



Intergroup Financial Services Corp. Reports Fourth Quarter 2009 Earnings

Lima, Peru, February 2, 2010. Intergroup Financial Services Corp. (Bolsa de Valores de Lima: IFS) announced today its unaudited results for the fourth quarter 2009. These results are reported on a consolidated basis in accordance with Peruvian GAAP in nominal Peruvian Nuevos Soles.

Intergroup:

- Intergroup's net earnings were S/. 507.9 million (EPS: S/. 5.4) in 2009, more than double the previous year's earnings, driven by strong contributions from Interbank and Interseguro.
- Net earnings were S/. 159.2 million in 4Q09, a 6.7% increase QoQ and a 170.4% YoY as a result of an increase in the gross financial margin.
- During 2009, Intergroup strengthened capitalization and improved efficiency.

Interbank:

- Interbank's net earnings were a record S/. 429.4 million in 2009, a 58.8% increase compared to 2008, driven by growth in the gross financial margin, fee income from financial services and improvements in efficiency.
- Interbank's net earnings remained stable QoQ and increased 88.7% YoY as a result of significant growth in the gross financial margin.
- Interbank's loan portfolio grew 4.9% QoQ and 7.5% YoY, above the industry's growth rate of 4.5% QoQ and -0.5% YoY. During the first three quarters of 2009, loan growth was affected by the economic slowdown. However, during the fourth quarter demand picked up, leading to a higher loan growth rate.
- Net interest margin was 9.0% in 4Q09, above the industry's average of 7.1% and an increase of 220 basis points compared to 4Q08.
- Asset quality continued to improve in 4Q09. The past-due loan ratio declined from 1.6% to 1.5% QoQ, while the reserve coverage ratio increased from 261.2% to 266.6% QoQ.

Interseguro:

- Interseguro's net earnings were S/. 31.8 million in 4Q09, a 73.4% increase QoQ as a result of higher returns on the investment portfolio.

Intergroup

2009 Performance

Intergroup's net earnings were S/. 507.9 million in 2009, a 102.1% increase compared to 2008, driven by strong contributions from both subsidiaries. Interbank's earnings grew 58.8% as a result of growth in the average loan portfolio, a decline in the cost of funds and higher returns on the investment portfolio. Interseguro's net earnings increased from S/. 6.6 million in 2008 to S/. 76.1 million in 2009 as a result of an improvement in the technical margin and higher returns on the investment portfolio, driven by a recovery in the financial markets. Intergroup's ROE was 32.1% in 2009, above the 18.4% reported in 2008.

Intergroup's Profit and Loss Statement Summary

S/. million	2007	2008	2009	%chg 09/08	%chg 08/07
Financial income	1,190.6	1,550.6	1,983.8	27.9%	30.2%
Financial expenses	-296.9	-491.3	-438.1	-10.8%	65.5%
Gross financial margin	893.6	1,059.3	1,545.7	45.9%	18.5%
Provisions	-125.0	-232.4	-363.3	56.4%	85.8%
Net financial margin	768.6	826.9	1,182.4	43.0%	7.6%
Fee income from financial services, net	258.9	306.3	390.2	27.4%	18.3%
Result from insurance underwriting, net	-71.5	-59.0	-35.6	-39.6%	-17.4%
Administrative expenses	-534.3	-725.0	-836.9	15.4%	35.7%
Net operating margin	421.7	349.2	700.0	100.5%	-17.2%
Depreciation and amortization	-52.2	-58.7	-75.7	28.9%	12.4%
Other income (expenses)	38.6	69.9	65.4	-6.4%	81.2%
Income before tax and profit sharing	408.1	360.3	689.8	91.4%	-11.7%
Income tax and profit sharing	-123.5	-109.0	-181.8	66.8%	-11.7%
Income from continuing operations	284.6	251.3	507.9	102.1%	-11.7%
Net income	284.6	251.3	507.9	102.1%	-11.7%
Attributable to IFS shareholders	277.3	249.4	504.9	102.5%	-10.1%
EPS	3.01	2.68	5.40		
ROE	26.0%	18.4%	32.1%		

4Q09 Performance

Intergroup's earnings per share were S/. 1.69 in 4Q09 (Net earnings: S/. 159.2 million), a 6.7% increase QoQ and a 170.4% increase YoY. ROE was 40.2% in 4Q09, above the 39.9% reported in 3Q09 and above the 17.2% in 4Q08.

Intergroup's Balance Sheet Summary

S/. million	4Q08	3Q09	4Q09	%chg QoQ	%chg YoY
Cash and due from banks	2,751.3	2,788.0	3,263.3	17.0%	18.6%
Investments, net	3,791.9	4,136.4	4,234.7	2.4%	11.7%
Loan portfolio, net	8,936.9	9,159.1	9,610.2	4.9%	7.5%
Fixed assets, net	520.4	556.4	534.6	-3.9%	2.7%
Discontinued operations	-	-	-	n.m.	n.m.
Other assets	638.9	762.7	649.4	-14.8%	1.6%
Total Assets	16,639.3	17,402.6	18,292.2	5.1%	9.9%
Deposits and obligations	9,596.7	11,089.9	11,400.4	2.8%	18.8%
Due to banks	3,100.7	1,138.2	1,461.3	28.4%	-52.9%
Bonds and obligations	457.1	1,473.3	1,476.6	0.2%	223.1%
Technical reserves for premiums and claims	1,496.2	1,495.5	1,524.3	1.9%	1.9%
Discontinued operations	-	-	-	n.m.	n.m.
Other liabilities	575.3	530.2	622.0	17.3%	8.1%
Total Liabilities	15,225.9	15,727.1	16,484.6	4.8%	8.3%
Intergroup shareholders' equity	1,406.7	1,666.5	1,797.7	7.9%	27.8%
Minority interest	6.6	9.0	10.0	11.2%	50.4%
Total shareholders' equity	1,413.4	1,675.5	1,807.7	7.9%	27.9%

Intergroup's Profit and Loss Statement Summary

S/. million	4Q08	3Q09	4Q09	%chg QoQ	%chg YoY
Financial income	418.5	516.5	493.1	-4.5%	17.8%
Financial expenses	-142.9	-91.7	-87.2	-5.0%	-39.0%
Gross financial margin	275.7	424.8	406.0	-4.4%	47.3%
Provisions	-107.3	-84.9	-89.4	5.4%	-16.6%
Net financial margin	168.4	339.9	316.5	-6.9%	88.0%
Fee income from financial services, net	91.1	111.0	103.7	-6.6%	13.8%
Result from insurance underwriting, net	-4.2	-10.3	-8.6	-16.5%	106.8%
Administrative expenses	-192.1	-220.5	-211.5	-4.1%	10.1%
Net operating margin	63.2	220.0	200.1	-9.1%	216.4%
Depreciation and amortization	-15.7	-18.1	-22.3	23.1%	41.8%
Other income (expenses)	10.3	-0.0	43.1	n.m.	317.7%
Income before tax and profit sharing	57.8	201.9	220.9	9.4%	281.9%
Income tax and profit sharing	1.0	-52.7	-61.7	17.2%	n.m.
Income from continuing operations	58.9	149.2	159.2	6.7%	170.4%
Net income	58.9	149.2	159.2	6.7%	170.4%
Attributable to IFS shareholders	58.4	148.3	158.3	6.7%	171.1%
EPS	0.62	1.59	1.69		
ROE	17.2%	39.9%	40.2%		

Year-on-year performance

Net earnings (attributable Intergroup's shareholders) were S/. 158.3 million, a 171.1% increase YoY, driven by 47.3% growth in the gross financial margin. Financial income increased 17.8% YoY as a result of a 15.9% increase in interest on loans at

Interbank, as well as a significant increase in investment income in both subsidiaries. Financial expenses decreased 39.0% YoY driven by a reduction in Interbank's cost of funds.

Fee income from financial services grew 13.8% YoY, mainly as a result of higher commissions on collection and payment services and fees on corporate finance advisory. The loss from insurance underwriting was S/. 8.6 million, more than double the loss reported in 4Q08 as a result of a S/. 4.3 million increase in claims.

Administrative expenses increased 10.1% YoY, a lower growth rate than in previous years.

As a result of these factors, income before taxes and profit sharing increased 281.9% YoY. Income tax and profit sharing increased S/. 62.7 million due to the fact that in 4Q08, there was a non-recurring increase in deferred tax assets. As a result, net earnings (attributable to Intergroup's shareholders) increased 171.1%.

Quarter-on-quarter performance

Net earnings (attributable to Intergroup's shareholders) increased 6.7% QoQ, driven by a S/. 43.1 million increase in other income and a 4.1% decrease in administrative expenses. Gross financial margin decreased 4.4% as a result of a 53.5% decrease in investment income at Interbank, partially offset by a S/. 27.1 million gain from the application of a new mark-to-market accounting rule at Interseguro.

Provision expenses increased 5.4% as a result of loan growth at Interbank. The result from insurance underwriting improved from a S/. 10.3 million loss in 3Q09, to a S/. 8.6 million loss in 4Q09, as a result of a S/. 4.7 million decrease in reserves.

Other income increased mainly as a result of a S/. 27.9 million provision reversal at Interbank, a S/. 6.1 million increase in recoveries from write-offs at Interbank and a S/. 5.3 million increase in income from subsidiaries.

CONTRIBUTION OF SUBSIDIARIES

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

Intergroup's Profit and Loss Statement Summary					
S/. million	4Q08	3Q09	4Q09	%chg QoQ	%chg YoY
Interbank	68.5	128.3	129.2	0.7%	88.7%
Interseguro	-7.3	18.3	31.8	73.4%	n.m.
Intergroup accounts:					
Return on investment portfolio	13.7	3.4	2.5	-25.0%	-81.4%
Exchange loss, net	0.6	2.7	0.0	-100.0%	-99.9%
Taxes on dividends	-0.9	-1.6	-4.6	192.9%	390.2%
Other expenses and other income	-1.9	-3.1	0.6	-119.4%	-132.4%
Consolidation adjustments	-14.3	0.2	-1.3	n.m.	-90.6%
Total	58.4	148.3	158.3	6.7%	171.1%

Both subsidiaries have significantly contributed to Intergroup's increase in net earnings. The following two sections analyze in detail each subsidiary's performance.

Interbank

2009 Performance

Interbank's net earnings were S/. 429.4 million in 2009, a 58.8% increase compared to 2008. As a result, ROE was 37.3% in 2009 compared to 31.2% in 2008. The main factor contributing to the increase in net earnings was a 42.5% increase in the gross financial margin, partially offset by a 56.4% increase in provisions and a 14.9% increase in administrative expenses. The increase in the gross financial margin was due to growth in average loan volume, lower financial expenses and realized gains in the investment portfolio. The higher provision expenses are associated with loan growth and higher delinquencies in the consumer loan portfolio.

Profit and Loss Statement Summary

S/. million	2007	2008	2009	% chg 09/08	% chg 08/07
Financial income	1,000.6	1,398.9	1,800.0	28.7%	39.8%
Financial expenses	-263.3	-421.2	-406.7	-3.4%	60.0%
Gross financial margin	737.4	977.7	1,393.4	42.5%	32.6%
Provisions	-125.0	-232.4	-363.3	56.4%	85.8%
Net financial margin	612.4	745.3	1,030.1	38.2%	21.7%
Fee income from financial services, net	271.3	340.7	433.7	27.3%	25.6%
Administrative expenses	-529.0	-703.8	-808.4	14.9%	33.0%
Net operating margin	354.7	382.2	655.4	71.5%	7.8%
Depreciation and amortization	-49.2	-56.4	-71.7	27.1%	14.7%
Other income (expenses)	30.7	36.9	11.1	-69.9%	20.0%
Income before tax and profit sharing	336.2	362.6	594.8	64.0%	7.9%
Expenses tax and profit sharing	-108.4	-92.3	-165.4	79.3%	-14.9%
Net income	227.8	270.4	429.4	58.8%	18.7%
ROE	31.9%	31.2%	37.3%		

Financial income (before exchange difference) rose 28.7% as a result of a 36.0% increase in interest and commissions on loans and a 58.2% increase in investment income. The increase in interest and commissions on loans was due to a 29.6% increase in average loan volume and an 80 basis points increase in yield, from 15.2% in 2008, to 16.0% in 2009. The high growth rate in the average loan portfolio was the result of the 55.5% growth rate achieved in 2008, given that in 2009, loans grew 7.5% as a result of the economic slowdown in Peru. The increase in investment returns was mainly attributable to realized gains on the sale of sovereign and global bonds totaling S/. 54.6 million, net of taxes, in 2009.

Financial expenses decreased 3.4% as a result of a 7.7% decrease in interest on deposits and an 8.2% decrease in interest on due to banks and interbank funds, partially offset by a 72.9% increase in interest on securities and bonds. Interest on deposits declined, despite a 32.0% increase in average volume due to a decrease in the average cost, from 3.2% in 2008, to 2.3% in 2009. The decline in interest on due

to banks and interbank funds was attributable to a decline in the cost of funds, from 5.0% in 2008 to 4.7% in 2009. Interbank's average cost of funding decreased 90 basis points, from 3.8% in 2008, to 2.9% in 2009 as a result of lower rates and a higher proportion of demand deposits in the funding mix.

Fee income from financial services increased 27.3% as a result of growth in fees from credit and debit cards, in addition to fees from corporate finance advisory. Administrative expenses increased 14.9% during 2009, a much lower growth rate than the previous year, due to the fact that Interbank's expansion was more moderate in 2009 compared to the previous two years.

4Q09 Performance

During 4Q09, Interbank reported S/. 130.2 million in net earnings, a 0.7% increase QoQ and an 88.7% increase YoY. ROE was 38.6% in 4Q09, lower than the 43.0% reported in 3Q09, and higher than the 30.8% reported in 4Q08. The YoY increase in net earnings was due to a 31.3% increase in the gross financial margin, a 18.2% increase in fee income from financial services and a 16.6% decrease in provision expenses.

Profit and Loss Statement Summary

S/. million	4Q 08	3Q 09	4Q 09	% chg QoQ	% chg YoY
Financial income	407.4	466.3	434.3	-6.8%	6.6%
Financial expenses	-136.9	-85.6	-79.2	-7.5%	-42.1%
Gross financial margin	270.5	380.7	355.1	-6.7%	31.3%
Provisions	-107.3	-84.9	-89.4	5.4%	-16.6%
Net financial margin	163.2	295.8	265.7	-10.2%	62.8%
Fee income from financial services, net	102.9	111.9	121.6	8.6%	18.2%
Administrative expenses	-188.8	-204.1	-206.7	1.3%	9.5%
Net operating margin	77.3	203.7	180.5	-11.4%	133.6%
Depreciation and amortization	-15.1	-17.2	-20.9	21.4%	38.3%
Other income (expenses)	3.7	-7.5	25.9	n.m.	599.7%
Income before tax and profit sharing	65.9	178.9	185.5	3.7%	181.6%
Expenses tax and profit sharing	3.1	-49.7	-55.4	11.4%	n.m
Net income	69.0	129.2	130.2	0.7%	88.7%
ROE	30.8%	43.2%	38.6%		

INTEREST EARNING ASSETS

Interbank's interest earning assets reached S/. 15,114.5 million in 4Q09, a 6.2% increase QoQ and an 11.8% increase YoY. QoQ growth was the result of a 4.9% increase in net loans and a 16.0% increase in cash and due from banks. YoY growth was due to a 7.5% increase in net loans, a 17.2% increase in cash and due from banks and a 24.6% increase in the investment portfolio.

Interest Earning Assets

S/. million				% chg	% chg
	4Q 08	3Q 09	4Q 09	QoQ	YoY
Cash and due from banks	2,753.5	2,780.9	3,226.6	16.0%	17.2%
Investments, net	1,828.0	2,289.6	2,277.7	-0.5%	24.6%
Loan portfolio, net	8,937.2	9,159.1	9,610.2	4.9%	7.5%
Total interest earnings assets	13,518.7	14,229.6	15,114.5	6.2%	11.8%

Loan Portfolio

S/. million				% chg	% chg
	4Q 08	3Q 09	4Q 09	QoQ	YoY
Current loans:					
Retail	4,388.8	4,726.3	4,876.9	3.2%	11.1%
Commercial	4,786.9	4,748.7	5,073.0	6.8%	6.0%
Total current loans	9,175.7	9,475.0	9,949.9	5.0%	8.4%
Restructured and refinanced loans	98.4	89.4	95.4	6.7%	-3.1%
Past due loans	113.2	152.0	151.5	-0.3%	33.8%
Gross loans	9,387.3	9,716.5	10,196.8	4.9%	8.6%
Add (less)	0.0	0.0	0.0	0.0%	0.0%
Accrued interest from current loans	93.3	104.6	104.4	-0.3%	11.9%
Deferred interest and interest collected in a	-222.9	-265.0	-286.9	8.3%	28.7%
Accrued and deferred interest	-129.6	-160.3	-182.6	13.9%	40.9%
Allowance for loan losses	-320.5	-397.0	-404.0	1.8%	26.0%
Total direct loans, net	8,937.2	9,159.1	9,610.2	4.9%	7.5%

Loan growth was 4.9% QoQ, a higher growth rate than previous quarters. The QoQ growth was attributable to the commercial segment, which increased 6.8% due to higher demand for loans as a result of the Peruvian economy's recovery.

Loan growth was 7.5% YoY, driven by the retail segment. Other consumer loans grew 15.6% YoY, while mortgages increased 14.5% YoY. Interbank's market share in the retail segment rose from 16.4% in 4Q08 to 17.3% in 4Q09.

Breakdown of Current Retail Loans

S/. million				% chg	% chg
	4Q 08	3Q 09	4Q 09	QoQ	YoY
Consumer loans:					
Credit cards	1,420.8	1,447.0	1,458.9	0.8%	2.7%
Other consumer	1,806.0	2,032.8	2,087.2	2.7%	15.6%
Total consumer loans	3,226.7	3,479.8	3,546.2	1.9%	9.9%
Mortgages	1,162.1	1,246.5	1,330.8	6.8%	14.5%
Total retail loans	4,388.8	4,726.3	4,876.9	3.2%	11.1%

FUNDING STRUCTURE

Funding Structure					
S/. million	4Q 08	3Q 09	4Q 09	% chg QoQ	% chg YoY
Deposits and obligations	9,759.6	11,235.4	11,580.4	3.1%	18.7%
Due to banks	2,771.9	1,876.7	1,959.9	4.4%	-29.3%
Bonds and obligations	482.0	505.0	506.3	0.3%	5.0%
Interbank funds	90.0	13.0	240.0	1745.8%	166.5%
Total	13,103.5	13,630.2	14,286.6	4.8%	9.0%
AUM (Interfondos)	1,266	1,839	2,332	26.8%	84.2%
% of funding					
Deposits and obligations	74.5%	82.4%	81.1%		
Due to banks	21.2%	13.8%	13.7%		
Bonds and obligations	3.7%	3.7%	3.5%		

Interbank funded quarterly growth with a 3.1% increase in deposits and significant growth in interbank funds.

Interbank's total funding grew 9.0% YoY, mainly as a result of an 18.7% increase in deposits and obligations, partially offset by a 29.3% decrease in due to banks. Deposit growth was the result of a 35.7% increase in deposits in the commercial segment mainly from institutional investors. The decline was the result of a 70.1% decrease in short-term financing due to lower use of trade lines of credit. Long-term financing increased 52.2% as a result of June 2009 disbursement of a medium-term loan totaling S/. 384.0 million.

As shown in the table below, quarterly and yearly growth in deposits was driven by the commercial segment. Additionally, deposit growth was driven by demand and savings deposits.

Breakdown of Deposits					
S/. million	4Q 08	3Q 09	4Q 09	% chg QoQ	% chg YoY
By Customer Segment					
Retail	4,640.7	4,752.3	4,669.8	-1.7%	0.6%
Commercial	5,071.4	6,428.7	6,884.5	7.1%	35.7%
Other obligations	47.5	54.4	26.1	-52.0%	-44.9%
Total	9,759.6	11,235.4	11,580.4	3.1%	18.7%
By Type:					
Demand	1,515.0	2,572.3	2,607.4	1.4%	72.1%
Savings	2,656.9	2,701.7	3,065.5	13.5%	15.4%
Time	5,301.9	5,598.7	5,520.9	-1.4%	4.1%
Other	285.9	362.6	386.5	6.6%	35.2%
Total	9,759.6	11,235.4	11,580.4	3.1%	18.7%

FINANCIAL MARGIN

Financial Margin					
S/. million	4Q 08	3Q 09	4Q 09	% chg QoQ	% chg YoY
Financial income	407.4	466.3	434.3	-6.8%	6.6%
Financial expenses	-136.9	-85.6	-79.2	-7.5%	-42.1%
Gross financial margin	270.5	380.7	355.1	-6.7%	31.3%

Gross financial margin decreased 6.7% QoQ and increased 31.3% YoY. The QoQ decrease was the result of a 6.8% decline in financial income, attributable to lower investment income. The YoY increase was the result of a 15.9% increase in interest on loans, a 20.7% increase in investment income and a 42.1% decline in financial expenses.

Financial Income					
S/. million	4Q 08	3Q 09	4Q 09	% chg QoQ	% chg YoY
Interest and commissions on loans	327.0	369.8	378.9	2.4%	15.9%
Investment income	25.9	67.2	31.3	-53.5%	20.7%
Interest on due from banks and interbank funds	10.8	2.0	1.1	-45.1%	-90.0%
Financial income before exch. difference	363.7	439.0	411.2	-6.3%	13.1%
Exchange difference	43.7	27.2	23.1	-15.1%	-47.1%
Total Financial Income	407.4	466.3	434.3	-6.8%	6.6%

Average interest earning assets	13,345.7	14,001.2	14,680.6	4.9%	10.0%
Average yield on assets*	10.9%	12.5%	11.2%	-1.3%	0.3%

*Annualized. Excludes exchange difference

Financial income decreased 6.8% QoQ, mainly as a result of a 53.5% decline in investment income due to non-recurring investment gains totaling S/.31.2 million reported in 3Q09. Interest on loans grew 2.4% QoQ, as a result of a 2.9% increase in average loan volume, partially offset by a decline in yield, from 14.4% 3Q09 to 14.3% in 4Q09.

The average yield of interest earning assets was 11.2% in 4Q09, lower than the 12.5% in 3Q09, mainly as a result of a decline in investment income.

Financial income grew 6.6% YoY as a result of a 15.9% increase in interest on loans and a 20.7% increase in investment income, partially offset by a 47.1% decrease in the exchange rate difference. The increase in interest on loans was due to an 11.2% increase in average volume and an increase in yield, from 15.6% in 4Q08 to 16.2% in 4Q09. The increase in investment income was attributable to a 29.7% increase in average volume, partially offset by a 40 basis point decline in yield, from 5.8% in 4Q08 to 5.4% in 4Q09. The decline in the exchange rate difference was due to losses in cross currency swap contracts.

The average yield of interest earning assets was 11.2% in 4Q09, above the 10.9% in 4Q08, mainly the result of the increase in interest on loans.

Financial Expenses

S/. million	4Q 08	3Q 09	4Q 09	% chg QoQ	% chg YoY
Interest and commissions on deposits	84.5	52.1	39.8	-23.6%	-53.0%
Interest and fees on deposits and due to banks	35.0	19.5	24.5	25.7%	-29.9%
Interest on securities, bonds and other obligations	7.0	8.2	8.3	0.7%	18.0%
Other financial expenses	10.3	5.8	6.7	14.6%	-35.4%
Financial Expenses	136.9	85.6	79.2	-7.5%	-42.1%
Average interest bearing liabilities	12,928.8	13,450.7	13,955.8	3.8%	7.9%
Average cost of funding	4.2%	2.5%	2.3%	-0.3%	-2.0%

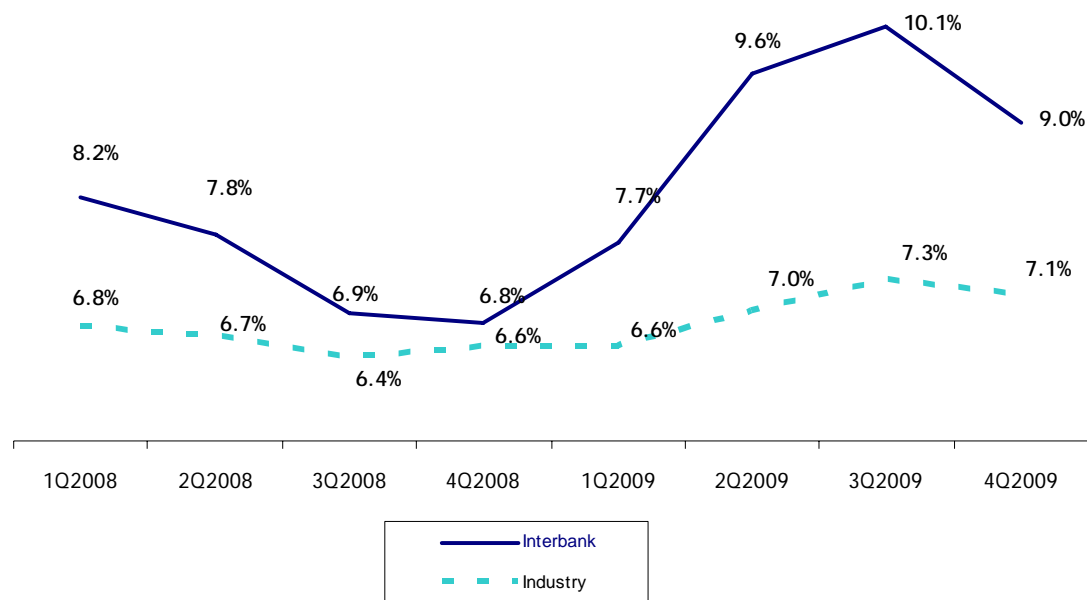
Financial expenses decreased 7.5% QoQ as a result of lower costs of funds due to lower reference interest rates. Interest on deposits decreased 23.6% QoQ as result of a decline in average cost, from 1.9% to 1.4% in 4Q09. Interest due to banks increased 25.7% QoQ as a result of a 50 basis point increase in the cost of funds and a 2.4% increase in average volume.

Interbank's average cost of funds decreased 28 basis points, from 2.55% in 3Q09, to 2.27% in 4Q09, as a result of lower rates on institutional and retail deposits.

Financial expenses decreased 42.1% YoY as a result of a 53.0% decline in interest on deposits and a 29.9% decline in interest on due from banks and interbank funds. Interest on deposits declined, despite a 16.2% increase in average volume as a result of a decrease in the average cost, from 3.5% in 4Q08 to 1.4% in 4Q09. The decline in cost is related to lower reference interest rates, both in U.S. Dollars and Nuevos Soles. The reduction in interest on due from banks and interbank funds is attributable to a 23.2% decline in average volume and a 50 basis point decline in cost of funds.

Interbank's average cost of funds decreased 196 basis points, from 4.24% in 4Q08 to 2.27% in 4Q09, mainly as a result of lower rates on institutional and retail deposits and a higher share of deposits in the bank's funding mix.

NET INTEREST MARGIN



Net interest margin increased from 6.8% in 4Q08 to 9.0% in 4Q09 as a result of lower funding costs and higher yields on loans. Net interest margin remained significantly above the industry's average of 7.1%.

PROVISIONS

Provision expenses increased 5.4% QoQ as a result of an increase in the average loan portfolio and a decline in income from recoveries. The annualized ratio of provision expenses to average loans remained constant QoQ.

Provision expenses decreased 16.6% YoY due to unusually high provisioning expenses in 4Q08 as a result of the pro-cyclical provisioning regulation enacted by the Peruvian Banking Superintendent in December 2008. As a result, the annualized ratio of provision expenses to average loans decreased from 5.9% in 4Q08 to 3.7% in 4Q09.

Composition of Provision Expense

S/. million	Composition of Provision Expense			% chg QoQ	% chg YoY
	4Q 08	3Q 09	4Q 09		
Provisions recognized as expense:					
For possible loan losses	-130.7	-90.0	-91.4	1.6%	-30.0%
For impairments of investments	0.1	0.0	0.0	0.0%	-100%
Total provisions recognized as expense	-130.6	-90.0	-91.4	1.6%	-30.0%
Recoveries	23.3	5.2	2.0	-61.1%	-91.4%
Total provision expense	-107.3	-84.9	-89.4	5.4%	-16.6%
Loan provision / average loans	5.9%	3.7%	3.7%		

The ratio of past due loans to total loans decreased from 1.6% in 3Q09 to 1.5% in 4Q09. This decline was the result of an improvement in the ratio of past due loans in credit cards from 4.0% in 3Q09 to 3.7% in 4Q09. The reserve coverage ratio increased from 261.2% in 3Q09 to 266.6% in 4Q09.

The ratio of past due loans to total loans increased from 1.2% in 4Q08 to 1.6% in 4Q09. This increase was the result of a deterioration in the ratio of past due loans in credit cards from 3.2% in 4Q08 to 3.7% in 4Q09, attributable to a lower growth rate in the credit card loan portfolio and higher delinquencies. The reserve coverage ratio remained strong at 266.6% in 4Q09, although slightly lower than the 283.1% in 4Q08.

Provision for Loan Losses					
S/. million	4Q 08	3Q 09	4Q 09	% chg QoQ	% chg YoY
Balance at the beginning of the quarter	-268.3	-415.7	-435.2	4.7%	62.2%
Provision recognized as expense for the period	-130.7	-90.0	-91.4	1.6%	-30.0%
Write-offs, extinguishment of debt and sales	32.5	65.4	80.8	23.6%	148.5%
Recoveries	23.3	5.2	2.0	-61.1%	-91.4%
Exchange difference, net	-5.3	10.7	10.5	-2.2%	n.d.
Balance at the end of the period	-348.5	-424.5	-433.3	2.1%	24.3%
Direct loans	320.5	397.0	404.0	1.8%	26.0%
Indirect loans	28.0	27.4	29.3	6.8%	4.8%
Past due loans / Total loans	1.2%	1.6%	1.5%		
Reserve coverage	283.1%	261.2%	266.6%		

FEE INCOME FROM FINANCIAL SERVICES

Fee income from financial services increased 8.6% QoQ and 18.2% YoY as a result of income growth in fees for services and fees from corporate finance advisory.

Fee Income from Financial Services, Net					
S/. million	4Q 08	3Q 09	4Q 09	% chg QoQ	% chg YoY
Credit and debit card	38.4	41.1	41.1	-0.1%	6.9%
Fees for services	23.2	32.0	34.2	7.1%	47.8%
Commissions on ATM use	5.2	6.3	6.9	10.5%	33.4%
Contingent operations	7.5	9.9	9.5	-3.6%	27.4%
Fund transfer services	5.8	4.9	4.6	-5.2%	-19.6%
Fees for collections and payment services	5.1	7.9	10.5	32.7%	106.9%
Others	25.1	22.3	26.8	20.2%	6.8%
Total	110.2	124.4	133.7	7.5%	21.3%
Expenses relating to financial services	7.4	12.4	12.2	-2.0%	65.1%
Fee income from financial services, net	102.9	111.9	121.6	8.6%	18.2%

ADMINISTRATIVE EXPENSES

Administrative expenses increased 1.3% QoQ and 9.5% YoY, a more moderate growth rate than previous quarters.

As a result of a lower gross financial margin, the efficiency ratio increased from 44.9% in 3Q09 to 47.7% in 4Q09. The efficiency ratio was well below the 54.6% of 4Q08 as a result an increase in the gross financial margin and fee income compared to a moderate rise in administrative expenses.

Administrative Expenses					
S/. million	4Q 08	3Q 09	4Q 09	% chg QoQ	% chg YoY
Personnel and board of directors expenses	-77.6	-91.6	-90.9	-0.7%	17.3%
Services received from third parties	-104.9	-106.0	-109.1	2.9%	4.0%
Taxes and contributions	-6.3	-6.4	-6.7	3.4%	5.6%
Total	-188.8	-204.1	-206.7	1.3%	9.5%
Efficiency ratio	54.6%	44.9%	47.7%		

OTHERS

Otros Incomes (Expenses)					
S/. million	4Q 08	3Q 09	4Q 09	% chg QoQ	% chg YoY
Depreciation	-12.1	-14.1	-15.1	7.5%	25.1%
Amortization	-3.0	-3.1	-5.7	84.0%	91.6%
Total depreciation and amortization	-15.1	-17.2	-20.9	21.4%	38.3%
Income (expenses) for recoveries	10.1	12.6	18.7	48.7%	85.8%
Extraordinary income (expenses)	-1.3	-1.7	-2.2	28.6%	76.2%
Provisions for contingencies and other provisions	-8.0	-18.8	9.1	-148.6%	n.m.
Income (expenses) of prior years	2.9	0.4	0.2	-41.6%	-91.8%
Other Income (Expenses)	3.7	-7.5	25.9	n.m.	599.7%
Total	-11.4	-24.7	5.0	n.m.	n.m.

Depreciation and amortization increased 21.4% QoQ and 38.3% YoY as a result of a higher volume of fixed assets resulting from the bank's investment plan.

Other income was S/. 25.9 million in 4Q09, compared to a loss of S/. 7.5 million in 3Q09, due to write-off recoveries and provision reversals carried out in 4Q09.

CAPITALIZATION

The ratio of regulatory capital to risk-weighted assets was 11.5% in 4Q09, below the 12.2% reported in 3Q09, and above the 10.8% reported in 4Q08. The ratio was significantly above the 9.5% minimum required by Peruvian banking regulations. The QoQ decline was attributable to an increase in risk-weighted assets as a result of growth in the loan portfolio. The YoY increase was due to an increase in regulatory capital as a result of the capitalization of earnings from the first half of 2009 totaling S/. 170 million, and the issuance of subordinated bonds totaling S/. 47.1 million in July 2009.

Regulatory capital remained constant QoQ. Tier 1 capital increased 16.2% YoY, while Tier 2 capital increased 20.3% YoY.

Capitalization					
S/. million	4Q 08	3Q 09	4Q 09	% chg QoQ	% chg YoY
Tier I	880.9	1,025.3	1,023.3	-0.2%	16.2%
Tier II	291.5	347.1	350.8	1.1%	20.3%
Regulatory capital	1,172.4	1,372.5	1,374.1	0.1%	17.2%
Risk weighted assets	10,903.8	11,268.0	11,907.1	5.7%	9.2%
BIS ratio	10.8%	12.2%	11.5%	-5.3%	7.3%
Tier I / risk weighted assets	8.1%	9.1%	8.6%	-5.6%	6.4%

Interseguro

SUMMARY

2009 Performance

Interseguro's net earnings were S/. 76.1 million in 2009, almost eleven times 2008's earnings, a year in which results were affected by the global financial crisis. ROE was 32.0% .while ROA was 4.0% in 2009.

Profit and Loss Statement Summary

S/. million	2008	2009	%chg
Premiums	211.4	235.2	11.3%
Premiums ceded	-6.2	-7.6	23.3%
Fees	-7.1	-8.9	24.1%
Claims	-123.1	-117.1	-4.9%
Change in reserves	-136.5	-141.6	3.8%
Diverse Income, net	-2.8	-2.9	5.6%
Technical margin	-64.3	-42.8	33.4%
Adm. expenses	-32.7	-36.9	12.9%
Investment income, net*	103.5	155.8	50.5%
Net income	6.6	76.1	1060.4%

*Includes Exchange difference

The main drivers for earnings growth were a significant increase in investment income and an improvement in the technical margin. The increase in investment income was due to the recovery in financial markets, while the improvement in the technical margin was the result of higher premiums and lower claims.

Total premiums increased 11.3% due to increasing sales across nearly every business line, except disability and survivor benefits. The business lines with the highest growth were annuities (8.7%), group life (28.1%) and non-life insurance (223.5%).

Premiums by Business Line

S/. million	2008	2009	%chg
Individual Life	22.0	23.5	6.8%
Annuities	135.1	147.0	8.7%
Group Life	29.9	38.2	28.1%
Disability and survivor benef	3.5	0.5	-85.0%
Mandatory traffic accident	19.0	20.0	5.1%
Non Life Insurance	1.9	6.1	223.5%
TOTAL	211.4	235.2	11.3%

Investment income rose 50.5% in 2009 due to higher gains in fixed income, equity and mutual funds. Returns on these investments recovered from a challenging 2008.

4Q09 Performance

Interseguro's net income was S/. 31.8 million in 4Q09, a 73.4% increase QoQ and a recovery from a S/. 7.3 million loss in 4Q08. ROE increased from 29.0% in 3Q09 to 46.6% in 4Q09, while ROA increased from 3.8% to 6.5% during the same period.

Profit and Loss Statement Summary

S/. million	4Q08	3Q09	4Q09	%chg QoQ	%chg YoY
Premiums	54.3	57.7	53.2	-7.7%	-1.9%
Premiums ceded	-1.7	-1.9	-2.0	5.6%	15.2%
Fees	-2.1	-2.4	-2.2	-10.5%	5.1%
Claims	-25.4	-30.2	-29.7	-1.6%	17.1%
Change in reserves	-30.3	-33.7	-29.0	-13.9%	-4.3%
Diverse Income, net	-0.8	-1.7	-0.7	-58.7%	-14.3%
Technical margin	-6.0	-12.2	-10.3	-15.2%	71.7%
Adm. expenses	-8.7	-9.3	-11.0	18.2%	25.7%
Investment income, net*	7.4	39.8	53.1	33.4%	613.4%
Net income	-7.3	18.3	31.8	73.4%	n.m.
ROE	-14.2%	29.0%	46.6%		

*Includes Exchange difference and extraordinary

The QoQ growth in earnings was attributable to a 33.4% increase in investment income and a 15.2% improvement in the technical margin. Investment income growth was due to the application of a new accounting provision for the valuation of credit linked notes, which resulted in a S/. 27.1 million mark-to-market gain.

The YoY growth in earnings was due to a S/. 45.7 million increase in investment income.

PREMIUMS

Premiums during 4Q09 were S/. 53.1 million, a 7.7% decrease QoQ and a 1.9% decrease YoY.

The QoQ decrease was attributable to lower sales in annuity premiums as a result of an estimated 2.9% decrease in the market, as well as a decline in Interseguro's market share.

The YoY decrease was the result of lower sales in annuity premiums, partially offset by an increase in group life insurance. The increase in group life insurance was due to growth in life insurance policies linked to Interbank's mortgage loan portfolio.

Premiums by Business Line

S/. million	4Q08	3Q09	4Q09	%chg QoQ	%chg YoY
Individual Life	5.6	6.0	5.5	-8.3%	-2.4%
Annuities	32.7	36.0	31.0	-13.8%	-5.2%
Group Life	9.0	8.3	10.1	21.2%	11.9%
Disability and survivor benefits	0.3	0.1	0.1	35.6%	-55.0%
Mandatory traffic accident	4.8	5.7	5.1	-10.6%	7.1%
Non Life Insurance	1.9	1.6	1.4	-11.4%	-25.0%
TOTAL	54.3	57.7	53.2	-7.7%	-1.9%

RESERVES, CLAIMS AND OPERATING EXPENSES

Change in reserves decreased 13.9% QoQ and 4.3% YoY. The lower change in reserves QoQ and YoY was in-line with lower annuity premiums.

Change in Reserves by Business Line

S/. million	4Q08	3Q09	4Q09	%chg QoQ	%chg YoY
Individual Life	1.0	1.1	2.2	98.0%	125.7%
Annuities	29.6	31.3	26.4	-15.9%	-11.0%
Group Life	0.1	-0.1	0.5	n.m.	744.8%
Mandatory traffic accident	-0.4	1.3	-0.1	n.m.	-81.1%
Non Life Insurance	0.0	0.0	0.0	0.0%	0.0%
TOTAL	30.3	33.7	29.0	-13.9%	-4.3%

Claims decreased 1.6% QoQ and increased 17.1% YoY. The QoQ decrease was due to an 8.0% decrease in disability and survivor benefits claims, as well as an 8.1% decrease in group life claims. The YoY increase was due to a 92.0% increase in group life claims, a 130.7% increase in mandatory traffic accident claims and a 5.1% increase in annuity claims.

Claims by Business Line

S/. million	4Q08	3Q09	4Q09	%chg QoQ	%chg YoY
Individual Life	0.2	0.1	0.2	29.2%	-33.9%
Annuities	19.3	20.6	20.3	-1.1%	5.1%
Group Life	1.1	2.3	2.1	-8.1%	92.0%
Disability and survivor benefits	3.6	5.0	4.6	-8.0%	27.1%
Mandatory traffic accident	1.1	2.2	2.5	12.6%	130.7%
Non Life Insurance	0.0	0.1	0.1	8.0%	224.3%
TOTAL	25.4	30.2	29.7	-1.6%	17.1%

As a result of these factors, the technical margin was S/-.10.3 million in 4Q09, S/-.12.2 million in 3Q09, and S/-.6.0 million in 4Q08.

Administrative expenses increased 18.2% QoQ and 25.7% YoY

INVESTMENT INCOME

Investment income increased 33.4% QoQ, and grew nearly seven times YoY.

YoY growth was due to an increase in returns on fixed income, equity and mutual funds. QoQ growth was due to a new accounting rule that requires marking-to-market the credit default swap component of credit-linked notes. The application of this rule resulted in a S/. 27.1 million gain in 4Q09. The YoY decrease in income from real estate was due to gains from property sales totaling US\$1.9 million realized in 4Q08, which were not repeated in 4Q09.

Investment Income, Net					
S/. million	4Q08	3Q09	4Q09	%chg QoQ	%chg YoY
Income:					
Fixed Income	23.6	25.4	47.0	85.0%	99.0%
Interest	21.2	17.8	19.6	10.5%	-7.5%
Valuation Gains	2.4	7.6	27.4	258.6%	1043.9%
Equity and Mutual Funds	-22.1	3.5	0.8	-76.1%	n.m.
Real estate	11.2	13.1	3.8	-71.2%	-66.4%
Total income	12.8	42.0	51.6	22.9%	303.1%
Expenses	-2.2	-1.0	-1.3	28.7%	-41.7%
Exchange difference	-2.7	-1.2	2.7	n.m.	n.m.
Net income	7.4	39.8	53.1	33.4%	613.4%

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

The portfolio increased 3.0% QoQ and 1.3% YoY mainly as a result of an increase in real estate investments, which grew 8.2% QoQ and 13.3% YoY. This increase was due to the construction of the Centro Civico Shopping Mall, which opened in December 2009. The decrease in equity and mutual funds was explained by the redemption of local funds.

Investment Portfolio					
S/. million	4Q08	3Q09	4Q09	%chg QoQ	%chg YoY
Fixed Income	1,212.1	1,201.0	1,248.6	4.0%	3.0%
Equity and Mutual Funds	220.7	182.0	154.3	-15.2%	-30.1%
Real estate	406.8	426.2	461.1	8.2%	13.3%
Others	5.8	5.2	5.5	7.2%	-4.3%
TOTAL	1,845.4	1,814.4	1,869.6	3.0%	1.3%