ASSURANCE

Translation of auditors' report and consolidated financial statements originally issued in Spanish - Note 32

Intergroup Financial Services Corp. and Subsidiaries

Consolidated financial statements as of December 31, 2007 and 2006 and for the years then ended together with the Independent Auditors' Report

ERNST & YOUNG

MEDINA, ZALDIVAR, PAREDES & ASOCIADOS

Translation of auditors' report and consolidated financial statements originally issued in Spanish - Note 32

Intergroup Financial Services Corp. and Subsidiaries

Consolidated financial statements as of December 31, 2007 and 2006 and for the years then ended together with Independent Auditors' Report

Contents

Independent Auditors' Report

To the Shareholders of Intergroup Financial Services Corp.

We have audited the accompanying consolidated financial statements of Intergroup Financial Services Corp. (a holding company incorporated in Panama, subsidiary of IFH Peru Ltd.) and Subsidiaries, which comprise the consolidated balance sheets as of 31 December 2007 and 2006, and the consolidated statements of income, the statements of changes in shareholders' equity and the statements of cash flows for the years then ended, and the summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting standards prescribed by the Superintendencia de Banca, Seguros y AFP (Banking, Insurance and Private Pension Funds Administrators Superintendency) applicable to financial and insurance entities in Peru. This responsibility includes designing, implementing and maintaining internal controls over the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with generally accepted audit standards in Peru. Those standards require that we comply with professional standards and plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

Independent Auditors' Report (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all materials respects, the financial position of Intergroup Financial Services Corp. and Subsidiaries as of 31 December 2007 and 2006, and the consolidated results of their operations and their consolidated cash flows for the years then ended, in accordance with accounting principles prescribed by the Superintendencia de Banca, Seguros y AFP applicable to financial and insurance entities in Peru.

Lima, Peru,
February 15, 2008

Medina, Zaldívar, Paredes
y Asociados

Countersigned by:

Cristian Emmerich
C.P.C. Register No. 19-289

Intergroup Financial Services Corp. and Subsidiaries

Consolidated balance sheets

As of December 31, 2007 and 2006

	Note	2007 S/(000)	2006 S/(000)
Assets			
Cash and due from banks	6		
Cash and clearing		520,561	394,963
Deposits in the Peruvian Central Bank – BCRP		981,370	832,947
Deposits in domestic and foreign banks		147,679	93,735
Restricted funds		16,720	660
Interest accrued on cash and due from banks		11,756	5,476
		1,678,086	1,327,781
Inter-bank funds		21,002	30,011
Accounts receivable from insurance operations	7	11,916	11,697
Marketable investments, net	8	2,606,708	1,867,828
Held-to-maturity investments, net	9	918,892	680,275
Loan portfolio, net	10	5,919,610	4,146,230
Realizable assets, assets received as payment and seized through legal actions, net		28,983	33,546
Permanent investments, net	11	23,775	17,574
Property, furniture and equipment, net	12	432,157	397,400
Accounts receivables and other assets	13	296,422	216,352
Deferred asset from Income tax and workers' profit sharing	18	99	3,600
Discontinued operation	2	-	365,003
Total assets		11,937,650	9,097,297
Off-balance sheet accounts	21		
Contingent assets		8,658,523	6,203,272
Other off-balance sheet assets accounts		21,785,672	17,853,421
		30,444,195	24,056,693

	Note	2007 S/(000)	2006 S/(000)
Liabilities and shareholders' equity			
Deposits and obligations	14	7,257,302	5,760,732
Inter-bank funds		40,452	25,009
Short-term deposits from financial entities		62,379	148,610
Accounts payable to insured parties		285	155
Due to banks and correspondents - short-term	15	1,152,648	53,443
Due to banks and correspondents - long-term	15	287,376	286,503
Accounts payables, provisions and other liabilities	13	296,868	221,445
Bonds and other obligations	16	190,188	270,886
Technical reserves for premiums and claims	17	1,317,642	1,238,180
Deferred liability from Income tax and workers' profit sharing	18	2,295	8,003
Discontinued operation	2	-	270,502
Total liabilities		10,607,435	8,283,468
Shareholders' equity	19		
Intergroup shareholders' equity			
Capital stock		787,169	349,331
Treasury stock		(15,216)	-
Capital surplus		263,139	-
Retained earnings		268,953	412,914
		1,304,045	762,245
Minority interest		26,170	51,584
Total shareholders' equity		1,330,215	813,829
Total liabilities and shareholders' equity		11,937,650	9,097,297
Off-balance sheet accounts	21		
Contingent liabilities		8,658,523	6,203,272
Other off-balance sheet liabilities accounts		21,785,672	17,853,421
		30,444,195	24,056,693

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

Intergroup Financial Services Corp. and Subsidiaries

Consolidated statements of income

For the years ended December 31, 2007 and 2006

	Note	2007 S/(000)	2006 S/(000)
Financial income	22	1,212,105	895,913
Financial expense	22	(303,846)	(200,329)
Gross financial margin		908,259	695,584
Provision for loan losses, net	10(e)	(128,063)	(125,768)
Provision for impairment of investments, net	8(i)	(7,627)	(911)
Net financial margin		772,569	568,905
Fee income from financial services	23	270,420	225,283
Expenses relating to financial services	23	(27,237)	(25,812)
Result from insurance underwriting, net	24(a)	(55,905)	(50,426)
Operating margin		959,847	717,950
Administrative expenses	25(a)	(562,414)	(412,865)
Net operating margin		397,433	305,085
Provision for contingencies and other provisions		(18,949)	(6,417)
Depreciation of property, furniture and equipment and realizable assets		(41,410)	(39,868)
Amortization of intangibles	13(d)	(7,356)	(6,847)
Amortization of goodwill and interest premium	4(m)	(3,263)	(4,859)
Operating income		326,455	247,094
Other income, net	26	81,568	31,713
Income before workers' profit sharing and Income tax		408,023	278,807
Current and deferred workers' profit sharing	18	(17,752)	(11,882)
Current and deferred Income tax	18	(105,150)	(68,104)
Income from continuing operations		285,121	198,821
Income from discontinued operation	2(a)	-	2,024
Net income		285,121	200,845
Attributable to:			
Intergroup shareholders		277,843	187,850
Minority interest		7,278	12,995
		285,121	200,845
Basic and diluted earnings per share (stated in Nuevos Soles)		3.138	2.223
Weighted average number of outstanding shares (in thousands of units)	1(b) and 27	88,537	84,487

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

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Intergroup Financial Services Corp. and Subsidiaries

Consolidated statements of changes in shareholders' equity

For the years ended December 31, 2007 and 2006

	Number of shares (in thousands)		Attributable to Intergroup shareholders						
	Issued	**In treasury**	**Capital stock** S/(000)	**Treasury stock** S/(000)	**Capital surplus** S/(000)	**Retained earnings** S/(000)	**Total** S/(000)	**Minority interest** S/(000)	**Total shareholder's equity** S/(000)
Balance as of January 1, 2006	84,487	-	349,331	-	-	277,130	626,461	41,722	668,183
Equity effect of Subsidiary's shares purchased	-	-	-	-	-	(3,250)	(3,250)	(127)	(3,377)
Dividends paid	-	-	-	-	-	(49,060)	(49,060)	-	(49,060)
Dividends paid to minority shareholdes of the Bank and Interseguro	-	-	-	-	-	-	-	(1,917)	(1,917)
Net income	-	-	-	-	-	187,850	187,850	12,995	200,845
Other	-	-	-	-	-	244	244	(1,089)	(845)
Balance as of December 31, 2006	84,487	-	349,331	-	-	412,914	762,245	51,584	813,829
		-							
Transfer	-	-	412,914	-	-	(412,914)	-	-	-
Equity effect of acquisition of minority interest in Subsidiaries	7,692	-	33,472	-	-	-	33,472	(33,472)	-
Decrease in capital stock due to change in nominal value of Intergroup's shares, Note 19(a)	-	-	(75,038)	-	-	-	(75,038)	-	(75,038)
Capital contribution, Note 1(b) and 19(c)	-	-	66,490	-	275,110	-	341,600	-	341,600
Expenses of shares issuance, Note 19(c)	-	-	-	-	(11,971)	-	(11,971)	-	(11,971)
Dividends paid to minority shareholders of the Bank and Interseguro	-	-	-	-	-	-	-	(6,168)	(6,168)
Net income	-	-	-	-	-	277,843	277,843	7,278	285,121
Treasury stock hold by Subsidiary, Note 19(b)	-	(328)	-	(15,216)	-	-	(15,216)	-	(15,216)
Other	-	-	-	-	-	(8,890)	(8,890)	6,948	(1,942)
Balance as of December 31, 2007	92,179	(328)	787,169	(15,216)	263,139	268,953	1,304,045	26,170	1,330,215

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

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Intergroup Financial Services Corp. and Subsidiaries

Consolidated statements of cash flows

For the years ended December 31, 2007 and 2006

	2007 S/(000)	2006 S/(000)
Reconciliation of net income to cash provided by operating activities		
Net income from continuing operation	285,121	198,821
Gain from discontinued operation	-	2,024
Adjustments to net income		
Add (less)		
Provision for loan losses, net	128,063	125,768
Provision for impairment of investments, net	7,627	911
Depreciation of property, furniture, equipment and realizable assets	41,411	39,868
Amortization of intangibles	7,356	6,847
Amortization of goodwill and interest premium	3,263	4,859
Amortization of the lease payment to related entity	2,280	2,747
Provision for assets received as payment and seized through legal actions	1,487	2,197
Deferred workers' profit sharing and Income tax, Note 18	(2,207)	832
Result from sale of marketable investments	(71,149)	(16,778)
Result from sale of held-to-maturity investments	(28,109)	(14,074)
Gain from sale of assets received as payment and seized through legal actions, Note 26	(6,232)	(7,914)
Net changes in asset and liability accounts		
Increase in receivable accrued interest	(17,330)	(20,757)
Increase in payable accrued interest	19,160	9,366
Net increase in other assets	(80,140)	(24,781)
Net increase in other liabilities	72,807	1,985
Increase in technical reserves	79,462	172,482
Net cash provided by operating activities	442,870	484,403

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Consolidated statements of cash flow (continued)

	2007 S/(000)	2006 S/(000)
Cash flows provided by (used in) investing activities		
Purchase of property, furniture and equipment	(85,155)	(45,213)
Sale of property, furniture and equipment	-	95
Sale of assets received as payment and seized through legal actions	11,985	9,853
Purchase of intangibles	(2,809)	(2,119)
Sale of discontinued operation	94,501	-
Net cash provided by (used in) investing activities	18,522	(37,384)
Cash flows used in financing activities		
Increase in loan portfolio, net	(1,727,112)	(393,600)
(Increase) decrease in investments held-to-maturity, net	(83,521)	247,554
Increase in marketable investments, net	(818,985)	(1,298,583)
Collection of dividends net of permanent investments decrease	3,355	6,011
Increase in deposits and obligations	1,493,558	1,194,987
Increase (decrease) in deposits in financial entities	(86,231)	79,162
Increase (decrease) in due to banks and correspondents	908,439	(143,151)
Decrease in bonds and other obligations outstanding	(80,549)	(124,010)
Decrease in receivable inter-bank funds	9,009	20,998
Increase in payable inter-bank funds	15,443	4,827
Capital stock contribution	341,600	-
Decrease in capital	(74,234)	-
Payment of issuance expenses	(11,971)	-
Payment of dividends	-	(49,060)
Payment of dividends to minority interest	(6,168)	(1,917)
Purchase of Subsidiary's stock	-	(3,377)
Net cash used in financing activities	(117,367)	(460,159)
Cash increase (decrease), net	344,025	(13,140)
Balance of cash at the beginning of year, Note 4(aa)	1,322,305	1,335,445
Balance of cash at end of year, Note 4(aa)	1,666,330	1,322,305
Non-cash flow financial transactions		
Banco del Trabajo mortgage loans acquisition:		
Mortgage portfolio	179,734	-
Allowance from purchased portfolio	(5,492)	-
Due to banks and correspondents	175,342	-
Changes in classification of marketable securities to held-to-maturity investments	125,447	363,014

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

Intergroup Financial Services Corp. and Subsidiaries

Notes to the consolidated financial statements

As of December 31, 2007 and 2006

1. **Business activity and reorganization**

(a) Business activity-

Intergroup Financial Services Corp. (hereafter "Intergroup" or “the Company”) is a limited responsibility holding corporation incorporated in Panama on September 19, 2006, as the result of the restructuring of its shareholder structure (see the following paragraph (b)), IFH Perú Ltd. (hereafter “IFH”), a holding corporation incorporated in 1997, in The Bahamas.

Intergroup’s legal domicile is 50 Street and 74 Street ST Georges Bank Building, Republic of Panama; the management and administratives offices are in Avenida Carlos Villarán 140, Urb. Santa Catalina, La Victoria, Lima, Peru.

As of December 31, 2007, Intergroup holds 97 percent and 100 percent of the capital stock of Banco Internacional del Peru S.A.A. – Interbank (hereafter “the Bank” or “Interbank”) and of Interseguro Compañía de Seguros de Vida S.A. (hereafter “Interseguro”), respectively.

Intergroup and Subsidiaries operations are concentrated in Peru. Their main activities and assets, liabilities and equity levels are described in Note 3.

The consolidated financial statements as of December 31, 2007 and 2006 have been approved by Management and will be submitted for approval by the General Shareholders’ Meeting and the Board of Directors that will take place within the term established by law. In Management’s opinion, the accompanying consolidated financial statements will be approved by the Board of Directors and the Shareholders’ Meeting without modifications.

(b) Interbank Group’s reorganization and public tender offer of shares-

During 2006 and 2007 "Interbank Group", which comprises several entities operating in Peru and other countries, through IFH, its principal holding company, reorganized its Subsidiaries in order to present a more effective structure, through the creation of new holding companies of which IFH is the principal shareholder. Intergroup is the holding company created for the purpose of grouping Peruvian financial companies that are part of the Interbank Group; therefore, as a consequence of the reorganization, on January 19, 2007, IFH transferred to Intergroup all the shares it held, directly and indirectly, in the Bank and Interseguro, approximately 373,262,000 and 87,275,000 respectively, in exchange for approximately 81,503,000 Intergroup shares. The share exchange ratio was fixed based on the Lima Stock Exchange quotation as of the date of the transaction, which was approximately S/ 6.00 and S/ 4.12 per each Bank and Interseguro share, respectively, and an exchange rate of S/ 3.189 to one US Dollar.

On April 3, 2007, a second exchange was carried out for approximately 2,072,000 and 19,170,000 shares of the Bank and Interseguro, respectively, in exchange of 2,984,000 shares of Intergroup. The share exchange ratio was fixed based on the Lima Stock Exchange quotation as of date of the transaction, which was approximately S/ 7.98 and S/ 4.18, per each Bank and Interseguro share, respectively, and an exchange rate of S/ 3.189 to one Dollar.

Given that above-described restructuring of Interbank Group and the exchange of shares has not represented an effective change in IFH and other shareholders control of the Subsidiaries now grouped under Intergroup, according to generally accepted accounting principles for financial and insurance entities in Peru, the transfers were accounted for using the pooling-of-interest method, considering the equity values of the Bank and Interseguro.

After said exchanges of shares, IFH and Intergroup initiated a process of issuance and sale of Intergroup shares in the Peruvian and foreign market that ended on July 2007. As part of the process, 24 percent of Intergroup capital stock, approximately 22,115,000 shares, were offered. Of said amount, approximately 7,692,000 were new shares issued by Intergroup and 14,423,000 were offered by certain shareholders of Intergroup, including their majority shareholder IFH Perú Ltd. and some of its subsidiaries. The offering was made at US$ 14 per share.

The issuance of new shares represented to Intergroup a cash contribution of approximately US$ 107,692,000 (equivalent to approximately S/ 341,600,000), that is presented increasing the capital stock and the capital surplus by S/ 66,490,000 and S/ 275,110,000, respectively.

After the processes of exchange, sale and issuance of shares previously explained; as of December 31, 2007, IFH holds 73.13 percent of Intergroup's capital stock.

2. Discontinued operation

As part of the Interbank Group reorganization explained in Note 1(b), on August 29, 2006, the General Shareholders Meeting of IFH agreed to transfer all of Supermercados Peruanos S.A. capital stock owned by the Bank and Interseguro (approximately 60.11 percent of the capital stock of that related entity) to a new subsidiary of IFH. Consequently, and according with accounting standards applicable to financial and insurance entities in Peru, the investment in Supermercados Peruanos S.A. was presented as a "Discontinued operation" as of December 31, 2006.

On April 19, 2007, the Bank and Intergroup transfered all of Supermercados Peruanos S.A. capital stock owned to IFH Retail Corp. (a subsidiary of IFH). This transfer was made at its fair value estimated by a third party, considering the present value of the future cash flows, which approximated to its book value.

(a) The table below presents a summary of Intergroup's participation (60.11 percent) in the income obtained from the discontinued operation for the year ended December 31, 2006:

	S/(000)
Gross margin	157,559
Operating income	4,998
Income before workers' profit sharing and Income tax	6,094
Workers' profit sharing and Income tax	(4,524)
Net income	1,570
Net income recorded by the Bank and Interseguro	2,024

(b) Following is the summary of Intergroup participation (60.11 percent) in the net cash flows attributable to the operating, investing and financing activities of the discontinued operation for the year ended December 31, 2006, which, according to generally accepted accounting principles for financial entities in Peru, has not been presented in the accompanying consolidated statements of cash flows:

	S/(000)
Operating activities	27,535
Investing activities	(48,682)
Financing activities	4,709
Net decrease in cash	(16,438)

(c) As of December 31, 2006, the basic and diluted earning per share of the discontinued operation was S/ 0.025.

3. Subsidiaries activities

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

Banco Internacional del Perú S.A.A. - Interbank and Subsidiaries

The Bank is incorporated in Peru and is authorized by the Superintendencia de Banca, Seguros y Administradoras de Fondos de Pensiones (hereafter the "SBS" for its Spanish acronym), 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 Superintendency - Act No. 26702 (hereafter 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 December 31, 2007 and 2006, the Bank had 161 and 112 offices, respectively, and the following wholly-owned Subsidiaries:

Subsidiary	Activity
Interfondos S.A. Sociedad Administradora de Fondos	As of December 31, 2007 and 2006, managed mutual and investment funds with combined assets of approximately S/ 1,966 million and S/ 1,335 million, respectively.
Internacional de Títulos Sociedad Titulizadora S.A. - Intertítulos S.T.	As of December 31, 2007 and 2006, managed securitization funds, with combined assets of approximately S/ 473 million and S/ 1,322 million, respectively.
Inversiones Huancavelica S.A.	Real estate activities.
Contacto Servicios Integrales de Crédito y Cobranzas S.A.	Collection services.
Corporación Inmobiliaria de La Unión 600 S.A.	Real estate activities, owner of the Bank's former corporate headquarters.

Interseguro Compañía de Seguros de Vida S.A.

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, the SBS, has authorized Interseguro to organize itself in order to provide property and casualty insurance contracts.

Interseguro has the following subsidiaries:

Subsidiary	Activity
Real Plaza S.A.	An entity engaged in the administration of two shopping and entertainment malls called “Centro Comercial Real Plaza”, located in Chiclayo and Trujillo. As of December 31, 2007 and 2006 Interseguro owns 100 percent of its capital stock.
Lillingstone Financial Corp.	An entity whose only asset is a building located in San Isidro, Lima. As of December 31, 2007 Interseguro owns 100 percent of its capital stock.
Centro Cívico S.A.	An entity whose main asset is a real estate project located in Lima. As of December 31, 2007, Interseguro owns 65 percent of its capital stock.

Interactiva AFP S.A.
On September 25, 2007, Intergroup’s Board of Directors agreed to initiate with the SBS the required procedures to organize and operate a Private Pension Funds Administrator; for such purpose it has made a capital contribution amounting to S/ 2,013,000. As of December 31, 2007, Interactiva AFP S.A. had assets and shareholder’s equity of S/ 2,015,000, respectively.

The table below presents a summary of the consolidated financial statements of Interbank and Interseguro, before the accounting eliminations for their consolidation with Intergroup, as of December 31, 2007 and 2006, and for the years ended on those dates:

	Banco Internacional del Perú S.A.A. - Interbank and Subsidiaries		Interseguro Compañía de Seguros de Vida S.A. and Subsidiaries	
	2007 S/(000)	**2006** S/(000)	**2007** S/(000)	**2006** S/(000)
Total assets	10,013,316	7,384,996	1,662,978	1,459,032
Total liabilities	9,187,732	6,718,468	1,450,709	1,306,674
Shareholders’ equity, net	825,584	666,528	212,269	152,358
Operating income	295,966	269,338	83,260	42,841
Net income	229,219	162,613	79,047	43,292

4. Accounting principles and practices

The significant accounting principles and practices used in the preparation of the Company's and its Subsidiaries consolidated financial statements are summarized below:

(a) Basis of presentation and discontinued operation-

- Basis of presentation

The accompanying consolidated financial statements have been prepared from the accounting records of the Company and its Subsidiaries, which are maintained in nominal Peruvian Nuevos Soles at the transaction's date. Intergroup prepares its financial statements according with accounting standards applicable to financial and insurance companies; in consideration that its main subsidiaries are financial and insurance companies that prepare and present their financial statements according with said standards. According with SBS standards and the Peruvian financial market practice, the Company and its Subsidiaries use the Peruvian Nuevo Sol as their functional and presentation currency.

In addition, in a supplemental manner of the SBS accounting standards, it considers the International Financial Reporting Standards – IFRS approved in Peru and effective as of December 31, 2007 and 2006, see following paragraph (ac).

The preparation of the consolidated financial statements requires Management of the Company and its Subsidiaries to make estimates that affect the reported amounts of consolidated assets and liabilities and the disclosure of material contingencies as of the dates of the consolidated financial statements, as well as the amounts of consolidated revenues and expenses. Actual results may differ from those estimates. The most significant estimates included in the accompanying consolidated financial statements are related to the provision for loan losses, valuation of investments, useful life and recoverable value of properties, furniture and equipment and intangible assets; the provision for realizable assets, assets received as payment and seized through legal actions; the technical reserve for premiums and claims; the valuation of derivative instruments and, the calculation of deferred Income tax and workers' profit sharing. The accounting criteria for each of these estimates are described below.

The preparation of the consolidated financial statements has been performed considering the pooling-of-interest method because the exchanges of shares explained in Note 1 did not represent an effective change in the control of the Subsidiaries, now grouped under Intergroup.

- Discontinued operations
  A discontinued operation is a component of an entity that has been sold or disposed of, or has been classified as “available for sale”.

  Such operation is presented in a separate caption in the consolidated balance sheets as “Discontinued operation”, disclosing separately the related assets and liabilities at their book value. Also, the related income or loss generated by the discontinued operation is presented as “Discontinued operation" in the consolidated statements of income.

  Likewise, the cash flows of the operating, investing and financing activities generated by the discontinued operations have been excluded from the accompanying consolidated statements of cash flows. The cash flows generated by this operation are presented in Note 2(b).

(b) Consolidation principles-
The consolidated financial statements include the financial statements of Intergroup Financial Services Corp. and its Subsidiaries that are controlled through its direct or indirect participation (see Note 3). All Subsidiaries, except Supermercados Peruanos S.A. – the discontinued operation (Notes 2 and 4(a)) – as of December 31, 2006, were consolidated for all years presented. All accounts and significant transactions among the companies have been eliminated from the accompanying consolidated financial statements.

Minority interest was determined on a proportional basis according to the minority shareholders’ interest in the net equity of the Subsidiaries and is presented separately as “Minority interest” in the consolidated balance sheets and consolidated statements of income.

(c) Financial instruments-
Financial instruments are classified as assets, liabilities or equity in accordance with the substance of their respective contractual arrangement. Interest, dividends, gains and losses relating to financial instruments classified as an asset or liability are recorded as income or expense. Financial instruments are offset when the entity has a legally enforceable right to offset them and the intention to either settle them on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and liabilities reported on the consolidated balance sheets include cash and due from banks, inter-bank funds, marketable securities, held-to-maturity and permanent investments, loans, accounts receivable and all liabilities, except for the technical reserve for premiums and claims, the deferred Income tax and workers’ profit sharing and the discontinued operation. All derivative instruments and indirect loans are also considered financial instruments.

The specific accounting policies for recognition and measurement of each of these items are disclosed in the respective accounting policies described in this note.

(d) Recognition of other revenues and expenses-

Financial revenues and expenses are recorded in the results of the period when earned and incurred, based on the effective term of the underlying operations and the interest rates freely agreed upon with the clients; except for interest accrued on past due, refinanced, restructured loans, loans under legal collection, and loans classified as doubtful or loss, which interest is recognized as collected. When Management, following the guidelines established in SBS Resolution No. 808-2003, determines that the debtor's financial condition has improved and the loan is reclassified to the condition of standing loan or in the category of normal, potential problem or substandard, interest is again recorded on an accrual basis.

Interest revenue and expenses include interest accrued on fixed income investments and trading securities, as well as income from discounts and premiums on the financial instruments. Dividends are recognized as income when declared.

Commissions on financial services are recognized as income when collected.

All premiums, except those related to retirement income insurance, are recognized as revenue when they become payable according to the contractual conditions agreed upon with the insured parties. Revenue from retirement pension insurance are recorded based on the average of the monthly insurable salary amounts in the past 24 months and are adjusted in the month when the premiums are received from the Pension Fund Administrator (hereafter "AFP" for its Spanish acronym).

Expenses for reinsurance and commissions are recognized at the same time as the income from related premiums is recognized.

Income and expenses from co-insurance operations and reinsurance operations are recognized when the corresponding settlements are received and approved and not necessarily while the insurance is in force.

The payments of operating leases in which the Company and its Subsidiaries participate as the leaseholder are recognized as expense in the "Administrative expenses" line item of the consolidated statements of income, on a straight line basis throughout the duration of the lease agreements.

Other revenues and expenses are recognized on an accrual basis.

(e) Loan portfolio and allowance for loan losses-

Direct loans are recorded when the related funds are provided to the clients. Indirect loans (contingent loans) are recorded when the supporting related documents are issued.

In the case of financial leases the Bank recognizes the present value of the lease payments as a loan. The difference between the gross receivable amount and the present value of the loan is recognized as unearned interest and this income is recognized over the term of the lease agreement using the effective interest method, which reflects a constant periodic rate of return. The Bank does not grant operating leases.

The allowance for loan losses is determined by the Bank's Management and is calculated in accordance with guidelines and procedures established in SBS Resolution No. 808-2003; by which loans are classified as commercial, micro-business (hereafter "MES" for its Spanish acronym), consumer or mortgage. In compliance with SBS procedures, Management periodically conducts a formal review and analysis of the Bank's loan portfolio, classifying its portfolio (clients) in one of the following risk categories: normal, with potential problem, substandard, doubtful or loss; based primarily on the risk of non-payment of each loan.

For commercial loans, the classification takes into consideration several factors included in said Resolution, such as the payment history of the particular loan, the history of the Bank's dealings with the borrower's management, operating history, borrower's repayment capability and availability of funds, status of any collateral and guarantee, the borrower's financial statements, general risk of the related economic sector, the borrower's risk classification made by other financial institutions and other relevant factors. For MES, consumer and mortgage loans, the classification is mainly based on how long payments are overdue.

The calculation of the provision is made considering the risk classifications assigned and using specific percentages, which vary depending upon whether the client's debts are secured by preferred self-liquidating guarantees – LWPSLG (cash deposits and rights over letters of credit) or by preferred guarantees that may be readily liquidated – LWRLPG (treasury bonds issued by the Peruvian Central Government, marketable securities included in the Selective Index of the Lima Stock Exchange, among others) or by other preferred guarantees – LWPG (primary pledge on other financial instruments properties, agricultural or mining concessions, insurance on export credits, among others), which are considered at their net realizable value as determined by an independent appraiser.

Notwithstanding the above, in the calculation of provisions of clients classified as doubtful or loss for more than 36 months and 24 months, respectively; the value of any guaranty received is not taken into account and the provision for such loan is computed as if it was not secured by any guaranty.

The allowance for loan losses for direct loans is presented as an asset deduction, while the allowance for indirect loans is presented as a liability; see Note 10(e).

On November 10, 2006, the SBS issued Resolution No. 1494-2006, which became effective on that date. This Resolution modified and clarified certain criteria regarding the loan portfolio classification, its related interest recognition and the calculation of the allowance for possible consumer loan losses. The adoption of said Resolution did not have a material effect in the accompanying consolidated financial statements.

On September 22, 2006, the SBS issued Resolution No. 1237-2006, which established a provision requirement to cover unused revolving credit lines for MES and consumer loans from June 30, 2007 onwards, equivalent to 20 percent of each, save exceptions indicated in said resolution. By means of Resolution No. 930-2007, the SBS modified the date of implementation from January 31, 2008 onwards. In Management's opinion, the Bank does not need to record additional provisions to those already recorded as of December 31, 2007.

On August 22, 2007, the SBS issued Resolution No. 1169-2007, which became effective on that month. This Resolution specified the accounting treatment for debtors affected by the earthquake occurred in Peru on August 15, 2007. This accounting treatment consisted in maintaining the classification that debtors had as of July 31, 2007 and in recognizing interest income on a cash basis. The adoption of this Resolution did not have a significant effect on the accompanying consolidated financial statements.

(f) Accounts receivable from insurance operations (premiums)-

Accounts receivable from insurance operations are expressed at their nominal value and are recognized without taking into account the termination of the insurance contract in the event of the premium being in arrears, in which case Interseguro records a provision for accounts overdue for more than 90 days, as described in paragraph (g) below.

In addition, accounts receivable from insurance operations include balances receivable from Profuturo AFP S.A. deriving from individual capitalization accounts of deceased or disable affiliates with private pension plans, which are excluded from the terms established in SBS Resolution No. 1262-98. Individual capitalization accounts include the funds paid in by affiliates until the date of disability or death; as well as a recognition bonus, if applicable. Accounts receivable from the AFP from this concept are credited to "Claims on assumed premiums" line item of the consolidated statement of income, see Note 24(a). The recording of these accounts is based on the report sent by the AFP at the updated value of the funds paid in and the recognition bonus.

(g) Allowance for doubtful accounts for receivables from reinsurers, co-insurers and other receivables generated by insurance activities-

In accordance with the provisions of SBS Resolution No. 225-2006, accounts receivable from insurance operations are fully provisioned when they are 90 day overdue and are charged to “Other technical expenses” line item of the consolidated statement of income.

Likewise, allowance for doubtful accounts from reinsurers, coinsurers and other receivable accounts, are regulated by Circular Letter SBS No. 570-97, amended by SBS Resolution No. 288-2002. These allowances are mainly provided by using certain percentages set out in the circular letter, considering the aging of such accounts, and are recorded in the "Administrative expenses" line of the statement of income.

(h) Foreign currency transactions and derivative instruments-

Transactions in foreign currency are recorded in Peruvian Nuevos Soles by applying the exchange rates prevailing at the transaction date. Assets and liabilities in foreign currency are stated in Peruvian Nuevos Soles at the close of each month using the exchange rates established by the SBS, see Note 5. Exchange gains or losses are recorded in the consolidated statements of income.

Foreign currency forward contracts and interest rates swap transactions are presented at their fair value, with an asset or a liability recognized in the consolidated balance sheets and any related gain or loss in the consolidated statements of income. Foreign currency forward contracts and interest rate swap transactions are also recorded as off-balance sheet items at their nominal value and in their required settlement currency; see Note 21(c) and (d).

By means of SBS Resolution No. 1737-2006, dated December 28, 2006, the SBS established the accounting criteria for the recording of derivative financial instruments, which is consistent with the criteria in IAS 39, Financial Instruments: Recognition and Measurement in force in Peru. This standard is in force since January 1, 2007 and its adoption did not have a significant effect on the accompanying consolidated financial statements.

(i) Marketable and held-to-maturity investments-

The Bank and Interseguro record their investments at the acquisition cost and afterward value them according to SBS Resolution No. 1914-2004 (the Bank), and SBS Resolutions No. 1047-99 and No. 778 - 2000 (Interseguro), according to their respective classification.

Intergroup records its marketable investments following the same criteria applied by the Bank.

The criteria for the valuation of investments according to their respective classification in the years 2007 and 2006 are as follows:

- Marketable investments held for trading-
  These are investments that are traded in a stock exchange and are held for sale in the short term (before six months); they are updated daily to market value on an individual basis, and the related gains or losses are recognized in the consolidated statements of income.

  Interest is recognized when earned and dividends are recognized when declared.

- Marketable investments available for sale-
  In the case of the banking activity (the Bank) and Intergroup, these investments are accounted for at the lower of their cost or their market value, on the basis of the total portfolio. The provisions for their valuation are recorded in the consolidated shareholders´ equity as “Losses due to fluctuation in value of investments available for sale” under the “Retained earnings” caption, until the sale of the related investment occurs. At that moment, such unrealized losses previously recognized in equity are included in the consolidated results of the year. In addition, in the event that Management estimates that the decrease in market value or equity value is not temporary, a provision must be charged to the consolidated results of the year.

  In the case of the insurance activity (Interseguro), these investments are valued at the lower of their cost or their market value, on the basis of the total portfolio, and the required valuation provision is recorded in the consolidated results of the year.

  In the event of a significant decrease in the market value or impairment in the credit worthiness, in both cases the Bank and Interseguro must record provisions to take these investments to their estimated market value on an individual basis.

  Interest is recognized when accrued and dividends when declared.

- Held-to-maturity investments-
  These investments are held up to their maturity and are initially recorded at their acquisition cost, which is adjusted by a provision when the issuer’s credit risk increases, on an individual basis. The value of these investments is updated by the Internal Rate of Return (IRR) computed at the acquisition date, which permits a monthly recognition of the interest accrued and the amortization of the acquisition premium or discount, as applicable.

The provisions are recorded for changes in the credit worthiness in an individual basis, similar to direct loans and affecting the results of the period.

The result of the period is not affected by the unrealized gains or losses derived from fluctuations in the market value of these investments, unless there is a significant reduction in their value.

When held-to-maturity investments are sold and the Company acquires any other financial instrument from the same issuer, the newly acquired investment can not be recorded as a held-to-maturity investment for a one-year term, counted from the date on which the sale took place, unless a specific authorization from the SBS is obtained.

- Investments in real estate-

  Investments in real estate correspond to land and buildings acquired by Interseguro for lease or that are available for sale. They are valued at the lower of their acquisition/construction cost or their market value (determined based on independent technical appraisals). Depreciation of buildings is computed using the straight-line method considering an estimated useful life of 33 years. Income from real estate leases is recognized as the installments stipulated in the lease agreement are accrued and, depreciation expenses and expenses directly related to the maintenance of the leased assets are presented in the ”Investment income and expense” line item in the consolidated statements of income.

- Investments in real estate projects-

  Investments in real estate projects correspond to disbursements made to build third-party-owned real estate projects, on which the Company obtains the rights to the rent obtained over a fixed term. These projects are recorded in their original currency and their profitability is estimated based on the project’s expected rate of return, which is reviewed by the SBS. As established by the SBS, said investments are classified as “Held-to-maturity investments” and amortized over the contracts’ term using the effective interest method.

- Equity investments received through loans capitalization (debt-for-equity exchanges)-

  These investments are derived from the capitalization of loans as part of a debtors’ restructuring process. These investments cannot be held for a term longer than that approved in the debtor´s Restructuring Plan or Equity Strengthening Program or for a term longer than five years.

  The initial cost of these investments is equal to the equity book value of the shares received.

In the event that the equity book value is bigger than the gross amount of the capitalized loans, a deferred earning is recognized for such difference, which is recorded as income when the investment is sold to a third party. When the gross amount of the capitalized loan is bigger than the equity book value, a loss for the difference is inmediatly recorded.

Profits or losses generated by the capitalized entities are included in the consolidated statement of income in an amount proportional to the equity ownership.

The difference between income received from the sale of the investment and its book value is recognized in the consolidated statements of income.

In any of the aforementioned cases, if the SBS deems it necessary to establish an additional provision for any type of investment, such provision will be determined by the SBS based on an individual basis and recorded by the Company and its Subsidiaries in the consolidated result of the year.

Changes in classification of investments are recorded at their market value at the time they are made, the related gains or losses are recorded and the allowances are reversed, as applicable.

(j) Permanent investments-

Permanent investments consist mainly of shares in domestic and foreign companies in which the Company and its Subsidiaries have significant influence.

These investments are accounted for at their equity value, except for the investment in mutual funds, which is recorded at cost, net of impairment recognized for fluctuations in value deemed to be permanent, see Note 11.

In the case of investments listed on security exchanges, when their market value shows a decreasing trend due to non-temporary circumstances, the Company and its Subsidiaries record a provision; nonetheless, the SBS can require an additional provision when it deems that such provision is necessary.

(k) Property, furniture and equipment-

Property, furniture and equipment are accounted for at acquisition cost, plus voluntary revaluation, less accumulated depreciation.

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings and facilities	Between 5 and 33
Furniture and equipment	Between 4 and 10
Vehicles	5
Leasehold improvements	5

The residual value, the useful life assigned and the depreciation method selected are periodically reviewed by Management to ensure that they are consistent with the economic benefit and life expectation for the use of the property, furniture and equipment.

In-transit equipment and work in progress amounts include assets in transit or under construction, respectively, and are accounted for at cost, which includes the acquisition or construction cost together with other costs directly attributable to the asset. These assets are not depreciated until they are received or finished and placed into service.

Maintenance and repair costs are recorded as expenses. Significant improvements are capitalized only when these disbursements improve the condition of the asset and extend its useful life beyond its original standard performance. The cost and accumulated depreciation of assets sold or retired are eliminated from the corresponding accounts and the related gain or loss is included in the consolidated results of the year.

(l) Realizable assets, assets received as payments and assets seized through legal actions-
Realizable assets are accounted for at the lower of cost, net of depreciation or market value determined by an independent appraiser. Assets received as payment and assets seized through legal actions are accounted for at the value assigned to them through the relevant legal proceeding, or an out-of-court settlement, at their market value or at the unpaid value of the debt, whichever is lower. In addition, according to SBS rules the following provisions are recorded for assets received as payment and assets seized through legal actions:

- 20 percent of the new value assigned to the assets received.

- The net book value of non real estate assets, net of the 20 percent initial provision indicated above, should be fully provisioned for in a term not to exceed 18 months.

- For real estate assets, at the end of the eighteenth month after their seizure, equal monthly provisions must be recorded over a term not exceeding 42 months. Likewise, on an annual basis, the net book value of the real estate is compared with its immediate realization value determined by an independent appraisal; and, if this value is lower, an additional provision shall be recorded. In the event that the appraisal value exceeds the net book value, no increase in the value is recognized.

As of December 31, 2007 and 2006, the net book value of assets received as payment and seized through legal actions includes assets seized prior to December 31, 1994 for approximately S/ 7,975,000. In accordance with Legislative Decree No. 770 (which is no longer in force), an equity reserve was established prior to December 31, 1994. The book value of these assets approximates their market value, according to an appraisal made by an independent appraiser registered with the SBS. These assets are not considered in the accounting treatment explained in the above paragraphs.

As of December 31, 2007 and 2006, realizable assets balance includes the building that until the year 1999 was used by the Bank as its headquarters; said property is now owned by a Bank subsidiary and its net book value as of these dates amounts to S/ 19,795,000 and S/ 20,271,000, respectively.

(m) Goodwill, interest premium and other intangible assets-

Goodwill corresponds to the amount paid in excess of the fair value of net assets received by the Bank in the acquisition of Banco Latino in 2001, plus costs directly related with the acquisition process; and to the amount paid in excess of the fair value of the net assets received by Interseguro in the acquisition of Seguros de Vida Santander Central Hispano S.A.

The amortization of goodwill was calculated using the straight-line method over a period of 5 years that ended in 2007.

Interest premium was generated in the acquisition of a loan portfolio from Banco del Trabajo, Note 10(a), and is amortized using the straight-line method over a period not longer than 5 years.

Other intangible asset amounts, included in the “Accounts receivables and other assets, net” caption of the consolidated balance sheets, are mainly costs incurred in connection with the acquisition and development of computer software used by the Company and Subsidiaries in their operations. Amortization expense is calculated following the straight-line method considering the useful lives disclosed in Note 13(d).

The useful life assigned and the amortization method used are periodically reviewed by Management to ensure that they are consistent with the economic benefit and life expectation.

(n) Bonds and other obligations-

Liabilities arising from the issuance of bonds and other obligations are accounted for at nominal value, recognizing the interest accrued in the results of the period. Discounts or premiums resulting from differences in nominal versus market value at the time of issuance are deferred under the “Accounts receivables and other assets” or “Accounts payables, provisions and other liabilities” caption, of the consolidated balance sheet respectively and are amortized over the life of the bonds and other obligations outstanding under the effective interest method.

(o) Provision for employee severance indemnities-

The provision for employee severance indemnities to employees of the Peruvian Subsidiaries is charged to the consolidated results of the period on an accrual basis and deposited each semester in a bank account chosen by each employee.

(p) Technical reserves for premiums-

Technical reserves for premiums consist of mathematical reserves for life insurance, retirement income insurance, annuity insurance and complementary insurance for high-risk jobs, and are recorded on the basis of actuarial calculations using the methodology established in SBS Resolution No. 309-93, amended by SBS Resolution No. 354-2006, which establishes the mortality tables and yield rates to be used, by types of products.

SBS Resolution No. 354-2006 establishes the use of the "Modified RV-2004" mortality table for calculating the mathematical reserves to cover annuity income and programmed retirement pensions. For reserves to cover annuities, said Resolution makes it mandatory to use the "Modified RV-2004" mortality table for contracts in force from August 2006 onwards; furthermore, for reserves to cover programmed retirement it establishes that for contracts in force before May 2006, table "RV-85" should be used, while for contracts starting in August 2006 the "Modified RV-2004" mortality tables should be used and for contracts starting between May 2006 and July 2006 a weighted average of the "RV-85" and "Modified RV-2004" mortality tables should be used as a function of the annuities of each contract.

The reserve to be established to cover private pension plans, complementary insurance for high-risk work and life annuity insurance, is equivalent to the present value of all future payments to the policyholder. This reserve must include future payments to the policyholder and/or beneficiaries, including those payments due that have not yet been made, which are also verified by an independent actuary. The discount rates used in the calculation of reserves to cover private pension plans and complementary insurance for high-risk work are published monthly by the SBS. The discount rates for private pension plans taken out from November 2002 onwards are calculated using the methodology established in SBS Resolution No. 562-2002 "Regulation for the Provision of Mathematical Insurance Reserves based on a match between assets and liabilities of Insurance Companies' Assets and Liabilities" modified by SBS Resolution No. 978-2006.

Adjustments to the mathematical reserves of life, annuity and complementary insurance for high-risk jobs are charged to the “Adjustment of technical reserves for assumed premiums” line item in the consolidated statement of income; adjustments corresponding to private pension insurance are recorded in the “Claims on assumed premiums” line item, see Note 24(a).

(q) Technical reserves for claims-

Interseguro records its reserves for claims based on estimates for losses, even when the final adjustment is not performed yet. Any difference between the estimated amount of the claim and the final disbursement is recorded in the results of the year in which the final adjustment is made. Technical reserves for claims are presented net of the related reinsurance corresponding to premiuns ceded.

The technical reserve for claims also includes an estimation of the losses incurred but not reported (hereafter “SONR”, for its Spanish accronym) as of the date of the consolidated balance sheets for life group, collective life, complementary insurance for high-risk jobs, compulsory traffic accident insurance (hereafter “SOAT”, for its Spanish acronym) and private pension fund insurances. This estimation is calculated by applying the percentages established by the SBS to the base of the amount of retained claims recorded during the last twelve months as of the date of the calculation of the estimation (for insurances with duration of one year or more) or to the monthly average amount of retained claims recorded during the last six months as of the date of the computation (for insurances with duration of less than one year).

In addition, Interseguro applies actuarial methods to estimate SONR reserves in addition to those required by the SBS. These methods are based on an estimate of the number of claims occurring during a given period of time, as well as the average disbursement for such losses. The value of these reserves is recorded in the consolidated balance sheet under “Technical reserves for premiums and claims” caption and are charged to the results of the year.

(r) Income tax and workers’ profit sharing-

Income tax and worker’s profit sharing are calculated, individually, per Subsidiary, based on taxable income determined for tax purposes. Intergroup is not subject to Income tax, see Note 20(a).

Deferred Income tax and workers’ profit sharing are accounted for in accordance with IAS 12- Income tax; the deferred Income tax and workers’ profit sharing recognizes the effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts determined for tax purposes. Deferred assets and liabilities are measured using the tax and workers' profit sharing rates that are expected to exist in the future and to be applied to taxable income in the years in which temporary differences are expected to be recovered or settled. The calculation of deferred tax assets and deferred tax liabilities reflects the tax consequences that arise from the manner in which the Subsidiaries expect, at the consolidated balance sheets dates, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are recognized regardless of when the timing differences are likely to reverse. Deferred tax assets are recognized when it is probable that sufficient taxable income will be generated against which the deferred assets can be offset. At each consolidated balance sheet date, the Subsidiaries assess unrecognized deferred assets and the carrying amount of recognized deferred assets. The Subsidiaries may recognize a previously unrecognized deferred tax asset to the extent that it has now become probable that future taxable income will allow the deferred tax asset to be recovered. Likewise, the carrying amount of a deferred tax asset is reduced when it is no longer probable that sufficient future taxable income will be available to allow the benefit related to the deferred tax asset to be recognized in part or in full.

According to IAS 12, the Subsidiaries determine their deferred Income tax and workers' profit sharing considering the tax rate applicable to their non-distributed earnings; any additional tax on distribution of dividends is recorded on the date on which the liability is recorded.

(s) Impairment of long-lived assets-

When events or economic changes indicate that the value of a long-lived asset may not be recoverable, Management reviews the value of goodwill, property, furniture and equipment, and intangible assets in order to verify that there is no permanent impairment. When the book value of the asset exceeds its recoverable value, an impairment loss is recognized in the consolidated statements of income. The recoverable value is the highest of the net sales price and its value in use. The net sale price is the amount that can be obtained from the sale of an asset in a free market, while the value in use is the present value of the estimated future cash flows generated from the continuous use of an asset and its disposal at the end of its useful life.

In Management's opinion there is no evidence of impairment of assets as of December 31, 2007 and 2006.

(t) Segment reporting-

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. Management of the Company and its Subsidiaries has determined that there are two main business segments, the banking and the insurance segments, see Note 29.

(u) Fiduciary operations-

Assets and revenues from fiduciary operations in which there is a commitment to return such assets to a client and in which the Company and its Subsidiaries participate as a trustee have been excluded from these consolidated financial statements, because such assets are not owned by the Company and its Subsidiaries. Such assets have been recorded, for control purposes, in off-balance sheet accounts.

(v) Provisions-

Provisions are recognized when the Company and its Subsidiaries have a present obligation (legal or implicit) as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each consolidated balance sheet date and adjusted to reflect Management's best estimate based on current information. When the effect of the time value of money is material, the amount recorded as a provision is equal to the present value of future payments required to settle the obligation.

(w) Contingencies-

Contingent liabilities are not recorded in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements, unless the possibility of an outflow of economic benefits is remote. Contingent assets are not recorded in the consolidated financial statements; however, they are disclosed if it is probable that an inflow of economic benefits will be realized.

(x) Earnings per share-

Basic earnings per share are computed dividing the net income by the weighted average number of shares outstanding at the consolidated balance sheet date, deducting treasury stock. Shares from capitalization of earnings are deemed to be stock-splits and; therefore, have been considered as if they had always been issued.

The basic earnings per share have been computed, for the year 2006, using the number of shares issued by the Company as of the date of the share exchanges mentioned in Note 1(b). Gain from the discontinued operation has been excluded when computing the basic earnings per share.

Diluted earnings per share correspond to the basic earning per share, adjusted by the dilutive effects of shares originated through the convertion of bonds or convertible shares, and others. As of December 31, 2007 and 2006, the Company and its Subsidiaries had no financial instruments with potentially dilutive effects; therefore, earnings per basic and diluted share are the same.

(y) Capital surplus-

Corresponds to the difference between the nominal value and the offering price of the issued shares. Capital surplus is presented net of the expenses incurred in the issuance of shares.

(z) Treasury stock-

Integroup, through its Subsidiary Interseguro, holds shares of own issuance; said shares are presented reducing the shareholders' equity in the "Treasury stock" caption for the amount paid in their acquisition

(aa) Consolidated statements of cash flows-

Cash presented in the consolidated statements of cash flows includes cash and due from banks balances as of December 31, 2007 and 2006 with less than three months maturity from the date of acquisition, excluding the respective interest accrued thereon.

(ab) Consolidated financial statements as of December 31, 2006-

Certain reclassifications have been made to the year 2006 consolidated financial statements in order to make them comparable with year 2007 consolidated financial statements. In Management's opinion the amounts are not significant to the consolidated financial statements taken as a whole.

(ac) New accounting standards-

As of the date of these consolidated financial statements, the Peruvian Accounting Board (hereafter "the CNC" for its Spanish acronym) has approved the application of International Financial Reporting Standards (IFRS) 1 to 6 and the International Accounting Standards (IAS) 1 to 41 and the pronouncements 1 to 33 of the Standing Interpretations Committee (SIC); their application is mandatory in Peru as of January 1, 2006. On the other hand, there are several IFRS (IFRS 7, IFRS 8 and modifications to IAS and IFRS prevailing) and interpretations (IFRIC 1 to 13) issued at an international level and in force since the year 2007, that have not yet been approved by the CNC.

However, because these standards apply as a supplement to the accounting rules established by the SBS, they did not have and will not have a significant effect on the preparation of the consolidated financial statements of Intergroup and its Subsidiaries, unless the SBS adopts them in the future through the modification of its Accounting Manual or the issue of specific rules thereon. Intergroup and its Subsidiaries have not estimated the effect on its consolidated financial statements should such rules be adopted by the SBS.

5. Transactions in foreign currency and exchange risk exposure

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

As of December 31, 2007, the weighted average exchange rates in the market as published by the SBS for transactions in US Dollars were S/ 2.995 bid and S/ 2.997 ask (S/ 3.194 bid and S/ 3.197 ask, as of December 31, 2006 respectively). As of December 31, 2007, the exchange rate established by the SBS to record assets and liabilities in foreign currency was S/ 2.996 per US Dollar (S/ 3.196 as of December 31, 2006).

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

	2007	**2006**
	US$(000)	US$(000)
Assets		
Cash and due from banks	483,547	349,326
Marketable investments, net	411,481	328,763
Held-to-maturity investments, net	203,219	171,088
Loan portfolio, net	1,131,347	750,061
Permanent investments, net	-	682
Accounts receivable and other assets	29,593	24,453
	2,259,187	1,624,373
Liabilities		
Deposits and obligations	1,492,724	1,125,728
Deposits from foreign and local financial entities	7,807	10,263
Due to banks and correspondents	403,914	105,931
Bonds and other obligations	63,480	65,885
Accounts payables, provisions and other liabilities	73,227	37,530
Technical reserves for premiums and claims	343,953	307,759
	2,385,105	1,653,096
Derivative transactions – Net sale position	157,558	(4,347)
Net liability position	31,640	(33,070)

As of December 31, 2007, the net sale position from derivative transactions corresponds to foreign currency forward purchase and sale contracts in the nominal amounts of approximately US$ 402,640,000 and US$ 235,082,000, equivalent to S/ 1,206,309,000 and S/ 704,306,000, respectively (US$ 212,189,000 and US$ 216,536,000 as of December 31, 2006, equivalent to S/ 678,155,000 and S/ 692,049,000, respectively), see Note 21(a).

As of December 31, 2007, Intergroup and its Subsidiaries have granted indirect loans (contingent operations) in foreign currency for approximately US$ 348,376,000, equivalent to S/ 1,043,733,000 (US$ 275,136,000, equivalent to S/ 879,335,000 as of December 31, 2006), see Note 21.

6. Cash and due from banks

As of December 31, 2007, cash and due from banks includes approximately US$ 421,887,000 and S/ 191,786,000 (US$ 282,675,000 and S/ 127,001,000 as of December 31, 2006) 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 (hereafter “BCRP” for its Spanish acronym). The Bank maintains such legal reserve within the limits required by current regulations.

The legal reserve maintained by the Bank at the BCRP does not accrue interest, except for deposits in foreign currency that exceed the minimum legal reserve required. As of December 31, 2007, the monthly amount by which foreign currency deposits exceeded minimum legal reserve requirements was approximately US$ 54,001,000, equivalent to S/ 161,787,000 (US$ 40,974,000, equivalent to S/ 130,378,000 as of December 31, 2006), these excess amounts accrued interest at an annual average rate of 3.50 percent (2.75 percent as of December 31, 2006).

Deposits in domestic and foreign banks are mainly in Nuevos Soles and US Dollars, all amounts are unrestricted and bear interest at market rates. As of December 31, 2007 and 2006, Intergroup and its Subsidiaries do not have significant deposits in any financial institution.

7. Accounts receivable from insurance operations

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

	2007 S/(000)	**2006** S/(000)
Premium receivable from Profuturo AFP S.A. (b)	9,019	8,648
Individual Capitalization Accounts and Recognition Bonds (c)	2,484	2,507
Other accounts receivable	413	542
Total	11,916	11,697

(b) By virtue of a “Disability, Survival and Burial Expenses Risk Management Contract”, entered into with Profuturo AFP S.A., Interseguro provided pension plans to the affiliates of such entity. The original expiration of the contract was October 31, 2005; but was extended by SBS Official Letter No. 21329-2005 until October 31, 2006 and, through the signature of a new contract, was extended until December 31, 2007. As at the date of the consolidated financial statements, the contract has expired, see Note 24(c).

(c) As of December 31, 2007 and 2006, it corresponds mainly to individual capitalization accounts, including the estimated value of the recognition bonds of the affiliates of Profuturo AFP S.A. deceased or declared disabled.

8. Marketable investments, net

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

	2007 S/(000)	2006 S/(000)
Marketable investments held for trading-		
Investment in shares quoted on the Lima Stock Exchange	22,443	3,706
Peruvian Sovereign Bonds (b)	139,120	133,547
	161,563	137,253
Marketable investments available for sale-		
Negotiable Bank Certificates issued by BCRP (c)	767,148	374,962
Public Treasury Bonds:		
- Peruvian Global Bonds (d)	666,131	553,463
- Peruvian Sovereign Bonds (b)	151,669	171,908
- Colombian Sovereign Bonds	21,771	32,511
- United States Sovereign Bonds	17,972	-
- Brasil Sovereign Bonds	14,387	15,490
- RFA Bonds (Peru)	4,508	4,810
- FOPE Bonds (Peru)	1,013	1,080
Financial and corporate bonds (e)	350,351	346,961
Shares (f)	211,815	88,551
Credit Suisse, London Branch - variable coupon principal protected notes (Royalty Pharma) (g)	153,074	-
Credit Suisse, Nassau Branch - variable coupon principal protected notes (Royalty Pharma) (g)	43,349	46,260
Royalty Pharma Cayman Partners, LP participations (h)	19,474	1,944
Mutual and investment funds participations	25,041	78,998
Other	24	31
	2,447,727	1,716,969
Equity investments received through loans capitalizations-		
- Agro Guayabito S.A. (Peru)	-	24,842
- Cosapi S.A. (Peru)	-	6,980
	-	31,822
Less-		
Allowance for impairment of Agro Guayabito S.A.	-	(24,842)
Allowance for impairment of Cosapi S.A.	-	(4,118)
Allowance for impairment of investment funds, shares and financial and corporate bonds	(22,317)	(11,955)
Total allowance for impairment of marketable investments available for sale (i)	(22,317)	(40,915)
Marketable investments, net	2,586,973	1,845,129
Plus - Accrued interest on marketable investments	19,735	22,699
Total	2,606,708	1,867,828

(b) As of December 31, 2007, Peruvian Sovereign Bonds are denominated in Nuevos Soles, have maturities between August 2011 and August 2046 (between February 2007 and January 2035, as of December 31, 2006), and accrue effective annual interest rates between 6.90 percent and 12.25 percent (between 4.22 percent and 12.25 percent as of December 31, 2006).

(c) As of december 31, 2007, the Negotiable Bank Certificates issued by BCRP are denominated in Nuevos Soles, have maturities between January 2008 and May 2010 (between January 2007 and December 2009, as of December 31, 2006), and accrue effective annual interest rates between 4.94 percent and 6.17 percent (between 4.48 percent and 6.25 percent as of December 31, 2006).

(d) As of December 31, 2007 the Peruvian Global Bonds are denominated in US Dollars, have maturities between July 2025 and March 2037 (between July 2025 and November 2033 as of December 31, 2006) and accrue effective annual interest rates between 5.07 percent and 8.75 percent (between 7.35 percent and 8.75 percent as of December 31, 2006).

As of December 31, 2007 and 2006, the Bank had repurchase agreements for part of its Peruvian Global Bonds portfolio for a nominal value of approximately S/ 224,700,000 and S/ 207,740,000, respectively, whose repurchase commitment date was January 7, 2008 and January 26, 2007, respectively. Up to the date of this report the repurchase agreements have been renewing at their maturity. The bonds sold with repurchase agreements are considered only as a guarantee of the transaction and thus are maintained as investments and a liability is recognized for the amount that will be paid for the resources obtained thereof, see Note 14(a).

(e) They correspond to corporate and financial bonds held mainly by Interbank and Interseguro, and present the following risk rating granted by the main risk rating agencies:

	2007 S/(000)	2006 S/(000)
Instruments rated in Peru		
AAA	95,541	50,529
AA - / AA +	7,493	9,005
A - / A +	18,200	884
Instruments rated abroad		
AAA	-	15,015
A - / A +	26,851	26,400
BBB - / BBB +	148,446	52,550
BB - / BB +	47,910	189,549
Other	5,910	3,029
Total	350,351	346,961

As of December 31, 2007, these bonds had maturities between March 2008 and November 2037 (between January 2007 and May 2025 as of December 31, 2006) and accrue effective annual interest rates between 3.67 percent and 9.27 percent in foreign currency (5.32 percent and 10.47 percent in foreign currency as of December 31, 2006).

(f) As of December 31, 2007 and 2006, included shares mainly issued in Nuevos Soles by entities operating in the Peruvian utilities sector for approximately S/ 125,447,000, as well as other shares issued by various entities operating in sectors such as agriculture, banking and services, for approximately S/ 86,368,000.

As of December 31, 2007 and 2006, Intergroup and Subsidiaries maintained a provision for impairment of shares amounting to S/ 10,926,000, respectively, that is presented in the caption "Allowance for impairment of investment funds, shares and financial and corporate bonds”.

(g) Notes denominated Credit Suisse, Nassau Branch (Royalty Pharma) were issued by the Nassau Branch of Credit Suisse Bank (CSB) with due in October 2006 and were initially acquired by Interseguro for approximately US$ 23,394,000 (equivalent to approximately S/ 74,768,000). On that same date, Interseguro sold to the Bank a portion of the notes for approximately US$ 8,920,000 (equivalent to approximately S/ 28,508,000), which are presented in the “Held-to-maturity investments” caption of the accompanying consolidated balance sheets; this transaction did not generate any profit. The proceeds of the notes were used by CSB to acquire from Interseguro 489,122 participations in Royalty Pharma Cayman Partners, LP (hereafter “Royalty Pharma”), see (h).

Likewise, on December 2007, Intergroup acquired notes issued by the branch of CSB in London, under the “Debt Issuance Programme of Credit Suise, London Branch” program, for an amount of approximately US$ 51,110,000, which correspond to the LB 2007-237 and LB 2007-236 series.

Credit Suisse, Nassau Branch and Credit Suisse, London Branch notes were issued in the form of variable coupon bonds that guarantee the payment of the principal only upon maturity (2036 and 2038, respectively).

Credit Suise, London Branch notes are composed by 745,000 Royalty Pharma Cayman Partners LP participations amounting to approximately US$ 36,878,000 and a financial instrument “zero coupon issued by CSB” aumounting to approximately US$ 14,232,000.

The Royalty Pharma participations are part of the notes and will be delivered either as part of the yield upon their maturity, jointly with the payment of the principal, or if their holders execute the prepayment option, in which case the shares plus the amount equivalent to the value of the notes on the execution date will be received. Likewise, during the term of the notes, they will pay a yield equivalent to the amount that CSB collects as dividends from the participations in Royalty Pharma. During the year 2007, Interseguro and the Bank received for this concept approximately US$ 1,291,000 (equivalent to S/ 4,064,000), an amount that is included in the "Financial income" line item of the consolidated statement of income.

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 Management’s opinion, and based on information from Royalty Pharma, the estimated market value of the notes exceeds their book value.

(h) This investment is held mainly by Interseguro and Interfondos S.A. Sociedad Administradora de Fondos and; as of December 31, 2007, corresponds to 242,424 participations.

In Management’s opinion, based on information obtained from Royalty Pharma, the estimated fair value of the notes exceeds their book value.

(i) The table below presents the movements in the allowance for impairment of marketable investments available for sale and equity investments received through loans capitalizations:

	2007 S/(000)	2006 S/(000)
Balance at the beginning of the year	40,915	40,439
Provisions recognized as annual expense	11,715	1,433
Recoveries	(4,088)	(522)
Write-offs	(24,842)	-
Exchange difference, net	(1,383)	(435)
Balance at the end of the year	22,317	40,915

In Management's opinion, the allowance recorded is sufficient to cover potential losses in these investments as of December 31, 2007 and 2006.

(j) The table below presents the reconciliation between the book value and the fair value of the marketable investments as of December 31, 2007 and 2006:

	2007 S/(000)	2006 S/(000)
Gross book value	2,609,290	1,886,044
Unrealized losses	(14,483)	(40,915)
Unrealized gains	111,762	73,597
Estimated fair value	2,706,569	1,918,726

Management has estimated the fair value of its marketable investments using market price quotations from centralized mechanisms of trading or, if a quotation is not available, by discounting the expected future cash flows at an interest rate that reflects the risk classification of the financial instrument; and equity value for equity investments received through loans capitalizations.

(k) The table below presents the balance of marketable investments available for sale as of December 31, 2007 and 2006, classified by their maturity date:

	2007 S/(000)	2006 S/(000)
Due within 1 month	84,865	98,993
From 1 to 3 months	82,003	60,616
From 3 months to 1 year	384,575	215,818
From 1 year to 5 years	303,187	151,806
From 5 years to more	1,361,808	1,099,241
Shares (without maturity)	231,289	122,317
	2,447,727	1,748,791

9. Held-to-maturity investments, net

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

Description	2007 S/(000)	2006 S/(000)
Corporate and financial bonds (b)	382,622	211,610
Sovereign bonds (c)	214,692	287,059
Real estate investments (d)	239,673	100,951
Real estate projects (e)	33,774	31,884
Credit Suisse, Nassau Branch - variable coupon principal protected notes (Royalty Pharma), Note 8(g)	26,724	28,508
Certificates of deposits of the Peruvian Financial System	13,178	13,854
	910,663	673,866
Less - Allowance for held-to-maturity investments	(404)	(684)
Add - Accrued interest on held-to-maturity investments	8,633	7,093
Total	918,892	680,275

(b) The table below presents the balance corresponding to corporate and financial bonds, which are held by Interseguro, according to their risk ratings, granted by the main risk rating agencies:

	2007 S/(000)	2006 S/(000)
Instruments rated in Peru		
AAA	37,300	63,757
AA - / AA +	27,439	40,477
Lower than B -	443	586
Instruments rated abroad		
BBB - / BBB +	189,207	106,790
BB - / BB +	128,233	
Total	382,622	211,610

As of December 31, 2007, these bonds had maturities between January 2008 and August 2037, (between September 2007 and July 2035 as of December 31, 2006) and accrue effective annual interest rates between 5.60 percent and 10.47 percent in foreign currency (between 5.27 percent and 8.00 percent as of December 31, 2006) and between 3.67 percent and 10.59 percent in Nuevos Soles (between 6.60 percent and 10.59 percent as of December 31, 2006).

(c) The table below presents the balance corresponding to sovereign bonds, which are held by Interseguro as of December 31, 2007 and 2006:

	2007 S/(000)	2006 S/(000)
Peruvian Sovereign Bonds	194,102	190,920
Brazilian Sovereign Bonds	20,590	22,114
Mexican Sovereign Bonds	-	61,208
Colombian Sovereign Bonds	-	12,817
Total	214,692	287,059

As of December 31, 2007, these bonds had maturities between September 2009 and July 2035 (between September 2008 and July 2035 as of December 31, 2006) and accrued effective annual interest rates between 3.25 percent and 5.40 percent in Nuevos Soles and between 5.75 and 11.67 percent in US Dollars (between 5.20 and 11.67 percent in US Dollars as of December 31, 2006).

(d) The table below presents the components of real estate investments, which are held by Interseguro as of December, 2007 and 2006:

	2007 S/(000)	2006 S/(000)
Centro Comercial Real Plaza, Chiclayo (i)	57,007	36,817
Centro Comercial Real Plaza, Trujillo (ii)	54,362	456
Land (iii)	112,693	47,730
Buildings (iv)	18,064	16,897
	242,126	101,900
Accumulated depreciation of buildings	(1,869)	(949)
Provision for comparasion with market value	(584)	-
Total	239,673	100,951

(i) Corresponds to a shopping and entertainment mall called “Centro Comercial Real Plaza” located in the city of Chiclayo, Peru, which began its operations in November 2005. The building comprises two main areas, for which. Interseguro has two lease contracts signed for 30 and 20 year terms, respectively, with Saga Falabella S.A. and Cineplex S.A. (a related entity, hereafter Cineplex), respectively, which provide for a minimal monthly lease payment, as well as a variable payment based on sales and services revenues received by the tenants. The variation in the year 2007 corresponds mainly to an extension of the mall amounting to approximately US$ 5,886,000 (S/ 17,636,000 as of December 31, 2007) finished on November 2007. On this extension is located a supermarket, Interseguro has a lease contract for 30 years with Supermercados Peruanos S.A. (a related entity), which provide for a minimal monthly lease payment as well as a variable payment based on sales and services revenues received by the supermarket.

(ii) Corresponds to a shopping and entertainment mall called “Centro Comercial Real Plaza Trujillo”, located in the city of Trujillo. The shopping and entertainment mall comprises a cinema that began to operate in July 2007 and a shopping and entertainment area that began to operate in November 2007 for which Interseguro has a lease contract for 30 years with Supermercados Peruanos S.A., which provides for a minimal monthly lease payment as well as a variable payment based on sales and services revenues received by the tenant. The book value includes the rights of use of the land where the mall was built, see Note 13(f).

(iii) Corresponds mainly to the purchase of two land lots in June and December 2007 and three land lots in the year 2006, located in the city of Lima. These lots were acquired for the purpose of building housing complexes or other real estate projects. The book value of these lots is lower than their estimated market value.

(iv) Corresponds mainly to two real estate properties located in Lima, acquired in 2006 from Tabacalera Nacional S.A., see Note 13(a).

(e) The table below presents the components of real estate projects, which are held by Interseguro as of December 31, 2007 and 2006:

	2007 S/(000)	**2006** S/(000)
Primavera Park Plaza (i)	26,674	28,454
Cineplanet Piura (ii)	3,169	3,430
Centro Cívico (iii)	3,931	-
	33,774	31,884

(i) Corresponds to the funds disbursed by Interseguro to Urbi Propiedades S.A. (hereafter “Urbi”, a related entity) for the construction of a mall called “Primavera Park Plaza”, located in the city of Lima, Peru, on which Ripley Perú S.A. entered into a 30-year lease contract in 2003. Interseguro and Urbi entered into a Rights Assignment Agreement under which Urbi agreed to assign to Interseguro the rights to the economic flows generated from the lease agreement signed with Ripley Perú S.A. for a minimum term of 11 years and a maximum term of 16 years, beginning January 2004. The term is subject to obtaining a level of profitability agreed by Interseguro and Urbi. This transaction and its accounting treatment were approved by the SBS.

(ii) Corresponds to an agreement between Interseguro and Cineplex under which Cineplex assigned its right to use a property in the city of Piura, Peru, under an agreement previously executed with Multimercados Zonales S.A., for a term of 10 years with a renewal option of 10 additional years. This transaction and its accounting treatment were approved by the SBS.

(iii) Corresponds to an agreement between Centro Civico S.A. and Fondo Consolidado de Reservas Previsionales – FCR, under which FCR assigned its right to use a property in the city of Lima, Peru, for a term of 31 years with a renewal option at maturity. By the sign of this agreement, Centro Cívico S.A. compromises to the construction and exploitation of a shopping mall (an investment that has been estimated in approximately US$ 18,000,000 and whose works are estimated to start in June 2008 and to finish in July 2009) and to the annual payment to the FCR of 15 percent of the gross earnings obtained by the exploitation of the mall, amount that can not be lower than US$ 800,000.

(f) As of December 31, 2007 and 2006, the fair value of held-to-maturity investments is as follows (excluding investments in real estate):

	2007		2006	
	Book value S/(000)	**Fair value** S/(000)	**Book value** S/(000)	**Fair value** S/(000)
Corporate and financial bonds	382,622	391,122	211,610	217,175
Sovereign bonds	214,692	256,983	287,059	317,624
Credit Suisse, Nassau Branch variable coupon principal protected notes (Royalty Pharma)	26,724	33,019	28,508	28,508
Certificates of deposits of the Peruvian Financial System	13,178	13,178	13,854	13,854
	637,216	694,302	541,031	577,161

(g) The table below presents the balance of held-to-maturity investments, excluding real estate investments and projects, by maturity date, as of December 31, 2007 and 2006:

	2007 S/(000)	**2006** S/(000)
From 1 to 3 months	3,254	2,072
From 3 months to 1 year	1,011	4,953
From 1 to 5 years	104,680	177,490
From 5 years to more	528,271	356,516
Total	637,216	541,031

10. Loan portfolio, net

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

	2007 S/(000)	2006 S/(000)
Commercial	3,084,771	1,985,804
Consumer	2,122,943	1,586,632
Mortgage	820,528	542,694
MES	31,170	3,150
Restructured and refinanced	134,054	216,076
Past due and under legal collection	58,865	84,960
	6,252,331	4,419,316
Add (less)		
Accrued interest from standing loans	48,710	36,236
Deferred interest and interest collected in advance	(183,061)	(109,338)
Allowance for loan losses (e)	(198,370)	(199,984)
Total direct loan portfolio, net	5,919,610	4,146,230

As of December 31, 2007 and 2006, the total amount of direct and indirect loan portfolio before allowance for loan losses, is as follows:

	2007 S/(000)	2006 S/(000)
Direct loan portfolio	6,252,331	4,419,316
Indirect loan portfolio, Note 21(a)	1,424,249	1,148,074
Total	7,676,580	5,567,390

As of December 31, 2007 and 2006, 51 percent of the direct and indirect loan portfolio corresponded to 422 and 262 clients, respectively. Loans were mainly given to companies established in Peru or to companies whose shareholders have investments mainly in Peru.

On May 22, 2007, the Board of Directors agreed the acquisition of the mortgage loan portfolio of Banco del Trabajo (a Peruvian financial entity). The acquisition was made on September 11, 2007, for a gross mortgage loan portfolio of approximately US$ 56,878,000 (equivalent to approximately S/

179,734,000). As part of this acquisition the Bank assumed the liability that Banco del Trabajo had with Corporación Financiera de Desarrollo – COFIDE for approximately US$ 55,488,000 (equivalent to approximately S/ 175,342,000) and paid in cash approximately US$ 4,993,000 (equivalent to approximately S/ 15,778,000). The acquired loan portfolio was recorded at its gross value, including its related allowance for loan losses of approximately US$ 1,737,000 (equivalent to approximately S/ 5,492,000); the resulting interest premium, amounting to US$ 5,339,000 (equivalent to approximately S/ 16,871,000), was also recorded. As of December 31, 2007, the net interest premium amounts to S/ 16,027,000 and is presented in the "Other assets" caption of the consolidated balance sheets. The average maturity of this loan portfolio is November, 2020. See Note 13(a).

(b) The table below presents the direct loan portfolio distributed by economic sectors:

	2007		2006	
Sector	**Number of clients**	**Amount** S/(000)	**Number of clients**	**Amount** S/(000)
Manufacturing	937	1,104,792	448	740,591
Commerce	3,420	445,980	768	348,720
Lease and real estate activities	541	240,494	338	109,287
Transportation, storage and communications	366	229,351	241	179,040
Agriculture, herding, hunting and silviculture	146	225,418	151	158,502
Mining	59	197,902	39	98,674
Hotels and restaurants	206	175,397	53	33,711
Construction	149	160,975	124	73,342
Fishing	30	156,975	28	125,277
Financial intermediation	37	93,651	31	155,687
Electricity, gas and water	16	64,918	10	102,244
Public administration and defense	7	48,043	9	62,501
Other activities	482	97,750	391	47,468
Other loans				
Consumer	550,910	2,171,396	483,768	1,625,874
Mortgage	12,270	839,289	7,546	558,398
Total	569,576	6,252,331	493,945	4,419,316

(c) Clients/debtors (including direct and indirect loans) are classified by risk, according to regulations effective as of December 31, 2007 and 2006, and considering the following categories of guarantees: Loans Affected by Counterparty Substitution (CACS for its spanish acronym), Loans With Preferred Guarantees (LWPG), Loans With Readily Liquid Preferred Guarantees (LWRLPG), Loans With Preferred Self Liquidating Guarantees (LWPSLG) and Loans Without Guarantees (LWG), as follows:

	As of December 31, 2007						
Risk category	**CACS** S/(000)	**LWPG** S/(000)	**LWRLPG** S/(000)	**LWPSLG** S/(000)	**LWG** S/(000)	**Total** S/(000)	**%**
Normal	393,194	1,525,624	286,863	93,403	4,855,000	7,154,084	93
With potencial problem	-	87,065	3,539	4,562	154,428	249,594	3
Substandard	-	9,261	848	5,293	60,445	75,847	1
Doubtful	-	10,695	1,484	9,850	94,439	116,468	2
Loss	-	26,908	3,761	140	49,778	80,587	1
Total	393,194	1,659,553	296,495	113,248	5,214,090	7,676,580	100

	As of December 31, 2006						
Risk category	**CACS** S/(000)	**LWPG** S/(000)	**LWRLPG** S/(000)	**LWPSLG** S/(000)	**LWG** S/(000)	**Total** S/(000)	**%**
Normal	293,106	1,022,179	124,466	116,214	3,358,413	4,914,378	88
With potencial problem	-	116,306	2,792	901	117,722	237,721	5
Substandard	-	76,116	9,051	115	131,775	217,057	4
Doubtful	-	27,403	14,108	281	90,554	132,346	2
Loss	-	23,973	1,307	113	40,495	65,888	1
Total	293,106	1,265,977	151,724	117,624	3,738,959	5,567,390	100

(d) Financial entities in Peru must constitute their allowance for loan losses considering the client/debtor risk classification previously indicated and using the following percentages:

Classification	**LWG** %	**LWPG** %	**LWRLPG** %	**LWPSLG** %
Normal	1.00	1.00	1.00	1.00
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 CACS the allowance required for the secured amount depends on the risk classification of the counterparty, independent from the risk classification of the client/debtor, and is calculated using the previously indicated percentages.

As of December 31, 2007 and 2006, the percentages indicated above must be used when calculating the allowance for loan losses for all types of loans (commercial, MES, consumer and mortgage loans). MES and consumer loans are mainly considered as Loans Without Guarantees.

(e) The table below presents the movement of the allowance for loan losses determined according to the risk classification and percentages previously indicated:

	2007 S/(000) (*)	**2006** S/(000) (*)
Balance at the beginning of the year	219,408	230,569
Provisions recognized as year expense	139,836	150,634
Recoveries	(11,773)	(24,866)
Write-offs, extinguishments and sales	(114,664)	(127,316)
Reclassification to accounts receivable	(6,540)	-
Allowance acquired from Banco del Trabajo loan portfolio	5,492	-
Exchange result, net	(7,240)	(9,613)
Balance at year end	224,519	219,408

(*) The allowance for loan losses includes an allowance for indirect loans amounting to approximately S/26,149,000 as of December 31, 2007 (approximately S/19,424,000 as of December 31, 2006), which is recorded in the "Provisions and other liabilities" caption in the consolidated balance sheets, see Note 13(a).

In Management's opinion, the allowance for loan losses recorded as of December 31, 2007 and 2006 is in compliance with SBS rules and authorizations in effect as of those dates, see Note 4(e).

(f) Interest rates on loans are freely determinated based on the rates prevailing in the Peruvian market.

(g) The table below presents the direct loan portfolio as of December 31, 2007 and 2006, classified by its maturity date:

	2007 S/(000)	2006 S/(000)
Pending-		
Due within 1 month	835,115	651,959
From 1 to 3 months	1,004,794	693,911
From 3 months to 1 year	1,489,701	1,081,183
From 1 to 5 years	2,158,835	1,439,730
From 5 years to more	705,021	467,573
	6,193,466	4,334,356
Past due loans	41,623	48,172
Loans under legal collection	17,242	36,788
Total	6,252,331	4,419,316

11. Permanent investments, net

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

	Percentage of participation		Book value	
	2007	**2006**	**2007** S/(000)	**2006** S/(000)
Investment fund administrated by Compass, Capital (Cayman) Limited	6.66	6.66	7,312	8,066
Shares-				
Procesos MC Perú S.A.	50.00	50.00	15,065	9,990
Visanet Perú S.A.	15.47	14.93	2,303	2,428
Titulizadora Peruana - Sociedad Titulizadora	15.00	-	1,655	-
La Fiduciaria S.A.	35.00	35.00	983	929
Other	-	-	4,563	4,135
			31,881	25,548
Less-				
Allowance for impairment of investment fund administrated by Compass, Capital (Cayman) Limited			(6,964)	(6,832)
Allowance for impairment of other permanent investments			(1,142)	(1,142)
			(8,106)	(7,974)
Total			23,775	17,574

(b) During 2007 and 2006, as a result of applying the equity method of accounting, the company recorded gains on its investments for approximately S/ 10,148,000 and S/ 6,375,000, respectively. These gains are presented in the "Financial income" line item of the consolidated statement of income.

During 2007 and 2006, the Company received dividends from its permanent investments for approximately S/ 4,479,000 and S/ 3,070,000, respectively.

12. Property, furniture and equipment, net

(a) The table below presents the movement of these accounts in 2007 and 2006:

Description	Land S/(000)	Buildings and facilities S/(000)	Furniture and equipment S/(000)	Vehicles S/(000)	Leasehold improvements S/(000)	In-transit equipment and work in progress S/(000)	Total 2007 S/(000)	Total 2006 S/(000)
Cost								
Balance as of January 1	56,359	461,425	182,934	4,715	18,328	35,190	758,951	719,326
Additions and tranfers	-	5,739	36,570	116	8,382	34,348	85,155	45,213
Retirements and write-offs	-	(2,817)	(758)	(4)	-	(3,556)	(7,135)	(618)
Transfers to intangibles, Note 13(d)	-	-	-	-	-	(3,760)	(3,760)	(4,970)
Balance as of December 31	56,359	464,347	218,746	4,827	26,710	62,222	833,211	758,951
Accumulated depreciation								
Balance as of January 1	-	230,091	109,653	4,377	17,430	-	361,551	322,362
Depreciation for the year	-	18,054	22,024	120	736	-	40,934	39,391
Retirements and write-offs	-	(789)	(640)	(2)	-	-	(1,431)	(202)
Balance as of December 31	-	247,356	131,037	4,495	18,166	-	401,054	361,551
Net book value	56,359	216,991	87,709	332	8,544	62,222	432,157	397,400

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

(c) The Bank, with SBS authorization, recorded in prior years voluntary revaluations of some of its assets at their market values determined by an independent appraiser amounting to approximately S/ 61,140,000. As of December 31, 2007 and 2006, the net book value of the recorded revaluations amounts to approximately S/ 49,957,000 and S/ 51,612,000, respectively.

(d) 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 property, furniture and equipment as of December 31, 2007 and 2006.

13. Accounts receivable and other assets, accounts payable, provisions and other liabilities

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

	2007 S/(000)	2006 S/(000)
Accounts receivable and other assets		
Value Added Tax credit	72,487	15,893
Transactions in process (b)	44,813	53,738
Rights paid to related entity (c)	32,495	35,175
Intangible assets, net (d)	25,089	25,865
Other accounts receivable, net	35,464	23,703
Deferred charges	9,818	16,355
Accounts receivable related to derivative financial instruments	25,680	16,212
Interest premium, net, Note 10(a)	16,027	-
Lease (rent) paid in advance (e)	10,506	11,472
Income tax prepayments, net	8,104	3,669
Goodwill, net	-	2,378
Current accounts with reinsurance and co-insurance companies	203	673
Other	15,736	11,219
Total	296,422	216,352
Accounts payable, provisions and other liabilities		
Transactions in process (b)	101,622	81,452
Other accounts payable	86,752	59,847
Allowance for losses on indirect loan portfolio (contingent loans), Note 10(e)	26,149	19,424
Workers' profit sharing and salaries payable	44,415	19,184
Accounts payable related to derivative financial instruments	15,447	3,609
Accounts payable to Río Nuevo S.A. (f)	8,631	-
Account payable to Tabacalera Nacional S.A., Note 9(d) (iv)	642	12,784
Other provisions for contingencies	10,231	6,690
Other	2,979	18,455
Total	296,868	221,445

(b) 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 consolidated balance sheet account on the first days of the following month. These transactions do not affect the consolidated results.

(c) In December 2003, the Bank entered into a concession agreement with Supermercados Peruanos S.A to install financial services locations in the stores of Supermercados Peruanos S.A., a related party, for a 15 year-term; an initial amount of approximately US$ 10,000,000 was paid on December 31, 2003 and includes the Value Added Tax derived from this transaction, which in accordance with tax legislation is not recoverable by the Bank. The Bank is amortizing the prepaid rights over 15 years and recorded in 2007 an expense of S/ 2,280,000 (S/ 2,747,000 in 2006), which is included in the "Administrative expenses" line item of the consolidated statements of income.

(d) The table below presents the movement of intangible assets in 2007 and 2006:

	2007			2006
Description	**Other intangibles** S/(000)	**Software** S/(000)	**Total** S/(000)	**Total** S/(000)
Amortization period	5 to 10 years	5 years		
Cost				
Balance as of January 1	41,595	125,233	166,828	160,122
Additions	390	2,419	2,809	2,119
Transfers from in-transit equipment, Note 12(a)	-	3,760	3,760	4,970
Balance as of December 31	41,985	131,412	173,397	167,211
Accumulated amortization				
Balance as of January 1	35,696	105,256	140,952	134,499
Amortization for the year	1,213	6,143	7,356	6,847
Balance as of December 31	36,909	111,399	148,308	141,346
Net book value	5,076	20,013	25,089	25,865

(e) Property lease paid in advance corresponds to rent paid for spaces in a shopping mall up to 2018.

(f) In December of 2007, Interseguro signed with Río Nuevo S.A., a related entity, a rights transfer contract for the use of the land lot where the shopping and entertainment mall called "Centro Comercial Real Plaza Trujillo" was built, for an amount of US$ 2,800,000 (equivalent to S/ 8,631,000). Such amount will be paid in the first quarter of 2008.

14. Deposits and obligations

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

	2007 S/(000)	**2006** S/(000)
Time deposits (d)	3,382,624	2,678,281
Saving deposits	2,091,075	1,767,277
Demand deposits	1,291,875	862,842
Repurchase agreements on Peruvian Global Bonds, Note 8(d)	221,552	220,272
Guarantee deposits (*)	216,015	191,055
Taxes payable	24,826	14,820
Other obligations	3,191	3,053
	7,231,158	5,737,600
Interest payable for depostis and obligations	26,144	23,132
Total	7,257,302	5,760,732

(*) As of December 31, 2007 and 2006, corresponds to restricted deposits given as guarantees by clients/debtors, in connection with direct and indirect loans granted by the Bank for approximately S/ 191,611,000 and S/ 188,533,000, respectively.

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

(c) As of December 31, 2007 and 2006, the deposit Insurance fund ("FSD" for its Spanish acronym) amounts to S/ 79,277 and S/ 75,742, respectively.

(d) The table below presents the balance of time deposits classified by maturity as of December 31, 2007 and 2006:

	2007 S/(000)	2006 S/(000)
Due within 1 month	1,634,344	122,007
From 1 to 3 months	792,042	236,198
From 3 months to 1 year	712,672	2,061,689
From 1 to 5 years	243,566	258,387
Total	3,382,624	2,678,281

15. Due to banks and correspondents

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

	2007 S/(000)	2006 S/(000)
By type-		
Loans received from foreign entities (b)	912,118	90,492
Promotional credit lines (c)	510,357	248,202
	1,422,475	338,694
Interest and commissions payable	17,549	1,252
Total	1,440,024	339,946
By term-		
Short term	1,152,648	53,443
Long term	287,376	286,503
Total	1,440,024	339,946

(b) As of December 31, 2007 and 2006, includes the following:

Entity	**Country**	**2007** S/(000)	**2006** S/(000)
Banco Latinoamericano de Exportaciones	Panama	404,486	-
Bear Stearns Securities	United States of America	91,909	31,676
JP Morgan Chase	United States of America	74,902	-
Corporación Andina de Fomento	Venezuela	74,900	-
Standard Chartered Bank	England	71,904	-
Natixis Bank	France	51,022	-
Wachovia Bank	United States of America	29,960	-
Banco de Comercio Exterior de Colombia	Colombia	26,287	-
Mercantil Commercebank	United States of America	20,837	-
Nederlandse Financierings - Maatschappij voor Ontwrikkelingslanden N.V. (FMO)	The Netherlands	-	47,940
Others	Various	65,911	10,876
		912,118	90,492

These transactions with foreign entities bear effective annual interest rates between 4.84 percent and 11.98 percent as of December 31, 2007 (between 4.24 percent and 11.21 percent as of December 31, 2006).

Some of the loan contracts include standard clauses requiring the Bank to comply with financial covenants, use of funds criteria and other administrative matters. In Management's opinion, said standard clauses do not limit the normal operation of the Bank and have been substantially fulfilled in accordance with international standard practices for these transactions.

(c) Promotional credit lines include loans received in Nuevos Soles and US Dollars from Corporación Financiera de Desarrollo (COFIDE), which correspond to credit lines granted to promote economic development in Peru. These loans are guaranteed with the related loan portfolio up to the limit of the credit line used and include specific agreements about their use, financial conditions to be maintained and other administrative matters that in Management's opinion, the Bank has complied with. These loans bear quarterly interest rates ranging between 3.43 percent and 9.17 percent as of December 31, in 2007 (between 6.18 percent and 11.25 percent as of December 31, 2006).

(d) The table below presents the amortization schedule for due to banks and correspondents – long term as of December 31, 2007 and 2006:

	2007 S/(000)	**2006** S/(000)
Year		
2007	-	22,108
2008	96,880	13,469
2009	12,500	14,872
2010 and thereafter	177,996	236,054
Total	287,376	286,503

16. Bonds and other obligations

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

Issuer	Issuance	Annual interest rate	Tipe of rate	Maturity	Authorized amount (000)	Used amount (000)	Outstanding balances as of December 31, 2007 S/(000)	Outstanding balances as of December 31, 2006 S/(000)
Leasing bonds								
Interbank	5th issue (A and B series)	4.7501% - Libor 3M + 0.875 bps	Nominal	2008	US$ 30,000	US$ 15,000	44,925	47,940
							44,925	47,940
Subordinated bonds (b)								
Interbank	1st issue	6.75%	Nominal	2013	US$ 30,000	US$ 15,000	44,922	47,940
Interbank	3rd issue	5.65% (VAC)	Effective	2007	S/ 48,000	S/ 48,000	-	60,318 (*)
Interbank	5 th issue (A, B and C series)	10.50% - 8.80%	Nominal	2011	US$ 30,000	US$ 15,000	44,940 (*)	43,340 (*)
Interseguro	1st issue	8%	Nominal	2013	US$ 5,000	US$ 5,000	10,681	15,980
							100,543	167,578
Mortgage bonds								
Interbank	1st issue	4.90%	Nominal	2014	US$ 10,000	US$ 10,000	18,547	23,650
Interbank	2nd issue (A and B series)	5.6355% - Libor 6M + 0.90 bps	Nominal	2015	US$ 10,000	US$ 10,000	23,369	28,765
							41,916	52,415
Interest payable							2,804	2,953
	Total						190,188	270,886

(*) For consolidation purposes, bonds and other obligations held by Intergroup and its Subsidiaries amounting to S/ 4,959,000 and S/ 5,215,000 as of December 31, 2007 and 2006, respectively, have been eliminated from the outstanding balances.

(b) Subordinated bonds do not have specific guarantees.

(c) As indicated in Note 12(b), 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) The table below presents the schedule of repayment for these obligations as of December 31, 2007 and 2006:

	2007 S/(000)	2006 S/(000)
Year		
2007	-	79,251
2008	47,729	47,940
2011 to 2015	142,459	143,695
Total	190,188	270,886

17. Technical reserves for premiums and claims

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

	Technical reserves for premiums S/(000)	Technical reserves for claims S/(000) See 4(q)	Total 2007 S/(000)	Total 2006 S/(000)
Life annuity insurance	1,076,339	-	1,076,339	1,017,137
Private pension insurance	114,627	84,501	199,128	182,880
Life insurance	30,598	3,156	33,754	29,082
Compulsory traffic accident insurance (SOAT)	5,698	2,723	8,421	9,081
Total	1,227,262	90,380	1,317,642	1,238,180

(b) The table below presents the components of the technical reserves for claims, by type of insurance as of December 31, 2007 and 2006:

	2007		
	Reported claims S/(000)	**SONR** S/(000)	**Total** S/(000)
Private pension insurance (d)	80,878	3,623	84,501
Life insurance (d)	3,063	93	3,156
Compulsory traffic accident insurance (SOAT)	1,566	1,157	2,723
	85,507	4,873	90,380

	2006		
	Reported claims S/(000)	**SONR** S/(000)	**Total** S/(000)
Private pension insurance (d)	62,370	6,466	68,836
Life annuity insurance (d)	2,155	71	2,226
Compulsory traffic accident insurance (SOAT)	2,407	696	3,103
	66,932	7,233	74,165

(c) Private pension claims consist of estimates of the total cost, including the cost of adjustment, claims reported by the AFP, for which recipients of disability and survival benefits from the Private Pension System are pending to opt for a life annuity insurance and the insurance company of their choice, as set forth in SBS Resolution No. 900-2003; as well as funeral expenses incurred by the death of affiliates included in the disability and survival policies contracted by the AFP.

(d) In Management’s opinion, these balances reflect the exposure to life annuity insurance, private pension insurance and life insurance operations as of December 31, 2007 and 2006, in accordance with SBS regulations.

(e) The main assumptions used in estimating the reserves for life annuity insurance, private pension insurance and life insurance as of December 31, 2007 and 2006 are shown below:

System	**Tables** (*)	**Technical interest** %
Life annuity insurance (*)	RV-85, RV-2004, B-85 and others	3.00 – 5.45
Private pension insurance	RV85, MI-85 and B-85	Temporary System 3 and 4.5. Final regimen in accordance with the rate published monthly by the SBS
Individual life	CSO80 adjusted	4.00 – 5.00

(*) Mortality tables are established by the SBS.

(f) In accordance with Article 311 of the Banking and Insurance Act and SBS Resolution No. 039-2002 amended by SBS Resolution No. 1149-2002 and Resolution No. 1793-2003, Interseguro must support its total technical reserves, solvency margin and guarantee fund with eligible investments that must be within the limits established by the aforementioned legal provisions.

Interseguro has eligible investments which fully cover the technical reserves as of December 31, 2007 and 2006. As of December 31, 2007 and 2006, investments destined to cover Interseguro's technical reserves are within the limits of eligible investment by country, provided by SBS, pursuant to the provisions set forth in Article 5 and Temporary Provision 4 of SBS Resolution 039-2002.

Eligible investments cannot be granted as guarantee or be subject to liens or encumbrances, or to any other measure which may impair or limit their free availability.

(g) As provided in Article 303 of the Banking and Insurance Act and SBS Resolution No. 813-97 amnended by SBS Resolution No. 827-2000, Interseguro must calculate a solvency margin as one of the parameters used to determine coverage of the regulatory net equity referred to in Note 19(f). Such margin is the largest amount resulting from applying certain percentages to the production of the last twelve months or the expenses for claims net of recoveries of the last thirty six months.

As of December 31, 2007, the solvency margin calculated by Interseguro amounted to approximately S/84,232,000 (approximately S/76,897,000 as of December 31, 2006), which has been computed based on the production of the last twelve months.

18. Deferred asset and liability from workers' profit sharing and Income tax

(a) The table below presents the detail of deferred asset and liability from Income tax and workers'profit sharing:

	Balance as of January 1, 2006 S/(000)	Debit (credit) to the consolidated year results S/(000)	Balance as of December 31, 2006 S/(000)	Debit (credit) to the consolidated year results S/(000)	Balance as of December 31, 2007 S/(000)
Deferred asset from Interseguro					
Tax loss carry forward (b)	3,600	-	3,600	(3,600)	-
Other	-	-	-	99	99
Total deferred asset	3,600	-	3,600	(3,501)	99
Deferred asset (liability) from Interbank and its Subsidiaries					
Generic provisions	16,989	3,348	20,337	2,479	22,816
Allowance for realizable, received as payment and seized through legal actions assets	2,078	251	2,329	(545)	1,784
Allowance for investments	2,923	(2,578)	345	(345)	-
Voluntary revaluation	(17,881)	2,087	(15,794)	(942)	(16,736)
Financial leasing transactions	(8,201)	4,673	(3,528)	2,260	(1,268)
Amortization of intangibles	(1,852)	(4,372)	(6,224)	1,581	(4,643)
Other, net	(1,227)	(4,241)	(5,468)	1,220	(4,248)
Total deferred liability	(7,171)	(832)	(8,003)	5,708	(2,295)

(b) As of December 31, 2007, Interseguro's Management has decided to provide for and has written off the deferred tax asset that resulted from the tax loss carry forward, because it considers, based on current information, that there will not be enough future taxable income in order to recover the deferred tax asset.

(c) The table below presents the amounts reported in the consolidated balance sheets and consolidated statements of income as of and for the years ended December 31, 2007 and 2006:

Consolidated balance sheets	**Deferred assets**		**Deferred liabilities**	
	2007	**2006**	**2007**	**2006**
	S/(000)	S/(000)	S/(000)	S/(000)
Income tax	84	3,063	(1,952)	(6,809)
Workers' profit sharing	15	537	(343)	(1,194)
Total	99	3,600	(2,295)	(8,003)

Consolidated statements of income	**Workers' profit sharing**		**Income tax**	
	2007	**2006**	**2007**	**2006**
	S/(000)	S/(000)	S/(000)	S/(000)
Current	(18,081)	(11,758)	(107,028)	(67,396)
Deferred	329	(124)	1,878	(708)
Total	(17,752)	(11,882)	(105,150)	(68,104)

19. Shareholders' equity

(a) Capital stock-

As a consequence of the exchange of shares described in Note 1(b), Intergroup shareholders' equity was represented by 84,487,205 common shares with a nominal value of US$ 10 per share.

On May 7, 2007, in order to distribute to its shareholders the dividends relating to the 2006 net income received from the Bank and Interseguro during 2007; Intergroup's Board of Directors agreed to redeem all of Intergroup's shares, and to issue the same number of shares with a nominal value of US$ 9.72 each. As a consequence, Intergroup reduced its capital stock by approximately S/ 75,038,000 (equivalent to US$ 23,656,000).

On June of 2007, as a result of the issuance of shares indicated in Note 1(b), Intergroup issued 7,692,308 shares with a nominal value of US$ 9.72 each. After the previously explained exchange of shares, reduction in nominal value and issuance of shares, as of December 31, 2007, the capital stock of Intergroup is represented by 92,179,513 shares with a nominal value of US$ 9.72 each; IFH holds 67,408,826 shares that represent 73.13 percent of the capital stock of Intergroup.

(b) Treasury stock-

As of December 2007 and 2006, Interseguro holds 328,000 shares of Intergroup, the amount paid for these shares amounted to S/ 15,216,000.

Interseguro holds these shares as part of its marketable investments and; therefore, expects to sell them during the first quarter of 2008.

(c) Capital surplus-

Corresponds to the difference between the nominal value of the shares issued in June 2007, less their offering price. The capital surplus is presented net of the expenses incurred relating to the issuance; which mainly includes lawyers and investment bankers fees and transaction commissions.

(d) Subsidiary treasury stock-

As of December 31,2007 and 2006, corresponds to 18,387,00 shares of the Bank, with an acquisition cost of approximately S/ 33,910,000. These shares were acquiried by the Bank for the purpose of executing an Incentives Program for the Bank's Management, following the agreement of the General Shareholders' Meeting held on July 23, 2002.

As of to date, the Bank's shareholders and Management are reviewing the terms in wich this program will be implemented.

(e) Bank's shareholders' equity for legal purposes (regulatory capital)-

As of December 31, 2007 and 2006, the Bank's shareholders' equity for legal purpose (regulatory capital) as determined in accordance with current regulations was as follows:

	2007	**2006**
	S/(000)	S/(000)
Paid-in-capital	478,628	406,238
Add		
Legal reserves	140,727	124,641
Retained earnings with capitalization agreement	83,334	64,737
Due to international correspondents – subordinated loans	-	47,940
Subordinated bonds held by third parties and the Bank's Subsidiaries	44,940	47,940
Generic allowance for loan losses	67,898	46,976
Less		
Investments in Subsidiaries and other	(31,203)	(50,092)
Treasury stock	(33,910)	(33,910)
Other	(74)	(1,362)
Total	750,340	653,108

As of December 31, 2007 and 2006, contingent assets and liabilities weighted by credit risk amounted to approximately S/ 7,286,617,000 and S/ 5,453,064,000, respectively, which generated a global leverage for credit and market risk of 10.03 and 8.50 times, respectively, of the Bank's regulatory capital. According to the Banking and Insurance Act, this ratio cannot exceed 11 times.

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

In accordance with SBS Resolution No. 813-97, ammended by SBS Resolutions No. 1261-98, No. 764-2001 and No. 1124-2006 (wich took effect in January 2007), Interseguro has to maintain a regulatory net equity bigger 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.

The table below presents Interseguro's regulatory net equity as of December 31, 2007 and 2006, determined in accordance with prevailing legislation:

	2007 S/(000)	2006 S/(000)
Paid-in-capital	116,011	106,444
Plus		
Legal reserves	17,211	2,621
Subordinated loans	14,981	15,980
Net income	-	9,588
Less		
Goodwill	-	(859)
Total	148,203	133,774

In accordance with SBS Resolution No. 764-2001, the solvency net equity is established based on the bigger amount of the minimum capital provided for in Article 16 of the Banking and Insurance Act, updated by means of SBS Circular Letter No. G-123-2005 and modified by SBS Resolution No. 1124-2006 and the solvency margin (Note 17(g)). As of December 31, 2007, the solvency net equity is equivalent to the solvency margin and amounts to approximately S/ 84,232,000 (approximately S/ 76,897,000 as of December 31, 2006).

As of December 31, 2007, according to SBS Resolution No. 764-2001 the guarantee fund amounts to approximately S/ 29,481,000 (approximately S/ 26,914,000 as of December 31, 2006).

As of December 31, 2007 and 2006, the regulatory net equity assigned to cover credit risks does not report any value because Interseguro has neither granted premium funding under the Special System referred to in SBS Resolution No. 630-97 nor maintained guaranty granting operations, except for those related to mortgage loans received by its employees, amounting to S/ 15,000 and S/ 35,000 respectively.

As a result of the above mentioned, Management has determined the following regulatory net capital surplus:

	2007	2006
	S/(000)	S/(000)
Total regulatory net equity	148,203	133,774
Less		
Solvency net equity	(84,232)	(76,897)
Guarantee fund	(29,481)	(26,914)
Surplus	34,490	29,963

(f) Subsidiaries' legal and special reserves-

In accordance with the Banking and Insurance Act, 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.

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, which was done through the transfer of the net income of 2003. The Bank is not allowed to distribute or use this reserve without prior SBS authorization.

In accordance with Legislative Decree No. 770 (abrogated at present), 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, see Note 4(l). As of December 31, 2007 and 2006, the balance of said reserve amounted to S/ 8,819,000.

As of December 31 2007 and 2006, the legal and special reserves of Intergroup's Subsidiaries, considering Intergroup's participation in the Bank and Interseguro, amounted to approximately S/ 166,295,000 and S/ 132,519,000, respectively.

20. 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.

During the year ended December 31, 2007, the Bank and Interseguro retained approximately S/ 3,515,000 for said concept, wich is included in the “Current Income tax” line item of the consolidated statement of income.

(b) Intergroup’s Subsidiaries are subject to the Peruvian Tax System and, in compliance with current Peruvian legislation; they calculate their Income tax on the basis of their individual financial statements. As of December 31, 2007 and 2006, the statutory Income tax rate was 30 percent on taxable income, after calculating the workers’ profit sharing, which in accordance with current legislation is determined using a 5 percent rate.

(c) Article 8 of Legislative Decree No. 970 extended until December 31, 2008, the Income tax exemptions related to capital gains from the transfer of securities registered with the Stock Market Public Registry through centralized mechanisms of trading, as well as interest generated from those instruments.

Likewise, according to the prevailing Peruvian legislation, life insurance premiums in favour of individuals and insurance premiums for affiliates to the AFP’s are exempt from Income tax.

(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 (tax havens) must be supported by documentation containing information about the valuation methods applied and criteria used in the determination of prices. The Tax Authority has the right to request this information.

Resolution SUNAT (Peruvian Tax Authority) No. 008-2007 excludes companies domiciled in Peru from the obligation of having a Transfer Pricing Study for the years 2006 and 2007 for transactions with domestic related parties.

Based on an analysis of the operations of Intergroup and its Subsidiaries, Management and its legal counsel believe that the application of these tax standards will not result in significant contingencies for Intergroup and its Subsidiaries as of December 31, 2007 and 2006.

(e) The Tax Authority is legally entitled to review and, if necessary, adjust the Income tax computed by the Subsidiaries 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 the Subsidiaries corresponding to 2002 through 2006 are pending review by the Tax Authority. As of the date of this report, the Bank's returns filed for 2005 are being reviewed by the Tax Authority. Due to various possible interpretations of current legislation, it is not possible to determine whether or not such reviews will result in tax liabilities for Intergroup and its Subsidiaries. In Management's opinion, no significant additional liabilities will be generated as a consequence of said or future reviews.

On the other hand, on April 2004, June 2006, February 2007, June 2007 and November 2007, the Bank received Tax Assessments and Fine Imposing Resolutions related to Income tax returns filed in 2000, 2001, 2002, 2003 and 2004. The Bank has already filed the respective tax claim against said resolutions. As of the date of this report, the Tax Authority Claims Department has not made a decision on the claims filed by the Bank. In the opinion of the Bank's Management and its legal counsel, the Bank will obtain a favorable opinion in the administrative process filed against such Tax Assessments and Fine Imposing Resolutions; and they estimate that any additional tax assessments would not be significant to the consolidated financial statements as of December 31, 2007 and 2006.

21. Off-balance sheet accounts

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

	2007 S/(000)	2006 S/(000)
Indirect loans, Note 10(a)		
Bank letters of guaranty and stand by letters of credit (b)	1,252,656	942,367
Import and export letters of credit (b)	142,828	157,795
Due from bank acceptances (b)	28,765	47,912
	1,424,249	1,148,074
Foreign currency forwards operations, Note 5		
Purchase of foreign currency forwards (c)	1,206,309	678,155
Sale of foreign currency forwards (c)	704,306	692,049
	1,910,615	1,370,204
Responsabilities under credit line agreements	5,323,659	3,684,994
Total contingent operations	8,658,523	6,203,272
Other off-balance sheet accounts (e)		
Guarantees received	6,134,203	6,982,091
Securities in custody	2,485,463	1,416,244
Mutual and investment funds managed by Interfondos Sociedad Administradora de Fondos	1,966,331	1,335,056
Trusts	1,990,593	197,057
Equity trusts managed by Internacional de Títulos Sociedad Titulizadora S.A. – Intertítulos S.T.	472,665	1,321,916
Collections on behalf of third parties	347,765	273,324
Loan portfolio sold	68,075	72,544
Suspended interests	59,873	98,953
Interest rate swap operations (d)	42,388	49,761
Equity trust fund received from Latino Leasing S.A.-In liquidation	-	21,131
Equity trust funds received from Banco Latino S.A.-In liquidation	-	67,118
Other	8,218,316	6,018,226
Total other off-balance sheet accounts	21,785,672	17,853,421
Total off-balance sheet accounts	30,444,195	24,056,693

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

The Bank applies the same credit policies for granting and evaluating the provisions required for direct loans when performing contingent operations, see Note 10(d), including obtaining guarantees when it deems it necessary. Guarantees vary and include deposits in financial institutions, securities, and real estate property or other assets.

Taking into account that many of the contingent operations (indirect loans) are expected to expire without the Bank having to disburse funds, the total committed amounts do not necessarily represent future cash requirements.

(c) As of December 31, 2007 and 2006, the derivative operations maintained by the Bank related to purchase and sale agreements of foreign currency forward transactions are as follows:

	Nominal amount				Fair value	
	2007		2006		2007	2006
	US$(000)	S/(000)	US$(000)	S/(000)	S/(000)	S/(000)
Purchase agreements	402,640	1,206,309	212,189	678,155	(8,937)	(1,379)
Sale agreements	235,082	704,306	216,536	692,049	18,980	13,601

These contracts are made only with the purpose of meeting the needs of the Bank's clients; and they mature within a term not to exceed two years.

(d) As of December 31, 2007, the Bank has interest rate swaps for a nominal value of approximately S/ 42,388,000, equivalent to US$ 14,148,000 and their valuation effects amounts to an asset of approximately S/ 574,000 (S/ 49,761,000, equivalent to US$ 15,570,000 as of December 31, 2006 and their valuation effect amounted to a liability of S/ 381,000).

(e) The balance of "Other off-balance sheet accounts" includes many transactions that are recorded for control purposes. The most significant component of this balance relates to the "Guarantees received" caption; which corresponds to items received as guarantee. Such items are accounted for at the value agreed upon as of the date of the loan contract, which does not necessarily represent their market value.

22. Financial income and expense

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

	2007 S/(000)	2006 S/(000)
Financial income		
Interest and commissions on loans	737,708	593,422
Interest on due from banks and inter-bank funds	52,097	36,766
Investment income:		
Income from marketable investments and held-to-maturity investments	192,959	138,107
Gain on sale of marketable investments (b)	82,113	19,400
Gain on sale of held-to-maturity investments	28,109	14,074
Income from real estate projects and investments	10,249	5,863
Net income from permanent investments, Note 11(b)	10,148	6,375
Net income from valuation of marketable investments held for trading	-	2,450
Gain on sale of permanent investments	-	1,413
Other financial income	14,654	8,837
Financial income before exchange difference, net	1,128,037	826,707
Exchange difference, net	84,068	69,206
Total	1,212,105	895,913

	2007 S/(000)	2006 S/(000)
Financial expense		
Interests and commissions on deposits and obligations	195,521	129,564
Interests and fees on deposits and due to banks and correspondents	41,901	25,540
Interests on bonds and other obligations	17,460	20,506
Deposit Insurance Fund fees	11,280	10,251
Investment expenses:		
Loss from the sale of marketable investments (b)	10,964	2,622
Loss from impairment of permanent investments	592	117
Result from the valuation of marketable investments held for trading, net	4,633	-
Other financial expenses	21,495	11,729
Total	303,846	200,329
Gross financial margin	908,259	695,584

(b) As of December 31, 2007, it includes gains and losses for approximately S/ 2,207,000 and S/ 1,861,000, respectively (gains and losses for approximately S/ 10,210,000 and S/ 86,000, respectively as of December 31, 2006), generated by changes made by Interseguro in the classification of its investments; which according to SBS Resolution No. 1047-99, must be recorded at market value of the date of change.

23. Income and expenses from financial services

The table below presents the components of this caption:

	2007 S/(000)	2006 S/(000)
Fee income from financial services		
Credit and debit card	97,513	79,514
Fees for insurance, savings accounts, maintenance of current accounts, excess transactions and other	63,529	79,665
Contingent operations	14,873	12,750
Fees for collection and payment services	13,674	10,412
Other	80,831	42,942
Total	270,420	225,283
Expenses relating to financial services		
Credit and debit card expenses	21,156	20,741
Fees paid to foreign banks	5,517	4,196
Other	564	875
Total	27,237	25,812

24. Result of insurance underwriting, net

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

	2007 S/(000)	2006 S/(000)
Assumed premiums (b)	235,523	304,907
Adjustment of technical reserves for assumed premiums	(129,416)	(217,424)
Ceded premiums	(5,165)	(4,344)
Adjustment of technical reserves for ceded premiums	85	123
Claims on assumed premiums	(154,297)	(130,102)
Claims on ceded premiums	2,045	2,254
Gross technical result	(51,225)	(44,586)
Commissions from written premiums	(1,684)	(1,373)
Other technical income	1,787	1,237
Other technical expenses	(4,783)	(5,704)
Technical result, net	(55,905)	(50,426)

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

	2007 S/(000)	2006 S/(000)
Life annuity insurance	132,540	205,564
Private pension insurance (c)	47,915	46,880
Compulsory traffic accident insurance (SOAT)	14,922	17,290
Life insurance-		
Individual	17,184	15,196
Group	22,962	19,977
Total assumed premiums	235,523	304,907

(c) As of December 31, 2007, Interseguro has not renewed the "Disability, Survival and Funeral Expenses Risk Management Contract", agreed with Profuturo AFP S.A.; all of the related accounts receivable were collected during the first months of 2008. For the years ended December 31, 2007 and 2006, said contract generated assumed premiums for private pension insurance for approximately S/ 47,915,000 and S/ 46,880,000, respectively and a gross negative technical result of S/ 25,495,000 and S/ 19,381,000, respectively.

25. Administrative expenses

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

	2007 S/(000)	**2006** S/(000)
Services received from third parties (c)	281,600	210,347
Personnel and Board of Directors expenses (b)	251,692	179,089
Taxes and contributions	29,122	23,429
Total	562,414	412,865

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

	2007 S/(000)	**2006** S/(000)
Salaries	205,551	141,625
Social security	18,219	14,990
Severance indemnity expenses	13,537	11,295
Vacation, medical assistance and other	14,385	11,179
Total	251,692	179,089

The average number of employees of Intergroup and Subsidiaries for the years 2007 and 2006 was 3,726 and 3,004, respectively.

(c) 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.

26. Other income, net

The table below presents the components of this caption:

	2007 S/(000)	2006 S/(000)
Other income		
Net gain on sale of assets received as payment and seized through legal actions	6,232	7,914
Recovery of prior year past due loans	43,070	30,790
Sale of fixed assets and realizable assets	-	95
Commissions and other services from mutual funds administration	27,669	14,114
Other	22,009	5,153
	98,980	58,066
Other expenses		
Employee retirement incentive	(4,818)	(2,416)
Provision for assets received as payment and seized through legal actions	(1,487)	(2,197)
Interest from prior year past due loans previously recognized as interest income	(251)	(777)
Other	(10,856)	(20,963)
	(17,412)	(26,353)
Other income, net	81,568	31,713

27. Earnings per share

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

	Outstanding shares, net of treasury stock (in thousands)	**Shares considered in computation** (in thousands)	**Days as of the end of year**	**Weighted average number of shares** (in thousands)
2006				
Balance as of January 1, 2006	-	-		-
Exchange of shares, carried out on 2007	-	81,503	365	81,503
Exchange of shares, carried out on 2007	-	2,984	365	2,984
Balance as of December 31, 2006	-	84,487		84,487
Net income S/(000)				187,850
Income per share S/				2.223
2007				
Balance as of January 1, 2007	-	-		-
Exchange of shares	81,503	81,503	365	81,503
Exchange of shares	2,984	2,984	365	2,984
Cash contribution	7,692	7,692	194	4,088
Purchase of treasury stock	(23)	(23)	52	(3)
Purchase of treasury stock	(105)	(105)	49	(14)
Purchase of treasury stock	(200)	(200)	38	(21)
Balance as of December 31, 2007	91,851	91,851		88,537
Net income S/(000)				277,843
Income per share S/				3.138

28. Transactions with related parties and affiliated companies

(a) The table below presents the balances with related companies and affiliates as of December 31, 2007 and 2006:

	2007											
	Supermercados Peruanos S.A.	IFH Perú Ltd.	Blu Bank Ltd.	Centura Sociedad Agente de Bolsa	Procesos MC Perú S.A.	Urbi Propiedades S.A.	Cineplex S.A.	Nessus Hoteles Peru S.A.	Nexus Capital Partners	Peruplast	Other	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Assets												
Cash and due from banks	-	-	4,123	-	-	-	-	-	-	-	-	4,123
Held-to-maturity investments (real estate projects), Note 9	-	-	-	-	-	26,674	3,169	-	-	-	-	29,843
Loans, net	107	17,976	-	-	1	2,532	3,469	22,637	16,140	5,539	3,359	71,760
Other assets	18,842	325	-	133	-	2,109	23	-	-	-	3,614	25,046
Liabilities												
Deposits and obligations	39,909	3,398	2	38,812	13,922	911	514	1,248	-	460	1,047	100,223
Other liabilities	-	666	509	-	-	-	13	4	-	-	52	1,244
Results												
Interest income	98	329	249	76	6	107	348	1,080	2,200	1,182	1,495	7,170
Administrative expenses	(6,874)	-	-	(65)	-	(5,535)	(74)	-	-	-	(373)	(12,921)
Other, net	3,911	58	(127)	(5,644)	(192)	2,769	1,873	693	13	(40)	378	3,692
Off-balance sheet accounts												
Indirect loans	-	-	-	718	3,045	4,158	-	1,530	-	-	10,407	19,858

	2006											
	Supermercados Peruanos S.A.	IFH Perú Ltd.	Blu Bank Ltd.	Centura Sociedad Agente de Bolsa	Procesos MC Perú S.A.	Urbi Propiedades S.A.	Cineplex S.A.	Nessus Hoteles Peru S.A.	Nexus Capital Partners	Peruplast	Other	Total
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Assets												
Cash and due from banks	-	-	3,715	-	-	-	-	-	-	-	-	3,715
Held-to-maturity investments (real estate projects), Note 9	-	-	-	-	-	28,454	3,430	-	-	-	-	31,884
Loans, net	3,032	-	-	-	-	-	5,143	5,134	-	-	232	13,541
Accounts receivable from insurance operations	406	-	-	-	-	-	-	-	-	-	-	406
Other assets	35,175	2,321	-	3,166	-	3,258	31	-	-	-	3,190	47,141
Liabilities												
Deposits and obligations	428	47	-	8,846	6,798	126	3,607	697	-	-	3,279	23,828
Other liabilities	1,576	-	1,730	-	-	-	-	-	-	-	397	3,703
Results												
Interest income	44	91	120	-	-	3,010	538	-	-	-	-	3,803
Administrative expenses	(2,747)	-	-	-	-	-	-	-	-	-	-	(2,747)
Other, net	(2,712)	-	(160)	318	(187)	(873)	-	-	-	-	(1,893)	(5,507)
Off-balance sheet accounts												
Indirect loans	-	-	192	595	2,397	2,039	-	1,598	-	-	-	6,821

(b) Some shareholders, directors and officers of Intergroup and Subsidiaries have been involved, either directly or indirectly, in credit transactions with Intergroup and its Subsidiaries as permitted by Peruvian legislation, which rules and limits certain transactions with employees, directors and officers of a bank. As of December 31, 2007, loans and other credits to employees amounted approximately to S/ 29,466,000 (S/ 22,983,000 as of December 31, 2006).

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

(c) For the years ended December 31, 2007 and 2006, the directors salaries amounted approximately to S/ 1,018,000 and S/ 859,000, respectively, and it's recorded in the "Administrative expenses" line of the consolidated statement of income.

(d) As of December 31, 2007 and 2006, Intergroup and Subsidiaries participated in different local and foreign mutual and investment funds managed by Subsidiaries or related parties, as shown in the table below:

	2007 S/(000)	2006 S/(000)
Marketable investments available for sale-		
Interfondos Sociedad Administradora de Fondos:		
- Fondo Mutuo Interfondo RF	3	4,952
- Fondo Mutuo Interfondo Soles	-	7,035
- Fondo Mutuo Interfondo Cash	1	252
- Fondo Mutuo Interfondo Global	737	795
- Fondo Mutuo Interfondo Mixto	681	-
- Fondo Mutuo Interfondo	-	89
Compass Group Sociedad Administradora de Fondos de Inversión S.A.:		
- Compass Group – Renta Fija Fondo de Inversión Mixta Especializada	-	6,855
Permanent investments-		
Compass Capital (Cayman) Limited:		
- Compass Capital Fund, LLP	7,312	8,066
- Allowance for impairment	(6,964)	(6,832)
	1,770	21,212

In addition, as of December 31, 2007 the Bank has entered into foreign currency sale forwards with mutual funds managed by Interfondos Sociedad Administradora de Fondos, for a nominal value of approximately S/ 30,972,000 (selling of foreign currency for approximately S/ 82,256,000 as of December 31, 2006) which is presented in the “Off-balance sheet accounts-Foreign currency forwards operations” caption of the consolidated balance sheets.

(d) In Management’s opinion, transactions with related companies have been made 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.

29. Business segments

Intergroup and its Subsidiaries are organized in two main lines of business, the banking business and the insurance business, see Note 3. Transactions between the business segments are carried out under normal commercial terms and conditions.

The following table presents Intergroup's and its Subsidiaries' financial information by business segments for the years ended December 31, 2007 and 2006 and as of December 31, 2007, and 2006, in thousands of Nuevos Soles:

	External income	Income from other segments	Eliminations	Total Income (*)	Total expenses (**)	Administrative expenses	Depreciation and amortization	Other provisions (***)	Total operating income	Total assets	Fixed assets	Total liabilities
2007												
Banking	1,274,577	27,022	(27,022)	1,274,577	(304,803)	(520,248)	(49,763)	(143,972)	255,791	10,002,575	428,912	9,156,653
Insurance	452,330	697	(697)	452,330	(326,806)	(32,705)	(2,267)	-	90,552	1,618,484	3,245	1,448,351
Others	(8,859)	-	-	(8,859)	(1,569)	(9,460)	-	-	(19,888)	316,591	-	2,431
Total consolidated	1,718,048	27,719	(27,719)	1,718,048	(633,178)	(562,413)	(52,030)	(143,972)	326,455	11,937,650	432,157	10,607,435
2006												
Banking	1,003,359	22,354	(22,354)	1,003,359	(216,296)	(384,027)	(48,935)	(133,096)	221,005	7,363,669	394,249	6,708,943
Insurance	422,744	4,697	(4,697)	422,744	(365,178)	(28,838)	(2,639)	-	26,089	1,368,625	3,151	1,304,023
Discontinued operation	-	-	-	-	-	-	-	-	-	365,003	-	270,502
Total consolidated	1,426,103	27,051	(27,051)	1,426,103	(581,474)	(412,865)	(51,574)	(133,096)	247,094	9,097,297	397,400	8,283,468

(*) Includes total interest and dividend income and net premiums earned from insurance activities.

(**) Includes the total expenses from banking activities and the expenses from insurance activities.

(***) Corresponds to reserves for loan losses, investments and other contingencies.

30. Risk assessment

Intergroup and its Subsidiaries' activities relate mainly to the use of financial instruments, including derivatives. The Bank accepts 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. The Bank seeks 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.

The Bank 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 its Subsidiaries also trade 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 the exchange rates and to interest rates related to such operations is under the supervision of Management of each Subsidiary.

Risk of the insurance activity-

The risk covered by any insurance contract is the possibility of the insured event occurring and, therefore, the resulting claim having a set value. By 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 the company 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 this reinsurance negotiation 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.

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 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.

Market risk-

Intergroup and its Subsidiaries are exposed to market risks. Market risks arise from interest rate positions, exchange rates and equity products, all of which are exposed to general and specific market movements. The Subsidiaries manage their market risks on an individual basis.

The Bank uses the "Value-at-Risk" methodology to estimate the market risk of main positions held and maximum expected losses, based on a number of assumptions for a variety of changes in market conditions. The Bank's Management also establishes the acceptable value-at-risk limits, which are monitored on a daily basis.

Measurement of Value-at-Risk (VaR) is an estimate, with a reliability level established by the Bank at 99 percent of the maximum potential loss that could occur, should current positions were to be held unchanged over a determined timeframe (the term established by the Bank is one business day). Actual results are monitored regularly to verify the validity of the assumptions and parameters used for computing the VaR.

The Bank's Management also establishes individual limits for marketable investments, for its foreign currency exchange positions, as well as for its derivative instruments; these limits consider the maximum amount of exposure to be the maximum value of individual loss 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. Nevertheless, the use of this control measurement does not eliminate all the risk of losses beyond the limits in place owing to extreme movements in market prices.

Liquidity risk-

The Bank is exposed to daily withdrawal of its available cash resources from overnight deposits, current accounts, maturing deposits, loans drawdowns, guarantees calls 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 Notes to the consolidated financial statements include an analysis of the maturities of relevant assets and liabilities, based on contractual maturity dates.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is of extreme importance to Management. Nevertheless, it is unusual for financial institutions to be fully matched, as transacted business is often based on uncertain terms and different types.

Maturity 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 loans are significantly lower than the amount of the commitment because it is not expected that funds will be required to honor these commitments, 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’s Management 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.

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

Cash flow risk and fair value of interest rate changes-
The cash flow interest rate risk is the risk that the 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 its Subsidiaries are 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 on a daily basis; however, on the whole, Intergroup and its Subsidiaries present mainly short-term financing operations and with variable interest rates.

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

Exchange rate risk-
Intergroup and its Subsidiaries are 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.

Most assets and liabilities in foreign currency are stated in US Dollars. Foreign currency transactions are made at free market exchange rate. As of December 31, 2007 and 2006, Intergroup and its Subsidiaries' assets and liabilities in foreign currencies are shown in Note 5.

Credit risk-
Intergroup and its Subsidiaries are 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 sector that represent a concentration in the portfolio could result in losses different from those recorded as of the consolidated balance sheet date. Therefore, Management carefully manages exposure to credit risk.

The levels of credit risk undertaken is structured by placing limits to the amount of acceptable risk related to one borrower or groups of borrowers 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.

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.

Financial assets which show a potential credit risk are mainly cash and cash equivalents, interest bearing deposits in banks, marketable investments, held-to-maturity investments, loans, derivatives, and other assets. The exposure for any one borrower, including banks and investments, is further structured by sub-limits covering on and off-balance sheet exposures and daily delivery risk limits to trading items such as forward foreign exchange contracts. Actual exposure is monitored against limits in a continuous manner.

31. Fair value of financial instruments

Fair value of financial instruments is defined as the amount for 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, other estimation techniques may be used to determine such fair value, including the current market 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 or settlement value. A significant portion of the assets and liabilities of Intergroup and its Subsidiaries are 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.

- Marketable investments available-for-sale are recorded at the lower of cost or market value, except for the debt investments held by Interseguro which are updated by the Internal Rate of Return (IRR) computed at the acquisition date; consequently, the estimated market value encompasses potential gains expected by the market but not realized. The fair value of these investments has been determined based on stock exchange prices or using investment valuation techniques. The estimated fair value of held-to-maturity investments (excluding real estate projects and investments) has been computed based on existing quotations as of the dates of the consolidated balance sheets. For held-to-maturity financial investments with no available quotations their estimated fair value has been calculated by discounting future expected cash flows using an interest rate that represents the risk classification of the investment. See Notes 8(j) and 9(f).

- A majority of the loans granted by Intergroup and its Subsidiaries accrue interest at variable rates, which are reset monthly or quarterly. As a result, their book value, net of the allowance for loan losses required by the SBS, see Note 10, is considered to be the best estimate of their fair value as of the date of the consolidated financial statements.

- Intergroup and its Subsidiaries Management consider that the book value of the permanent investments approximates their fair value.

- The fair value of deposits and obligations is similar to their book value, mainly due to their liquid nature and the fact that their variable interest rates can be compared with other similar liabilities as of the date of the consolidated balance sheets.

- For due to banks and correspondents, bonds, and other obligations, which include variable interest rate terms and preferential rates, the Bank has estimated that their book values do not differ significantly from their fair values.

- 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 Bank's effective interest rate for liabilities with similar characteristics as of the date of the consolidated balance sheets. The estimated market value approximates the book value.

- As disclosed in Note 21, 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.

- Except for currency forwards and interest rate swaps, Intergroup and its Subsidiaries do not enter into other agreements usually described as derivative transactions. Intergroup and its Subsidiaries record these derivatives in the consolidated balance sheets at their fair value; consequently, there are no differences with their book value.

Based in the prior analysis, Intergroup and its Subsidiaries Management consider that, as of December 31, 2007 and 2006, the estimated fair values of Intergroup and its Subsidiaries financial instruments do not differ significantly from their book values; except for certain financial instruments, as explained in the preceding paragraphs, and whose estimated fair value is presented in their respective Notes to the consolidated financial statements.

32. Additional explanation for English translation

The accompanying consolidated financial statements are presented on the basis of accounting principles prescribed by the SBS, applicable to financial and insurance entities in Peru as discussed in Note 4; said accounting principles differ in certain respects to generally accepted accounting principles in other countries. In the event of a discrepancy, the Spanish language version prevails.