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I-Advize

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Operator: This is a recording of the Melanie Carpenter conference call with I-Advize on January 31, 2014 at 800 a.m. Central Time.

Operator 2: Good morning, and welcome to the Intercorp Financial Services fourth quarter 2013 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, you may begin.

Rafael Borja: Thank you, Chantal, and good morning, everyone. Welcome to Intercorp Financial Services fourth quarter 2013 earnings conference call. We are very pleased to have with us Mrs. Michela Casassa, Chief Financial Officer of Intercorp Financial Services, Mrs. Maria Carmen Rocha, Chief Financial and Administrative Officer of Interseguro, and Mr. Enrique Espinoza, Chief Investment Office of Interseguro. They will be discussing the results that were distributed yesterday. There is also a presentation to accompany these results. If you did not receive the presentation or the earnings, you can go to ifs.com.pe to download a copy. Otherwise, please contact I-Advize in New York at 212.406.3693. 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 fourth quarter 2013 conference call. We will start with a brief discussion of the highlights of Intercorp's performance. Intercorp Financial Services in 2013, earnings rose 2.8 percent, due to higher gross financial margin and a decline in provision, partially offset by an increase in administrative expenses and lower fee income. IFS ROE was 25 percent in 2013, below the 28.2 percent of 2012. In the fourth quarter, net income increased 43.4 percent year on year, due to higher gross financial margin and results from financial operations, partially offset by growth in administrative expenses. Net earnings increased 41.3 percent quarter on quarter, driven by increases in results from financial operations and financial income, partially offset by growth in administrative expenses. IFS ROE was 28.4 percent in the fourth quarter, above the 21.3 percent in the third quarter and 21 percent of the fourth quarter of the previous year.

At Interbank in 2013, net earnings rose 13.4 percent to a record 647.1 million, driven by sustained loan growth, higher results from financial operations and decline in provision expenses. The loan portfolio grew 26.9 percent during the year, registering significant increases of 35.9 percent in commercial loans, 24.8 percent in mortgages and 20.4 percent in credit cards. In the fourth quarter, net earnings 157.1 million, a 24.9 percent increase over the fourth quarter of the previous year, driven by higher interest on loans and a decline in provision expenses. NIM remained stable quarter on quarter at 7 percent, while fee income posted the third consecutive quarterly growth. The past due loan ratio remained stable quarter on quarter at 1.8 percent. The BIS ration remained well above regulatory requirements at 13.4 percent in the fourth quarter.

At Interseguro, earnings reached 152.4 million, a 19.5 percent decline compared to 2012, due to lower investment income and higher administrative expenses. In the fourth quarter, net income increased 65.6 million quarter on quarter, and 51 million year on year, due mainly to extraordinary income reported by year end 2013. Annuity sales increased strongly, 9.7 percent quarter on quarter, and 29.9 percent year on year, supported by market expansion. Interseguro remained the market leader in annuities, with a market share of approximately 25 percent.

Please turn to Page Number 4 for a brief review of the net earnings of IFS and its two subsidiaries. Looking at the annual performance, Intercorp Financial earnings were 725.5 million in 2013, a 2.8 percent increase compared to the previous year. Higher earnings were driven by a 7.1 percent increase gross financial margin and a 10 percent decline in provisions, partially offset by a 9.2 percent growth in administrative expenses. Higher gross financial margin was due to increasing loan volume at Interbank, partially offset by an increase in interest rate on deposits and bonds at Interbank. IFS ROE was 25 percent in 2013, below the 28.2 percent reported in the previous year.

On Page Number 5, we can a look at the quarterly performance, where net earnings were 207.6 million in the fourth quarter, a 41 percent increase quarter on quarter, and 43.4 percent increase year on year. When excluding non-recurring items, net earnings decreased 0.2 percent quarter on quarter, and increased 1.3 percent year on year. IFS ROE was 28.4 percent in the fourth quarter, above the 21.3 percent of the third quarter.

In the following pages, we will go through a detailed discussion of each company's quarterly results.

Please turn to Page Number 6 to a discussion of IFS P & L statements. Looking at the quarter-on-quarter performance, net earnings increased 11.3 percent, mainly due to increases of 57.3 million in results from financial operations, and 27.1 million in financial income, partially offset by a 29 million growth in administrative expenses. Financial income rose 4 percent in the quarter, driven by a 7 percent increase in the average volume at Interbank. Financial expenses increased 3 percent quarter on quarter, due to a 7.1 percent growth in the average volume of deposits at Interbank. Provision expenses grew 5.9 percent, which was the second consecutive quarterly increase, at a lower rate than the 6.2 percent growth in growth loans. Fee income rose 7.6 percent on a quarterly basis, as a result of a 2.7 million decrease in the elimination of commissions charged by Interbank to Interseguro related to the sale of premiums, as well as higher fees from letters of guarantee at Interbank. Interseguro's loss from insurance underwriting decreased 75.2 percent, due mainly to higher annuity sales. Results from financial operations rose 85.9 percent on a quarterly basis, mainly as a result of a non-recurring gain on the sale of the real estate property at Interseguro in the fourth quarter. Administrative expenses grew 9.6 percent, mainly due to increases in different services, maintenance and miscellaneous supplies at Interbank, and higher personnel expenses at Interseguro. IFS effective tax rate decreased from 29.4 percent in the third quarter to 22 percent in the fourth quarter, mainly due to a higher contribution to net earnings from Interseguro, whose investment income is tax exempt. When looking at the yearly performance, net earnings increased 43.4 percent year on year, mainly due to increases of 15.5 percent in gross financial margin and 36.8 percent in results from financial operations, partially offset by a 12 percent growth in administrative expenses. Financial income rose strongly to 15.2 percent, mainly explained by increases of 91.1 million in interest and fees on loans at Interbank and 13.2 million in investment income at Interseguro, partially offset by around 10 million lower interests on cash at Interbank. Financial expenses increased 14 percent year on year, due to higher interest on deposits and due-to banks at Interbank. The rise in interest on deposits was attributed to increases in the average volume, partially offset by a decline in the average cost. Provision expenses decreased 18.9 percent year on year, due to lower requirements for credit card delinquencies and the reversal of provisions for internal alignment in other consumer loans and mortgages, partially offset by higher requirements in the commercial loan portfolio due to the loan growth. Fee income declined 18.1 percent year on year, as a result of lower fees from credit card account statement deliveries, lower fees from letters of guarantee and higher expenses related to insurance sales at Interbank. Interseguro's loss from insurance underwriting decreased 5.6 million in the fourth quarter, as a result of a higher elimination of commissions paid by Interseguro to Interbank as previously mentioned, as well as growth in premiums, partially offset by higher reserves and claims. Results from financial operations rose 36.8 percent year on year, due to non-recurring gain on the sale of real estate investments registered at Interseguro in the fourth quarter, partially offset by lower gains on the sale of investments and derivative gains at IFS. Administrative expenses increased 12 percent, due to higher provisions for employee profit sharing and higher expenses for varied services, property leases, maintenance and miscellaneous supplies at Interbank.

Before I turn to Page Number 8, let me comment briefly about Interbank's yearly results. We are very pleased with the results achieved by the Bank this year, a year in which many regulatory changes came into effect. We have achieved a very strong growth in the core results of the Bank, including both retail and commercial businesses. Last year, we were in a difficult position (0:10:20 ph) to start growing the credit card portfolio. I'm talking about 2012, as an increase in the past due levels in the market, which led the Bank to lose some market share in that product. During 2013, after having fine tuned our credit scoring for the product, we have strongly recovered market share with very sound (0:10:37 – indiscernible) levels.

Interbank's net earnings reached 647.1 million in 2013, a 13.4 percent increase versus the previous year. The main factors that contributed to this result were increases of 6.1 percent in gross financial margin, and 29.8 percent in results from financial operations, as well as a 10 percent decrease in provisions, partially offset by a 9.4 percent growth in administrative expenses. Financial income grew 8.3 percent, mainly driven by a 13.5 percent increase in interest on loans, partially offset by a 15.6 percent growth in financial expenses, mainly related to higher average volumes across the main sources of funding.

Interbank's ROE was 26.6 percent in 2013, below the 27.1 percent reported in the previous year. In 2013, as in 2012, net earnings were affected by non-recurring factors, most of which were related to extraordinary gains on the sale of investments. In 2013, such gains generated 63.2 million in after tax income, whereas in the previous year, this contributed 13.4 million to the bottom line. Excluding such non-recurring items, net earnings would have grown 4.8 percent in 2013.

Please turn to Page Number 8 for a discussion of Interbank's quarterly performance. Interbank's net earnings were 157.1 million in the fourth quarter, a 24.9 percent increase year on year, and stable with respect to the previous quarter. The year-on-year growth mainly due to a 15.6 percent increase in gross financial margin and 18.9 percent decline in provisions, partially offset by a 14.1 percent rise in administrative expenses. Net earnings remained stable quarter on quarter, as a result of 4.4 percent growth in gross financial margin, and was offset by 7.5 percent increase in administrative expenses, and a 7.1 percent reduction in results from financial operations. Interbank's ROE was 24.5 percent in the fourth quarter, lower than the 25.9 percent reported in the third quarter, but higher than the 21.9 percent registered in the same quarter of the previous year.

Looking at Page Number 9 in the presentation, performing loans grew 6.3 percent quarter on quarter, with commercial loans growing 7.7 percent, driven mainly by the demand for medium-term and trade finance loans. Retail loans grew 4.8 percent due to increases of 9.1 percent in credit cards, 3.7 percent in mortgage loans and 2.8 percent in other consumer loans. The recovery of the credit card segment was effectively consolidated with the fourth quarter being the third consecutive quarter of solid growth, after four consecutive quarters of reduction, during which time Interbank maintained more rigorous credit standards regarding the acquisition of new clients. Performing loans grew 26.9 percent year on year. Commercial loans grew 35.9 percent, mainly due to an increase in medium-term loans. Retail loans grew 18.5 percent, driven by increases of 24.8 percent in mortgage loans, 20.4 percent in credit cards and 10.5 percent in other consumer loans. In the fourth quarter, credit card volume reached a record level for Interbank, with a past due loan ratio of 4.1 percent in said products, in line with that of the third quarter, and below the 4.9 percent reported in the fourth quarter of the previous year. We have gained market share (0:14:21 – indiscernible) and also in each of the businesses – retail and commercial.

Looking at Page Number 10, Interbank's funding base grew 4.2 percent quarter on quarter, matching the growth in loans. Deposits rose 6.5 percent, due to increases 9.1 percent in commercial deposits, 7.2 percent in retail deposits and 2.8 percent in institutional deposits. The Bank's funding base increased 28.2 percent year on year, in line with loans, mainly due to growth of 38.5 percent in deposits, 13.5 in bonds, partially offset by a 9.1 percent decrease in due to banks. The year-on-year growth in bonds was explained by three factors, partially offset by other additional factors. The first two factors were two subordinated bond issuances, one for 150 million soles in January 2013, and the second of $50 million in December 2013, both of which were placed in the local market. The third factor was a 9.6 percent depreciation of the Nuevo Sol against the U.S. dollar, which led to an increase in the value of bonds issued in dollars. The main attenuating factor was a maturity of 126.5 million in bonds in March 2013. Here again, as for loans, we have been able to gain market share in both retail and commercial deposits.

On Page Number 11, looking at the quarterly performance, gross financial margin increased 4.4 percent on a quarterly basis, as a result of 4.0 percent growth in financial income, partially offset by a 2.8 percent increase in financial expenses. The growth in financial income was due to a 4.9 percent increase in interest on loans, partially offset by reductions of 26.9 percent in interest on cash and 7.2 percent in interest on investments. The increase in interest on loans was due to a 7 percent growth in the average loan volume, partially offset by a 30 basis point reduction in the average yield, from 4.2 in the third quarter to 11.9 in the fourth quarter. The higher average volume was due to increases of 8.8 percent in commercial loans and 5.4 percent in retail loans. The return on average interest earning remained stable quarter on quarter at 9.5 percent, due to the higher proportion of loans with a total of interest earning assets, which offset declining yields in all asset classes. Financial expense increased 2.8 percent on a quarterly basis, due to a 7.7 percent growth in interest on deposits, partially offset by a 1.7 percent in interest on bonds. The growth in interest on deposits was due to a 7.1 percent growth in the average volume, while the average cost remained stable. The higher volume was explained by increases of 17.6 percent in commercial deposits and 6.4 percent in retail deposits. The average cost remained stable. The average cost of funding remained stable quarter on quarter at 2.4 percent.

Looking at the yearly performance, gross financial margin rose 15.6 percent year on year, due to a 15 percent increase in financial income, partially offset by a 12.9 percent growth in financial expenses. The increase in financial income was due to a growth of 21.8 percent in interest on loans, partially offset by reductions of 68.6 percent in interest on cash and 10.5 percent in fees on loans. The increase in interest on loans was explained by a 25.1 percent growth in the average loan volume, partially offset by a 40 basis point decrease in the average yield, from 12.3 percent in the fourth quarter 2012, to 11.9 percent in the fourth quarter of this year. Growth in the average volume was due to increases of 34.2 percent in the commercial portfolio and 17.1 percent in the retail portfolio. The lower average yield was explained by a 40 basis point reduction in the commercial portfolio, partially offset by a 60 basis point increase in the retail portfolio, and by a higher proportion of commercial loans within the total loan portfolio. The year-on-year decrease in fees on loans was due to the elimination of certain fees, including various credit card related fees, by the Peruvian bank regulator beginning January 1,

2013. The return on average interest-earning assets was 9.5 percent in the fourth quarter, 90 basis points lower than the 10.4 percent registered in the fourth quarter of the previous year, mainly due to lower yields on the loan portfolio and cash. Financial expenses increased 12.9 percent year on year, due to growths of 17.5 percent in interest on deposits, 14.9 percent in interest on due to banks and 5.6 percent in interest on bonds. The rise in interest on deposits was attributed to 33.7 percent increase in the average volume, partially offset by a 20 basis point decline in the average cost. The higher average volume was due to growth of 57.4 percent in commercial deposits, 25.1 percent in retail deposits and 23.3 percent in institutional deposits. The increase in interest on bonds was mainly due to an 11.2 percent increase in the average volume, explained by two subordinated bond issuances as previously mentioned. The average cost of funding decreased from 2.7 percent in the fourth quarter to 2.4 percent in the fourth quarter of 2013, mainly due to the lower cost of deposits.

On Page Number 12, you can see that net interest margin remained stable on a quarterly basis, at 7.0 percent, after having increased from the second quarter of 2013, from 6.9 percent.

On Page 13, provision expenses grew 5.9 percent on a quarterly basis, albeit at a lower rate than the 6.2 percent increase registered in gross loans. However, on a annual basis, provision requirements decreased 18.9 percent. As a result, the annualized ratio of provision expense to average loans was 2 percent in the fourth quarter, lower than the 3.1 percent registered in the fourth quarter, and in line with that of the third quarter of 2013. The quarterly increase was due to a higher requirement for credit card provision, due to a volume growth, partially offset by lower requirements for mortgages and small business loans and a reversal of provision for internal alignment in other consumer loans. The rise in provision expenses for credit cards was related to a 9.1 percent growth in credit card balances in the fourth quarter of 2013. The annual decrease in provision expenses was due to lower requirements for credit card provisions and the reversal of provisions for internal alignment in other consumer loans and mortgages, partially offset by higher requirements in the commercial portfolio due to volume growth. The ratio of past due loans to total loans decreased from 1.9 percent in the fourth quarter of 2012 to 1.8 percent in both the third quarter and the fourth quarter of 2013. The coverage ratio of the past due loan portfolio decreased from 234.6 percent in the third quarter of the previous year to 226.5 percent in the fourth quarter of 2013, but well above system (0:21:50 ph) average.

On Page Number 14, fee income grew 2.1 percent on a quarterly basis, mainly due to an increase in fees from contingent operations and mainly related to letters of guarantee. Fee income decreased 11.2 percent year on year, as a result of higher net expenses related to insurance and lower fees from credit card accounts statement delivery and from contingent operations. Results from financial operations decreased 5.5 million on a quarterly basis, due to a 6 million reduction in exchange and derivative gains. Administrative expenses increased 7.5 percent on a quarterly basis and 14.1 percent year on year. The quarterly growth was mainly due to a 13 percent rise in expenses for services received from third parties, which was explained by increases of services, maintenance and miscellaneous supplies. The yearly growth was mainly attributed to increases of 16 percent in personnel expenses and 12 percent in expenses for third party services. The efficiency ratio was 52.1 percent in the fourth quarter, above the 50 percent reported in the third quarter and the 50.6 percent registered in the fourth quarter of 2012.

On Page 15, the ratio of regulatory capital to risk-weighted assets was 13.4 percent in the fourth quarter. We see a quarterly rise in risk-weighted assets, which is attributed to sustained loan growth and scheduled regulatory adjustments to the calculation of risk-weighted assets that increased the risk weighting from 100 percent to 150 percent, assigned to certain consumer loans disbursed before 2013. The increase in the regulatory capital on a quarterly basis was due to an issuance of $50 million in subordinated bonds in December 2013 and to the accumulation of additional 46.8 million soles worth of earnings with capitalization agreements. The annual reduction in the capital ratio was due to a 26.5 percent increase in risk-weighted assets, partially offset by a 27.6 percent growth in regulatory capital. The increase in risk-weighted assets was attributed to loan growth and two scheduled (0:24:02 – indiscernible) adjustments to the calculation of risk-weighted assets. The year-on-year increase in regulatory capital was mainly the result of different factors. The first was incorporation of 313.7 million in capital and reserves over the past 12 months. The second and third factors were the two subordinated bond issues previously mentioned, and the fourth factor was the accumulation 56.3 million in additional generic provisions as a result of sustained loan growth year on year. The final factor was a positive difference of 46.8 million, the amount of accumulated earnings with capitalization agreements in the fourth quarter, with respect to the fourth quarter of the previous year. The year-on-year increase in capital and reserves allowed for an additional 62.8 million from Interbank, $200 million junior subordinated bond issue to be incorporated as Tier One capital. So as of the fourth quarter of 2013, 73.7 percent of this issuance qualified as Tier One capital, and the remainder was considered Tier Two capital. As of the fourth quarter, Interbank's capital ratio of 13.4 percent was 190 basis points above its risk-adjusted minimum capital ratio established at 11.5 percent. The minimum regulatory capital ratio requirement was 10 percent, while the additional capital requirement for Interbank was 1.5 percent as of the fourth quarter.

Now let me turn to Maria Carmen Rocha, who will describe Interseguro's results.

Maria Carmen Rocha: Please turn to Page 17 of the presentation. The table shows a summary of Interseguro's P & L performance. Net earnings reached 72.5 million soles in the fourth quarter of 2013, an increase of 65.6 million quarter over quarter, and 51 million soles year over year. The annualized ROE was 69.5 percent in the fourth quarter of 2013, above the 7 percent recorded in the third quarter 2013, and the 17.5 percent registered in the fourth quarter 2012. The quarter-over-quarter technical margin increase is explained by lower fees in the decreasing term life insurance for credit cards. As we accounted in the third quarter 2013, accumulated fees not recognized at the beginning of the year. Lower claims in disability and survivor benefits had a positive effect on annuity reserves due to November's deflation. Administrative expenses growth is explained by an extraordinary incentive position, as well as a position for a tax credit loss. Investment income increases is explained by a non-recurring gain from the sale of a real estate property located in San Isidro, the heart of the financial district in Lima.

Please turn to the next page of the presentation. Page 18 shows in detail the performance of Interseguro's premiums. In the fourth quarter of 2013, premiums were 152.4 million soles, an increase of 8 percent quarter over quarter and 36.9 percent year over year. Annuities increased line with the market expansion of 7.4 percent quarter over quarter and 25.6 percent year over year. As of the end of 2013, Interseguro remained the leading annuity provider for four years in a row, with a 25 percent market share. Group life growth is explained by higher sales in decreasing term life insurance for credit cards. Year-over-year increase is particularly explained by a new commercial agreement with the Bank. Lower life insurance increase is explained by a provision for car protection due to the new insurance contract law released in 2013 and by a launch of a new car insurance product.

Finally on Page 19, there are some details on the Interseguro's investment portfolio and investment income. In the fourth quarter of 2013, investment income was 115.7 million soles, an increase of 116 percent quarter over quarter and 92 percent year over year. The quarter-over-quarter and year-over-year increases are explained by a 61 million soles non-recurring gain attributable to the sale of the real estate property previously mentioned. The result of this sale will be used for development of occurring (0:28:42 ph) and potentially new real estate properties. In terms of real estate investments for the full year grew 5.67 percent quarter over quarter and 16.7 percent year over year, driven by higher annuity sales and the price appreciation of the Interseguro overall portfolio. That will be all, thank you.

Operator: Thank you very much. At this time, we would like to open the floor for questions. If you would like to ask a question, you may press star one on your touchtone phone now. Once again, at this time, we would like to open the floor for questions. If you would like to ask a question, you may press star one on your touchtone phone now. Thank you. Our first question will come from Marcello Telles from Credit Suisse.

Marcello Telles: Hi, good morning, everyone. Thanks for the opportunity. I have two questions. The first one, I mean, I was wondering if you could share with us what are your expectations for asset quality in 2014. And where do you see cost of risk evolving, I mean, we saw the cost of risk remained very stable and are at 2% of the average loans. Should expect that to rise maybe due to mix? And if you can give some color on what are you seeing on the SME portfolio as well.

The other question is on your cap rate. We saw a decline in your Tier I capital in the quarter. Of course, you had the increasing risk weighted out -- risk weighted factor. Do you foresee or is there any other pending regulation or if there any increases in risk-weighted assets that could lead to a lower Tier 1 capital in the future or this is as much as it's going to get? Thank you.

Michela Casassa: Good morning, Marcello. This is Michela speaking.

Marcello Telles: Good morning.

Michela Casassa: As for your first question related to asset quality -- good morning, and what we envision for next year is that we will see a slight deterioration of the numbers we have registered in 2013. And this is mainly related to the mix of the portfolio in the different pace of growth that we will explain during 2014. With a higher issuance of credit card, more likely just because of product mix this ratio will deteriorate a little bit.

And talking specifically about the SME question, we are aware of the fact that these segments have experienced a firm deterioration in the asset quality during 2013. But this is a segment, in which we are participating only focusing on the higher end of the segment. So basically, during 2013, we have not seen a firm deterioration at Interbank portfolio and basically, due to a strategic decision, we are not focusing on the lower portion of that segment, which is the one which has created some troubles in the market.

Talking about Tier One and regulations, basically what we have experienced during 2013 is something similar, and we know already the effect of what will happen in 2014 and 2015, because as you might remember, we have a new regulation in place that came into effect in 2012, and this regulation has a full program of adjustment in risk-weighted assets that goes until 2016. So basically, the impact of the increases in risk-weighted assets that you have seen in 2013, you will see again in 2014, because as, for example, we have the increase in the risk-weighted assets factor from 100 percent to

150 percent in revolving consumer loans. Then we will experience that again to 200 percent at the end of 2014. But these are all things that have already, let’s say, been regulated and that are in our program of implementation that will go on until the year 2016. So basically we have that considered in our operations for this year, and it shouldn’t be a problem to, let’s say, to lead the growth.

Marcello Telles: Perfect. So you're confident with your capital position, even though despite there is additional capital requirements?

Michela Casassa: Yes, because I mean, it's not a surprise. No, it is something that we know since 2012, but it's just implementation of what was already defined.

Marcello Telles: Excellent, that’s very helpful. Thank you so much.

Michela Casassa: You’re welcome.

Operator: Thank you. Our next question will come from Boris Molina, Santander.

Boris Molina: Yes. Good morning, thanks for the call. Just a couple of questions. The first one, could you share with us again, what is more or less your kind of like your outlook for the year in terms of guidance for volumes and efficiency and volumes -- and if you have ROE? So that we can kind of get an idea of more or less how the guidance is going to evolve for you.

Michela Casassa: Okay. What we envision for this year is to grow something that should be at around 15 percent or more in terms of loan. Basically what we are trying to achieve is to outperform the market, so we're trying to gain some market share. But of course, this has an element of volatility, which we always discuss, which is the growth in the large corporate segment, and that can go from 0 to 10 percent that we have seen in the past two years. So basically, our idea is to try to continue to gain a little bit of market share as we have done in the previous year.

As for efficiency, 2013 was a hard year, because due to the reduction of fee income in credit cards that was a factor that has hit our efficiency ratio, so we will vision that for the next year, we should definitely see an improvement of this efficiency ratio of more than 1 percent. And what we are trying to achieve also for this year is to be able to defend our recurring ROE.

Boris Molina: Okay, wonderful, thank you. Now when you're looking at the marketplace, are you currently considering any positions? There are some rumors that MiBanco could be up for sale or a stake of it. Is this a segment attracts you, or is this something that you think is not strategic for you?

Michela Casassa: As I mentioned briefly in the previous question, I mean, on our commercial banking business, we have, let's say, three different segments which we serve with different business models. We have the large corporate, which may be not as large corporate as the international standards, but it's more like upper part of the middle corporate. We have the mid-market segment, and then we have also small business, but the small business that we are targeting at Interbank is the upper end of that segment, okay? So we are not focusing in, let's say, micro business or the smaller part of the small business which is the main, let's say, business of MiBanco. So basically our strategy is to continue to focus on those segments which are the ones that are not reflecting any stronger deterioration in the asset quality.

Luis Felipe Castellanos: Yeah, hi, Boris this is Luis Felipe Castellanos. A couple of years ago, we decided not to get into micro finance, and that's done.

Boris Molina: Okay, wonderful. Now, one final question, when you look at this plan to increase risk weighted assets into 2015, which are the segments where you think are apart from credit card flow that you might also feel an impact on? You're just basically concerned a little bit about local regulation in Peru is very restricted for banks from some control consumption, however there is a collateral benefit that the industry is experiencing from lower reserve requirements on local currency funding.
So, how do you see these changes affecting your profitability? Do you think that this is going to be neutral in the medium term or do you think that this is going to put pressure on return equity?

Michela Casassa: Remember that the region banks are overcapitalized, so with 13, 14 percent capital ratios that we manage, we have run our numbers and even with these increases in risk-weighted assets, and yet of course we need to capitalize our earnings and do some subordinated debt. But it's not something that will require us to really need so much capital that would impact ROE. This is one of the things. And you were asking about which are the impacts in risk-weighted assets. This regulation actually impact most of the classes but the stronger impact is on consumer lending especially revolving. A portion of that is credit cards, but it's also in personal loans, okay? And as far as the reserve requirements, we have seen some reduction in reserve requirements in the last month, and we expect also to see some more coming this year, so I think this is something that is going to impact positively, because actually that put some pressure last year on our NIM. So what we are expecting for next year is for sure to see a stabilization of NIM that is coming from credit cards, that will continue to grow, and will have a higher incidence on the portfolio, but also on the reduction of the reserve requirements.

Boris Molina: Okay, wonderful. Thank you very much.

Michela Casassa: You're welcome.

Operator: Thank you. Once again, ladies and gentlemen, if you would like to ask a question, please press star one on your touchtone phone now. Our next question will come from Alonso Aramburu from BTG Pactual.

Alonso Aramburu: Hi, good morning, everybody. I had a question, a follow up to Boris' question regarding NIM and yields, really. We're seeing basically yields on the asset side come down over the last couple of quarters, and you've been able to sustain the NIM stable, but I'm just wondering how you see competition evolving, and how you think asset yields, especially on the consumer side, will develop in 2014?

Michela Casassa: I think, they will continuously pressure us, we have seen it in 2013, 9 million in the retail business. What I think shouldn't happen again is, what we saw during 2012, now that we had a kind of price wars in credit card, now that created a kind of a strong impact on the asset quality. So if you look at each of the specific segments, yes, we will continue to see pressures on the margins, but what we foresee is that because of the mix of the different classes of assets yield, this is the main reason why we should be able to defend that NIM.

Alonso Aramburu: Okay, great. And would you say that the environment today is more competitive than say six or 12 months ago, or it's the same?

Michela Casassa: I mean, I think it's a little bit more competitive, but if you're talking only about retail, I would say it's similar or a little bit more, but maybe a little bit more in commercial because we have a little bit of more international banks coming into town.

Alonso Aramburu: Okay. Thank you, Michela.

Michela Casassa: You're welcome. Bye.

Operator: Thank you very much. Once again, ladies and gentlemen, if you would like to ask a question, please press star one on your touchtone phone now. Thank you very much. Well, speakers, at this time, it looks like we have no further questions, so Ms. Casassa, I'll turn it over to you for closing remarks.

Michela Casassa: Okay, thank you very much, everybody, for attending the call, and we'll see you during the call for the first quarter of 2014.

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