comply with the guidelines of IAS 16 "Property, plant and equipment".

a.3) Fees on indirect loans

SBS Resolution No. 7036-2012, dated September 19, 2012, establishes that fees on indirect loans granted since 2013 will accrue during the term of the loan contract.

## Notes to the consolidated financial statements (continued)

### a.4) Financial income and expenses

They shall be presented separately from other income or expenses from treasury operations, which shall be grouped in the "Result of financial operations" caption in the statements of income.

The implementation of the regulations described in (a.1) and (a.2) has not had any impact on the accompanying financial statements, while those detailed in a.3) have entered into force since June 2013, by virtue of a deadline extension granted by SBS and have not had significant impact on the accompanying financial statements.

Regarding the amendment described in a.4), SBS has required its prospective application starting on January 1, 2013. In that sense, it was included by the Bank in its individual financial statements as of June 30, 2013, which are part of the accompanying consolidated financial statements.

### b) Main changes applicable to companies in the insurance system:

#### b.1) Real estate investments

SBS Resolution No. 7034-2012 establishes that the initial measurement of real estate investments shall be recorded at the fair value corresponding to the transaction price. The Company can choose between two options to perform the subsequent measurement: the cost model or the fair value model. In case the latter is chosen, the methodology to be applied for said valuation must be authorized in advance by the SBS.

#### b.2) Accounts receivable

SBS Resolution No. 7037-2012 establishes that accounts receivable from insurance contracts for non-collected premiums longer than sixty (60) and ninety (90) days, shall be provisioned by applying a coefficient of fifty (50) and one hundred (100) percent, respectively. Likewise, premiums claimed through judiciary processes shall be provisioned individually in function of the particular circumstances of each case.

To the date of this report, Interseguro is assessing the impact of the implementation of both regulations and, if necessary, will submit the corresponding requests to the SBS.

In accordance with SBS's dispositions, the initial balances for the year 2013 of the companies in the financial system and the insurance system must be adjusted to the new accounting measures, and said effect must be accounted for in the retained earnings accounts, in January 2013, with the exception of the new criteria for the recognition of fees on indirect loans a.3), which have been applied for the contracts subscribed since June 2013.

### 3.2) Balances as of June 30, 2012

Since changes described in 3.1) have been accomplished by the Bank starting January 1, 2013, for comparative purposes, it has been necessary to reformulate the consolidated statements of income as of June 30, 2012, as summarized below:

## Notes to the consolidated financial statements (continued)

Consolidated statements of income	30-jun-12		
	In thousands of S/.	Original version	Reformulated version
Gross financial margin	1,076,105	957,610	118,495
Net financial margin	829,363	747,284	82,079
Income before tax	499,719	499,719	-
Consolidated net Income	404,521	404,521	-

### 3.3) Changes in Financial Statements

In accordance with SBS' dispositions issued through SBS No 7036-2012 and 7037-2012, some financial statements were recalled starting January 1, 2013, as it is shown below.

- "Balance Sheets Statement", has been modified to "Statement of Financial Position".
- "Statements of Income" has been modified to "Statement of Comprehensive Income", which includes net income of the period plus unrealized Gains of the period.

## Notes to the consolidated financial statements (continued)

### 4. Transactions in foreign currency and exchange risk exposure

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

As of June 30, 2013, the weighted average exchange rates in the market as published by the SBS for transactions in US Dollars were S/.2.780 per US\$1.00 bid and S/.2.783 per US\$1.00 ask (S/.2.549 bid and S/.2.551 ask, as of December 31, 2012 respectively). As of June 30, 2013, the exchange rate established by the SBS to record assets and liabilities in foreign currency was S/.2.782 per US\$1.00 (S/.2.550 as of December 31, 2012).

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

	<b>2013</b>	<b>2012</b>
	US\$(000)	US\$(000)
<b>Assets</b>		
Cash and due from banks	1,422,171	1,081,296
Inter-bank funds	37,001	54,511
Investments at fair value through profit or loss and investments available-for-sale, net	927,237	744,212
Loan portfolio, net	2,630,522	2,656,214
Accounts receivable and other assets	102,011	64,667
	<u>5,118,942</u>	<u>4,600,900</u>
<b>Liabilities</b>		
Deposits and obligations	2,479,548	2,224,827
Deposits from financial entities	38,002	3,651
Due to banks and correspondents	18,720	25,683
Bonds and other obligations	718,662	734,361
Accounts payable, provisions and other liabilities	1,069,450	1,087,122
Technical reserves for premiums and claims	89,109	90,059
	<u>4,413,491</u>	<u>4,165,703</u>
<b>Forwards transactions - net long position</b>	(73,737)	29,548
<b>Currency swap transactions - net long position</b>	(51,283)	(42,763)
	<u>580,431</u>	<u>421,982</u>
<b>Net position</b>	<u>580,431</u>	<u>421,982</u>

As of June 30, 2013, the net long position from forwards transactions corresponds to foreign currency forward purchase and sale contracts for notional amounts of approximately US\$986,155,000 and US\$1,059,892,000 (at face value), equivalent to S/.2,743,483,000 and S/.2,948,620,000, respectively (purchase and sale contracts of US\$975,382,000 and US\$945,834,000 as of December 31, 2012, equivalent to S/.2,487,224,000 and S/.2,411,876,000, respectively); see Note 18.

## Notes to the consolidated financial statements (continued)

As of June 30, 2013, 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\$119,755,000 and US\$171,038,000, equivalent to S/.333,159,000 and S/.475,829,000 respectively (exchange operations with face value amounts of approximately US\$ 79,617,000 and US\$ 122,380,000, equivalent to S/.203,024,000 and S/.312,070,000, respectively, as of December 31, 2012); see Note 18.

As of June 30, 2013, IFS and its Subsidiaries has granted indirect loans (contingent operations), in foreign currency for approximately US\$871,452,000, equivalent to S/.2,424,381,000 (US\$836,164,000, equivalent to S/.2,132,218,000 as of December 31, 2012), see Note 18; which are not part of the exchange position indicated previously.

### 5. Cash and due from banks

As of June 30, 2013, cash and due from banks includes approximately US\$ 1,197,498,000 and S/.2,006,715,000 (US\$940,937,000 and S/.1,651,874,000 as of December 31, 2012), which represents the legal reserve that the Bank must establish for some of its obligations. These funds are kept in the Bank's vaults and in the Central Reserve Bank of Peru (henceforth "BCRP" by its Spanish acronym). The Bank maintains such legal reserve within the limits required by prevailing regulations.

The legal reserve maintained by the Bank at the BCRP does not accrue interests, except for the part that exceeds the minimum reserve required in foreign and local currency. As of June 30, 2013, the monthly amount by which foreign currency deposits exceeded the minimum legal reserve requirements was approximately US\$107,133,000, equivalent to S/.298,044,000, and accrued interest at an annual average rate of 0.05 percent (US\$263,045,000, equivalent to S/.670,765,000, and an annual average rate of 0.11 percent as of December 31, 2012), while the exceeding amount in local currency was approximately S/.38,163,000, and accrued interest at an annual average rate of 1.50 percent (S/.68,122,000 and accrued interest at an annual average rate of 1.70 percent as of December 31, 2012).

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

As of June 30, 2013 and December 31, 2012, this caption includes restricted funds for approximately S/.178,550,000 and S/.80,131,000, 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).



## Notes to the consolidated financial statements (continued)

### 6. Investments at fair value through profit or loss and investments available-for-sale, net

(a) This caption includes the following:

	<b>2013</b>	<b>2012</b>
	S/.(000)	S/.(000)
<b>Investment at fair value through profit and loss - (Trading)</b>		
Negotiable bank certificates issued by Peruvian Central Bank	39,955	-
Corporate bonds	25,646	24,871
Investment in shares quoted on the Lima Stock Exchange	16,034	3,875
Peruvian sovereign bonds	11,783	32,918
United States of America Global Treasury Bonds	1,247	-
	<u>94,665</u>	<u>61,664</u>
<b>Available-for-sale investments</b>		
Negotiable bank certificates in local currency issued by Peruvian Central Bank (d)	871,535	628,999
Negotiable bank indexed certificates issued by Peruvian Central Bank (i)	425,696	-
Financial and corporate bonds (b)	479,084	1,201,921
Peruvian and foreign private sector shares (e)	196,856	187,778
Mutual and investment funds participations (g)	167,850	128,381
Bonds issued by International Financial Organizations	31,672	-
Government Bonds:		
- Peruvian Sovereign Bonds (c)	259,076	235,018
- United States of America Global Bonds	-	49,303
- Chilean Global Bonds	-	5,053
- Mexican Global Bonds	-	9,754
Royalty Pharma participations (f)	67,417	401,629
InRetail Perú Corp`s shares.(h)	123,274	173,093
Time deposits in Inteligo Bank Ltd	14,218	17,842
	<u>2,636,678</u>	<u>3,038,771</u>
<b>Add - Accrued interest on investments</b>	<u>15,383</u>	<u>19,553</u>
<b>Total</b>	<u>2,746,726</u>	<u>3,119,988</u>

(b) As of June 30, 2013 and December 31, 2012, corresponds to corporate bonds and financial institutions bonds which have risk ratings granted by Apoyo & Asociados Internacionales S.A.C., Class & Asociados S.A. Clasificadora de Riesgo for investments traded in Peru and Pacific Credit Rating (PCR), while the investments traded abroad have been rated by Moody's and Standard & Poor's:

## Notes to the consolidated financial statements (continued)

- (c) Peruvian Sovereign Bonds are denominated in Nuevos Soles and U.S. dollars (denominated in Nuevos Soles as of December 31, 2012), and have, as of June 30, 2013, maturities between August 2020 and August 2037 (between November 2016 and February 2042, as of December 31, 2012) and accrue effective annual interest rates between 5.20 and 6.70 percent (between 4.09 and 6.40 percent as of December 31, 2012).
- (d) Negotiable Bank Certificates issued by the BCRP (CDN-BCRP) are denominated in Nuevos Soles. As of June 30, 2013, the maturity of said certificates ranges between August 2013 and May 2014 (between January and December 2013 as of December 31, 2012), and accrue effective annual interest rates between 3.9 and 4.2 percent (3.66 and 4.02 percent as of December 31, 2012).

During 2013 and 2012, the interest accrued on CDN-BCRP amounted to approximately S/.13,832,000 and S/.32,054,000, respectively, and is included in the "Financial income" caption of the consolidated statements of income, see Note 19.

- (e) Correspond mainly to private sector companies, recorded to their market value according to the Lima Stock Exchange.
- (f) Royalty Pharma is an investment fund domiciled in the Republic of Ireland and it is dedicated to investing in royalty rights on medical and biotechnological patents; its participations are not liquid and require authorization to be traded.

During 2013, IFS and its Subsidiaries sold 359,312 participations of Royalty Pharma Select (RPS) and 1,641,276 participations of Royalty Pharma Investment (RPI), at market value, while gains amounted to S/.112,183,000, which is included in "Financial Income, net" caption of the consolidated statements of income.

During 2013, IFS and its Subsidiaries received dividends from these participations that amounted to approximately S/.8,044,000, which is recorded in the "Result of financial operations" caption in the consolidated statements of income.

As of June 30, 2013, Interseguro holds 54,978 and 251,286 participations in Royalty Pharma Select (RPS) and Royalty Pharma Investment (RPI), respectively with market value amounting to US\$ 24,232,000 (equivalent to S/. 67,443,000).

The estimated market value of the participations as of June 30, 2013 and December 31, 2012 has been determined by IFS and its Subsidiaries on the basis of the Net Asset Value (NAV) provided by the Fund's administrators which is reviewed by IFS's Management, which has concluded that it is a reasonable estimation of the market value.

## Notes to the consolidated financial statements (continued)

- (g) As of June 30, 2013 and December 31, 2012, corresponds to participations in local and foreign investment funds recorded at their quoted value as of the end of the month, which Management estimates is a reasonable estimation of their market value.
- (h) As of June 30, 2013, corresponds to 2,396,920 shares issued by InRetail Perú Corp., a related entity (3,240,077 shares as of December 31, 2012) whose market value amounts to approximately S/.123,274,000 (S/.173,093,000 as of December 31, 2012).
- (i) Indexed Bank Certificates were issued by the Central Bank of Peru and are denominated in nuevos soles. These certificates are adjusted as the exchange rate of the USDollar changes. As of June 30, 2013 these certificates have maturities between July and August 2013.

As of June 30, 2013, interest accrued on these certificates amounted to approximately S/. 24,000 which was recorded in the "Financial Income" caption in the consolidated statement of income.

- (j) As of June 30, 2013 and December 31, 2012, Management has estimated the fair value of the available-for-sale investments based on market quotations, and if not available, based on discounted cash flows using market rates according to the respective risk rating.
- (k) Management has determined that unrealized losses as of June 30, 2013 and December 31, 2012, are of temporary nature. The Company has the capacity and intents to hold each of these investments with unrealized losses for a period of time sufficient to allow a recovery in the fair value, which may occur at their maturity; therefore, it considers that unrealized losses do not qualify as an impairment that needs to be recognized in the consolidated results of the year.

## Notes to the consolidated financial statements (continued)

### 7. Held-to-maturity investments, net

(a) This item comprises the following:

	<b>2013</b>	<b>2012</b>
	S/.(000)	S/.(000)
Corporate and financial bonds (b)	1,420,489	655,601
Sovereign bonds (c)	545,048	382,315
Bonds issued by International Financial Organizations	71,997	-
Investment in real estate projects	2,584	2,400
	<u>2,040,118</u>	<u>1,040,316</u>

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

	<b>2013</b>	<b>2012</b>
	S/.(000)	S/.(000)
<b>Instruments issued by local companies</b>		
<b>Instruments rated in Peru</b>		
AAA	676,769	325,815
AA- a AA+	104,913	32,017
A- a A+	45,459	-
BBB- a BBB+	134,523	120,581
<b>Instruments issued by foreign entities</b>		
<b>Foreign classification</b>		
AA- a AA+	9,994	-
A- a A+	31,469	27,319
BBB- a BBB+	417,362	149,869
	<u>1,420,489</u>	<u>655,601</u>

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

	<b>2013</b>	<b>2012</b>
	S/.(000)	S/.(000)
Peruvian sovereign bonds	285,453	144,933
Bonds guaranteed by the Peruvian Government	258,779	236,634
Mexican sovereign bonds	816	748
	<u>545,048</u>	<u>382,315</u>

(i) Correspond to debt instruments issued by concessioned companies of the Peruvian State with the purpose of financing public investments and whose payment is guaranteed by the Peruvian State.

## Notes to the consolidated financial statements (continued)

### 8. Real estate investment, net

As of June 30, 2013 and December 31, 2012, real estate investments are held mostly by Interseguro and Patrimonio Interproperties and are composed of shopping and entertainment malls located in Lima, Piura and Chiclayo, which are managed by Real Plaza, a related entity. This caption also includes building lots, buildings and works in progress for real estate projects, as explained below:

- (a) Centro Comercial Real Plaza Piura – Located in the city of Piura, began its operations in November 2010 and it mainly comprises a hypermarket, bank zone, retail stores and an entertainment area. Regarding the hypermarket, it has a 30 years contract subscribed with a related entity, which includes a minimum monthly rent and a variable rent in function of sales.  
In January 2013, Interseguro sold this real estate investment to Interproperties Holding, for approximately S/.128,952,000, and kept one part of the land for approximately S/.8,557,000.
- (b) Centro Comercial Real Plaza Chorrillos—Located in the city of Lima, began its operations in November 2011. Interseguro has a lease contract with Interbank, Homecenters Peruanos S.A. and Supermercados Peruanos S.A. (all related entities) which provides a minimum monthly lease payment as well as a variable payment based on sales. In May 2012, Interseguro sold this building to a related company to its book value.
- (c) Centro Comercial Real Plaza Chiclayo -Located in the city of Chiclayo, began its operations in November 2005. The building comprises two main areas, for which there are three lease contracts signed for 20 and 30 years, respectively, which provide a minimum monthly lease payment, as well as a variable payment based on sales and services revenues received by the tenants.
- (d) Centro Comercial Real Plaza Centro Cívico - Located in the city of Lima, began its operations in December 2009 and it mainly comprises a shopping center, supermarkets, cinema complex, retail stores and an entertainment area. For the first three stores, Interseguro has a lease contract signed for 10 and 20 years with related entities which provides a minimum monthly lease payment as well as a variable payment based on sales.  
Interseguro holds the concession of surface rights on these buildings with the National Pension Funds Administration (“ONP” by its Spanish acronym). The term of this contract is 30 years extendable at maturity and comprises the payment to the ONP of an annual rent over a certain percentage of the gross income obtained from the operations of the mall which shall not be less than US\$ 800,000.
- (e) Management periodically obtains independent appraisals of the Company’s real estate investments. Based on these appraisals, as of June 30, 2013 and December 31, 2012, Management has determined that the book value is lower than the estimated fair value.

## Notes to the consolidated financial statements (continued)

### 9. Loan portfolio, net

(a) The table below presents the components of this caption as of June 30, 2013 and December 31, 2012:

	<b>2013</b>	<b>2012</b>
	S/.(000)	S/.(000)
<b>Direct loans</b>		
Loans	11,951,966	10,589,618
Credit cards	2,105,495	2,114,430
Leasing	2,043,430	1,920,252
Discounted notes	423,507	431,767
Factoring	224,542	152,492
Advances and overdrafts	71,048	8,086
Refinanced and restructured loans	113,494	108,294
Past due and under legal collection loans	322,481	291,156
	<u>17,255,963</u>	<u>15,616,095</u>
<b>Add (less)</b>		
Accrued interest from performing loans	152,179	135,282
Deferred interest and interest collected in advance	(13,185)	(9,821)
Allowance for loan losses (c)	<u>(728,544)</u>	<u>(683,143)</u>
<b>Total direct loans</b>	<u>16,666,413</u>	<u>15,058,413</u>
<b>Indirect loans</b>	<u>4,073,102</u>	<u>3,803,055</u>

As of June 30, 2013 and December 31, 2012, 51 percent of the direct and indirect loan portfolio corresponded to 734 and 850 customers, respectively. Loans were mainly granted to companies established in Peru or to companies whose shareholders have investments mostly in Peru.

## Notes to the consolidated financial statements (continued)

- (b) As of June 30, 2013 and December 31, 2012, the credit risk classification of the Bank's loan portfolio according to SBS standards, is as follows:

Risk category	2013		2012	
	Total		Total	
	S/.(000)	%	S/.(000)	%
Normal	20,027,524	92.4	18,362,031	93.5
With potential problem	503,825	2.9	525,844	2.7
Substandard	227,792	1.2	198,000	1.0
Doubtful	303,433	2.0	316,581	1.6
Loss	266,491	1.5	235,118	1.2
<b>Total</b>	<b>21,329,065</b>	<b>100.0</b>	<b>19,637,574</b>	<b>100.0</b>

- (c) The changes in the allowance for loan losses (direct and indirect) as of June 30, 2013 and December 31, 2012, were as follows:

	2013	2012
	S/.(000)	S/.(000)
	(*)	(*)
<b>Balance at the beginning of the year</b>	743,081	645,876
Provision recognized as year expense (includes pro-cyclical provisions)	229,227	482,791
Prior years provision recoveries	(45,778)	(74,534)
Write-offs and sales	(204,356)	(382,911)
Recovery	49,990	80,342
Allowance for loan acquired	-	237
Exchange result, net	15,541	(8,720)
<b>Balance at the end of the year</b>	<b>787,705</b>	<b>743,081</b>

- (\*) The allowance for loan losses includes the provisions for indirect loans and for credit risk related to over-indebtedness amounting to approximately S/.59,161,000 and S/.59,938,000 as of June 30, 2013 and December 31, 2012, respectively, which are recorded in the "Accounts payable, provisions and other liabilities" caption of the consolidated balance sheets; see Note 11.

In Management's opinion, the allowance for loan losses recorded as of June 30, 2013 and December 31, 2012, complies with SBS regulations in effect at those dates.

- (d) Interest rates on loans are freely determined, based on the rates prevailing in the Peruvian market.
- (e) The table below presents the direct loan portfolio as of June 30, 2013 and December 31, 2012, classified by maturity dates:

Notes to the consolidated financial statements (continued)

	<b>2013</b>	<b>2012</b>
	S/.(000)	S/.(000)
Outstanding		
Due within 1 month	2,216,007	1,882,000
From 1 to 3 months	2,032,845	1,846,090
From 3 months to 1 year	3,330,670	3,296,252
From 1 to 5 years	6,163,263	5,493,828
More than 5 years	<u>3,190,697</u>	<u>2,806,769</u>
	16,933,482	15,324,939
Past due loans	227,619	214,934
Loans in legal collection	<u>94,862</u>	<u>76,222</u>
	<u>17,255,963</u>	<u>15,616,095</u>



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 June 30, 2013 and December 31, 2012:

Description	Land	Buildings and facilities	Furniture and equipment	Vehicles	Leasehold improvements	In-transit equipment and work in progress	Total	Total
	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	2013	2012
<b>Cost</b>								
Balance as of January 1	65,730	497,372	419,954	971	79,921	29,356	1,093,304	1,041,825
Additions and transfers	-	1,471	20,997	-	8,675	(1,665)	29,478	76,780
Disposals and write-offs	-	-	(8,489)	-	(65)	-	(8,554)	(25,301)
Transfers to intangibles	-	-	-	-	-	-	-	-
<b>Balance as of June 30</b>	<u>65,730</u>	<u>498,843</u>	<u>432,462</u>	<u>971</u>	<u>88,531</u>	<u>27,691</u>	<u>1,114,228</u>	<u>1,093,304</u>
<b>Accumulated depreciation</b>								
Balance as of January 1	-	316,178	268,890	865	58,839	-	644,772	597,577
Depreciation for the period	-	7,779	21,776	11	6,736	-	36,302	70,339
Disposals and write-offs	-	-	(7,991)	-	(6)	-	(7,997)	(23,144)
<b>Balance as of June 30</b>	<u>-</u>	<u>323,957</u>	<u>282,675</u>	<u>876</u>	<u>65,569</u>	<u>-</u>	<u>673,077</u>	<u>644,772</u>
<b>Net book value</b>	<u>65,730</u>	<u>174,886</u>	<u>149,787</u>	<u>95</u>	<u>22,962</u>	<u>27,691</u>	<u>441,151</u>	<u>448,532</u>

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

(c) Management periodically reviews the residual values, useful life and the depreciation method to ensure they are consistent with the economic benefits and life expectation for the property, furniture and equipment. In Management's opinion, there is no evidence of impairment of the value in use of property, furniture and equipment as of June 30, 2013 and December 31, 2012

(d) During 2011, correspond mainly to write-offs performed by the Bank.

(e) With SBS authorization, in the prior years the Bank recorded voluntary revaluations over certain fixed assets at their fair values which were determined by an independent appraiser and amounted to approximately S/.61,140,000; which generated a deferred Income Tax, see Note 17 (a). As of June 30, 2013 and December 31, 2012 the value of the revaluations, net of their accumulated depreciation, amounts to approximately S/.39,467,000 y S/.40,181,000, respectively.

## Notes to the consolidated financial statements (continued)

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

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

	<b>2013</b>	<b>2012</b>
	S/.(000)	S/.(000)
<b>Accounts receivable and other assets</b>		
Value added tax credit (b)	247,472	253,590
Accounts receivable for sale of investments (h)	192,017	17,147
Accounts receivable related to valuation of derivative financial instruments	186,568	56,915
Investment fund participation (c)	126,851	114,008
Other accounts receivable, net	119,696	143,470
Intangible assets, net	113,411	112,514
Deferred charges	81,860	34,826
Transactions in process (d)	62,604	37,579
Rights paid to related entity (e)	27,481	29,401
Prepaid income tax	15,742	34,343
Interest premium (f)	4,961	6,585
Rent paid in advance	3,333	5,109
Assets received as payment and seized through legal actions, net	1,484	1,622
Other	15,208	14,541
	<b><u>1,198,688</u></b>	<b><u>861,650</u></b>
<b>Accounts payable, provisions and other liabilities -</b>		
Other accounts payable	321,662	266,438
Accounts payable for purchase of investments (h)	219,478	39,182
Accounts payable related to valuation of derivative financial instruments	200,737	128,848
Transactions in process (d)	173,793	204,361
Dividends, workers' profit sharing and salaries payable	71,116	61,795
Allowance for contingent loans, note 9(d)	59,161	59,938
Provision for contingencies (g)	30,426	11,583
Other	19,151	1,279
	<b><u>1,095,524</u></b>	<b><u>773,424</u></b>

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

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

(d) Transactions in process include transactions performed in the last days of the month and other similar types of transactions which are reclassified to their final balance sheets account in the following month. These transactions do not affect the consolidated results as of June 30, 2013 and December 31, 2012.

## Notes to the consolidated financial statements (continued)

Management assesses periodically the amortization method used with the purpose of ensuring them to be consistent with the economic benefit of the intangibles. In Management's opinion, there is no evidence of impairment of the intangibles maintained by the Bank as of June 30, 2013 and December 31, 2012.

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

As of June 30, 2013 and 2012, the Bank has recorded for such concepts an expense of approximately S/.2,384,000, which is included in the "Administrative expenses" caption in the consolidated statements of income.

- (f) Corresponds to the premium on interests generated by the acquisition of mortgage and consumer portfolios performed by the Bank in September 2007, December 2011 and August 2012, which are amortized by the straight-line method in a period no longer than five years. The final maturities of said portfolios are November 2020 and July 2014, respectively. As of June 30, 2013, it was recognized and expense for the amortization of the premium on interests of approximately S/.1,625,000 (S/.3,246,000 as of June 30, 2012)
- (g) As of June 30, 2013 and December 31, 2012, 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 June 30, 2013 corresponds to sales or purchases of investments which are recorded on trading date. These transactions were collected or payed in July.

## Notes to the consolidated financial statements (continued)

### 12. Deposits and obligations

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

	<b>2013</b> S/.(000)	<b>2012</b> S/.(000)
Time deposits (d)	7,509,961	5,804,120
Saving deposits	4,870,853	4,340,553
Demand deposits	4,040,709	3,493,120
Restricted obligations with public (*)	745,568	752,883
Other obligations	<u>6,823</u>	<u>8,594</u>
	17,173,914	14,399,270
Interest payable	<u>36,203</u>	<u>29,458</u>
<b>Total</b>	<u><b>17,210,117</b></u>	<u><b>14,428,728</b></u>

(\*) As of June 30, 2013 and December 31, 2012, corresponds mainly to restricted deposits granted as guarantees by clients, in connection with direct and indirect loans granted by the Bank. Those deposits amounting for approximately S/520,865,000 and S/547,152,000, respectively.

- (b) Interest rates applied to deposits and obligations accounts are determined by the Bank based on interest rates prevailing on the Peruvian market.
- (c) As of June 30, 2013 and December 31, 2012, approximately S/5,269,468,000 and S/5,040,065,000, respectively, of deposits and obligations are covered by the "Deposit Insurance Fund".
- (d) The table below presents the balance of time deposits classified by maturity as of June 30, 2013 and December 31, 2012:

	<b>2013</b> S/.(000)	<b>2012</b> S/.(000)
Due within 1 month	2,006,067	1,246,320
From 1 to 3 months	576,860	381,653
From 3 months to 1 year	3,692,277	3,188,967
From 1 to 5 years	<u>1,234,757</u>	<u>987,180</u>
	<u><b>7,509,961</b></u>	<u><b>5,804,120</b></u>

## Notes to the consolidated financial statements (continued)

### 13. Due to banks and correspondents

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

	2013 S/.(000)	2012 S/.(000)
<b>By type</b>		
Loans received from foreign entities (b)	1,806,381	1,692,352
Promotional credit lines (c)	<u>1,168,463</u>	<u>1,011,188</u>
	2,974,844	2,703,540
Interest and commissions payable	<u>14,322</u>	<u>10,007</u>
	<u>2,989,166</u>	<u>2,713,547</u>
<b>By term</b>		
Short term	1,870,555	1,528,875
Long term	<u>1,118,611</u>	<u>1,184,672</u>
<b>Total</b>	<u>2,989,166</u>	<u>2,713,547</u>

(b) As of June 30, 2013 and December 31, 2012, includes the following:

Entity	Country	Final maturity	2013	2012
			S/.(000)	S/.(000)
Standard Chartered Bank	United Kingdom	2013	333,840	191,250
BLADEX	Panama	2015	304,351	304,470
Bank of America	United States of America	2013	166,920	102,000
Corporación Andina de Fomento - CAF	Venezuela	2013	139,100	191,250
Cobank	United States of America	2014	146,774	180,128
Deutsche Bank	Germany	2016	131,176	162,254
JP Morgan Chase - Nueva York	United States of America	2013	125,190	127,500
Wells Fargo Bank	United States of America	2014	111,280	127,500
Sumitomo Banking Corporation	Japan	2013	97,370	76,500
China Development Bank	China	2016	83,460	76,500
HSBC Bank PLC	United Kingdom	2014	55,640	51,000
Bank of New York	United States of America	2012	69,550	-
Citibank	United States of America	2013	41,730	102,000
			<u>1,806,381</u>	<u>1,692,352</u>

As of June 30, 2013, transactions with foreign entities bear an effective annual average interest rate of 2.26 (3.16 percent as of December 31, 2012).

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

## Notes to the consolidated financial statements (continued)

- (c) Promotional credit lines represent loans in Nuevos Soles and US Dollars granted by Corporacion Financiera de Desarrollo ("COFIDE" by its Spanish acronym), corresponding to credit lines aimed to promote the country's development. These liabilities are guaranteed by a loan portfolio up to the amount of the credit line used and include specific agreements on how these funds must be used, the financial conditions that have to be complied with and other administrative matters. In Management's opinion, the Bank has been meeting said requirements. These transactions accrued interests at rates that fluctuated between 5 and 10 percent during 2013 and 2012.

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	Used amount amount	Outstanding balances as of June 30, 2013 S/.(000)	Outstanding balances as of December 31, 2012 S/.(000)
					(000)	(000)		
<b>Negotiable notes (DPR)</b>								
IBK DPR Securitizadora (d)	First issue	Libor 3M + 3.31% / 3M + 5.56%	Quarterly	2014-2015	US\$200,000	US\$200,000	187,360	223,578
IBK DPR Securitizadora (e)	First issue	Libor 3M + 4.56%	Quarterly	2016	US\$121,200	US\$121,200	234,805	233,469
							<u>422,165</u>	<u>457,047</u>
<b>Subordinated bonds (b)</b>								
Interbank – first program	First issue (A series)	6.75%	Semiannually	2013	US\$30,000	US\$15,000	41,449	38,250
Interbank – first program	Third issue (A series)	(VAC) + 3.5%	Semiannually	2023	S/135,000	S/110,000	125,468	110,000
Interbank – first program	Second issue (B series)	9.50%	Semiannually	2023	US\$50,000	US\$30,000	83,460	76,500
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	42,036	38,531
Interbank – first program	Eighth issue (A series)	6.91%	Semiannually	2022	S/. 300,000	S/. 137,900	137,900	137,900
Interseguro – first program	First issue	8.00%	Quarterly	2016	US\$5,000	US\$5,000	14,119	12,750
Interbank – second issue	Second issue	5.80%	Semiannually	2023	US\$300,000	S/.150,000	149,545	-
							<u>597,277</u>	<u>417,231</u>
<b>Leasing Bonds (c)</b>								
Interbank	First issue (Second program)	6.45%	Semiannually	2013	S/. 136,600	S/. 136,450	-	136,450
							<u>-</u>	<u>136,450</u>
<b>Mortgage bonds</b>								
Interbank – first program	First issue (A series)	4.90%	Semiannually	2014	US\$10,000	US\$10,000	2,504	3,570
Interbank – first program	Second issue (A and B Series)	5.6355%-Libor6M+0.9pb	Semiannually	2015	US\$10,000	US\$10,000	4,173	4,590
							<u>6,677</u>	<u>8,160</u>
<b>International Issuance through Panamanian Branch</b>								
Junior Subordinated notes (f)	First issue	8.50%	Semiannually	2070	US\$200,000	US\$200,000	546,102	499,835
Senior bonds (g)	First issue	5.75%	Semiannually	2020	US\$400,000	US\$400,000	1,103,627	936,074
Senior bonds (g)	Second issue	5.75%	Semiannually	2020	US\$250,000	US\$250,000	679,961	671,729
							<u>2,329,690</u>	<u>2,107,638</u>
Interest payable							<u>41,285</u>	<u>50,547</u>
							<u>3,397,094</u>	<u>3,177,073</u>

(\*) From the outstanding balances as of June 30, 2013 and December 31, 2012, there have been adjusted, for consolidation purposes, the bonds and other obligations held by IFS and its Subsidiaries amounting S/. 272,000 and S/.262,000, respectively.

## Notes to the consolidated financial statements (continued)

- (b) Subordinated bonds do not have specific guarantees. In June 2012, the Bank issued the Eighth Issue of the First Program of Subordinated Bonds. These bonds have maturities in June 2022 and their agreed annual interest rate is 6.91 percent. According to SBS regulations, this issuance qualifies as Tier 2 regulatory equity.
- (c) As indicated in Note 11(b), Peruvian financial entities are prohibited from pledging their properties. Properties 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 Intercorp) issued negotiable long-term notes for US\$200,000,000 equivalent to approximately S/.200,683,000 and S/.223,578,000 net of transaction cost and capital repayments as of June 30, 2013 and December 31, 2012, respectively. The notes were disbursed into two tranches, US\$60,000,000 and US\$140,000,000, with maturities in 2014 and 2015, respectively; they accrue interest at the 3-month Libor rate plus a margin. The notes issued are guaranteed by remittances received by the Bank through SWIFT transfers; said remittances are subsequently transferred by the Bank to IBK DPR Securitizadora as received. The issuance of these notes has standard clauses on meeting financial ratios and other administrative matters which, in Management's opinion, do not affect the Bank's operation and are being met.

In order to hedge the variable rate component of these transactions, the Bank has entered into two interest-rate swap agreements, with notional amounts of US\$60,000,000 and US\$140,000,000, respectively, by which it receives the 3-month Libor rate and pays an annual fixed rate of 3.70 and 3.75 percent, respectively, starting in March 2009. The swaps' payment schedules are identical to those of the loan, and the Bank has recorded these derivatives as cash-flow hedges; see Note 22.

- (e) In June 2009, IBK DPR Securitizadora issued long-term negotiable notes for US\$121,200,000, equivalent to approximately S/.227,778,000 and S/.233,469,000, net of transaction cost and capital repayments, as of June 30, 2013 and December 31, 2012, respectively, with maturity in 2016; they accrue interest at the 3-month Libor rate plus a margin. The notes issued are guaranteed by remittances received by the Bank through SWIFT transfers; said remittances are subsequently transferred by the Bank to IBK DPR Securitizadora as received. The issuance of these notes has standard clauses on meeting financial ratios and other administrative matters which, in Management's opinion, do not affect the Bank's operation and are being met.



## Notes to the consolidated financial statements (continued)

For these transactions, the Bank has entered into an interest-rate swap contract with nominal amounts of US\$121,200,000, for which it receives the 3-month Libor rate plus a margin of 4.25 percent and pays an annual fixed rate of 7.90 percent starting in September 2009. The swap schedule is exactly equal to that of the loan and the Bank has recorded this derivative as a cash-flow hedge; see Note 22.

- (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 (effective rate, net of issuance costs, of 8.93 percent) starting in April 2020, the notes will accrue interest at a floating rate per year equal to the Libor for the three-month US dollar deposits for the related interest period plus 674 basis points, provided that the floating rate for any interest period will not be less than 10.5 percent per year, with semiannual payments. Since that date, on any interest payment date, the Bank can redeem 100 percent of the notes, without penalties. Interest payments are non-cumulative if an interest payment is not made in full or paid as set forth, due to Interbank's right to cancel interest payments, a mandatory prohibition established by the SBS, or if the SBS determines that Interbank is in non-compliance with applicable minimum regulatory capital. In such cases, Interbank will not declare, pay or distribute a dividend for the period in which the interest payments are not made. The principal payment will take place at the maturity date or when the Bank redeems the notes.

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

- (g) In September 2010, the Bank issued senior bonds denominated "5.750 percent Senior Notes due 2020". These bonds will mature in October 2020 and bear a fixed annual interest rate of 5.75 percent (the effective rate, net of issuance expenses, is 5.87 percent).

In September 2012, the Bank performed a reopening of these senior bonds. The issuance price was 106.25 percent and the agreed annual interest rate is 5.75 percent (effective rate of 4.9 percent, net of issuance expenses and issuance premium).

The principal payment of both issuances will take place either at the maturity date or when the Bank redeems them.

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

## Notes to the consolidated financial statements (continued)

### 15. Technical reserves for premiums and claims

(a) This item consists of the following:

	<b>2013</b>	<b>2012</b>
	S/.(000)	S/.(000)
Technical reserves for premiums (b)	2,758,846	2,406,631
Technical reserves for claims (c)	<u>52,222</u>	<u>49,324</u>
	<u><b>2,811,068</b></u>	<u><b>2,455,955</b></u>

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

	<b>2013</b>	<b>2012</b>
	S/.(000)	S/.(000)
<b>Life mathematical reserves</b>		
Annuities reserves	2,555,611	2,215,304
Retirement, disability and survival pensions	117,054	116,826
Life insurance	73,356	63,182
<b>Unearned premium reserve</b>		
Compulsory traffic accident insurance (SOAT)	9,154	8,535
General insurance	<u>3,671</u>	<u>2,784</u>
	<u><b>2,758,846</b></u>	<u><b>2,406,631</b></u>

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

	<b>2013</b>		
	<b>Claims reported</b>	<b>IBNR (e)</b>	<b>Total</b>
	S/.(000)	S/.(000)	S/.(000)
Retirement, disability and survival pensions	37,786	14	37,800
Life insurance	6,854	337	7,190
Compulsory traffic accident insurance (SOAT)	1,855	2,902	4,757
Annuities reserves	1,653	-	1,653
Personal accidents	778	-	778
General insurance	<u>44</u>	<u>-</u>	<u>44</u>
	<u><b>48,969</b></u>	<u><b>3,253</b></u>	<u><b>52,222</b></u>
	<b>2012</b>		
	<b>Claims reported</b>	<b>IBNR (e)</b>	<b>Total</b>
	S/.(000)	S/.(000)	S/.(000)
Retirement, disability and survival pensions	37,724	14	37,738
Life insurance	4,444	280	4,724
Compulsory traffic accident insurance (SOAT)	1,626	2,898	4,524
Annuities reserves	1,478	-	1,478
Personal accidents	823	-	823
General insurance	<u>37</u>	<u>-</u>	<u>37</u>
	<u><b>46,132</b></u>	<u><b>3,192</b></u>	<u><b>49,324</b></u>

(d) In Interseguro Management's opinion, these balances reflect the exposure to life and general insurance contracts as of June 30, 2013 and December 31, 2012, in accordance with SBS regulations.

## Notes to the consolidated financial statements (continued)

- (e) As of June 30, 2013 and December 31, 2012, 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.

### 16. Equity

- (a) Capital stock -

As of June 30, 2013 and December 31, 2012 the Company's capital stock is represented by 93,615,451 shares with issuance value of US\$9.72 per share. At those dates Intercorp Peru Corp. holds 68.93 percent of the IFS's issued capital stock and 71.31 percent of the outstanding capital stock.

The General Shareholders' Meeting held on April 8, 2013 agreed to distribute US\$150,000,000 in dividends corresponding to 2012 (equivalent to approximately S/.391,935,000), these dividends were paid in May, 2013.

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

- (b) Treasury stock held by Subsidiaries-

As of June 30, 2013, the Bank holds 3,077,240 shares of IFS, while their cost amounted to US\$79,321,000 equivalent to S/.220,672,000 (3,115,000 shares of the Bank and Interseguro that amounted to approximately US\$80,480,000 equivalent to S/.205,225,000 as of December 31, 2012).

- (c) Surplus capital-

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

- (d) Unrealized Gains-

The table below shows the components of this caption as of June 30, 2013 and December 31, 2012:

	<b>30.06.13</b>	<b>31.12.12</b>
	S/.(000)	S/.(000)
<b>IFS:</b>		
Unrealized gains on available-for-sale investment	50,448	69,263
<b>Interbank:</b>		
Unrealized losses on hedging financial derivatives instruments, net of income tax	(29,004)	(20,049)
Unrealized gains on available-for-sale investment	(43,260)	33,401
<b>Interseguro:</b>		
Unrealized gains on available-for-sale investment	55,493	124,646
<b>Total</b>	<u>33,677</u>	<u>207,261</u>

## Notes to the consolidated financial statements (continued)

(e) Regulatory capital -

IFS is not required to calculate a regulatory capital. As of June 30, 2013 and December 31, 2012, the shareholders' equity for legal purposes, required for the Subsidiaries of IFS dedicated to financial and insurance activities in Peru, calculated according to SBS standards, is detailed below:

Bank's regulatory capital -

In June 2008, by means of Legislative Decree 1028, the Banking Act was amended. The amendments established that the regulatory capital must be equal to or more than 10 percent of the total risk weighted assets and contingent operations, represented by the sum of: (i) the regulatory capital requirement for market risk multiplied by 10, (ii) the regulatory capital requirement for operational risk multiplied by 10, and (iii) the weighted assets and contingent credits by credit risk.

As of June 30, 2013 and December 31, 2012, in application of Legislative Decree 1028 and its modification the weighted assets and contingent credits by credit risk and shareholders' equity for legal purposes (regulatory capital basic and supplementary) pursuant to the Banking Act in effect at those dates was determined as follows in thousands of Nuevos Soles:

	<b>30.06.13</b>	<b>31.12.12</b>
	S/.(000)	S/.(000)
Total risk weighted assets and credits (1)	22,354,479	21,086,081
Total regulatory capital (2)	3,245,894	2,799,456
Basic regulatory capital (Level 1)	2,433,684	2,168,667
Supplementary regulatory capital (Level 2)	812,210	630,789
Global regulatory capital ratio (2)/(1)	14.52%	13.28%

As of June 30, 2013 and December 31, 2012, the Bank has complied with the requirements of SBS resolutions 2115-2009, 6328-2009 and 14354-2009, Regulations for Regulatory Capital Requirements for Operational Risk, Market Risk and Credit Risk, respectively. These resolutions established, mainly, the methodologies to be used by financial entities to calculate the risk weighted assets and credits for each type of risk.

In July, 2011, the SBS issued Resolution No. 8425-2011, which states that an entity must determine an additional regulatory capital. In this sense, Peruvian financial institutions must develop a process to assess the adequacy of their regulatory capital in relation with their risk profile, which must follow the methodology described in said resolution. The additional regulatory capital shall be equal to the amount of regulatory capital requirements calculated for each of the following components: economic cycle, concentration risk, market concentration risk and interest rates risk, among others. Likewise, the Bank has a term of five years starting in July 2012 to adequate its regulatory capital to the new requirements. As of June 30, 2013 and December 31, 2012, the percentage of adequacy established by the SBS is 40 percent, therefore that additional regulatory capital requirement estimated by the Bank amounted to approximately S/.249,256,000 and S/.233,307,000, respectively.

In Management' opinion, the Bank is compliant with the requirements set forth in the above mentioned Resolution.

Notes to the consolidated financial statements (continued)

Regulatory Capital of Interseguro -

According to Resolution SBS No. 1124-2006, amended by Resolutions SBS No. 8243-2008, No. 12687-2008 and No. 5587-2009, Interseguro required to maintain an effective equity with the purpose of maintaining a minimum equity aimed to support technical risks and other risks that may affect it. The effective equity must surpass the sum of the solvency equity, the guarantee fund and the effective equity aimed to cover credit risks.

As of June 30, 2013 and December 31, 2012 Interseguro has surplus regulatory capital as shown below:

	<b>30.06.13</b>	<b>31.12.12</b>
	S/.(000)	S/.(000)
Regulatory net equity total	276,829	265,195
<b>Less:</b>		
Solvency equity	160,905	140,336
Guarantee fund	<u>56,317</u>	<u>49,118</u>
<b>Surplus</b>	<u>59,607</u>	<u>75,741</u>

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, recorded as an expense in the period when such dividends belong. In this sense, during 2013 and 2012, the Company recorded expenses for S/.9, 376,000 and S/.7, 098,000 respectively.
- (b) IFS's Subsidiaries are subject to Peruvian tax legislation. They calculate their Income Tax on the basis of their individual financial statements. As of June 30, 2013 and December 31, 2012, the statutory Income Tax rate was 30 percent over the taxable income, after calculating the workers' profit sharing, which according to current legislation is determined using a 5 percent rate.
- (c) Meanwhile, Act No. 29663, amended by Act No. 29757, established that are considered income of Peruvian source those obtained through the indirect disposal of shares or capital representative participations of legal persons domiciled in the country.

For such purposes, it must be considered that an indirect disposal arises when shares or capital representative participations of a non-domiciled legal person are disposed which, at the same time, is the proprietor – directly or through another or other legal persons – of shares or capital representative participations of one or more legal persons domiciled in the country, provided that certain conditions established by law are met. In this regard, it also defines the assumptions under which the issuer is jointly liable.

- (d) 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.

## Notes to the consolidated financial statements (continued)

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

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

- (e) On the other hand, it is worth noticing that Act No. 29966, published on December 18, 2012, extended until December 31, 2015, the exemption to the IGV of the interests generated by real estate securities issued through public offer by legal persons constituted or established in the country, provided that the issuance is performed under either the Securities Market Act, which was enacted by Legislative Decree No. 861, or the Investment Funds Act, enacted by Legislative Decree No. 862, as correspondingly.
- (f) For the purpose of determining the Income Tax and the Value Added Tax, the transfer prices agreed for transactions between related entities, or for transactions conducted with or through entities domiciled in low or zero tax countries must be supported by documentation containing information on the valuation methods applied and the criteria used in the determination of such prices. The Tax Authority has the right to request this information. Based on analysis of the Company and its Subsidiaries operations, in the opinion of Management and its legal advisors, the application of these tax standards would not have any material consequences on the consolidated financial statements as of June 30, 2013 and December 31, 2012.
- (g) The Tax Authority is legally entitled to review and, if necessary, adjust the Income Tax computed during a term of four years following the year in which a tax return was filed. The Income tax and Value Added Tax returns of Interbank corresponding to 2008 through 2012 and Interseguro corresponding to 2010, through 2012 are pending reviewing by the Tax Authority.

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

In the opinion of the Bank's and Interseguro's Management and their legal advisors, any possible additional tax assessment would not have any material consequences on the consolidated financial statements as of June 30, 2013 and December 31, 2012.

## Notes to the consolidated financial statements (continued)

### 18. Off-balance sheet accounts

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

	<b>2013</b> S/.(000)	<b>2012</b> S/.(000)
<b>Indirect loans, Note 9(a)</b>		
Bank letters of guaranty and stand-by letters of credit (b)	3,578,178	3,337,705
Import and export letters of credit (b)	409,567	377,281
Due from bank acceptances (b)	<u>85,357</u>	<u>88,069</u>
	<u>4,073,102</u>	<u>3,803,055</u>
<b>Foreign currency forwards transactions, Note 4</b>		
<b>Held for trading</b>		
Purchase of foreign currency forwards (c)	2,858,834	2,487,224
Sale of foreign currency forwards (c)	2,948,651	2,411,876
Currency swap transaction (c)	645,245	387,593
<b>Held as hedging</b>		
Currency swap transaction (d)	<u>163,743</u>	<u>127,501</u>
	<u>6,616,473</u>	<u>5,414,194</u>
Responsibilities under credit line agreements (e)	5,714,861	5,655,673
<b>Total contingent operations</b>	<u>16,404,436</u>	<u>14,872,922</u>
<b>Other off-balance sheet accounts (g)</b>		
<b>Interest rates swaps</b>		
Held for trading (c)	125,298	123,357
Held as hedging (d)	<u>427,476</u>	<u>463,068</u>
	<u>552,774</u>	<u>586,425</u>
Guarantees received	18,568,314	16,144,465
Trusts (f)	1,567,438	1,462,634
Securities in custody	3,427,808	3,191,185
Mutual and investment funds managed by Interfondos Sociedad Administradora de Fondos	2,865,326	2,840,469
Equity trust managed by Internacional de Títulos Sociedad Titulizadora S.A. - Intertítulos S.T.	3,727,977	2,731,899
Collections on behalf of third parties	131,350	354,910
Loan portfolio sold	361,785	120,645
Suspended interest	6,649,107	6,798,083
Consumer credit card lines	5,930,246	5,263,424
Write-off loans	1,596,010	1,281,317
Available lines from abroad	4,407,472	3,861,335
Miscellaneous	<u>-</u>	<u>-</u>
	<u>49,232,833</u>	<u>44,050,366</u>
<b>Total other off-balance sheet accounts</b>	<u>49,785,607</u>	<u>44,636,791</u>
<b>Total off-balance sheet accounts</b>	<u>66,190,043</u>	<u>59,509,713</u>

## Notes to the consolidated financial statements (continued)

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

IFS and its Subsidiaries applies the same credit policies for granting and evaluating the provisions required for direct loans when performing contingent operations, see Note 11, including obtaining guarantees when it deems it necessary. Guarantees vary and include deposits in financial institutions or other assets.

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

- (c) As of June 30, 2013 and December 31, 2012, IFS and its Subsidiaries maintain derivative operations related to purchase and sale agreements of foreign currency transaction ("forwards") for trading purposes. These contracts are agreements by which the future delivery of foreign currency is agreed, by which the seller agrees to deliver on a specific future date an amount of foreign currency at a pre-determined price. The risk arises from the possibility that the counterparty does not meet the agreed terms and from changes that take place in the exchange rates of the currencies at which the transactions are carried out. These contracts generally have maturities no longer than one year, are carried out only to satisfy client needs and are recorded at their estimated fair value.

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

Additionally, as of June 30, 2013 and December 31, 2012, the Company and its Subsidiaries hold three interest rates swaps hedges aimed to cover the variable rate component of certain due to banks and correspondents, see further detail in Note 14(d) and 14(e). As of June 30, 2013 and December 31, 2012, said instruments have maturities between December 2013 and June 2024..

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



## Notes to the consolidated financial statements (continued)

### 19. Financial income and expense

The table below presents the components of this caption:

	<b>2013</b>	<b>2012</b>
	S/.(000)	S/.(000)
<b>Financial income</b>		
Interest and commissions on loans	1,066,339	1,031,672
Interest on due from banks and inter-bank funds	35,055	10,218
Income from interests over investments	126,034	144,236
Other financial income	14,957	21,506
	<u>1,242,385</u>	<u>1,207,632</u>
<b>Total</b>		
<b>Financial expenses</b>		
Interest and commissions on deposits and obligations	118,002	109,746
Interest and fees on deposits and due to banks and correspondents	70,074	69,546
Interest on bonds and obligations outstanding	90,886	63,348
Other financial expense	3,948	7,382
	<u>282,910</u>	<u>250,022</u>
<b>Total</b>		
<b>Gross financial margin</b>	<u>959,475</u>	<u>957,610</u>

### 20. Income and expenses from financial services

The table below presents the components of this caption:

	<b>2013</b>	<b>2012</b>
	S/.(000)	S/.(000)
<b>Income from financial services</b>		
Fee for miscellaneous services	97,609	105,683
Commissions on contingent operations	23,923	22,057
Credit and debit card commissions	16,867	22,014
Fee for collections of services	9,395	10,445
Income from financial consulting	8,465	11,100
Other	10,772	12,751
	<u>167,031</u>	<u>184,050</u>
<b>Total</b>		
<b>Expenses relating to financial services</b>		
Insurance premium to the Funds deposits	11,495	11,137
Fees paid to foreign banks	8,669	6,439
Other	30,176	38,575
	<u>50,340</u>	<u>56,151</u>
<b>Total</b>		

## Notes to the consolidated financial statements (continued)

### 21. Result of insurance underwriting, net

The table below presents the components of this caption:

	<b>2013</b> S/.(000)	<b>2012</b> S/.(000)
Assumed premiums	270,843	216,520
Adjustment of technical reserves for assumed premiums	(215,667)	(179,764)
Ceded premiums	(2,304)	(3,286)
Claims on assumed premiums	(82,445)	(73,128)
Claims on ceded premiums	<u>786</u>	<u>1,532</u>
<b>Gross technical result</b>	<b>(28,787)</b>	<b>(38,126)</b>
Commissions from written premiums	(8,677)	(4,789)
Other technical income	2,684	2,188
Other technical expenses	<u>(2,486)</u>	<u>(2,410)</u>
<b>Technical result, net</b>	<b><u>(37,266)</u></b>	<b><u>(43,137)</u></b>

### 22. Result of financial transactions

The table below presents the components of this caption:

	<b>2013</b> S/.(000)	<b>2012</b> S/.(000)
Gains on available-for-sale investment	146,081	61,128
Sale and valuation of investments, net	37,323	80,300
Net gain on foreign exchange	30,761	85,833
Trading Derivatives	10,982	1,830
Participation from investments in subsidiaries and associates, net, Note 10 (b)	7,626	5,522
Others	<u>6,413</u>	<u>427</u>
<b>Total</b>	<b><u>239,186</u></b>	<b><u>235,040</u></b>

### 23. Administrative expenses

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

	<b>2013</b> S/.(000)	<b>2012</b> S/.(000)
Services received from third parties (b)	266,958	272,046
Personnel and Board of Directors expenses (c)	276,960	253,422
Taxes and contributions	<u>15,810</u>	<u>14,539</u>
<b>Total</b>	<b><u>559,728</u></b>	<b><u>540,007</u></b>

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

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

## Notes to the consolidated financial statements (continued)

	<b>2013</b>	<b>2012</b>
	S/.(000)	S/.(000)
Salaries	206,097	187,947
Worker's profit sharing expense	21,173	19,499
Social security	17,439	15,397
Severance indemnity expenses	17,190	16,103
Vacation, health care and other	15,061	14,476
	<u>276,960</u>	<u>253,422</u>
<b>Total</b>	<b>276,960</b>	<b>253,422</b>

### 24. Other income, net

The table below presents the components of this caption:

	<b>2013</b>	<b>2012</b>
	S/.(000)	S/.(000)
Income from services and commissions	30,233	38,755
Rental income	8,113	8,311
Insurance Recovery	3,598	-
Income tax over dividends	(9,376)	(7,098)
Employee retirement incentive	(3,074)	(4,033)
Other, net	(9,666)	(8,661)
	<u>19,828</u>	<u>27,274</u>
<b>Total other income, net</b>	<b>19,828</b>	<b>27,274</b>

## Notes to the consolidated financial statements (continued)

### 25. Earnings per share

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

	Outstanding shares	Basis for calculation shares	Days as of the end of year	Weighted average number of shares
	(in thousands)	(in thousands)		(in thousands)
<b>2012</b>				
Balance as of January 1	90,523	90,523	180	90,523
Sale of treasury stock	16	16	168	14
Purchase of treasury stock	(172)	(172)	150	(142)
Purchase of treasury stock	(61)	(61)	82	(27)
Sale of treasury stock	100	100	39	21
	<u>90,406</u>	<u>90,406</u>		<u>90,389</u>
<b>Balance as of June 30, 2012</b>				
<b>Net earnings</b>				<u>402,501</u>
<b>Earnings per share in Nuevos Soles</b>				<u>4.453</u>
<b>Periodo 2013</b>				
Balance as of January 1	90,500	90,500	180	90,500
Sale of treasury stock	38	38	155	33
	<u>90,538</u>	<u>90,538</u>		<u>90,533</u>
<b>Balance as of June 30, 2013</b>				
<b>Net earnings</b>				<u>371,040</u>
<b>Earnings per share in Nuevos Soles</b>				<u>4.098</u>

## Notes to the consolidated financial statements (continued)

### 26. Transactions with related parties and affiliated companies

- (a) The table below presents the balances with related and affiliated companies as of June 30, 2013 and December 31, 2012:

	<b>2013</b> S/.(000)	<b>2012</b> S/.(000)
<b>Assets</b>		
Cash and due from banks	24,554	21,979
Held-to-maturity investments (real estate projects),	23,674	2,400
Loan portfolio, net	412,129	379,183
Other assets	13,932	28,426
<b>Liabilities</b>		
Deposits and obligations	326,762	505,589
Bonds and other obligations	1,566	3,055
Other liabilities	11,460	11,922
	<b>30.06.13</b>	<b>30.06.12</b>
<b>Income (expense)</b>		
Interest income and rentals	15,962	33,104
Administrative expenses	(15,771)	(8,310)
Other, net	5,458	3,456
<b>Off-balance sheet accounts</b>		
Indirect loans	62,384	66,243

- (b) Shareholders, directors and officers of IFS and its Subsidiaries have been involved, either directly or indirectly, in credit transactions with IFS and Subsidiaries as permitted by Peruvian legislation, which regulates and limits certain transactions with employees, directors and officers of financial institutions. As of June 30, 2013, loans and other credits to employees and directors amounted to approximately S/.83,076,000 (S/.74,769,000 as of December 31, 2012).

In accordance with Peruvian legislation, loans to related parties must be in market conditions.

- (c) As of June 30, 2013 and December 31, 2012, IFS has invested in different domestic and foreign mutual and investment funds managed by its Subsidiaries or related parties.
- (d) In Management's opinion, transactions with related companies have been performed under normal market conditions. Taxes generated by these transactions and the taxable base used for computing them, are those customarily used in the industry and are determined according to prevailing tax standards.

## Notes to the consolidated financial statements (continued)

### 27. Risk assessment

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

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

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

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

#### **Market risk -**

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

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

Trading portfolios include those liquid positions arising from market-making transactions where the Bank and its subsidiaries act as principal with clients or with the market. Non-trading portfolios include relatively illiquid positions, mainly deposits and loans. The risks of trading portfolios (Trading Book) and available-for-sale investments are managed through Value at Risk (VaR) historical simulation techniques; while non-trading portfolios are managed using Asset Liability Management (ALM) techniques.

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

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

## Notes to the consolidated financial statements (continued)

For the measurement of interest rate risk, we established two indicators: The Profit at Risk (GeR) which measures the potential decrease in net interest income to adverse movements in interest rate (as yield) and the Net Asset Value at Risk (VPR) which measures the potential dilution of equity due to interest rate changes (economic value).

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

### **Liquidity risk -**

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

## Notes to the consolidated financial statements (continued)

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

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

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

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

Interseguro controls its liquidity risk through the matching of the maturities of assets and liabilities. Therefore, the investment plan has been structured according to their expiration date, thereby having covered the risk of fund requirements destined to cover claims for incidents or other. Additionally, Interseguro investments are concentrated in high quality financial instruments and liquidity that can be realized (sold) in a very short term.

The notes to the consolidated financial statements include an analysis of the maturities of the main assets and liabilities, based on contractual maturity dates.

### **Cash flow risk and fair value of interest rate changes -**

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

IFS and 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.



## Notes to the consolidated financial statements (continued)

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

### **Exchange rate risk -**

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

Most assets and liabilities in foreign currency are stated in US Dollars. Foreign currency transactions are performed at free market exchange rates. As of June 30, 2013 and December 31, 2012, IFS and its Subsidiaries' assets and liabilities in foreign currencies are shown in Note 4. Likewise, as indicated in Note 11, IFS has used derivative financial instruments in order to partially hedge this risk.

### **Credit risk -**

IFS and its 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 IFS and its Subsidiaries could result in losses different from those recorded at the consolidated balance sheet date. Therefore, Management of IFS and its Subsidiaries carefully manages exposure to credit risk.

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

IFS and its 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)

Financial assets that potential credit risk to the insurance business, consisting primarily of cash and cash equivalents, deposits with banks, financial investments and investments. Cash and cash equivalents and term deposits are placed in reputable financial institutions. Investments are made in instruments issued by prestigious companies in the local market and abroad, as well as securities representing Peru's foreign debt, which have an active international market. Furthermore, the customer base who are given individual life insurance and annuity, is a fragmented portfolio. On the other hand, for the life insurance sector and title insurance group, the portfolio is concentrated mainly in the Bank's customers. Finally, the lease receivables are regularly reviewed to ensure their recovery and credit risk is managed by management, in accordance with policies, procedures and controls properly established.

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

### **Risk of the insurance activity -**

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

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

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

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

## Notes to the consolidated financial statements (continued)

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

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

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

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

In 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.

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

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

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

### **Risk of real estate activity -**

Through SBS Resolution No. 2840-2012, dated May 11, 2012 "Regulations property risk management in insurance companies", requiring insurance companies to identify, measure, monitor and accurately report the level of risk facing property. Also, real estate risk is defined as the possibility of losses due to changes or volatility of market prices of the properties.

The following properties are considered as real estate risk assets:

- Properties which have real rights, whether used for investment purposes and for their own use.

## Notes to the consolidated financial statements (continued)

- Securities representing shares of real estate companies, understood as those that generate regular income from this activity or engaged in property investment.
- Certificates of participation in collective investment schemes, whether open or closed.
- Investments in real estate trusts.

Not be considered as real estate risk assets supporting those reserves insurance contracts where the investment risk is borne entirely by the contractor or insured.

The Company and its Subsidiaries has identified the following risks associated with real estate investment portfolio:

- The cost of development projects may increase if there are delays in the planning process. Interseguro receives services advisors who are experts in specific planning requirements in the project location to reduce the risks that arise in the planning process.
- A main tenant may become insolvent causing a significant loss in rental income and a reduction in the value of the property involved. To reduce this risk, Interseguro reviews the financial status of all prospective tenants and decide on the appropriate level of security required as rental deposits or guarantees.
- Exposure of the fair value of the real estate portfolio and the cash flows generated by the occupants and / or tenants.

### **28. Fair value of financial instruments**

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

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

A significant portion of the assets and liabilities of 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 sheets dates, except for those that can be traded on an active market.

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

## 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 and investments at fair value through profit or loss are recorded at their fair value, and as a result their book value is equivalent to that amount.
- Investments held to maturity are valued at amortized cost using the methodology of the effective interest rate and market values do not differ significantly from book value.
- Most loans granted and accounts receivable 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 balance sheets.
- The fair value of deposits and obligations is similar to their book value, mainly, due to their liquid nature and interest rates, which are can be comparable to other similar liabilities in the market at the date of the consolidated balance sheets.
- Banks and correspondents generate variable interest rate terms and/or preferential rates, similar to the ones in force in the market. For liabilities that bear interest and have original maturities longer than one year, the fair value has been calculated based on discounted future cash flows, using the effective interest rate for liabilities with similar characteristics. As a result the estimated fair value does not differ significantly of its book value.
- The bonds and debentures outstanding interest at fixed and variable rates according to issue type. The fair value of these financial instruments is calculated using cash flows discounted at current rates for liabilities with similar characteristics. As a result of calculation, the estimated market value not significantly different from book value.
- As disclosed in Note 20, the Bank participates in indirect loan operations. Based on the level of fees currently charged for such operations and taking into account their maturity and interest rates together with the present creditworthiness of the counterparties, the difference between their book value and their fair value is not significant.
- Derivative transactions such as currency forwards, currency and interest rate swaps are recorded at their fair value consequently, there are not differences with their book value.

Based on the analysis above, Management of Intergroup and Subsidiaries believes that, as of June 30, 2013 and December 31, 2012, the estimated fair values of the Company's financial instruments do not differ significantly from their book values; except for held-to-maturity investments.

### 29. Additional explanation for English translation

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