Melanie Carpenter

I-Advize

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Operator: The following is a recording for Melanie Carpenter from I-Advize on Thursday, November 12, 2015 at 8:00 AM Central – Intercorp Financial Services third quarter 2015. Good morning, and welcome to Intercorp Financial Services third 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. Thank you. 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, Josh, and good morning, everyone. On today's call, Intercorp Financial Services will discuss its third 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, Mr. Gonzalo Basadre, Chief Executive Officer of Interseguro and Mr. Bruno Ferreccio, Chief Financial Officer of Inteligio. They will be discussing the results that were distributed yesterday. There is also a presentation to accompany these results. If you did not receive a copy of the presentation or the earnings report, 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, and welcome to Intercorp Financial Services' second quarter 2015 earnings presentation. We will start the presentation on Page Number 2, with a summary of the results. Intercorp Financial Services third quarter net profit was 480.6 million, a 48.6 percent increase year on year, and 18 percent quarter on quarter. Both yearly and quarterly increases were driven by strong operating performance at Interbank and Interseguro. At Interseguro, there was a strong positive impact year on year and quarter on quarter, attributable to higher releases of technical reserves, due to a higher discount rate. The third quarter annualized ROE was 39.2 percent. At Interbank, the third quarter net profit was 242.4 million, a 29.4 percent growth year on year, and 20.6 percent quarter on quarter. The yearly performance was attributed to increases of 17.9 percent in net interest and similar income, 67 percent in other income and 21.8 percent in fee income, which were partially offset by a 44 percent growth in provisions. The quarterly increase was attributed to higher fees and other income and lower provision expenses, partially offset by an increase in other expenses. The performing loans and deposits grew 12.9 and 16.9 percent year on year respectively, while recent deposits increased 18.4 percent year on year. NIM improved 30 basis points year on year to 6.7 percent in the third quarter, while the efficiency ratio improved 610 basis points year on year, to 40.5 percent. The third quarter annualized ROE for the Bank was 28.2 percent. At Interseguro, the third quarter net profit was 156 million, a 125 percent increase year on year and 33 percent quarter on quarter. The bottom line results was supported by some growth in premiums and a positive discount rate in technical reserves. Net premiums increased 27.3 percent year on year and 19 percent quarter on quarter, due to a market recovery in annuities, where Interseguro remained the market leader, with a 24 percent market share. The third quarter annualized ROE was higher than 100 percent. At Inteligio, the third quarter net profit was 16.7 million, down 40 percent year on year and 66 percent quarter on quarter, due to lower results on the investment portfolio. Core business continues to perform strongly, as net interest and similar income grew 69 percent year on year, and fee income increased 50 percent year on year. Assets under management plus deposits increased 14 percent year on year and 3.1 percent on a quarterly basis. The third quarter annualized ROE for Inteligio was 12.6 percent.

On Page 3, you can see a summary of the key quarterly indicators for IFS. Net interest and similar income rose strongly at 4.1 percent on a quarterly basis and 21 percent year on year, driven by strong results in the three operating companies. Fee income from financial services had a strong performance, growing 10.8 percent on a quarterly basis and 27 percent on a yearly basis. NIM improved 40 basis points year on year to 6.4 percent and remained stable quarter on quarter, with NIM at Interbank slightly decreased 10 basis points to 6.7 percent and past due loans increasing 30 basis points in the same. Asset quality remained strong, with a slight improvement in (indiscernible 0:05:31.9) on a quarterly basis of 10 basis points, down to 2.2 percent. Cost of risk improved 60 basis points on a quarterly basis, down to 2.2 percent, mainly due to a different mix in the growth of loans at Interbank, with a lower increasing in credit cards when compared to the previous quarter, from 8.5 percent growth in the second quarter to 1.2 percent in the third quarter and higher increasing mortgages, from 2.9 percent to 3.7 percent in this quarter, and commercial banking, from 3.1 percent in the second quarter to 4 percent in the third quarter, resulting in lower provisions requirements. Insurance metrics remained very strong, with net premiums growing 19.1 percent on a quarterly basis. Efficiency ratio showed a very strong improvement on a quarterly basis of 200 basis points, and on a yearly basis, of 770 basis points, down to 73.3 percent. Capitalization ratio for Interbank remains strong at 15.6 percent.

On Page 4, you can see the breakdown of IFS quarterly profits by segment. The third quarter net profit was 409 million, an 18 percent increase quarter on quarter, and 49 percent year on year. As you can see in the different graphs, there is a strong core performance in the three operating companies, both on a yearly basis and a quarterly basis, with some impairments at Inteligo due to market conditions. The annualized ROE for IFS was 39 percent and 28 percent at Interbank.

Please turn to the following page for a brief overview of the quarterly net earnings of IFS three segments. On page 6, we start with Interbank. Interbank's profits reached 242.2 million in the third quarter, a 41 million increase quarter on quarter and 55 million growth year on year. The quarterly increase was explained by a reduction of 32 million in provisions, as well as growth of 29 million in other income, 16 million in fee income for financial services and 8 million in interest and similar income. These factors were partially offset by a 20 million increase in other expenses. The annual growth in net profits was due to increases of 82 million in net interest and similar income, 57 million in other income and 34 million in fee income from financial services, which were partially offset by growth of 46 million in other expenses and 43 million in provisions. The Bank's ROE was 28.2 percent in the third quarter, higher than the 24.6 percent registered in the previous quarter, and the 25.2 percent reported in the same quarter of the previous year. NIM decreased 10 basis points in this quarter to 6.7 percent, mainly due to higher deposits with the Central Bank, given the exchange for soles funding, as they have very low returns. On contrary, NIM on loans continued to improve from 8.8 percent in the third quarter of previous to 9.1 percent in the second quarter of this year, to 9.2 percent in this quarter. NIM, net of cost of risk, improved 60 basis points on a quarterly basis, from 4.6 percent in the second quarter to 5.1 percent in this quarter.

On Page 7, performing loans grew 3.6 percent quarter on quarter, as a result of an increase in commercial loans and 3.3 percent growth in retail loans. Commercial loans grew in volume, mainly driven by increases in short and medium-term loans and trade finance loans, partially offset by a reduction in leasing facilities. Retail loans increases due to growth of 4.9 percent in other consumer loans, 3.7 percent in mortgages and 1.2 percent in credit cards. On a yearly basis, performing loans grew 12.9 percent, due to increases of 17 percent in retail loans and 8.9

percent in commercial loans. Retail loans grew, driven by growth of 21 percent in credit cards on a yearly basis, 19.4 percent in other consumer loans and 11.9 percent in mortgages. Commercial loans grew mainly to increases in short and medium-term loans both in the corporate and middle-market businesses. Our market share in total loans remained stable quarter on quarter, with an increase of 20 basis points in retail and an increase of 10 basis points in commercial banking.

On Page 8, Interbank's funding base grew 11 percent quarter on quarter, and this was mainly due to increases of 11.7 percent in deposits, 16 percent in due-to banks and 2 percent in bonds. The increase in due-to banks and interbank funds was driven by higher funding provided by the Central Bank, and it was a very strong quarter core deposits, which increased 18.5 percent in commercial deposits and 3.6 percent in retail deposits. The Bank's total funding base increased 25.8 percent year on year. The increase was due to growth of more than 100 percent in due-to banks and Interbank's funds, starting from a very low base, 15.9 percent from deposits and 9 percent in bonds. The yearly growth in due-to banks was mainly due to an increase in the funding provided by the Central Bank, while the increase in bonds was mainly explained by the depreciation of the exchange rate. The strong year-on-year growth in deposits was attributed to increases of 14 percent in commercial deposits and 18 percent in retail deposits. As a result, the proportion of retail deposits to total deposits increased from 41.5 percent in the third quarter of the previous year to 42.4 percent in this quarter. Retail and commercial deposits together represented 68 percent of total funding, with Central Bank's funds stable at 9 percent.

On Page 9, we're looking at SBS comparable figures to the system. Interbank's asset loan ratio was 2.3 in the third quarter, 10 basis points below the 2.4 reported in the previous quarter and 30 basis points above the 2.7 registered in the third quarter of the previous year. The coverage ratio remained strong at 186 percent. The same plans provided for the IFRS figures. When looking at the SBS breakdown, we can see within retail that overall consumer credit PDLs have improved 10 basis points to 3.1 percent and remains below the system's average of 3.3 percent.

Credit card CDL have improved 10 basis points to 3.8 percent in a gain that industry average of 3.9 percent. Mortgages for the third quarter started to improve its CDL 10 basis points, down to 2.6 percent, while the industry average deteriorated 10 additional basis points, up to 1.7 percent. Within the commercial portfolio, CDLs remained relatively stable on a quarterly basis. The annualized ratio of provision expense to average loans was 2.8 percent in the third quarter, in line with the 2.8 percent registered in the second quarter of 2015, and above the 1.7 percent reported in the third quarter of the previous year. This ratio is 60 basis points above the system average of 2.2 percent, mainly due to three reasons. First, on product mix, as we continue to grow stronger in retail; second, our smaller growth in corporate loans - when compared to competitors, we have a lower cost of risk; and third, a conservative approach we are pursuing as we continue to constitute for cyclical provisions this year, despite the fact that those provisions have been deactivated. When looking at the IFRS cost of risk figures, the quarterly improvement in cost of risk of 70 basis points is mainly due to a different mix in the growth of loans, with a lower increase in credit cards, when compared to the previous quarter and a higher increase in mortgages in commercial banking, resulting in lower provision requirements.

On Page 10, we are including the trend of the dollarization of our portfolio over the last 12 months. When compared to the industry, our portfolio is more dollarized, with 71 3 percent of our portfolio in soles, compared to 65.8 percent of the industry as of the third quarter. 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-dollarized 9 additional percentage points over the last 12 months. On the other side, the deposit side, we have seen a dollarization of the deposit base of 8 percentage points over the last 12 months.

On Page 11, fee income from financial services increased 9.4 percent on a quarterly basis to 21.8 percent year on year. The quarterly performance was mainly explained by an increase of 6.5 million in fee income and maintenance of accounts, and such fees account for credit and debit services in addition to an increase of 5.8 million in provision from banking services. Such increases were partially offset by higher expenses due to higher insurance payments. The yearly increase in fee income from financial services was mainly attributable to increases of 25 million in fees from maintenance of accounts credit and debit card services and 7.3 million in commissions from banking services. The higher fees were due to higher balances on credit cards, while decreasing commissions were a result of higher insurance premiums sold, which in turn was partially offset by 5 million increase insurance-related expenses. Other expenses increased 5.7 percent on a quarterly basis and 13.9 percent on a yearly basis. The quarterly growth was mainly due to increases of 6 percent in administrative expenses and 1.5 percent in salaries, partially offset by a reduction of 1.5 percent in depreciation and amortization expenses. The annual growth in other expenses was a result of increases of 10 percent in administrative expenses and 9 percent in salaries, partially offset by 4.6 percent reduction in the depreciation and amortization. The efficiency ratio was 40.5 percent in the third quarter, below the 41.7 percent reported in the previous quarter and the 46.6 percent registered in the third quarter of the previous year.

On Page 12, to summarize, Interbank registered a strong quarter, with net profit growing 29 percent on a yearly basis, with a solid annualized ROE of 28.2 percent.

On Page 13, the ratio of regulatory capital to risk-weighted assets was 16.6 percent in the third quarter. The quarterly decrease in the capital ratio was due to a 5.8 percent increase in risk-weighted assets. This increase in risk-weighted assets was explained by growth of 7 percent in investments and 3.7 percent in loans. As of the third quarter, Interbank's capital ratio of 16.6 percent was 380 basis points above its risk-adjusted minimum capital ratio requirement, established at 11.8 percent. The minimum regulatory capital ratio requirement was 10 percent, with the additional capital requirement for Interbank was 1.8 percent.

Please turn to the following page to discuss Interseguro's results. On Page 16, Interseguro's net profit attributable to shareholders in the third quarter was 156.2 million, an increase of 38.7

million quarter on quarter and 86 million year on year. The quarterly growth in profits was mainly due to a 35.6 million increase in total premiums earned, less claims and benefits, a 24.3 million increase in net gain on sale of securities. These factors were partially offset by a 19 million growth in impairment loss on available for sale investments accounted as other expenses. The yearly increase was mainly due to 61.4 million increase in total premiums and less claims and benefits, a 40.8 million growth in net gain on sale of securities invested in 3.4 million increase in net interest and similar income, driven by growth of Interseguro's investment portfolio. These effects were partially offset by a 29.3 million increase in impairment loss on available for sale investments. The annualized ROE for the third quarter was higher than 100 percent, above the 48.7 reported in the third quarter of the previous year and 95.4 percent registered in the second quarter of 2015.

On Page 16, you can see a comparison of Interseguro's results, the local GAAP results. Interseguro's net profit, attributable to shareholders and their IFRS, was 156.2 million, and it was 62.8 million in the local accounting GAAP. The main differences between IFRS and local GAAP for profits are as follows. First, a lower adjustment of technical reserves on the IFRS as a result of the use of the higher weighted average discount rate to calculate technical reserves for annuities. Second, a higher net gain on valuation of real estate investments. Under IFRS, they are considered fair value. Third, a higher impairment loss on available for sale investments due to a more rigorous impairment policy under IFRS. Fourth, a lower net gain on sale of securities, as under local GAAP, securities cost of sales is determined by first in first out, whereas under IFRS, it is defined by averages. And fifth, a higher profit in foreign exchange as a result of different dollar stocks in assets and liabilities in IFRS, compared to local GAAP.

On Page 17, net premiums in the third quarter were 214 million, a 19 percent increase on a quarterly basis and 27 percent on a yearly basis. The quarterly increase was related to a market recovery after a temporary contraction due to the newly established retirement bond introduced in the second quarter. The yearly growth was mainly attributable to strong business growth. Annuities market share in the third quarter was 24 percent, which positioned Interseguro as the market leader. Adjustment of fee income observed in the third quarter was 46.7 million, a 17 percent decrease quarter on quarter and 37 percent decrease year on year. The quarterly decreased was explained by the use of a higher weighted average discount rate to calculate technical reserves, the same as in the yearly performance. Net claims in benefits incurred during the third quarter were 68.8 million, a 14 percent increase on a quarterly basis and a 47 percent increase on a yearly basis. The yearly growth was mainly explained by higher annuity pensions. Considering the factors previously mentioned, total premiums earned in claims and benefits resulted in 98.5 million in the third quarter, an increase of 75.6 million on a quarterly basis and a 51.4 million on a yearly basis.

On Page 18, in the third quarter, Interseguro's investment portfolio reached 4,659 million, a 1.8 percent decrease on a quarterly basis, but an increase of 9.6 percent on a yearly basis. Results from investments in the third quarter were 94.1 million, which represents an 8 percent return on Interseguro's investment portfolio, the same as the 8 percent reported in the second quarter, but above the 6.5 percent reported in the third quarter of the previous year. The quarterly growth was largely explained by an increase of 24.3 percent in net gains on sale of securities. This effect was offset by an increase of 19 million in impairment loss on available for sale investments and a decrease of 5 million for impairment properties. The growth in net gain on sales of securities was mainly due to higher gains in equities. The decrease in valuation gain for investment property was due to real estate appreciation of certain properties recognized in the second quarter. The yearly growth was largely explained by an increase of 41 million in net gain on sale of securities and an increase of 17.4 million in net interest and similar income, partially offset by a rise of 29.3 million in impairment loss on available for sale investments and a decrease of 3.9 million in net trading income. The increase in net gain on sale of securities was due to higher gains in equity. Likewise, the increase in revenue was mainly explained by a higher inflation rate. The inflation rate increased from 2.53 percent in the second quarter to 3.38

percent in the third quarter, leading to an increase in income from our inflation index bond , which represent approximately a fifth of our fixed income portfolio.

On Page 20, we will start a discussion on Inteligio group results. Inteligio's net interest and similar income in the third quarter was 32.8 million, a 1.2 percent decrease quarter on quarter, but a 69 percent increase year on year. The quarterly results was attributable to lower income on investments available for sale, partially offset by an increase in interest on loans. The yearly result was explained by higher income on investments available for sale and a higher interest on loans. Client-related interest income grew as a result of a 2.4 percent quarter on quarter and 25 percent year on year growth in the site of our loan portfolio. Fee income for financial services increased 23.6 percent on a quarterly basis, and almost 50 percent year on year. The results were attributable to a higher activity in the rebalancing of client portfolio. Other income in the third quarter reverted negatively from 18.8 percent in the second quarter and 5 million in the third quarter of the previous year to -13.8 million in this quarter. This result was attributable to a lower net gain on sale of securities of the investment portfolio, together with a higher mark-to-market loss on valuation of securities sold for trading in the third quarter of this year. Other expenses increased 24 percent quarter on quarter, due to a 6.1 million impairment loss on available for sale investments, while the year-on-year expenses increased 74.7 percent, mainly due to the previously mentioned impairment loss and to higher salaries and employee benefits as well as administrative expenses. As a result, Inteligio's net profit in the third quarter was 16.7 million, a 33 million decrease quarter on quarter and 11.4 million decrease year on year.

On Page 21, assets under management plus deposits reached 20,355 million in the third quarter, showing a 325 million or 3.1 percent increase quarter on quarter, and also a 1,525 million or 14.1 percent increase year on year. Inteligio's loan portfolio stood at 1,679 million in the third quarter and 78.5 million or 2.4 percent increase on a quarterly basis and 25 percent increase year on year. Revenues generated by Inteligio reached 44 million, a 38 percent decrease quarter on quarter, but a 2.3 percent increase year on year. The quarterly results was attributable to a decline in other income as previously mentioned. Inteligio's Bank's fee income, divided by assets under management, stood at 1.5 percent in the third quarter, showing a strong improvement quarter on quarter, as well as year on year, from 1.1 percent in the third quarter of 2014 and 1.3 percent in the previous quarter. Net profit in the third quarter was 60.7 million, while ROE stood at 12.6 percent, below the 38 reported in the previous quarter, and the 33 percent registered in the third quarter of the previous year.

To finalize the presentation, on Page 23, we conclude that IFS released a solid third quarter result, with strong operating performance in all three segments, with soundness of quality and high profitability levels. At Interbank, a 20.1 percent year-on-year growth in consumer loans and 18.4 percent year-on-year growth in retail deposits, 2.3 percent PE ratio below the system's 2.6 percent, a strong improvement in the efficiency ratio year on year, down to 40.5 percent. At Interseguro, premiums grew 19 percent on a quarterly basis and 27 percent year on year, with a 9.6 percent yearly growth in the investment portfolio. At Inteligio, assets under management and deposits increased 3 percent on a quarterly basis and 14.1 percent on a yearly basis. Loans grew 2.4 percent quarterly and 25 percent year on year. High profitability at IFS, with 48 percent year-on-year growth in net profits, and 18 percent quarter on quarter and with a third quarter annualized ROE of 79.2 percent. Now we welcome any questions you may have.

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 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. We now have our first question coming from Juan Dominguez from Credicorp Capital.

Juan Dominguez: Good morning. Thank you for hosting this call. I have some questions regarding loan book. First, I wonder if you can provide us some color on what you expect in terms of NPL information on cost of credit in the coming quarter? Second, if you could provide us with some guidance on what are the drivers behind the uptick in commercial lending? We see an increase of 4 percent quarter over quarter. And finally, what are your estimations on the dollarization of the loan book that you believe will be sustainable in the long term for Interbank? Thank you.

Michela Casassa: Good morning, and thank you for your question. Related to the loan book going forward, what we are seeing is a slight slowdown of the growth of credit cards, which is what we have seen this quarter, and a pickup of mortgages and commercial loans. First at all, in mortgages, we saw a deceleration of our growth, mainly due to the fact that we also saw an increase in the PDLs. We've seen a specific segment of mortgages, which was related to the independent sub-segment of clients, okay. Now that we have sorted out a better way to start lending to these clients, we have started to grow again and in line and a little bit faster than the market in these last months. So we expect mortgages to continue to grow stronger than what we have seen in the past. A second change in the growth of the loan book is related to commercial lending, and this is also related to your third point. During this year, we have been participating less actively in the large corporate market, due to the fact that there has been a strong disacceleration of those loans with big ticket transactions where we, let's say, normally are not very active. So basically, we lost some market share in this segment. In this third quarter, we have participated in certain transactions, okay. As you have seen from the figures, we have lost 10 basis point market share there. And what do expect for the future in that particular segment is also to be a little bit more active in order not to lose any additional market share. As to your second point, NPL and cost of risk, what we are seeing in the local GAAP figures is that we're still below the system's average in terms of numbers, but we have seen a slight desacceleration as you've seen the trend over the past quarter. This is mainly due to a product mix. Basically, as we have been growing more in retail lending and very strong in credit card and consumer loans, okay, this has impacted the total NPL ratio due to the weight of the different segments. And again, as we have been growing less in commercial loans, specifically on the large corporate segment, which requires less provisions. When you calculate the aggregate ratio, this ratio shows more than the system. Going forward, we continue to grow a little bit more in mortgages and in large corporate compared to the past. This product mix (indiscernible 0:32:28.1). And looking at your last point, in terms of de-dollarization, aside from (inaudible 0:32:35.3) during the quarter, we are now at 71.3 percent of our look book, already in soles, okay. And we've seen a richer portfolio. Actually, we only have a small portion of the old mortgages – it's like 23 percent of the mortgage book which is still in dollars. We expect that within the retail, the dollarization will continue as new mortgages are more than 95 percent is in soles, so as we continue to move forward, the portion of dollars will continue to decrease within retail. And within the commercial portfolio, we expect some additional de-dollarization to take place, okay, but in any case, we still expect to have an important portion of the loan book in dollars, which will be related strictly to exporters and to companies that have cash flow generated in dollars

Juan Dominguez: No, yes, thank you. That was very useful.

Michela Casassa: Okay.

Operator: Thank you. Again, if anyone would like to ask a question, please press star one now. Our next question comes from Niels Danielsen from Profuturo.

Niels Danielsen: Hi, good morning. Thank you for the call. My question is regarding Interseguro. There is in Interseguro's financial statements, there is a negative 105 million soles, negative equity charge that says it's two adjustments for equity. Could you elaborate on what that is?

Gonzalo Basadre: Sure. Good morning, Niels. That's – I'm realizing that it's booked directly to equity, that relates to realizing to gains during the quarter. So that result went from a realized losses to results during the period, so it's just a movement of the realized gains within the sales of those securities. I hope this answers your question. I mean, as far as a reduction in the value of some of our available for sale portfolio. But most of it is related to the sale and realization of gains from a particular security. Did I explain myself?

Niels Danielsen: Do you mean a single – could you be a little bit more specific if it's a loss made – the realization of a loss made on the sale of a particular security – one specific security?

Gonzalo Basadre: I mean, the account of a realized gains or losses in equities the whole portfolio is available for sale portfolio. Some of our positions are positive. Some of our positions are negative, okay? When we have realized the gain during the quarter by the sale of securities, that gain shows up in the results for the period, but it's subtracted. It's subtracted from the unrealized gains account. It is clearer now?

Niels Danielsen: Yes, okay. And are they available for sales securities is most because of the market downturn and others, possibly?

Gonzalo Basadre: **Y**eah, yeah. It's the market deterioration during the month.

Niels Danielsen: Okay, that answers my question. Thanks.

Operator: Thank you. Our next question comes from Boris Molina from Santander.

Boris Molina: Yes, could you give us some color on what is your exposure to the agriculture sector or sectors that might be affected by El Nino? And what is the regulatory impact of how you treat these borrowers? We understand that there some circumstances where they might just send interest payment, etc, or something (inaudible 0:36:51.7). So I would like to see if you could give us a little bit of color of this exposure? And secondly, we're seeing how your asset quality trends in mortgages and credit cards are still a little bit weaker than the system, no? So how much of this do you believe is related to individuals that own small businesses, and then they use their credit cards to keep their businesses afloat and could there be some contingent between these two business areas, because we've seen that this has been a problem in other institutions that lend to small companies. So are there any checks that you perform in order to validate that business owner's credit risk is the same credit risk as the business itself, because you know, the small and medium-size owner is basically one credit entity, no? So is this a trend? Is this something you see going on, and can we expect it to continue to be a problem in the future?

Luis Felipe Castellanos: Hi, Boris. This is Luis Felipe Castellanos here. I'm going to go for part of the answer, and then Michela will be commenting on the other part. In terms of our loan book, of our commercial loan book, around 11.5 percent is exposed to the agricultural business, and 5 percent is in fishing. And that's kind of the commercial book is 50 percent of our whole portfolio, so of the loan book by two, and some of these are located in the north, and with El Nino event will be mostly affected. And in terms of the industry, most of our medium-term loans have clauses within it related to potential phenomenon El Nino where the customer – they see that the client, where their cash flow has been affected, because it could delay one of the payments and the situation. So far, we have not received any of those this year, but in the past, we did, when we had the '97, '98 phenomenon, so we've been through this process, and we understand how -

Boris Molina: Are you prepared to make additional provisions when a Niña effect event is decreed, or do you make provisions for these types of circumstances ahead of potential problems?

Luis Felipe Castellanos: I guess (indiscernible 0:39:24.6) with the (indiscernible 0:39:25.9) provisions, and as Michela mentioned, this time, they have been deactivated. We continue doing that in our local book. But it could be a little bit different within potential losses. They kind of match our provisions in local GAAP, if we continue doing the forecast for the next year in our budget, we are including some potential provisions for certain customers that are kind of exposed. And we have been working actively with our customers, visiting them, looking at their contingency plans and all that, and we're very comfortable that the customers we're with have both experience in facing this type of situation, and they have the means to face an effect, but obviously, we're being conservative, because we don't know what the magnitude could be and in the whole country.

Boris Molina: ok, wonderful

Luis Felipe Castellanos: Okay, then I guess the other part of your question was related to the credit risk and consumer loans. First, this is complementing a question before. We do foresee that the economic slowdown will have an impact in our portfolio, so we are managing our total risk. Part of the risk generation in our growth of the credit card in the last quarter is a result of certain measures that we have taken to meet our underwriting standard, but we do foresee that our provisioning levels would be at around these levels or even a little bit higher depending on how the economy evolves next year. Now, let me pass it on to Michela so that she can complement on the S and E independent question.

Michela Casassa: Just a couple of points. When we show a company in our Slide Number 9, the breakdown on subsidiaries, on PDL, we saw with the commercial banking on small and micro companies which is the definition of SMS. But actually the portfolio of Interbank is completely focused on small businesses. We are not active into the micro business, okay. We keep this segment – what mostly affected over the past two years. I mean, we have no business with micro business. We tried to do a pilot two-three years ago. It didn't result as we expected. So we decided not to pursue that strategy. So basically, when you see the increase in the PDL that went from 4.4 percent to 6.6 percent in the small and micro segment, it is mostly related to small businesses. So basically, in that small business, there is little risk if you want that the duplication of the client, then we do have on the individual in the retail segment of the Bank. Basically, yes, we target the self-employed segment. We do credit cards, okay. That we see the self-employed segment. We also target a specific segment of clients which are the professionals and the individuals that formalized own businesses, and we're talking about businesses which are, I mean, much smaller than what we have in commercial banking. And basically, in order to try to put some order, and not to give loans to the self-employed, and then will be used in order to finance their business, we have some limits as to how much we are willing to give lines to this segment. So basically what I explained within the mortgage segment, which actually impacted the NPL ratio during the past quarter – this quarter has actually reversed and started to improved. Yes, it was an effect of those self-employed guys that were missing a little bit of the business with their own needs, and having some trouble in paying off their mortgage. So basically, what we have been doing during this year – I mean, we saw growth in that particular segment, and that impacted the growth of mortgages, because that was one of the fastest growing segments. And we have reviewed our underwriting processes, and we have actually strengthened those processes with some, let's say, physical checks that we were not doing before. And I think that was what you were mentioning in your question. So basically today, we have some tightened standards as to how we are giving mortgages to this segment of the retail population. I'm not sure whether this covered what you were asking.

Boris Molina: Yes, thank you. Thank you very much, Luis Felipe and Michela. Thank you.

Operator: Thank you. Again, if anyone would like to ask a question, please press star one now. Our next question comes from Carlos Rojas from Andino.

Carlos Rojas: Hi. Thank you for the call and good numbers. I have one question for the Bank and one for the insurance. For the Bank, as we know, the growth has been very weak in general in the country. I don't know if you can give us a little bit of light of what are you expecting in terms of Interbank for the next quarters, are you going to increase your loans in corporate, or in retail, do you have a financial strategy regarding that. That's for the Bank. Then insurance, we are hearing a lot of noise lately in the last two weeks about the mortality tables, which could affect the net worth of the Company. I know – do you have any idea of how would be the effect, or what happened yesterday about to give an annuity for the pension fund. Do you have any idea how much this impacts Interseguro as a whole? Thank you very much.

Luis Felipe Castellanos: Okay, hi, Carlos, this is Luis Felipe. I'll respond to the first part of the question, and then the second will be from Gonzalo Basadre. On the first, on the outlook for growth, it's probably going to be something similar to this year in terms of growth, something between 10 and 15 percent, the growth of the loan book. And we like, as you all know, our balance strategy of 50% commercial, so we have a target for that. Obviously there's some deviation to that will depend specifically on the dynamics of how it evolves. This year, for instance, we grew faster our retail book, and then we catch up in the third quarter in the commercial part of it. So we'll try to work on that balance, which is kind of a long-term strategy we've been pursuing during the last year. So a mix between retail and consumer probably growing a little bit slower than this year. As Michela mentioned, mortgages a little bit faster. And then commercial, we're very focused on medium-sized enterprises, and in terms of corporate, well, we have to come with significant opportunities, like the ones we have witnessed in the third quarter of this year. And then for the other part, I'll pass it on to Gonzalo.

Gonzalo Basadre: Sure. Hello Carlos. The Pension funds were in the news in the last week. First of all, the mortality fails, the Superintendence yesterday announced that they are canceling the introduction of the new sales, just because the media storm that has arisen because of it. I mean, this would have been the third time that tables have changed, and in each of these changes, longevity increased a little bit, just because people are living a little bit more. This hasn't represented a major problem or any problem at all for the industry, because there also are new regulations and companies that make a transition move. Regarding the law and what the project, and what was passed yesterday regarding that people can take their money when they reach retirement age, well, it's too early to tell if the law is finally going to be passed. We consider it to be negative for future retirees, and will represent additional expenses for the government and additional expenses for the government. Some of them will be left with no income. Even at Interseguro, they have declared that they are concerned about it. We're following very closely, and we will give any update as soon as we have this thing cleared a little bit.

Carlos Rojas: Okay, thank you very much.

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 if you would like to ask a question. And at this time, I'm showing now further questions queue. I would now like to turn the call back over to Mrs. Casassa for closing remarks.

Michela Casassa: Okay, thank you very much for joining us today, and we will see everybody again during the last quarter of this year's conference call. Thanks.

Operator: Thank you. Ladies and gentlemen, this concludes today's teleconference. You may disconnect.

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