Melanie Carpenter

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Operator: The following is a recording for Melanie Carpenter of I-Advize on Thursday, May 12, 2016 at 9:00 AM Central Time. This is the IFS first quarter 2016 Conference Call. Good morning and welcome everyone to the Intercorp Financial Services first quarter 2016 Conference Call. All lines have been placed on mute to prevent any background noise. After the presentation, we will conduct a question and answer session. The instructions on how to ask a question will be given at that time. Thank you for your attention. I would now like to turn the call over to Rafael Borja of I-Advize Corporate Communications.

Rafael Borja: Thank you, Katie, and good morning and welcome to Intercorp Financial Services first quarter 2016 Conference Call. On today's call Intercorp Financial Services will discuss its first quarter 2016 earnings. We are very pleased to have with Mr. Luis Felipe Castellaños, Chief Executive Officer of Intercorp Financial Services, Mrs. Michaela Casassa, Chief Financial Officer of Intercorp Financial Services, Mr. Gonzalo Basadre, Chief Executive Officer of Interseguro, Mr. Juan Pablo Segura, Chief Financial Officer of Interseguro, and Mr. Reynaldo Rosenvit, Chief Executive Officer of Inteligo Group. We will be discussing the results that were distributed yesterday. The results presentation accompany these results. If you didn't receive a copy of the presentation or the earnings, it is now available on the conference website: http://ifs.com.pe to obtain a copy. Otherwise, for any reasons, 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.

Michaela Casassa: Good morning and welcome to Intercorp's Financial Services' first quarter 2016 Earnings Call. We will start in page number 3 of the presentation, where we will be discussing a summary of IFS results and the main extraordinary items that have impacted the first quarter results. IFS first quarter results have been 60.7 million. The bottom-line results have been mainly affected by three extraordinary items. First, at Interseguro, higher requirements of technical reserves due to lower discount rate used in the calculation of the overall stock of reserve after IFRS' accounting methodology with a negative impact of S./ 87.9 million. Second, at Interseguro a negative impact on the investment portfolio of S./ 35.5 million, coming both from impairment and realized losses. Third, foreign exchange losses coming from the evolution of Soles to Dollar exchange rate. Excluding previously mentioned extraordinary items, IFS' first quarter net profit would have been S./ 207.9 million. At Interbank, first quarter result was S./ 201.8 million, a 1.7 percent decrease year-on-year mainly due to lower net gains from foreign exchange transactions which decreased more than 40 percent year-on-year. Excluding such effect, net income would have grown 12.5 percent year-on-year. At Interseguro, first quarter result was a loss of S./ 135.5 million compared to profits of S./ 3.6 million in the fourth quarter and S./ 33.6 million in the first quarter of the previous year. The bottom-line result was mainly affected by the two extraordinary items as previously mentioned. At Inteligo, the first quarter net profit was S./ 30.4 million, a significant recovery quarter-over-quarter, but a 15.9 percent decrease year-on-year. The quarterly performance was attributed to lower other expenses and higher fee income and other income.

On page number 4, you can see a summary of the key quarterly indicators for IFS. Net interest and similar income decreased by 1.3 percent quarter-over-quarter, but strongly increased year-on-year by 18 percent. The quarterly decrease is mainly driven by seasonal factors at Interbank while the yearly increase is driven by strong results at the three operating companies. Fee income from financial services decreased 3.8 percent on a quarterly basis, mainly due to seasonal factors, and increased 6 percent on a yearly basis. NIM slightly declined 10 basis points year-on-year to 5.5 percent with NIM at Interbank at 5.5 percent as well. PDL increased 10 basis points on a quarterly basis to 2.3 percent at IFS level. Cost of risk increased 20 basis points quarter-over-quarter to 3 percent at IFS, mainly due to a loan mix effect at Interbank as the commercial loan portfolio decreased 0.2 percent on a quarterly basis, while the retail loan portfolio increased 0.8 percent. Credit card PDL ratio increased 20 basis points in the first quarter, less than the 50 basis points increase registered at the system level, and has started to show a better containment of loan delinquency especially in the shorter collection periods. Coverage ratios continue to be strong at more than 170 percent. Efficiency ratio at IFS was 45.2 percent and has been impacted by Interseguro’s results for the high level of technical reserves due to the negative impact of interest rates. Excluding such effect, efficiency ratio would have been 40.9 percent. Capitalization ratio for Interbank remains strong at 16.4 percent.

Please turn to the following page for a brief overview of the quarterly net earnings of IFS’s three segments. On page 6, Interbank’s profits reached S./ 201.8 million in the first quarter, a decrease of 8.2 percent quarter-over-quarter. This decrease was mainly due to a lower activity on FX trading when compared to the extraordinary levels registered during last year, which resulted in a reduction of 33.7 percent in other income, and to seasonal factors which impacted fee income from financial services and net interest and similar income. The annual decrease in net profits was again explained by a lower activity of FX trading when compared to extraordinary levels registered during last year.

Interbank's ROE was 21.9 percent in the first quarter, lower than 24.2 percent recorded in the previous quarter, and the 25.5 percent registered in the first quarter of the previous year. NIM decreased 30 basis points in this quarter to 5.5 percent with NIM on loans decreasing 30 basis points mainly due to the lower growth in the credit card portfolio and to the focus on lower risk clients.

On page number 7, performing loans grew 0.3 percent quarter-over-quarter, as a result of a 0.8 percent growth in retail loans, partially offset by a 0.2 percent decline in commercial loans. Retail loans increased due to growth of 1.6 percent in mortgages and 1.5 percent in other consumer loans, partially offset by a 0.8 percent reduction in credit cards. The reduction in commercial loans was mainly due to the slowdown in the economic activity. Performing loans grew 10.6 percent year-on-year, due to increases of 12.7 percent in retail loans and 8.5 percent in commercial loans. Retail loan growth was driven by increases of 14.7 percent in other consumer loans, 13.2 percent in mortgages and 9.7 percent in credit cards. Commercial loans grew mainly due to increases in short- and medium-term lending in the corporate and middle market businesses, partially offset by lower leasing operations. Our market share on total loans remains stable quarter-over-quarter and year-on-year at 11.1 percent.

On page 8, Interbank's total funding base decreased 2.3 percent quarter-over-quarter. This quarterly decline was due to decreases of 2.4 percent in deposits, 2.4 percent in due to banks and Interbank funds and 1.6 percent in bonds, also impacted by the exchange rate. The decline in deposits was mainly explained by reductions of 10.6 percent in institutional deposits, and 1.2 percent in commercial deposits, partially offset by a 0.4 percent growth in retail deposits. The proportion of deposits to total funding remained relatively stable quarter-over-quarter at 70.4 percent, as well as average cost of funds at 2.7 percent. We have been able to maintain our loan to deposit ratio in Soles stable in the last quarter and substantially below the system average. The Bank's total funding base increased 17.8 percent year-on-year due to growth of 50.8 percent due to banks and Interbank's funds, 14.3 percent in deposits and 5.5 percent in bonds. Retail and commercial deposits represent 71 percent of total funding with Central Bank decreasing its participation down to 8 percent. Our total deposit market share has increased 20 basis points on a yearly basis with retail deposits growing 40 basis points in the last quarter.

On page 9, when looking at SBS comparable figures to the system, Interbank's past due loans ratio was 2.5 percent in the first quarter of this year. The coverage ratio remains strong at 186.4 and the same trends are valid for the IFRS PDL figures. When looking at the PDL breakdown, we can see within retail that overall consumer credit PDL has remained stable at 3.5 percent, while the system average has increased 20 basis points reaching the same 3.5 percent level. Credit card PDL increased 20 basis points to 4.8 percent, while the system average has increased 50 basis points in this quarter, reaching 4.6 percent. Mortgages increased its PDL ratio 20 basis points to 2.9 percent, in line with increase of the system. Within the commercial portfolio PDL remained well below the system average in medium-sized companies, but has registered an increase in small companies up to 8 percent and in line with the system average, mainly explained to the decrease in such portfolio. The annualized ratio of provision expense to average loans have come down 50 basis points from 3.3 percent to 2.8 percent in this quarter. This ratio remains above the system average of 2.1 percent but has shorten the gap in the last quarter by 20 basis points. When looking at IFRS cost of risk figures, the trends are similar to what we have just commented on local GAAP, when excluding the voluntary provisions recorded in the fourth quarter of the previous year, and for the same reason, we decided to be on the conservative side on the range of IFRS provision levels.

On page 10, we are including the trend of the de-dollarization of our loan portfolio of the last 12 months, when compared to the industry as of the first quarter, our portfolio is more de-dollarized with 73.2 percent of our portfolio in Soles versus to 68.4 percent of the industry. This is mainly due to two factors: We have a higher share of retail loans which are more Soles-based than commercial loans, and we have a higher Soles-based component in our mortgage portfolio within retail loans. Moreover, we have been able to de-dollarize more than seven additional percentage points in the last 12 months.

On page 11, fee income from financial services decreased 6.2 percent on a quarterly basis, mainly explained by a decrease in maintenance and mailing of accounts, interchange fees, transfer of credit and debit card service fees, as well as lower fees which are seasonal in the fourth quarter of the year, such as commissions for the real estate business and advisory fees. On a yearly basis, fee income has increased 9.2 percent, mainly due to increases in fees from maintenance and mailing of accounts, transfer of credit and debit card services and commissions from banking services. Other expenses decreased 9 percent on a quarterly basis, and increased 3.9 percent on a yearly basis. The quarterly decrease in other expenses was mainly due to a reduction in administrative expenses driven by lower supply costs and advertisement expenses. The annual growth in other expenses was explained by increases in depreciation and amortization and in administrative expenses, partially offset by 2.8 percent lower salaries and employee benefits. Thanks to cost-control initiatives, the efficiency ratio was 41.2 percent in the first quarter, in line with the one registered in the previous quarter, but well below the 42.3 percent reported in the first quarter of 2015.

On page 12, the ratio of regulatory capital to risk weighted assets was 16.4 percent in the first quarter above the 15.5 percent registered in the fourth quarter of the previous year. As of this first quarter, Interbank’s capital ratio was 470 basis points above its risk-adjusted minimum capital ratio requirement established at 11.7 percent. The minimum regulatory capital ratio requirement was 10 percent while the additional capital requirement for Interbank was 1.7 percent in the first quarter.

Please turn to the following page to discuss Interseguro's results. During the first quarter, Interseguro registered a loss of S./ 135.5 million under IFRS, despite S./ 13.8 million profit registered under local GAAP. This negative result is mainly due to two main negative impacts as follows: S./ 87.9 million negative impact on technical reserves from a lower interest rate, used in the calculation of such reserves, and S./ 35.5 million negative impact on the investment portfolio, coming both from the sale and from the impairments of certain investments mainly related to Brazil. It is important to mention that regarding Interseguro's investment portfolio, and in light of the recent developments and downgrades in Brazil after the closing of the first quarter, that we will book additional impairments that might add up to S./ 70 million, related to our Brazil portfolio that will affect the second quarter results. After this, Brazil investments will represent around 4.7 percent of our total portfolio of investments.

On page 15, you can see a comparison with local GAAP results. Interseguro's net profit in the first quarter was 135.5 percent loss under IFRS, and S./ 13.8 million profit under local GAAP. The main differences between the IFRS and the local GAAP profits are as follows. A higher adjustment of technical reserves under IFRS of S./ 119 million as a result of the use of a lower weighted average discount rate to calculate technical reserves for annuities. A higher impairment loss on available for sale investments of S./ 27 million, due to a more rigorous impairment policy under IFRS, and a lower net gain of valuation of real estate investments, as under IFRS they are considered at fair value.

On page 16, net premiums in the first quarter were S./ 177.1 million, the same level of the previous quarter, and a 13.3 percent decrease on a yearly basis. The yearly decrease was related to a market contraction due to a recently passed law, which will allow retirees from the private pension funds system to withdraw up to 95 percent of their retirement funds upon retirement. Annuities market share in the first quarter was 24.6 percent which positioned Interseguro as the market leader.

Adjustment of technical reserves in the first quarter was S./ 228 million, a 51 percent increase on a quarterly basis, and a 45.7 percent increase on a yearly basis. The quarterly increase was explained by the use of a lower weighted average discount rate to calculate the technical reserves for annuities, and the yearly increase was also driven by changes in the weighted average discount rate. This effect was partially offset by a lower adjustment of technical reserves relative to new premiums. Net claims and benefits incurred in the first quarter were S./ 76.6 million, and 9.5 percent increase on a quarterly basis, and 27.9 percent increase on a yearly basis. The yearly growth was mainly explained by higher annuities pensions. Considering the factors previously explained, total premiums earned less claims and benefits resulted in a loss of S./ 127.5 million in the first quarter.

On page 17, Interseguro's investment portfolio reached S./ 5,111 million in the first quarter, an increase of 4.4 percent on a quarterly basis, and of 10.7 percent on a yearly basis. Results of investments in the first quarter was S./ 31 million which represented a 2.1 percent return on Interseguro's investment portfolio, below the 6.6 percent reported in the fourth quarter. This decline was largely explained by a decrease in the net gain of sale of securities and an increase in impairment loss on available for sale instruments, as well as a decrease of valuation gains from investment property. The yearly decline was explained by a decrease of S./ 36.5 million in net gain on sale securities, an increase of S./ 16.8 million in impairment loss on available for sale instruments, and a decrease of S./ 15.4 million in valuation gains from investment property partially offset by a rise of S./ 16.4 million in net interest.

On page 19, we will start the discussion on Inteligo Group's results. Inteligo's net interest and similar income in the first quarter was S./ 24.6 million, an 8.5 percent decrease on a quarterly basis and a 71.4 percent increase on a yearly basis. The quarterly result was attributable to lower income and dividends on investments available-for-sale partially offset by a decrease in interest and similar expense on deposits and obligations. The yearly result was mainly attributable to higher income on available-for-sale investments and also higher interest on loans as a result of 12.9 percent year-on-year growth in the size of our loan portfolio. Net fee income from financial services increased 4.1 percent on a quarterly basis due to lower expenses related to funds management. When compared with the first quarter of the previous year, net fee income from financial services decreased by S./ 6.9 million. The result was attributable to a lower activity in the rebalancing of clients' portfolios, Inteligo's other income, reverted positively to S./ 1.9 million this first quarter. This result was attributable to a S./ 2.3 million net trading gain partially offset by S./ 0.4 million loss in net gain on sale of securities of the investment portfolio. Other income decreased on a yearly basis by S./ 6.6 million mainly attributable to a lower net trading gain. Other expenses decreased substantially, 54 percent on a quarterly basis, due to a S./ 23.3 impairment loss on available-for-sale investment reported in the previous quarter while year-on-year expenses increased 12.6 percent mainly due to higher administrative expenses. As a result, Inteligo's net profit in the first quarter was 30.4 percent million, S./ 27.8 million or more than tenfold increase quarter-on-quarter, but a S./ 5.7 million decrease year-on-year.

On page 20, assets under management plus deposits reached S./ 13,376 million in the first quarter, a 1.4 percent increase when compared to the previous quarter, and a 17.5 percent increase when compared to the same quarter of the previous year. Inteligo's loan portfolio reached S./ 1,700 million, a 0.3 percent decrease on a quarterly basis, and a 12.9 percent increase year-on-year. Revenues generated by Inteligo reached S./ 51 million, an 8.8 percent increase on a quarterly basis. The quarterly result was mainly due to higher fee income and other income. Inteligo's fee income divided by assets under management decreased to 0.9 percent in this quarter from 1 percent in the previous quarter. Inteligo's net profit in this quarter was S./ 30 million, while annualized ROE was

20.5 percent, higher than the 1.9 percent reported in the fourth quarter.

To finalize the presentation, on page 22, we can summarize the key take-aways. At Interbank, 10.6 percent year-on-year growth in performing loans, and 12.3 percent growth in consumer loans, 14.3 percent year-on-year growth in total deposits resulting in 11.8 percent market share, and dollar exposure within the loan book reduced by 730 basis points year-on-year. At Interseguro, premiums remained stable on a quarterly basis and decreased 13.3 percent year-on-year due to the new law, 4.4 percent quarter-on-quarter and 10.7 percent year-on-year growth on the investment portfolio. At Inteligo, a quarterly growth of 1.4 percent and a yearly growth of 17.5 percent in assets under management plus deposits. Loans grew 12.9 percent on a yearly basis and net profit increased more than tenfold quarter-on-quarter. Bottom line results was mainly affected at IFS by certain extraordinary items including a higher adjustment of technical reserves and a negative impact on the investment portfolio at Interseguro. As we have presented in this call, IFS results have been affected by certain extraordinary items. We expect that our results will show an improvement in the following months on the back of our solid core operations. The improved political scenario with a new leader taking office in the second half of the year, and an improvement of macro condition expected also for the second half of this year. It is worth to mention that our Board of Directors yesterday approved management's recommendation to buy back shares by IFS or its subsidiaries given current market conditions. Once again, thanks for your attention to this call and we are open to your questions.

Operator: Thank you. At this time, we will open the floor for questions. If you would like to ask a question, please press the * key followed by the 1 key. That is *1 on your touchtone phone 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, please press *2. Again, if you would like to ask a question, please press *1 at this time. Our first question comes from Sebastian Gallego from Credicorp Capital.

Sebastian Gallego: Hi, good morning, everyone. Thanks for the presentation. Could you provide some color on the evolution of NPLs and cost of credit in the upcoming quarters? Thank you.

Michela Casassa: Hi Sebastian, good morning, and thanks for the questions. Okay. This quarter as we have presented, PDLs when compared to the system are well below the system, 20 basis points while cost of risk continues to be above the system. This was mainly due to the portfolio list that we have and to the fact that commercial loans are not growing in line with retail growth. What we foresee for the coming quarters, is that on the side of credit cards, we should resume growth and this should improve our ratios, as well as we should resume growth in the commercial portfolio. When you look at the cost-of-risk ratio under IFRS as of this quarter, this ratio is 3.2 percent when this ratio is 2.8 percent in local Gaap. We expect to be around those levels and this ratio should start to improve in the second half of the year as portfolio starts to recover its growth.

Sebastian Gallego: Thank you.

Operator: Thank you. Our next question comes from Caroline Galligan from Fidelity.

Caroline Galligan: Hi, good afternoon. I just have a few questions. The first one is can you quantify for me what the LDR is in Soles please, and also could you give some sort of indication of what level or what percentage of Sol to total loans you think you'll get to by year end? I also wanted to get a sense of what impact that would have on your net interest margin. If you could give me some guidance on that too, that would be great.

Then the next thing is, I was wondering if you could perhaps explain to me the mechanism that causes the changes in the discount rate which missed the technical reserve of that in the insurance business?

Michela Casassa: Okay, I will answer your first question, but I need a portion of your first question. Let me answer what I understood and maybe I will ask you back again.

Caroline Galligan: Sure.

Michela Casassa: In terms of LDR, the loan to deposit ratio in Soles, okay, the number we have as of March is 142 percent, and this compares to the system average of 152.5 percent. We have been able to maintain this ratio when comparing to the last quarter of 2015, while the system average has continued to increase by an additional 6 percentage points. This is due to the fact that we have been able to continue to outgrow our retail based deposits, and bringing much more Soles than the average of the system.

I think this ratio will continue to be on this high level, and it might improve as the exchange rate continues to stabilize and we limit the shift that has been going on in the first quarter from Soles deposits to dollar deposits. So, related to where we were standing last year, I think we are better off today as we have seen a stabilization of the shifting of Soles deposits to dollar deposits in the bank and in the system. You had some additional points in this first question, I'm going to ask you to tell them again to me because the line was not very good.

Caroline Galligan: The second part is, where do you think, what percentage of the loans that will be in Soles by year-end? Do you have a specific target or do you have a sense of what it could get to?

Michela Casassa: The percentage we have today as of Soles over the total portfolio for the bank is around 73.2 percent. Okay? We are 5 percentage points more de-dollarized than the system average. As I explained during the call this is mainly due to the fact that we are a little bit more skewed towards retail than the system. What we have seen in the last year is that the portfolio has de-dollarized 7 additional percentage points. Okay? I'm not sure whether we will be able, we don't have a specific target for that for this year, but what we are seeing month-by-month is that this continues to de-dollarize in the retail portfolio. The only portion left in dollars is 20 percent of the mortgage portfolio and that the new mortgages continue to be more than 90 percent in Soles. As the new disbursements are being done, we will see that the portion of the dollar portfolio in the retail banking will tend to disappear. When we talk about commercial loan book, the situation there is different because there we still have 45 percent of the portfolio in dollars, but this is mainly due to the fact that we have many exporters and clients that have their flows linked to dollars. So that percentage not necessarily will be reduced and that will depend on the recovery of export and the recovery of our market share within this export loan book.

Caroline Galligan: Okay. Given all of that, what is your outlook for net interest margin for the rest of the year? Do you see, I mean, there has been a slight contraction quarter-on-quarter and year-on-year, do you think it could, given that you have this ongoing process of solarization of the loan book, do you think it could stabilize at current levels, or would you see some more pressure?

Michela Casassa: Yes, we believe this should stabilize also given that we should see a recovery of the growth of credit cards, no? That on the other side has. And related to your other question on the methodology for the calculation of reserves, I'm going to pass it on to Gonzalo who will give you a more technical explanation.

Gonzalo Basadre: Hi Caroline, sorry.

Caroline Galligan: Hi.

Gonzalo Basadre: Okay. The way it works is that under IFRS, the full stock of reserves are recalculated every quarter using the current market interest rates. As interest rates, especially for Soles, have decreased during this period, the value of those reserves has increased and therefore, that difference flows into the P&L. Now, it's important to mention that this normally would be compensated by the changing value of our assets; but, according to IFRS, this is registered directly in equity, so it doesn't compensate in our P&L. Our understanding is that this no effect on the business or the economics of Interseguro.

Caroline Galligan: Okay.

Gonzalo Basadre: Did that make sense?

Caroline Galligan: Yeah, I understand. It's calculated every quarter and so it doesn't compensate any rate increase that's taken place in that quarter, is that right?

Gonzalo Basadre: Yes. If rates increase, current value reserves goes down so it's a gain for us. If rates decrease, as has happened, then the value goes up and that's a loss for us. In fact, what we see right now, since March 31 to now, rates have continued to increase a little bit, so we expect this keeps to continue during the second quarter.

Caroline Galligan: Okay. In aggregate and given that you expect further adjustments because of the discount rate, because the rates will go up, do you expect to have write-downs because of your Brazil business? Is it fair to say it's going to be challenging but that this should be better earnings in the second half of the year?

Gonzalo Basadre: Yes.

Caroline Galligan: Okay, thank you.

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

Alonso Aramburu: Hi, good morning and thank you for the call. A couple of follow-ups. Regarding margins, you mentioned in the press release that there's a decrease of 50 basis points in the yield of the retail portfolio. I'm just wondering what's causing that? Are you focusing on lower-risk clients, is it competition and how do you expect that to evolve once you start growing again in credit cards? And related also to the insurance business, just can you give us your overall expectations for the growth of the annuity business now that the law has changed and it will likely impact that business. Thank you.

Michela Casassa: Good morning Alonso, and thank you for your questions. On the first question related to margins, what has been going on is related to the mix of the portfolio. With credit cards not growing and with more of the debt in other consumer loans and with lower yields growing more than credit cards, this has had the impact that we have seen in this quarter. What we are, and also related to the fact that limited growth, what we are doing in credit cards and we have started to do actually from the 3rd quarter of last year, was to rebalance a little bit the portfolio, so focusing on lower-risk clients. We expect this to improve now in the following quarters as credit cards resume growth, and the mix of the portfolio pushes up these margins. Okay? Related to insurance, let me pass it on to Gonzalo.

Gonzalo Basadre: Hi Alonso. Okay, just a little backup. With regard to annuities, there are actually two kinds of annuities, one linked to retirement which represented last year around 70 percent of the whole market, and disability and survival benefits annuities which represented around 30 percent. What has happened, since the law was announced at the end of last year, during the first quarter was the market for retirement annuities decreased around by half, as many people postponed their decision to retire. Since the law has been approved in April, what we're seeing is that the market has further decreased as more people are postponing that decision. That law is coming into effect by the end of the month and we expect that many people that were postponing that decision will buy an annuity in part or in full of their funds. In summary, the market is decreasing, but once the law is in full effect, we expect a rebound for the following months.

Alonso Aramburu: Okay, thank you. And regarding the buy-back that you mentioned, what's the size and the time frame of that buy-back?

Luis Felipe Castellanos: Hi, this is Luis Felipe. We actually have called a shareholders' meeting to define the details of both, mechanics, size and all that. For the ones that will be bought by IFS. All of this will happen before the end of the month and then we will have more definition of the details of what IFS does.

Alonso Aramburu: Okay. Okay, thank you. My final question, looking at the corporate expense line, there was a $34.6 million expense which is much higher than other quarters. Can you give us a sense of what's in there?

Gonzalo Basadre: Yeah. There we have put as a forward, the dollar loss at IFS given that we were long dollars to pay the dividend. Actually, we usually don't have that position in place, no? At the end of the month we have, we were long dollars for about $150 million which is the amount of dividends we paid this week, and we were caught up on the decrease of the dollar/Sol exchange rate, so like $25 million are the result of that. The other is just the normal operating expenses that are in line with what we've been doing every quarter.

Alonso Aramburu: Okay, thank you.

Operator: Thank you. Once again, we are now holding for questions.

If you would like to ask a question, please press *1 at this time. Again, if you would like to ask a question, please press *1 at this time. Our next question comes from Carlos Rojas from Andino.

Carlos Rojas: Hi, thank you for the call. Actually I have three questions, the first one related to the bank. I would like to know what your policy is regarding the FX now that the FX is very volatile and you have shown a small loss in the first quarter. I would like to know what is your policy on the year and if you have a net exposure on Soles or in dollars? Then the second question comes to the news that basically came out yesterday that the bank can be buying back shares. I would like to know if you can highlight a little bit more on that, if it's market shares, do you have any price, do you have any level? And the third one goes to the annuity business. It seems that the law already passed and there is more noise coming. I would like to know if you are going to be able to catch that money coming off of the pension funds, the 95.5 with your bank or the mutual funds or Inteligo, if you have something prepared for that. Thank you.

Luis Felipe Castellanos: Okay. Carlos, this is Luis Felipe. The first question, we should realize the bank neutral in terms of FX position, so we are perfectly hedged. So the loss was small as you mentioned, sometimes we have small gains, but we're not changing our view. At the end we will try to be as neutral as possible on the FX currency and that's it on that side. I hope that answers your question. On your second thought, the second question about the buy-back as I just mentioned to Alonso, this will be done in market conditions and subject to obviously at market price. It won't be a huge amount. We are looking into the details to be determined, but again, some details for IFS will be determined in the shareholders' meeting. As you know, we already at the bank have a portfolio of shares that we bought some time ago, so it will be something similar to that.

Nothing very different to what we have done in the past. And then on your third question, obviously we're a financial services company that are looking to take advantage of the opportunities. Some doors close because of regulation, but some doors open because of regulation and we have the complete set of our products of wealth management, we have our mutual funds, we have banking products. We are already launching new products that will come to market in the next days. We are already approaching customers, so part of what will mean our growth will be targeted through our mutual funds presence and our banking arm. Many details in terms of the target size and stuff like that we can't share it right now, other than we will use all our fire power of our financial services in the country to take advantage of the opportunities that this brings to us.

Carlos Rojas: Thank you.

Luis Felipe Castellanos: Okay.

Operator: Thank you. Once again, if you would like to ask a question, please press *1 at this time. We are now holding for questions. At this time I am showing no further questions. I would now like to turn the call back over to Mrs. Casassa for closing remarks. Ma'am, please go ahead.

Michaela Casassa: Okay, thank you again everybody for joining this conference call. We will meet again to discuss the second quarter results in July, August, sorry.

Operator: Thank you ladies gentlemen, this concludes today's conference call. You may now disconnect.

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