

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

Intergroup Financial Services Corp. and Subsidiaries

Consolidated financial statements as of March 31, 2012 (unaudited), December 31, 2011 (audited) and for the three-month periods ended March 31, 2012 and 2011

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Intergroup Financial Services Corp. and Subsidiaries

Consolidated balance sheets

As of March 31, 2012 (unaudited) and December 31, 2011 (audited)

	Note	2012 S/.(000)	2011 S/.(000)		Note	2012 S/.(000)	2011 S/.(000)
Assets				Liabilities and equity			
Cash and due from banks	5			Deposits and obligations	12	13,219,311	13,041,820
Cash and clearing		969,632	1,146,420	Inter-bank funds		18,670	7,002
Deposits in the Peruvian Central Bank		2,177,548	1,032,869	Deposits from financial entities		133,087	113,297
Deposits in domestic and foreign banks		391,791	218,477	Due to banks and correspondents	13	2,267,960	1,704,664
Restricted funds		83,605	84,619	Accounts payable, provisions and other liabilities	11	990,044	648,515
Interest accrued on cash and due from banks		1,239	979	Deferred income tax liability, net		2,506	2,227
		<u>3,623,815</u>	<u>2,483,364</u>	Bonds and other obligations	14	2,647,740	2,643,449
				Technical reserves for premiums and claims	15	2,253,677	2,178,079
				Total liabilities		<u>21,532,995</u>	<u>20,339,053</u>
Inter-bank funds		106,689	34,421				
Investments, net	6	3,655,399	3,599,278	Equity			
Loan portfolio, net	9	13,497,271	13,731,269	Equity attributable to Intergroup's equity holders:	16		
Held-to-maturity investments, net	7	1,040,813	1,106,402	Capital stock		799,581	799,581
Real estate investment, net	8	440,541	424,255	Capital surplus		268,077	268,077
Investment in associates, net		35,123	36,093	Treasury stock		(225,230)	(214,996)
Property, furniture and equipment, net	10	443,577	444,248	Unrealized results, net		66,264	22,833
Accounts receivable and other assets, net	11	828,537	796,469	Retained earnings		1,269,619	1,483,832
Deferred Income Tax asset, net		53,215	56,449			<u>2,178,311</u>	<u>2,359,327</u>
Total assets		<u>23,724,980</u>	<u>22,712,248</u>	Minority interest		13,674	13,868
				Total equity		<u>2,191,985</u>	<u>2,373,195</u>
Off-balance sheet accounts	18			Total liabilities and equity		<u>23,724,980</u>	<u>22,712,248</u>
Contingent assets		14,332,517	13,570,263				
Other off-balance sheet assets accounts		38,697,030	38,335,745	Off-balance sheet accounts	18		
		<u>53,029,547</u>	<u>51,906,008</u>	Contingent assets		14,332,517	13,570,263
				Other off-balance sheet assets accounts		38,697,030	38,335,745
						<u>53,029,547</u>	<u>51,906,008</u>

Intergroup Financial Services Corp. and Subsidiaries

Consolidated statements of income

For the three-month periods ended March 31, 2012 and 2011 (unaudited)

	Note	2012 S/.(000)	2011 S/.(000)
Financial income	19	630,871	581,632
Financial expense	19	(139,786)	(138,481)
Gross financial margin		491,085	443,151
Provision for loan losses, net	9(d)	(104,713)	(78,571)
Net financial margin		386,372	364,580
Fee income from financial services	20	149,339	127,215
Expenses relating to financial services	20	(22,936)	(13,099)
Result from insurance underwriting, net	21(a)	(20,639)	(15,762)
Operating margin		492,136	462,934
Administrative expenses	22(a)	(263,720)	(240,302)
Net operating margin		228,416	222,632
Provision for contingencies and other		(10,862)	(9,544)
Depreciation of property, furniture and equipment	10(a)	(17,539)	(17,763)
Amortization of intangibles		(5,417)	(4,305)
Amortization of interest premium		(1,761)	(981)
Operating income		192,837	190,039
Other income, net	23	23,349	15,955
Income before Income tax		216,186	205,994
Income Tax	17(b)	(55,680)	(53,751)
Net income		160,506	152,243
Attributable to:			
Intergroup's equity shareholders		159,498	151,341
Minority interest		1,008	902
		160,506	152,243
Basic and diluted earnings per share attributable to Intergroup (stated in Nuevos Soles)	24	1.764	1.667
Weighted average number of outstanding shares (in thousands)	24	90,424	90,784

Intergroup Financial Services Corp. and Subsidiaries

Consolidated statements of changes in shareholders'

For the three-month periods ended March 31, 2012 and 2011 (unaudited)

	Number of shares (in thousands)		Attributable to Intergroup's equity holders					Total	Minority interest	Total shareholder's equity
	Issued	In treasury	Capital stock	Treasury stock	Capital surplus	Unrealized gains	Retained earnings			
			S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)			
Balance as of January 1, 2011	93,615	(1,493)	799,581	(72,678)	268,077	26,129	1,076,359	2,097,468	11,829	2,109,297
Declared and paid dividends, note 16(a)	-	-	-	-	-	-	(291,900)	(291,900)	-	(291,900)
Dividends paid to minority shareholders'	-	-	-	-	-	-	-	-	-	-
Net variation of unrealized results on sale investment of the Company and Subsidiaries, net of income tax, note 16(d)	-	-	-	-	-	(78,737)	-	(78,737)	-	(78,737)
Net variation of unrealized results on derivative financial instruments, net of income tax, note 16(d)	-	-	-	-	-	18,647	-	18,647	-	18,647
Net variation of treasury stock held by Subsidiaries, note 16(b)	-	(1,584)	-	(149,208)	-	51,219	8,453	(89,536)	-	(89,536)
Net income	-	-	-	-	-	-	151,341	151,341	902	152,243
Other	-	-	-	-	-	-	(8,090)	(8,090)	(1,812)	(9,902)
Balance as of March 31, 2011	93,615	(3,077)	799,581	(221,886)	268,077	17,258	936,163	1,799,193	10,919	1,810,112
Balance as of January 1, 2012	93,615	(3,092)	799,581	(214,996)	268,077	22,833	1,483,832	2,359,327	13,868	2,373,195
Declared and paid dividends, note 16(a)	-	-	-	-	-	-	(373,632)	(373,632)	-	(373,632)
Net variation of unrealized results on sale investment of the Company and Subsidiaries, net of income tax, note 16(d)	-	-	-	-	-	101,406	-	101,406	-	101,406
Net variation of unrealized results on derivative financial instruments, net of income tax, note 16(d)	-	-	-	-	-	2,601	-	2,601	-	2,601
Net variation of treasury stock held by Subsidiaries, note 16(b)	-	(157)	-	(10,234)	-	(60,576)	-	(70,810)	-	(70,810)
Net income	-	-	-	-	-	-	159,498	159,498	1,008	160,506
Other	-	-	-	-	-	-	(79)	(79)	(1,202)	(1,281)
Balance as of March 31, 2012	93,615	(3,249)	799,581	(225,230)	268,077	66,264	1,269,619	2,178,311	13,674	2,191,985

Intergroup Financial Services Corp. and Subsidiaries

Consolidated statements of cash flows

For the three-month periods ended March 31, 2012 and 2011

	2012	2011
	S/.(000)	S/.(000)
Reconciliation of net income with cash provided by operating activities		
Net income	160,506	152,243
Adjustments to net income		
Plus (minus)		
Provision for loan losses, net	104,713	78,571
Depreciation of property, furniture, equipment and realizable assets	17,539	17,763
Amortization of intangibles and other	7,178	5,286
Provision for assets received as payment and seized through legal actions	40	-
Income from sale and valuation of investments, net	(21,777)	(23,592)
Gain from sale of assets received as payment and seized through legal actions	(165)	(7)
Income from lease of real estate investments	(8,590)	(6,187)
Other, net	(3,694)	(6,516)
Net changes in asset and liability accounts		
Increase in receivable accrued interest	(13,995)	(29,311)
Increase in payable accrued interest	23,116	40,035
Decrease in restricted funds	1,014	294
Net increase in other assets	(21,829)	(190,701)
Net increase in other liabilities	341,529	85,042
Increase in technical reserves	75,598	103,270
	<hr/>	<hr/>
Net cash provided by operating activities	661,183	226,190
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Consolidated statements of cash flows (continued)

	2012	2011
	S/.(000)	S/.(000)
Cash flows from investing activities		
Purchase of property, furniture and equipment	(20,934)	(8,421)
Sale of assets received as payment and seized through legal actions	165	-
Purchase of intangibles	(8,396)	(3,684)
	<hr/>	<hr/>
Net cash used in investing activities	(29,165)	(12,105)
	<hr/>	<hr/>
Cash flows from financing activities		
Net increase in loan portfolio	130,246	(455,146)
Increase in real estate investments	(16,286)	-
Net decrease (increase) in investments and held-to-maturity investments	84,525	(455,112)
Net increase in deposits and obligations	176,357	602,297
Net increase (decrease) in deposits from financial entities	19,790	(42,012)
Collection of dividends net of associate investments decrease	3,182	4,126
Net increase (decrease) in due to banks and correspondents	566,690	(197,520)
Net decrease in bonds and other obligations outstanding	(21,085)	(29,885)
Net decrease in receivable inter-bank funds	(72,268)	(48,413)
Net increase (decrease) in payable inter-bank funds	11,668	(3,005)
Payment of dividends	(373,632)	-
	<hr/>	<hr/>
	509,187	(624,670)
	<hr/>	<hr/>
Net cash provided by (used in) financing activities		
Net cash increase	1,141,205	(410,585)
Balance of cash at the beginning of year	2,397,766	4,445,474
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Balance of cash at end of year	3,538,971	4,034,889
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Intergroup Financial Services Corp. and Subsidiaries

Notes to the consolidated financial statements

As of March 31, 2012 and December 31, 2011

1. Business activity

Intergroup Financial Services Corp. (henceforth "Intergroup" or "the Company") is a limited liability holding corporation incorporated in Panama on September 19, 2006, as the result of the restructuring of its shareholder IFH Peru Ltd. (henceforth "IFH", a holding corporation incorporated in 1997, in The Bahamas), during 2007. As of March 31, 2012, IFH directly and indirectly holds 68.93 percent of Intergroup's issued capital stock and 71.41 percent of Intergroup's shares representative of its issued capital stock (directly and indirectly 68.93 percent and 71.28 percent, respectively, as of December 31, 2011).

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

As of March 31, 2012 and December 31, 2011, Intergroup holds 99.29 percent and 100 percent of the capital stock of Banco Internacional del Perú S.A.A. – Interbank (henceforth "the Bank") and of Interseguro Compañía de Seguros S.A. (henceforth "Interseguro"), respectively. Intergroup and Subsidiaries operations are concentrated in Peru. Their main activities and balances of assets, liabilities and equity are described in Note 2.

The consolidated financial statements as of March 31, 2012 have been approved by the Board of Directors on April 30, 2012. The consolidated financial statements as of December 31, 2011 have been approved by Management on March 30, 2012.

2. Subsidiaries activities

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

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

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

As of March 31, 2012, the Bank has 245 offices and a branch established in Panama (241 offices and a branch established in Panama as of December 31, 2011). Additionally, it has 100 percent of:

Subsidiary	Activity
Interfondos S.A. Sociedad Administradora de Fondos	As of March 31, 2012 and December 31, 2011, manages mutual funds and investment funds with equity book values of approximately S/.2, 186 million and S/.2, 161 million, respectively.
Internacional de Títulos Sociedad Titulizadora S.A. - Intertítulos S.T.	As of March 31, 2012 and December 31, 2011, manages securitization funds, with combined assets of approximately S/.2, 029 million and S/.1, 105 million, respectively.

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Subsidiary	Activity
Inversiones Huancavelica S.A.	Real estate activities.
Contacto Servicios Integrales de Crédito y Cobranzas S.A.	Collection services.
Corporación Inmobiliaria de La Unión 600 S.A.	Real estate activities.
Interbank - Perú Representações e Participações Brasil Ltda.	A representation office of the Bank in Brasil.
Patrimonio en Fideicomiso – D.S. 093-2002-EF, Interproperties Perú - Corporación Inmobiliaria de la Unión 600 S.A.	A special purpose entity, see paragraph (c) below.

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

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

Interseguro has the following subsidiaries:

Subsidiary	Activity
Real Plaza S.A.	An entity engaged in the administration of ten shopping and entertainment malls called "Centro Comercial Real Plaza", located in Chiclayo, Trujillo, Huancayo, Arequipa and various districts of Lima.
Centro Comercial Estación Central S.A.	Began operations in March 2010 and is dedicated to the administration of the mall called "Centro Comercial Estación Central" located in Lima downtown. As of March 31, 2012 and December 31, 2011, Interseguro keeps 75 percent of its shares, and the remaining 25 percent belongs to Real Plaza SA.
Interproperties Perú S.A.	An entity engaged in all activities related to real estate and construction industry. As of March 31, 2012 and December 31, 2011, Interseguro holds 100 percent of the capital stock of this entity.
Patrimonio en Fideicomiso - D.S. N°093-2002-EF, Interproperties Perú – Interseguro	A special purposes entity, see paragraph (c) below.

(c) Patrimonio en Fideicomiso D.S. 093-2002- EF, Interproperties Perú

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

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The subsidiaries that consolidate their financial information with Intergroup and that contributed assets to the equity trust fund are: (i) Corporación Inmobiliaria de la Unión 600 S.A., a subsidiary of the Bank, and (ii) Interseguro Compañía de Seguros S.A. Intergroup has also directly contributed with assets to the equity trust fund. During 2011, a reorganization of the real estate investments held by the Company and the Subsidiaries was made for the purpose of presenting a more orderly structure in order to issue debt guaranteed by said investments and continue with the development of real estate projects. As part of this reorganization, the following operations were made:

- In September 2011, a new equity trust fund was incorporated called "Patrimonio en Fideicomiso D.S. 093-2002-EF – Interproperties Holding" see note 6(k), with the contribution of real estate investments from: Corporación Inmobiliaria de la Unión 600 S.A. and Intergroup. As a result of this operation Corporación Inmobiliaria de la Unión 600 recorded S/ 3,020,000 as "Financial income" in the consolidated statement of income.
- In November 2011, Interseguro sold part of its real estate investments administered by Interproperties Peru to Interproperties Holding recording approximately S/ 80,059,000 as "Financial income" in the consolidated statement of income.

In accordance with the applicable accounting principles, this entity is a Special Purpose Entity (SPE) which must be consolidated by Intergroup. As of March 31, 2012 and December 31, 2011, Interseguro holds assets contributed to this SPE. The assets contributed by Interseguro are included in the accompanying consolidated financial statements in the caption "Real estate investment, net". See Note 8.

- (d) The table below presents a summary of the audited individual financial statements of the Bank, Interseguro and the SPE (for the amount that affects Intergroup and its Subsidiaries), before eliminations for consolidation with Intergroup, as of March 31, 2012 (unaudited) and December 2011 (audited); and for the years then ended:

	Banco Internacional del Perú S.A.A. – Interbank		Interseguro Compañía de Seguros S.A.		Patrimonio Interproperties	
	2012	2011	2012	2011	2012	2011
	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Total assets	20,989,467	19,997,763	2,776,148	2,690,341	288,249	287,667
Total liabilities	19,061,123	18,042,205	2,459,092	2,284,164	32,840	33,394
Shareholders' equity, net	1,928,344	1,955,558	317,056	406,177	255,409	254,273
Operating income	181,327	165,258	28,110	36,973	3,339	2,920
Net income	142,519	125,951	28,110	36,973	2,924	2,773

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Notes to the consolidated financial statements (continued)

3. Accounting principles and practices

In the preparation and presentation of the accompanying consolidated financial statements, Management has complied with the regulations established by the SBS and effective in Peru as of March 31, 2012 and December 31, 2011, for financial entities (Intergroup, the Bank and its Subsidiaries) as well as for insurance entities (Interseguro and its Subsidiaries).

The accounting principles and practices as of March 31, 2012, have not changed to the principles applied to 31 December 2011, summarized in the audited report dated March 12, 2012.

Financial statements of the Subsidiary as of December 31, 2011 -

When it has been needed, certain amounts of the previous year has been reclassified in order to make them comparable with the current year presentation. In this sense, as of December 31, 2011, the Bank has reclassified in its financial statements the amount of S/ 16,143,920,000 for the purpose of presenting responsibilities under credit line agreements consolidated by client. This reclassification has been recorded as a reduction in the balance of contingent assets in the same amount.

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 March 31, 2012, the weighted average exchange rates in the market as published by the SBS for transactions in US Dollars were S/ 2.666 per US\$1.00 bid and S/2.668 per US\$1.00 ask (S/2.695 bid and S/2.697 ask, as of December 31, 2011 respectively). As of March 31, 2012, the exchange rate established by the SBS to record assets and liabilities in foreign currency was S/2.667 per US\$1.00 (S/2.696 as of December 31, 2011).

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Notes to the consolidated financial statements (continued)

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

	2012 US\$(000)	2011 US\$(000)
Assets		
Cash and due from banks	889,304	630,282
Inter-bank funds	25,002	10,170
Investments and Held-to-maturity investments, net	872,798	747,807
Loan portfolio, net	2,285,863	2,405,804
Accounts receivable and other assets	85,913	76,695
	<u>4,158,880</u>	<u>3,870,758</u>
Liabilities		
Deposits and obligations	2,023,936	2,095,066
Deposits from financial entities	35,368	17,474
Due to banks and correspondents	593,967	374,581
Bonds and other obligations	895,068	910,432
Accounts payable, provisions and other liabilities	54,260	66,599
Technical reserves for premiums and claims	586,093	582,450
	<u>4,188,692</u>	<u>4,046,602</u>
Forwards transactions - net long position	221,252	64,991
Currency swap transactions - net position	<u>(51,904)</u>	<u>(51,057)</u>
Net asset (liability) position	<u>139,536</u>	<u>(161,910)</u>

As of March 31, 2012, the net long position from derivative transactions corresponds to foreign currency forward purchase and sale contracts for notional amounts of approximately US\$964,343,000 and US\$743,091,00, equivalent to S/.2,571,905,000 and S/.1,981,824,000, respectively (purchase and sale contracts of US\$768,321,000 and US\$703,330,000 as of December 31, 2011, equivalent to S/.2,071,393,000 and S/.1,896,527,000, respectively), see Note 18.

As of March 31, 2012, 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\$34,530,000 and US\$86,434,000, equivalent to S/.92,091,000 and S/.230,520,000 respectively (US\$30,968,000 and US\$82,025,000 equivalent to S/.83,490,000 and S/.221,138,000 as of December 31, 2011, see Note 18.

As of March 31, 2012, Intergroup and Subsidiaries has granted indirect loans (contingent operations), in foreign currency for approximately US\$803,497,000, equivalent to 2,142,928,000 (US\$771,152,000, equivalent to S/.2,079,026,000 as of December 31, 2011), see Note 18; which are not part of the exchange position indicated previously.

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Notes to the consolidated financial statements (continued)

5. Cash and due from banks

As of March 31, 2012, cash and due from banks includes approximately US\$769,811,000 and S/.613,370,000 (US\$468,784,000 and S/.504,891,000 as of December 31, 2011), which represents the legal reserve that the Bank must establish for deposits received from third parties. These funds are kept in the Bank's vaults and in the Central Reserve Bank of Peru (henceforth "BCRP" for its Spanish acronym). The Bank maintains such legal reserve within the limits required by prevailing regulations.

As of March 31, 2012, the legal reserve maintained by the Bank at the BCRP does not accrue interest, except for the part that exceeds the minimum reserve required in foreign and local currency. At such date, the monthly amount by which foreign currency deposits exceeded minimum legal reserve requirements was approximately US\$164,784,000, equivalent to S/.439,479,000, and accrued interest at an annual average rate of 0.15 percent (US\$155,598,000, equivalent to S/.419,492,000, and an annual average rate of 0.17 percent as of December 31, 2011), while the exceeding amount in local currency was approximately S/.86,520,000 and accrued interest at an annual average rate of 2.45 percent (S/.120,038,000, and accrued interest at an annual average rate of 2.45 percent as of December 31, 2011).

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

As of March 31, 2012 and December 31, 2011, this caption includes restricted funds for approximately S/. 83,605,000 and S/. 84,619,000, respectively, which corresponds, to requirements from counterparties of derivative transactions and funds provided from remittances received via SWIFT messages which guarantee the payment of the notes issued by IBK DPR Securitizadora; see further detail in Note 14(d) and 14(e).

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Notes to the consolidated financial statements (continued)

6. Investment, net

(a) This caption includes the following:

	2012 S/.(000)	2011 S/.(000)
Investment at fair value through profit and loss - (Trading)		
Peruvian sovereign bonds	46,499	8,115
Corporate bonds	31,088	18,202
Investment in shares quoted on the Lima Stock Exchange	2,028	1,629
	<u>79,615</u>	<u>27,946</u>
Available-for-sale investments		
Negotiable bank certificates in local currency with variable rate issued by BCRP (b)		
Financial and corporate bonds (c)	837,793	826,637
Credit Suisse Nassau Branch and London Branch - Variable coupon principal protected notes (Royalty Pharma) (d)	369,411	375,349
Peruvian and foreign private sector shares (h)	156,708	182,415
Mutual and investment funds participations (g)	103,369	145,888
Government Bonds:		
- Peruvian Global Bonds (f)	45,302	76,373
- Bonds guaranteed by the Peruvian Government (e)	207,520	183,094
- Brazilian Global Bonds	31,622	19,814
- United States of America Global Bonds	-	73,955
- Colombian Sovereign Bonds	2,914	10,029
- Korean Sovereign Bonds	14,815	-
- Mexican Global Bonds	-	6,150
RPI International Partners, LP participations(i)	43,930	49,220
BioPharma Cayman Partners, LP participations	15,382	24,760
Royalty Pharma Cayman Partners, LP participations(i)	7,892	7,563
Interproperties Holding participations (k)	69,004	69,003
	<u>3,541,149</u>	<u>3,549,471</u>
Add - Accrued interest on investments	<u>34,635</u>	<u>21,861</u>
Total	<u>3,655,399</u>	<u>3,599,278</u>

(b) The negotiable bank certificates in local currency with variable rate were issued by BCRP (CDV-BCRP) are denominated in Nuevos Soles. As of March 31, 2012, the maturity of said certificates ranges between April and December 2012 (between January and September, 2012, as of December 31, 2011) and accrued annual interest rates between 4.08 and 4.21 percent (between 4.10 and 4.21 percent, as of December 31, 2011).

During 2012 and 2011, the interest accrued on CDV-BCRP amounted to approximately S/.15,109,000 and S/.106,000, respectively, and is included in the "Financial income" caption of the consolidated statement of income.

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Notes to the consolidated financial statements (continued)

- (c) As of March 31, 2012 and December 31, 2011, corresponds to corporate bonds of various Peruvian and foreign companies and financial bonds issued mostly by local financial entities.
- (d) Corresponds to notes issued by Credit Suisse Bank (CSB) branches in Nassau and London, due in 2036 and 2038. These notes were issued in US Dollars, are not liquid and have a fixed-yield component (zero coupon bond) and a variable-yield component based on Royalty Pharma participations, which shall be delivered to the Company and its Subsidiaries as part of the notes' yield in the following cases:
- Upon their maturity, together with the payment of the notes' principal,
 - If the prepayment option is executed, in which case it will receive the shares plus an amount equivalent to the zero coupon bond at the execution date.

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

In August 2011, Royalty Pharma completed a Proposed Share Exchange among its investors whereby Intergroup and its Subsidiaries offered part of its participations in Royalty Pharma in exchange for participations in RPI International Partners LP (henceforth "Royalty Pharma Investment"). Although both investment funds held the same fixed-yield component at the time of the exchange, the new investment fund offered an execution period after December 31, 2011.

As March 31, 2012, the Credit Suisse Nassau Branch and Credit Suisse London Branch notes classified as available-for-sale investments consist of 355,296 and 1,623,943 Royalty Pharma Cayman Partners LP participations amounting to approximately US\$115,886,000, and a zero-coupon financial instrument issued by CSB amounting to approximately US\$22,626,000 (US\$111,159,000 and a zero-coupon financial instrument issued by CSB amounting to approximately US\$28,073,000 as of December 31, 2011), which would allow to collect the nominal amount of Note plus the participation of Royalty Pharma and Royalty Pharma Investment.

During the effective term of the notes, they will pay a yield equivalent to the dividends that CSB receives on the Royalty Pharma. During the periods ended 2012 and 2011, Intergroup and Subsidiaries received for this concept approximately US\$1,731,000 and US\$2,721,000, respectively (equivalent to approximately S/. 4,638,000 and S/.7,630,000, respectively), amount that is included in the "Financial income" caption of the consolidated statement of income.

- (e) As of March 31, 2012, Peruvian sovereign bonds are denominated in Nuevos Soles, have maturities between August 2017 and August 2031 and accrue effective annual interest at rates between 4.61 and 6.28 percent. As of December 31, 2011, had maturities between September 2013 and February 2042 and accrued effective annual interest at rates between 4.81 and 6.65 percent.
- (f) As of March 31, 2012, the Peruvian Global Bonds are denominated in US Dollars, have maturities on May 2016 (between February 2015 and November 2033 as of December 31, 2011) and accrue effective annual interest rates between 1.99 percent (between 1.84 and 4.81 percent as of December 31, 2011).

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Notes to the consolidated financial statements (continued)

During the periods ended 2012 and 2011, the interest accrued on these bonds amounted to approximately S/. 336,000 and S/. 1,534,000 respectively, and are included in the "Financial income" caption of the consolidated statements of income.

- (g) As of March 31, 2012 and December 31, 2011, correspond to participations in local and foreign investment funds recorded at their quoted value as of the end of the month, which Management estimates is a reasonable estimation of their market value.
- (h) Correspond mainly to shares of private sector companies, recorded to their market value according to the Lima Stock Exchange.
- (i) Royalty Pharma is an investment fund incorporated in Ireland and is dedicated to the purchase of royalties on medical patents and biotechnology; its participations are not liquid and require authorization for their trading.

As of March 31, 2012 and December 31, 2011, the participations of Royalty Pharma and Royalty Pharma Investment classified as available for sale investments consist of 67,538 and 307,674, respectively, amounting approximately US\$3,030,000 and US\$ 18,647,000, respectively (US\$ 2,807,000 and US\$ 18,264,000, respectively as of December 31, 2011).

During the periods ended 2011 and 2011, the Company received dividends from these participations for approximately S/.903,000 and S/.1,449,000, respectively, which are recorded in the "Financial Income" caption of the consolidated statements of income.

The estimated fair value of the participations as of March 31, 2012 and December 31, 2011 has been determined by the Management of the Company and its Subsidiaries based on the NAV (Net Asset Value) provided by the fund administrators, which have been reviewed by Integroup management, concluding that this is a reasonable indication of their fair value.

- (j) As of March 31, 2012 and December 2011, 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) In September 2011, a new equity trust fund was incorporated called "Patrimonio en Fideicomiso D.S. 093-2002-EF – Interproperties Holding", henceforth "Interproperties Holding", for the purpose of forming a real estate administration independent of each of the investors considered as originators. Through which real estate projects are executed and whose yields are served as endorsement to (i) certificates of participation issued; and, (ii) the fulfillment of other obligations contracted directly or by third parties for the purpose of obtaining the resources that are necessary to carry out the referred investments. In this sense, the Company offered its real estate investments held until September 2011 and administered by Patrimonio en Fideicomiso – D.S. N°093-2002-EF, Interproperties Perú (see Notes 2(c) and 8) in exchange for participations in Interproperties Holding. This exchange was recorded at fair value generating an income of approximately S/ 5,261,000, amount that is included in the "Financial income" caption of the consolidated statement of income, see Note 19.

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Notes to the consolidated financial statements (continued)

- (l) Management has determined that unrealized losses as of March 31, 2012 and December 31, 2011 are of temporary nature. The Company has the capacity and intends 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 period.

7. Held-to-maturity investments, net

- (a) This item comprises the following:

	2012 S/.(000)	2011 S/.(000)
Corporate and financial bonds(b)	643,000	692,326
Sovereign bonds (c)	375,652	390,484
Investment in real estate projects	<u>22,161</u>	<u>23,592</u>
	<u>1,040,813</u>	<u>1,106,402</u>

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

	2012 S/.(000)	2011 S/.(000)
Instruments issued by local companies		
Instruments rated in Peru		
AAA	262,053	298,482
AA- to AA+	8,834	30,490
BBB- to BBB+	33,322	-
Instruments rated abroad		
AAA	55,250	-
AA- to AA+	22,258	-
BBB - to BBB+	89,440	33,682
Instruments issued by foreign entities		
Foreign classification		
A	-	27,279
BBB- to BBB+	<u>158,100</u>	<u>302,393</u>
	<u>629,257</u>	<u>692,326</u>

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Notes to the consolidated financial statements (continued)

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

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

	2012	2011
	S/.(000)	S/.(000)
Peruvian sovereign bonds	348,163	363,960
Corean Sovereign Bonds	26,696	-
Mexican sovereign bonds	793	18,896
Other sovereign bonds	-	7,628
	<u>375,652</u>	<u>390,484</u>

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

As of March 31, 2012 and December 31, 2011, investments correspond to corporate and financial bonds issued by companies with good credit risk ratings, and the sovereign bonds of countries with good credit risk classification. For this reason, there is not any impairment to be provisioned.

8. Real estate investments, net

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

- (a) Real Plaza Mall - located in the city of Chiclayo, began its operations in November 2005. The building comprises two main areas, for which Interseguro has three lease contracts signed for 30 and 20 year terms, with Saga Falabella S.A., Cineplex S.A. and Supermercados Peruanos S.A. respectively, (these latter two are related entities), which provide for a minimal monthly lease payment, as well as a variable payment based on sales and services revenues received by the tenants.
- (b) Real Plaza Huancayo Mall - located in the city of Huancayo began operations in July 2008 and comprises a hypermarket, department stores, cinema complex, retail stores and entertainment area. Interseguro has a lease contract signed for 30 years with Supermercados Peruanos S.A., Tiendas Peruanas S.A. and Cineplex S.A. (related entities), which provides a minimal monthly lease payment as well as a variable payment based on sales revenues. In September 2011, the Company sold these assets to Patrimonio Interproperties Holding, as a part of the reorganization of real estate investments made by the Group; see Note 2(c).

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Notes to the consolidated financial statements (continued)

- (c) Real Plaza Centro Cívico Mall - located in the city of Lima began operations in December 2009. It mainly comprises a cinema complex and retail stores. Interseguro holds the concession of surface rights on this building with the ONP. The lease term is for 30 years, which may be extended upon expiration, and requires an annual payment to the ONP percent of the mall's gross income or US \$800,000, whatever the highest.
- (d) Centro Comercial Real Plaza Piura – located in the city of Piura, began operations in November 2010. It mainly comprises a hypermarket, bank entities, retail stores and an entertainment area. For the first one, it has signed a lease contract for 30 years with a related entity, which includes a minimal monthly payment as well as a variable payment based on the hypermarket's sales revenue.
- (e) Real Plaza Trujillo Mall - located in the city of Trujillo, began operations in July 2007 and comprises a hypermarket, department stores, cinema complex and an entertainment area. For the first three, Interseguro has a lease contract for 30 years with Supermercados Peruanos S.A., Tiendas Peruanas S.A. and Cineplex S.A. (related entities), which provides a minimal monthly lease payment as well as a variable payment based on sales revenues. In September 2011, the Company sold these assets to Patrimonio Interproperties Holding, as a part of the reorganization of real estate investments made by the Group; see Note 2(c).
- (f) Real Plaza Pro Mall - located in the city of Lima, began its operations in June 2008, and comprises a hypermarket, a complex of retail stores, bank entities and food court. For the first one it has signed a lease contract for 30 years with Supermercados Peruanos S.A. (a related entity), which includes a minimal monthly payment as well as a variable payment based on the hypermarket's sales and services revenue. In September 2011, the Company sold these assets to Patrimonio Interproperties Holding, as a part of the reorganization of real estate investments made by the Group; see Note 2(c).
- (g) Real Plaza Arequipa Mall - located in the city of Arequipa, began operations in October 2010 and comprises a hypermarket, department stores, retail stores and an entertainment area. Interseguro has a lease contract signed for 30 years with Supermercados Peruanos S.A., Tiendas Peruanas S.A. (related entities), which provides a minimal monthly lease payment as well as a variable payment based on sales revenues.

Likewise, over this building a surface contract is maintained for a 30 year terms with an association named "Religiosas del Sagrado Corazón de Jesús", by which the surface rights over the building was acquired and the mall was constructed. In September 2011, the Company sold these assets to Patrimonio Interproperties Holding, as a part of the reorganization of real estate investments made by the Group; see Note 2(c).

- (h) Centro Comercial Real Plaza Chorrillos – located in the city of Lima, began operations in November 2011. Interseguro has a lease contract signed with Interbank, Homecenters Peruanos S.A. and Supermercados Peruanos S.A. (related entities) which provides a minimal monthly lease payment as well as variable payment base don sales revenues.

Management periodically obtains independent appraisals of the Company's real estate investments. Based on these appraisals, as of March 31, 2012 and December 31, 2011, Management has determined that the book value is lower than the estimated fair value.

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Notes to the consolidated financial statements (continued)

9. Loan portfolio, net

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

	2012 S/.(000)	2011 S/.(000)
Direct loans		
Loans	9,133,752	9,366,209
Leasing receivables	1,948,877	1,903,408
Credit cards receivables	2,254,556	2,177,007
Discounted notes	315,062	321,302
Factoring receivables	182,488	249,783
Advances and overdrafts	70,997	106,876
Refinanced and restructured loans	86,477	87,122
Past due and under legal collection loans	241,348	216,419
	<u>14,233,557</u>	<u>14,428,126</u>
Add (less)		
Accrued interest from performing loans	127,496	126,535
Deferred interest and interest collected in advance	(247,897)	(230,188)
Allowance for loan losses (d)	(615,885)	(593,204)
	<u>13,497,271</u>	<u>13,731,269</u>
Total direct loans	<u>13,497,271</u>	<u>13,731,269</u>
Indirect loans	<u>3,720,610</u>	<u>3,659,276</u>

As of March 31, 2012 and December 31, 2011, 51 percent of the direct and indirect loan portfolio corresponded to 741 and 531 customers, respectively. Loans were mainly granted to companies established in Peru or to companies whose shareholders have investments mostly in Peru.

(b) As of March 31, 2012 and December 31, 2011, the credit risk classification of the Bank's loan portfolio according to SBS standards, is as follows:

Risk category	2012		2011	
	S/.(000)	%	S/.(000)	%
Normal	12,996,782	91.3	13,267,006	93.1
With potential problem	558,293	3.9	510,130	3.4
Substandard	195,498	1.4	189,194	1.0
Doubtful	273,690	1.9	273,369	1.5
Loss	209,294	1.5	188,427	1.0
Total	<u>14,233,557</u>	<u>100.0</u>	<u>14,428,126</u>	<u>100.0</u>

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

Notes to the consolidated financial statements (continued)

- (c) As of March 31, 2012 and December 31, 2011, financial entities in Peru must constitute allowances for loan losses considering the risk classification mentioned above and using the percentages indicated in the SBS Resolution 11356-2008 and in the SBS Resolution 6941-2008, respectively, as follows:

- (i) For "Normal" category:

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

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

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

- (ii) For loans classified as "Potential problem", "Substandard", "Doubtful" and "Loss"; depending upon if the loans are: Loans Without Guarantees (LWG), Loans With Preferred Guarantees (LWPG) Loans With Readily Preferred Guarantees (LWRPG) or Loans with Highly Liquid Preferred Guarantees (LWHLPG), the following percentages were used as of March 31, 2012 and December 31, 2011:

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

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

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Notes to the consolidated financial statements (continued)

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

	2012 S/.(000) (*)	2011 S/.(000) (*)
Balance at the beginning of the year	644,911	550,872
Provision recognized as year expense (includes pro-cyclical provisions)	125,397	475,598
Prior years provision recoveries	(20,684)	(73,218)
Write-offs, extinguishments and sales	(78,321)	(306,870)
Allowance for loan acquired	-	4,591
Exchange result, net	(1,604)	(6,062)
Balance at the end of the year	<u>669,699</u>	<u>644,911</u>

(*) The allowance for loan losses includes the provisions for indirect loans and for credit risk related to over-indebtedness amounting to approximately S/ .53,814,000 and S/ .51,707,000 as of March 31, 2012 and December 31, 2011, respectively; which are recorded in the "Accounts payable, provisions and other liabilities" caption of the consolidated balance sheet; see Note 11.

In Management's opinion, the allowance for loan losses recorded as of March 31, 2012 and December 31, 2011 complies with SBS regulations in effect at those dates.

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

(f) The table below presents the direct loan portfolio as of March 31, 2012 and December 31, 2011, classified by maturity dates:

	2012 S/.(000)	2011 S/.(000)
Outstanding		
Due within 1 month	1,627,495	2,080,083
From 1 to 3 months	1,890,354	1,909,444
From 3 months to 1 year	2,768,539	2,828,157
From 1 to 5 years	5,430,142	5,306,045
More than 5 years	2,275,679	2,087,978
	<u>13,992,209</u>	<u>14,211,707</u>
Past due loans	163,597	136,915
Loans in legal collection	77,751	79,504
	<u>14,233,557</u>	<u>14,428,126</u>

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Notes to the consolidated financial statements (continued)

10. Property, furniture and equipment, net

(a) The table below presents the movement of this caption as of March 31, 2012 and December 31, 2011:

Descripción	Land	Buildings and facilities	Furniture and equipment	Vehicles	Leasehold improvements	In-transit equipment and work in progress	Total 2012	Total 2011
	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)
Cost								
Balance as of January 1	67,402	495,217	381,899	4,212	76,915	16,180	1,041,825	1,016,634
Additions	790	2,503	8,859	-	696	8,086	20,934	32,823
Disposals and write-offs	-	(4,629)	(1,251)	(65)	(15)	-	(5,960)	(9,900)
Transfers to intangibles	-	-	-	-	-	-	-	2,268
Balance as of March 31	68,192	493,091	389,507	4,147	77,596	24,266	1,056,799	1,041,825
Accumulated depreciation								
Balance as of January 1	-	301,893	246,544	4,117	45,023	-	597,577	534,672
Depreciation for the year	-	3,797	10,270	9	3,463	-	17,539	71,048
Disposals and write-offs	-	(894)	(951)	(49)	-	-	(1,894)	(8,143)
Balance as of March 31	-	304,796	255,863	4,077	48,486	-	613,222	597,577
Net book value	68,192	188,295	133,644	70	29,110	24,266	443,577	444,248

(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 March 31, 2012 and December 31, 2011.

(d) With SBS authorization, in the prior years the Bank recorded voluntary revaluations over certain fixed assets at their fair values which were determined by an independent appraiser and amounted to approximately S/. 61,140,000 which generated a deferred Income Tax and workers' profit sharing liability. As of March 31, 2012 and December 31, 2011 the value of the revaluations, net of their accumulated depreciation, amounts to approximately S/. 41,267,000 and S/. 41,646,000, respectively.

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Notes to the consolidated financial statements (continued)

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

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

	2012 S/.(000)	2011 S/.(000)
Accounts receivable and other assets		
Value added tax credit (b)	214,252	213,210
Other accounts receivable, net	137,928	141,034
Investment fund participation (c)	113,706	108,848
Intangible assets, net	101,680	98,597
Accounts receivable for sale of investments	47,005	20,299
Deferred charges	41,719	32,068
Transactions in process (d)	39,092	39,423
Accounts receivable related to derivative financial instruments	38,879	32,939
Rights paid to related entity (e)	33,211	33,116
Prepaid income tax	32,411	33,468
Interest premium (f)	10,264	11,886
Assets received as payment and seized through legal actions, net	8,983	11,669
Prepaid rent	5,748	6,652
Other	3,659	13,260
	<u>828,537</u>	<u>796,469</u>
Accounts payable, provisions and other liabilities -		
Dividends, workers' profit sharing and salaries payable, note 16(a)	431,154	64,129
Other accounts payable	215,422	223,583
Transactions in process (d)	158,835	145,202
Accounts payable related to derivative financial instruments	72,084	68,254
Allowance for contingent loans, note 9(d)	53,814	51,707
Accounts payable for purchase of investments	37,056	74,808
Provision for contingencies (g)	15,332	14,246
Provisions for country risk	1,701	1,070
Other	4,646	5,516
	<u>990,044</u>	<u>648,515</u>

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

(c) Corresponds to certificates of participation that the Bank maintains in an investment fund dedicated to grant operating leases to domestic companies. According to SBS rules, these certificates are recorded at its amortized cost.

(d) Transactions in process include deposits received, loans disbursed, payments collected, funds transferred and other similar types of transactions made in the last days of the month and reclassified to their final balance sheet account on the following month. These transactions do not affect the consolidated results as of March 31, 2012 and December 31, 2011.

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Notes to the consolidated financial statements (continued)

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

The Bank has recorded for such concepts an expense of approximately S/. 1,192,000 and S/. 1,166,000, during the periods ended 2012 and 2011 which is included in the "Administrative expenses" caption of the consolidated statements of income.

- (f) Corresponds to the premium on the acquisition of the Banco del Trabajo and Crédito Nuestra Gente S.A.A. loan portfolio in September 2007 and December 2011, respectively. The amortization expense is calculated following the straight-line method in a period of 5 years.

- (g) As of March 31, 2012 and December 31, 2011, 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.

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Notes to the consolidated financial statements (continued)

12. Deposits and obligations

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

	2012 S/.(000)	2011 S/.(000)
Time deposits	5,346,150	5,213,301
Saving deposits	4,204,853	4,124,098
Demand deposits	2,905,770	2,978,486
Deposits in guarantee (*)	660,096	646,785
Taxes payable	42,464	51,016
Other obligations	<u>35,808</u>	<u>5,098</u>
	13,195,141	13,018,784
Interest payable	<u>24,170</u>	<u>23,036</u>
Total	<u>13,219,311</u>	<u>13,041,820</u>

(*) As of March 31, 2012 and December 31, 2011, corresponds mainly to restricted deposits given as guarantees by clients, in connection with direct and indirect loans granted by the Bank for approximately S/470,530,000 and S/ 503,140,000, respectively.

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

(c) As of March 31, 2012 and December 31, 2011, approximately S/4,944,588,000 and S/4,919,650,000, 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 March 31, 2012 and December 31, 2011:

	2012 S/.(000)	2011 S/.(000)
Due within 1 month	1,419,012	1,516,730
From 1 to 3 months	363,095	334,809
From 3 months to 1 year	2,746,794	2,520,657
From 1 to 5 years	<u>817,249</u>	<u>841,105</u>
	<u>5,346,150</u>	<u>5,213,301</u>

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Notes to the consolidated financial statements (continued)

13. Due to banks and correspondents

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

	2012 S/.(000)	2011 S/.(000)
By type		
Loans received from foreign entities (b)	1,407,620	849,393
Promotional credit lines (c)	821,651	812,497
Obligations with local banks	<u>29,904</u>	<u>30,595</u>
	2,259,175	1,692,485
Interest and commissions payable	<u>8,785</u>	<u>12,179</u>
	<u>2,267,960</u>	<u>1,704,664</u>
By term		
Short term	952,217	323,197
Long term	<u>1,315,743</u>	<u>1,381,467</u>
Total	<u>2,267,960</u>	<u>1,704,664</u>

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

(c) Promotional credit lines include loans in Nuevos Soles and US Dollars received from Corporacion Financiera de Desarrollo (COFIDE), which correspond to credit lines granted to promote economic development in Peru. These loans are guaranteed with loan portfolio up to the limit of the credit line used and include specific agreements on their use, financial conditions to be maintained and other administrative matters. In Management's opinion, such requirements have been complied with. These loans bear annual interest rates ranging between 5.00 and 10.00 percent in 2012 and 2011.

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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	Outstanding balances as of March 31, 2012	Outstanding balances as of December 31, 2011
					(000)	(000)	S/.(000)	S/.(000)
Negotiable notes (DPR)								
IBK DPR Securitizadora (d)	First issue	Libor 3M + 2.75% / 3M + 3.00%	Quarterly	2014-2015	US\$200,000	US\$200,000	315,096	318,397
IBK DPR Securitizadora (e)	First issue	Libor 3M + 4.25%	Quarterly	2016	US\$121,000	US\$121,000	271,946	273,917
							<u>587,042</u>	<u>592,314</u>
Subordinated bonds (b)								
Interbank – first program	First issue	6.75%	Semiannually	2013	US\$30,000	US\$15,000	39,725	40,170
Interbank – first program	Third issue (A series)	3.5% + (VAC)	Quarterly	2023	S/. 135,000	S/. 110,000	110,000	110,000
Interbank – first program	Second issue (B series)	9.50%	Semiannually	2023	US\$50,000	US\$30,000	80,010	80,880
Interbank – first program	Fifth issue (A series)	8.50%	Semiannually	2019	S/. 135,000	S/. 3,300	3,300	3,300
Interbank – first program	Sixth issue (A series)	8.16%	Semiannually	2019	US\$45,000	US\$15,110	40,298	40,737
Interseguro– first program	First issue	9.00%	Quarterly	2016	US\$5,000	US\$5,000	13,335	13,480
							<u>286,668</u>	<u>288,567</u>
Leasing Bonds (c)								
Interbank	First issue (Second program)	6.45%	Quarterly	2013	S/. 136,600	S/. 136,450	136,450	136,450
							<u>136,450</u>	<u>136,450</u>
Mortgage bonds								
Interbank – first program	First issue (A series)	4.90%	Semiannually	2014	US\$10,000	US\$10,000	5,067	6,470
Interbank – first program	Second issue (A and B Series)	5.6355% / Libor 6M + 0.90 p.b.	Semiannually	2015	US\$10,000	US\$10,000	8,001	8,088
							<u>13,068</u>	<u>14,558</u>
International Issuance through Panamanian Branch								
Junior Subordinated notes (f)	First issue	8.50%	Semiannually	2070	US\$200,000	US\$200,000	522,260	527,679
Senior bonds (g)	First issue	5.75%	Semiannually	2020	US\$400,000	US\$400,000	1,036,589	1,043,594
							<u>1,558,849</u>	<u>1,571,273</u>
Interest payable							<u>65,663</u>	<u>40,287</u>
							<u>2,647,740</u>	<u>2,643,449</u>

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Notes to the consolidated financial statements (continued)

- (b) Subordinated bonds do not have specific guarantees.
- (c) As indicated in Note 10(b), Peruvian financial entities are prohibited from pledging their fixed assets. Fixed assets acquired in connection with leasing operations that are funded through the issuance of leasing bonds are regarded as a guarantee of the related bonds.
- (d) In June 2008, IBK DPR Securitizadora (a special-purpose entity domiciled in Bermuda and consolidated by Intergroup) issued negotiable long-term notes for US\$200,000,000 equivalent to approximately S/.315,096,000 and S/.318,397,000, net of transaction cost and capital repayments, as of March 31, 2012 and December 31, 2011, respectively. The notes were disbursed in to two tranches, of US\$ 60,000,000 and US\$140,000,000, with maturities in 2014 and 2015, respectively; they accrue interest at the 3-month Libor rate plus a margin. The notes issued are guaranteed by remittances received by the Bank through SWIFT transfers, such remittances are subsequently transferred by the Bank to IBK DPR Securitizadora as received. The issuance of these notes has standard clauses on meeting financial ratios and other administrative matters which, in Management's opinion, do not affect the Bank's operation and are being met.

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

- (e) In June 2009, IBK DPR Securitizadora issued long-term negotiable notes for US\$121,200,000 equivalent to approximately S/. 271,946,000 and S/. 273,917,000, net of transaction cost and capital repayments, as of March 31, 2012 and December 31, 2011, respectively, with maturity in 2016; they accrue interest at the 3-month Libor rate plus a margin. The notes issued are guaranteed by remittances received by the Bank through SWIFT transfers, such remittances are subsequently transferred by the Bank to IBK DPR Securitizadora as received. The issuance of these notes has standard clauses on meeting financial ratios and other administrative matters which, in Management's opinion, do not affect the Bank's operation and are being met.

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

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Notes to the consolidated financial statements (continued)

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

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

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

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Notes to the consolidated financial statements (continued)

15. Technical reserves for premiums and claims

(a) This item consists of the following:

	2012 S/.(000)	2011 S/.(000)
Technical reserves for premiums (b)	2,206,962	2,128,545
Technical reserves for claims (c)	<u>46,715</u>	<u>49,534</u>
	<u>2,253,677</u>	<u>2,178,079</u>

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

	2012 S/.(000)	2011 S/.(000)
Life mathematical reserves		
Annuities reserves	2,018,378	1,944,210
Retirement, disability and survival pensions	117,475	117,250
Life insurance	59,185	56,489
Unearned premium reserve		
Compulsory traffic accident insurance (SOAT)	10,053	9,458
General insurance	<u>1,871</u>	<u>1,138</u>
	<u>2,206,962</u>	<u>2,128,545</u>

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

	2012		
	Claims reported S/.(000)	IBNR (e) S/.(000)	Total S/.(000)
Retirement, disability and survival pensions	35,455	14	35,469
Life insurance	5,426	166	5,592
Compulsory traffic accident insurance (SOAT)	2,616	2,167	4,783
Personal accidents	836	-	836
General insurance	<u>35</u>	<u>-</u>	<u>35</u>
	<u>44,368</u>	<u>2,347</u>	<u>46,715</u>
	2011		
	Claims reported S/.(000)	IBNR (e) S/.(000)	Total S/.(000)
Retirement, disability and survival pensions	39,572	14	39,586
Life insurance	4,325	174	4,499
Compulsory traffic accident insurance (SOAT)	2,510	2,111	4,621
Personal accidents	788	-	788
General insurance	<u>40</u>	<u>-</u>	<u>40</u>
	<u>47,235</u>	<u>2,299</u>	<u>49,534</u>

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Notes to the consolidated financial statements (continued)

- (d) In Interseguro Management's opinion, these balances reflect the exposure to life and general insurance contracts as of March 31, 2012 and December 31, 2011, in accordance with SBS regulations.
- (e) As of March 31 2012 and December 31, 2011, the incurred but not reported claims have been determined in accordance with in force regulations approved by SBS. In such sense, in Management's opinion it is adequate to properly respond to the incurred but not reported claims.
- (f) Below are the main assumptions for the estimation for annuities reserves, disability and survival reserves, and life insurance as of March 31, 2012 and December 31, 2011:

Type	Tables	Technical interest %
Annuities reserves (*)	RV-2004 modified, RV-85 MI-85 and others	3.00 - 4.70
Retirement, disability and survival (*)	MI-85 and B-85	Old regime 3 and 4.5, New regime in accordance with the rate published monthly by the SBS
Life insurance	CSO 80 adjusted	3.00

(*) Mortality tables are established by SBS

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

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Notes to the consolidated financial statements (continued)

16. Equity

(a) Capital stock

As of March 31, 2012 and December 31, 2011 Intergroup's capital stock is represented by 93,615,451 shares with a par value of US\$9.72 per share, of which IFH directly or indirectly holds 64,532,623 shares representing 68.93 percent of Intergroup's capital stock issued.

The General Shareholders Meeting held on March 30, 2012 agreed to distribute US\$139,000,000 in dividends for the 2011 year (equivalent to approximately S/.373,632,000).

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

(b) Treasury stock

As of March 31, 2012, the Bank and Interseguro held 3,077,240 and 172,290 shares of Intergroup, respectively, the amount paid for these shares amounted to S/. 211,550,000 and S/.13,680,000; respectively. As of December 31, 2011, the Bank and Interfondos held 3,077,240 and 15,500 shares of Intergroup; respectively, the amount paid for these shares amounted to S/.213, 855,000 and S/.1, 141,000, respectively.

During 2011 Interseguro sold Intergroup shares, generating gains of approximately S/.8, 453,000. This gain was recorded in the "Retained earnings" caption of the consolidated balance sheet.

(c) Capital surplus

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

(d) Unrealized results on financial instruments

The table below presents the components of this caption:

	2012	2011
	S/.(000)	S/.(000)
Unrealized gains on available-for-sale investment, net of income tax	92,368	51,538
Unrealized losses on hedging financial derivatives instruments, net of income tax	<u>(26,104)</u>	<u>(28,705)</u>
	<u>66,264</u>	<u>22,833</u>

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Notes to the consolidated financial statements (continued)

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

Intergroup is not required to calculate shareholders' equity for legal purpose (regulatory capital). As of March 31, 2012 and December 31, 2011, the shareholders' equity for legal purpose, required for the subsidiaries of Intergroup dedicated to financial and insurance activities in Peru, calculated according to SBS standards, detailed below:

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

In June 2008, by means of Legislative Decree 1028, the Banking Act was amended. The amendments established that the regulatory capital must be equal to or more than 10 percent of the total risk weighted assets and contingent operations, 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. This calculation must include all balance sheet exposures or assets in local or foreign currency. This ratio will be gradually implemented until July 2011, considering the percentages and deadlines established by said Legislative Decree. As of March 31, 2012 and December 31, 2011, the minimum requirement is 10 percent, respectively. The Legislative Decree 1028 also distinguishes, starting in 2009, between basic equity (Level 1) and supplementary equity (Level 2), depending on the definitions and limits there-in established. In Management's opinion, these modifications are being considered in their plans and will not have significant impact on the Bank's operations.

As of March 31, 2012 and December 31, 2011, the weighted assets and contingent credits by credit risk and shareholders' equity for legal purpose (regulatory capital basic and supplementary) pursuant to the Banking Act in effect at those dates was determined as follows in millions of Nuevos Soles:

	2012	2011
Total risk weighted assets and credits	17,170,916	17,289,422
Total regulatory capital	2,554,160	2,363,168
Basic regulatory capital (Level 1)	2,057,242	1,820,803
Supplementary regulatory capital (Level 2)	496,918	542,365
Global regulatory capital ratio	14.87%	13.67%

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 its regulatory capital in relation with their risk profile, which must follow the methodology described in said resolution. The Additional regulatory capital will 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.

In Management' opinion, the Bank will not have problems in meeting the requirements set forth in the aforementioned resolution.

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Notes to the consolidated financial statements (continued)

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

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

As of March 31, 2012 and December 31, 2011, Interseguro calculates an effective equity coverage surplus as follows:

	2012 S/.(000)	2011 S/.(000)
Regulatory net equity total	236,533	209,649
Less:		
Solvency equity	(126,852)	(122,462)
Guarantee fund	<u>(44,398)</u>	<u>(42,862)</u>
Surplus	<u>65,283</u>	<u>44,325</u>

(f) Subsidiaries' legal and special reserves

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

Pursuant to Legislative Decree 770 (which is no longer in force), the Bank established a reserve in order to cover potential losses on assets received as payment and seized through legal actions prior to December 31, 1994. As of March 31, 2012 and December 31, 2011, the balance of such reserve amounted to S/.8,819,000. The Bank is not allowed to distribute or use this reserve without prior SBS authorization.

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

17. Tax situation

(a) Because it is incorporated in Panama, Intergroup is not subject to any Income tax.

Entities and individuals not domiciled in Peru must pay an additional tax of 4.1 percent over dividends received from entities domiciled in Peru. The entity that distributes the dividends is responsible of performing the retention of the indicated tax. In this regard, since the Company controls the entities that distribute dividends, recognizes the amount of said income tax, recording it as an expense in the period when such dividends belong. In this sense, during the periods ended 2012 and 2011, the Company has recorded S/ .3,812,000 and S/ . 3,082,000, respectively, in the consolidated statements of income.

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Notes to the consolidated financial statements (continued)

- (b) Intergroup's Subsidiaries are subject to Peruvian Tax Law, in compliance with current Peruvian legislation; they calculate their Income tax on the basis of their individual financial statements. As of March 31, 2012 and December 31, 2011, the statutory Income tax rate was 30 percent on taxable income, after calculating the workers' profit sharing, which according to current legislation is determined using a 5 percent rate.
- (c) The tax exemption over capital gains arising from the disposal of securities through the Lima Stock Exchange, as well as interests and other gains deriving from debt instruments issued by the Peruvian Government was extended until December 31, 2009. Likewise, it was eliminated the tax exemption on gains generated by deposits in the domestic financial system when the receiver is a legal person.

Since January 1, 2010, only interest and capital gains resulting from bonds issued by the Republic of Peru (i) within the framework of Supreme Decree No. 007-2002-EF, (ii) under the Program of Market Creators or any substitute mechanism, or (iii) in the international market since 2002; and from BCRP certificates of deposit used for monetary regulation purposes are exempted from the Income Tax. Likewise, only interest and capital gains resulting from bonds issued before March 11, 2007 are also exempted.

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

On this matter, when the disposal, redemption or rescue of shares and participations purchased or received by the taxpayer in diverse forms or opportunities take place, the computable cost will be given by the weighted average cost. It is worth to pointing out that the weighted average cost will be equivalent to the result that is obtained from dividing the sum of the calculable costs of every value acquired in a certain moment per the number of shares, by the total amount of acquired shares, for which the cost of the shares acquired until December 31, 2009 shall be separated from the cost of the shares acquired since January 1, 2010.

Since 2011, with the Income Tax modification, introduced by Act No.29645, interests and other income generated by foreign loans granted to the national public sector must also be included as an item unaffected by the Income Tax.

Meanwhile, Act No. 29663 dated on February 15, 2011, subsequently amended by Act No. 29757 dated on July 21, 2011, stated that are considered as income of Peruvian source those obtained by the indirect disposal of shares and participations representative of the capital of legal persons domiciled in the country.

For such effects, it is necessary to consider that an indirect disposal takes place when shares or representative capital participations of a legal person not domiciled in the country that, in turn, is the owner are disposed – in direct form or through another or other legal persons – of shares and representative capital participations of one or more legal persons domiciled in the country, whenever certain conditions that the law establishes take place. On this matter, the law also defines the assumptions in which the issuer is severally liable.

Through Act No. 29820 dated December 28, 2011, the tax exemptions established in Article 19 of the Orderly Unique Text of the Income Tax Act approved by Supreme Decree No. 179-2004-EF were extended until December 31, 2012.

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Notes to the consolidated financial statements (continued)

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

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

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

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

Based on analysis of the Company and its Subsidiaries operations, in the opinion of Management and its legal advisors, the application of these tax standards would not have any material consequences on the consolidated financial statements as of March 31, 2012 and December 31, 2011.

- (e) The Tax Authority is legally entitled to review and, if necessary, adjust the Income Tax computed during a term of four years following the year in which a tax return was filed. The Income tax and Value Added Tax returns of Interbank and Interseguro corresponding to 2007 through 2011 are pending to review by the Tax Authority.

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

At the date of this report, Tax Authority is reviewing Interseguro's Income Tax corresponding to year 2009 and it has not yet issued a formal Tax Assessment Resolution related to said fiscalization.

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 March 31, 2012 and December 31, 2011.

Notes to the consolidated financial statements (continued)

18. Off-balance sheet accounts

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

	2012 S/.(000)	2011 S/.(000)
Indirect loans, Note 9(a)		
Bank letters of guaranty and stand-by letters of credit (b)	3,053,873	3,077,603
Import and export letters of credit (b)	519,906	561,820
Due from bank acceptances (b)	146,831	19,853
	<u>3,720,610</u>	<u>3,659,276</u>
Foreign currency forwards transactions, Note 4		
Held for trading		
Purchase of foreign currency forwards (c)	2,571,905	2,071,393
Sale of foreign currency forwards (c)	1,981,824	1,896,527
Currency swap transaction (c)	193,262	169,828
Held as hedging		
Currency swap transaction (d)	133,350	134,800
	<u>4,880,341</u>	<u>4,272,548</u>
Responsibilities under credit line agreements (e)	5,731,566	5,638,439
Total contingent operations	<u>14,332,517</u>	<u>13,570,263</u>
Other off-balance sheet accounts (g)		
Interest rates swaps		
Held for trading (c)	93,231	51,224
Held as hedging, Note (d)	596,285	638,426
	<u>689,516</u>	<u>689,650</u>
Guarantees received	12,991,364	13,346,081
Trusts (f)	1,312,471	1,442,523
Securities in custody	2,525,116	2,521,300
Mutual and investment funds managed by Interfondos Sociedad Administradora de Fondos	2,185,936	2,161,852
Equity trust managed by Internacional de Títulos Sociedad Titulizadora S.A. - Intertítulos S.T.	2,029,075	1,104,751
Collections on behalf of third parties	267,147	357,689
Loan portfolio sold	59,196	60,510
Suspended interests	105,325	96,014
Other	16,531,884	16,555,375
	<u>38,007,514</u>	<u>37,646,095</u>
Total other off-balance sheet accounts	<u>38,697,030</u>	<u>38,335,745</u>
Total off-balance sheet accounts	<u>53,029,547</u>	<u>51,906,008</u>

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

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Notes to the consolidated financial statements (continued)

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

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

- (c) As of March 31, 2012 and December 31, 2011, the Bank, Interseguro and Interfondos maintained derivative operations related to purchase and sale agreements of foreign currency transaction ("forwards") for trading purposes. These contracts are agreements by which the future delivery of foreign currency is agreed, by which the seller agrees to deliver on a specific future date an amount of foreign currency at a pre-determined price. The risk arises from the possibility that the counterparty does not meet the agreed terms and from changes that take place in the exchange rates of the currencies at which the transactions are carried out. These contracts generally have maturities no longer than one year, are carried out only to satisfy client needs and are registered at their estimated fair value.
- (d) As of March 31, 2012 and December 31, 2011, the Company and Subsidiaries hold a currency swap transaction, which according to SBS approval, has been classified as a cash flow hedge for the issuance of leasing bonds; see Note 14(a). In economic terms this transaction translates the debt issued in Nuevos Soles into US Dollars. This transaction has maturity in March 2013.

Additionally, the Company and its Subsidiaries hold four interest rates swaps hedges aimed to cover the variable rate component of certain due to banks and correspondents. As of March 31, 2012 and December 31, 2011, said instruments have maturities between June 2014 and June 2016.

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

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Notes to the consolidated financial statements (continued)

19. Financial income and expense

The table below presents the components of this caption:

	2012 S/.(000)	2011 S/.(000)
Financial income		
Interest and commissions on loans	458,031	425,013
Interest on due from banks and inter-bank funds	4,156	9,514
Investments income:		
Income from interests over investments	75,388	68,128
Income from sale and valuation of investments, net	21,777	23,592
Equity share from investments in associates, net	2,212	3,630
	<u>561,564</u>	<u>529,877</u>
Rental income from real estate investments	8,590	6,187
Exchange differences, net	55,282	36,185
Other financial income	5,435	9,383
	<u>630,871</u>	<u>581,632</u>
Financial expenses		
Interest and commissions on deposits and obligations	51,646	39,233
Interest and fees on deposits and due to banks and correspondents	29,010	45,770
Interest on bonds and obligations outstanding	34,901	31,339
Deposit Insurance fund premium fees	5,559	4,880
	<u>121,116</u>	<u>121,222</u>
Loss on derivative financial products, net	6,276	1,033
Other financial expense	12,394	16,226
	<u>139,786</u>	<u>138,481</u>
Total	<u>630,871</u>	<u>581,632</u>
Gross financial margin	<u>491,085</u>	<u>443,151</u>

20. Income and expenses from financial services

The table below presents the components of this caption:

	2012 S/.(000)	2011 S/.(000)
Fee income from financial services		
Fee for miscellaneous services	49,297	38,333
Credit and debit card commissions	53,981	48,048
Commissions on contingent operations	10,829	10,345
Fee for collections of services	5,540	5,628
Income from financial advisory services	3,849	1,332
Other	25,843	23,529
	<u>149,339</u>	<u>127,215</u>
Total	<u>149,339</u>	<u>127,215</u>
Expenses relating to financial services		
Credit and debit card expenses	3,212	3,412
Fees paid to foreign banks	3,014	2,578
Other	16,710	7,109
	<u>22,936</u>	<u>13,099</u>
Total	<u>22,936</u>	<u>13,099</u>

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

Notes to the consolidated financial statements (continued)

21. Result of insurance underwriting, net

The table below presents the components of this caption:

	2012 S/.(000)	2011 S/.(000)
Assumed premiums	110,192	126,513
Adjustment of technical reserves for assumed premiums	(94,110)	(104,117)
Claims on assumed premiums	(31,275)	(34,229)
Ceded premiums	(1,043)	(1,983)
Claims on ceded premiums	<u>(963)</u>	<u>1,818</u>
Gross technical result	(17,199)	(11,998)
Commissions from written premiums	(3,567)	(2,946)
Other technical income	1,510	795
Other technical expenses	<u>(1,383)</u>	<u>(1,613)</u>
Technical result, net	<u>(20,639)</u>	<u>(15,762)</u>

22. Administrative expenses

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

	2012 S/.(000)	2011 S/.(000)
Services received from third parties (b)	132,083	114,447
Personnel and Board of Directors expenses (c)	124,699	119,167
Taxes and contributions	<u>6,938</u>	<u>6,688</u>
Total	<u>263,720</u>	<u>240,302</u>

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

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

	2012 S/.(000)	2012 S/.(000)
Salaries	91,981	87,870
Social security	7,955	8,868
Severance indemnity expenses	7,345	7,033
Vacation, health care and other	7,572	6,607
Worker's profit sharing expense	<u>9,846</u>	<u>8,789</u>
Total	<u>124,699</u>	<u>119,167</u>

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

Notes to the consolidated financial statements (continued)

23. Other income, net

The table below presents the components of this caption:

	2012 S/.(000)	2011 S/.(000)
Recovery of prior year write-off loans	18,154	16,622
Commissions and other services	6,828	8,263
Net gain on sale of assets received as payment and seized through legal actions	165	7
Income tax over dividends	(3,812)	(3,082)
Employee retirement incentive	(2,773)	(4,817)
Provision for assets received as payment and seized through legal actions	(40)	-
Other, net	4,827	(1,038)
Total other income, net	23,349	15,955

24. Earnings per share

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

	Outstanding shares (in thousands)	Shares considered in computation (in thousands)	Days as of the end of year	Weighted average number of shares (in thousands)
2011				
Balance as of January 1	92,122	92,122	90	92,122
Sale of treasury stock	135	135	88	132
Purchase of treasury stock	(1,719)	(1,719)	77	(1,470)
Balance as of March 31, 2011	90,538	90,538		90,784
Net earnings attributable to Intergroup				151,341
Net basic and diluted earnings per share attributable to Intergroup (Nuevos soles)				1.667
2012				
Balance as of January 1	90,523	90,523	91	90,523
Sale of treasury stock	15	15	77	13
Purchase of treasury stock	(172)	(172)	351	(112)
Balance as of March 31, 2012	90,366	90,366		90,424
Net earnings attributable to Intergroup S/.(000)				159,498
Net basic and diluted earnings per share attributable to Intergroup (Nuevos soles)				1.764

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

Notes to the consolidated financial statements (continued)

25. Transactions with related parties and affiliated companies

- (a) The table below presents the balances with related and affiliated companies as of March 31, 2012 and December 31, 2011:

	2012 S/.(000)	2011 S/.(000)
Assets		
Cash and due from banks	9,361	34,006
Held-to-maturity investments (real estate projects),	22,161	23,592
Loan portfolio, net	253,416	207,473
Other assets	26,399	67,546
Liabilities		
Deposits and obligations	148,861	270,995
Bonds and other obligations	2,934	3,236
Other liabilities	648	118
Income (expense)		
Interest income and rentals	5,736	46,486
Administrative expenses	(2,958)	(4,641)
Other, net	3,989	(1,488)
Off-balance sheet accounts		
Indirect loans	57,989	57,833

- (b) Some shareholders, directors and officers of Intergroup and Subsidiaries have been involved, either directly or indirectly, in credit transactions with Intergroup and Subsidiaries as permitted by Peruvian legislation, which regulates and limits certain transactions with employees, directors and officers of financial institutions. As of March 31, 2012, loans and other credits to employees and directors amounted approximately to S/. 60,047,000 (S/. 60,395,000 as of December 31, 2011).

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

- (c) As of March 31, 2012 and December 31, 2011, Intergroup participated 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.

26. Risk assessment

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

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

Notes to the consolidated financial statements (continued)

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

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

Market risk -

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

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

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

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

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

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

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

Notes to the consolidated financial statements (continued)

Liquidity risk -

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

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

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

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

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

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

Cash flow risk and fair value of interest rate changes -

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

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

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

Notes to the consolidated financial statements (continued)

Exchange rate risk -

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

Most assets and liabilities in foreign currency are stated in US Dollars. Foreign currency transactions are made at free market exchange rate. As of March 31, 2012 and December 31, 2011, Intergroup and its Subsidiaries' assets and liabilities in foreign currencies are shown in Note 4. Intergroup has used derivative financial instruments in order to hedge, partially, this risk.

Credit risk

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

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

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

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

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

Notes to the consolidated financial statements (continued)

Risk of the insurance activity

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

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements (continued)

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

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

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

27. Fair value of financial instruments

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

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

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

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

- Cash and due from banks represent cash and short-term deposits that do not represent significant credit or interest risks; in consequence, their book value is equivalent to their fair value in the consolidated balance sheets.
- Available-for-sale investments are recorded at their fair value, and as a result their book value is equivalent to that amount.
- In the case of held to maturity financial investments, their estimated fair values have been computed considering the quotes or price information that existed as of March 31, 2012 and December 31, 2011, respectively. As for held-to-maturity financial investment that do not have price quotes, their estimated market value as of March 31, 2012 and December 31, 2011, respectively, has been determined by discounting the expected cash flows at an interest rate that reflects the security's risk rating.

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

Notes to the consolidated financial statements (continued)

- Most the loans granted by Intergroup and Subsidiaries are mainly short term and/or accrue interest that can be readjusted when market conditions change. As a result, their book value, net of the allowance for loans losses required by the SBS, excluding the increase in the pro-cyclical provisions as indicated by Note 9, is considered to be the best estimate of their fair value as of the date of the consolidated financial statements.
- The fair value of deposits and obligations is similar to their book value, mainly, due to their liquid nature and interest rates, which are can be comparable to other similar liabilities in the market at the date of the consolidated balance sheets.
- Due to banks and correspondents, generate variable interest rate terms and/or preferential rates, similar to the ones in force in the market. For liabilities that bear interest and have original maturities longer than one year, the fair value has been calculated based on discounted future cash flows, using the effective interest rate for liabilities with similar characteristics. The estimated fair value approximates the fair value.
- As disclosed in Note 18, the Bank participates in indirect loan operations. Based on the level of fees currently charged for such operations and taking into account their maturity and interest rates together with the present creditworthiness of the counterparties, the difference between their book value and their fair value is not significant.
- Derivative transactions such as currency forwards, currency and interest rate swaps are recorded at their fair value, consequently, there are not differences with their book value.

Based on the analysis above, Intergroup and Subsidiaries Management believes that, as of March 31, 2012 and December 31, 2011, the estimated fair values of Intergroup and Subsidiaries financial instruments do not differ significantly from their book values.

28. Additional explanation for English translation

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