

Intergroup Financial Services Corp. Reports Fourth Quarter 2008 Earnings

Lima, Peru, February 3, 2009. Intergroup Financial Services Corp. (Bolsa de Valores de Lima: IFS) announced today its unaudited results for the fourth quarter 2008. These results are reported on a consolidated basis in accordance with Peruvian GAAP in nominal Peruvian Nuevos Soles.

Highlights

Intergroup

- Intergroup's operating performance was strong in 2008. However, the global financial crisis and strict regulations on reserve requirements and provisioning led net earnings to decline 10% in 2008.
- Net earnings grew 46% QoQ as a result of strong operating trends at Interbank. However, earnings fell 6% YoY due to valuation losses in Interseguro's equity portfolio and higher reserve and provisioning requirements at Interbank.
- Excluding non-recurring items, net earnings rose 4% YoY and 1% QoQ.

Interbank

- Interbank's net income grew 19% in 2008, mainly due to increased financial income from a larger loan portfolio.
- Net income grew 32.1% QoQ and 15.0% YoY, as a result of increases in interest on loans and fee income.
- Interbank's loan portfolio grew 51% YoY and 15% QoQ, leading to significant gains in market share.
- The average yield on loans remained stable QoQ, and NIM increased slightly despite lower returns on reserve deposits held with the Central Bank.
- Asset quality and coverage remain strong, with past due loans at 1.2% of total loans, and coverage at 283%. However, provision expenses doubled QoQ, partly as a result of new pro-cyclical provision requirements.

Interseguro

- Interseguro reported S/.6.5mm net earnings in 2008, significantly below the S/.79.0mm of 2007 due to losses in the valuation of the investment portfolio.
- Valuation losses totaled S/.22mm in 4Q08, as Interseguro's equity portfolio of S/.221mm (equivalent to 12% of the company's total investment portfolio) declined 17% in value in 4Q08, affected by a 37% decline in the Lima Stock Exchange index.
- As a result, Interseguro reported a S/.7.3mm net loss in 4Q08, an improvement over the S/.16.0mm loss in 3Q08.

Intergroup

INTERGROUP OVERVIEW

2008 Performance

Intergroup's 2008 net income was S/249.4 million, a 10.1% decline from 2007. Operating trends were strong, with significant loan growth and market share gains in most of Intergroup's key businesses. However, results were affected by external factors, such as the cost of higher reserve requirements from the Central Bank, losses on the valuation of investment portfolios attributable to the global financial crisis, and stricter provisioning requirements enacted by the Peruvian Banking Superintendent. ROE was 18.3% during 2008, down from 26.0% in 2007.

Intergroup's Profit and Loss Statement Summary

S/. million	2006	2007	2008	%chg 08/07	%chg 07/06
Financial income	895.9	1,190.6	1,550.6	30.2%	73.1%
Financial expenses	-200.3	-296.9	-491.4	65.5%	145.3%
Gross financial margin	695.6	893.6	1,059.3	18.5%	52.3%
Provisions	-126.7	-125.0	-232.4	85.8%	83.4%
Net financial margin	568.9	768.6	826.9	7.6%	45.4%
Fee income from financial services, net	213.7	258.9	306.3	18.3%	43.3%
Result from insurance underwriting, net	-64.7	-71.5	-59.0	-17.4%	-8.8%
Administrative expenses	-412.9	-534.3	-725.0	35.7%	75.6%
Net operating margin	305.1	421.7	349.2	-17.2%	14.4%
Depreciation and amortization	-51.6	-52.2	-58.7	12.4%	13.8%
Other income (expenses)	25.3	38.6	69.9	81.2%	176.1%
Income before tax and profit sharing	278.8	408.1	360.3	-11.7%	29.2%
Income tax and profit sharing	-80.0	-123.5	-109.0	-11.7%	36.3%
Income from continuing operations	198.8	284.6	251.3	-11.7%	26.4%
Net income	200.8	284.6	251.3	-11.7%	25.1%
Attributable to IFS shareholders	187.9	277.3	249.4	-10.1%	32.8%
EPS	2.22	3.01	2.66		
ROE	28.2%	26.0%	18.3%		

4Q08 Performance

Intergroup's earnings per share were S/.0.62 in 4Q08 (net income: S/.58.4mm), a 5.5% decrease compared to 4Q07 and a 46.6% increase compared to 3Q08. Annualized ROE was 16.9% in 4Q08, below the 19.2% in 4Q07 and above the 11.7% reported in 3Q08. 4Q08 results were affected by losses in the valuation of Interseguro's equity portfolio and new provisioning requirements enacted by the Peruvian Banking Superintendent. On a recurring basis, Intergroup's net earnings rose 3.8% YoY and 0.8% QoQ. The performance within the company's core businesses remains strong: Interbank's loan portfolio grew 14.7% QoQ and 51.0% YoY, the past-

due loan ratio was a solid 1.2%, and Interseguro increased market share across key business lines.

Intergroup's Balance Sheet Summary

S/. million	4Q07	3Q08	4Q08	%chg QoQ	%chg YoY
Cash and due from banks	1,702.0	3,354.1	2,751.3	-18.0%	61.6%
Investments, net	3,564.6	3,664.0	3,791.9	3.5%	6.4%
Loan portfolio, net	5,919.6	7,788.2	8,936.9	14.7%	51.0%
Fixed assets, net	432.2	468.0	520.4	11.2%	20.4%
Other assets	339.2	523.0	638.9	22.2%	88.4%
Total Assets	11,957.6	15,797.3	16,639.3	5.3%	39.2%
Deposits and obligations	7,261.4	9,406.5	9,596.7	2.0%	32.2%
Due to banks	1,542.9	2,754.5	3,100.7	12.6%	101.0%
Bonds and obligations	190.2	380.6	457.1	20.1%	140.3%
Technical reserves for premiums and claims	1,317.6	1,414.5	1,496.2	5.8%	13.6%
Other liabilities	300.6	472.9	575.3	21.6%	91.4%
Total Liabilities	10,612.7	14,429.0	15,225.9	5.5%	43.5%
Intergroup shareholders' equity	1,318.7	1,362.0	1,406.7	3.3%	6.7%
Minority interest	26.2	6.3	6.6	4.8%	-74.6%
Total shareholders' equity	1,344.9	1,368.3	1,413.4	3.3%	5.1%

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

Non-recurring items

S/. million	4Q07	3Q08	4Q08	%chg QoQ	%chg YoY
Reported earnings	63.6	36.6	56.9	55.4%	-10.4%
Non-recurring items (*)					
Trading losses	0.9	29.2	21.9		
Foreign exchange gains and losses	-2.2	15.0	-0.6		
Others Provisions and adjustments	16.3		4.7		
Pro-cyclical provisions			35.0		
Deferred taxes			-36.5		
Total non-recurring items	14.9	44.2	24.5	-44.5%	64.5%
Recurring earnings	78.5	80.8	81.5	0.8%	3.8%

(*) Net of income taxes, excluding Deferred Taxes

Year-on-Year Performance

Net income declined 5.5% YoY due to a S/. 21.9mm loss in the valuation of Interseguro's equity portfolio and a 308.8% increase in provision expenses, attributable to a S/.35.0mm expense in new pro-cyclical provisioning requirements

from the Peruvian Banking Superintendent. These losses were partially offset by a S/.36.5mm gain associated with the regularization of deferred tax assets. Excluding non-recurring items, Intergroup's net earnings rose 3.8% YoY.

Interest on loans rose 51.0% YoY due to loan expansion, partially offset by a 68.7% increase in financial expenses due to an increase in the cost of funding. As a result, gross financial margin grew 14.3% YoY.

Additionally, provision expenses quadrupled due to new pro-cyclical provisioning requirements set by the Peruvian Banking Superintendent. Without this additional requirement, provision expenses would have increased 175.4% YoY, due to a 51.0% increase in Interbank's loan portfolio, as well as a slight increase in delinquencies in consumer loans.

Intergroup's Profit and Loss Statement Summary

S/. million	4Q07	3Q08	4Q08	%chg QoQ	%chg YoY
Financial income	325.9	378.4	418.5	10.6%	28.4%
Financial expenses	-84.7	-152.7	-142.9	-6.4%	68.7%
Gross financial margin	241.2	225.7	275.7	22.2%	14.3%
Provisions	-26.2	-49.6	-107.3	116.1%	308.8%
Net financial margin	215.0	176.0	168.4	-4.3%	-21.7%
Fee income from financial services, net	65.6	82.0	91.1	11.1%	38.9%
Result from insurance underwriting, net	-15.2	-18.8	-4.2	-77.8%	-72.7%
Administrative expenses	-166.0	-188.4	-192.1	2.0%	15.7%
Net operating margin	99.3	50.9	63.2	24.3%	-36.3%
Depreciation and amortization	-12.7	-15.2	-15.7	3.3%	23.9%
Other income (expenses)	8.2	30.7	10.3	-66.4%	26.4%
Income before tax and profit sharing	94.8	66.4	57.8	-12.9%	-39.0%
Income tax and profit sharing	-31.2	-29.8	1.0	-103.5%	-103.3%
Income from continuing operations	63.6	36.6	58.9	60.7%	-7.4%
Net income	63.6	36.6	58.9	60.7%	-7.4%
Attributable to IFS shareholders	61.8	39.8	58.4	46.6%	-5.5%
EPS	0.67	0.43	0.62		
ROE	19.2%	11.7%	16.9%		

Fee income increased 38.9%, driven by volume and transaction growth. Interseguro's loss from insurance underwriting totaled S/.4.2 million, a 72.7% decrease compared to the loss reported in 4Q07 mainly due to a S/. 18.5 million decline in claims. Administrative expenses rose 15.7%, mainly due to the expansion of Interbank's branch network.

Quarter-on-Quarter Performance

Net income (attributable to Intergroup's shareholders) rose 46.6% QoQ. Excluding non-recurring items, net income increased 0.8% QoQ.



Net financial margin increased 22.2% due to higher loan volumes and lower investment and foreign exchange losses. These effects are discussed in detail in the sections relating to Interbank and Interseguro.

Fee income from financial services increased 11.1% as a result of higher commissions on collection and payment services, contingent operations, and fees on corporate finance and credit and debit cards. Administrative expenses remained stable.

The new provisioning requirements led income before taxes and profit sharing to decline 12.9% QoQ. The tax expense was positively affected by an increase in Interbank's deferred tax assets. As a result, net income rose 60.7% QoQ.

CONTRIBUTION OF SUBSIDIARIES

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

Intergroup's Profit and Loss Statement Summary

S/. million	4Q07	3Q08	4Q08	%chg QoQ	%chg YoY
Interbank	58.2	55.4	68.5	23.7%	17.7%
Interseguro	7.3	-16.0	-7.3	n.m	n.m
Intergroup accounts:					
Return on investment portfolio	4.2	4.4	13.7	208.1%	228.7%
Exchange loss, net	-9.4	-0.5	0.6	-213.4%	-106.5%
Taxes on dividends	0.0	-1.8	-0.9	-46.7%	n.m.
Other expenses and other income	-1.6	-1.7	-1.9	7.4%	15.6%
Consolidation adjustments	2.6	0.0	-14.3	n.m	n.m.
Total	61.3	39.8	58.4	46.6%	-4.7%

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

Interbank

SUMMARY

2008 Performance

Interbank's net earnings totaled S/.270.4mm in 2008, an 18.7% increase from 2007. ROE was 31.3% in 2008, slightly below the 31.9% in 2007. The main driver for earnings growth was a 32.6% increase in gross financial margin, partially offset by an 85.8% rise in gross provision expenses and a 33.0% increase in administrative expenses. The improvement in financial margin was due to 44.4% growth in average loan volume. The increase in provision expenses was attributable to stricter provisioning requirements set by the Peruvian Banking Superintendant. Higher administrative expenses were due to significant expansion in Interbank's distribution network.

Financial income excluding exchange gains increased 39.6% due to a 46.4% increase in interest and commissions on loans, as well as a 12.9% rise in investment income. The increase in interest on loans was due to a 46.8% rise in average volume.

Financial expenses rose 57.9% due to higher volumes of deposits and bank financing required to fund Interbank's loan growth and higher reserve requirements. As a result of a higher proportion of institutional deposits and bank loans in Interbank's funding mix, the average cost of funding rose from 3.5% in 2007 to 3.7% in 2008.

This increase in the cost of funds, combined with higher reserve requirements, led the net financial margin to decline from 8.1% in 2007 to 7.4% in 2008.

The rise in provision expenses was partially due to new pro-cyclical provisioning requirements set by the Peruvian Banking Superintendant at the end of 2008. New requirements led Interbank to register an additional S/.35.0mm provision expense in December 2008, an amount equivalent to 13.2% of the total 2008 provision expense. Excluding this non-recurring item, provision expenses would have increased 57.9% as a result of higher loan volumes and a slight increase in delinquencies.

Gross fee income from financial services increased 25.6% as a result of growth in fees on credit and debit cards, contingent operations, account maintenance, and ATM use. Administrative expenses rose 34.4% due to the expansion of Interbank's distribution network, increased business activities, and costs related to the acquisition of new clients.

In 2008, Interbank registered a S/.36.5mm tax gain due to an increase in deferred tax assets. These deferred tax assets had their origin on generic provision expenses that are not recognized as deductible by the tax authority, but which will be deductible once they become specific. This situation leads to a temporary difference in taxes paid, which is registered as a deferred tax asset. The main types of provisions subject to this accounting treatment are related to generic loan losses, employee vacation, country risk and customer loyalty programs.

Profit and Loss Statement Summary

S/. million	2006	2007	2008	% var 08/07	% var 07/06
Financial income	764.2	1,000.6	1,393.3	39.2%	30.9%
Financial expenses	-187.0	-263.3	-415.6	57.9%	40.8%
Gross financial margin	577.2	737.4	977.7	32.6%	27.7%
Provisions	-126.7	-125.0	-232.4	85.8%	-1.3%
Net financial margin	450.6	612.4	745.3	21.7%	35.9%
Fee income from financial services, net	221.6	271.3	340.7	25.6%	22.4%
Administrative expenses	-393.6	-529.0	-703.8	33.0%	34.4%
Net operating margin	278.6	354.7	382.2	7.8%	27.3%
Depreciation and amortization	-48.1	-49.2	-56.4	14.7%	2.3%
Other income (expenses)	6.6	30.7	36.9	nm	367.2%
Income before tax and profit sharing	237.1	336.2	362.6	7.9%	41.8%
Income tax and profit sharing	-76.2	-108.4	-92.3	-14.9%	42.3%
Net Income	160.9	227.8	270.4	18.7%	41.6%
ROE	27.3%	31.9%	31.3%	-2.0%	16.7%

4Q08 Performance

Interbank's net earnings were S/. 69.0mm in 4Q08, a 15.0% increase YoY and a 32.1% increase QoQ. Annualized ROE was 30.1% in 4Q08, higher than the 23.6% in 3Q08, and similar to the 30.2% in 4Q07. The QoQ increase was the result of an increase of S/.32.5mm from income in exchange rate difference, an additional S/.40mm in interest on loans, and a S/.36.5mm increase in deferred tax assets. These items were partially offset by a S/. 35mm pro-cyclical provisioning requirement set by the Peruvian Banking Superintendent.

Profit and Loss Statement Summary

S/. million	4Q07	3Q08	4Q08	%chg QoQ	%chg YoY
Financial income	282.7	322.0	401.8	24.8%	42.1%
Financial expenses	-75.3	-108.1	-131.3	21.5%	74.4%
Gross financial margin	207.4	213.8	270.5	26.5%	30.4%
Provisions	-26.2	-49.6	-107.3	116.1%	308.8%
Net financial margin	181.2	164.2	163.2	-0.6%	-9.9%
Fee income from financial services, net	75.9	89.5	102.9	14.9%	35.6%
Administrative expenses	-155.0	-182.0	-188.8	3.7%	21.8%
Net operating margin	102.0	71.7	77.3	7.8%	-24.2%
Depreciation and amortization	-12.1	-14.6	-15.1	3.5%	24.9%
Other income (expenses)	-0.8	22.0	3.7	nm	-582.7%
Income before tax and profit sharing	89.1	79.0	65.9	-16.6%	-26.1%
Income tax and profit sharing	-29.1	-26.8	3.1	-111.6%	-110.7%
Net Income	60.0	52.2	69.0	32.1%	15.0%
ROE	30.2%	23.6%	30.1%		

INTEREST EARNING ASSETS

Interbank's interest earnings assets reached S/.13,518.7mm as of December 31, 2008, an increase of 5.2% QoQ and 45.0% YoY. QoQ growth was primarily attributable to a 14.7% rise in the bank's loan portfolio, offset by a 16.7% decline in cash. The yearly increase was due to growth rates of 51.0% in loans and 62.4% in cash. The growth in cash was attributable to an increase in reserve requirements from the Peruvian Central Bank.

Interest Earning Assets

S/. million	4Q07	3Q08	4Q08	%chg QoQ	%chg YoY
Cash and due from banks	1,695.8	3,305.0	2,753.5	-16.7%	62.4%
Investments, net	1,705.9	1,755.4	1,828.0	4.1%	7.2%
Loan portfolio, net	5,919.6	7,788.5	8,937.2	14.7%	51.0%
Total interest earnings assets	9,321.3	12,848.9	13,518.7	5.2%	45.0%

Net loans reached S/. 8,937.2 million as of December 31th 2008, an increase of 51.0% YoY and 14.7% QoQ.

Loan Portfolio

S/. Million	4Q07	3Q08	4Q08	%chg QoQ	%chg YoY
Current loans:					
Retail	2,943.5	4,011.5	4,388.8	9.4%	49.1%
Commercial	3,115.9	3,945.6	4,786.9	21.3%	53.6%
Total current loans	6,059.4	7,957.1	9,175.7	15.3%	51.4%
Restructured and refinanced loans	134.1	100.1	98.4	-1.7%	-26.6%
Past due loans	58.9	82.6	113.2	37.1%	92.4%
Gross loans	6,252.3	8,139.7	9,387.3	15.3%	50.1%
Add (less)					
Accrued and deferred interest	-134.4	-111.0	-129.6	16.7%	-3.6%
Allowance for loan losses	-198.4	-240.2	-320.5	33.5%	61.6%
Total direct loans, net	5,919.6	7,788.5	8,937.2	14.7%	51.0%

Loans grew 14.7% QoQ due mainly to a 21.3% expansion of the commercial loan portfolio. Retail loans grew 9.4% QoQ, driven by increases of 14.2% in credit cards, 5.2% in other consumer loans and 10.6% in mortgage loans.

Current loans grew 51.4% YoY driven by significant growth rates in the retail and commercial segments. Commercial loans grew 53.6%, while retail loans grew 49.1%.

Breakdown of Current Retail Loans

S/. million	4Q07	3Q08	4Q08	%chg QoQ	%chg YoY
Consumer loans:					
Credit cards	842.5	1,244.1	1,420.8	14.2%	68.6%
Other consumer	1,280.5	1,717.1	1,806.0	5.2%	41.0%
Total consumer loans	2,122.9	2,961.2	3,226.7	9.0%	52.0%
Mortgages	820.5	1,050.3	1,162.1	10.6%	41.6%
Total retail loans	2,943.5	4,011.5	4,388.8	9.4%	49.1%

FUNDING STRUCTURE

Funding Structure

S/. million	4Q07	3Q08	4Q08	%chg QoQ	%chg YoY
Deposits and obligations	7,281.2	9,397.2	9,629.8	2.5%	32.3%
Due to banks:					
Short term	1,163.6	1,742.4	2,066.6	18.6%	77.6%
Long term	287.4	881.1	925.2	5.0%	221.9%
Total due to banks	1,450.9	2,623.5	2,991.7	14.0%	106.2%
Bonds and obligations	180.1	377.0	482.0	27.8%	167.7%
Total	8,912.3	12,397.8	13,103.5	5.7%	47.0%
AUM (Interfondos)	1,961	1,400	1,257	-10.2%	-35.9%
% of funding					
Deposits and obligations	81.7%	75.8%	73.5%		
Due to banks	16.3%	21.2%	22.8%		
Bonds and obligations	2.0%	3.0%	3.7%		

In 2008, the bank's total funding needs rose 47.0% YoY, while deposits grew 32.3%. As a result, the share of deposits in the bank's total funding declined. During 2008, the bank has used additional sources of funding such as interbank lines of credit, long-term bank financing and bond issues.

As shown in the table below, quarterly and yearly growth in deposits was driven by increases in the retail and commercial segments.

Breakdown of Deposits

S/. million	4Q07	3Q08	4Q08	%chg QoQ	%chg YoY
By Customer Segment:					
Retail	3,080.7	3,647.2	4,640.7	27.2%	50.6%
Commercial	3,952.8	5,705.6	4,941.6	-13.4%	25.0%
Other obligations	247.7	44.4	47.5	6.9%	-80.8%
Total	7,281.2	9,397.2	9,629.8	2.5%	32.3%
By Type:					
Demand	1,301.6	1,415.7	1,492.7	5.4%	14.7%
Savings	2,091.1	2,354.5	2,637.7	12.0%	26.1%
Time	3,400.0	5,323.0	5,178.2	-2.7%	52.3%
Other	488.6	303.9	321.2	5.7%	-34.3%
Total	7,281.2	9,397.2	9,629.8	2.5%	32.3%

FINANCIAL MARGIN

Financial Margin

S/. millones	4Q07	3Q08	4Q08	% var TaT	% var AaA
Financial income	282.7	322.0	401.8	24.8%	42.1%
Financial expenses	-75.3	-108.1	-131.3	21.5%	74.4%
Gross financial margin	207.4	213.8	270.5	26.5%	30.4%

Gross financial margin grew 30.4% YoY and 26.5% QoQ, primarily due to higher loan volumes. The QoQ increase was also due to a reversal in foreign exchange and investment losses.

Financial Income

S/. million	4Q07	3Q08	4Q08	%chg QoQ	%chg YoY
Interest and commissions on loans	207.1	286.6	327.0	14.1%	57.9%
Investment income	29.2	16.6	25.9	56.3%	-11.3%
Interest on due from banks and interbank funds	12.7	12.4	10.0	-19.2%	-21.6%
Financial income before exch. difference	249.1	315.5	362.9	15.0%	45.7%
Exchange difference	33.6	6.5	39.0	503.7%	15.9%
Total Financial Income	282.7	322.0	401.8	24.8%	42.1%
Average interest earning assets	8,159.8	10,569.5	12,001.3	13.5%	47.1%
Average yield on assets*	12.2%	11.9%	12.1%		

*Annualized. Excludes exchange difference

Financial income increased 42.1% YoY. The main driver for YoY growth was a 57.9% increase in interest and commissions on loans, offset by an 11.3% decline in investment income and a 21.6% decrease in interest on cash and interbank funds. Growth in interest and commissions on loans was explained by a 49.2% rise in average

volume, and an increase on the annualized average yield on loans, from 13.2% in 4Q07 to 14.0% in 4Q08. Interest on cash and interbank funds declined despite a 90.4% increase in average volume, due to a 190 bps decrease in the annualized average yield, attributable to lower returns paid by the Central Bank on reserve requirement deposits. Finally, investment income fell due to a decline in the annualized average yield of permanent investments in subsidiaries and related companies.

As a result of lower yields on investments and cash, as well as a higher proportion of low-yielding cash on the bank's asset mix, the average yield on interest earning assets declined from 11.4% in 4Q07 to 11.0% in 4Q08.

Financial income grew 24.8% QoQ due to a 14.1% increase in interest and commissions on loans, a 503.7% increase in exchange rate variation and a 56.3% increase in investment income. Interest and commissions on loans rose as a result of 13.4% growth in average loan volumes, and a slight increase in the annualized yield, from 13.9% in 3Q08 to 14.0% in 4Q08. Investment income increased 56.3% QoQ due to a 227 bps increase in the annualized average yield, from 3.5% in 3Q08 to 5.8% in 4Q08.

This increase was due to unusually low yields reported in 3Q08 as a result of a non-recurring loss on the sale of a sovereign bond position. Exchange rate gains increased 503% QoQ, primarily due to the fact that the bank hedged its currency positions during 4Q08, thus avoiding exchange losses reported during the previous quarter.

Financial Expenses

S/. million	4Q07	3Q08	4Q08	%chg QoQ	%chg YoY
Interest and commissions on deposits	51.7	69.6	84.6	21.5%	63.4%
Interest and fees on deposits and due to banks	16.4	29.7	35.0	17.7%	112.9%
Interest on securities, bonds and other obligations	3.5	4.6	7.0	52.2%	100.7%
Other financial expenses	3.6	4.2	4.8	13.4%	32.2%
Total Financial Expenses	75.3	108.1	131.3	21.5%	74.4%
Average interest bearing liabilities	7,839.6	10,224.3	11,642.1	13.9%	48.5%
Average cost of funding	3.6%	3.7%	4.1%		

Financial expenses rose 74.4% YoY and 21.5% QoQ. The yearly increase was due to a 63.4% increase in interest on deposits and a 112.9% rise in interest on bank loans. The increase in interest on deposits was due to 44.0% growth in the average volume of deposits and a 37 bps increase in the annualized average cost, attributable to a higher proportion of time deposits. Interest on bank loans increased as a result of a 135.6% expansion in average volume, partially offset by a 50 bps decline in the annualized average cost.

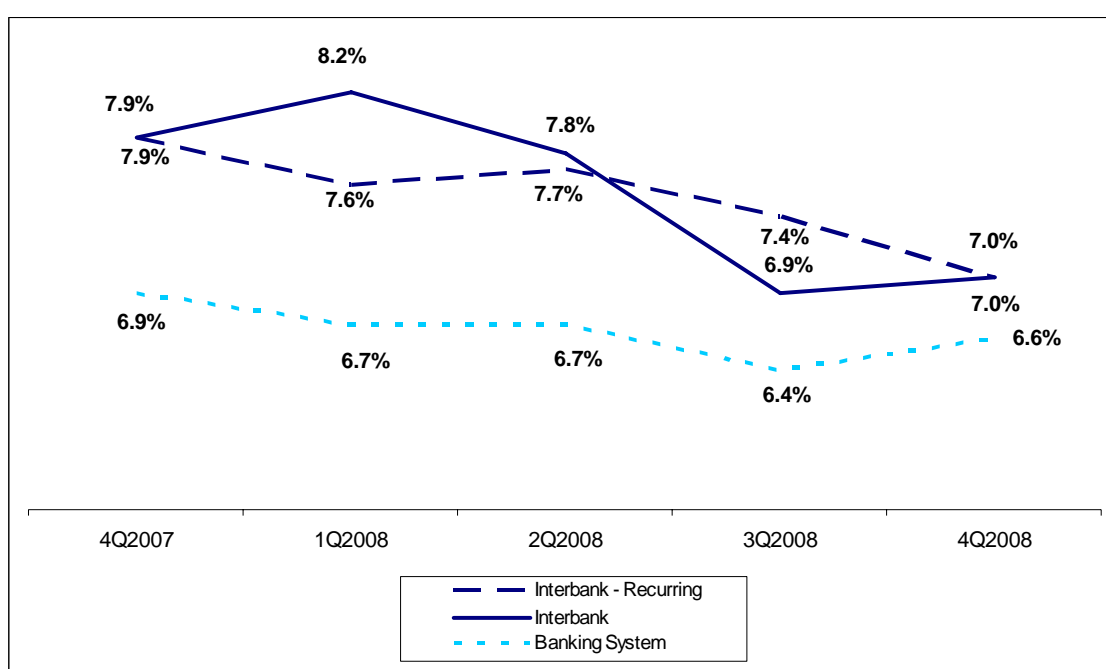
Interbank's annualized average cost of funding increased 39 bps, from 3.6% in 4Q07 to 4.0% in 4Q08 due to a larger proportion of time deposits, bank loans and bonds in the funding structure.

Financial expenses rose 21.5% QoQ due to increases of 21.5% in interest on deposits, 17.7% in interest on bank loans, and 52.2% in interest on securities, bonds and other

obligations. Growth in interest on deposits was attributable to a 13.2% rise in average volume, and a 17 bps increase in the annualized average cost. Interest on bank loans rose as a result of a 10.3% increase in average volume, and a 59 bps increase in the average cost.

The increase in interest on securities, bonds and other obligations is explained by a 54.0% rise in average volume, offset by a 114 bps decrease in the annualized average cost. The increase in average volume was attributable to a S/. 92.0mm subordinated bond placed in October 2008.

NET INTEREST MARGIN



Net interest margin declined from 7.9% in 4Q07 to 7.0% in 4Q08 as a result of the decrease in the average yield on interest earning assets and the increase in the average cost of funding, mainly due to higher reserve requirements established by Peru's Central Bank.

PROVISIONS

Total provision expenses increased 308.8% YoY and 116.1% QoQ due to higher requirements associated to a new pro-cyclical provisioning regulation enacted by the Peruvian Banking Superintendant. As consequence of this the new requirement, the bank registered S/.35mm in loan loss provisions, an amount equivalent to 32.6% of the total provision expense for 4Q08. Excluding the effect of this new requirement, provision expenses rose 179.2% YoY and 47.65% QoQ due to higher loan volumes and a slight increase in delinquencies on consumer loans. The annualized ratio of provision expense to average loans increased from 2.0% in 4Q07 to 6.0% in 4Q08. Excluding pro-cyclical provisions, the ratio would have been 4.0% in 4Q08.

Provision for Loan Losses

S/. million	4Q07	3Q08	4Q08	%chg QoQ	%chg YoY
Balance at the beginning of the quarter	239.1	241.6	267.5	10.7%	11.9%
Provision recognized as expense for the period	29.4	53.5	130.7	144.1%	344.5%
Write-offs, extinguishment of debt and sales	-35.3	-24.7	-32.5	31.5%	-8.0%
Recoveries	0.8	-3.8	-23.3	518.9%	nm
Reallocation to receivable accounts	-6.5	0.0	0.0	nm	nm
Reallocation of deferred interests	0.0	0.0	0.0	nm	nm
Exchange difference, net	-2.8	0.8	6.1	nm	nm
Balance at the end of the quarter	224.5	267.5	348.5	30.3%	55.2%
Direct loans	198.4	240.2	320.5	33.5%	61.6%
Indirect loans	26.1	27.3	28.0	2.3%	6.9%
Past due loans / Total loans	0.9%	1.0%	1.2%		
Reserve coverage	337.0%	290.9%	283.1%		

The ratio of past due loans to total loans increased from 0.9% in 4Q07 to 1.2% in 4Q08. Reserve coverage decreased from 337.0% in 4Q07 to 283.1% in 4Q08

FEE INCOME FROM FINANCIAL SERVICES

Gross fee income from financial services increased 35.6% YoY. The main drivers for YoY income growth were increases in fees on credit and debit cards, contingent operations, account maintenance, and ATM use.

Gross fee income from financial services increased 14.9% QoQ. The main drivers for YoY income growth were increases in fees on credit and debit cards, contingent operations, mortgage and corporate finance operations.

Fee Income from Financial Services, Net

S/. million	4Q07	3Q08	4Q08	%chg QoQ	%chg YoY
Credit and debit card	27.5	35.4	38.4	8.7%	39.6%
Fees for services	28.0	35.1	34.1	-2.8%	22.1%
Contingent operations	3.7	6.3	7.5	19.9%	101.3%
Fees for collection and payment services	5.6	4.6	5.1	9.6%	-9.4%
Others	17.8	17.8	25.1	41.2%	40.9%
Fee income from financial services	82.6	99.1	110.2	11.2%	33.4%
Expenses relating to financial services	-6.8	-9.6	-7.4	-23.6%	8.9%
Fee income from financial services, net	75.9	89.5	102.9	14.9%	35.6%

ADMINISTRATIVE EXPENSES

Administrative expenses rose 3.7% QoQ and 21.8% YoY. This increase was explained by the expansion of Interbank's distribution network, a higher level of business activity, and costs related to the acquisition of new clients.

As a result of higher financial margin and higher fee income from financial services, the annualized efficiency ratio improved from 59.0% in 4Q07 to 54.6% in 4Q08.

Administrative Expenses

S/. million	4Q07	3Q08	4Q08	%chg QoQ	%chg YoY
Personnel and board of directors expenses	64.6	71.2	77.6	8.9%	20.0%
Services received from third parties	86.0	104.5	104.9	0.4%	22.1%
Taxes and contributions	4.4	6.3	6.3	0.3%	41.7%
Total	155.0	182.0	188.8	3.7%	21.8%
Efficiency ratio	59.0%	64.8%	54.6%		

OTHERS

Other Income (Expenses)

S/. million	4Q07	3Q08	4Q08	%chg QoQ	%chg YoY
Depreciation	-9.5	-11.6	-12.1	4.7%	28.0%
Amortization	-2.6	-3.0	-3.0	-1.1%	13.4%
Total depreciation and amortization	-12.1	-14.6	-15.1	3.5%	24.9%
Income (expenses) for recoveries	9.6	9.4	10.1	7.7%	4.5%
Extraordinary income (expenses)	-2.9	-1.2	-1.3	1.6%	-56.4%
Provisions for contingencies and other provisions	-7.7	12.7	-8.0	nm	nm
Income (expenses) of prior years	0.2	1.2	2.9	nm	nm
Other Income (Expenses)	-0.8	22.0	3.7	nm	nm
Total	-12.9	7.4	-11.4	nm	nm

Other income declined S/18.8mm QoQ due to the fact that the bank registered generic provisions totalling S/7.9mm in 4Q08, while it reversed contingent provisions totalling S/12.7mm in 3Q08.

CAPITALIZATION

The ratio of regulatory capital to risk-weighted assets was 10.8% as of December 31, 2008, above the 10.5% in 3Q08 and 1the 0.0% in 4Q07, and significantly above the minimum 9.1% ratio established by Peruvian banking regulations. Tier I capital increased 6.3% QoQ, primarily due to the capitalization of 3Q08 earnings, totaling S/52.2mm. Tier II capital rose 232.3% QoQ, due to a S/92.0mm subordinated bond placed in October 2008.

Capitalization

S/. million	4Q07	3Q08	4Q08	%chg QoQ	%chg YoY
Tier I	670.1	852.2	905.7	6.3%	35.2%
Tier II	80.2	156.7	266.7	70.1%	232.3%
Regulatory capital	750.3	1,008.9	1,172.4	16.2%	56.2%
Risk weighted assets to regulatory capital	10.0	9.5	9.3	-2.1%	-7.4%
BIS ratio	10.0%	10.5%	10.8%	2.1%	8.0%
Tier I / risk weighted assets	9.2%	8.9%	8.3%	-6.8%	-9.4%

Interseguro

SUMMARY

2008 Performance

Interseguro's net earnings were S/. 6.5mm in 2008, compared to S/.79.0mm reported in 2007. The main reason for this decline was lower investment income, significantly affected by the global financial crisis. ROE was 3.1% in 2008.

Profit and Loss Statement Summary

S/. million	2006	2007	2008	% chg 08/07	% chg 07/06
Premiums	304.9	235.5	211.4	-10.2%	-22.8%
Premiums ceded	-4.3	-5.2	-6.2	19.2%	20.9%
Fees	-8.3	-8.2	-7.1	-13.4%	-1.2%
Claims	-127.8	-152.3	-123.1	-19.2%	19.2%
Change in reserves	-217.3	-129.3	-136.5	5.6%	-40.5%
Diverse Income, net	-4.5	-7.1	-2.8	-60.6%	57.8%
Technical margin	-57.3	-66.6	-64.3	-3.5%	16.2%
Adm. expenses	-27.8	-30.5	-32.7	7.2%	9.7%
Investment income, net*	128.4	176.1	103.5	-41.2%	37.1%
Net income	43.3	79.0	6.5	-91.8%	82.4%

* Incluye la diferencia en cambio y extraordinarios

Total premiums fell 10.2%, due to the fact that Interseguro stopped managing a key account in the disability and survivor benefits line. However, premiums across all of Interseguro's other lines increased during 2008. Interseguro was the fourth largest life insurance company in Peru as measured by premiums in 2008.

Investment income fell 41.2%, primarily due to losses in the valuation of the company's equity portfolio, partially offset by significant gains in real estate and fixed income.

4Q08 Performance

Interseguro reported a net loss of S/.7.3mm during 4Q08, an improvement from the S/.16mm loss reported in 3Q08, but a decline from the S/.7.3mm in earnings reported in 4Q07.

Profit and Loss Statement Summary

S/. million	4Q07	3Q08	4Q08	%chg QoQ	%chg YoY
Premiums	58.9	57.5	54.3	-5.6%	-7.9%
Premiums ceded	-1.1	-1.6	-1.7	11.3%	55.9%
Fees	-1.8	-2.0	-2.1	1.9%	15.8%
Claims	-43.9	-33.5	-25.4	-24.1%	-42.1%
Change in reserves	-32.2	-38.6	-30.3	-21.5%	-6.1%
Diverse Income, net	-2.2	-1.0	-0.8	-17.5%	-63.0%
Technical margin	-22.3	-19.1	-6.0	-68.5%	-73.0%
Adm. expenses	-9.8	-8.9	-8.7	-2.2%	-10.4%
Investment income, net*	39.4	12.1	7.4	-38.6%	-81.1%
Net income	7.3	-16.0	-7.3	54.2%	-199.7%

*Includes Exchange difference and extraordinary items

The main driver for the YoY decline was a decrease in investment income. This decrease was partially offset by a higher technical margin product of lower claims and reserves. The QoQ improvement was explained by a decrease in claims and reserves.

PREMIUMS

In 2007, Interseguro stopped managing Profuturo AFP's disability portfolio, which represented 20.3% of total premiums. As a result, premiums fell 7.9% YoY. However, premiums continued to grow across all of Interseguro's other lines, especially in group life (68.0%) and mandatory traffic accident premiums (18.6%). Premiums fell 5.6% QoQ due to declines in annuities (14.4%), mandatory traffic accident premiums (13.1%) and Individual Life (7.4%). Despite these declines, Interseguro increased market share across these business lines in 4Q08.

Premiums by Business Line

S/. million	4Q07	3Q08	4Q08	%chg QoQ	%chg YoY
Individual Life	4.9	6.1	5.6	-7.4%	15.6%
Annuities	31.5	38.2	32.7	-14.4%	3.7%
Group Life	5.4	7.3	9.0	23.1%	68.0%
Disability and survivor benefits	13.1	0.4	0.3	-34.1%	-98.1%
Mandatory traffic accident	4.0	5.5	4.8	-13.1%	18.6%
Non Life Insurance	0.0	0.0	1.9	100.0%	100.0%
TOTAL	58.9	57.5	54.3	-5.6%	-7.9%

RESERVES, CLAIMS AND OPERATING EXPENSES

Change in reserves decreased 6.1% YoY and 21.5% QoQ due to a decline in the sale of annuities and mandatory traffic accident premiums.

Reserves on Premiums by Business Line

S/. million	4Q07	3Q08	4Q08	%chg QoQ	%chg YoY
Individual Life	2.0	1.0	1.0	-2.3%	-51.2%
Annuities	30.3	36.4	29.6	-18.6%	-2.2%
Group Life	-0.4	0.2	0.1	-72.1%	116.9%
Mandatory traffic accident	0.4	1.0	-0.4	-137.2%	200.1%
Non Life Insurance	0.0	0.0	0.0	0.0%	0.0%
TOTAL	32.2	38.6	30.3	-21.5%	-6.1%

Claims decreased 24.1% QoQ and 42.1% YoY. The quarterly decrease was due to lower claims in mandatory traffic accident (72.0%), disability and survivor benefits (63.7%) and group life (31.1%) policies. The YoY decrease was due to a 84.3% decline in disability and survivor benefits claims.

Claims by Business Line

S/. million	4Q07	3Q08	4Q08	%chg QoQ	%chg YoY
Individual Life	0.5	0.4	0.2	40.6%	-50.1%
Annuities	16.7	17.6	19.3	9.8%	15.9%
Group Life	1.4	1.6	1.1	-31.1%	-21.0%
Disability and survivor benefits	23.2	10.0	3.6	-63.7%	-84.3%
Mandatory traffic accident	2.2	3.9	1.1	-72.0%	-50.1%
Non Life Insurance	0.0	0.0	0.0	0.0%	0.0%
TOTAL	43.9	33.5	25.4	-24.1%	-42.1%

As a result of the above-mentioned factors, the technical margin was S/-.6.0 million in 4Q08, S/. 13.1 million higher than 3Q08, and S/. 16.3 million higher than 4Q07.

Administrative expenses decreased 2.2% QoQ and 10.4% YoY. The QoQ decrease is explained by an efficient management of personnel expenses and lower administrative expenses.

INVESTMENT INCOME

Investment income decreased 81.1% YoY, as a result of valuation losses in equities and mutual funds totaling S/. 22.1mm.

These losses were due to the effect of the global financial crisis on the Lima Stock Exchange and Interseguro's equity portfolio. While Interseguro holds only low volatility stocks, the portfolio declined 16.5% due to a 37.3% decrease in the Lima Stock Exchange index.

Equity losses were partially offset by higher revenues from fixed income and real estate investments.

During 4Q08, the Peruvian Sol depreciated 5.5% with respect to the U.S. Dollar, leading to an FX loss of S/2.7 million.

The portfolio increased 14.8% YoY from S/1,608.1mm to S/1,845.4mm. As shown in the tables below, additional funds received were invested in both fixed income and real estate.

Investment Income, Net

S/. million	4Q07	3Q08	4Q08	%chg QoQ	%chg YoY
Income:					
Fixed Income	27.1	18.2	23.6	30.1%	-12.8%
Equity and Mutual Funds	7.9	-16.3	-22.1	-35.1%	-379.4%
Real estate	3.3	10.0	11.2	11.8%	244.2%
Total income	38.3	11.9	12.8	7.8%	-66.5%
Expenses	-1.3	-2.1	-2.2	7.8%	65.7%
Exchange difference	3.1	2.2	-2.7	-222.4%	-185.9%
Others*	-0.7	0.1	-0.5	-	-29.4%
Net income	39.4	12.1	7.4	-38.6%	-81.1%

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

Investment Portfolio

S/. million	4Q07	3Q08	4Q08	%chg QoQ	%chg YoY
Fixed Income	1,084.9	1,099.3	1,212.1	10.3%	11.7%
Equity and Mutual Funds	247.6	235.2	220.7	-6.2%	-10.9%
Real estate	262.6	424.8	406.8	-4.2%	54.9%
Others	13.1	4.4	5.8	30.8%	-55.8%
TOTAL	1,608.1	1,763.6	1,845.4	4.6%	14.8%