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I-Advize

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Operator: The following is a recording of the Melanie Carpenter teleconference with I-Advize on Thursday, July 31, 2014 at 9:00 a.m. Central Time. Good morning and welcome to Intercorp Financial Services' second quarter 2014 conference call. All lines have been place on mute to prevent any background noise. After the presentation we will open the floor for questions. At that time, instruction will be given as to the procedure to follow if you would like to ask a question. It is now my pleasure to turn the call over the Rafael Borja of I-Advize Corporate Communications. Sir, please begin.

Rafael Borja: Thank you and good morning, everyone. On today's call, Intercorp Financial Services will briefly present the recently announced transaction involving Inteligo Group and will also discuss its second quarter 2014 earnings, which do not include figures for Inteligo yet. We are pleased to have with us Mr. Luis Felipe Castellanos, Chief Executive Officer of Intercorp Financial Services, Mrs. Michela Casassa, Chief Financial Officer of Intercorp Financial Services, Mrs. Maria del Carmen Rocha, Chief Financial and Administrative Officer of Interseguro, Mr. Enrique Espinoza, Chief Investment Officer of Interseguro, as well as Mr. Bruno Ferreccio, Chief Financial Officer of Inteligo. They will be discussing the presentation that was distributed yesterday, July 30th, as it was updated to include Inteligo transaction overview. The earnings results report remains the same as distributed on Friday, July 25. If you did not receive a copy of the updated presentation or the earnings, it is now available on ifs.com.pe to download a copy. Otherwise, for any reason if you need any assistance today, please call I-Advize in New York at 212-406-3693. I would like to remind you that today's call is for investors and analysts only, therefore questions from the media will not be taken. It is now my pleasure to turn the call over to Mrs. Casassa, Intercorp's Chief Financial Officer, for her presentation. Mrs. Casassa, please go ahead.

Michela Casassa: Good morning, everybody, and welcome to Intercorp Financial Services' presentation. Today, we will start with a brief summary of Inteligo Group's key figures and we will go then through IFS second quarter 2014 results. As most of you are already aware, on July 18, we announced the incorporation of Inteligo Group to IFS, which will be in effect on August 1, 2014. This transaction was approved by IFS Board of Directors, reviewed by an independent committee of the IFS Board, and supported by a fairness opinion from PricewaterhouseCoopers. This transaction entails the contribution of 100 percent of Intercorp's shares in Inteligo to IFS in exchange for 19.5 million IFS shares. On page 4 we will start with an overview of Inteligo Group.

Inteligo Group is a leading provider of wealth management services, focusing on financial advisory, custody, and other broker services to Inteligo Bank, incorporated in Bahamas, and Inteligo Sociedad, a Peruvian brokerage house, its wholly-owned subsidiaries. The key highlights of Inteligo Group include, first of all, that is benefits from wealth creation resulting from continued macroeconomic stability, GDP growth, and income per capita growth in Peru. It is a fast growing, high ROE wealth management business with a highly efficient operation. It is an increasingly well-recognized brand in the market. It has diversified sources of income, with a large portion of stable fee income. And is has a demonstrated ability to deliver to superior financial results with an experienced management team and a highly-motivated workforce.

On page number 5, you can see that from 2006, Inteligo's asset under management plus deposit has grown at a CAGR of 25 percent, reaching $3.3 billion as of December 2013, and $3.4 billion as of the first half of this year. Total net income grew at a CAGR of 18 percent since 2009, reaching $40 million in 2013, with an ROE of 30 percent for the same period.

On page number 6, you can see some key figures of Inteligo Group. As of June 2014, including total assets under management of almost $3.5 billion, total assets of $920 million, and shareholder's equity of $157.8 million.

On page number 7, you can see some of the benefits of this transaction, which include the creation of a leading platform of diversified financial services in Peru. Inteligo will complement IFS with a high growth, highly-profitable financial service business. This is an opportunity to build a more integrated platform to compete in the market of mass affluent and high net worth individuals. It provides further diversification of IFS revenues with a strong and stable component of fee income. And it has a positive effect in profitability and operating metrics.

We will continue now with a brief discussion of the key highlights of Intercorp Financial Services' performance. Please turn to page number 9. Intercorp Financial Services net earnings were S/. 197 million in the second quarter of 2014, a 28.7 percent increase Quarter on quarter and 17.5 percent Year on year. Excluding non-recurring items, IFS net earnings increased 5.5 percent on a quarterly basis and 26.6 percent on a yearly basis. The quarterly increase was driven by growth of 25.6 percent in fee income and 47.6 percent in results from financial operations. The yearly net earnings growth was mainly due to a 17.3 percent increase in gross financial margin, partially offset by a 40.7 percent rise in provision expenses. IFS recurring ROE was 23.2 percent in the second quarter, above the 21.7 percent in the first quarter and the 20.2 percent of the second quarter of the previous year.

At Interbank, net earnings reached S/. 163.5 million in the second quarter, a 1.5 million increase on a quarterly basis and a 5.9 million increase on a yearly basis. The quarterly increase was mainly due to a 12.3 million growth in net fee income, a 31.7 million increase in other income due to the constitution of a voluntary provision in the first quarter of this year, which was not repeated in the second quarter. Excluding non-recurring factors, second quarter net earnings increased 22.2 percent on a yearly basis, in line with a 17.6 percent growth in gross financial margin. Interbank's recurring ROE remained stable Quarter on quarter at 24.7 percent and increased 100 basis points on a yearly basis. The loan portfolio expanded 4.1 percent Quarter on quarter and 23.2 percent on a yearly basis, driven by growth in credit cards, mortgages, and commercial loans. The past due loan ratio remained stable on a quarterly basis and on a yearly basis, at 1.9 percent. The efficiency ratio improved from 47.9 percent in the second quarter of last year to 47.2 percent in the second quarter of this year supported by a 9.3 percent growth in fee income, while administrative expenses grew 5.9 percent. The BIS ratio was 15.8 percent in the second quarter, well above regulatory requirements.

At Interseguro, net earnings were 59.0 million in the second quarter, supported by an extraordinary gain of 35.6 million from the sale of a real estate property. Excluding non-recurring factors, Interseguro's net earnings increased 153.8 percent on a quarterly basis and 36.6 percent on a yearly basis. Interseguro's recurring ROE was 27.2 percent in the second quarter, above the 9.4 percent of the first quarter and the 15.7 percent of the second quarter of the previous year. Interseguro's investment portfolio grew 3.5 percent on a quarterly basis and 17.7 percent on a yearly basis, driven by higher annuity sales.

Please now turn to the following page for a brief overview of the quarterly net earnings of IFS and its two subsidiaries. Net earnings attributable to IFS shareholders were 197.0 million in the second quarter, a 28.7 percent increase on a quarterly basis and 17.5

percent on a yearly basis. When excluding non-recurring items reported in both the second quarter of this year and of the previous year, net earnings increased 5.5 percent Quarter on quarter and 26.6 percent Year on year. IFS ROE was 26.2 percent in the second quarter, above the 20.1 percent of the first quarter and the 23.2 percent in of the second quarter of 2013.

In the following pages, we will go through a detailed discussion of each company's quarterly performance. Please turn to page 11 for a discussion of IFS P & L statement.

Looking at the quarterly performance, net earnings increased 28.7 percent, mainly due to a 47.6 percent increase in results from financial operations, a 25.6 percent increase in fee income, and a reversion from other expenses to other income, partially offset by a 31.2 percent increase in provisions. Financial income increased 2.6 percent, driven by a 3.7 percent increase in the average volume of loans at Interbank, while financial expenses grew 9.0 percent on a quarterly basis due to increases of 28.1 percent in interest on bonds and 4.4 percent in interest on deposits at Interbank. Provision expenses rose 31.2 percent due to a higher requirement for new provisions on consumer and commercial loans, and lower provision reversals in the second quarter of this year. Fee income increased 25.6 percent on a quarterly basis, mainly due to higher commissions from contingent operations and fees from financial advisory at Interbank.

Interseguro's loss from insurance underwriting decreased 21.0 percent due to solid growth in premiums and a reduction in claims. Results from financial operations increased 47.6 percent on a quarterly basis, mainly due to non-recurring gains on the sale of real estate investments registered at Interseguro in the second quarter. Administrative expenses increased 3.7 percent due to higher expenses for third-party services at Interbank, and a write-off provision due to the closure of the Mortgage Administration Company subsidiary of Interseguro. The other income and expenses account reversed from an expense of 19.9 million in the first quarter to an income of 10.1

million in the second quarter, mainly due to the constitution of a voluntary provision in the first quarter at Interbank, a portion of which was released in the second quarter. Looking at the year-on-year performance, net earnings increased 17.5 percent, mainly due to a 17.3 percent increase in gross financial margin, partially offset by a 40.7 percent growth in provisions. Financial income rose 19.4 percent, mainly explained by a 21.6 percent increase in interest and fees on loans at Interbank, while financial expenses increased 25.9 percent on a yearly basis due to growths of 30.8 percent in interest on deposits and 46.2 percent in interest on bonds at Interbank. Provisions grew 40.7 percent due to strong growth in the origination of credit cards and commercial loans, lower income from loan recoveries, and the fact that provision expenses were unusually low in the second quarter of 2013. Fee income increased 4.8 percent on a yearly basis as a result of higher commissions from letters of guarantee and revenues from collection services at Interbank. Interseguro's loss from insurance underwriting decreased 11.5 percent as a result of higher premiums net of change in reserves. Results from financial operations declined 3.7 percent on a yearly basis due to lower non-recurring income in the second quarter compared to the previous year, as well as to a reduction in income from participation of subsidiaries at Interbank. Administrative expenses increased 6.2 percent, mainly due to increases of 7.4 percent in expenses for third-party services and 3.7 percent in personnel expenses at Interbank. Additionally, administrative expenses grew 37.1 percent at Interseguro due to a write-off provision and higher personnel expenses. The other income and expenses account increased 8.2 percent on a yearly basis due to a partial reversal in voluntary provisions from the previous period at Interbank.

Please turn to page number 13 for a discussion of Interbank's performance. Looking at Interbank's quarterly results, net earnings reached 163.5 million in the second quarter, a 1.5 million increase on a quarterly basis and a 5.9 million decrease year on year. The quarterly increase was mainly due to a 12.3 million growth in fee income and a 31.7 million positive reversal in other income and expenses related to a voluntary provision registered during the last quarter. These factors were partially offset by a 29.8 million increase in provision expenses. The annual decline in net earnings in the second quarter was mainly due to a 36.2 million increase in provision expenses related to a higher activity in consumer lending, as well as a 37.7 million decrease in results from financial operations. These factors offset a 75.4 million increase in gross financial margin. In the second quarter of last year, a non-recurring result of 35.6 million net of taxes was reported. Excluding said amount, second quarter 2014 net earnings would have increased 22.2 percent on a yearly basis, in line with a 17.6 percent growth in gross financial margin. Interbank's ROE was 24.9 percent in the second quarter, slightly lower than the 25 percent reported in the first quarter. Moreover, a 29.3 percent ROE was registered in the second quarter of the previous year considering the non-recurring income mentioned already.

On page 14, performing loans grew 4.1 percent on a quarterly basis, with commercial loans expanding 3.8 percent in the second quarter, mainly driven by trade finance loans within the corporate segment and leasing operations in the mid corporate segment. Retail loans increased 4.4 percent due to growths of 7.6 percent in credit cards, 4.4 percent in other consumer loans, and 2.1 percent in mortgage loans. In credit cards, the fifth consecutive quarter of strong growth was recorded, while the past due loan ratio in such products remained low at 4.1 percent as of the second quarter, below the 4.7 percent registered in the second quarter of the previous year, but slightly above the 4.0 percent reported in the first quarter. Performing loans increased 23.2 percent on a yearly basis, with commercial loans growing 27.2 percent, mainly due to increases in trade finance and medium-term finances within the corporate and middle market segment.

Retail loans increased 19.2 percent, driven by growths of 34.9 percent in credit cards, 13.8 percent in mortgage loans and 14.3 percent in other consumer loans.

On page number 15, Interbank's funding base decreased 3.0 percent on a quarterly basis, in line with the reduction in interest-earning assets, mainly due to reductions of 4.5 percent in both deposits and due to banks. The reduction in deposits was explained by decreases of 11.0 percent in commercial deposits and 6.2 percent in institutional deposits, partially offset by an increase of 2.3 percent in retail deposits. Due to banks declined due to lower liquidity requirements as a result of the 300 million subordinated bond issued in March 2014. The bank's total funding base increased 11.9 percent Year on year, slightly below the growth in interest-earning assets. The increase was due to growths of 14.7 percent in deposits and 33.9 percent in bonds, partially offset by a 22.2 percent decrease in due to banks. The Year on year growth in bonds was explained by two subordinated bonds issuances, the first of 50 million in December 2013 placed in the local market, and the second for $300 million in March this year placed in the international market. The decrease in due to banks was attributed to a reduction in the use of credit lines with correspondent banks as a consequence of ample dollar liquidity.

On page number 16, looking at the quarterly performance, we can see that gross financial margin increased 0.4 percent on a quarterly basis as the result of a 2.5 percent growth in financial income, partially offset by a 8.5 percent increase in financial expenses. The rise in financial income was due to an increase of 3.6 percent in interest on loans, partially offset by decreases of 2.4 percent in fees on loans and 8.9 percent in interest on investments. The growth in interest on loans was due to increases of 3.7 percent in the average volume of the portfolio, despite a 30 basis point reduction in the average yield, from 12.0 percent in the first quarter to 11.7 percent in the second quarter. Interest on investments decreased 8.9 percent on a quarterly basis, due to a reduction of 60 basis points in the average yield, despite an increase of 11.3 percent in the average volume. The lower average yield was mainly due to lower returns in global bonds and the growth in average volume was attributed to increases in global and sovereign bonds, as well as in corporate bonds. Financial expenses increased 8.5 percent on a quarterly basis due to increases of 4.4 percent in interest on deposits and 28.1 percent in interest on bonds, partially offset by a 9.8 percent decrease in interest on due to banks. The growth in interest on deposits was mainly due to a 10 basis point increase in the average cost, while the average volume remained relatively stable. The increase in the average cost was explained by higher rates in commercial and institutional deposits, mainly in soles, while rates on retail deposits remained stable. The increase in interest on bonds in the second quarter was due to a 12.7 percent growth in the average volume, together with an 80 basis point increase in the average cost. The higher volume was due to the 300 million subordinated bond previously mentioned, and similarly, the higher average cost was due to the fact that said issuance was realized in mid-March, and therefore the interest expense was incurred during only a fraction of the first quarter, but was fully reflected in the second quarter of this year. The decrease in interest on due to banks was explained by a 1.8 percent decline in the average volume and a reduction of 40 basis points in the average cost. Both of these effects occurred mainly in foreign funding, while local funding grew 4.9 percent in volume, and its average cost decreased by 30 basis points. The average cost of funds increased from 2.5 percent in the first quarter to 2.6 percent in the second quarter, mainly due to the higher average cost of bonds and deposits in soles. Looking at the yearly performance, gross financial margin grew 17.6 percent due to an increase of 19.4 percent in financial income, partially offset by a 24.7 percent rise in financial expenses. The growth in financial income was due to an increase of 22.6 percent in interest on loans, 14.3 percent in fees on loans, and 40.1 percent in interest on investments, partially offset by an 81.9 percent reduction in interest on cash. The increase in interest on loans was explained by a 25.1 percent growth in the average loan volume, while the average yield decreased from 12.1 percent in the second quarter of the previous year to 11.7 percent in the second— (0:21:19 inaudible). (0:21:20 inaudible) —in the average volume, partially offset by a 10 basis point reduction in the average yield. The growth in volume was due to higher average balances in both sovereign and global bonds, as well as in corporate bonds. The lower average yield was mainly attributed to a reduction in the returns on global bonds. The decrease in interest on cash was mainly explained by a 70 basis point decline in the average yield and a 3.6 percent decrease in the average volume. The lower yield was mainly due to reduced returns on overnight deposits in the Central Bank, given that in the second quarter of the previous year, these were mainly constituted in soles, whereas in the second quarter of this year, they were in dollars, with significantly lower yield. Financial expenses increased 24.7 percent on a yearly basis due to a growth of 30.8 percent in interest on deposits and 46.2 percent in interest on bonds, partially offset by a reduction of 9.5 percent in interest on due to banks. The rise in interest on deposits was attributed to a 22.9 percent increase in the average volume, while the average cost increased by 10 basis points. The increase in interest on bonds was mainly due to a 37.2 percent growth in the average volume and a 50 basis point increase in the average cost. The higher average volume was explained by two subordinated bond issues previously mentioned. The decrease in interest on due to banks was explained by a 19.8 percent decline in the average volume, partially offset by a 60 basis point increase in the average cost. The decline in the average volume was due to a 40.5 percent decline in foreign funding, mainly offset by a 20.1 percent rise in local funding. The average cost of funding increased from 2.5 percent in the second quarter of the previous year to 2.6 percent in the second quarter of this year, mainly due to the higher average cost of bonds, due to banks, and institutional deposits, mainly in soles.

Net interest margin, on page 17, was 6.8 percent in the second quarter, 10 basis points lower than the 6.9 percent reported in the first quarter and in the second quarter of the previous year. Excess dollar liquidity in the financial system and in the bank continues to have an impact on (0:23:44 indiscernible) as overnight dollar-denominated institutional deposits are being invested in overnight accounts with banks with very low returns.

On page 18, provision expenses increased 31.2 percent on a quarterly basis and 40.7 percent on a yearly basis. As a result, the annualized ratio of provision expense to average loans was 2.4 percent in the second quarter, higher than the 1.9 percent registered in the first quarter and the 2.1 percent registered in the second quarter of the previous year. The quarterly increase was due to higher requirements for new provisions on both consumer and commercial loans, as well as to a lower reversal of provisions during the second quarter. In regard of this, as a result of a new regulation, a reversal of payroll deduction loan provisions was recorded in the first quarter, thus affecting quarterly comparison. Furthermore, strong growth in consumer and commercial performing loans generated a greater requirement of pro-cyclical provisions. On the other hand, a 6.2 percent increase in non-performing loans also contributed to higher provision requirements. The annual increase in provision expense was mainly explained by three factors: first, strong growth in credit cards and commercial loans; second, lower income from loan recoveries; and finally, the fact that provision expenses were unusually low in the second quarter of the previous year. In the second quarter of 2014, the ratio of past due loans to total loans remained stable on a quarterly basis and on a yearly basis, at 1.9 percent. The coverage ratio of the past-due loan portfolio decreased from 225.9 percent in the second quarter of the previous year and 211.8 percent in first quarter of this year to 210.3 percent in the second quarter of this year.

On page 19, fee income increased 21 percent Quarter on quarter due to higher commissions from contingent operations, such as letters of guarantee, as well as increased revenues from financial advisory. Fee income increased 9.3 percent Year on year as a result of a 13.2 percent increase in fees from letters of guarantee and higher revenues from collection services. Results from financial operations decreased 1.2 million on a quarterly basis, mainly due to a decrease in exchange and derivative gains and lower income from participation in subsidiaries. These effects were partially offset by higher gains on the investment portfolio. Results from financial operations decreased 37.7 million Year on year due to lower gains on the investment portfolio. Administrative expenses increased 4.2 percent on a quarterly basis and 5.9 percent on a yearly basis. The quarterly growth was mainly due to a 7.5 percent increase in expenses for third-party services. Personnel expenses remained relatively stable, increasing only 0.8 percent. The Year on year growth was mainly attributed to increases of 7.4 percent in expenses for third-party services and 3.7 percent in personnel expenses. The efficiency ratio was 47.2 percent in the second quarter, higher than the 46.4 percent of the first quarter, but lower than the 47.9 percent recorded in the second quarter of the previous year.

On page 20, the ratio of regulatory capital to risk-weighted assets was 15.8 percent in the second quarter, below the 16.8 percent reported in the first quarter and above the 14.5 percent registered in the second quarter of the previous year. The quarterly variation was due to a 7.0 percent growth in risk-weighted assets. As of the second quarter of this year, Interbank's capital ratio of 15.8 percent remains above its risk-adjusted minimum capital ratio established at 11.5 percent. The minimum regulatory capital ratio requirement was 10.0 percent, while the additional capital requirement for Interbank was 1.5 percent as of the second quarter. Now, let me turn it to Maria del Carmen Rocha to comment on Interseguro's results.

Maria del Carmen Rocha: Please turn to page 22 of the presentation. The table shows a summary of Interseguro's P&L performance. Net earnings reached S/. 59 million in the second quarter of 2014, an increase of 49.8 million quarter over quarter and 41.9 million year over year. The annualized ROE was 68.7 percent in the first quarter of 2014, above the 9.4 percent reported in the fourth quarter and the 15.7 percent reported in the second quarter of 2013. The Quarter on quarter increase in net earnings is explained by a 49 million increase in investment income and a 4.1 million higher technical margin, partially offset by a 3.4 million increase in administrative expenses.The increase in investment income is mainly explained by an extraordinary gain of 35.6 million from the sale of a real estate property located in Puruchuco at the northeast of Lima. The higher technical margin is explained by a decrease in claims in disability and survivor benefits due to the write-off of policies for which we had not received any pension application, as well as higher margins in car insurance, decreasing term life insurance for credit cards, and card protection, partially offset by higher reserves in individual life due to higher returns associated to universal life investment funds. The increase in administrative expenses is explained by a loss provision due to the closure of the Mortgage Administration Company subsidiary of Interseguro. The year over year increase in net earnings is mainly explained by a 50.3 million increase in investment income, explained by the sale of the real estate property previously mentioned, a 1.2 million lower technical margin due to the increase in sales and annuities and a 7.4 million increase in administrative expenses, explained by a provision for the closure of our mortgage subsidiary and higher personnel expenses in line with the close of the business.

Please turn the next page of the presentation. Page 23 shows in detail the performance of Interseguro's premiums. In the second quarter of 2014, premiums were 177.8 million, an increase of 6.6 percent quarter over quarter and 29.9 percent year over year. The

Quarter on quarter growth is mainly due to an increase of 9.4 million in annuities, and 2.6 million in non-life, partially offset by a decrease of 0.6 million in mandatory traffic accident premiums and 0.6 million in group life. Quarter over quarter increase in annuities was due to a market expansion in which Interseguro maintained its leadership position. Year-over-year increase was achieved by Interseguro's leadership position in a market that increased 27.1 percent. Quarter-over-quarter and year over year increases in non-life were due to the recognition of card protection premiums provisions according to requirements from the new insurance contract law and to sales of payments protection premiums through a new distribution channel which has been (0:31:15 indiscernible). Year over year increase was also explained by sales of car insurance and extended warranty. Quarter over quarter decreased sales in mandatory traffic accidents were due to a decrease in sold but not collected premiums provisioned during the period. The decrease in group life is mainly explained by lower premiums in legal life due to the fact that the renewal of Interbank's policy is subscribed in the first quarter of each year.

Finally, on page 24, there are some details on Interseguro's investment portfolio and investment income. In the second quarter of 2014, investment income was 107.6 million, an increase of 83.8 percent quarter over quarter and 88 percent year over year. The quarter-over-quarter and year-over-year increase is explained by an extraordinary 35.6 million gain attributable to the sale of a real estate property in Puruchuco previously mentioned, and by a 9.6 million gain from the sale of equities. Interseguro's investment portfolio grew 3.5 percent quarter over quarter and 17.7 percent year over year, driven by higher annuities sales and the price appreciation of Interseguro's overall portfolio. Fixed income investments represent 76.1 percent of the portfolio in the second quarter of 2014, comparing to 73.4 percent in the first quarter and 75.6 percent in the second quarter of the previous year. Thank you. This concludes our presentation. Operator, please proceed to the question and answer session, please.

Operator: Thank you. At this time we will open the floor for questions. If you would like to ask a question, please press the ‘star’ key followed by the ‘1’ key on your touchtone phone now. Questions will be taken in the order they are received. Again, that is ‘star 1’ to ask a question. Our first question comes from Alonso Garcia with Credit Suisse.

Alonso Garcia: Hello, good morning. Thanks for taking my question. Regarding the corporate organization to pay for Inteligo’s decision, do you have any color or idea on what Intercorp’s plans could be in regards to the 90.5 million shares they have now on IFS? I mean, could we expect these shares to be put out in the market to increase the liquidity of IFS? Thank you.

Michela Casassa: Good morning, Alonso. I mean, this is something that is on the— let’s say it’s being evaluated, but I cannot give you further comments now. It’s not something that we are today pursuing.

Alonso Garcia: Okay, thank you.

Operator: Thank you. Our next question comes from Maher Saba with Compass.

Maher Saba: Yes, thank you. A couple of questions about the Inteligo transaction. First, could you explain what’s behind the increase in net income from

2012? And I'm asking this because I don't see a commensurate increase in assets under management.

Michela Casassa: Can you say it again because I couldn't catch it. The increase of what?

Maher Saba: Explain the increase in net income for Inteligo in 2012. And the reason I'm asking this is because I don't see a commensurate increase in assets under management. I'd imagine there's some changing (0:34:52 indiscernible) or something.

Michela Casassa: Let me just one second pass it to Bruno.

Bruno Ferreccio: Mainly two things: investment income from the portfolio, and secondly, an increase in net interest margin due to an increase in the size of the investment portfolio between 2011 and 2012.

Maher Saba: Okay, thank you. Then do you have a number for the income contribution from Inteligo to IFS, net of consolidation adjustments, if there are any? I don't know if there are any consolidation adjustments.

Michela Casassa: I mean, the consolidation adjustments are minor, so the contribution will be mostly the numbers that you see from Inteligo.

Maher Saba: Okay, thanks. Just another question on the transaction. As I see the rationale— you have a slide on the rationale for the transactions, all of the reasons seem to be things that they were there years ago between the time before the transaction and now.

Michela Casassa: When IFS was created and the initial IPO was done in 2007, no other organization was done where Interbank and Interseguro were put together. Inteligo was a very small company. It was a very small company, and moreover, it had international expansion plans and most of its revenues were coming from investment income. So, at that moment, it was not the time to include it into IFS. But with the increase— let's say with the good development of the GDP in Peru and creation of wealth, Inteligo has been at the end focusing on mainly, or almost exclusively, on Peruvian clients, and it has been growing its assets under management consistently through the years. Moreover, the revenues from Inteligo are today, I mean, more than half of them are coming from interest margin and fee income, which constitutes a very diversified sort of fee income. So basically, today, we see the opportunity— we saw the opportunity in the, let's say to include and consolidate Inteligo under IFS. Also, because with the increase in the wealth, also Interbank clients will see an opportunity to try to talk to the clients which we are not serving with Interbank. We're talking about the high net worth individual, as Interbank's mainly focusing on the middle market, and to not, let's say, lose them to other competitors in the market. So we also see some synergies there.

Maher Saba: Okay, thank you.

Operator: Thank you. As a reminder, ladies and gentlemen, if you would like to ask a question, please press the 'star' key followed by the '1' key on your touchtone phone now. Our next question comes from Natalia Corfield with JP Morgan.

Natalia Corfield: Hi, good morning. Thank you for the question. Basically, you have mentioned that there was a decrease in (0:38:37 indiscernible) in the quarter in certain segments, like the commercial segment, for instance. What has driven that? Is that competition? What has been happening in the Peruvian market? That's my first question.

Michela Casassa: Actually, it has a lot to do also with product mix. If we're talking about the yield in the loan portfolio, as commercial loans continue to grow at a higher pace, it ends up having a negative effect on the yield. That's because of product mix. And the second thing, when you look at net margin, the fact that we are a bank that is more focused on soles because of the high incidence of retail within our portfolio means that we need more funding also in soles, which has been a little bit scarce in the market. So, that is one of the reasons why the cost of funds has also increased a little bit in the quarter. So, the two effects. So more commercial loans within the loan portfolio and more soles is driving this increase in the net margin— decrease, sorry, in the net margin.

Natalia Corfield: Alright. And then also, another thing that I noticed in your results, your loan to deposit ratio increased in the quarter to above 100 percent and there was a contraction in deposits. Can I assume that you have been using the proceeds from the 200 million bond to originate new loans?

Michela Casassa: Yes, definitely yes. And let's say the excess liquidity coming from those dollars were lent mainly to corporate and new corporate clients, and that's why we did need the commercial and institutional deposits.

Natalia Corfield: Alright, thank you.

Operator: Thank you. Our next question comes from Alonso Aramburu with BTG.

Alonso Aramburu: Hi, good morning. Thank you for the call. I have a couple of questions. First, Michela, maybe you can comment a little bit on asset quality. You had mentioned the previous quarter that you were expecting some deterioration in the PDL ratio. It's been fairly stable so far. Can you give us a sense of where that's going, what's your sense for the second half of the year, and also the level of provision and if this 2.4 percent of loans is what we should expect for the rest of the year?

Michela Casassa: Okay. Actually, when you look at the quarterly evolution of provisions (0:41:12 indiscernible) you see an increase, there is roughly 30 million increase in provisions. This has two main explanations. The first one is this accounts for roughly 12 million of that number if the increase in the credit card portfolio that has been growing, I mean, this quarter it was more than 7 percent, and apply the (0:41:33 indiscernible) of the PDL ratio. That ratio in the first quarter of this year was 4 percent and in the second quarter of this year was 4.1 percent. So we are talking about 10 basis points. Still, when you compare that number to the second quarter of the previous year, that was 4.8 percent. So we are still with very low numbers in terms of PDL ratio for credit cards. And the second main reason was what we explained last quarter, actually it was your question, related to payroll lending. We have a reversal of provisions on payroll lending last quarter which didn't take place this quarter. So basically, you have there another 17 or 18 million of the increase of provisions coming from that effect. When we look at the numbers for year end, as long as the credit card portfolio continues to have this strong growth, and we still do expect a slight deterioration in the portfolio because of growth and the acceleration of the economy, we can expect a slight deterioration of the PDL ratio, but something that shouldn't be more than, I don't know, maybe 20 basis points.

Alonso Aramburu: Great. Great, thank you for that. And my other question was regarding expenses. I mean, the growth of expenses at the bank has been very much controlled, growing 5-6 percent. But Interseguro has growing expenses above 30 percent this quarter. Last year, it was also 30 percent growth in expenses. Maybe Maria Carmen can give us maybe some color on the growth of expenses of Interseguro and if that is the rate we should expect expenses to continue growing.

Maria del Carmen Rocha: Hi, yes. There is one non-recurring expense this quarter, which is the provision for the closure of the mortgage subsidiary, that's 3 million. Another reason why the administrative expenses are increasing is because our business is increasing, and we're paying more commissions, and (0:43:42 indiscernible) that we're selling more, we're paying more. And no, you should not expect administration expenses to grow any higher, except for the commissions, which grow in line with the business.

Alonso Aramburu: Okay, great. And also related to Interseguro, should we expect another sale of an asset before the end of the year?

Maria del Carmen Rocha: Oh, I don't think we can comment on that.

Alonso Aramburu: Okay, thanks.

Operator: Thank you. Again, ladies and gentlemen, if you would like to ask a question, please press the ‘star’ key followed by the ‘1’ key on your touchtone phone now. We have a follow-up question from Maher Saba with Compass.

Maher Saba: Yes, thank you. Given that you have a— you’re very active on real estate for Interseguro, could you give us more information about how the portfolio, the stock of real estate investments you have in your portfolio right now, how has it changed in the past quarter in terms of duration, for example?

Enrique Espinoza: Yes, hi, Maher. This is Enrique Espinoza. As of today, the real estate (0:45:13 indiscernible) the portfolio. What we have done is just simple. We have sold some land (0:45:27 indiscernible) that were already developed. As of today, we don’t have any more plans of selling more real estate. We do feel comfortable with our current exposure and (0:45:38 indiscernible).

Maher Saba: Thank you.

Operator: Thank you. We have no further questions at this time. I would like to turn the call back over to Ms. Casassa for closing remarks.

Michela Casassa: Okay, thank you, everybody, for joining today. We will talk again in the next quarter conference call. Bye, everybody.

Operator: Thank you. Ladies and gentlemen, this concludes today’s conference call. You may now disconnect.