Melanie Carpenter

I-Advize

May 14, 2015

9:00AM CT

Operator: The following is a recording for Melanie Carpenter from I-Advize on Thursday, May 14, 2015, at 9:00AM Central – Intercorp Financial Services first quarter 2015 conference call. Good morning, and welcome to Intercorp Financial Services' first quarter 2015 conference call. All lines have been placed on mute to prevent any background noise. After the presentation, we will open the floor for questions. At that time, instructions 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 to Rafael Borja of I-Advize Corporate Communications. Sir, please go ahead.

Rafael Borja: Thank you, and good morning, everyone. On today's call, Intercorp Financial Services will discuss its first quarter 2015 earnings. We are very 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; and Mr. Bruno Ferreccio, Chief Financial Officer of Inteligo. They will be discussing the results that were distributed yesterday, the results and a presentation to accompany these results. If you didn't receive a copy of the presentation or the earnings, it is now available on the Company's website, 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' first quarter 2015 results. And we will start on Page Number 2 of the presentation with the key highlights. At IFS, the first quarter net profit was 262.9 million, a 95.1 percent increase year on year, and a 3.1 percent decrease quarter on quarter. The yearly growth was mainly explained by some performances of Interbank and Interseguro, while the quarterly decrease was driven by seasonality factors, as well as increases in provisions at Interbank, and an adjustment of technical reserve at Interseguro. The annualized return on adjusted equity for the first quarter was 23.9 percent for IFS. At Interbank, the first quarter net profit was 205.2 million, a 29.6 percent growth year on year, and a 1.7 percent decrease quarter on quarter. The yearly performance was attributed to increases of 13.2 percent against interest and (indiscernible 0:02:58) with out income, 82 percent in other income and 15 percent in fee income, factors which were partially offset by a 43.3 percent growth in provisions. The quarterly performance was negatively impacted by an increase in provisions of 40.6 percent, mainly due to the combination of two effects. First, a low fourth quarter 2014 in provisions, as the last quarter of the year is normally one of the lowest, especially for credit cards, which represent the highest portion of provisions, due to more amortizations and better collections in December, plus an improvement in the stability (ph 0:03:34) rate used for the calculations of provisions under IFRS. Second, a slight deterioration in the asset quality during the first quarter of this year, especially in mortgages, mid-corporate and small businesses. Performing loans and deposits grew 10.1 and 4.1 percent respectively year on year, while retail deposits increased 15.4 percent on a yearly basis. NIM improved 33 basis points on a yearly basis, to 6.27 percent in the first quarter, while the efficiency ratio improved 400 basis points to 42.3 percent. Asset quality remains strong at the Bank, (indiscernible 0:04:13) 2.3 percent under IFRS. The first quarter analyzed with current adjusted equity was 25.5 percent. At Interseguro, the first quarter's net profit was 33.6 million, an increase 19.7 million year on year (ph 0:04:27), and a decrease of

19.6 million on a quarterly basis. The yearly growth was explained mainly by an increase of 23.6 percent in total premiums and 44.7 percent in other income. Annuity sales increased almost 30 percent on a yearly basis, supported by Interseguro's leadership in a market that continues to expand. The analyzed return on adjusted equity was 23.3 percent. At Inteligo, the first quarter net profit was 36.1 million, 133.8 percent increase on a quarterly basis, and 25 percent decrease year on year. The quarterly increase was mainly due to higher fee income and other income. Net interest and (indiscernible 0:05:14) income was 14.3 million in the first quarter, a 12 percent decrease quarter on quarter, and a 37 percent increase year on year. The quarterly performance was explained by lower income received from investments, compared to the previous year. Assets under management plus deposits increased 6.2 percent quarter on quarter, and 21.6 percent year on year. The annualized ROE was 29.1 percent.

On Page Number 3, you can see a summary of the key quarterly indicators for IFS. Net interest and similar income rose 14.8 percent year on year, mainly driven by some results of the three operating companies. NIM improved 22 basis points on a yearly basis to 5.91 percent, with NIM at Interbank reaching 6.27 percent. NIM on loans for Interbank improved 20 basis points year on year, from 8.8 percent in the first quarter of 2014 to 9 percent in the first quarter of 2015. Insurance metrics remained very strong, with net premiums growing more than 20 percent on a yearly basis. The efficiency ratio shows a strong very improvement year on year of 340 basis points down to 38.8 percent at IFS, and the capitalization ratio for Interbank remains strong at 16.7 percent.

On Page 4, you can see the breakdown of IFS quarterly profits by segment. The first quarter net profit was 262.9 million, almost double the same quarter of the previous year. We have very strong performances at the Bank and Interseguro on a yearly basis, as well for Inteligo on a quarterly basis. With this, the annualized ROE was 33.9 percent.

Please turn to the following page for a brief overview of the quarterly net earnings of IFS' three segments. We will start with Interbank.

On Page Number 6, Interbank net profit reached 205.2 million in the first quarter, a 3.5 million decrease quarter on quarter and a 46.9 million increase year on year. The quarterly decrease was mainly due to a 43 million increase in provisions and a 7.3 million decrease in net interest and (indiscernible 0:07:38) income. Factors, which were partially offset by a 42.1 million growth in other income, (indiscernible 0:07:44) to better spreads in FX transactions, and an increase in the forward transaction volumes (indiscernible 0:07:49). The annual growth in net profit was due to a 55.5 million increase in net interest and similar income, and a 57 million growth in other income, which was partially offset by a 45 million increase in provision expense. Interbank's ROE was 25.5 percent in the first quarter, above the 23.1 percent registered in the first quarter of the previous year.

On Page Number 7, you can see a comparison with (indiscernible 0:08:15) results. The main differences between the IFRS net profit of 205 million soles and the local (indiscernible 0:08:22) profit of 223 million are as follows: First, (indiscernible 0:08:27) of fees from credit cards, from net interest margin to fee income, with (indiscernible 0:08:31) effect; second, (indiscernible 0:08:33) fee from financial advisory, as they are deferred in IFRS; and third, more provisions for loan losses.

On Page Number 8, performing loans grew 4.2 percent on a quarterly basis, as a result of a 3.8 increase in written loans and 4.6 percent growth in commercial loans. Written loans increased due to growth of 5.1 percent in credit cards, 4.5 percent in other consumer loans and 2.1 percent in mortgage loans. In credit card, the first quarter was the eighth consecutive quarter of solid growth. Notwithstanding, the past due loan ratio in such product (ph 0:09:13) declined from 3.6 in the fourth quarter of the previous year to 3.4 percent in this quarter, and also reduced from the 3.7 percent registered in the first quarter of 2014. Commercial loans grew in volume, mainly driven by increases of 17.5 percent in trade finance loans, and 4.2 percent in medium-term loans. On a yearly basis, performing loans grew 10.1 percent, due to an increase of 17 percent in retail loans and 3.8 percent in commercial loans. Retail loans grew, driven by growth of almost 27 percent in credit cards, 17 percent in average consumer loans and 10 percent in mortgage loans. Commercial loans grew mainly due to increases in medium-term loans, within the corporate and middle market businesses.

On Page Number 9, Interbank's funding base grew 6.7 percent on a quarterly basis, above the growth in interest earning assets. This was mainly due to increases of 23.5 percent in due-to banks and 4.6 percent in deposits. The increase in due-to banks and Interbank funds was driven by higher short and long-term funding for (indiscernible 0:10:27) from (indiscernible 0:10:30) in soles, while increasing the focus was explained by an increase of 6.6 percent in institutional deposits, 4.6 percent in commercial deposits and 3.0 percent in retail deposits. On a yearly basis, the Bank's (indiscernible 0:10:45) increased 9 percent. The increase was due to a growth of 43.6 percent in due-to banks and Interbank funds, 11 percent in bonds and 4.1 percent in deposits. The yearly growth in due-to banks and Interbank funds was mainly due, again, to an increase in the utilization of short-term credit lines and long-term funding from (indiscernible 0:11:07) in (indiscernible 0:11:07) in soles, partially offset by a decrease in long-term funding from foreign correspondent banks in dollars. The yearly growth in bonds was mainly explained by a 10 percent degradation (ph 0:11:17) of the exchange rate during the last 12 months, which originated an increase in the value of bonds issued in dollars. The yearly growth in deposits was (indiscernible 0:11:26) of 15.4 percent in retail deposits, 6.8 percent in institutional deposits, partially offset by a decrease of 11.6 percent in commercial deposits. As a result, the proportion of retail deposits to total deposits increased from 38 percent to 42 percent on a yearly basis.

On Page 10, looking at the asset quality, when looking at FBS (ph 0:11:57) comparable figures for the system, Interbank's past due loan ratio was 2.3 in the first quarter, 40 basis points above the 1.9 resulted in the first quarter of the previous year, and 20 basis points below the 2.5 percent registered in the fourth quarter of the previous year. During the last quarter, we reported a specific client which impacted the ratio during the fourth quarter. Excluding such impact, the (indiscernible 0:12:23) would have been 2.1 percent in the fourth quarter of 2014 and 2.2 percent in the first quarter of this year, showing a 10 basis point (indiscernible 0:12:33) in the quarter, but still below the industry average. Moreover, the coverage ratio (indiscernible 0:12:39) deteriorated during the last quarter to 168 percent, due to the previously mentioned client, has recovered to 186 percent in the first quarter of this year. The analyzed ratio of provision expense to average loans was 2.4 percent in (indiscernible 0:12:57) in the first quarter, above the 2.2 percent registered in the previous quarter and the 1.9 percent reported in the first quarter of 2014. This ratio is slightly above the system average of 2.3 percent, due to a conservative approach we are (indiscernible 0:13:11), as we continue to constitute (ph 0:13:13) reciprocal (ph 0:13:13) provisions this year, despite the fact that those provisions have been deactivated (ph 0:13:17), and moreover, we have decided to maintain enough (indiscernible 0:13:21) that we currently have. When looking at the (indiscernible 0:13:25) breakdown, we can see within retail that all the consumer credit (indiscernible 0:13:30) have remained stable at 3 percent, and below the system average of 3.3 percent. Credit cards continue to improve to 3.6 percent and below the industry average of 4.1 percent, while mortgages have accelerated (ph 0:13:44) 30 basis points, while the industry average has decelerated (ph 0:13:46) 10 basis points. Within the commercial portfolio, (indiscernible 0:13:52) for the corporate clients has deteriorated 10 basis points to 0.4 percent, while there have been increases in the (indiscernible 0:13:59) ratios of both medium and small and micro (ph 0:14:01) companies. At the medium corporate clients grew, there has been a slight deterioration, when excluding the effect of the previously mentioned clients, from 2.5 percent in the fourth quarter to 2.8 percent in the first quarter of this year, but continues to be well below the industry average. In the SME (ph 0:14:18) client group, where the Bank has (indiscernible 0:14:22) portfolio in low market share, the increase in (indiscernible 0:14:25) to 6.2 percent is mainly related to a group of clients with no specific industry concentration, and this ratio continues to be well below the industry average of 8.12 percent (ph 0:14:34).

On Page 11, we are including the trend of the (indiscernible 0:14:42) of our portfolio of loans of the last 12 months. When compared to the industry, our portfolio is (indiscernible 0:14:50), with 66 percent of our portfolio being in soles, compared to 60 percent of the industry as of the first quarter. This is mainly due to two factors. First, we have a higher share of retail loans, which are more soles based than commercial loans. Second, we have a higher soles base component in our mortgage portfolio within retail loans. Moreover, we a have been able to (indiscernible 0:15:14) of percentage points in the last 12 months, compared to 4 percent of the industry. On the deposit side, we have seen (indiscernible 0:15:23) a stable trend in terms of the (indiscernible 0:15:25).

On Page 12, fee income from financial services decreased 7.8 million on a quarterly basis, or 4.3 percent, but increased by 22.6 million, or 15 percent, on a yearly basis. The quarterly performance was mainly explained by seasonal factors, with a decrease of 4.1 million in commercial banking services, which was a result of lower fees from insurance premiums (indiscernible 0:15:56) Interseguro. The yearly increase in fee income from financial services was mainly attributable to a 10 million increase in commissions from banking services, a 10 million increase in fees from the maintenance and (indiscernible 0:16:10) of accounts, interchange fees, transfers, transfers in credit and debit card services. The increase in commission from banking services was a result of high insurance premium results, while the higher fees from maintenance and mailing accounts was due to higher market share in credit cards. Other expenses increased 12 million on a quarterly basis, and 19.5 million on a yearly basis. The quarterly growth was mainly due to an increase in salaries and employee benefits, partially offset by a reduction in the administrative expenses and (indiscernible 0:16:41) and amortization. The annual growth in other expenses was a result of increases in administrative expenses, in salaries and employee benefits, and the (indiscernible 0:16:50) and amortization, partially offset by a reduction in other expenses. The efficiency ratio was 42.3 percent, below the 43.7 percent reported in the previous quarter, and the 46.3 percent registered in the first quarter of the previous year.

On Page 13, to summarize, Interbank registered a very strong quarter, with net profit growing 39.6 percent on a yearly basis, and with a solid analyzed high ROE of 25.5 percent.

On Page 14, the ratio of regulatory capital to risk-weighted assets was 16.7 percent in the first quarter, above the 15.2 percent reported in the previous quarter, and slightly below the 16.8 percent registered in the first quarter of the previous year. The quarterly increase in the capital ratio was due to an 11.5 percent growth in regulatory capital, partially offset by a 1.4 percent increase in risk-weighted assets. As of the first quarter, Interbank's capital ratio of 16.7 percent was 490 basis points above its risk-adjusted NIM capital ratio requirements, established at 11.8 percent. The (indiscernible 0:18:07) regulatory capital ratio requirement was 10 percent, when the additional capital requirement for Interbank was 1.8 percent as of the first quarter. Our core capital ratio stands at around 7.7 percent as of the first quarter.

Please turn to the following page for a discussion of Interseguro's results. Interseguro's net profit, as Interseguro was the shareholders (ph 0:18:34) in the first quarter was 33.6 million and a 19.6 million decrease quarter on quarter, and an increase of 90.7 million on a yearly basis. The quarterly decline in profits was mainly due to a 24.7 million decrease in net gain (indiscernible 0:18:51) of real estate investments reported as other income, and a 19.4 million decrease in total premium (indiscernible 0:18:59) and benefits, partially offset by an 8 million increase and attributable to non-conforming (ph 0:19:04) interest and an 18.2 million increase in net gain of sale of securities reported as other income, and a 3.8 million decrease in other expense. The yearly increase was mainly due to a 76.3 million increase in total premium (indiscernible 0:19:23) and benefits, and a 10.7 million increase in interest (indiscernible 0:19:27) income, driven by the growth in Interseguro's investment portfolio. The annualized ROE for the first quarter was 23.3 percent, above the negative one reported in the first quarter of the previous year.

On Page 17, you can see a comparison with (indiscernible 0:19:43) results. Interseguro's net profit, as to (ph 0:19:48) to Interseguro was to shareholders in the first quarter as 33.6 million under IFRS, and 5.7 million under local (indiscernible 0:19:55). The main differences between IFRS and the local (indiscernible 0:20:01) net profits are as follows: First, a lower adjustment of technical (ph 0:20:05) reserves under IFRS, as a result of the use of a higher weighted average discount rate to calculate the (indiscernible 0:20:11) reserves for annuities. Second, a higher net gain (indiscernible 0:20:15) of real estate investment under IFRS (indiscernible 0:20:18) share value. Third, a high (indiscernible 0:20:22) available for certain segments, used to (indiscernible 0:20:25) policy under IFRS. And fourth, a higher net gain on sale of securities under local (indiscernible 0:20:31). Certain bonds are (indiscernible 0:20:34) security, and thus gains on sales are amortized during the life of the bonds.

On Page 18, net premiums in the first quarter were 204.3 million, a 23.7 percent increase quarter on quarter, and a 23.6 increase year on year. The quarterly increase was mainly due to a 7.4 percent market expansion and a 470 basis point market share gain in annuities. The yearly growth was mainly attributable to higher (indiscernible 0:21:09) annuities and written insurance. The yearly increase in annuities was (indiscernible 0:21:13) Interseguro's participation in a market that increased 276 percent. Annuities' market share in the first quarter was 27.5 percent, which positioned Interseguro as the market leader. Adjustment of technical results in the first quarter was 156.5 million, a 42.9 percent increase on a quarterly basis, but a 22.8 percent decrease year on year. The quarterly increase was mainly driven by higher sales, partially offset by the use of a higher average discount rate used to calculate technical results for annuities. The yearly decrease is driven by changes in the weighted (indiscernible 0:21:54) discount rate. In the first quarter of 2015, these changes led to a release of technical results, whereas in the first quarter of the previous year, they constituted higher technical results. (Indiscernible 0:22:07) and benefits in the first quarter were almost 60 million, a 24 percent increase on a quarterly basis, and a 17.6 percent increase on a yearly basis. Both the quarterly and the yearly growth was due to an increase in claims related to annuities and retail insurance. By year end 2014, Interseguro subscribed (ph 0:22:28) a two-year contract for disability and survivalship (ph 0:22:30) insurance related to the private pension system for the period 2015 and 2016. Premiums under this contract are totally reinsured. Considering the factors previously explained, total premiums earned, less claims and benefits, results in minus 12 million in the first quarter, a decrease of 19 million quarter on quarter, and an increase of 76 million year on year.

On Page 19, in the first quarter, Interseguro's investment portfolio reached 4,618 million soles, an increase of 0.8 percent on a quarterly basis and 18.5 percent on a yearly basis. Results from the investments in the first quarter were 84.2 million, with a 7.3 percent return on Interseguro's investment portfolio, below the 8.8 percent reported in the previous quarter, but above the 7.0 percent reported in the first quarter of 2014. The quarterly decrease was largely explained by a decrease of 24.7 million in (indiscernible 0:23:36) gains from investment property, partially offset by an increase of 8.2 million in net gain of sale of securities, a decrease of 2.5 million in expenses related to rental income, and an increase of 2.3 million in (indiscernible 0:23:49) loss on available for sale investments. The decrease in valuation came from investment property was due to real estate application (ph 0:23:58), recognizing the fourth quarter of the previous year, driven by both changes in macroeconomic conditions and projects implemented in an underdeveloped area. The increase in net gain on sale of securities was mainly determined by a higher profit on equity and bonds. The yearly increase in other income was mainly explained by an increase 10.9 million in profits from the sale of investment properties, an 8.5 million increase in net gains on sales of securities, partially offset by a lower rental income of 5.3 million, a 4.9 million decrease in (indiscernible 0:24:31) from investment property, as well as a 10.7 million increase in net interest of investments available for sale as a result of a 26.5 percent increase in the average volume of Interseguro's investment portfolio. The increase in profits from the sale of investment property was due to a loss incurred from the sale of real estate, recognized in the first quarter of 2014. The higher net gains on sale of security was explained by higher profits in the sale of equity and bonds. The decrease of rental income was explained by the failure in the third quarter of 2014 of a shopping mall located in the historical center of Lima, (indiscernible 0:25:13) that started operations in the third quarter of last year.

On Page 22, we will start with a discussion on Inteligo's results. Inteligo's first quarter 2015 performance continues to show strong growth quarter on quarter and year on year on client-related revenues. Interest in senior income (0:25:40) declined 12.1 percent quarter on quarter, mainly driven by lower income received from investments. Client-related interest income grew as a result of a 4.1 percent quarter on quarter and a 23 percent year on year growth in the site of our local portfolio. Fee income from financial services grew 18 percent on a quarterly basis and 58.7 percent on a yearly basis, due to higher client activity, explained by a mix of growth in assets under management and rebalancing of customers' portfolios. Other income grew quarter on quarter, but declined year on year. The yearly result was negatively impacted by adverse (indiscernible 0:26:19) conditions that affected our net gain on the sale of securities. Other expenses declined 72 percent quarter on quarter, due to (indiscernible 0:26:27) available for sale investments reported in the previous quarter. Year-on-year expenses increased 11 percent, mainly explained by higher deposit (ph0:26:36) related services. On Page 22, under Management (indiscernible 0:26:46) reached 11,383.9 million soles in the first quarter, showing a 606.3 million or 6.2 percent increase on a quarterly basis, and a 21.6 percent increase on a yearly basis. Inteligo's loan portfolio stood at 1,489 million in the first quarter, a 59 million or 4.1 percent increase quarter on quarter, and a 23.7 percent increase year on year. Revenue generated by Inteligo reached 54 million, a 26 percent increase quarter on quarter, due to a previously mentioned strong performance in fee income and other income. However, the year-on-year comparison shows a 15.7 percent decrease, basically due to negative market conditions in the first quarter this year, that (indiscernible 0:27:38) from other income declined.

Inteligo bank fee income divided by assets under management stood at 1.4 percent for the first quarter, showing a strong quarter of client related revenue and (indiscernible 0:27:51) both the quarter-on-quarter and year-on-year figures. Net profit in the first quarter was 36.1 million, a 20.7 million or 170.8 percent increase on a quarterly basis, and a 12 million increase year on year, with return adjusted equity of 29.1 percent above the 13.2 percent registered in the previous quarter, but below the 41 percent registered in the first quarter of the previous year.

To highlight the presentation, on Page 24, we conclude that IFS registered solid first quarter results, with strong operating performance in all three segments, with sound asset quality and high (indiscernible 0:28:41) levels. At Interbank, 21.5 percent year-on-year growth in consumer loans and 16.4 percent year-on-year growth in retail deposits, 2.3 (indiscernible 0:28:52) ratio below the system's 2.5 percent, 400 basis points improvement in the efficiency ratio year on year, down to 42.3 percent. At Interseguro, 23.6 percent yearly growth in net premiums, market leader in annuities for six consecutive years, as of the first quarter, 18.5 percent year-on-year growth on the investment portfolio. At Inteligo, assets under management on deposits increased 6.2 percent during the quarter and 21.6 percent year on year, and loans grew 4.1 percent in the quarter, and 23.7 percent year on year. We maintain high profitability, with 95 percent yearly growth in net profit of IFS, and our annualized ROE of 23.9 percent during this first quarter. Now, we welcome any questions you may have.

Operator: Thank you. At this time, we will open the floor for your questions. If you would like to ask a question, please press the star key, followed by the one key, on your touchtone phones now. Questions will be taken in the order in which they are received. If at any time, you would like to remove yourself from the questioning queue, just press star two. Again, to ask a question, please press star one now. Again, if you would like to ask a question, please pres star one. Again, that is star one to ask a question. We now have our first question from Luis Adaime from Newfoundland Capital Management.

Luis Adaime: Hi, good morning. We're just wondering – we've seen some contradicting signs of just recovering economic activity in Peru, and consensus growth for this year has been coming down. We were wondering on the demand side for loans, especially on the corporate side, if you're seeing any sort of recovery, or if it's still on the slowdown. How are you seeing the level of economic activity right now?

Michela Casassa: Hello, Luis. In the commercial loan side, actually we see different things depending on the segment. On the corporate clients, we still see strong activity; actually as those clients continue to de-dollarize their loans, now they continue to come to the sort of the local banks, so that side of the commercial lending will continue to grow very nicely. On the mid-corporate side, still, the growth there is, I mean, more than 15 percent in the market, so still there, you see also a nice growth, as we have seen already for many months in a row. Is a strong slowdown in the SME segment. Okay, actually the system is growing very little, and we at Interbank have actually stopped growth a bit, as we have seen a deterioration of the portfolio. So if you look at our numbers for that specific segment, it's not growing in the past months.

Luis Adaime: Great, thank you. And then, just in terms of market share, especially on the retail side, what sector did you attributes your market share gain, and just in general, how has pricing for retail loans and products been, especially on the competition? Has there been any relevant movement in terms of the rates being offered in the market?

Michela Casassa: Not really, if we look, I mean, in terms of total market share for retail loans, we are pretty stable on a quarterly basis, even if we have lost a little bit of market share in mortgages, okay, where last year, we started to see a little bit of the deterioration of the portfolio, so we are fine tuning some parts of our underwriting process there. But if you see, for example, I mean, credit cards, as well as other consumer loans, where we have gained market share on a yearly basis, actually there, I mean, I don't think it's something related to prices. It's just a strategy that we have been pursuing for the last month of growing those two products.

Luis Adaime: Okay, thank you very much.

Michela Casassa: Thank you.

Operator: Thank you. Again, if you would like to ask a question, please press star one now. Our next question comes from Natalia Corfield with JP Morgan.

Natalia Corfield: Hi, good morning. Thank you for the questions. I have actually two questions; one is on Interbank's NII and the other one on asset quality. With regards to NII, we saw declines in the process, 1.5 percent, at the same time that the loan portfolio was growing. So I would like to know what drove this. If you're having some competition, what's driving the yileds to be lower in this process? And my – go ahead.

Michela Casassa: No, no, no, you go. I will take note of both questions.

Natalia Corfield: All right then, the second question – asset quality, it's about – well, we saw an improvement of the headline ratio in the quarter and I'd like to know what happened there, because in the previous quarter you were impacted by that situation, that specific situation. This quarter, we saw an improvement of the headline number, and I want to see what you say aloud, what can we expect going forward?

Michela Casassa: Okay, first of all on NIM, okay, you see that the NIM has a positive development year on year, but it has slight decline on a quarterly basis. Actually, the decline on a quarterly basis is mainly due to two factors. First, that the NIM of the last quarter of the year is normally affixed during the year, and that is impacted specifically by credit cards. Why? Because especially in December, as people receive their additional salaries, they repay more credit cards, and this reduces the volumes which were not paid before, so all the income entered into the December number, which increases the rate, okay? So this number is something you will see every year. But there is a second factor that negatively impacts NIM during this first quarter, which is related to the funds that we are taking in soles from the Central Bank, okay, because what we have to do is that we take dollar deposits, and we put them in investments with the Central Bank with very low returns, okay? So this is increasing our interest earning assets, but at very low rates. And actually, this has impacted our NIM in the first quarter around 40 basis points. And this is something that we will continue to see, actually, during the year, as we continue to access these types of soles financing or funding from the Central Bank.

Natalia Corfield: All right –

Michela Casassa: And, yeah – yes, second question related to asset quality, we reported last quarter that we had a specific client which caused most of the deterioration that we showed in the portfolio. Actually, the situation on that client has been partially solved, okay? We have already settled down a portion of that debt, and that has created an additional loss of 7 million, which we have registered in the first quarter of this year, okay? So one of the part which was as disclosed, was we still have on our exposure is a portion on the gas company, where we still have a $10 million loan, but which is a client that currently is in a normal, let’s say, situation as far as the loan is concerned.

Luis Felipe Castellanos: So, hi, Natalia, this is Luis Felipe. So what happened relating to the actual number is it increased in the last quarter of last year, because we saw the situation. It has come down in the first quarter of this year. So that's what is happening with the headline.

Natalia Corfield: Okay, thank you.

Michela Casassa: Thank you for the questions.

Operator: Thank you. Again, if anyone would like to ask a question, please press star one on your touchtone phones now. Again, that is star one to ask a question. At this time, I am showing no further questions in the queue. I would now like to turn the call back over to IFS management for closing remarks.

Michela Casassa: Okay, thank you very much, everybody, for joining the call, and we will see you again during the next quarter.

# # # #