Operator: Good morning and welcome to Intercorp Financial Services first quarter 2018 conference call. All lines have been placed on mute to prevent any background noise. After the presentation, we will open the floor for questions. At that time, instructions will be given as to the procedure to follow if you would like to ask a question. It is now my pleasure to turn the call over to Rafael Borja of i-Advize Corporate Communications. Sir, please begin.

Rafael Borja: Thank you and good morning everyone. On today's call, Intercorp Financial Services will discuss its first quarter 2018 earnings. We're very pleased to have with us Mrs. Michela Casassa, Chief Financial Officer of Intercorp Financial Services, Mr. Christian Stockholm, Chief Financial Officer of Interseguro, and Mr. Mario Caballero, Chief Financial Officer of Inteligo Group. They will be discussing the results that were distributed early this morning. There is also a presentation to accompany these results. If you didn't receive a copy of the presentation or the earnings, it is now available on the company's website ifs.com.pe to download a copy. Otherwise, for any reason if you need any assistance today, please call i-Advize in New York at 212-406-3693.

I would like to remind you that today's call is for investors and analysts only. Therefore, questions from the media will not be taken.

It is now my pleasure to turn the call over to Mrs. Casassa, Intercorp's Chief Financial Officer for her presentation. Mrs. Casassa, please go ahead.

Michela Casassa: Good morning and welcome to Intercorp Financial Services first quarter 2018 earnings call. First, let me start on the political and macro side. After months of political turmoil, Pedro Pablo Kuczynski resigned as President of Peru on March 21st and was succeeded by Vice President Martin Vizcarra on March 23rd. We are optimistic that Mr. Vizcarra will, on one side, continue applying market friendly policies and, on the other side, will face less confrontation from Congress as his cabinet recently received the vote of confidence.

We also believe that the reforms his Minister of Finance has announced in the "Plan de Impulso Económico" will likely increase fiscal revenues and encourage improvements in the efficiency of public spending, allowing an increase in public investment, especially in the one destined to the reconstruction process in the North coast of the country. As Prime Minister Cesar Villanueva explained to Congress, the Government's budget for the reconstruction plan is over 25 billion soles, of which 8 billion soles are planned to be executed this year.

In this context, GDP growth expectations for the year stand now between 3.2% and 3.5%, mainly driven by a recovery of domestic demand, as public and private investment are expected to perform better. Public investment should pick-up mainly as a result of the previously mentioned plan, as well as by investments related to the Pan-American Games and Lima's second metro line. Private investment is also expected to grow due to a faster execution of mining projects, in a context of high commodity prices and favorable international conditions. Furthermore, on March 12th, the Congress approved a law by which construction companies involved in the Lava Jato scandal or the local construction cartel are allowed to continue operations with private and public clients and with banks under certain conditions, allowing the construction sector to continue being a contributor to GDP growth.

In line with this, the financial system growth has shown first signs of recovery. As of the first quarter 2018, the banking system's net profit grew 18.8% YoY, significantly above the 1.1% growth registered in the first quarter 2017. Loan growth has picked up, reaching a 6.6% growth YoY, driven by a 7.5% growth in retail loans and a 6.2% growth in commercial loans, according to the SBS. In retail banking, credit cards and mortgages showed high growths year over year, while in commercial banking the corporate and the small & micro segments were the ones which grew the most. As we will discuss later on, Interbank clearly outpaced the system's growth, especially in retail banking.

As shown in page 2 of the presentation, this first quarter 2018 has seen a 22.0% YoY growth in IFS' earnings, resulting in a 19.1% return on adjusted equity. At Interbank, strong 1Q18 in terms of earnings driven by higher loan growth than the market and declining cost of risk, and supported by a better performance of the credit card portfolio. Clear focus on digital transformation with some key indicators showing solid growth. At Interseguro, improvement in the first quarter earnings driven by synergies with Sura almost completely accomplished, and reduction in earnings' volatility due to an accounting methodology change by which discount rate impact on technical reserves is now accounted through equity. Moreover it is important to notice that we are treating Interseguro figures as an insurance segment thus including the cost of the bond for the financing of Sura acquisition. At Inteligo, strong profitability in 1Q18 with fees growing 6.5% QoQ and 13.6% YoY.

Let me now give you a short summary of the main accounting changes introduced during this first quarter:

First, at Interseguro we have restated the figures moving to equity instead of P&L the impact from changes in discount rate in the calculation of technical reserves, thus reducing the volatility in results. It is important to mention though that there is an additional accounting change under IFRS we are currently evaluating for the calculation of technical reserves that will further align us with the international standards and better reflect Interseguro's performance. This change could potentially be introduced in the next quarter.

Second, at IFS we have implemented the new IFRS 9 accounting standards which have 2 main methodology changes. First, loan loss provisions are now calculated based on expected loss model which classifies the credit portfolio in 3 stages and assigns expected losses for 12 months for credits in stage 1 and expected losses lifetime for credits in stage 2 and 3. At Interbank, as of 1.1.18 we have accounted additional one-off allowances of S/ 145 million through equity. Second there are 2 categories for classifying investments: non-strategic or short term investments with changes being accounted in P&L, and strategic or long term investments with changes being accounted through equity. Referring to page 4 of the presentation, at Interseguro and Inteligo we have a negative impact in this 1Q18 coming from mark-to-market of investments representing S/ 5.2 million at Interseguro and S/ 7.6 million at Inteligo. Excluding such effects, risk-adjusted equity for Interseguro and Inteligo would have reached 7.5% and 26.4% respectively.

Now, let´s have a look at IFS key performance indicators on page number 5. At IFS, net profit was S/ 290 million in this first quarter, representing a 19.1% quarterly return on equity or 20% when excluding the negative impact of mark-to-market previously mentioned. Efficiency ratio showed a further improvement versus previous quarter of 140 bps reaching 35.3% and of 420 bps versus previous year mainly due to the synergies with Sura. NIM at Interbank has remained relatively stable in this first quarter and risk-adjusted NIM has strongly improved to 3.9% in this quarter from 3.8% in previous quarter and from 3.3% in the first quarter of 2017, mainly thanks to a sharp improvement in cost of risk which stands now at 2.5%, representing a decrease of 20 bps in the quarter and of 90 bps in the year. Gross premiums plus collections at Interseguro have increased 13.8% QoQ or 35% YoY thanks to Sura with a return on investments of 5.7% which still needs to consolidate, over a total portfolio of S/ 11.3 billion. Fees from financial services at Inteligo have grown 6.5% QoQ and 13.6% YoY, despite a decrease in volumes which have been impacted by the repatriation law implemented by the government. Total capital ratio has further strengthened reaching 17.5% with core equity tier 1 ratio at Interbank reaching 10.2% as of March 31st 2018.

On page 6 of the presentation, relevant net income for dividend generation at IFS has increased substantially more than 70% YoY or S/ 200 million reaching S/ 473 million in 1Q18 compared to S/ 272 million in 1Q17. This substantial increase was mainly due to growth of S/ 84 million YoY at Interbank and of S/ 126 million at Interseguro.

Please turn to the following pages for a brief overview of the quarterly net earnings of IFS' three segments. Starting with Interbank at page 8, first quarter net profit reached S/ 246 million, a 26.6% increase YoY, mainly thanks to a recovery of top line growth coupled with an improvement in cost of risk and controlled expenses. 1Q18 return on adjusted equity was 20.7%. Net interest income grew 8% YoY, with a relatively stable NIM and a strong improvement in risk-adjusted NIM, up 60 bps YoY to 3.9% at Interbank thanks to a 23.5% decrease in loan provision expenses which improved cost of risk 90 bps YoY down to 2.5%.

On page 9 we want to show you some of the first results of our digital transformation. The first phase of our digital transformation was mainly focused on building capabilities that will allow clients to perform their day-to-day transactions digitally and afterwards to be able to acquire products and services digitally. The idea is that clients should be able to interact with the bank 100% on a digital basis through an improved customer experience. We have been able to speed-up the process of capabilities development applying new agile methodologies. Now we are entering a second phase in which we are increasing our efforts for educating clients to foster usage of our existing transactional capabilities and also to buy products online, while completing the full set of digital capabilities.

For this reason, we have been substantially increasing our IT investments, which as of 2018 will be 3 times the number invested in 2015. This has also allowed us to decrease the number of branches which stands today at 272 from a peak of 290 in January 2016 and from 282 branches in March 2017. Digital customers, which include clients that interact with the bank through our mobile or internet banking, have reached 43% as of March 2018 from 32% in March 2017, representing a 40% increase YoY in number of digital customers. The percentage of transactions performed off-branches has continued to increase reaching 94% as of March this year from 89% as of March 2017. Still, due to the cash economy present in the country, a large number of plain vanilla transactions including deposits, withdrawals, payment of utilities and credit cards is performed in branches, which means that we need to continue educating clients via our efforts in branches and contact center to migrate to our already existing digital solutions.

The percentage of functionalities available on our digital channels which include transactions, sales of new products and self-service features has continued to increase reaching 94% as of March this year from 89% as of March last year. We continue to focus our efforts on trying to digitize client interactions and to improve the customer experience of our clients with the development of new and enhanced functionalities through our 22 squads working with agile methodology. Digital sales and self-service interactions have increased their penetration to 15% on March this year from 4% on March last year, growing more than 250% YoY. We are now able to digitally open new accounts, sell credit cards and loans through credit cards, increase credit card lines, among others products sold. In terms of self-service functionalities, an example is credit cards installments through mobile banking which have reached a penetration of more than 85% in just 7 months and have driven the number of total installments to grow more than 4 times in the same period.

Moreover, we have launched some functionalities that are only available in our mobile banking which have gained traction and clients in few months including "$mart", a feature that allows clients to organize and take control of their expenses which has reached more than 20% of digital customers in 4 months, and our "digital Piggy bank", a feature to save money in one swipe within an existing savings account at preferential rates, which has reached a penetration of 4% of our digital clients in 6 months.

On page 10, moving to loan growth: At Interbank performing loans grew 2.5% on a quarterly basis as a result of increases of 2.8% in retail loans and 2.1% in commercial loans. The positive news is that credit cards grew 4.7% on a quarterly basis, reaching a 7% increase on a yearly basis, consolidating the recovery in growth registered during the last quarter of 2017 and allowing us to gain 90 bps market share in credit cards in this quarter, mainly targeting good credit profile clients within our existing portfolio.

Performing loans grew 8% YoY due to increases of 10.6% in retail loans and 5.2% in commercial loans. Retail loans grew YoY mainly due to increases of 13.5% in mortgages and 10.5% in other consumer loans, and thanks to the recovery of the credit card portfolio previously mentioned. We have been able to increase our market share on total loans by 10 bps on a quarterly basis and by 20 bps on a yearly basis.

On page 11, our large deposit base has helped us to account a strong improvement in cost of funding of 20 bps QoQ and of 30 bps YoY, down to 2.6%, mainly thanks to the cut in soles rates and to a more efficient funding structure, which has seen more expensive commercial and institutional deposits decreasing 8.2% on a quarterly basis, thus decreasing market share. It is worth to mention that deposits now represent 76% of total funding.

Moreover, in January this year we issued a new dollar denominated 5 year bond for a total amount of US$ 484 million at 3.375%, where we combined US$ 200 million of new money with a liability management transaction. As of today we have swapped to soles a total of US$ 250 million of this transaction, for a soles equivalent 5-year rate of 4.8%, improving our asset and liability position.

On page 12, asset quality has improved substantially in 1Q18 with cost of risk decreasing 20 bps on a quarterly basis and 90 bps YoY, down to 2.5%. This improvement in cost of risk is mainly coming from retail banking, which has registered a decrease in cost of risk of 40 bps QoQ and 150 bps YoY, and particularly to credit cards, which have seen an improvement of 320 bps on a quarterly basis and of 600 bps on a yearly basis thanks to an improvement in the risk profile of the client portfolio, to a better behavior of clients, to the different actions we have been undertaking in improving underwriting and collection processes, and to the recovery in volumes.

Moreover, in the first quarter of last year we also had the first negative effects from the El Niño phenomenon, which does not appear in the first quarter of this year. NPL ratio has remained relatively flat QoQ and YoY at 3.2%, with retail at 5.1%, down 10 basis points QoQ and down 20 basis points YoY and credit cards at 6.3%, down 30 basis points QoQ and 60 basis points YoY. NPL coverage ratio is now at 130.8%.

On page 13, we are also showing the trend in the local GAAP cost of risk figures. When looking at SBS comparable figures to the system, Interbank's past-due-loan ratio improved 20 bps to 2.7% on a quarterly basis, while the system average increased 10 bps, up to 3.1%. The coverage ratio strengthened to 183% also thanks to the voluntary provisions registered in local GAAP to face potential losses for the construction companies.

When looking at the PDLs breakdown, we can see within Retail that consumer credit PDLs have improved 10 bps, down to 2.2%, and is below the system average of 2.5%. But the most important trend is the further improvement in the credit cards PDL ratio, down 80 bps to 4.8%, and this quarter even below the system average of 4.9%. Mortgages PDL ratio has increased slightly 20 bps, up to 3.9%.

The trend in cost of risk in local GAAP is very similar to what we previously described for IFRS 9. Our cost of risk in local GAAP of 2.6% in this quarter, excluding the effect of the voluntary provisions for the construction companies, remains above the system average of 2.2% mainly due to the portfolio mix with a higher incidence of retail and credit cards when compared to the system and to the other big 3 banks. Normalizing the effect of our portfolio mix our ratio would be 2% going below the system average for the first time in many quarters.

On page 15, as of the first quarter, Interbank's capital ratio of 17.5% was more than 500 basis points above its risk-adjusted minimum capital ratio requirement, established at 11.9% and above the system average of 15.8%. Core equity tier 1 ratio has continued to improve during the quarter, reaching 10.2% as of March 31st, 2018.

Please turn to the following pages to discuss Interseguro's results.

On page 17, gross premiums and collections in 1Q18 increased 13.8% on a quarterly basis and 35% on a yearly basis. The quarterly growth was explained by increases of S/ 31 million in Individual Life and S/ 13 million in Disability and Survivorship, partially offset by decreases of S/ 10 million in annuities and S/ 8 million in private annuities. Retail Insurance remained relatively flat QoQ. The yearly growth was mainly explained by increases of S/ 20 million in individual life, S/ 29 million in Disability and Survivorship, and S/ 9 million in private annuities, partially offset by decreases of S/ 4 million in annuities, and S/ 4 million in Retail Insurance.

In 4Q17, Seguros Sura's Individual Life premiums were adjusted by S/ -22.0 million due to the adoption of Interseguro's cash based accounting policy. Without that adjustment 4Q17 Gross Premiums and Collections would have been S/ 193.8 million. Annuities and private annuities decreased in the first quarter due to a market contraction, with a stable market share at 24.5% as of March 2018.

As previously mentioned, moving to page 18, starting 1Q18, discount rate effect on technical reserves was restated from net income to Other Comprehensive Income, reducing the volatility in bottom-line results. Total premiums earned less claims and benefits resulted in S/ 78.9 million loss in 1Q18, decreasing S/ 26 million QoQ and S/ 32 million YoY. Both performances were mainly explained by higher annuity claims due to the merger with Seguros Sura, partially offset by a higher technical margin in Individual Life, also associated with the acquisition of Seguros Sura's portfolio.

On page 19, we can see the details of Interseguro's investment portfolio that now reaches S/ 11.3 billion, relatively stable QoQ but registering an increase of 100% YoY due to the incorporation of Seguros Sura's investment portfolio. Results from Investments in 1Q18 was S/ 160 million, a strong increase versus the fourth quarter and the first quarter of the previous year, representing a 5.7% return on Interseguro's investment portfolio below the 6.4% reported in the fourth quarter of 2017. The quarterly results have been impacted by a negative S/ 5.2 million mark-to-market on securities, without which the return on investments would have been 5.9%. Still, we expect a further improvement in the return on the combined portfolio in the coming quarters.

On page 21, we will see Inteligo's results. Inteligo's net interest and similar income in 1Q18 was S/ 24 million, a 6.4% increase when compared with 4Q17. The quarterly result was explained by a decrease in interest and similar expenses, as a result of lower expenses related to deposits and obligations, partially compensated by lower income from Inteligo's loan portfolio. Net fee income from financial services was S/ 33 million, an increase of 6.5% QoQ, mainly due to higher income from funds management and a decrease of total expenses, partially offset by lower income from brokerage and custody services. When compared with 1Q17, net fee income from financial services increased by 13.6% YoY. The result was mainly attributable to an increase in funds management and brokerage and custody services income.

Inteligo's other income reached S/ 0.5 million in 1Q18, a 98.0% decrease QoQ, mainly explained by a 60% decrease in net gain on sale of securities and a S/ 7.6 million loss in net trading attributable to the implementation of IFRS 9. Other income decreased by 94% when compared to 1Q17.

Other expenses in 1Q18 decreased by 54.5% when compared to 4Q17, mainly due to an adjustment in impairment loss on available for sale investments this quarter. Other expenses decreased 4.9% YoY, mainly explained by the previously mentioned adjustment in impairment loss, partially compensated by higher salaries and employee benefits and higher administrative expenses.

On slide 22, looking at Inteligo's key performance indicators, AuMs plus deposits reached S/ 14 bn in 1Q18, a decrease of 1.7% when compared to the previous quarter, mainly impacted by the repatriation law enacted by the government.

Inteligo's loan portfolio reached almost S/ 1,300 million in 1Q18, a decrease of 2.7% QoQ and 21.8% YoY. Revenues generated by Inteligo were S/ 57.9 million, a 28%

decrease QoQ and 14% YoY. Inteligo Bank's fee income divided by assets under management remained stable at 1.0% in this first quarter. Inteligo's net profit was S/ 40.3 million, mainly driven by a contraction in other income due to IFRS 9, while annualized return on equity was 22.3%, or 26.4% when excluding the S/ 7.6 million negative mark-to-market on securities.

Now we welcome any questions you may have.

Operator: And to ask a question, please press the * and 1 on our touchtone telephone. You may remove yourself from the queue at any time by pressing the # key. Once again, that's * and 1 to ask a question.

And your first question comes from Carlos Rivera with Citigroup. Your line is open.

Carlos Rivera: Hi, good morning everyone and that's for the presentation. My first question is regarding credit growth particularly in credit cards, a very strong recovery quarter-on-quarter especially if we consider the seasonality, 7% loan growth year-on-year. So what should we expect by the end of the year? Is this 7% something that you can accelerate? And would this have a positive contribution to your NIM guidance for this year?

And my second question is related to the sale of treasury shares held at the subsidiaries. If you just could comment a little bit about what is driving these, what is the target level there, if we're going to see more of these sales? Thank you very much.

Michela Casassa: Good morning, Carlos, and thank you for your questions. First, related to credit cards. The first quarter in which we started to see the recovery in volume growth was the fourth quarter of last year, in which we reported year-on-year growth, if I'm not wrong of 1.-something %. Basically, what has happened there is after many, many months of tightening our credit standards and changing a little bit the risk profile of our client base, we have started to resume growth, a little bit more aggressively this quarter. What we have been doing is targeting our top credit risk profile clients within our existing portfolio and this has driven the growth that you see this quarter.

Of course, this is like if you want the first impact effect after many months of not growing, so we don't expect to repeat 4.7% quarterly growth every quarter this year, okay. But we do expect to see a little bit higher growth than the 7% year-on-year that you see here. Basically, yes, this is going to improve if you want the revenue generation at the bank level, but not necessarily NIM which we still expect to be stable as we are targeting better risk profile clients so not necessarily with higher rates. What you will continue to see though is the improvement in risk adjusted NIM, which has been very strong in this quarter and year-on-year and which should continue to be the case in the coming quarters. Not sure if this covers your first question.

Carlos Rivera: Yeah, just a follow-up there. If you could give us any sense of this improvement in the NIM adjusted for risk, how much do you think it could expand this year?

Michela Casassa: What we have seen this quarter and you see it in page number eight, is that risk adjusted NIM for the bank is 3.9%. This has improved 10 basis points this quarter from 3.8 but when you compare it with the first quarter of last year in which the level of cost of risk especially was higher due to a different portfolio and due to El Niño, that number was 3.3%. So the improvement there has been of 60 basis points. Okay. So basically, then also you see on that same slide that that is also coming from the improvement of cost of risk that we see in the bank which is mainly driven by the improvement in cost of risk of credit cards. If you take a further look at page 12, when you look at the cost of risk of the different products, in the bottom right hand graph, you can see the development of the cost of risk of credit cards. That cost of risk has really dramatically improved and you can see also the same trend in the PDLs ratios in local GAAP reaching 9.4% cost of risk this quarter and comparing it to a 15.4% cost of risk in the first quarter of last year. The cost of risk of credit card last year, I mean was at high levels during all the three first quarters. So you will see this trend going on in the next two quarters where we started to see an improvement in the cost of risk of credit cards was actually during the last quarter of 2017 and that has been the case up to this quarter and also these first months of the second quarter.

Carlos Rivera: Okay. So you'll see probably some stability over the numbers that we've seen this quarter projecting towards the end and that would give kind of the improvement?

Michela Casassa: Yes. Something like that.

Carlos Rivera: Thanks, and now we'll move on to the second one.

Michela Casassa: Yes, and related to the sale of treasury sales, we did two sales of treasury shares. One was in the last quarter of last year and the second one was in this first quarter. Those sales of shares are not impacting actually the IFRS figure that we're reporting. Because those gains are going directly through equity so you don't see those impacts in the earnings that we are reporting here. And basically, if you remember we announced some time ago a share buyback program, at a time in which the price of the share was really, really low so we acquired some shares at the bank and at IFS and then starting last year, with the recovery of the price, we decided to sell a portion of those shares and a second portion this year. We still do have some shares at Interbank's portfolio but, I mean, so far we don't have plans to sell them unless, maybe I don't know, the price is the correct one or a buyer appears but we shouldn't see that much of those impacts in the coming quarters.

Carlos Rivera: Okay. Thank you very much.

Michela Casassa: Thank you.

Operator: And your next question comes from Jason Mollin with Scotiabank. Your line is open.

Jason Mollin: Hello. Thanks for the opportunity to ask questions. My first is really a follow-up on this loan loss provision decline that we've seen and specifically as you showed on page 12 this level of cost of risk for credit cards at 9.4% down from 12.6% in the fourth and as you've said over 15% in the first quarter. Is part of this lower cost of risk related to the implementation of IFRS 9? Or is this just based on the delinquency that you see for and the losses that you would, well, I guess it is now based on the losses you expect. But how would that have differed if you hadn't implemented IFRS 9 is my first question?

Michela Casassa: Okay. Thank you for the question, Jason. First let me bring you back one second to the local GAAP figures. What we are showing on page 13. When we look at our local GAAP figures with no changes in any methodology or how we account provisions and PDL, you can see very similar trends. So basically if you look at page 13, the upper right-hand graph that you see there, which shows the loan loss provision at local GAAP the cost of risk for the first quarter is 2.6%. Here we are excluding the voluntary provisions we did for the construction companies. You see the note there. With that, that number would be 4% but it's like a different item. And that 2.6% cost of risk compared to 2.8% of the fourth quarter of last year and compared to 3.3% of the first quarter of last year. This trend here comes hand-in-hand with the trend that you see in the PDL ratio. Have a look at the PDL ratio. First, total Interbank, it has improved to 2.7% this quarter, and when you look at the breakdown of the PDL by the different businesses, you can see that the strong improvement in the PDL ratio is coming from credit cards and you can see that that number has gone down from 5.5% in the first quarter of last year, where we were well above the system average of 5.1%, down to 4.8% this quarter, even a little bit below the system average of 4.9%.

So basically, this improvement that you see in the PDL ratio, which is the regular way of accounting this PDL ratio with no changes in the methodology, this is really coming from an improvement in the credit risk profile of the credit card portfolio. And this is, as I was saying, a combination of many things. On one side, the reduction of the actual absolute value of provisions, and this is coming from a better risk profile of the portfolio and many things that we've been doing. And also, of course, as this is a ratio, it is also coming from the increasing volumes that we are seeing in credit cards.

Jason Mollin: That's very helpful.

Michela Casassa: So just an additional thing.

Jason Mollin: Sure.

Michela Casassa: And on top of that, that trend when you compare it to IFRS 9, it is very similar. It is true that as IRFS 9 is forward looking, it can accelerate a little bit some of the trends but in our particular case, when we look at what is happening in credit cards, it's not necessarily something that is related to what is going to happen but more than what has already happened with our portfolio which you also see reflected in the local GAAP figures.

Jason Mollin: Okay. That's very helpful. My second question is, just putting everything in perspective for the quarter, because there were a lot of, with the accounting change; you made an extraordinary provision as you just said. Is that only under local GAAP, the S/100 million?

Michela Casassa: Yes. Only on local GAAP, yes, because that was already like factored in the adoption of IFRS 9, so you see that through equity not through results.

Jason Mollin: Okay. So if we think about IFRS 9 reporting and we just think about what we saw that was sort of one-off, if you want to call it that in the quarter, we saw the impacts that you defined which were small in the investment portfolio, that was probably S/ 12 or 13 million if I remember the number.

Michela Casassa: Yes.

Jason Mollin: And then you have this S/ 145 million reserve for loan losses, loan loss allowance, and then I would put, even though this didn't have to do with an accounting change, I would put the over S/ 380 million in the treasury gains, the gain from the treasury shares in that bucket. So when we think about return on equity, just with the base of equity you now have at the end of the quarter and the run rate in earnings, we're not going to have the volatility of the insurance technical reserves, technical provisions being put through the income statement. How should, does this impact the outlook for return on equity? Or what would you define as the core return on equity in the quarter excluding all of these impacts?

Michela Casassa: Let me, Jason, correct you on a couple of things. Okay? The impacts that you see from changes in accounting, IFRS, etc, on the earnings of the quarter are actually only the ones related to the market-to-market, is only the S/ 13 million because the allowances for loan losses, you don't see them in the quarter in IFRS because that was the first adoption.–

Jason Mollin: Correct.

Michela Casassa: Okay.

Jason Mollin: No, I understand that.

Michela Casassa: And the gain on sale of securities you also don't see in earnings because they have gone through equity not through earnings. Okay?

Jason Mollin: Got it.

Michela Casassa: So basically

Jason Mollin: That's my point. But hold on. That's exactly my point. So return on equity has earnings and book value.

Michela Casassa: Okay. Understood.

Jason Mollin: To the earnings it's very little, I really care about book value growth.

Michela Casassa: Okay, okay, I understood your question. So basically, we are showing a 19.1% ROE for this quarter. If I were to exclude the one-off of the market-to-market which I mean this you really don't know what is going to happen. It could be also negative next quarter. It could be positive. Excluding that effect, that ROE would be 20%. Now it is true, I mean what we are expecting, looking at these IFRS figures going forward is for IFS to have an ROE of, I mean, at least this 20%. But it is also true that if you look at the local GAAP figures that we are showing in slide 6, which is the relevant net income that we show you because these are the numbers that then add up for dividend generation of IFS, numbers for Interbank are not that different but they do include the gain on sale of securities so that will account for dividend distribution. And the second thing that is different is Interseguro, that in local GAAP has still different numbers due to the gain in the investment portfolio for the combination of the portfolios of Sura and Interseguro.

So basically what is happening in terms of dividend generation is that as of the first quarter the increase if you want in the dividend generation has been very strong. It's around like 100%, moving from around S/ 250 million to almost S/ 500 million in the quarter. But again, those numbers have extraordinary figures. And if you look at the ROEs of local GAAP, you still see Interbank around 20%, Interseguro around 15%, if you normalize the extraordinaries, and Inteligo of more than 20%.

So combining everything together, this is why we still believe that under IFRS when we complete the changes in the way which we account the technical reserves, we should be with a ROE that at least reflects that average 20% going forward.

Jason Mollin: That makes sense. And then maybe you can just comment as a follow-up on the statement that you expect perhaps in the second quarter to have another change in how the insurance provisions are booked.

Michela Casassa: Okay. I will try to give it a shot and then maybe if I need help, I will ask Christian also to comment on this. Basically, there is still a slight difference in the way which we calculate technical reserves, okay? Versus, I mean, international standards if you want or differences in methodology with IFRS 9. When you calculate the reserve requirement, you use an average rate which is the average rate of your investment portfolio. And for this average rate, you use the average rate for the different maturities of your portfolio and on the portions of your portfolio where you are not matched, you use an average rate. In our case, that average rate is a risk-free rate which, when you discount the huge amount of the total stock of reserves for many years, has a strong impact of a higher number of technical reserves. We have been evaluating this and we have seen that there are other companies internationally that use this risk-free rate plus a premium. And if this was the case, the technical loss that we register every time we sell a new annuity would be either close to zero or a positive number. So that would change if you want, will change a little bit the performance of Interseguro and will be closer if you want or a little bit closer to the numbers that we see in local GAAP. So I'm not sure whether that was clear but please let me know.

Jason Mollin: I follow. No, no. That was helpful. That was very clear. Thank you.

Michela Casassa: Okay. Thank you.

Operator: And your next question comes from Alonso Aramburu with BTG. Your line is open.

Alonso Aramburu: Hi, good morning and thank you for the call. I wanted to go back to the risk-adjusted NIM. You mentioned, Michela, that you expect the risk-adjusted NIM to improve going forward and you also mentioned that the NIM should be stable so we should expect then that the cost of risk should continue to decline slightly as we move along this year. So basically, my question is this 2.5% cost of risk, how much lower can it go in the next couple of quarters?

Michela Casassa: Hello, Alonso, thanks for the question. Basically, when I was referring to the improvement, I was referring year-on-year so basically the trend that we have seen this first quarter when compared to the first quarter of last year is something that we should continue to see in the coming quarters. But to be sincere, that doesn't necessarily mean that the 2.5% cost of risk that we have seen this quarter will continue to improve. When we will look at the year-on-year figures in the combined and accumulative numbers, those numbers should be around that figure but I don't expect let's say a strong further improvement of cost of risk versus the 2.5% that I'm showing. Of course, this reflects a little bit of what we are showing in local GAAP and we will have to see. I'm not 100% sure of whatever additional impact the IFRS

9 could have. But talking if you want into what we are seeing today in local GAAP and the comparison to IFRS, I don't expect a strong further improvement in cost of risks. So the annual figures, if you want, the quarter-on-quarter trend should be more flat but the year-on-year trend of course, will still show lots of improvement because the cost of risk was still high up to the third quarter of last year.

Alonso Aramburu: Okay. Thank you. That's clear. And then going back to the NIM then, you mentioned that you were expecting a stable NIM going forward. And we're seeing now for some quarters your actual yield is coming down as you move to a higher quality client base. I mean, is that change in mix over? I mean do you expect that to continue? And that should continue to give you probably lower asset yields? How do you offset that? Are you offsetting that with lower funding costs? How much more can funding costs go down over the next couple of quarters?

Michela Casassa: Okay. I mean basically what is happening with NIM is that I mean there are like different forces going together. Of course, the increase in the volumes of the credit card portfolio, despite the fact that we are targeting better clients, improves because the weighted average yield of credit cards with good clients is still the higher yielding product of the bank. But there are certain other yields which are going down. Just to give you an example, with the decreasing rates in soles, as the commercial clients don't think about yields but about spread, the yields of commercial banking have gone down in soles, and given also the low growth and the price war that was going on in the market, those yields have gone down in corporate banking, and there has been a little bit of if you want of that effect also moving to the bigger midsized companies as well. And either to mortgages I would say. So that is if you want the driving forces of the NIM going down, even if credit cards, despite the fact that we are targeting good clients, helps NIM going up.

The other thing that is helping is the improvement in the cost of funds. As I showed you on page 11, cost of funds have gone down 30 basis points year-on-year. Of course, this has been helped by the decrease in rates, of the soles rates, but we do expect that cost of funds either to be stable or to improve a little bit because as the decreasing rates were at the end of last year and also the beginning of this year, we could still see a positive impact coming from there and also we are trying to make our funding structure more efficient. So basically this is why. Now if you consider either a stable to improving cost of funds and a stable cost of risk, no, this is why at the end of the day the NIM should be relatively stable and the risk-adjusted NIM that you see of this quarter could be either stable or with a slight improvement. I think this is more or less what we should see in the coming quarters.

Alonso Aramburu: Okay. Thank you. And then just one final question on the tax rate. The effective tax rate of Interbank was higher than in other quarters. I mean what drove that and what roughly should we expect as an effective tax rate going forward?

Michela Casassa: I mean you know tax rate is impacted by the tax-free investments that we do. For example, we have decreased certain short-term investment with the government in CDs, so that changes the tax rate. But I think we should see a similar tax rate to either an average if you want of what you have seen in this quarter with the previous quarter. Something in between but it will really depend on market conditions and on how much of our total portfolio we invest in tax deductible investments.

Alonso Aramburu: Okay. Thank you.

Operator: And your next question comes from Sebastian Gallego with Credicorp Capital. Your line is open.

Sebastian Gallego: Hi, good morning everyone. Thanks for the presentation. I have several questions. The first one, can you elaborate a bit more on the voluntary provisions that IFS made on the construction companies and what's the outlook going forward on this situation?

Michela Casassa: Good morning, Sebastian. Thanks for the question. This is something that maybe we commented in the last quarter. What we've done, and we did it actually also at local GAAP level in January, was to book S/ 100 million voluntary provisions, after an assessment of all the exposure that we had in the construction companies related to the "Club de las Constructoras". But in the case of Interbank is mainly related to, I mean, performance bonds, so we're mainly talking about indirect exposure. Hold on one second. I want to get to the numbers. So basically, we did an assessment of all the clients that we were with and we did an assessment of the risk that we saw coming from these potential issues and we assessed client by client and project by project because here we have different clients with different projects. Some of the projects are almost completed, some other projects are at different stages. And we, let's say, estimated, that the worst case scenario for a potential loss, if you want, during this year could reach this S/ 100 million. That was the case when we did the assessment, let's say, at the very beginning of the year. What we are doing from, let's say, month by month is like keeping track of the development of the exposure with these same companies in order to be able to see what to do with this voluntary provision. And what we have seen so far is that the overall exposure on those clients has improved. So it has decreased. Of course, as of the first quarter we have kept those provisions because I mean it's not that the problem is 100% over but what we will do going forward is to see how things are developing in order to see whether or not we are going to be accounting those provisions and moving them from voluntary to specific provisions. But so far if you want, up to today, we haven't seen any negative development if you want in order to have the need to apply those voluntary provisions to specific clients but we will continue to further look at the development of the evaluation that we made at the beginning of the year.

Sebastian Gallego: Okay. Thank you. My second question is regarding Interseguro. We saw the positive contribution on investments and we saw a nice increase on net premiums but can you comment on the specific account on net claims and benefits on particularly on annuities? What can we expect going forward? And more importantly, what could be the expectation on ROE for Interseguro under IFRS standards?

Michela Casassa: Okay. First let me comment on the claims which was I think your first question. Of course, you see claims going up but this is also the result of the fact that now we have Sura's clients.

Sebastian Gallego: Yeah, I understand.

Michela Casassa: So basically, now we have obligations in a higher portfolio of annuities, so the increase that you see there is mainly coming from that. And your second question, which is actually a very good question, I think, is related to the profitability of Interseguro. We are showing still a low ROE in IFRS standards, that when you of course compare with the local GAAP ROE there is like a 10 point difference between one and the other. There are a couple of reasons why the ROE of IFRS is still that low in this quarter. A portion of that has to do with the performance of the investment portfolio, you see there is a hit coming from market-to-market. But also the return on the portfolio is still not at the level that we would like it to be of the overall combined portfolio of Interseguro plus Sura. So that portion should help a little. And the second thing that is making this difference between the profitability is what I explained before, is the technical loss we are registering under IFRS every time we sell a new annuity.

So that is something that, to be sincere, I cannot give you the final answer because we are still in the process that I told you before of finalizing the figures and of seeing whether or not we can make that further change that should better reflect the performance of Interseguro. But the only thing that I can tell you now is that that 5% that you see in this quarter, I mean, should at least be a double-digit ROE. I cannot tell you the final figure yet but should be something that is much higher than the number that you see this quarter.

Sebastian Gallego: Okay. Thank you, Michela. And just one final comment and more than a question is just feedback. Is there a chance that IFS could just provide reports under IFRS or should we expect going forward that IFS may have local GAAP accounting, IFRSs accounting, and also we see different figures at the SBS?

Michela Casassa: Let me see whether I have understood your question. I mean we are currently reporting IFS only under IFRS.

Sebastian Gallego: Yes.

Michela Casassa: We do still have an obligation to report to the local authorities for Interbank and Interseguro in local GAAP. So that's why we also need to do these local GAAP. Basically, for the bank, as you can see, the differences between one and the other are not that material. The company where we still see the differences is Interseguro and this is also why we're trying to make this further change to see whether we can try to minimize those differences also for simplicity purposes of the analysis of the real performance of the company.

Sebastian Gallego: Yeah. Okay, thank you so much.

Operator: And as a reminder, it is * and 1 to ask a question.

And your next question comes from Jose Block with Profuturo. Your line is open.

Jose Block: Hi, my question is related to the sale of the 4 million treasury shares during the last two quarters. Considering the dilutive effect that this has on earnings per share, did you consider any other options or was it really necessary to sell these shares? Thank you.

Michela Casassa: I'm not sure whether I understood the sense of the question. Can you elaborate a little bit?

Jose Block: Yeah, sure. I mean, selling treasury stock has a dilutive effect on earnings per share. I would like to understand the rationality behind the sale. I would like to know if there was any particular reason why you took this type of decision.

Michela Casassa: Okay. Let me think. Basically, I mean, a portion, a big portion of those shares were at Interbank's investment portfolio. So basically I understand your point when you look at IFS as a company but for Interbank those shares are an investment and actually, I mean given the difference in price, they have meant and I mean a return for Interbank. So basically we have made some gains at Interbank level for selling these shares. Moreover, this has also helped if you want in terms of capital, because those shares for Interbank were 100% deductible of capital. So basically, when you analyze the sale of the shares from the Interbank perspective, it makes completely sense for the things that I've made. Of course, then when you do the consolidated numbers at IFS, things are a little bit different because there is no material impact earnings and there is no material impact capital but there is at Interbank level so I would say that is the answer I guess to your question.

Jose Block: Okay. Thank you for the explanation.

Michela Casassa: Thanks.

Operator: And there are no further questions at this time. I would like to turn the call back to Ms. Casassa for any closing remarks.

Mrs. Casassa: Okay, thank you everybody for joining our call and for the patience with all these changes this quarter. We will listen everybody in the next quarter.