

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

**Intercorp Financial Services Inc. and Subsidiaries**

Consolidated financial statements as of September 30, 2012 (unaudited)  
December 31, 2011 (audited).

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

## Intercorp Financial Services Inc. and Subsidiaries

Consolidated financial statements as of September 30, 2012 (unaudited) and December 31, 2011 (audited)

### Contents

#### **Consolidated financial statements**

Consolidated balance sheets

Consolidated statements of income

Consolidated statements of changes in shareholders' equity

Consolidated statements of cash flows

Notes to the consolidated financial statements

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

### Intercorp Financial Services Inc. and Subsidiaries

#### Consolidated balance sheets

As of September 30, 2012 (unaudited) and December 31, 2011 (audited)

	Note	2012 S/.(000)	2011 S/.(000)		Note	2012 S/.(000)	2011 S/.(000)
<b>Assets</b>				<b>Liabilities and equity</b>			
Cash and due from banks	5			Deposits and obligations	12	14,601,534	13,041,820
Cash and clearing		1,119,588	1,146,420	Inter-bank funds		35,012	7,002
Deposits in the Peruvian Central Bank		3,855,750	1,032,869	Deposits from financial entities		137,267	113,297
Deposits in domestic and foreign banks		415,882	218,477	Due to banks and correspondents	13	2,313,668	1,704,664
Restricted funds		82,248	84,619	Accounts payable, provisions and other liabilities	11	699,661	648,515
Interest accrued on cash and due from banks		1,725	979	Deferred income tax liability, net		837	2,227
		<b>5,475,193</b>	<b>2,483,364</b>	Bonds and other obligations	14	3,266,700	2,643,449
				Technical reserves for premiums and claims	15	2,402,163	2,178,079
				<b>Total liabilities</b>		<b>23,456,842</b>	<b>20,339,053</b>
Inter-bank funds		85,029	34,421				
Investments, net	6	3,052,077	3,599,278	<b>Equity</b>			
Loan portfolio, net	9	14,546,865	13,731,269	Equity attributable to IFS			
Held-to-maturity investments, net	7	1,055,592	1,106,402	Capital stock		799,581	799,581
Real estate investment, net	8	430,848	424,255	Capital surplus		268,077	268,077
Investment in associates, net		96,707	36,093	Treasury stock		(217,458)	(214,996)
Property, furniture and equipment, net	10	441,014	444,248	Unrealized results, net		101,467	22,833
Accounts receivable and other assets, net	11	868,494	796,469	Retained earnings		1,676,472	1,483,832
Deferred Income Tax asset, net		49,287	56,449			2,628,139	2,359,327
<b>Total assets</b>		<b>26,101,106</b>	<b>22,712,248</b>	Minority interest		16,125	13,868
				<b>Total equity</b>		<b>2,644,264</b>	<b>2,373,195</b>
<b>Off-balance sheet accounts</b>	18			<b>Total liabilities and equity</b>		<b>26,101,106</b>	<b>22,712,248</b>
Contingent assets		14,287,744	13,570,263				
Other off-balance sheet assets accounts		42,698,121	38,335,745	<b>Off-balance sheet accounts</b>	18		
		<b>56,985,865</b>	<b>51,906,008</b>	Contingent assets		14,287,744	13,570,263
				Other off-balance sheet assets accounts		42,698,121	38,335,745
						<b>56,985,865</b>	<b>51,906,008</b>

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

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

## IntercorpFinancial Services Inc. and Subsidiaries

### Consolidated statements of income

For the nine months periods ended September 30, 2012 and 2011 (unaudited)

	Note	2012 S/.(000)	2011 S/.(000)
Financial income	19	1,977,996	1,785,204
Financial expense	19	(412,632)	(426,158)
<b>Gross financial margin</b>		<b>1,565,364</b>	<b>1,359,046</b>
Provision for loan losses, net	9(d)	(350,619)	(279,503)
<b>Net financial margin</b>		<b>1,214,745</b>	<b>1,079,543</b>
Fee income from financial services	20	451,567	402,540
Expenses relating to financial services	20	(65,821)	(43,521)
Result from insurance underwriting, net	21(a)	(62,892)	(43,751)
<b>Operating margin</b>		<b>1,537,599</b>	<b>1,394,811</b>
Administrative expenses	22(a)	(795,451)	(731,022)
<b>Net operating margin</b>		<b>742,148</b>	<b>663,789</b>
Provision for contingencies and other		(12,247)	(11,207)
Depreciation of property, furniture and equipment	10(a)	(52,443)	(53,684)
Amortization of intangibles		(17,746)	(13,605)
Amortization of interest premium		(4,881)	(2,531)
<b>Operating income</b>		<b>654,831</b>	<b>582,762</b>
Other income, net	23	59,130	83,842
<b>Income before Income tax</b>		<b>713,961</b>	<b>666,604</b>
Income Tax	17(b)	(149,631)	(173,923)
<b>Net income</b>		<b>564,330</b>	<b>492,681</b>
<b>Attributable to:</b>			
Intercorp's equity shareholders		560,974	489,713
Minority interest		3,356	2,968
		564,330	492,681
<b>Basic and diluted earnings per share attributable to Intercorp (stated in Nuevos Soles)</b>	24	<b>6.206</b>	<b>5.404</b>
<b>Weighted average number of outstanding shares (in thousands)</b>	24	<b>90,394</b>	<b>90,619</b>

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

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

**Intercorp Financial Services Inc. and Subsidiaries**

**Consolidated statements of changes in shareholders' equity**

For the nine months periods ended September 30, 2012 and 2011 (unaudited)

	Number of shares (in thousands)		Attributable to Intercorp's equity holders						Minority interest	Total shareholder's equity
	Issued	In treasury	Capital stock	Treasury stock	Capital surplus	Unrealized gains	Retained earnings	Total		
			S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)		
<b>Balance as of January 1, 2011</b>	93,615	(1,493)	799,581	(72,678)	268,077	26,129	1,076,359	2,097,468	11,829	2,109,297
Declared and paid dividends, note 16(a)	-	-	-	-	-	-	(291,900)	(291,900)	-	(291,900)
Dividends paid to minority shareholders'	-	-	-	-	-	-	-	-	-	-
Net variation of unrealized results on sale investment of the Company and Subsidiaries, net of income tax, note 16(d)	-	-	-	-	-	(162,862)	-	(162,862)	-	(162,862)
Net variation of unrealized results on derivative financial instruments, net of income tax, note 16(d)	-	-	-	-	-	14,609	-	14,609	-	14,609
Net variation of treasury stock held by Subsidiaries, note 16(b)	-	(1,584)	-	(147,280)	-	99,834	-	(47,446)	-	(47,446)
Net income	-	-	-	-	-	-	489,713	489,713	2,968	492,681
Other	-	-	-	-	-	-	2,747	2,747	(2,149)	598
<b>Balance as of September 30, 2011</b>	<b>93,615</b>	<b>(3,077)</b>	<b>799,581</b>	<b>(219,958)</b>	<b>268,077</b>	<b>(22,290)</b>	<b>1,276,919</b>	<b>2,102,329</b>	<b>12,648</b>	<b>2,114,977</b>
<b>Balance as of January 1, 2012</b>	93,615	(3,092)	799,581	(214,996)	268,077	22,833	1,483,832	2,359,327	13,868	2,373,195
Declared and paid dividends, note 16(a)	-	-	-	-	-	-	(373,632)	(373,632)	-	(373,632)
Net variation of unrealized results on sale investment of the Company and Subsidiaries, net of income tax, note 16(d)	-	-	-	-	-	128,929	-	128,929	-	128,929
Net variation of unrealized results on derivative financial instruments, net of income tax, note 16(d)	-	-	-	-	-	4,316	-	4,316	-	4,316
Net variation of treasury stock held by Subsidiaries, note 16(b)	-	(127)	-	(2,462)	-	(54,611)	12,900	(44,173)	-	(44,173)
Net income	-	-	-	-	-	-	560,974	560,974	3,356	564,330
Other	-	-	-	-	-	-	(7,602)	(7,602)	(1,099)	(8,701)
<b>Balance as of September 30, 2012</b>	<b>93,615</b>	<b>(3,219)</b>	<b>799,581</b>	<b>(217,458)</b>	<b>268,077</b>	<b>101,467</b>	<b>1,676,472</b>	<b>2,628,139</b>	<b>16,125</b>	<b>2,644,264</b>

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

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

## Intercorp Financial Services Inc. and Subsidiaries

### Consolidated statements of cash flows

For the nine-months periods ended September 30, 2012 and 2011 (unaudited)

	<b>2012</b>	<b>2011</b>
	S/.(000)	S/.(000)
<b>Reconciliation of net income with cash provided by operating activities</b>		
Net income	564,330	492,681
<b>Adjustments to net income</b>		
<b>Plus (minus)</b>		
Provision for loan losses, net	350,619	279,503
Depreciation of property, furniture, equipment and realizable assets	52,443	53,684
Amortization of intangibles and others	22,627	16,136
Income from sale and valuation of investments, net	(36,529)	(68,931)
Income from sale of real estate investments	(107,113)	-
Gain from sale of assets received as payment and seized through legal actions	(5,772)	(186)
Income from lease of real estate investments	(24,530)	(18,752)
Other, net	(9,131)	(23,970)
<b>Net changes in asset and liability accounts</b>	-	-
Increase in receivable accrued interest	(24,939)	25,910
Increase in payable accrued interest	52,404	(21,468)
(Increase) decrease in restricted funds	2,371	25,954
Net increase in other assets	(70,117)	(153,089)
Net increase in other liabilities	45,921	132,600
Increase in technical reserves	<u>224,084</u>	<u>266,583</u>
<b>Net cash provided by operating activities</b>	<u>1,036,668</u>	<u>1,006,655</u>

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

### Consolidated statements of cash flow (continued)

	<b>2012</b>	<b>2011</b>
	S/.(000)	S/.(000)
<b>Cash flows from investing activities</b>		
Purchase of property, furniture and equipment	(57,813)	(24,158)
Sale of assets received as payment and seized through legal actions	8,482	147
Purchase of intangibles	<u>(28,614)</u>	<u>(25,755)</u>
<b>Net cash used in investing activities</b>	<u>(77,945)</u>	<u>(49,766)</u>
<b>Cash flows from financing activities</b>		
Net increase in loan portfolio	(1,153,956)	(1,309,236)
Net increase in investments and held-to-maturity investments	706,148	(441,216)
Net decrease (increase) in real estate investments	100,520	(46,779)
Net increase in deposits and obligations	1,551,804	263,813
Net (decrease) increase in deposits from financial entities	23,970	(54,264)
Collection of dividends net of associate investments decrease	14,714	8,257
Net increase (decrease) in due to banks and correspondents	611,311	(459,318)
Net increase (decrease) in bonds and other obligations outstanding	576,450	(234,576)
Net (increase) decrease in receivable inter-bank funds	(50,608)	(61,005)
Net decrease in payable inter-bank funds	28,010	190,884
Payment of dividends	<u>(373,632)</u>	<u>(291,900)</u>
	<u>2,034,731</u>	<u>(2,435,340)</u>
<b>Net cash provided by (used in) financing activities</b>		
Net cash increase	2,993,454	(1,478,451)
Balance of cash at the beginning of year	<u>2,397,766</u>	<u>4,445,474</u>
<b>Balance of cash at end of year</b>	<u>5,391,220</u>	<u>2,967,023</u>

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

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

## Intercorp Financial Services Inc. and Subsidiaries

### Notes to the consolidated financial statements

As of September 30, 2012 and December 31, 2011

#### 1. Business activity

Intercorp Financial Services Inc. (formerly Intergroup Financial Services Corp. and henceforth "IFS" or "the Company") is a limited liability holding corporation incorporated in the Republic of Panama on September 19, 2006, as the result of the restructuring of its shareholder Intercorp Peru Ltd. (formerly IFH Peru Ltd., a holding corporation incorporated in 1997, in The Bahamas), during 2007. As of September 30, 2012, Intercorp directly and indirectly holds 68.93 percent of IFS issued capital stock and 71.42 percent of IFS shares representative of its issued capital stock (directly and indirectly 68.93 percent and 71.28 percent, respectively, as of December 31, 2011).

IFS legal domicile is 50 Street and 74 Street, ST Georges Bank Building, Republic of Panama. On the other hand, its Management and administrative offices are located at Av. Carlos Villaran 140, Urb. Santa Catalina, La Victoria, Lima, Peru.

As of September 30, 2012 and December 31, 2011, IFS holds 99.29 percent and 100 percent of the capital stock of Banco Internacional del Peru S.A.A. - Interbank (henceforth "the Bank") and of Interseguro Compañía de Seguros S.A. (henceforth "Interseguro"), respectively. IFS and its Subsidiaries operations are concentrated in Peru. Their main activities and balances of assets, liabilities and equity are described in Note 2.

The consolidated financial statements as of September 30, 2012 have been approved by the Board of Directors held on October 30, 2012. The consolidated financial statements as of December 31, 2011 were approved by the Board of Directors on March 30, 2012.

#### 2. Subsidiaries' activities

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

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

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

As of September 30, 2012, the Bank has 282 offices and a branch established in Panama (241 offices and a branch established in Panama as of December 31, 2011). Additionally, it holds 100 percent of:

Subsidiary	Activity
Interfondos S.A. Sociedad Administradora de Fondos	As of September 30, 2012 and December 31, 2011, manages mutual funds and investment funds with equity book values of approximately S/.2,550 million and S/.2,161 million, respectively.
Internacional de Títulos Sociedad Titulizadora S.A. - Intertítulos S.T.	As of September 30, 2012 and December 31, 2011, manages securitization funds with combined assets of approximately S/.2,512 million and S/.1,105 million, respectively.



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

**Notes to the consolidated financial statements**(continued)

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

### Notes to the consolidated financial statements<sup>(continued)</sup>

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
Compañía de Servicios Conexos Expressnet	Related services company credit card operations or products identified with the American Express brand

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

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

Interseguro has the following subsidiaries:

<b>Subsidiary</b>	<b>Activity</b>
Centro Comercial Estación Central S.A.	Began operations in March 2010 and is dedicated to the administration of the mall called "Centro Comercial Estación Central" located in Lima downtown. As of September 30, 2012 and December 31, 2011, Interseguro holds 75 percent of its shares, and the remaining 25 percent belongs to Real Plaza S.A.
Interproperties Perú S.A.	An entity engaged in all activities related to real estate and the construction industry. As of September 30, 2012 and December 31, 2011, Interseguro holds 100 percent of its capital stock. In July 2012, transferred its interest to InRetail Peru Corp., in exchange for shares of this.
Real Plaza S.A.	An entity engaged in the administration of ten shopping and entertainment malls called "Centro Comercial Real Plaza", located in the cities of Chiclayo, Trujillo, Huancayo, Arequipa, Juliaca and various districts of Lima. As of September 30, 2012 and December 31, 2011, Interseguro holds 100 percent of its capital stock. In July 2012, transferred its interest to InRetail Peru Corp., in exchange for shares of this.
Patrimonio en Fideicomiso - D.S. 093-2002-EF, Interproperties Perú - Interseguro	A special purposes entity, see paragraph (c) below.

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

Interproperties Peru was established in 2008 with the contribution of various assets by different economic group companies that owns the company, in order to form a separate legal vehicle to each of the investors that are formed as

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

### Notes to the consolidated financial statements<sup>(continued)</sup>

originators, through which are structured, run and develop the various projects that are approved by the management committee and in which these originators or trustees, as applicable, may make investments in real estate projects.

The subsidiaries that consolidate their financial information with IFS and that contributed assets to the equity trust fund are: Corporación Inmobiliaria de la Unión 600 S.A., a subsidiary of the Bank, and Interseguro Compañía de Seguros S.A. IFS has also directly contributed with assets to the equity trust fund.

During 2011, Patrimonio Interproperties Holding was established with the contribution made by the pre-existing originators in Interproperties Peru.

During 2012, as part of a corporate reorganization within the group, Corporacion Inmobiliaria de La Union 600 SA, transferred its participation in Interproperties Holding to IFS, while IFS transferred all of its shares in favor of Inretail Peru Corp. in exchange for shares of this late.

In accordance with the applicable accounting principles, Interproperties Peru and Interproperties Holding are a Special Purpose Entity (SPE) which must be consolidated by IFS. As September 30, 2012 and December 31, 2011, Interseguro maintains assets contributed to these SPEs. The assets contributed by this subsidiary are included in the accompanying consolidated financial statements in the caption "Real estate investment, net". See Note 8.

The table below presents a summary of the audited individual financial statements of the Bank, Interseguro and the SPE (for the amounts that affect IFS and its Subsidiaries), before eliminations for consolidation with IFS, as of September 30, 2012 and December 31, 2011 and for the nine-month periods ended September 30, 2012 and 2011:

	Banco Internacional del PerU S.A.A. – Interbank		Interseguro Compañía de Seguros S.A.		Patrimonio Interproperties	
	2012 S/.(000)	2011 S/.(000)	2012 S/.(000)	2011 S/.(000)	2012 S/.(000)	2011 S/.(000)
Total assets	23,187,753	19,997,763	2,954,295	2,690,341	221,546	287,667
Total liabilities	20,972,896	18,042,205	2,474,830	2,284,164	13,225	33,394
Shareholders' equity, net	2,214,857	1,955,558	479,465	406,177	208,321	254,273
Operating income	531,539	514,204	167,717	95,299	3,560	10,724
Net income	444,663	414,614	167,717	95,299	2,918	12,309

### 3. Accounting principles and practices

In the preparation and presentation of the accompanying consolidated financial statements, Management has complied with the regulations established by the SBS and effective in Peru as of September 30, 2012 and December 31, 2011, for financial entities (IFS, the Bank and its Subsidiaries) as well as for insurance entities (Interseguro and its Subsidiaries).

The accounting principles and practices as of September 30, 2012, have not changed to the principles applied to December 31, 2011, summarized in the audited report dated March 12, 2012.

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

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

### Notes to the consolidated financial statements<sup>(continued)</sup>

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

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

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

As of September 30, 2012, the weighted average exchange rates in the market as published by the SBS for transactions in US Dollars were S/.2.597 per US\$1.00 bid and S/.2.598 per US\$1.00 ask (S/.2.695 bid and S/.2.697 ask, as of December 31, 2011 respectively). As of September 30, 2012, the exchange rate established by the SBS to record assets and liabilities in foreign currency was S/.2.598 per US\$1.00 (S/.2.696 as of December 31, 2011).

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

	2012 US\$(000)	2011 US\$(000)
<b>Assets</b>		
Cash and due from banks	1,127,258	630,282
Inter-bank funds	-	10,170
Investments and Held-to-maturity investments, net	879,472	747,807
Loan portfolio, net	2,554,577	2,405,804
Accounts receivable and other assets	100,391	76,695
	<u>4,661,698</u>	<u>3,870,758</u>
<b>Liabilities</b>		
Deposits and obligations	2,352,204	2,095,066
Deposits from financial entities	21,839	17,474
Due to banks and correspondents	589,279	374,581
Bonds and other obligations	1,087,517	910,432
Accounts payable, provisions and other liabilities	96,876	66,599
Technical reserves for premiums and claims	591,503	582,450
	<u>4,739,218</u>	<u>4,046,602</u>
<b>Forwards transactions - net long position</b>	84,565	64,991
<b>Currency swap transactions - net position</b>	<u>(41,702)</u>	<u>(51,057)</u>
<b>Net liability position</b>	<u>(34,657)</u>	<u>(161,910)</u>

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

### Notes to the consolidated financial statements<sup>(continued)</sup>

As of September 30, 2012, the net long position from forwards transactions corresponds to foreign currency forward purchase and sale contracts for notional amounts of approximately US\$900,166,389 y US\$815,601,193, equivalent to S/.2,338,632,000 y S/.2,119,708,000, respectively (purchase and sale contracts of US\$768,321,000 and US\$703,330,000 as of December 31, 2011, equivalent to S/.2,071,460,000 and S/.1,896,527,000, respectively); see Note 18.

As of September 30, 2012, the net position in derivatives related to currency swap agreements corresponds to exchange operations (Nuevos Soles exchanged for US Dollars and vice versa) with notional amounts of approximately US\$49,856,000 y US\$91,558,000, equivalent to S/.129,526,000 y S/.237,868,000 respectively (exchange operations with notional amounts of approximately US\$ 30,968,000 and US\$ 82,025,000, equivalent to S/.83,490,000 and S/.221,138,000, respectively, as of December 31, 2011); see Note 18.

As of September 30, 2012, IFS and its Subsidiaries has granted indirect loans (contingent operations), in foreign currency for approximately US\$809,625,000, equivalent to S/.2,103,588,000 (US\$ 771,152,000, equivalent to S/.2,079,026,000 as of December 31, 2011), see Note 18; which are not part of the exchange position indicated previously.

#### **5. Cash and due from banks**

As of September 30, 2012, cash and due from banks includes approximately US\$910,607,000 and S/.1,417,098,000 (US\$468,784,000 and S/.504,891,000 as of December 31, 2011), which represents the legal reserve that the Bank must establish for deposits received from third parties. These funds are kept in the Bank's vaults and in the Central Reserve Bank of Peru (henceforth "BCRP" by its Spanish acronym). The Bank maintains such legal reserve within the limits required by prevailing regulations.

The legal reserve maintained by the Bank at the BCRP does not accrue interests, except for the part that exceeds the minimum reserve required in foreign and local currency. As of September 30, 2012, the monthly amount by which foreign currency deposits exceeded the minimum legal reserve requirements was approximately US\$151,216,000, equivalent to S/.392,859,000, and accrued interest at an annual average rate of 0.13 percent (US\$155,598,000, equivalent to S/.419,492,000, and an annual average rate of 0.17 percent as of December 31, 2011), while the exceeding amount in local currency was approximately S/.65,766,000, and accrued interest at an annual average rate of 2.45 percent (S/.120,038,000 and accrued interest at an annual average rate of 2.45 percent as of December 31, 2011).

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

As of September 30, 2012 and December 31, 2011, this caption includes restricted funds for approximately S/.82,248,000 and S/.84,619,000, respectively, which corresponds, mainly to requirements from counterparties of derivative transactions - see Note 12(g)(iii) - and funds provided from remittances received via SWIFT messages which guarantee the payment of the notes issued by IBK DPR Securitizadora; see further detail in Note 14(d) and 14(e).

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

### Notes to the consolidated financial statements<sup>(continued)</sup>

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

(a) This caption includes the following:

	2012 S/.(000)	2011 S/.(000)
<b>Investment at fair value through profit and loss - (Trading)</b>		
Peruvian sovereign bonds	1,527	8,115
US Government Treasury bonds	28,613	
Corporate bonds	34,030	18,202
Investment in shares quoted on the Lima Stock Exchange	<u>4,674</u>	<u>1,629</u>
	<u>68,844</u>	<u>27,946</u>
<b>Available-for-sale investments</b>		
Negotiable bank certificates in local currency with variable rate issued by BCRP (b)	810,028	1,499,221
Financial and corporate bonds (c)	1,004,822	826,637
Credit Suisse Nassau Branch and London Branch - Variable coupon principal protected notes (Royalty Pharma) (d)	-	375,349
Peruvian and foreign private sector shares (h)	196,838	182,415
Mutual and investment funds participations (g)	120,573	145,888
Government Bonds:		
- Peruvian Global Bonds (f)	-	76,373
- Bonds guaranteed by the Peruvian Government (e)	289,975	183,094
- Brazilian Global Bonds	92,101	19,814
- United States of America Global Bonds	10,383	73,955
- Colombian Sovereign Bonds	-	10,029
- Korean Sovereign Bonds	10,287	-
- Mexican Global Bonds	15,622	6,150
RPI International Partners, LP participations(i)	326,677	49,220
BioPharma Cayman Partners, LP participations	11,803	24,760
Royalty Pharma Cayman Partners, LP participations (i)	60,329	7,563
Interproperties Holding participations (k)	<u>-</u>	<u>69,003</u>
	<u>2,949,438</u>	<u>3,549,471</u>
<b>Add - Accrued interest on investments</b>	<u>33,795</u>	<u>21,861</u>
<b>Total</b>	<u>3,052,077</u>	<u>3,599,278</u>

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

### Notes to the consolidated financial statements<sup>(continued)</sup>

- (b) The negotiable bank certificates in local currency with variable rate were issued by BCRP (CDV-BCRP) are denominated in Nuevos Soles. As of September 30, 2012, the maturity of said certificates ranges between October 2012 and September 2013 (between January and September 2012 as of December 31, 2011) and accrued annual interest rates between 3.91 and 4.24 percent (4.10 y 4.21 percent as of December 31, 2011).

During 2012 and 2011, the interest accrued on CDV-BCRP amounted to approximately S/.44,157,000 and S/.1,593,000, respectively, and is included in the "Financial income" caption of the consolidated statements of income.

- (c) As of September 30, 2012 and December 31, 2011, comprise mainly corporate bonds of various Peruvian and foreign companies, and financial bonds issued mainly by local banks
- (d) As of December 31, 2011, corresponds to notes issued by the Credit Suisse Bank (CSB) branches in Nassau and London, due in 2036 and 2038, respectively. At the beginning, when was purchased, these notes have a fixed-yield component (zero coupon bond) and a variable-yield component based on Royalty Pharma Cayman partners LP (henceforth "Royalty Pharma") participations.

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

In August 2011, Royalty Pharma performed an exchange offer among its shareholders through which the Bank exchanged a portion of the participations it held in Royalty Pharma for participations in RPI International Partners LP (henceforth "Royalty Pharma Investment"). Although the funds held the same underlying assets at the moment of the exchange offer, the new Fund offered a period of investment implementation posterior to December 31, 2011.

As of December 31, 2011, as a result of the transactions explained above, the CSB Nassau Branch and CSB London Branch notes classified as available-for-sale investments consist of 355,296 and 1,623,943 participations in Royalty Pharma and Royalty Pharma Investment, respectively for a total of approximately US\$111,159,000, and a zero-coupon financial instrument issued by CSB amounting to approximately US\$28,073,000 which would allow to collect the nominal amount of the capital note plus the participations of Royalty Pharma (RPS) and Royalty Pharma Investment (RPI) at maturity.

In August 2012, IFS and its subsidiaries advanced the maturity of the notes, thus receiving the sum of \$ 24,672,632 for the fixed component plus the underlying participations. Thus at September 30, 2012, the Company and its subsidiaries have only participation in RPS and RPI, see paragraph (i).

Until August 2012, the notes paid a yield equivalent to the dividends that CSB received on the Royalty Pharma. During the nine-months periods ended 2012 and 2011, IFS and its Subsidiaries received for this concept approximately US\$4,732,000 and US\$8,927,000, respectively (equivalent to approximately S/.12,295,000 and S/.23,193,000, respectively), those amount are included in the "Financial income" caption of the consolidated statements of income.

- (e) Peruvian Sovereign Bonds are denominated in Nuevos Soles. As of September 30, 2012, the maturity of said bonds are September 2023 (between September 2013 and February 2042, as of December 31, 2011) and accrue effective annual interest rates to 4.57 percent (between 4.81 and 6.65 percent as of December 31, 2011).

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

### Notes to the consolidated financial statements<sup>(continued)</sup>

- (f) Peruvian Global Bonds are denominated in US Dollars and have, as of December 31, 2012, maturities between February 2015 and November and accrue effective annual interest rates between 1.84 and 4.81 percent .

For the nine-months periods ended September 2012 and 2011, the interest accrued on these bonds amounted to approximately S/.491,000 and S/.4,953,000, respectively and are included in the "Financial income" caption of the consolidated statements of income; see Note 19.

- (g) As of September 30, 2012 and December 2011, correspond to participations in local and foreign investment funds recorded at their quoted value as of the end of the month, which Management estimates is a reasonable estimation of their market value.

- (h) Corresponds mainly to shares of private sector companies, recorded to their market value according to the Lima Stock Exchange.

- (i) As explained in paragraph (d) of this note, as of September 30, 2012 the participations recorded as available-for-sale investments consist on 414,290 and 1,892,562 Royalty Pharma (RPS) and Royalty Pharma Investment (RPI) participations, respectively (67,538 and 307,674 respectively as of December 31, 2012) amounting approximately US\$23,225,000 and US\$125,761,000, respectively (US\$2,807,000 and US\$18,264,000 as of December 31, 2011).

For the nine-months periods ended September 30, 2012 and 2011, IFS and its Subsidiaries received dividends for approximately US\$1,391,000 and US\$1,220,000, respectively (equivalent to approximately S/.3,614,000 y S/.3,169,000, respectively), which are included in the "Financial income" caption of the consolidated statements of income.

- (j) As of September 30, 2012 and December 31, 2011, Management has estimated the fair value of the available-for-sale investments based on market quotations, and if not available, based on discounted cash flows using market rates according to the respective risk rating.

- (k) As explained in note 2 ©, in August 2012, these investments were transferred by Corporacion Inmobiliaria de La Union 600 S.A, a subsidiary of the Bank, to IFS and this in turn transferred all investments to Inretail Peru Corp.

- (l) Management has determined that unrealized losses as of September 30, 2012 and December 31, 2011, are of temporary nature. The Company has the capacity and intents to hold each of these investments with unrealized losses for a period of time sufficient to allow a recovery in the fair value, which may occur at their maturity; therefore, it considers that unrealized losses do not qualify as an impairment that needs to be recognized in the consolidated results of the year.



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

### Notes to the consolidated financial statements<sup>(continued)</sup>

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

(a) This item comprises the following:

	<b>2012</b>	<b>2011</b>
	S/.(000)	S/.(000)
Corporate and financial bonds(b)	649,643	692,326
Sovereign bonds (c)	403,483	390,484
Investment in real estate projects	2,466	23,592
	<u>1,055,592</u>	<u>1,106,402</u>

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

	<b>2012</b>	<b>2012</b>
	S/.(000)	S/.(000)
Instruments issued by local companies		
Instruments rated in Peru		
AAA	205,636	298,482
AA- a AA+	-	30,490
BBB- a BBB+	31,897	-
Instruments rated abroad		
AAA	12,235	-
AA- a AA+	131	-
BBB- a BBB+	248,220	33,682
Instruments issued by foreign entities		
Foreign classification		
A	-	27,279
BBB- a BBB+	<u>151,524</u>	<u>302,393</u>
	<u>649,643</u>	<u>692,326</u>

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

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

### Notes to the consolidated financial statements<sup>(continued)</sup>

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

	<b>2012</b> S/.(000)	<b>2011</b> S/.(000)
Peruvian sovereign bonds	256,558	363,960
Corean Sovereign Bonds	119,445	-
Mexican sovereign bonds	26,728	18,896
Other sovereign bonds	752	7,628
	<u>403,483</u>	<u>390,484</u>

(d) The table below presents the components of real estate projects held by Interseguro:

	<b>2012</b> S/.(000)	<b>2011</b> S/.(000)
Primavera Park Plaza (i)		20,976
Cineplanet Piura (ii)	2,466	2,616
	<u>2,466</u>	<u>23,592</u>

(i) Corresponds to funds granted to "Urbi Propiedades S.A." (henceforth "Urbi" a related entity) destined to the construction of a shopping center named "Primavera Park and Plaza" located in the city of Lima, Peru, for which Ripley Peru S.A., signed a 30-year lease Contract in 2003. "Interseguro" and "Urbi" signed a Cession Rights Contract, by means of which "Urbi" cedes to Interseguro the usufruct rights over the cash flows generated by this lease contract for a minimum period of 11 years and a maximum of 16 years since January 2004. The term is subject to obtaining a certain level of profitability agreed between "Urbi" and "Interseguro". During 2012, Interseguro sold the entire project to a related entity generating an income of approximately S/.14,000,000 that has been recorded in the "Financial Income" caption of the consolidated statements of income, see Note 19.

(ii) Corresponds to a contract signed between the Interseguro and "Cineplex S.A." (a related entity) by which the latter assigns its usufruct right to a shopping center located in the city of Piura, in northern Peru, which was in force with "Multimercados Zonales S.A."; for a period of 10 years, renewable for a further 10 years at the parties discretion.

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

### Notes to the consolidated financial statements<sup>(continued)</sup>

#### 8. Real estate investment, net

As of September 30, 2012 and December 31, 2011, real estate investments are held mostly by Interseguro and Patrimonio Interproperties and are composed of shopping and entertainment malls located in Lima, Huancayo, Arequipa, Chiclayo and Trujillo, which are managed by Real Plaza, a related entity. This caption also includes building lots, buildings and works in progress for real estate projects, as explained below:

- (a) Centro Comercial Real Plaza Piura - Located in the city of Piura, began its operations in November 2010. It mainly comprises a hypermarket, bank agencies, retail stores and an entertainment area. For the hypermarket, it has a lease contract for 30 years with a related entity, which provides a minimum monthly lease payment as well as variable payment based on sales.
- (b) Centro Comercial Real Plaza Chorrillos - Located in the city of Lima, began its operations in November 2011. Interseguro has a lease contract with Interbank, Homecenters Peruanos S.A. and Supermercados Peruanos S.A. (all related entities) which provides a minimum monthly lease payment as well as a variable payment based on sales. In May 2012, Interseguro sold to an affiliate this building at book value.
- (c) Centro Comercial Real Plaza Chiclayo - Located in the city of Chiclayo, began its operations in November 2005. The building comprises two main areas, for which there are three lease contracts signed for 20 and 30 years, respectively, which provide a minimum monthly lease payment, as well as a variable payment based on sales and services revenues received by the tenants. In September 2012, Interseguro sold this building to a related entity, generating an income of approximately S/.92,000,000, that has been recorded in the "Financial Income" caption of the consolidated statements of income, see Note 19.
- (d) Centro Comercial Real Plaza Centro Cívico - Located in the city of Lima, began its operations in December 2009. It mainly comprises a cinema complex and retail stores. For the first three stores, Interseguro has a lease contract signed for 20 and 10 years with related entities which provides a minimum monthly lease payment as well as a variable payment based on sales.

Interseguro holds the concession of surface rights on these buildings with the National Pension Funds Administration ("ONP" by its Spanish acronym). The term of this contract is 30 years extendable at maturity and comprises the payment to the ONP of an annual rent over a certain percentage of the gross income obtained from the operations of the mall which shall not be less than US\$ 800,000.

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

### Notes to the consolidated financial statements<sup>(continued)</sup>

#### 9. Loan portfolio, net

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

	<b>2012</b>	<b>2011</b>
	S/.(000)	S/.(000)
<b>Direct loans</b>		
Loans	10,171,959	9,366,209
Leasing receivables	1,963,450	1,903,408
Credit cards receivables	2,126,583	2,177,007
Discounted notes	363,193	321,302
Factoring receivables	269,159	249,783
Advances and overdrafts	16,635	106,876
Refinanced and restructured loans	96,155	87,122
Past due and under legal collection loans	280,231	216,419
	<u>15,287,365</u>	<u>14,428,126</u>
<b>Add (less)</b>		
Accrued interest from performing loans	138,794	126,535
Deferred interest and interest collected in advance	(220,903)	(230,188)
Allowance for loan losses (d)	(658,391)	(593,204)
	<u>14,546,865</u>	<u>13,731,269</u>
<b>Total direct loans</b>	<u>14,546,865</u>	<u>13,731,269</u>
<b>Indirect loans</b>	<u>3,699,379</u>	<u>3,659,276</u>

As of September 30, 2012 and December 31, 2011, 51 percent of the direct and indirect loan portfolio corresponded to 882 and 531 customers, respectively. Loans were mainly granted to companies established in Peru or to companies whose shareholders have investments mostly in Peru.

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

### Notes to the consolidated financial statements<sup>(continued)</sup>

- (b) The table below presents the direct loan portfolio distributed by economic sector as of September 30, 2012 and December 31, 2011:

Sector	2012		2011	
	Number of customers	Amount S/.(000)	Number of customers	Amount S/.(000)
Manufacturing	2,289	1,883,920	2,554	1,968,651
Commerce	8,045	1,357,308	9,478	1,299,285
Leaseholds and real estate activities	954	834,853	1,145	802,384
Transportation, storage and communications	1,194	561,730	1,265	436,155
Agriculture, herding, hunting and forestry	204	549,025	251	587,285
Financial intermediation	52	353,607	75	489,552
Construction	286	391,674	259	288,779
Fishing	37	113,669	47	184,268
Mining	80	347,343	84	350,858
Electricity, gas and water	24	275,448	29	221,811
Hotels y restaurants	492	165,019	624	165,572
Education	111	62,142	109	37,169
Social and health care services	96	11,147	116	9,703
Others activities	411	383,144	1,046	326,419
<b>Other loans</b>				
Consumer	1,097,590	5,168,543	1,091,770	4,928,307
Mortgage	28,897	2,828,793	25,402	2,331,928
<b>Total</b>	<b>1,140,762</b>	<b>15,287,365</b>	<b>1,134,254</b>	<b>14,428,126</b>

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

### Notes to the consolidated financial statements(continued)

(b) As of September 30, 2012 and December 31, 2011, the Bank's loan portfolio classified by risk was as follows:

Risk category	2012		2011	
	Total		Total	
	S/.(000)	%	S/.(000)	%
Normal	17,715,721	93.3	16,898,704	93.4
With potential problem	535,902	2.8	530,148	2.9
Substandard	215,896	1.1	192,250	1.1
Doubtful	297,359	1.6	274,115	1.5
Loss	221,866	1.2	192,185	1.1
<b>Total</b>	<b>18,986,744</b>	<b>100.0</b>	<b>18,087,402</b>	<b>100.0</b>

(d) The changes in the allowance for loan losses (direct and indirect) were as follows:

	2012	2011
	S/.(000)	S/.(000)
	(*)	(*)
<b>Balance at the beginning of the year</b>	644,911	550,872
Provision recognized as year expense (includes pro-cyclical provisions)	416,046	475,598
Prior years provision recoveries	(65,427)	(73,218)
Write-offs, extinguishments and sales	(274,524)	(306,870)
Allowance for loan acquired	237	4,591
Exchange result, net	(5,737)	(6,062)
<b>Balance at the end of the year</b>	<b>715,506</b>	<b>644,911</b>

(\*) The allowance for loan losses includes the provisions for indirect loans and for credit risk related to over-indebtedness amounting to approximately S/.57,115,000 and S/.51,707,000 as of September 30, 2012 and December 31, 2011, respectively, which are recorded in the "Accounts payable, provisions and other liabilities" caption of the consolidated balance sheets; see Note 11

In Management's opinion, the allowance for loan losses recorded as of September 30, 2012 and December 31, 2011, complies with SBS regulations in effect at those dates.

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

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

### Notes to the consolidated financial statements<sup>(continued)</sup>

- (f) The table below presents the direct loan portfolio as of September 30, 2012 and December 31, 2011, classified by maturity dates:

	<b>2012</b>	<b>2011</b>
	S/.(000)	S/.(000)
Outstanding		
Due within 1 month	1,716,537	2,080,083
From 1 to 3 months	1,988,771	1,909,444
From 3 months to 1 year	3,142,940	2,828,157
From 1 to 5 years	5,498,780	5,306,045
More than 5 years	<u>2,660,106</u>	<u>2,087,978</u>
	15,007,134	14,211,707
Past due loans	200,514	136,915
Loans in legal collection	<u>79,717</u>	<u>79,504</u>
	<u>15,287,365</u>	<u>14,428,126</u>

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

### Notes to the consolidated financial statements<sup>(continued)</sup>

#### 10. Property, furniture and equipment, net

(a) The table below presents the movement of this caption in 2012 and 2011:

Descripción	Land	Buildings and facilities	Furniture and equipment	Vehicles	Leasehold improvements	In-transit equipment and work in progress	Total 2012	Total 2011
	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)
<b>Cost</b>								
Balance as of January 1	67,402	495,217	381,899	4,212	76,915	16,180	1,041,825	1,016,634
Additions	790	3,092	37,585	-	2,627	13,719	57,813	32,823
Disposals and write-offs	-	(8,409)	(20,518)	(249)	(20)	-	(29,196)	(9,900)
Transfers to intangibles	-	-	-	-	-	-	-	2,268
<b>Balance as of September 30</b>	<b>68,192</b>	<b>489,900</b>	<b>398,966</b>	<b>3,963</b>	<b>79,522</b>	<b>29,899</b>	<b>1,070,442</b>	<b>1,041,825</b>
<b>Accumulated depreciation</b>								
Balance as of January 1	-	301,893	246,544	4,117	45,023	-	597,577	534,672
Depreciation for the period	-	10,979	30,961	9	10,494	-	52,443	71,048
Disposals and write-offs	-	(1,514)	(18,842)	(233)	(3)	-	(20,592)	(8,143)
<b>Balance as of September 30</b>	<b>-</b>	<b>311,358</b>	<b>258,663</b>	<b>3,893</b>	<b>55,514</b>	<b>-</b>	<b>629,428</b>	<b>597,577</b>
<b>Net book value</b>	<b>68,192</b>	<b>178,542</b>	<b>140,303</b>	<b>70</b>	<b>24,008</b>	<b>29,899</b>	<b>441,014</b>	<b>444,248</b>

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

(c) Management periodically reviews the residual values, useful life and the depreciation method to ensure they are consistent with the economic benefits and life expectation for the property, furniture and equipment. In Management's opinion, there is no evidence of impairment of the value in use of property, furniture and equipment as of September 30, 2012 and December 31, 2011.

(d) During 2012 and 2011, correspond mainly to write-offs performed by the Bank.

(e) With SBS authorization, in the prior years the Bank recorded voluntary revaluations over certain fixed assets at their fair values which were determined by an independent appraiser and amounted to approximately S/.61,140,000; which generated a deferred Income Tax. As of September 30, 2012 and December 31, 2011 the value of the revaluations, net of their accumulated depreciation, amounts to approximately S/.40,541,000 y S/.41,646,000, respectively.



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

## Notes to the consolidated financial statements<sup>(continued)</sup>

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

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

	2012 S/.(000)	2011 S/.(000)
<b>Accounts receivable and other assets</b>		
Value added tax credit (b)	237,574	213,210
Other accounts receivable, net	158,757	141,034
Investment fund participation (c)	114,554	108,848
Intangible assets, net	111,474	98,597
Accounts receivable related to derivative financial instruments	50,205	32,939
Deferred charges	47,780	32,068
Transactions in process (d)	42,157	39,423
Prepaid income tax	31,673	33,468
Rights paid to related entity (e)	29,005	33,116
Accounts receivable for sale of investments	22,000	20,299
Interest premium (f)	7,397	11,886
Prepaid rent	3,322	6,652
Assets received as payment and seized through legal actions, net	1,314	11,669
Other	11,282	13,260
	<b>868,494</b>	<b>796,469</b>
<b>Accounts payable, provisions and other liabilities -</b>		
Other accounts payable	299,494	223,583
Transactions in process (d)	165,959	145,202
Accounts payable related to derivative financial instruments	77,642	68,254
Dividends, workers' profit sharing and salaries payable	68,841	64,129
Allowance for contingent loans, note 9(d)	57,115	51,707
Provision for contingencies (g)	15,170	14,246
Accounts payable for purchase of investments	10,162	74,808
Provisions for country risk	1,635	1,070
Other	3,643	5,516
	<b>699,661</b>	<b>648,515</b>

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

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

(d) Transactions in process include transactions performed in the last days of the month and other similar types of transactions which are reclassified to their final balance sheets account in the following month. These transactions do not affect the consolidated results as of September 30, 2012 and December 31, 2011.

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

### Notes to the consolidated financial statements<sup>(continued)</sup>

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

In 2012, the Bank has recorded for such concepts an expense of approximately S/.3,576,000 (S/.2,333,000, during 2011), which is included in the "Administrative expenses" caption in the consolidated statements of income.

- (f) The interest premium corresponds to the premium generated by the acquisition of the Banco del Trabajo mortgage portfolio and Caja Rural NuestraGente consumer portfolio in September 2007 and December 2011, respectively; both are amortized using the straight-line method over a period no longer than five years.
- (g) As of September 30, 2012 and December 2011, these amounts include provisions for sundry legal contingencies originated from ongoing lawsuits against the Company and its Subsidiaries owing to the nature of the business. The Company and its Subsidiaries establish provisions for such law suits when, in the opinion of Management and its internal legal advisers, it is probable that the liability will be assumed by the Company and its Subsidiaries and the amount can be reliably estimated.

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

### Notes to the consolidated financial statements<sup>(continued)</sup>

#### 12. Deposits and obligations

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

	<b>2012</b> S/.(000)	<b>2011</b> S/.(000)
Time deposits (d)	6,477,748	5,213,301
Saving deposits	4,211,010	4,124,098
Demand deposits	3,060,275	2,978,486
Deposits in guarantee (*)	778,659	646,785
Taxes payable	31,452	51,016
Other obligations	<u>11,444</u>	<u>5,098</u>
	14,570,588	13,018,784
Interest payable	<u>30,946</u>	<u>23,036</u>
<b>Total</b>	<u>14,601,534</u>	<u>13,041,820</u>

(\*) As of September 30, 2012 and December 31, 2011, corresponds mainly to restricted deposits granted as guarantees by clients, in connection with direct and indirect loans granted by the Bank for approximately S/.574,175,000 and S/.503,140,000, respectively.

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

(c) As of September 30, 2012 and December 31, 2011, approximately S/.4,919,978,000 and S/.4,919,650,000, respectively, of deposits and obligations are covered by the "Deposit Insurance Fund".

(d) The table below presents the balance of time deposits classified by maturity as of September 30, 2012 and December 31, 2011:

	<b>2012</b> S/.(000)	<b>2011</b> S/.(000)
Due within 1 month	1,627,829	1,516,730
From 1 to 3 months	544,423	334,809
From 3 months to 1 year	3,320,989	2,520,657
From 1 to 5 years	<u>984,507</u>	<u>841,105</u>
	<u>6,477,748</u>	<u>5,213,301</u>

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

### Notes to the consolidated financial statements<sup>(continued)</sup>

#### 13. Due to banks and correspondents

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

	2012 S/.(000)	2011 S/.(000)
<b>By type</b>		
Loans received from foreign entities (b)	1,347,782	849,393
Promotional credit lines (c)	956,014	812,497
Obligations with local banks	<u>-</u>	<u>30,595</u>
	2,303,796	1,692,485
Interest and commissions payable	<u>9,872</u>	<u>12,179</u>
	<u>2,313,668</u>	<u>1,704,664</u>
<b>By term</b>		
Short term	1,026,679	323,197
Long term	<u>1,286,989</u>	<u>1,381,467</u>
<b>Total</b>	<u>2,313,668</u>	<u>1,704,664</u>

(b) As of September 30, 2012 and December 31, 2011, includes the following:

Entity	Country	Final maturity	2012	2011
			S/.(000)	S/.(000)
Cobank	United States of America	2012	216,018	274,352
Banco Latinoamericano de Exportaciones - BLADEX	Panama	2013	207,840	134,800
Deutsche Bank	Alemania	2016	165,308	196,822
Citibank	United States of America	2012	135,096	-
Corporación Andina de Fomento - CAF	Venezuela	2013	129,900	134,800
Wells Fargo Bank	Estados Unidos de América	2014	103,920	-
Sumitomo Banking Corporation	Japon	2012	90,930	-
China Development Bank	China	2016	77,940	80,880
Other less than S/52MM			220,830	27,739
			<u>1,347,782</u>	<u>849,393</u>

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

### Notes to the consolidated financial statements<sup>(continued)</sup>

As of September 30, 2012 and December 31, 2011, transactions with foreign entities bear an effective annual average interest rate of 2.62 and 2.96 percent, respectively, except Bear Stearns & Co., whose interest rate is 3 months Libor plus a margin.

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

- (c) Promotional credit lines represent loans in Nuevos Soles and US Dollars granted by Corporación Financiera de Desarrollo ("COFIDE" by its Spanish acronym), corresponding to credit lines aimed to promote the country's development. These liabilities are guaranteed by a loan portfolio up to the amount of the credit line used and include specific agreements on how these funds must be used, the financial conditions that have to be complied with and other administrative matters. In Management's opinion, the Bank has been meeting said requirements. These transactions accrued an annual interest rate that fluctuated between 5 and 10 percent as of September 30, 2012 and December 31, 2011.

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

Notes to the consolidated financial statements (continued)

14. Bonds and other obligations

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

Issuer	Issuance	Annual Nominal interest rate	Interest Payment basis	Maturity	Authorized amount	Used amount	Outstanding balances as of September 30, 2012	Outstanding balances as of December 31, 2011
					(000)	(000)	S/.(000)	S/.(000)
<b>Negotiable notes (DPR)</b>								
		Libor 3M + 2.75% / 3M +						
IBK DPR Securitizadora (d)	First issue	3.00%	Quarterly	2014-2015	US\$200,000	US\$200,000	254,183	318,397
IBK DPR Securitizadora (e)	First issue	Libor + 0.657%	Quarterly	2016	US\$121,000	US\$121,000	247,150	273,917
							<u>501,333</u>	<u>592,314</u>
<b>Subordinated bonds (b)</b>								
Interbank – first program	First issue (A series)	6.75%	Semiannually	2013	US\$30,000	US\$15,000	38,700	40,170
Interbank – first program	Third issue (A series)	(VAC) + 3.5%	Semiannually	2023	S/. 135,000	S/. 110,000	110,000	110,000
Interbank – first program	Second issue (B series)	9.50%	Semiannually	2023	US\$50,000	US\$30,000	77,940	80,880
Interbank – first program	Fifth issue (A series)	8.50%	Semiannually	2019	S/. 135,000	S/. 3,300	3,300	3,300
Interbank – first program	Sixth issue (A series)	8.16%	Semiannually	2019	US\$45,000	US\$15,110	39,256	40,737
Interbank – first program	Eighth issue (A series)	6.91%	Semiannually	2022	S/. 300,000	S/. 137,900	137,900	-
Interseguro – first program	First issue	8.00%	Quarterly	2016	US\$5,000	US\$5,000	12,990	13,480
							<u>420,086</u>	<u>288,567</u>
<b>Leasing Bonds (c)</b>								
Interbank	First issue (Second program)	6.45%	Semiannually	2013	S/. 136,600	S/. 136,450	136,450	136,450
							<u>136,450</u>	<u>136,450</u>
<b>Mortgage bonds</b>								
Interbank – first program	First issue (A series)	4.90%	Semiannually	2014	US\$10,000	US\$10,000	3,637	6,470
Interbank – first program	Second issue (A and B Series)	5.6355%-Libor6M+0.9pb	Semiannually	2015	US\$10,000	US\$10,000	6,235	8,088
							<u>9,872</u>	<u>14,558</u>
<b>International Issuance through Panamanian Branch</b>								
Junior Subordinated notes (f)	First issue	8.50%	Semiannually	2070	US\$200,000	US\$200,000	509,270	527,679
Senior bonds (g)	First issue	5.75%	Semiannually	2020	US\$400,000	US\$400,000	915,430	
Senior bonds (g)	Second issue	5.75%	Semiannually	2020	US\$250,000	US\$250,000	687,171	1,043,594
							<u>2,111,871</u>	<u>1,571,273</u>
Interest payable							<u>87,088</u>	<u>40,287</u>
							<u>3,266,700</u>	<u>2,643,449</u>

(\*) From the outstanding balances as of September 30, 2012 and December 31, 2011, there have been eliminated, for consolidation purposes, the bonds and other obligations held by IFSand its Subsidiaries amounting S/ .270,000, respectively.

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

### Notes to the consolidated financial statements (continued)

- (b) Subordinated bonds do not have specific guarantees.
- (c) As indicated in Note 10(b), Peruvian financial entities are prohibited from pledging their fixed assets. Fixed assets acquired in connection with leasing operations that are funded through the issuance of leasing bonds are regarded as a guarantee of the related bonds.
- (d) In June 2008, IBK DPR Securitizadora (a special-purpose entity domiciled in Bermuda and consolidated by IFS) issued negotiable long-term notes for US\$200,000,000 equivalent to approximately S/.254,183,000 and S/.318,397,000 net of transaction cost and capital repayments as of September 30, 2012 and December 31, 2011, respectively. The notes were disbursed into two tranches, US\$60,000,000 and US\$140,000,000, with maturities in 2014 and 2015, respectively; they accrue interest at the 3-month Libor rate plus a margin. The notes issued are guaranteed by remittances received by the Bank through SWIFT transfers; said remittances are subsequently transferred by the Bank to IBK DPR Securitizadora as received. The issuance of these notes has standard clauses on meeting financial ratios and other administrative matters which, in Management's opinion, do not affect the Bank's operation and are being met.

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

- (e) In June 2009, IBK DPR Securitizadora issued long-term negotiable notes for US\$121,200,000, equivalent to approximately S/.247,150,000 and S/.273,917,000, net of transaction cost and capital repayments, as of September 30, 2012 and December 31, 2011, respectively, with maturity in 2016; they accrue interest at the 3-month Libor rate plus a margin. The notes issued are guaranteed by remittances received by the Bank through SWIFT transfers; said remittances are subsequently transferred by the Bank to IBK DPR Securitizadora as received. The issuance of these notes has standard clauses on meeting financial ratios and other administrative matters which, in Management's opinion, do not affect the Bank's operation and are being met.

For these transactions, the Bank has entered into an interest-rate swap contract with nominal amounts of US\$121,200,000, for which it receives the 3-month Libor rate plus a margin of 4.25 percent and pays an annual fixed rate of 7.90 percent starting in September 2009. The swap schedule is exactly equal to that of the loan and the Bank has recorded this derivative as a cash-flow hedge; see Note 18(d).

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

### Notes to the consolidated financial statements (continued)

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

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

- (g) In September 2010, the Bank issued senior bonds denominated “5.750 percent Senior Notes due 2020”. These bonds will mature in October 2020 and bear a fixed annual interest rate of 5.75 percent. The Bank can redeem 100 percent of the bonds on any coupon payment date paying as a penalty and interest rate equal to the US Treasury plus 50 basis points. The principal payment will take place at the maturity date of the bonds or when the Bank redeems them. In September 2012, under the same program and the same conditions, made the Second Bond Issue of US\$250,000,000.
- (h) International issuances are listed at the Luxemburg Stock Exchange. Likewise, local and international issuances maintain certain financial and operating covenants which, in Management’s opinion, the Bank has complied with at the dates of the balance sheets.



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

## Notes to the consolidated financial statements (continued)

### 15. Technical reserves for premiums and claims

(a) This item consists of the following:

	<b>2012</b>	<b>2011</b>
	S/.(000)	S/.(000)
Technical reserves for premiums (b)	2,351,009	2,128,545
Technical reserves for claims (c)	<u>51,154</u>	<u>49,534</u>
	<u>2,402,163</u>	<u>2,178,079</u>

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

	<b>2012</b>	<b>2011</b>
	S/.(000)	S/.(000)
<b>Life mathematical reserves</b>		
Annuities reserves	2,159,672	1,944,210
Retirement, disability and survival pensions	117,724	117,250
Life insurance	61,804	56,489
<b>Unearned premium reserve</b>		
Compulsory traffic accident insurance (SOAT)	9,322	9,458
General insurance	<u>2,487</u>	<u>1,138</u>
	<u>2,351,009</u>	<u>2,128,545</u>

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

	<b>2012</b>		
	<b>Claims reported</b>	<b>IBNR (e)</b>	<b>Total</b>
	S/.(000)	S/.(000)	S/.(000)
Retirement, disability and survival pensions	41,342	14	41,356
Life insurance	3,862	205	4,067
Compulsory traffic accident insurance (SOAT)	2,194	2,624	4,818
Personal accidents	872	-	872
General insurance	<u>41</u>	<u>-</u>	<u>41</u>
	<u>48,311</u>	<u>2,843</u>	<u>51,154</u>

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

### Notes to the consolidated financial statements (continued)

	<b>2011</b>		
	<b>Claims reported</b> S/.(000)	<b>IBNR (e)</b> S/.(000)	<b>Total</b> S/.(000)
Retirement, disability and survival pensions	41,005	14	41,019
Life insurance	2,892	174	3,066
Compulsory traffic accident insurance (SOAT)	2,510	2,111	4,621
Personal accidents	788	-	788
General insurance	40	-	40
	<u>47,235</u>	<u>2,299</u>	<u>49,534</u>

- (d) In Interseguro Management's opinion, these balances reflect the exposure to life and general insurance contracts as of September 30, 2012 and December 31, 2011, in accordance with SBS regulations.
- (e) As of September 30, 2012 and December 31, 2011, the incurred but not reported claims have been determined in accordance with in force regulations approved by SBS. In such sense, in Management's opinion it is adequate to properly respond to the incurred but not reported claims.
- (f) Below are the main assumptions for the estimation for annuities reserves, disability and survivorship reserves, and life insurance as of December 31, 2011:

<b>Type</b>	<b>Tables</b> (*)	<b>Technical Interest</b> %(*)
Annuities reserves	Contracts issued until July 2006: RV-85, B-85 and MI-85	
	Contracts issued from August 2006 to May 2011: RV-2004 Modified, B-85 and MI-85.	
	Contracts issued from September 2011: RV-2004 Modified Adjusted, B-85 Adjusted and MI-85.	3 - 4.7
Annuities reserves (additional reserve for longevity) (**)	Contracts issued from August 2006 to May 2011: RV-2004 Modified, B-2006 and MI-2006.	
	Contracts issued from September 2011: RV-2004 Modified Adjusted, B-2006 and MI-2006.	3 - 4.7
Disability and survivorship temporary regime	B-85 and MI-85.	3 - 4.5
Disability and survivorship definitive regime	Claims with accrued date up to May 2011: B-85 and MI-85.	
	Claims with accrued from September 2011: B-85 Adjusted and MI-85.	In accordance with the rate communicated by the SBS
Complementary high-risk jobs insurance	Claims with accrued date up to May 2011: B-85 and MI-85.	
	Claims with accrued from September 2011: B-85 Adjusted and MI-85.	3
Life insurance	CSO 80 adjusted.	3

(\*) Corresponds to the mortality tables authorized by the SBS.

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

### Notes to the consolidated financial statements (continued)

(\*\*) Corresponds to the mortality tables used by the Company to constitute additional reserves, supported by international actuarial standards and have been communicated to the SBS.

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

In accordance with SBS Resolution N°17728- 2010, issued on December 27, 2010, the SBS adopted new mortality tables to be used by insurance entities that provided annuities from the private pension system and the supplementary high-risk job insurance, for contracts issued from September 1, 2011.

#### 16. Equity

##### (a) Capital stock-

As of September 30, 2012 and December 31, 2011 the Company's capital stock is represented by 93,615,451 shares with a par value of US\$9.72 per share, of which Intercorp Peru Ltd. directly or indirectly holds 64,532,623 shares representing 68.93 percent of the Company's issued capital stock as of September 30, 2012 and December 31, 2011, respectively.

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

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

##### (b) Treasury stock held by Subsidiaries-

As of September 30, 2012, the Bank and Interseguro hold 3,077,240 and 132,788 shares of IFS, respectively, the amount paid for these shares amounted to S/.206,077,000 and S/.11,381,000 respectively (3,077,240 and 15,500 shares of the Bank and Interfondos that amounted to approximately S/.213,855,000 and S/.1,141,000 respectively as of December 31, 2011).

During 2011, Interseguro sold IFS shares generating gains of approximately S/.8,453,000, which are recorded in the "Retained earnings" caption of the consolidated balance sheets.

##### (c) Capital additional paid-in-

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

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

### Notes to the consolidated financial statements (continued)

(d) Unrealized results on financial instruments -

The table below presents the components of this caption:

	<b>2012</b> S/.(000)	<b>2011</b> S/.(000)
Unrealized gains on available-for-sale investment, net of income tax	125,856	51,538
Unrealized losses on hedging financial derivatives instruments, net of income tax	<u>(24,389)</u>	<u>(28,705)</u>
	<u>101,467</u>	<u>22,833</u>

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

IFS is not required to calculate shareholders' equity for legal purposes (regulatory capital). As of September 30, 2012 and December 31, 2011, the shareholders' equity for legal purposes, required for the Subsidiaries of IFS dedicated to financial and insurance activities in Peru, calculated according to SBS standards, is detailed below:

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

According to current regulation, the regulatory capital consists of Basic regulatory capital (level 1) and Supplementary regulatory capital (Level 2). Therefore the regulatory capital must be equal to or more than 10 percent of the total risk weighted assets and contingent operations, represented by the sum of: (i) the regulatory capital requirement for market risk multiplied by 10, (ii) the regulatory capital requirement for operational risk multiplied by 10, and (iii) the weighted assets and contingent credits by credit risk.

As of September 30, 2012 and December 31, 2011, the Bank maintains the following regulatory equity:

	<b>2012</b> S/.(000)	<b>2011</b> S/.(000)
Total risk weighted assets and credits (1)	20,185,124	17,289,422
Basic regulatory capital (Level 1)	2,169,262	1,820,803
Supplementary regulatory capital (Level 2)	633,680	542,365
Total regulatory capital (2)	2,802,942	2,363,168
Global regulatory capital ratio (2)/(1)	13.89%	13.67%

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

### Notes to the consolidated financial statements (continued)

Additionally, Resolution No. 8425-2011, states that financial institutions must have an additional cash equity calculated according to their risk profile and taking into account the economic cycle. This requirement applies gradual, starting with 40% from July 2012 to July 2016, a period in which 100% is chargeable.

As of September 30, 2012, considering the percentage of adequation established by the SBS, the additional requirement estimated by the Bank amounts approximately S/.226,898,000.

In Management' opinion, the Bank will not have any inconvenience in meeting the requirements set forth in the above mentioned Resolution.

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

According to current regulation, Interseguro is forced to maintain a regulatory net equity with the purpose of maintaining a minimum equity intended to support the technical risks and other risks that could affect it. The regulatory net equity shall be greater than the amount resulting from the sum of the solvency net equity and the guarantee fund and the regulatory net equity assigned to cover credit risks.

The solvency net equity is represented by the solvency margin or the minimum capital, whichever the greatest. As of September 30, 2012, the solvency net equity is represented by the solvency margin which amounts to approximately S/.137,200,000 (approximately S/.122,462,000 in 2011).

The regulatory net equity as of September 30, 2012 and December 31, 2011, comprises the following:

	<b>2012</b>	<b>2011</b>
	S/.(000)	S/.(000)
Capital paid	167,308	147,308
Legal reserve	58,557	51,557
Counted portion of subordinated debt	10,392	10,784
Net Income	31,680	
<b>Regulatory net equity</b>	<u>267,937</u>	<u>209,649</u>

The solvency margin is the complementary support that the entities shall maintain to deal with possible situations of excess claims not foreseen in the constitution of technical reserves. The total solvency margin corresponds to the sum of the solvency margins of the type of insurance which Interseguro operates.

Furthermore, the guarantee fund represents the additional equity support that the entities shall maintain to deal with other risks that can affect them and that are not covered by the regulatory net equity, such as the investment risks and other risks. As of September 30, 2012, the guarantee fund amounts to approximately S/.48,020,000 (approximately S/.42,862,000 as of December 31, 2011).

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

### Notes to the consolidated financial statements (continued)

As a result of the aforementioned, Management calculated an effective equity coverage surplus as follows:

	<b>2012</b>	<b>2011</b>
	S/.(000)	S/.(000)
Regulatory net equity total	267,937	209,649
<b>Less:</b>		
Solvency equity	(137,200)	(122,462)
Guarantee fund	<u>(48,020)</u>	<u>(42,862)</u>
<b>Surplus</b>	<u>82,717</u>	<u>44,325</u>

(g) **Subsidiaries' legal and special reserves**

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

Pursuant to Legislative Decree 770 (which is no longer in force), the Bank established a reserve in order to cover potential losses on assets received as payment and seized through legal actions prior to December 31, 1994. As of September 30, 201, the balance of such reserve amounted to S/.1,242,000 (S/.8,819,000 as of December 21, 2011).

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

### Notes to the consolidated financial statements (continued)

In the General Shareholders' Meeting held on March 29, 2004, the Bank approved the creation of a special reserve amounting to approximately S/.10,822,000 through the transfer of income generated in 2003. The Bank is not allowed to distribute or use this reserve without prior SBS authorization.

#### 17. Tax situation

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

Entities and individuals not domiciled in Peru must pay an additional tax of 4.1 percent over dividends received from entities domiciled in Peru. The entity that distributes the dividends is responsible of performing the retention of the indicated tax. In this regard, since the Company controls the entities that distribute dividends, recognizes the amount of said income tax, recorded as an expense in the period when such dividends belong. In this sense, as of September 30, 2012 and December 31, 2011, the Company has recorded in this S/.10,909,000 and S/.13,019,000, respectively, in the consolidated statements of income.

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

Since January 1, 2010, only interest and capital gains resulting from bonds issued by the Republic of Peru and from BCRP certificates of deposit used for monetary regulation purposes are exempted from the Income Tax. Likewise, only interest and capital gains resulting from bonds issued before March 11, 2007 are also exempted.

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

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

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

### Notes to the consolidated financial statements (continued)

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

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

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

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

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

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

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

Regarding the Value Added Tax, the Act No. 29546 extended until December 31, 2012, the tax exemptions over the interests generated by securities issued through public offers by legal persons constituted or established in the country, provided that the issuance is performed under either the Stock Market Act, approved by Legislative Decree No. 861, or the Investment Funds Act, approved by Legislative Decree No. 862, as appropriate.

Through Act No. 29666, the IGV rate was reduced from 19 percent to 18 percent since March 1, 2011.

- (d) For the purpose of determining the Income Tax and the Value Added Tax, the transfer prices agreed for transactions between related entities, or for transactions conducted with or through entities domiciled in low or zero tax countries must be supported by documentation containing information on the valuation methods applied and the criteria used in the determination of such prices. The Tax Authority has the right to request this information. Based on analysis of the Company and its Subsidiaries operations, in the opinion of Management and its legal advisors, the application of these tax standards would not have any material consequences on the consolidated financial statements as of September 30, 2012 and December 31, 2011.



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

### Notes to the consolidated financial statements (continued)

- (e) The Tax Authority is legally entitled to review and, if necessary, adjust the Income Tax computed during a term of four years following the year in which a tax return was filed. The Income tax and Value Added Tax returns of Interbank corresponding to 2007 through 2011 and Interseguro corresponding 2007, 2008, 2010 and 2011 are pending reviewing by the Tax Authority.

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

As of the date of this report, the period 2009 corresponding to the Income Tax of Interseguro is under reviewing by the Tax Authority, which has not yet issued the formal resolution regarding the determination of said review.

In the opinion of the Bank's and Interseguro's Management and their legal advisors, any possible additional tax assessment would not have any material consequences on the consolidated financial statements as of September 30, 2012 and December 31, 2011.

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

## Notes to the consolidated financial statements (continued)

### 18. Off-balance sheet accounts

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

	<b>2012</b> S/.(000)	<b>2011</b> S/.(000)
<b>Indirect loans, Note 9(a)</b>		
Bank letters of guaranty and stand-by letters of credit (b)	3,191,195	3,077,603
Import and export letters of credit (b)	474,890	561,820
Due from bank acceptances (b)	<u>33,294</u>	<u>19,853</u>
	<u>3,699,379</u>	<u>3,659,276</u>
<b>Foreign currency forwards transactions, Note 4</b>		
<b>Held for trading</b>		
Purchase of foreign currency forwards (c)	2,367,210	2,071,393
Sale of foreign currency forwards (c)	2,091,129	1,896,527
Currency swap transaction (c)	237,494	169,828
Options transaction	3,898	
<b>Held as hedging</b>		
Currency swap transaction (d)	<u>129,900</u>	<u>134,800</u>
	<u>4,829,631</u>	<u>4,272,548</u>
Responsibilities under credit line agreements (e)	<u>5,758,734</u>	<u>5,638,439</u>
<b>Total contingent operations</b>	<u>14,287,744</u>	<u>13,570,263</u>
<b>Other off-balance sheet accounts (g)</b>		
<b>Interest rates swaps</b>		
Held for trading (c)	124,065	51,224
Held as hedging, Note (d)	<u>509,141</u>	<u>638,426</u>
	<u>633,206</u>	<u>689,650</u>
Guarantees received	15,318,577	13,346,081
Trusts (f)	1,308,807	1,442,523
Securities in custody	2,882,037	2,521,300
Mutual and investment funds managed by Interfondos Sociedad Administradora de Fondos	2,550,030	2,161,852
Equity trust managed by Internacional de Títulos Sociedad Titulizadora S.A. - Intertítulos S.T.	2,512,202	1,104,751
Collections on behalf of third parties	322,719	357,689
Loan portfolio sold	57,778	60,510
Suspended interest	121,489	96,014
Consumer credit card lines	6,803,645	6,934,402
Write-off loans	4,998,889	4,350,468
Available lines from abroad	1,497,646	1,854,150
Miscellaneous	<u>3,691,096</u>	<u>3,416,355</u>
	<u>42,064,915</u>	<u>37,646,095</u>
<b>Total other off-balance sheet accounts</b>	<u>42,698,121</u>	<u>38,335,745</u>
<b>Total off-balance sheet accounts</b>	<u>56,985,865</u>	<u>51,906,008</u>

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

### Notes to the consolidated financial statements (continued)

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

IFS and its Subsidiaries applies the same credit policies for granting and evaluating the provisions required for direct loans when performing contingent operations, see Note 9(d), including obtaining guarantees when it deems it necessary. Guarantees vary and include deposits in financial institutions or other assets.

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

- (c) As of September 30, 2012 and December 31, 2011, the Bank, Interseguro and Interfondos maintain derivative operations related to purchase and sale agreements of foreign currency transaction (“forwards”) for trading purposes. These contracts are agreements by which the future delivery of foreign currency is agreed, by which the seller agrees to deliver on a specific future date an amount of foreign currency at a pre-determined price. The risk arises from the possibility that the counterparty does not meet the agreed terms and from changes that take place in the exchange rates of the currencies at which the transactions are carried out. These contracts generally have maturities no longer than one year, are carried out only to satisfy client needs and are recorded at their estimated fair value.

- (d) As of September 30, 2012 and December 31, 2011, the Company and its Subsidiaries hold a currency swap transaction, which according to SBS approval, has been classified as a cash flow hedge for the issuance of leasing bonds; see Note 14(a). In economic terms this transaction translates the debt issued in Nuevos Soles into US Dollars. This transaction has maturity in March 2013.

Additionally, as of September 30, 2011 and December 31, 2011, the Company and its Subsidiaries hold four interest rates swaps hedges aimed to cover the variable rate component of certain due to banks and correspondents, see further detail in Note 14(d) and 14(e). As of September 30, 2012 and December 31, 2011, said instruments have maturities between June 2014 and June 2016.

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

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

### Notes to the consolidated financial statements (continued)

#### 19. Financial income and expense

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

	2012 S/.(000)	2011 S/.(000)
<b>Financial income</b>		
Interest and commissions on loans	1,393,274	1,291,873
Interest on due from banks and inter-bank funds	17,149	17,426
Income from interests over investments	235,644	249,351
Income from sale and valuation of investments, net	36,529	68,931
Investments in associates, net	<u>7,863</u>	<u>11,178</u>
	1,690,459	1,638,759
Income from sale of real estate investments	107,113	-
Rental income from real estate investments	24,530	18,752
Exchange differences, net	140,326	105,227
Other financial income	<u>15,568</u>	<u>22,466</u>
<b>Total financial income</b>	<u>1,977,996</u>	<u>1,785,204</u>
<b>Financial expenses</b>		
Interest and commissions on deposits and obligations	162,090	134,110
Interest and fees on deposits and due to banks and correspondents	96,171	114,287
Interest on bonds and obligations outstanding	106,324	118,550
Deposit Insurance fund premium fees	<u>16,733</u>	<u>15,188</u>
	381,318	382,135
Loss on derivative financial products, net	1,933	13,376
Other financial expense	<u>29,381</u>	<u>30,647</u>
<b>Total</b>	<u>412,632</u>	<u>426,158</u>
<b>Gross financial margin</b>	<u>1,565,364</u>	<u>1,359,046</u>

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

### Notes to the consolidated financial statements (continued)

#### 20. Income and expenses from financial services

The table below presents the components of this caption:

	2012 S/.(000)	2011 S/.(000)
<b>Fee income from financial services</b>		
Fee for miscellaneous services	177,165	114,627
Credit and debit card commissions	155,916	153,973
Commissions on contingent operations	34,993	32,807
Fee for collections of services	15,196	16,948
Income from financial advisory services	17,675	9,118
Other	50,622	75,067
<b>Total</b>	<b>451,567</b>	<b>402,540</b>
<b>Expenses relating to financial services</b>		
Credit and debit card expenses	11,771	9,640
Fees paid to foreign banks	9,840	8,563
Other	44,210	25,318
<b>Total</b>	<b>65,821</b>	<b>43,521</b>

#### 21. Result of insurance underwriting, net

The table below presents the components of this caption:

	2012 S/.(000)	2011 S/.(000)
Assumed premiums	335,318	350,669
Adjustment of technical reserves for assumed premiums	(278,315)	(287,332)
Claims on assumed premiums	(112,696)	(102,074)
Ceded premiums	(4,672)	(6,713)
Claims on ceded premiums	1,979	4,466
<b>Gross technical result</b>	<b>(58,386)</b>	<b>(40,984)</b>
Commissions from written premiums	(2,907)	(2,063)
Other technical income	2,933	3,721
Other technical expenses	(4,532)	(4,425)
<b>Technical result, net</b>	<b>(62,892)</b>	<b>(43,751)</b>

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

### Notes to the consolidated financial statements (continued)

#### 22. Administrative expenses

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

	<b>2012</b> S/.(000)	<b>2011</b> S/.(000)
Services received from third parties (b)	397,756	341,793
Personnel and Board of Directors expenses (c)	375,790	367,099
Taxes and contributions	21,905	22,130
<b>Total</b>	<b><u>795,451</u></b>	<b><u>731,022</u></b>

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

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

	<b>2012</b> S/.(000)	<b>2011</b> S/.(000)
Salaries	278,758	271,437
Social security	30,461	24,597
Severance indemnity expenses	23,790	20,590
Vacation, health care and other	21,203	21,260
Worker's profit sharing expense	21,578	29,215
<b>Total</b>	<b><u>375,790</u></b>	<b><u>367,099</u></b>

#### 23. Other income, net

The table below presents the components of this caption:

	<b>2012</b> S/.(000)	<b>2011</b> S/.(000)
Recovery of prior year write-off loans	59,616	80,763
Commissions and other services from mutual funds administration	21,280	21,813
Net gain on sale of assets received as payment and seized through legal actions	5,772	186
Income tax over dividends	(11,531)	(13,019)
Employee retirement incentive	(5,154)	(9,147)
Other, net	(10,853)	3,246
<b>Total other income, net</b>	<b><u>59,130</u></b>	<b><u>83,842</u></b>

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

### Notes to the consolidated financial statements (continued)

#### 24. Earnings per share

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

	Outstanding shares (in thousands)	Shares considered in computation (in thousands)	Days as of the end of year	Weighted average number of shares (in thousands)
<b>2011</b>				
Balance as of January 1	92,122	92,122	181	92,122
Sale of treasury stock	135	135	179	134
Purchase of treasury stock	(1,719)	(1,719)	168	(1,637)
<b>Balance as of September 30, 2011</b>	<u>90,538</u>	<u>90,538</u>		<u>90,619</u>
<b>Net earnings attributable to IFS</b>				<u>489,713</u>
<b>Net basic and diluted earnings per share attributable to Intercorp (Nuevos soles)</b>				<u>5.404</u>
<b>2012</b>				
Balance as of January 1	90,523	90,523	273	90,523
Sale of treasury stock	16	16	259	15
Purchase of treasury stock	(172)	(172)	241	(152)
Purchase of treasury stock	(61)	(61)	173	(39)
Sale of treasury stock	100	100	130	48
Purchase of treasury stock	(10)	(10)	38	(1)
<b>Balance as of September 30, 2012</b>	<u>90,396</u>	<u>90,396</u>		<u>90,394</u>
<b>Net earnings attributable to IFS S/.(000)</b>				<u>560,974</u>
<b>Net basic and diluted earnings per share attributable to Intercorp (Nuevos soles)</b>				<u>6.206</u>

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

### Notes to the consolidated financial statements (continued)

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

- (a) The table below presents the balances with related and affiliated companies as of September 30, 2012 and December 31, 2011:

	2012 S/.(000)	2011 S/.(000)
<b>Assets</b>		
Cash and due from banks	29,192	34,006
Held-to-maturity investments (real estate projects),	32,719	23,592
Loan portfolio, net	395,262	207,473
Other assets	42,268	67,546
<b>Liabilities</b>		
Deposits and obligations	317,672	270,995
Bonds and other obligations	20,873	3,236
Other liabilities	7,095	118
<b>Income (expense)</b>		
Interest income and rentals	22,858	22,854
Administrative expenses	(2,926)	(13,109)
Other, net	4,332	8,006
<b>Off-balance sheet accounts</b>		
Indirect loans	60,462	57,833

- (b) Shareholders, directors and officers of IFS and its Subsidiaries have been involved, either directly or indirectly, in credit transactions with IFS and Subsidiaries as permitted by Peruvian legislation, which regulates and limits certain transactions with employees, directors and officers of financial institutions. As of September 30, 2012, loans and other credits to employees and directors amounted to approximately S/.69,096,000 (S/.60,395,000 as of December 31, 2011).

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

- (c) As of September 30, 2012 and December 31, 2011, IFS participated in different domestic and foreign mutual and investment funds managed by its Subsidiaries or related parties.
- (d) In Management's opinion, transactions with related companies have been performed under normal market conditions. Taxes generated by these transactions and the taxable base used for computing them, are those customarily used in the industry and are determined according to prevailing tax standards.



### Notes to the consolidated financial statements (continued)

#### 26. Risk assessment

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

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

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

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

#### **Market risk -**

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

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

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

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

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

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

### Notes to the consolidated financial statements (continued)

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

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

#### **Liquidity risk -**

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

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

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

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

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

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

## Notes to the consolidated financial statements (continued)

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

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

IFS and 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 periodically.

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

### **Exchange rate risk -**

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

Most assets and liabilities in foreign currency are stated in US Dollars. Foreign currency transactions are performed at free market exchange rates. As of September 30, 2012 and December 31, 2011, IFS and its Subsidiaries' assets and liabilities in foreign currencies are shown in Note 4. IFS has used derivative financial instruments in order to partially hedge this risk.

### **Credit risk -**

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

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

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

### Notes to the consolidated financial statements (continued)

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

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

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

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

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

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

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

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

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

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

### Notes to the consolidated financial statements (continued)

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

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

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

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

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

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

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

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

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

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

### Notes to the consolidated financial statements (continued)

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

- Cash and due from banks represent cash and short-term deposits that do not represent significant credit or interest risks; in consequence, their book value is equivalent to their fair value in the consolidated balance sheets.
- Available-for-sale investments and investments at fair value through profit or loss are recorded at their fair value, and as a result their book value is equivalent to that amount.
- In the case of held-to-maturity financial investments, their estimated fair values have been computed considering the quotes or price information that existed as of September 30, 2012 and December 31, 2011, respectively. As for held-to-maturity financial investments that do not have price quotes, their estimated market value as of September 30, 2012 and December 31, 2011, respectively, has been determined by discounting the expected cash flows at an interest rate that reflects the security's risk rating.
- Most loans granted and accounts receivable granted by IFS and its Subsidiaries are mainly short term and/or accrue interest that can be readjusted when market conditions change. As a result, their book value, net of the allowance for loans losses required by the SBS, excluding the increase in the pro-cyclical provisions as indicated by Note 9, is considered to be the best estimate of their fair value as of the date of the consolidated financial statements.
- The fair value of deposits and obligations is similar to their book value, mainly, due to their liquid nature and interest rates, which are can be comparable to other similar liabilities in the market at the date of the consolidated balance sheets.
- Banks and correspondents generate variable interest rate terms and/or preferential rates, similar to the ones in force in the market. For liabilities that bear interest and have original maturities longer than one year, the fair value has been calculated based on discounted future cash flows, using the effective interest rate for liabilities with similar characteristics. As a result the estimated fair value does not differ significantly of its book value.
- As disclosed in Note 18, the Bank participates in indirect loan operations. Based on the level of fees currently charged for such operations and taking into account their maturity and interest rates together with the present creditworthiness of the counterparties, the difference between their book value and their fair value is not significant.
- Derivative transactions such as currency forwards, currency and interest rate swaps are recorded at their fair value consequently; there are not differences with their book value.

Based on the analysis above, Management of IFS and its Subsidiaries believes that, as of September 30, 2012 and December 31, 2011, the estimated fair values of the Company's financial instruments do not differ significantly from their book values; except for held-to-maturity investments.

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

### Notes to the consolidated financial statements<sup>(continued)</sup>

#### **28. Additional explanation for English translation**

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