Operator: Good morning, and welcome to the Intercorp Financial Services First Quarter 2019 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 conference 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 2019 earnings. We are very pleased to have with us Mr. Luis Felipe Castellanos, Chief Executive Officer of IFS and Interbank; Mrs. Michela Casassa, Chief Financial Officer of IFS and Interbank; Mr. Christian Stockholm Chief Financial Officer of Interseguro, Mr. Bruno Ferreccio, Deputy Chief Executive Officer of Inteligo Group, and Mr. Mario Caballero, Chief Financial Officer of Inteligo Group.

They will be discussing the results that were distributed yesterday. There is also a presentation to accompany these results. If you didn't receive a copy of the presentation or the earnings, they are 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 Mr. Luis Felipe Castellanos, Chief Executive Officer of IFS and Interbank for his presentation. Mr. Castellanos, please go ahead.

Luis Felipe Castellanos: Ok. Thank you. Good morning and welcome to Intercorp Financial Services First Quarter 2019 Earnings Call. First, let me comment briefly on the macro environment for Peru. A soft mining production environment related to specific issues of large mining operations and lower production of fishery resulted in soft GDP for the beginning of this year. Despite this, we remain relatively optimistic on achieving a close-to-3.5% GDP growth in 2019 as private investment, especially in the mining sector, is expected to have a positive impact on the economy going forward. Moreover, we expect domestic demand that has already recovered to grow close to 4% for the year, driving higher employment levels and therefore increasing household income.

Furthermore, macro fundamentals for Peru remain at healthy levels. The inflation rate remains within the Central Bank's target bands and under control; public debt as a percentage of GDP remains at relatively low levels, and the Central Bank remains well-positioned to maintain certain stability in the FX Sol/Dollar especially in a context where trade relations between US and China remain a source of global concerns. Peru macro indicators remain solid.

Moving on, the financial system continued to have a good performance in the country. At the banking system, outstanding loans grew 8.5% year-on-year driven by increases of close to 11% in retail loans, and 7% in commercial loans according to the SBS. Other consumer loans and credit cards grew the most in retail banking, while in commercial banking, corporate, large, and mid-sized companies' loans performed better year over year. The banking system remains profitable, with an average ROE of approximately 18% and is well-provisioned and well-capitalized. The insurance system saw a 10% year-on-year growth in total assets in the first quarter of 2019, with net premiums earned growing close to 4% when compared to the first quarter of 2018, and the system also remains profitable.

Under this environment, IFS' first quarter results were strong. Interbank continued to increase its market share in loans and deposits, especially in the retail segment, with healthy provision levels and good asset quality indicators. We believe that our digital efforts continue to deliver promising results for the benefit of our customers. Interseguro had a solid quarter in terms of earnings and ROE with gross premiums plus collections increasing 5% quarter-on-quarter, and 42% year-on-year. Inteligo showed a very strong quarter due to better market conditions, while assets under management continued to grow, reaching a 9.6% year-on-year.

We are confident that we're well-positioned with our omnichannel platform and our digital transformation efforts to help us to continue providing high-quality financial services to our customers to contribute to the country's sustainable growth.

Now, let me pass it on to Michela for a detailed review of our results.

Michela Casassa: Thank you, Luis Felipe, and good morning to everyone. Let me start the discussion with an overview of IFS' quarterly performance. On pages 2 and 3 of the presentation, the main highlights are:

Record quarter at IFS with adjusted profit growing more that 25% quarter-on-quarter and more than 20% year-on-year. ROE was 18.5%. There was a one-off effect of S/ 20 million from taxes related to the transfer of Interfondos. Excluding such effects, ROE would have been 19.6%. Moreover, and as previously discussed in other quarterly calls, we do have effects in shareholders' equity which, from time to time, can be positive or negative. In this quarter, the effect of shareholders' equity was relevant and was due to unrealized gains mainly at Interseguro. Excluding such effects, ROE for IFS reached 20.5% in the quarter. Efficiency ratio improved down to 33.7% in the quarter, and we had strong results at the three operating companies.

At the banking segment, we had a strong quarter with 11.9% growth in adjusted earnings and 10.2% year-on-year. Adjusted ROE reached 19.8%, which excludes the gains from the sale of Interfondos. The reported ROE for the bank was 22.1%. 17.3% year-on-year loan growth supported by an 18.2% growth in retail loans. We achieved the No. 1 position in credit cards and competition remains strong at that product. Risk-adjusted NIM up 20 basis points in the quarter and year-on-year with cost of risk down to 2.3% in the quarter. Digital sales and new customer acquisition are accelerating.

At the insurance segment, we had a solid quarter with more than 60% increase in earnings quarter-on-quarter and almost twofold year-on-year. ROE recovered to 10.5%. Excluding the effect of the unrealized earnings in shareholders’ equity, ROE would have reached 12.6% at Interseguro. Gross premiums plus collections increased 5% in the quarter and 42.6% in the year. We continue to be market leader in annuities with a 32.3% share year-to-date.

At the wealth management segment, we had a strong quarter with earnings growth of more than 70% quarter-on-quarter and year-on-year, partially thanks to better market conditions and coming up from a low fourth quarter 2018. ROE reached 38.1% and asset under management grew 0.9% in the quarter and 9.6% year-on-year.

On slide 4, let's have a look at some additional key performance indicators on page 4. As mentioned before, IFS reached record earnings of S/ 353 million or S/ 373 million when excluding the S/ 20 million impact from taxes related to the transfer of Interfondos from Interbank to Inteligo. Total revenues continued to show a good trend, with a 1.5% growth in the quarter and 9.5% in the year. The same is true for net interest and similar income growing 1.8% in the quarter and 8% in the year. Efficiency ratio continued to improve at IFS level, thanks to a reduction of cost in the quarter and to a positive operating leverage year-on-year. ROA has improved 40 basis points in the quarter, up to 2.2%, mainly thanks to the recovery of other income at Inteligo, lower adjusted holding expenses, and a higher ROA at Interbank.

NIM at Interbank decreased 20 basis points in the quarter but is up 10 basis points in the year. The quarterly decrease is partially due to a 10 basis points increase in cost of funds, and to a 10 basis points in decrease in return on interest-earning assets. Risk-adjusted NIM, on the other side, improved 20 basis points in the quarter and in the year, mainly due to an improvement in cost of risk of 60 basis points in the quarter and 20 basis points in the year. The improvement in cost of risk in the quarter is mainly due to the reduction of volumes in commercial banking, and to an improvement of cost of risk of retail products including credit cards. NIM on loans at Interbank has improved 10 basis points in the quarter, up to 4%, and the same is true for risk adjusted NIM on loans, in line with our last year's strategy of improving the risk profile of our retail portfolio, especially in credit cards.

Total capital ratio for Interbank stands at 16.4%, with core equity Tier 1 ratio at 10.2% as of March 2019. At the insurance segment, gross premiums plus collections increased more than 40% year-on-year thanks to strong growth in both mandatory annuities and private annuities. Return on investments remained relatively flat at 6%. At the wealth management segment, assets under management grew almost 10% year-on-year, fee income suffered a decrease on a quarterly and yearly basis, mainly due to a lower brokerage activity amid higher volatility in global markets since December 2018, and lower structured products issuance during the quarter.

On slide 5, our relevant net income, which is the base for dividend payments, reached S/ 432 million as of March 2019, with Interbank at S/ 287 million, Interseguro at S/ 67 million, and Inteligo at S/ 78 million. It is worth mentioning that Interseguro posted extraordinary investment results last year after the merger with Seguros Sura was completed.

Now, let's take a look at each subsidiaries' performance in detail.

Starting with the banking segment on slide 7, you can see improvements in most of the key indicators at Interbank. As previously mentioned, risk-adjusted NIM improved 20 basis points in the quarter and in the year, reaching 4%, and cost of risk improved 60 basis points in the quarter and 20 basis points in the year. Adjusted total other income grew 1.4% year-on-year, with fee income growing 7.6%, and other income decreasing S/ 10 million.

The increase in the yearly fee income is mainly due to the strong increase in credit card-related fees, which is partially offset by other decreasing fees related to the migration to digital channels, which we have continued to foster, and to lower activity in contingent credits and corporate finance. Adjusted other income decreased mainly due to an extraordinarily high level of activity in trading income in the first quarter of 2018. Other expenses grew 7.9% year-on-year or S/

28.7 million, but decreased 2.1% in the quarter, with an improvement of 30 basis points in the adjusted efficiency ratio on a quarterly basis.

There are two main items which are stressing the yearly increase in expenses. First, a one-off effect of around S/ 8 million, which caused a 50% increase in workers profit sharing due to: (a) investment profits from the sale of shares in the first quarter of last year which was not affected with taxes and workers profit sharing, versus an investment profit from the sale of Interfondos, which did have an effect in workers profit participation. Excluding workers profit sharing, personnel costs increased only 2.5% year-on-year and 1.8% in the quarter.

And second, variable costs related to credit cards, which in percentage terms increased at similar levels as the growth in purchases and the growth in volumes of loans of credit cards, thus double-digit, but which at the same time, have a higher revenue correlation.

On the other hand, all other costs showed moderate growth. Technology costs grew 6% year-on-year with IT services growing 4.7% and depreciation and amortization growing 7.8%, while remaining costs grew at an average rate of 5% year-on-year.

Now, let's move to slides 8, 9, and 10 to discuss about the further evolution of our digital transformation. On page 8, digital customers, which include customers that interact with the bank through our digital platform over the number of customers who have touched the bank in the last three months, have reached 55% in the first quarter 2019 from 41% in the first quarter 2018, representing a 46% increase year-on-year in the number of digital customers. As of the end of April, digital customers have surpassed 1 million clients. Moreover, the participation of 100% digital customers, who are customers that do not use branches any longer, has reached 22% as of the first quarter.

The percentage of total transactions performed off branches has continued to increase, reaching 95% in the quarter from 94% one year before. Additionally, the percentage of monetary transactions performed off branches has reached 80% in the quarter from 78% one year before.

Digital sales and self-service transactions reached 30% as of the first quarter from 21% one year before. This represents a growth of 57% in the number of digital sales and self-service transactions. In particular, digital sales are showing a strong pick-up in the first quarter of this year, as shown on page 9, with savings accounts opened digitally, reaching 24% from 3% one year before. Business accounts or “Cuenta

Negocios" opened digitally reaching 54% from 0% one year before. New credit cards reaching 8% from 1% one year before. Credit card line increasing reaching 68% from 35%, and extra cash loans reaching 15% from 7% one year before.

100% digital acquisition of retail customers has also started to surge from 5% of new retail customers in the first quarter of 2018, to 14% in the first quarter this year. Moreover, during 2019, we have launched new functionalities in our digital platform such as the display of in-process credit card transactions, the budgeting tool within Smart feature for personal cost control, real-time product offering, tracking of requests and claims, and a reminder of due payments.

Our digital transformation, together with a number of other projects undertaken in order to become the No. 1 bank in the minds and hearts of Peruvians, has helped out net promoter score for retail clients to increase substantially and to reach 33 points as of the first quarter compared to 11 points one year before. Moreover, the NPS for digital customers is much higher than the average of retail clients and has reached 41 points as of the first quarter, coming up from 18 one year before. [On slide 10 we are showing the improvements we are seeing in productivity at the bank, thanks] to different measures we have been undertaking in the past month.

First, the migration of low value-added transactions to more efficient channels. Total number of monetary transactions has increased 10.4% year-on-year, with branch transactions decreasing 3.3%, and digital transactions growing almost 50% over the same period. This has reduced the participation of branches within monetary transactions from 22% in the first quarter of 2018 to 20% in the first quarter this year.

Second, the decrease in the number of branches. As of March 2019, we had 264 branches, a reduction of eight branches when compared to one year before, and a reduction of 26 branches or 9% when compared to the peak of 290 branches in December 2015. Third, a number of initiatives aiming at improving the productivity of branches in terms of retail deposits and products sold. The average volume of retail deposits per branch has increased 18.6% over the past 12 months, while the total number of retail products sold per branch has increased 30.5% year-on-year.

On page 11, our year-on-year loan growth of 17.3% is almost two times the growth of the system of 8.5%, and our quarterly loan growth of 2.4% outperformed the negligible growth of the system. In the first quarter, our retail loans grew 4% versus a system growth of 2.3%, and our commercial loans grew 0.7% compared to a decline of 1.5% in the system. We have reached the No. 1 position in retail credit cards as of March 2019. Due to this strong growth, we have continued to gain market share in total loans by further 40 basis points on a quarterly basis, and by a total of 90 basis points on a yearly basis, reaching 12.4%.

Total loans growth was 2.4% in the quarter as retail loans increased 4% and commercial loans 0.7%. Credit card growth reached 5.2% in the quarter; other consumer loans grew 4.2%, with mortgages growing 2.9%. On a yearly basis, total loans growth is 17.3%, slightly slower than the previous quarter due to increases of 18.1% in retail loans and 16.4% in commercial loans.

The yearly growth in credit cards continues strong at 29.1%, with a stable risk profile of the portfolio and stable cost of risk. An important contributor to this trend in credit card loan growth, is the strong increase in credit card purchases and usage, which is more than 25% year-on-year, supported by an almost 50% increase in digital purchases. We believe these strong growths are the result of our revamped Interbank Benefit loyalty program, new commercial and risk profiling models that allow us to increase share of wallet with existing customers, and to better target new ones, and innovative digital solutions that are gaining preference in the market.

On page 12, retail deposits continue to grow, reaching 14.5% on a yearly basis, allowing us to gain 20 basis points in market share in the quarter and 60 basis points in the last 12 months, reaching a record 13.2%. Total deposits grew 4.1% quarter-on-quarter as a result of increases of 5.7% in commercial deposits and 2.1% in retail deposits. During the quarter, the growth in commercial deposits allowed us to gain 10 basis points of market share when compared to the previous quarter, reaching 12.4% and 12.8% in total deposits.

Growth in bonds was explained by two simultaneous issuances in the local market in March 2019. Certificates of Deposit for S/ 150 million due March 2020, and local corporate bonds for S/ 150 million due March 2029. These two transactions had 3.5x and 5x demand respectively, which allowed us to take the upper limit of the offer at very competitive prices of 4.28% for one year, and an equivalent of 5.9% for 10 years in soles, respectively. This, together with the cross currency swap transactions from dollars to soles we have been performing on our five-year bonds during the last year, have allowed us to substantially improve our asset and liability position in soles and represent, today, additional sources of soles funding with longer maturities which were not available in the market before at these amounts. Average cost of funds increased 10 basis points in the quarter, reaching 3%.

On slide 13, we are showing the evolution of the stock of provisions over total exposure or expected loss. This trend shows that the risk profile of the bank has remained relatively stable over the past four quarters, despite some quarterly volatility in cost of risk. Moreover, it has improved 40 basis points year-on-year at total bank level, as well as in the retail and commercial portfolios. Within retail, the year-on-year improvement is mainly due to an improvement in the risk profile of the credit card portfolio.

On page 14, cost of risk was 60 basis points down during the quarter, and 20 basis points down in the year, to 2.3%. The quarterly improvement was mainly due to lower provision expenses in the commercial portfolio related to a decrease in exposure in corporate and mid-sized companies, both from direct loans and indirect loans. Cost of risk for the commercial portfolio was 0% in the quarter, down from 0.9% in the previous quarter, and from 0.4% in the first quarter of the previous year.

Moreover, the cost of risk of retail banking also improved in the quarter from 4.6% in the fourth quarter 2018 down to 4.2% in this quarter, thanks to improvements in cost of risk of all retail products: 30 basis points in credit cards, 60 basis points in consumer loans, and 50 basis points in mortgages.

The nonperforming exposure under IFRS criteria remained relatively stable. When looking at Stage 2 and 3 over total exposure, the ratio improved 30 basis points this quarter, down to 11.3% with stable and healthy coverage ratios. When looking at Stage 3 and refinanced loans, this ratio was 2.9%, stable in the quarter, but a decrease of 20 basis points when compared to the first quarter.

On slide 15, when looking at the SBS figures comparable to the system, Interbank's past-due-loan ratio remains stable in the quarter at 2.6% but improved 10 basis points when compared to the first quarter of 2018. The system PDL was 3%. Looking at the PDL breakdown, we can see within retail, that credit cards PDL ratio has improved 30 basis points in the quarter, mortgages have improved 10 basis points in the quarter and consumer loans have remained stable.

With respect to commercial banking, the corporate PDL ratio remains stable quarter-on-quarter, mid-sized companies increased 30 basis points and small and micro companies improved 10 basis points. Our 2.4% cost of risk in local GAAP for the quarter remains above the system average of 1.9%, mainly due to the higher incidence of retail and credit card loans in our portfolio mix, especially when compared to the system and the other three main banks. Normalizing this effect, our cost of risk in local GAAP would be 1.7%, below the 1.9% of the system.

On page 15, as of the first quarter, Interbank's capital ratio of 16.4% is 470 basis points above its risk-adjusted minimum requirement established by the SBS at 11.7%, and above the system average of 15.3%. Core equity Tier 1 ratio decreased 40 basis points in the quarter, mainly due to the distribution of dividends, but remains flat year-on-year at 10.2%, despite the strong growth registered in the past 12 months in loans, and in risk weighted assets.

Now, let's turn to page 18 to discuss the insurance segment.

On slide 18, net interest and similar income quarterly growth is explained by a growth of assets and higher inflation rate that had a positive impact on returns of fixed-income portfolio. Year-on-year, it remained relatively flat, after the portfolio relocation with Sura acquisition. Other income, quarterly and year-on-year increases, were mainly explained to a higher investment income, other than interest similar income, particularly rental income from real estate and net gain on sale of securities, among others. The quarterly reduction in other expenses was mainly attributed to lower administrative and salary expenses, while the year-on-year growth was mainly explained by investments in technology.

On slide 19, gross premiums plus collections in the first quarter increased 5% and 42.6% year-on-year, excluding gross premiums from disability and survivorship that expired in December 2018. The quarterly growth was explained by increases of S/ 5.3 million in retail insurance, S/ 3 million in annuities, and S/ 2.5 million in private annuities. The yearly growth was explained mainly by increases of S/ 32.9 million in annuities, S/ 23.4 million in private annuities, and S/ 10 million in retail insurance. Annuities net premiums increased 3.9% on a quarterly basis and 68% year-on-year. This year-on-year remarkable growth was explained by a bigger market size and a higher market share. Interseguro's annuities market share was 32.3% in the first quarter compared to 32.2% in the fourth quarter of last year, and 24.5% in the first quarter of 2018.

Collections from private annuities in the first quarter represented S/ 51.9 million, in contrast with S/ 49.4 million in the fourth quarter, and S/ 28.5 million in the first quarter of the previous year. Market share remained stable at 20.6%. Retail insurance increased 9.9% in the quarter and 20.7% year-on-year due to a good performance of credit life insurance.

Individual life remained relatively stable quarter-on-quarter and year-on-year. Excluding the accounting adjustments from Sura merger in 2018, the recurring premiums grew 9% year-on-year.

On slide 20, total premiums earned less claims and benefits resulted in a loss of S/ 74 million in the first quarter, a reduction of S/ 6.4 million quarter-on-quarter, but an increase of S/ 4.8 million year-on-year. The quarterly decrease was mainly explained by a S/ 22.9 million growth of adjustments in technical research due to annuities sales growth, higher assets under management returns for life savings products, and an increase in inflation rate, partially offset by a reduction of net claims and benefits [incurred related to] disability and survivorship in Seguros Sura's contract expiration in December 2018.

On slide 21, Interseguro's investment portfolio reached S/ 11.6 billion, which represents an increase of 3.9% in the quarter and 3.6% on a yearly basis. Results from investments in the first quarter were S/ 173 million, which represented a 6% return on Interseguro's investment portfolio, similar to the previous quarter, but above the 5.7% reported in the same period of the previous year.

Now, let's turn to page 23 to have a discussion on our wealth management segment. On page 23, wealth management net profit was S/ 78.3 million in the first quarter, a S/ 33 million or 74% increase on a quarterly basis, and S/ 34 million or 78% year-on-year. This result was attributed to a better performance of the proprietary portfolio. Net interest and similar income in the first quarter was S/ 30.7 million, a 4% increase quarter-on-quarter and 25% increase year-on-year. The latter performance was mostly attributed to incremental coupons and dividends from the proprietary portfolio after the acquisition of new investment instruments.

Net fee income from financial services was S/ 38.9 million in the quarter, a decrease of S/ 2.7 million or 6.5% compared to the previous quarter. When compared to the first quarter last year, net fee income from financial services decreased S/ 4 million or 9.7%. The quarterly and annual decreases were explained mainly by a lower brokerage activity amid higher volatility in global markets in December last year, and lower structure products issuance during the quarter.

Other income reached S/ 36.8 million in the quarter, an increase of S/ 32.3 million on a quarterly basis and S/ 35.7 million on a yearly basis, attributable to better mark-to-market valuations on the proprietary portfolio and optimal conditions caused by the market rebound during the first quarter 2019, that prompted the sale of certain investments.

Other expenses reached S/ 26.9 million in the first quarter, a decrease of 6.3% in the quarter and an increase of 1.7% year-on-year. The latter performance was mainly due to higher depreciation and amortization charges associated with IT investments.

On slide 24, assets under management reached S/ 17.8 billion in the first quarter, a S/ 160 million or 0.9% growth increase on a quarterly basis, and S/ 1.5 billion increase on a yearly basis. This result was mostly attributed to the opening of new accounts due to a strengthened prospection strategy. As a consequence of these increases in assets under management, we expect an incremental growth of brokerage and custody service fees in the quarters to come.

Loans portfolio reached S/ 1.5 billion in the first quarter, decreasing 7.1% on a quarterly basis, and 12.8% on a yearly basis. Revenues generated were S/ 105.9 million, an increase of 40% on a quarterly basis and 48% year-on-year. The quarterly and year-on-year growth was mostly explained by the appreciation of the proprietary portfolio reflected in other income.

Fee income divided by assets under management of Inteligo Bank and Interfondos was relatively stable at 0.8%. As a consequence of these results, wealth management net profit, and ROE in the first quarter were S/ 78.3 million and 38%, respectively. Excluding the positive impact of mark-to-market valuations in other income, ROE would have been even higher.

Thank you very much. As you have seen from the numbers, we have had a strong first quarter 2019. We are committed to executing our strategic plan with a strong emphasis on our digital transformation for the benefit of our customers.

Now, we welcome any questions you may have.

Operator: At this time if you would like to ask a question please press * and 1 on your touchtone phone. You may withdraw yourself from the question queue at any time by pressing the # key. Once again to ask a question please press *1 now.

And our first question comes from Andres Soto with Santander. Please go ahead.

Andres Soto: Good morning, everyone, and thank you for the presentation. I have two questions: the first one related to net interest margin. Obviously, this quarter had several parts moving around, but I would like to understand what is your view in terms of the competitive environment both for loans and deposits, and based on that, what is your expectation in terms of net interest margin performance this year?

Michela Casassa: Good morning, Andres, and thanks for the question. Related to net interest margin, what we are foreseeing for this year is to have a stable NIM and a stable risk adjusted NIM. We have seen some decrease in the NIM on loans, but actually, when you have a look then, at risk adjusted NIM on loans, you see that there is an improvement. So, basically, it's the result of the risk profile of the retail portfolio that we have started to manage since the beginning of last year.

You had a second question, I guess?

Andres Soto: Yes, Michela. My second question is related to cost of risk. In the last earnings call, you have guided for 3% cost of risk in 2019. I'm wondering if this expectation has changed after the low number you posted this quarter.

Michela Casassa: The guidance we gave during the last quarter was a cost of risk close to 3%, and as you have seen from the number, we have seen some volatility in the quarterly cost of risk. That's why are also showing you the risk profile of the portfolio. What we are expecting is to have a cost of risk which is somewhere between 2.5% and the 3%, more likely closer to the lower end than to the higher one, but it's something around that number.

Andres Soto: Perfect. Thank you so much.

Operator: And once again to ask a question please press * and 1 on your touchtone phone. Our next question comes from Tiago Binsfeld with Itaú BBA. Please go ahead.

Tiago Binsfeld: Thank you for taking my questions. I have a couple of questions as well. First, in your credit card loan book, you mentioned during the call that you're now leaders in this segment. Does that mean that you have now achieved a steady state for this product, or do you think there could be further market share gains above this 26% market share that you have now?

And my second question would be at other income at Inteligo that you mentioned also during the call, the results in the proprietary portfolio. Can you give us a little bit of color on what's happening in this line in the first quarter or maybe discuss what you expect going forward from this proprietary portfolio? Thank you.

Michela Casassa: Good morning and thank you for the questions. Related to credit cards, actually, we believe there is still space, no? As the growth we have been experiencing is sustained during the quarters, and we're seeing a trend in the usage and purchases of credit cards, which we believe will continue in the coming months. As we also mentioned during the last quarter, most likely the strong growth year-on-year of the loan book of credit cards will not be sustainable at those levels, but for sure would be the product that continues to grow the most in the portfolio. Although we are seeing strong competition, and this has been true for the past months.

Related to other income from Inteligo, as previously mentioned, the result we are posting this quarter is extraordinary and particularly high, basically coming from a low fourth quarter 2018. So, we are not expecting a quarter from Inteligo which is, or a year from Inteligo, which is going to be this first quarter times four; we mostly likely would have a second quarter from Inteligo, which is lower than this first quarter.

Tiago Binsfeld: Ok. I appreciate it. Thank you.

Operator: And our next question comes from Nicolas Riva with Bank of America. Please, go ahead.

Nicolas Riva: Thanks, Michela, for taking my question. Just one question on loan growth: so, you grew about twice the rate of growth of the banking system, 17% year-on-year. And recently, one of the rating agencies downgraded the rating for IFS and Interbank, and the reason was precisely the much higher loan growth than the banking system overall. What makes you feel comfortable, really, about this pace of growth, and also if you can give guidance or outlook for loan growth for the full year. Thanks.

Luis Felipe Castellanos: Hi. This is Luis Felipe Castellanos. Basically, we feel very comfortable with the growth levels and the capital base that we have. What the rating agency did, which was Fitch in this case, they basically aligned to the solid BBB of the other agencies, where they mentioned that they thought we did not build capital as fast to accompany that strong growth, especially in our retail book that has higher risk-weighted assets. However, we do feel comfortable that at that ROE that we're producing, we will be a solid investment-grade name, which is our target.

Nicolas Riva: And the second part?

Michela Casassa: Related to the guidance of loan growth, what we discussed during the last call, was that we were expecting a system to grow between 8%

and 10%, and Interbank to continue growing faster than the system, in order to allow us to gain market share, at low double-digit levels.

Nicolas Riva: Thanks Michela and Luis Felipe.

Operator: And our next question comes from Alonso Aramburú with BTG. Please, go ahead.

Alonso Aramburú: Hi. Good morning and thank you for the detailed presentation. I have a follow-up on the margins. We saw funding costs go up this quarter because of the growth of commercial deposits and you also had some bond issuance at the end of the quarter. What should we expect in the short term in terms of funding costs? Should that continue to put some pressure on the NIM in 2Q and 3Q?

And you also provided some interesting information about your digital sales. Do you have somewhat specific targets on the digital sales, and can you comment on the plan to continue closing more branches? How would that continue over the next couple of years? Thank you.

Michela Casassa: Good morning, Alonso, and thank you for the questions. Related to the margins and cost of funds, what we have seen during this first quarter is a combination of effects. First, the mid-term financing that I mentioned, but also due to the fact that we have been growing faster than the market and especially in soles. Despite the strong growth we struck in retail and commercial deposits that allowed us to fund a portion of this growth, we also had to tackle the more, let's say, overnight funds which, specifically during the first quarter, due to liquidity ratios of the financial system, was particularly competitive, and had a peak of cost of funds, especially in February. So, basically, we are not expecting that specific effect to repeat under the second quarter. So, what we are expecting is a stable cost of funds for the second quarter of this year, and to continue to pursue our strategy of bringing in as much core low-cost deposits, especially from retail banking.

Luis Felipe Castellanos: Hi, Alonso it’s Luis Felipe. Your second part of the question, we do have some targets that we manage internally, obviously. We're in the process of really learning everything related to digital usage by our customers. We've been investing, as you know, heavily in the last couple of years in building capabilities, which entail new products, services, and channels. We have been positively surprised on the level of activity that we're seeing in terms of the customers. We always have this thinking that Peruvians might not be ready for 100% digital solutions. So, we're pleased with what we're seeing, but still, a long way to go. So, I wouldn't feel really comfortable in sharing specific targets right now, although we're following closely, month by month and quarter by quarter, the evolution of how our solutions that are impacting our customers.

In terms of branches, same concept. We do have a profitability model that measures activity and profitability in each of our branches. We rank them, we're reviewing closely, where to open and what to close as we see digital traction in acquisition and in services increase, we probably will feel more comfortable in being more aggressive. However, we do believe that Peru will be kind of a mixed platform where physical presence will still be important for a couple of years. So, we do expect that, probably the low-hanging fruit has already been taken care of, and probably more moderate in terms of branch closing in the near future, until we reach a new level of maturity in terms of digital activity, where we'll probably review that again.

Alonso Aramburú: Thank you for the comments.

Operator: And our next question comes from Sebastián Gallego with Credicorp Capital. Please go ahead.

Sebastián Gallego: Hi, good morning. Thanks for the presentation. I have two questions. The first one is a follow-up to a prior question. You mentioned your guidance for cost or risk of 2.5% to 3%, I'm just wondering if you can provide more color on the release of provisions in medium-sized companies, or what did it change to actually change back the guidance on cost of risk. The second question is related to the insurance business. You mentioned that Seguros Sura pretty much had a contract expiration on disability and survivorship. Can you comment on whether or not you can actually enter again into this business in Peru going forward, or what should be expected in terms of premiums breakdown going forward? Thank you.

Michela Casassa: Thank you for your questions, Sebastián. Related to cost of risk, actually, last year has been the first year of implementation of IFRS 9. So, basically, if you see the quarterly evolution of each of the quarters of 2018, there has been volatility in the number. The fact that has mostly impacted that volatility are the movements in volume. So, basically, we saw that in the fourth quarter of last year with the cost of risk reaching 2.9% at normalized level, mainly due to the strong growth we registered that quarter in credit cards. What are seeing is that IFRS 9 magnifies cost of risk when you have growing or decreasing portfolios.

What we are seeing during this quarter is exactly the opposite. So, basically, what has happened is that due to the reduction in volumes of corporate, especially midsized companies during the quarter, we have seen a release of provisions when compared to the previous quarters of the past year. So, actually, cost or risk for the commercial segment/quarter is 0%. So, when you then take this to a yearly view, you don't see those volatilities, because then volumes stabilize, but of course, they do have an impact in the total cost of risk. When we gave the guidance in the last quarter, we said close to 3%, we had a last quarter of 2.9%. Now, we're at 2.3%. Of course, we expect the 2.3% to increase as the volumes of the commercial banking will start to recover.

So, we expect to be somewhere above that 2.5%, which is the lower end of the range, and for the year to be somewhat close there. But we could still have one quarter that could be, maybe, closer to the 3% that we had in the fourth quarter last year. I mean, I would love not to have that much volatility in the quarterly measure, but this is the methodology. Actually, after the first year, we are, again, reviewing everything we're doing with the methodology as all banks in the world are doing, and we are in the process of fine-tuning and learning from that.

And related to your second question on Interseguro's disability and survivorship, there is a new window in order to participate in this business, which is in about two years. So, we could participate in this business again if we are assigned the auction.

Luis Felipe Castellanos: Yeah, having said that, we're committed to remain very disciplined in terms of looking for profitability in that product as well.

Sebastián Gallego: Thank you.

Operator: And once again to ask a question please press * and 1 on your touchtone phone. Our next question comes from Adriana de Lozada with Deutsche Bank. Please, go ahead.

Adriana de Lozada: Good morning to the entire team, and congratulations on the results. Scotiabank, actually, not Deutsche Bank. My question is related to tax levels. How do you see this going forward? [Taking off] the S/ 20 million of this quarter, tax levels were significantly low. However, you mentioned that you expect Inteligo to contribute less to earnings in the coming quarters. So, this would have a negative impact on tax levels, and just wanted to know what your thoughts were. Thank you.

Michela Casassa: Hi, Adriana. Good morning and thank you for the question. As I mentioned before, this quarter, we had this S/ 20 million, let's say, one-off effect in taxes. That should not be present in the coming quarters. So, you see, for the quarter, a slightly higher tax rate. Actually, this tax rate varies depending on the contribution not only of

Inteligo, but also of Interseguro. So, we are estimating a tax rate of somewhere around 25%, and of course, this would vary depending on what I just mentioned.

Yes, next quarter, we're going to have a lower contribution of Inteligo, but also, we're not going to have the S/ 20 million effect from the sale of Interfondos from Interbank to Inteligo.

And mainly just to complement on one more thing, another thing that impacts that tax rate at Interbank, is the contribution of the non-taxable instruments. So, also, there, depending on how much of those instruments you have on the portfolio, you do have a higher or lower tax rate. So, it's not that exact and simple to estimate that number, but we should be around the range I just gave you.

Adriana de Lozada: Got it. Thank you very much.

Operator: And once again to ask a question please press * and 1 on your touchtone phone. We will pause a moment to allow questions to queue.

And it does appear that there are no further questions over the phone at this time. I would like to go ahead, and turn it back to the speakers for any closing remarks.

Michela Casassa: Thank you, everybody, for joining our call. We will listen to each other again in our Second Quarter Conference Call in the month of August. Thank you. Bye.