

Intergroup Financial Services Corp. Reports Fourth Quarter 2007 Earnings

Lima, Peru, February 5, 2008. Intergroup Financial Services Corp. (Bolsa de Valores de Lima: IFS) announced today its unaudited results for the fourth quarter of 2007. These results are reported on a consolidated basis in accordance with Peruvian GAAP in nominal Peruvian Nuevos Soles.

Highlights

Intergroup

- Intergroup's 2007 net income was S/ .277.3 million, a 47.6% increase over 2006
- Intergroup's 4Q07 earnings per share were S/ .0.66 (net income: S/ .61.3mm), a 16% decrease from 4Q06. Earnings decreased despite 36% growth in the net financial margin, mainly due to non-recurring items totaling S/ . 23.9 million registered in 4Q07

Interbank

- Interbank's net income grew 42% in 2007, mainly due to higher financial income
- In 4Q07, despite significant growth in the net operating margin, Interbank's 4Q07 net income remained stable YoY, and fell 29% QoQ, mainly due to non-recurring provisions and adjustments totaling S/ .23.9 million
- Interbank's loan portfolio increased 43% YoY and 11% QoQ, with strong performances in both the retail and commercial portfolios
- NIM at Interbank was 7.8% in 4Q07, above the banking industry's average of 6.8%
- Interbank's asset quality and coverage ratios improved significantly, with PDLs at 0.9% of total loans, and coverage at 337%

Interseguro

- Interseguro's net income increased 82% in 2007, driven by higher investment income
- In 4Q07, net income fell 68% YoY and 30% QoQ, mainly due to sharp increases in claims

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Intergroup

INTERGROUP OVERVIEW

2007 Performance

Intergroup's net income rose 47.6% in 2007, reaching S/. 277.3 million. The main factors driving earnings growth were higher financial income, higher fee income and lower provisions. ROE was 26.0% during 2007, down from 28.2% in 2006 due to higher average equity during 2007.

Intergroup's Profit and Loss Statement Summary

S/. million	2005	2006	2007	%chg 07/06	%chg 06/05
Financial income	699.4	895.9	1,190.6	32.9%	28.1%
Financial expenses	-144.7	-200.3	-296.9	48.2%	38.5%
Gross financial margin	554.7	695.6	893.6	28.5%	25.4%
Provisions	-116.4	-126.7	-125.0	-1.3%	8.9%
Net financial margin	438.4	568.9	768.6	35.1%	29.8%
Fee income from financial services, net	190.7	213.7	258.9	21.1%	12.1%
Result from insurance underwriting, net	-51.9	-64.7	-71.5	10.4%	24.6%
Administrative expenses	-357.7	-412.9	-534.3	29.4%	15.4%
Net operating margin	219.5	305.1	421.7	38.2%	39.0%
Depreciation and amortization	-49.9	-51.6	-52.2	1.3%	3.5%
Other income (expenses)	34.6	25.3	38.6	52.4%	-27.0%
Income before tax and profit sharing	204.3	278.8	408.1	46.4%	36.5%
Income tax and profit sharing	-58.0	-80.0	-123.5	54.4%	37.8%
Income from continuing operations	146.2	198.8	284.6	43.1%	36.0%
Income from discontinued operations	-3.7	2.0	0.0	nm	-155.3%
Net income	142.5	200.8	284.6	41.7%	40.9%
Attributable to IFS shareholders	132.4	187.9	277.3	47.6%	41.9%
EPS	1.67	2.28	3.01		
ROE	na	28.2%	26.0%		

4Q07 Performance

Intergroup's earnings per share was S/.0.66 in 4Q07 (net income: S/ .61.3 million), a decrease of 16.0% compared to 4Q06 and 27.6% compared to 3Q07. Annualized ROE was 19.0% in 4Q07, below the 27.9% of 3Q07, and the 21.5% reported in 3Q06. This decrease was the result of lower net income and higher average equity.

Intergroup's Balance Sheet Summary

S/. million	4Q06	3Q07	4Q07	%chg QoQ	%chg YoY
Cash and due from banks	1,357.8	1,771.5	1,702.0	-3.9%	25.4%
Investments, net	2,565.7	3,106.3	3,564.6	14.8%	38.9%
Loan portfolio, net	4,146.2	5,326.6	5,919.6	11.1%	42.8%
Fixed assets, net	397.4	426.2	432.2	1.4%	8.8%
Discontinued operations	365.0	0.0	0.0		
Other assets	265.2	311.3	339.2	8.9%	27.9%
Total Assets	9,097.3	10,941.9	11,957.6	9.3%	31.4%
Deposits and obligations	5,760.7	6,819.9	7,261.4	6.5%	26.0%
Due to banks	513.6	991.8	1,542.9	55.6%	200.4%
Bonds and obligations	270.9	240.5	190.2	-20.9%	-29.8%
Technical reserves for premiums and claims	1,238.2	1,307.7	1,317.6	0.8%	6.4%
Discontinued operations	270.5	0.0	0.0		
Other liabilities	229.6	299.8	300.6	0.3%	30.9%
Total Liabilities	8,283.5	9,659.7	10,612.7	9.9%	28.1%
Intergroup shareholders' equity	762.2	1,257.5	1,318.7	4.9%	73.0%
Minority interest	51.6	24.7	26.2	5.7%	-49.3%
Total shareholders' equity	813.8	1,282.2	1,344.9	4.9%	65.3%

Year-on-Year Performance

Net income (attributable to Intergroup's shareholders) fell 16.0% YoY despite a 36.0% increase in the net financial margin. The main factors offsetting growth in the financial margin were a 48.3% rise in administrative expenses and a S/.18.9 million decline in other income and expenses. Both accounts were affected by non-recurring items during 4Q07.

Net financial margin rose 36.0%, driven by financial income growth at Interbank, partially offset by a 48.3% increase in financial expenses. Provision expenses fell 10.8% despite a 37.9% increase in Interbank's loan portfolio due to significant improvements in asset quality.

Higher financial income resulted from higher average loan volume at Interbank.

Intergroup's Profit and Loss Statement Summary

S/. million	4Q06	3Q07	4Q07	%chg QoQ	%chg YoY
Financial income	244.6	293.5	325.9	11.1%	33.2%
Financial expenses	-57.1	-76.6	-84.7	10.5%	48.3%
Gross financial margin	187.5	216.8	241.2	11.2%	28.6%
Provisions	-29.4	-36.0	-26.2	-27.0%	-10.8%
Net financial margin	158.1	180.9	215.0	18.9%	36.0%
Fee income from financial services, net	61.7	70.2	70.3	0.2%	13.9%
Result from insurance underwriting, net	-14.7	-14.0	-19.9	42.6%	35.7%
Administrative expenses	-104.6	-139.5	-155.1	11.2%	48.3%
Net operating margin	100.5	97.6	110.2	12.9%	9.6%
Depreciation and amortization	-13.7	-12.1	-12.7	4.6%	-7.7%
Other income (expenses)	15.7	47.5	-3.2	nm	nm
Income before tax and profit sharing	102.5	133.0	94.3	-29.1%	-8.0%
Income tax and profit sharing	-27.0	-45.6	-31.2	-31.5%	15.8%
Income from continuing operations	75.5	87.4	63.1	-27.8%	-16.5%
Income from discontinued operations	3.1	0.0	0.0	nm	nm
Net income	78.6	87.4	63.1	-27.8%	-19.8%
Attributable to IFS shareholders	72.9	84.7	61.3	-27.6%	-16.0%
EPS	0.86	0.92	0.66		
ROE	40.1%	27.9%	19.0%		

Fee income increased 13.9%, mainly due to a larger number of credit card and deposit accounts at Interbank, in addition to an increased number of transactions in the bank's expanding ATM network. In 4Q07, Interseguro's loss resulting from insurance underwriting totaled S/.19.9 million, a 35.7% increase compared to the loss reported in 4Q06 due to a 50.3% rise in claims. Administrative expenses rose 48.3% due to the expansion of Interbank's network, costs related to the acquisition of new customers, and non-recurring items related to year-end adjustments at Interbank, which totaled S/. 5.4 million.

Net operating margin increased 9.6% driven by growth in the net financial margin and fee income, partially offset by higher administrative expenses. Other income (expenses) fell S/.18.9, mainly due to non-recurring provisions and adjustments totaling S/.18.5 million registered at Interbank. As a result of this decline, income before taxes and profit sharing fell 8%. The effective tax rate rose from 26.3% to 33.1% due to differing earnings growth rates at subsidiaries with different tax status:

Most of Interseguro's revenues are tax exempt, while at Interbank revenues are not tax exempt. Interbank contributed to a higher proportion of Intergroup's earnings in 4Q07 compared to 4Q06, leading to a 15.8% rise in income tax and profit sharing. As a result, net income attributable to Intergroup's shareholders declined at a higher rate than income before taxes.



Quarter-on-Quarter Performance

Net income (attributable to Intergroup's shareholders) fell 27.6% QoQ despite a 12.9% increase in operating margin, mainly due to a \$/.50.7 million decline in other income and expenses. The increase in operating margin was the result of a higher financial margin and lower provisions expenses, partially offset by higher losses in insurance underwriting.

Net financial margin rose 18.9% as a result of growth in Interbank's financial income, and in Interseguro's investment income. Interseguro's investment income rose mainly as a result of gains reported on the company's equity, mutual funds, and real estate portfolios.

Fee income from financial services was similar to 3Q07, as increases in credit card, ATM and deposit fees were offset by lower corporate finance fees. The insurance underwriting loss grew 42.6%, mainly due to a 29.1% increase in Interseguro's claims.

Other financial income (expenses) decreased by \$/.50.7 million, reversing operating margin gains and leading to a 29.1% decline in income before tax and profit sharing. This account was affected by non-recurring items during both quarters: a profitable sale of restructured loans in 3Q07, and provisions and adjustments totaling \$/.18.5 million in 4Q07.

CONTRIBUTION OF SUBSIDIARIES

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

Intergroup's Profit and Loss Statement Summary

S/. million	4Q06	3Q07	4Q07	%chg QoQ	%chg YoY
Interbank	57.4	81.7	58.2	-28.8%	1.4%
Interseguro	18.7	10.5	7.3	-29.9%	nm
Intergroup accounts:					
Return on investment portfolio		4.8	4.2		
Exchange loss, net		-8.5	-9.4		
IPO expenses		-1.4	0.0		
Consolidation adjustments	-3.2	-2.4	2.6		
Total	72.9	84.7	61.3	-27.6%	-16.0%

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

Interbank

SUMMARY

2007 Performance

Interbank's net income grew 41.6% in 2007, reaching S/.227.8 million. The main driver for earnings growth was a 30.9% increase in financial income resulting from higher average volume of loans and investments.

Profit and Loss Statement Summary

S/. million	2005	2006	2007	%chg 07/06	%chg 06/05
Financial income	604.1	764.2	1,000.6	30.9%	26.5%
Financial expenses	-112.8	-187.0	-263.3	40.8%	65.8%
Gross financial margin	391.1	577.2	737.4	27.7%	47.6%
Provisions	-119.3	-126.7	-125.0	-1.3%	6.2%
Net financial margin	271.8	450.6	612.4	35.9%	65.8%
Fee income from financial services, net	165.5	221.6	271.3	22.4%	33.9%
Administrative expenses	-285.4	-393.6	-503.3	27.9%	37.9%
Net operating margin	151.9	278.6	380.3	36.5%	83.4%
Depreciation and amortization	-44.9	-48.1	-49.2	2.3%	7.0%
Other income (expenses)	-20.8	6.6	5.0	nm	-131.6%
Income before tax and profit sharing	86.9	237.1	336.2	41.8%	172.7%
Income tax and profit sharing	-21.1	-76.2	-108.4	42.3%	261.4%
Net Income	65.9	160.9	227.8	41.6%	144.2%
ROE	22.0%	27.3%	31.9%		

4Q07 Performance

Interbank's net income in 4Q07 totaled S/. 60 million, similar to 4Q06, but 29.0% lower compared to 3Q07. Annualized ROE was 30.2% in 4Q07, a decline from the 37.3% reported in 4Q06 and the 46.8% of 3Q07.

Profit and Loss Statement Summary

S/. million	4Q06	3Q07	4Q07	%chg QoQ	%chg YoY
Financial income	205.0	260.9	281.1	7.7%	37.1%
Financial expenses	-52.8	-70.3	-73.7	4.8%	39.4%
Gross financial margin	152.2	190.6	207.4	8.8%	36.3%
Provisions	-29.4	-36.0	-26.2	-27.0%	-10.8%
Net financial margin	122.8	154.6	181.2	17.1%	47.5%
Fee income from financial services, net	63.9	73.4	75.9	3.3%	18.8%
Administrative expenses	-98.6	-130.2	-144.2	10.7%	46.2%
Net operating margin	88.1	97.8	112.8	15.3%	28.2%
Depreciation and amortization	-12.4	-11.4	-12.1	6.1%	-2.2%
Other income (expenses)	9.7	37.9	-11.6	nm	-220.2%
Income before tax and profit sharing	85.4	124.3	89.1	-28.3%	4.4%
Income tax and profit sharing	-25.8	-39.9	-29.1	-26.9%	13.0%
Net Income	59.6	84.5	60.0	-29.0%	0.6%
ROE	37.3%	46.8%	30.2%		

Net income remained stable YoY, as significant growth in net financial margin was offset by an increase in administrative expenses and a decline in other income (expenses).

Net income declined 29.0% QoQ, despite 15.3% growth in the net operating margin due to a S/.49.5 million decline in other income (expenses). This account was affected by non-recurring items during both quarters.

Financial income grew 7.7% QoQ, mainly due to an 11.3% rise in the average volume of interest earnings assets. As a result of lower growth in financial expenses, and a 27.7% decline in provision expenses, net financial margin increased 17.1%.

Fee income from financial services rose 18.8% YoY and 3.3% QoQ due to higher transaction levels in a larger number of credit card and deposit accounts, as well as higher fees for collection and payment services. Administrative expenses rose 46.2% YoY and 10.7% QoQ due to the expansion of Interbank's branch and ATM network, and non-recurring items related to year-end adjustments, totaling S/.5.4 million in 4Q07.

INTERSET EARNING ASSETS

Interbank's interest earnings assets reached S/.9,321.3 million as of December 31, 2007, an increase of 10.7% QoQ and 37.7% YoY. QoQ growth was primarily

attributable to an 11.1% rise in the bank's loan portfolio, and a 14.5% increase in investments. The yearly increase was due to growth rates of 42.8% in loans and 32.6% in investments.

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

Interest Earning Assets

S/. million	4Q06	3Q07	4Q07	%chg QoQ	%chg YoY
Cash and due from banks	1,357.1	1,602.3	1,695.8	5.8%	25.0%
Investments, net	1,286.7	1,490.3	1,705.9	14.5%	32.6%
Loan portfolio, net	4,146.2	5,329.8	5,919.6	11.1%	42.8%
Total interest earnings assets	6,790.1	8,422.3	9,321.3	10.7%	37.3%

Net direct loans were S/. 5,919.6 millions as of December 31, 2007, an increase of 42.8% YoY and 11.1% QoQ. Current loans grew 47.1% YoY and 10.7% QoQ.

Loan Portfolio

S/. million	4Q06	3Q07	4Q07	%chg QoQ	%chg YoY
Current loans:					
Retail	2,129.3	2,728.4	2,943.5	7.9%	38.2%
Commercial	1,989.0	2,744.3	3,115.9	13.5%	56.7%
Total current loans	4,118.3	5,472.7	6,059.4	10.7%	47.1%
Restructured and refinanced loans	216.1	137.1	134.1	-2.2%	-38.0%
Past due loans	85.0	78.9	58.9	-25.4%	-30.7%
Gross loans	4,419.3	5,688.8	6,252.3	9.9%	41.5%
Add (less)					
Accrued and deferred interest	-73.1	-147.6	-134.4	-9.0%	83.8%
Allowance for loan losses	-200.0	-211.4	-198.4	-6.2%	-0.8%
Total direct loans, net	4,146.2	5,329.8	5,919.6	11.1%	42.8%

QoQ growth in current loans was due to high growth rates in both retail and commercial loans. Commercial loans rose 13.5% QoQ due to strong efforts at Interbank's commercial banking division, which capitalized on increased investment activity in Peru. Retail loans rose 7.9% QoQ due to growth rates of 10.4% in credit card loans, 5.2% in mortgages, and 8.0% in other consumer loans, which are comprised mainly of payroll deduction loans.

Current loans grew 47.1% YoY driven by growth rates of 38.2% in retail loans and 56.7% in commercial loans. The main drivers for YoY growth in retail loans were mortgages, which rose 51.2%, and other consumer loans, which increased 46.3%

Past due loans fell 30.7% YoY, and restructured and refinanced loans fell 38.0% over the same period leading to a significant improvement in asset quality, as evidenced by a past due loan ratio of 0.9% as of December 31, 2007.

Breakdown of Current Retail Loans

S/. million	4Q06	3Q07	4Q07	%chg QoQ	%chg YoY
Consumer loans:					
Credit cards	711.3	763.1	842.5	10.4%	18.4%
Other consumer	875.3	1,185.6	1,280.5	8.0%	46.3%
Total consumer loans	1,586.6	1,948.7	2,122.9	8.9%	33.8%
Mortgages	542.7	779.7	820.5	5.2%	51.2%
Total retail loans	2,129.3	2,728.4	2,943.5	7.9%	38.2%

FUNDING STRUCTURE

Over the five years prior to 2007, deposits grew at a faster pace than other sources of funding at Interbank. As a result, as of December 31, 2006, deposits accounted for 88.6% of Interbank's total funding.

Funding Structure

S/. million	4Q06	3Q07	4Q07	%chg QoQ	%chg YoY
Deposits and obligations	5,763.5	6,817.9	7,281.2	6.8%	26.3%
Due to banks	481.9	986.6	1,450.9	47.1%	201.1%
Bonds and obligations	260.0	229.9	180.1	-21.7%	-30.7%
Total	6,505.4	8,034.3	8,912.3	10.9%	37.0%
AUM (Interfondos)	1,173	1,939	1,912	-1.4%	63.0%
% of funding					
Deposits and obligations	88.6%	84.9%	81.7%		
Due to banks	7.4%	12.3%	16.3%		
Bonds and obligations	4.0%	2.9%	2.0%		

During 2007, the aforementioned trend has changed. While total funding increased 37.0% YoY, deposits increased 26.3%. As a result, the share of deposits in Interbank's total funding declined to 81.7% in 4Q07. This change in trends can be explained by two factors: First, while growth in deposits remains strong, it has slowed from previous years due to a shift in retail customers' savings preferences towards mutual funds, as evidenced by the growth in Interbank's assets under management. Second, due to accelerating growth rates in interest earning assets, the bank has used additional sources of funding. As a result, obligations with other banks increased 47.1% QoQ and 201.1% YoY.

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

Breakdown of Deposits

S/. million	4Q06	3Q07	4Q07	%chg QoQ	%chg YoY
By Customer Segment:					
Retail	2,757.1	3,094.9	3,172.4	2.5%	15.1%
Commercial	3,006.4	3,722.9	4,108.8	10.4%	36.7%
Total	5,763.5	6,817.9	7,281.2	6.8%	26.3%
By Type:					
Demand	866.0	1,189.5	1,301.6	9.4%	50.3%
Savings	1,767.5	2,033.1	2,091.1	2.9%	18.3%
Time	2,679.2	2,911.9	3,400.0	16.8%	26.9%
Other	450.8	683.5	488.6	-28.5%	8.4%
Total	5,763.5	6,817.9	7,281.2	6.8%	26.3%

FINANCIAL MARGIN

Gross financial margin increased 36.3% YoY and 8.8% QoQ, primarily driven by growth in average volumes of interest earning assets.

Financial Income

S/. million	4Q06	3Q07	4Q07	%chg QoQ	%chg YoY
Interest and commissions on loans	157.7	192.5	207.1	7.6%	31.4%
Investment income	23.7	26.8	29.2	9.0%	23.5%
Interest on due from banks and interbank funds	8.4	12.8	11.2	-12.5%	32.3%
Financial income before exch. difference	189.7	232.0	247.5	6.7%	30.4%
Exchange difference	15.3	28.9	33.6	16.4%	119.9%
Total Financial Income	205.0	260.9	281.1	7.7%	37.1%
Average interest earning assets	6,687.3	8,081.5	8,871.8	9.8%	32.7%
Average yield on assets*	11.3%	11.5%	11.2%		

*Annualized. Excludes exchange difference

Financial income increased 37.1% YoY and 7.7% QoQ. The main drivers for YoY growth were a 31.4% increase in interest and commissions on loans, a 23.5% increase in investment income and a 119.9% increase in exchange rate differences. Growth in interest and commissions on loans was explained by a 39.9% increase in average volume, which was partially offset by a decrease in the annualized average yield on loans, from 15.7% in 4Q06 to 14.7% in 4Q07. Investment income rose due to a 30.3% increase in the average volume of investments, partially offset by a 40 bps decline in the annualized average yield.

Due to the decline in the yield on loans and investments, the average yield on interest earning assets fell from 11.3% in 4Q06 to 11.2% in 4Q07.

Financial income grew 7.7% QoQ due to a 7.6% increase in interest and commissions on loans, a 9.0% increase in investments income, as well as a 16.4% increase in exchange rate differences. Interest and commissions on loans rose as a result of 11.3% growth in average loan volumes, partially offset by a decline in the annualized yield, from 15.2% in 3Q07 to 14.7% in 4Q07. Investment income increased 9.0% QoQ,

due to a 8.3% increase in the average volume of investments. As a result of the decline in the yield on loans, the annualized average yield on interest earnings assets fell from 11.5% in 3Q07 to 11.2% in 4Q07.

Financial Expenses

S/. million	4Q06	3Q07	4Q07	%chg QoQ	%chg YoY
Interest and commissions on deposits	38.7	50.8	51.7	1.9%	33.8%
Interest and fees on deposits and due to banks	7.1	11.2	16.4	47.4%	130.6%
Interest on securities, bonds and other obligations	4.3	4.2	3.5	-17.1%	-18.5%
Other financial expenses	2.8	4.1	2.0	-51.2%	-27.1%
Total Financial Expenses	52.8	70.3	73.7	4.8%	39.4%
Average interest bearing liabilities	6,426.0	7,729.6	8,473.3	9.6%	31.9%
Average cost of funding	3.3%	3.6%	3.5%		

Financial expenses increased 39.4% YoY and 4.8% QoQ. The yearly rise resulted from a 33.8% increase in interest on deposits and a 130.6% rise in interest due to banks. The increase in interest on deposits is explained by 24.2% growth in the average volume of deposits and a 20 bps increase in the annualized average cost. The increase in interest due to banks was due to a 151.1% rise on average volume.

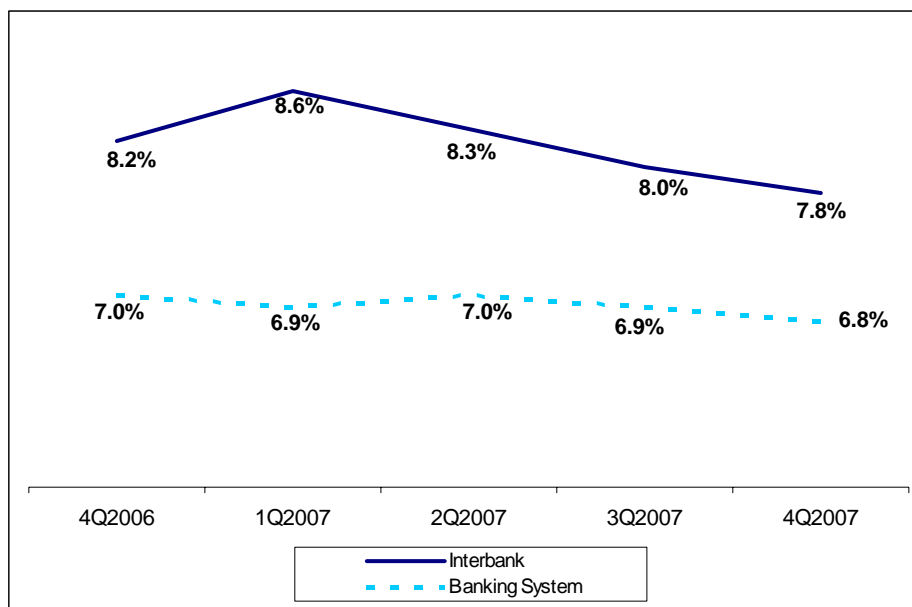
Financial expenses increased 4.8% QoQ primarily due to a 47.4% rise in interest due to banks and an 1.9% increase in interest on deposits. The increase in interest due to banks was the result of a 34.5% rise in average volume, and a 47 bps increase in the annualized average cost. Growth in interest on deposits was attributable to a 7.1% rise in average volume, which was offset by a 20 bps decrease in the annualized average cost of deposits.

As a result of lower costs on deposits, Interbank's annualized average cost of funding decreased 10 bps, from 3.6% in 3Q07 to 3.5% in 4Q07.

Interbank's net interest margin fell from 8.2% in 4Q06 and 8.0% in 3Q07, to 7.8% in 4Q07 as a result of the decrease in the average yield on interest earning assets. Additionally, a 20 bps YoY increase in the average cost of funding contributed to the YoY reduction in NIM.

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

Net Interest Margin



PROVISIONS

Total provision expenses decreased 27.0% QoQ and 10.8% YoY. As a result of a significant improvement in asset quality, the annualized ratio of provision expenses to average loans declined from 2.7% in 3Q07 to 2.0% in 4Q07.

Composition of Provision Expense

S/. million	4Q06	3Q07	4Q07	%chg QoQ	%chg YoY
Provisions recognized as expense:					
For possible loan losses	-41.3	-40.7	-29.4	-27.8%	-28.7%
For impairment of investments	0.2	0.0	4.0	mn	1890.6%
Total provisions recognized as expense	-41.1	-40.7	-25.4	-37.5%	-38.0%
Recoveries	11.7	4.8	-0.8	-116.8%	-106.9%
Total provision expense	-29.4	-36.0	-26.2	-27.0%	-10.8%
Loan provision / average loans	1.1%	2.7%	2.0%		

The ratio of past due loans to total loans declined sharply, from 1.9% in 4Q06 to 1.4% in 3Q06 and 0.9% 4Q07. Reserve coverage grew from 235.4% in 4Q06, to 267.9% in 3Q07 and 337.0% in 4Q07.

Provision for Loan Losses

S/. million	4Q06	3Q07	4Q07	%chg QoQ	%chg YoY
Balance at the beginning of the quarter	237.1	242.3	239.1	-1.3%	0.8%
Provision recognized as expense for the period	23.8	40.7	29.4	-27.8%	23.6%
Provision for acquired portfolio	0.0	5.5	-0.1	nm	nm
Write-offs, extinguishment of debt and sales	-31.3	-39.6	-35.3	-10.8%	13.0%
Recoveries	-11.7	-4.8	0.8	-116.8%	-106.9%
Reallocation to receivable accounts	0.0	0.0	-6.5	nm	nm
Exchange difference, net	1.4	-5.1	-2.8	nm	nm
Balance at the end of the quarter	219.4	239.1	224.5	-6.1%	2.3%
Direct loans	200.0	211.4	198.4	-6.2%	-0.8%
Indirect loans	19.4	27.6	26.1	-5.4%	34.6%
Past due loans / Total loans	1.9%	1.4%	0.9%		
Reserve coverage	235.4%	267.9%	337.0%		

FEE INCOME FROM FINANCIAL SERVICES

Gross fee income from financial services increased 17.9% YoY and 2.4% QoQ. The main drivers for YoY income growth were sharp rises in fees on credit and debit cards, for collection and payment services, account maintenance, and ATM use.

Fee Income from Financial Services, Net

S/. million	4Q06	3Q07	4Q07	%chg QoQ	%chg YoY
Credit and debit card	22.7	24.2	27.5	13.9%	21.2%
Fees for services	25.4	29.5	28.0	-5.3%	10.0%
Contingent operations	3.6	4.3	3.7	-12.8%	2.0%
Fees for collection and payment services	2.5	2.9	5.6	93.8%	123.2%
Others	15.8	19.8	17.8	-10.2%	12.9%
Fee income from financial services	70.1	80.7	82.6	2.4%	17.9%
Expenses relating to financial services	-6.2	-7.3	-6.8	-6.7%	9.1%
Fee income from financial services, net	63.9	73.4	75.9	3.3%	18.8%

ADMINISTRATIVE EXPENSES

Administrative expenses increased 46.2% YoY and 10.7% QoQ due to the expansion of Interbank's distribution network, a higher level of business activity, and the costs of acquiring an increasing number of new clients. Additionally, during 4Q07 Interbank registered S/.5.4 million in non-recurring expenses related to year-end adjustments.

This increase in expenses resulted in an increase in the annualized efficiency ratio, from 51.3% in 4Q06 and 53.6% in 3Q07 and 55.2% in 4Q07.

Administrative Expenses

S/. million	4Q06	3Q07	4Q07	%chg QoQ	%chg YoY
Personnel and board of directors expenses	40.7	51.1	53.8	5.3%	31.9%
Services received from third parties	54.4	74.8	86.0	14.9%	58.1%
Taxes and contributions	3.4	4.4	4.4	1.7%	29.0%
Total	98.6	130.2	144.2	10.7%	46.2%
Efficiency ratio	51.3%	53.6%	55.2%		

OTHER

Other Income (Expenses)

S/. million	4Q06	3Q07	4Q07	%chg QoQ	%chg YoY
Depreciation	-9.9	-9.2	-9.4	2.9%	-4.2%
Amortization	-2.5	-2.2	-2.6	19.4%	5.6%
Total depreciation and amortization	-12.4	-11.4	-12.1	6.1%	-2.2%
Income (expenses) for recoveries	6.5	18.8	9.6	-48.6%	47.4%
Extraordinary income (expenses)	-7.3	-0.4	-2.9	626.7%	-60.4%
Provisions for contingencies and other provisions	10.5	5.7	-18.5	nm	nm
Income (expenses) of prior years	-0.1	13.8	0.2	nm	nm
Other Income (Expenses)	9.7	37.9	-11.6	nm	nm
Total	-2.7	26.5	-23.7	nm	nm

Other income (expenses) expenses fell S/ .21.3 million YoY and S/ .49.5 million QoQ. The main driver for this decline was the fact that during 4Q07 Interbank registered S/ .18.5 million in non-recurring provisions and adjustments. Additionally, during 3Q07, Interbank registered a significant profit on the sale of restructured loans, making the comparison base higher during that quarter.

CAPITALIZATION

The ratio of regulatory capital to risk-weighted assets was 10.0% as of December 31, 2007, below the 11.0% ratio of September 30, 2007 and the 11.8% ratio of June 30, 2006, but above the maximum 9.1% ratio set by Peruvian banking regulations. The QoQ decrease in the ratio was driven by a 9.5% rise in risk weighted assets. The YoY increase is the result of a higher grow rate of risk weighted assets (33.6%) than regulatory capital (14.9%).

Tier I capital rose 18.0% YoY, while Tier II capital declined 21%. The reason for the decline in Tier II capital was due to certain subordinated loans which lost their condition of regulatory capital during the year.

Capitalization

S/. million	4Q06	3Q07	4Q07	%chg QoQ	%chg YoY
Tier I	595.6	702.7	702.7	0.0%	18.0%
Tier II	142.9	108.0	112.8	4.5%	-21.0%
Deductions	-85.4	-65.6	-65.2	-0.6%	-23.6%
Regulatory capital	653.1	745.1	750.3	0.7%	14.9%
Risk weighted assets to regulatory capital	8.5	9.1	10.0	10.2%	17.9%
BIS ratio	11.8%	11.0%	10.0%	-9.2%	-15.2%

Interseguro

SUMMARY

2007 Performance

Profit and Loss Statement Summary

S/. million	2005	2006	2007	%chg 07/06	%chg 06/05
Premiums	288.7	305.8	236.3	-22.7%	5.9%
Premiums ceded	-3.3	-3.9	-4.0	1.8%	19.7%
Fees	-21.5	-21.8	-23.6	8.4%	1.4%
Claims	-69.1	-109.0	-140.4	28.8%	57.8%
Change in reserves	-250.3	-238.6	-145.4	-39.1%	-4.7%
Direct expenses	-2.5	-3.7	-4.3	15.9%	47.1%
Technical margin	-58.1	-71.4	-81.4	14.1%	22.9%
Indirect expenses	-12.1	-13.5	-14.7	8.4%	12.0%
Investment income, net	101.3	125.5	175.4	39.7%	23.9%
Exchange difference	-2.4	4.3	6.0	40.2%	-282.3%
Extraordinaries	2.5	-1.6	-6.3	288.3%	-164.0%
Net income	31.2	43.3	79.0	82.6%	38.5%
ROE	35.9%	33.8%	41.2%		

4Q07 Performance

Interseguro's net income totaled S/.7.3 million in 4Q07, a reduction of 67.9% YoY and 29.9% QoQ. The annualized ROE decreased from 65.3% in 4Q06 to 14.1% in 4Q07. Over the same period, ROA decreased from 6.4% to 1.8%. The annual ROE grew from 33.8% in 2006 to 41.2% in 2007, while the annual ROA increased from 3.2% to 5.0%.

Profit and Loss Statement Summary

S/. million	4Q06	3Q07	4Q07	%chg QoQ	%chg YoY
Premiums	66.6	60.5	59.1	-2.3%	-11.2%
Premiums ceded	-1.0	-1.2	-1.1	-8.2%	8.4%
Fees	-5.6	-6.2	-6.6	6.0%	17.1%
Claims	-29.5	-34.4	-44.4	29.1%	50.3%
Change in reserves	-45.1	-33.2	-32.3	-2.9%	-28.5%
Direct expenses	-1.0	-1.3	-1.1	-18.6%	2.5%
Technical margin	-15.8	-15.8	-26.3	66.1%	67.0%
Indirect expenses	-4.1	-3.3	-4.1	22.8%	0.8%
Investment income, net	43.4	31.5	36.6	16.4%	-15.6%
Exchange difference	0.9	2.2	3.3	50.7%	287.8%
Extraordinaries	-1.6	-4.0	-2.2	-44.8%	38.0%
Net income	22.8	10.5	7.3	-29.9%	-67.9%

The main drivers for the YoY reduction in earnings were lower premiums, higher claims and a decrease in investment income. The QoQ decrease in earnings is explained by lower premiums and higher claims, fees and indirect expenses, and was partially offset by an increase in investment income.

PREMIUMS

Premiums decreased 2.3% QoQ and 11.2% YoY. As shown in the table below, the YoY decline was primarily due to a 22.3% reduction in annuity premiums and 11.8% decline in mandatory traffic accident. While Interseguro has maintained its market share in annuities, the market has contracted because of two factors: the first was a change in the regulation of the Early Retirement Law, which contracted the market. The second was competition from the Private Pension System, which has attained significantly high returns during the past two years. In relation to the mandatory traffic accident, Interseguro has maintained its market share, but the market has contracted by the creation of the Fund Association against Traffic Accidents (AFOCAT) and by lack of law enforcement.

Premiums by Business Line

S/. million	4Q06	3Q07	4Q07	%chg QoQ	%chg YoY
Individual Life	4.5	4.9	4.9	1.4%	10.8%
Annuities	40.5	33.8	31.5	-6.9%	-22.3%
Group Life	5.2	5.2	5.5	5.3%	5.4%
Disability and survivor benefits	11.8	12.6	13.1	4.3%	11.3%
Mandatory traffic accident	4.6	4.0	4.0	1.2%	-11.8%
TOTAL	66.6	60.5	59.1	-2.3%	-11.2%

RESERVES, CLAIMS AND OPERATING EXPENSES

Change in reserves fell 28.5% YoY due to lower annuity premiums sold, as well as an adjustment in reserves in group life and disability and survivor benefits; and 2.9% QoQ due to an adjustment in reserves for disability and survivor benefits.

Reserves by Business Line

S/. million	4Q06	3Q07	4Q07	%chg QoQ	%chg YoY
Individual Life	1.5	-0.01	1.96	nm	28.9%
Annuities	41.3	28.9	30.3	5.0%	-26.7%
Group Life	0.3	-0.3	-0.4	24.7%	-243.6%
Disability and survivor benefits	1.8	4.5	0.0	-99.8%	-99.5%
Mandatory traffic accident	0.2	0.2	0.4	131.0%	130.0%
TOTAL	45.1	33.2	32.3	-2.9%	-28.5%

Claims increased 29.1% QoQ and 50.3% YoY. The quarterly increase was mainly due to an 81.9% rise in disability and survivor benefits claims. YoY growth was due to increases in claims in disability and survivor benefits (130.1%), life (38.1%), and annuities (17.3%) policies. This variation is explained by higher frequency of disability events and an increase in the cost of each event.

Claims by Business Line

S/. million	4Q06	3Q07	4Q07	%chg QoQ	%chg YoY
Individual Life	1.0	1.7	1.3	-21.5%	38.1%
Annuities	14.2	16.5	16.7	1.4%	17.3%
Group Life	0.9	0.9	1.0	11.8%	12.7%
Disability and survivor benefits	10.1	12.7	23.2	81.9%	130.1%
Mandatory traffic accident	3.4	2.6	2.2	-15.7%	-35.7%
TOTAL	29.5	34.4	44.4	29.1%	50.3%

As a result of the above-mentioned factors, the technical margin loss totaled S/.26.3 million in 4Q07, S/. 10.5 million higher than 3Q07, and S/. 10.6 million higher than 4Q06.

Indirect expenses increased 22.8% QoQ and 0.8% YoY due to higher personnel and administrative expenses.

INVESTMENT INCOME

Investment income decreased 15.6% YoY, as a result of lower returns on the fixed income and equity portfolios, and increased 16.4% QoQ, due mainly to higher yields on equities, funds and real estate investments.

Investment Income, Net

S/. million	4Q06	3Q07	4Q07	%chg QoQ	%chg YoY
Income:					
Fixed Income	33.4	35.5	27.3	-23.2%	-18.3%
Equity and Mutual Funds	10.6	-5.7	6.3	211.3%	-40.5%
Real estate	2.0	3.1	4.5	42.7%	127.8%
Total income	46.0	33.0	38.0	15.3%	-17.2%
Expenses	-2.5	-1.5	-1.4	-6.6%	-44.4%
Net income	43.4	31.5	36.6	16.4%	-15.6%

Investment Portfolio

S/. million	4Q06	3Q07	4Q07	%chg QoQ	%chg YoY
Fixed Income	854.9	848.9	966.3	13.8%	13.0%
Equity and Mutual Funds	337.3	326.5	287.0	-12.1%	-14.9%
Real estate	88.0	168.3	183.6	9.1%	108.6%
Others	144.9	185.0	171.2	-7.4%	18.2%
TOTAL	1,425.2	1,528.7	1,608.1	5.2%	12.8%