

Melanie Carpenter
I-Advize
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Operator:The following is a recording for Melanie Carpenter of I-Advize on Thursday, February 16, 2017 at 8:00 AM Central Time. This is the IFS fourth quarter 2016 Conference Call. Good morning and welcome to Intercorp Financial Services fourth quarter 2016 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 go ahead.

Rafael Borja:Thank you, Katie, and good morning everyone. On today's call Intercorp Financial Services will discuss its fourth quarter 2016 earnings. We are very pleased to have with us Mr. Luis Felipe Castellanos, Chief Executive Officer of Intercorp Financial Services, Mrs. Michela Casassa, Chief Financial Officer of Intercorp Financial Services, Mr. Gonzalo Basadre, Chief Executive Officer of Interseguro, Mr. Juan Pablo Segura, Chief Financial Officer of Interseguro, Mr. Reynaldo Roisenvit, Chief Executive Officer of Inteligo Group and Mrs. Claudia Valdivia, Chief Financial Officer of Inteligo Group. They will be discussing the results that were distributed last Tuesday. 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 www.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. Castellanos, Intercorp's Chief Executive Officer for his opening remarks. Mr. Castellanos, please go ahead.

Luis Felipe Castellanos: Okay, thanks, everybody. Thanks for joining our call to review 4Q 2016 results. As you can see, we have a big team ready to answer all your questions. Yesterday, officially, GDP numbers came out for 2016. GDP growth for the country was 3.9 percent. On the positive side, we have to say that this the highest number reported for the last three years. This figure was mainly supported by the recovery of the mining industry. On the not-so-good side, we did not see a recovery of internal demand. We had expected this could happen the second half of last year after the elections, but has not been the case. So the composition supporting GDP growth has not led to economic activity strongly picking up. As a result, the financial system had one of the lowest growth numbers in recent years, both for loans, retail and commercial, and deposits. It is worth to mention that given the slow activity, the PDL ratio for the system continued to increase to one of the highest levels during the last years. Having said that, the banking system in Peru remains solid, profitable and well capitalized. Under that scenario, 2016 was another good year for Interbank.

We were able to maintain or slightly gain market share in loans and deposits, while leading the system in ROE and being well provisioned and capitalized. We did see a strong increase in provisions, particularly due to the deterioration of the credit cards and consumer loans book, but managed through efficient cost control to maintain good net income levels. Despite the significant reduction in FX activity, compared to 2015, that resulted in lower income and results from financial operations. On another front, Interbank was recognized among the most admired companies in Peru once again, named as Bank of the Year by The Banker for a second consecutive year, and achieved the number one position in the Great Place to Work ranking for large companies in Peru. A word on Interseguro. Interseguro was able to manage a tough year, after an important change in regulation that affected the retirement annuity business. The company's management has been able to successfully launch new products, diversifying into new segments and resume growth in the annuity business with a clear focus on efficiency and cost control, with assets under management north of 5.4 billion and undisputed leadership in retirement annuities, it is well positioned to take advantage of the opportunities lying ahead for the life insurance industry in Peru. Inteligo had a very solid profitable year, achieving record recurring earnings with a strong activity growth. The rationale for including Inteligo a couple years ago into the IFS platform has proven to be as good as we expected, providing IFS with more earnings diversification, strong fee income and a very profitable and efficient operation. It is worth to mention that both companies, Interseguro and Inteligo, were also included in the honor roll of the Great Place to Work ranking in Peru, a testament of how important culture and working environment are for IFS, as a place to achieve solid and sustainable results. Finally, some words on the outlook for 2017. We expect GDP growth to be around 3 or 4 percent, but with a mix, where internal consumption should play a more important role even the expected recovery thus benefiting our businesses. The government is actively working for this to happen. However, we're currently facing many factors that could change the numbers, including the potential effect of an unexpected El Niño phenomenon, the impact, development and aftermath of the corruption scandal affecting the country that could delay much needed public or private investments. Nevertheless, we'll remain positive on a better year for Peru in 2017. Our IFS platform stands ready to take advantage of the opportunities ahead of us, in a country with deep under penetration of financial services. Now, let me pass it on to Michela, our CFO, for her presentation.

Michela Casassa: Good morning, everybody. I would like to continue by giving you a brief summary of the key indicators of the 2016 yearly performance of IFS and its subsidiaries, before entering to the quarterly performance. Let's have a look at pages number 2 and 3 of the presentation. IFS profits for 2016 full year were 834 million soles, a 33 percent decrease from the previous year or 6 percent decrease, when excluding the impact of discount rates on the calculation of technical reserves at Interseguro. Some of the factors that negatively impacted IFS 2016 results, and which we have discussed in previous quarters, and as Luis Felipe previously mentioned, were first, low growth in loans at Interbank of 4.5 percent, due to a low growth in the Peruvian financial system of roughly 3.5

percent. Second, lower FX gains at Interbank of roughly 200 million soles vs. previous year. FX gains decreased more than 1 billion soles at the system level in 2016, after having increased even a bigger number during 2015. Third, higher requirements of technical reserves at Interseguro, due to a lower discount rate on annuities. During 2016, this impact was negative at 120 million soles, while in the year 2015, this impact was positive at 226 million soles. Fourth, loss on sale of some investments related to Brazil at Interseguro for around 70 million. And last, the new Private Pension funds law, which limited the growth of premiums in the annuity market at Interseguro.

For the full year 2016, the return on adjusted equity was 17.4 percent or 19.8 percent, when excluding discount rate impact. At Interbank, during 2016, we've maintained a strong capitalization and funding structure, with stable profits despite lower loan growth and FX activity. Excluding extraordinary FX gains registered in 2015, profits would have increased 10 percent year on year. Interbank had a 9.9 percent year-on-year growth in retail deposits, which led to a 60 basis points gain in market share. PDL ratio remains stable at 2.6 percent, remaining below the system average of 2.8 percent as of December 2016. And cost of risk in IFRS figures reached 3.0 percent due to loan mix, with the impact on consumer and mild credit growth. At Interseguro, results were affected by annuity market dynamics and accounting, as well as some sale on investments. Premiums growth accelerated in the last quarter of the year, as Interseguro continue to gain market share and the annuity market stabilized after the regulatory changes; however, still lower year on year. Interseguro had a strong double-digit annual growth of the investment portfolio. At Inteligo, 2016 was a very good year in terms of results, revenues, efficiency and profitability. There was a 12.7 percent annual growth in assets under management plus deposits. There was a solid growth in the investment portfolio, which drove annual revenues up 17.4 percent year on year. In the full year, net profit increased 62 percent year on year. Now, let me start discussions of the quarterly performance by referring to pages 5 and 6 of the presentation. IFS fourth quarter 2016 net profit improved substantially, with an increase of 85 percent quarter on quarter and 75 percent year on year. Net interest and similar income increased 2.8 percent on a quarterly basis and 3.6 percent on a yearly basis, while fee income from financial services increased 1.1 and 3.1 respectively. NIM decreased 10 basis points on a quarterly basis, down to 5.6 percent, but NIM on loans at Interbank improved 10 basis points to 10 percent. PDL at IFS remained flat on a quarterly basis at 2.5 percent. And cost of risk increased 20 basis points to 2.8 percent, mainly due to increases in commercial banking. The efficiency ratio remained relatively stable at 40 percent, when excluding the positive impact of discount rates on technical reserves at Interseguro. Capitalization ratio for Interbank remains strong at 15.9 percent. And the core equity Tier 1 ratio at 9.3 percent. Please turn to the following page for a brief overview of the quarterly net earnings of IFS' three segments. On page 8, at Interbank, before entering into the details of Interbank results, we'd like to give you a short update of the banking industry trends in 2016.

As previously mentioned, there was a slowdown in loan growth, with 3.5 percent

as the year end figure for total loans, and retail loans growing 5 percent, and commercial loans only 2.6 percent at system levels. And the results from financial operations coming from FX transactions decreased more than 1 billion soles in 2016 when compared to 2015. Within this scenario, Interbank's profit reached 223.7 million in the fourth quarter, an increase of 1 percent quarter on quarter and 1.7 percent year on year, and the return on adjusted equity was 21.1 percent in the fourth quarter. NIM decreased 20 basis points in this quarter at Interbank, but NIM on loans improved 10 basis points to 10 percent, continuing the positive trend registered also in the past quarter. On page number 9, performing loans grew only 0.5 percent on a quarterly basis, due to an increase of 1.7 percent in commercial loans, which was partially offset by a decrease of 0.5 percent in retail loans. The decrease in the retail loans is mainly due to a 2.5 percent decrease in credit card loans, as we have continued to tighten our credit underwriting standards in some specific sub-segments of clients, given the economy performance. Growth in commercial loans was mainly due to increases in short and medium-term lending within the corporate and middle market businesses, partially offset by a decrease in leasing operations. Our market share on total loans decreased 10 basis points quarter on quarter, but remained flat year on year. On page 10, 2016, and the last quarter of it, has been very good in terms of funding and deposits for Interbank, allowing us to gain 50 basis point market share in total deposits on a yearly basis and 60 basis points in retail deposits. This has allowed us to reduce our usage of Central Bank soles funding and to contain an increase in cost of funds coming from the deregulation of assets and liabilities of the financial system. The quarterly growth in deposits was 5.4 percent, mainly explained by increases of 4.2 percent in retail deposits and 6.2 percent in commercial deposits. Average cost of funds decreased 20 basis points quarter on quarter, and increased only 10 basis points year on year, currently at 2.8 percent. On page 11, we're looking at SBS comparable figures to the system. Interbank's past due loan ratio remains flat at 2.6 percent in the fourth quarter. The coverage ratio increased to 180 percent. The same trends are valid for the IFRS PDL figures. When looking at the PDL breakdown, we can see within retail that the overall consumer credit PDL has increased 30 basis points quarter on quarter to 3.6 percent and remains in line with the system average. Credit cards PDLs increased 60 basis points to 5 percent, slightly above the system average of 4.8 percent, and this was mainly due to the decrease in volumes registered in the quarter of 2.5 percent, as previously mentioned. Within the commercial portfolio PDL improved in both medium and small micro companies and remained well below the system average. The annualized ratio of provision expense to average loan has increased 10 basis points to 2.9 percent in the fourth quarter. This ratio remains above the system average of 2.0 percent, mainly due to the mix of the portfolio with a higher incidence of retail and credit cards, when compared to the system and to the other big three banks. Normalizing the effect of our portfolio mix, our ratio will be at 2.1 percent, slightly above the system average. When looking at IFRS cost of risk figures, the increase in the ratio is 20 basis points, reaching 3 percent, mainly due to higher provision requirements in IFRS versus local GAAP. On page 14, Interbank's capital ratio was 15.9 percent, 400 basis points above its risk adjusted minimum capital ratio requirement, which is established at 11.9

percent and above the system average of 15 percent. Core equity Tier 1 ratio was 9.3 percent as of December 2016. Please turn to the following page to start with Interseguro's results discussions. On page 17, Interseguro's net results in the fourth quarter was 131.6 million, which compares to a loss of 54 million in the third quarter and 3.6 million in the fourth quarter of the previous year. Interseguro's profit excluding discount rate impacts on technical reserves increased by 4.6 million quarter on quarter and 2.9 million year on year. The quarterly improvement in bottom line reported results was mainly explained by 169.3 million decrease in adjustment of technical reserves and a 19.2 million positive effect attributed to book value adjustments of previously impaired instruments, given the sale of such securities, coupled with a 13.2 million increase in translation result and 5.7 million increase in net interest and similar income. The yearly improvement in profits was supported by a 110.5 million increase in total premiums earned less claims and benefits, in addition to a 35.7 million positive effect attributed to book value adjustments of previously impaired instruments, given the sale of such securities. On page 18, you can see a comparison with local GAAP results. Interseguro's net profit attributable to shareholders in the fourth quarter was 131.6 million under IFRS and 18.8 million under local GAAP. The main differences between the IFRS and the local GAAP profits are as follows: First, a lower adjustment of technical reserves under IFRS as a result of the impact of the volatility of the discount rate to calculate technical reserves affecting the total stock of technical reserves. Second, a lower result in impairment loss on available for sale investments, as under IFRS, the book value of impaired security is adjusted to realize the gain when sold. Third, a higher net gain on valuation of real estate investments under IFRS as a result of the use of different risk free rates to calculate NPV of real estate investments valued under the DCF methodology. And fourth, higher profit in foreign exchange as a result of different dollar stocks of assets and liabilities in IFRS when compared to local GAAP. On page 19, looking at the key indicators, we can see that net premiums in the fourth quarter were 148.9 million, an increase of 12.7 million quarter on quarter, mainly due to a 9.5 million growth in annuities and 2.7 million in retail insurance, but a decrease of 28.2 million year on year, mainly related to a market contraction in annuities due to the new law previously mentioned. Annuities market share in the fourth quarter was 23.5 percent and 23.3 percent in full year, which positioned Interseguro as the market leader. Interseguro's adjustment of technical reserves was minus 5.7 million in the fourth quarter compared to minus 151 million in the fourth quarter of the previous year, and minus 163.6 million in the third quarter of 2016. The quarterly decrease was mainly due to different discount rates impacts in annuities. This rate decreased by 15 basis points in the third quarter and increased by 17 basis points in the fourth quarter. The year-on-year increase was also a result of different discount rates impact in annuities. This rate decreased by 3 basis points in the fourth quarter of 2015 and increased by 17 basis points in the fourth quarter 2016. Net claims and benefits incurred were 88 million in the fourth quarter, an increase of 9.3 million quarter on quarter and 18.1 million year on year. This growth was mainly due to higher annuity pensions and inheritance claims. Considering the factors previously explained, total premiums earned less claims and benefits resulted in 66.7 million in the fourth quarter, an increase of 172.8 million on a quarterly basis and 110.5 million on a yearly basis. On page 20,

in the fourth quarter, Interseguro's investment portfolio reached 5,415.6 million, an increase of 10.6 percent year on year. Results from investments in the fourth quarter were 103.9 million, which represented a 7.5 percent return on Interseguro's investment portfolio, below the 7.8 percent reported in the third quarter, but above the 6.6 percent registered in the fourth quarter of the previous year. The quarterly decrease was mainly explained by a decrease of 26 million net gain on sale of securities, partially offset by a 19.2 million positive effect attributed to book value adjustments of previously impaired instruments, given the sale of such securities. The yearly increase was largely explained by a 35.7 million positive effect attributed to book value adjustments of previously impaired instruments, given the sale of such securities, coupled with a 7.8 million increase in net interest and similar income as a result of a higher volume of assets. On page 22, we will start with the discussion of Inteligo Group results. As previously mentioned, Inteligo had very positive results in 2016, with a solid year in activity, revenues, efficiency and profitability. The full year profit of Inteligo reached 171 million, a 52 percent increase versus 2016. In the fourth quarter, net profit decreased 20 percent, but registered a significant recovery year on year. Inteligo's net interest and similar income in the fourth quarter was 21.4 million, an 8.1 percent increase when compared to the third quarter of 2016. Net fee income from financial services was 30.4 million, a slight decrease of 1 percent when compared to the previous quarter, but an increase of 30.5 percent when compared with the same quarter of the previous year. On page 23, we can have a look at the key performance indicators with assets under management plus deposits reaching 14,854 million in the fourth quarter, a 1.8 percent increase when compared to the previous quarter, and a 12.7 percent increase when compared to the fourth quarter of the previous year. Inteligo's loan portfolio remains stable at 1,700 million in the fourth quarter. Revenues generated by Inteligo reached 53 million, a 7.8 percent decrease quarter on quarter, but a 35.6 percent increase year on year. Fee income divided by assets under management remained relatively stable at 0.9 percent in the fourth quarter. Inteligo's net profit for the fourth quarter was 38 million, while annualized return on adjusted equity was 23.6 percent. As final remarks, since our last conference call, when we already gave an update on the buyback program, Interbank and Inteligo have bought a total of 450,000 IFS shares. This means that as of today, the total number of shares acquired from IFS and its subsidiaries since the launch of the program is 1,892,000 shares. Now, we welcome any questions you may have.

Operator: Thank you, ma'am. At this time, we will open the floor for questions. If you would like to ask a question, please press the star key, followed by the one key – that is star one – on your touchtone phone now. Questions will be taken in the order in which they are received. If at any time you would like to remove yourself from the questioning queue, press star two. Again, that is star one if you would like to ask a question. Our first question comes Guilherme Costa from ITAU BBA.

Guilherme Costa: Good morning, everyone. Congratulations on the results and thank you for the opportunity. I am Guilherme Costa from Itau BBA. I have two

questions. The first one is about asset quality. We saw that the NPL ratio of credit card loans increased by 6 bps sequentially, which is a little bit above the deterioration seen in the financial system. Could you give us further details on this asset quality deterioration, if this was only because of the contraction in the credit card loans, or if you saw some deterioration in the portfolio, and what you imagine that the asset quality of credit card loans will behave going forward? Moreover, if you could give us some indication about the asset quality in 2017, if you expect that overall NPL ratio to improve. What is the expectation for the cost of risk? And then, I have my second question.

Michela Casassa: Okay, thank you very much for your first question. Related to asset quality, as previously mentioned, the 60 basis points increase is mainly related to this decrease in loans, okay. The decrease in volume, of course, the decrease in volume is also a result of a process in which we have been following in the past, I would say, more than 12 months, of reviewing our credit underwriting standards and continue to tighten them. If you see the credit card loan growth of Interbank even on a yearly basis, it has been below the system average, and this is due to the fact that even in 2015, we started to see some deterioration of the portfolio, and we started tightening our credit standards. Going forward, and of course, this would be also impacted by volume, but we are expecting a slight improvement of the asset quality of credit cards as the result of all the measures we have undertaken in the past month start to have their first impact on credit quality. The second portion of your first question – I didn't catch. Was it related to asset quality on commercial banking?

Guilherme Costa: No, the asset quality of the overall bank at Interbank and also if you expect any improvement in the overall NPL ratio and in the cost of risk for 2017 for the overall portfolio?

Michela Casassa: Okay. We have some uncertainty, actually, as to how fast will the economy improve, okay? So basically, that is going to have an impact on asset quality, and most likely on asset quality of both retail and commercial. We are expecting relatively stable cost of risk for this year, but again, there are two factors that will impact that number. First, the cost of risk itself for the deterioration of the portfolio related to economy improvement, and the second one is going to be volume. We are expecting a slight recovery of the volume growth of the financial system as a whole and of Interbank in 2017, given the very low growth that we have seen last year, okay? But again, this has a certain level of uncertainty. Having said that, cost of risk is relatively flat and a slight recovery of volume for 2017.

Guilherme Costa: Okay, thank you. And my second question is about the loan growth. You had mentioned that you expect some recovery for 2017. Could you indicate a number on how much you expect to grow in 2017? Do you expect to beat the market in the loan expansion, and what portfolio should lead the expansion after adjusting the credit card portfolio? Can we saw a higher increase in the credit card loans in 2017?

Michela Casassa: Related to the loan growth in the financial system, we are foreseeing a slight recovery, as I previously mentioned, so we are thinking of a range between 6 to 8 percent at the system level. What we would like to accomplish is to outbeat this 6 to 8 percent at system level slightly, so that we could be able to gain some market share, okay? Actually we did last quarter in some of the products. Can you repeat the second portion, please, of the question?

Guilherme Costa: Yes, of course. It was about the composition, the breakdown of this loan growth. Which segments do you believe you will expand faster?

Michela Casassa: Okay. One of the segments or products that should grow a little bit faster in 2017 should be mortgages, given that last year, we had a strong impact coming from the funds coming from private pension funds, now with the possibility to use 25 percent of your funds to prepay your mortgage, okay? That had a hit, especially in the last two months of the year, where there was a strong inflow of people wanting to prepay their debt. So in any case, we had some of those flows also in January, but lower than last year. And we expect that taking out that effect from 2017, mortgages should grow a little bit faster than in 2016. A second product would be credit cards, which actually we expect to grow a little bit more than last year, given that our growth has been very limited. And the second area of growth should be middle-sized and small business companies that for the system as a whole and for us was actually negative during 2016. So we're expecting 2017 to have positive figures on those volumes.

Guilherme Costa: Okay, perfect. Very clear. Thank you.

Operator: Thank you. Our next question comes from Carlos Rivera from Citi.

Carlos Rivera: Hi, good morning, everyone, and thanks for the opportunity to ask questions. My first question is regarding OPEX. I mean, during 2016, there was actually a decline versus 2015. So if you could give us a bit more color here. Is this type of growth sustainable? OPEX will obviously help you to offset lower revenues. What can we expect for 2017 if the revenues were to be on the low side? How low can you go on OPEX growth? Thanks. And then I'll ask my second question.

Michela Casassa: Okay, and your first question was what we are expecting for 2017. It's a slight increase of OPEX, okay? We need to do some investments in order to continue with the development of our digital capabilities. But we are not expecting anything substantially different to what you've seen in 2016. And this, I would say, specifically goes to Interbank now where the big portion of the expenses are.

Carlos Rivera: Correct. Okay, alright. Thanks. And for my second question, I mean, during 2016 earnings, excluding the impact of rates of the technical reserves were down 6 percent, and you had an ROE below 20 percent, what can we expect for 2017, could you go back to the ROEs of last year, closer to 23-

24 percent, or is that too ambitious? And if you expect an ROE recovery, what would be the main drivers of this in addition to loan growth? You mentioned high loan growth already, but provisions a little bit stable, OPEX growing a little bit, so just big picture wanted to get color for what's gonna be the main drivers of earnings for this year. Thank you very much.

Michela Casassa: Thanks for your questions. First, there are two, or actually three, extraordinary factors that negatively impacted 2016, and which would not repeat in 2017. One of the ones we mentioned – a couple we mentioned were related to Interseguro. One was related to the loss on sale of some investments, okay. And the second one's related to the decrease of the premiums year-on-year due to the new law. Now we're not expecting any of those two things. And the third factor is which we described in Interbank. We had a decrease of 200 million of the FX gains, which was really a big hit last year, and which we do not expect to repeat this year. So this is the first portion which is related to a lower base which should not impact 2017. I think basically starting from there, we should have a better increase of income for 2017, and the level of ROE we are expecting in any case stays at the low 20 percent.

Carlos Rivera: Okay. And just a clarification, on the FX gains, do you see the new level, which is lower, as a sustainable, kind of more normalized level, or should we expect some growth from this point of 2016?

Michela Casassa: Slightly stable, actually, I would say.

Carlos Rivera: Okay, thank you very much, Michela.

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

Alonso Aramburu: Hi, good morning. Thank you for the call. Michela, can you give us a sense of how to think about your funding costs and your margins for this year? Do you need to replace Central Bank funding, and how do you plan to do that? And what do you think the impact on funding costs will be?

Michela Casassa: Okay. Thanks for the question, Alonso. In year 2015, we were a little bit concerned about soles funding, okay? What happened during 2016 is that given on one side the low loan growth, and on the other side, the strong performance we have had on the deposit growth in soles, okay, we've been able during 2016 to decrease the total size of our funds with the Central Bank, okay? Yes, in 2017, we have some maturities of Central Bank funds, and we expect to maybe renew some of them, but a smaller portion. And we intend to continue to pursue our strategy with deposits and to fund a big portion of our growth in loans, which again, is not going to be that big, okay, with the growth in deposits. So basically, we are not foreseeing a strong increase in cost of funds, as we have not seen during 2016. Actually, if you have a look and you compare the growth of the financial expenses of the Bank, it's one of the lowest when you compare with the four big banks. And we expect to continue to do the same this year. And in terms of NIM, again there, because of the different mix in the

portfolio, higher growth in mid and small companies, recovery of credit cards, what we are expecting for 2017 is a kind of stable NIM, also for this year.

Alonso Aramburu: Okay. Thank you for that. And a second question going back to cost of risk and provisions, in this quarter, the increase in provisions was driven apparently by commercial loans. Is that something that we should continue to see in the short term? And can you give us a little color on exactly what are these commercial loans that are driving these higher provisions?

Michela Casassa: Yes. Actually what we've seen this quarter, and you see it's a little bit more dramatic in IFRS figures when you compare it to the local GAAP figures, is that even with performing loans, when you change your classification from the first category to the second one, the level of provisions that are required for IFRS that are much bigger than the ones in the local GAAP, that's why you see a stronger hit in IFRS figures. This has been related especially to some few real estate clients, okay? And actually, we have seen also during the year 2016 some deterioration in some middle market companies. And again, depending on the recovery of the economy, we could see some of that in 2017. Also, especially due to the fact that the volume, again, in this specific segment of middle sized companies, decreased during 2016. Okay? We are not expecting that in 2017, but again, it will depend on the picking up of the economy.

Alonso Aramburu: Great, thank you.

Operator: Thank you. Our next question comes from Sebastian Gallego from Credicorp.

Sebastian Gallego: I was asking about the economy. You mentioned in previous answers that there is uncertainty about the economy. And I'm just wondering how do you see the execution risk coming from key projects in Peru this year, and how this might affect the economy during 2017. And a follow-up on that is you provided a GDP growth of 3 percent to 4 percent, and that range seems a bit wide. Would you say that there are more downside risks, or there are more upside risks to those figures? Thank you. I will ask my following questions after that.

Luis Felipe Castellanos: Hi, thanks for your question. It's Luis Felipe. Actually, we particularly gave a wide range, because there's some uncertainty right now, as mentioned, what's going to happen with El Niño, the rain, that was not expected, the huaycos. And then the real impact on what is the public investment and the confidence in the private sector as a result of all this that we're living right now in terms of the projects, infrastructure projects, that are needed but are being delayed at least for reasons that we all known and publicly available information. So that's the reason, and probably the risk is more on the downside. The government sticks to around 4 percent. I think they saw a good January, they are expecting a good January for about 5 percent, but nevertheless, it's a moment with some uncertainty on the economic front right now, and so we are concerned, because we were betting on 2017 as being a

better year than last year, and again, if that does not materialize, then economic activity will remain very slow.

Sebastian Gallego: Okay, thank you. My second question is related also to NIM. I know you mentioned in previous answers that you expect a stable NIM, but how do you expect your loan mix to evolve during 2017, as we saw – sorry – a quarterly negative growth on the consumer side? Would you say that commercial loan book could gain further share in the loan mix this year?

Michela Casassa: As we mentioned, there are different factors that would impact the portfolio mix in 2017. Within the commercial loan book, we expect a recovery of mid-size and small businesses, as we have seen a decrease of the volumes during 2016. Actually, January has already been a month in which we had increased loans in mid-sized companies, and as far as the small business are concerned, we've seen already four to five months of continued growth in volumes, okay? And when you look at overall full year last year, you still see a decrease. So the first portion of improving NIM should come from higher yields we've seen in the commercial portfolio. And the second part is the recovery throughout the year, maybe we could be a little bit stronger in the second semester of the year. But for example, we continue to see growth in the personal loans in which we still have a very low market share, and that we have continued to increase market share during the past two years, together with the increase in the payroll of private clients. Let me just add one comment, in any case we are aiming at a roughly 50-50 percent composition of our portfolio. Now we normally stand between, I don't know, 52-48, depending on who grows a little bit more, but what we have in mind is to always be close to the 50 percent contribution of retail and commercial to the overall loan portfolio.

Sebastian Gallego: Thank you. That's very helpful. And my last question goes to Interseguro. You mentioned at the very beginning of your call that there's a ton of opportunities ahead for this market after the law had a negative impact on premiums. Can you comment on those main opportunities that you see on this market, and what kind of growth should we expect in terms of premiums during this year? Thank you so much.

Michela Casassa: I'm going to pass it on to Juan Pablo Segura, who is here with me, CFO of Interseguro.

Juan Pablo Segura: So we see basically on the top line two big opportunities. One related to the retail insurance business, so we have around 220 million net premium business full year on retail. We utilize, of course, the Intercorp channels to commercialize, these insurances. And these are picking up. In 2016, they grew double digit, and we expect that to accelerate in this year, 2017. In terms of the annuity business, we think about the annuity business in two ways. The regulatory, one, and the private type of annuities. The regulatory one we think is going to be flat for 2017. And the market share we're going to have in 2017 should be around the same as 2016. So we shouldn't be expecting on the regulatory side of the product to have a huge growth. The new products that

we've launched of annuities are private annuities, so those are retirees that will buy an annuity after they have taken out all of their cash from their retirement funds. Those are growing big in Interseguro. We've seen a good performance in the last quarter, and we think 2017 will be a good year, where more than 10 percent of annuities will be sold that way. So those are the two main opportunities in the top line.

Sebastian Gallego: Okay, thank you very much.

Operator: Thank you. Our next question comes from Joswilb Vega from Integra.

Joswilb Vega: Hi, good morning, and thank you for taking my question. I have actually two questions. The first is, can you repeat the buyback program status, and if you are considering to extend it? And the second one is would you discuss about the hiring of Market Maker in order to increase the liquidity of the stock? Thank you.

Luis Felipe Castellanos: So, Hi, it's Luis Felipe. As mentioned by Michela, we have in total in the portfolio of IFS subsidiaries, 1.8 million shares, and similarly to when we launched, this is going to be very opportunistic way, so it remains open. And the second part of your question was market maker? That's under evaluation, still under evaluation right now.

Joswilb Vega: Okay, thank you. Okay.

Operator: Thank you. Our next question comes from Luis Adaime from Newfoundland Capital Management.

Luis Adaime: Hi, good morning, everyone. On the Interseguro discount rate impact, could you maybe go over the main drivers? What is the main variable to monitor here? It seems counterintuitive to me that you know, rates have gone up significantly in the fourth quarter all over Latin America, and it has a positive discount rate impact here.

Juan Pablo Segura: Hi, Luis. This is Juan Pablo from Interseguro. Yes, as the yields in our portfolios go up, the technical reserves needed in our balance sheet go down, and that gives us a positive impact in our P&L. So that's what happened in Q4. We saw 20 basis points of higher yield in Q4, and that explained the 100 million impact in Q4. It's a difficult variable to track and do a forward looking statement on it. In Q1, we've already seen yields go down again, which might have a negative impact for Q1 in technical reserves and in the P&L. I mean, that impact is going to be as volatile as the yields are in the market. And as of today, we see those could go either way. It could go up again by the end of Q1, or it could continue to decline.

Luis Adaime: So this is the impact of Peruvian yields on your liabilities, strictly on your liabilities? It's strictly on your liabilities?

Juan Pablo Segura: No. That's the yield of our portfolio, okay? Now, it's

important that you see this impact also in our equity from what happens with our assets. As yields go up, the technical reserves needed are lower, and you have a positive impact on the P&L, whereas if yields go up, the bond prices we have in our portfolio go down too. And that has a negative impact in our equity. And that impact doesn't go to P&L. So we have to see both sides of the equation to see the real economic impact for the company.

Luis Adaime: Perfect, Makes a lot of sense. Thank you very much.

Operator: Thank you. Our next question comes from Adriana De Lozada from Scotiabank.

Jason Mollin: Hi, this is Jason Mollin. Our question is on your deposits and a little bit on funding. Deposits in the system didn't grow that much in 2016. Your deposits grew about 3 1/2, 3.9 percent year on year, below nominal GDP. We did see the mix. We saw an improvement with retail deposits growing faster than commercial. And you did gain share, which I thought was interesting, 50 basis points. If you can talk about the funding market, the deposit market, and where you see deposits growing relative to loans, and if, in particular, we could see local currency growing faster than dollar deposits in 2017. Thank you.

Michela Casassa: Okay, thank you for your question. Related to the growth in deposits specifically for retail at Interbank, this is something that if you have a look at the past three to four years we've been pursuing a very focused strategy, okay, and year after year, we've been gaining, slightly, market share there. And this has to do a lot with the value proposition of Interbank, which stands with convenience and reach of the network. Before that, there was a little bit less of a focus in the bank network with deposits. We did many different things among which changing a little bit the incentive schemes on the branch in order to foster new deposits coming from retail, and this is what we've pursuing in the past year. When we have a look on what's happened in 2016, we saw a dollarization of deposits at the end of 2015 – if you remember when the exchange rate started to pick up, but after when it started to stabilize last year, funds started to switch back to soles again. So when we have a look at the currency mix of our retail deposits base, we've been able to grow faster in soles within deposits. This is why, also, it has held the cost of funding of the Bank. What we expect going forward, well that will depend a lot also on the exchange rate, but if we stay with the tendency of relatively stable exchange rate, and low exchange rate, and we have yet a slight devaluation of the sol, we expect that the funds of deposits in soles, especially in retail, will continue to grow faster than soles, at least for Interbank, and that should continue to help cost of funds for the Bank. I'm not sure if that answers all of your questions.

Jason Mollin: What is the spread between the costs of funding on your deposits in soles versus dollars today? And how is that evolved? Premium versus on dollar, and has that changed? Are you attracting deposits by offering – you know, is it the premium over dollars that's attracting the deposits? Is it a premium versus your competition?

Michela Casassa: No, it's premium versus dollar actually. I mean, you see the average rate from dollar – we're talking about half a percent, and you see the average rate from soles – you're talking about 2.5 percent. And then, of course, you see time deposits versus current account they are very different, but in time deposits, we could also talk about 5 percent in soles for one year, for example.

Luis Felipe Castellanos: Yeah, I'm sorry this is Luis Felipe, and if you understand our strategy well, we do not compete in price for deposits. As Michela mentioned, it is all about value proposition, convenience, being close to customers, CRM, commercial campaigns, being very active in reaching and understanding our customers. That's the way we've been growing in the recent years.

Jason Mollin: But to help us understand a little better with this higher funding cost, of course, you don't have the mismatch, and you want to match your funding to your asset base. But if you're increasing the soles deposits, you're paying obviously, for the obvious reasons, the cost is higher. So I'm not sure – I would understand on margins if you're trying to fund with lower cost deposits that your margins could go up, but I'm not sure I understand the cost of funding going down if you're switching into soles.

Michela Casassa: Actually, when you have a look at the average cost of funding in the fourth quarter of 2016, was 2.8 percent. And in the fourth quarter of 2015, it was 2.7 percent. So it increased during 2016, mainly due to what you're referring to, the mix of more soles versus soles. But what I was referring to is that we have been able to limit that growth, okay, when you compare the increase in financial expenses of Interbank and of cost of funding. It has been slightly better than our competitors, because of the increased share of retail deposits in soles. If you have a look at slide number 10, retail deposits account for 32 percent of our total funding base in the fourth quarter, and this has been growing. In the fourth quarter of the previous year, it was 29 percent. So overall, the mix of deposits that we have, have improved the quality of our funding base, if you want.

Jason Mollin: Thank you very much. It's very clear.

Operator: Thank you. Our next question comes from José Raunelli from Profuturo.

José Raunelli: Good morning. Thank you for your kindness and opportunity for my question. I have two questions. One is that on December of this year, there was a modification of the corporate income tax law, and do you see any benefits on the balance sheet from this law? And my second question, I will ask it later.

Michela Casassa: Hi, hello, and thank you for your question. What we're seeing last year, due to the modification of the tax law, is that there was a positive impact because of different taxes that positively impacted the 2016 results. But then going forward, this year 2017, we have higher taxes, and that actually is

going to negatively impact our results. Then, at the end of the day, as have also seen a decrease in the tax related to dividends at overall IFS level, I mean, there is no one impact, one washes with the other.

José Raunelli: Thank you very much for the answer. My second question is regarding the return on assets and equity for the upcoming year. We see that this year it was 17.4 and your recovery for the next year. How long do you expect this, until you recover from previous levels?

Michela Casassa: In terms of ROE, as previously mentioned, we are expecting to be in the low 20s, okay. And then in terms of ROA, yes we should see a recovery, because again, in this ROA, we have some of the negative impact that we previously mentioned, related to income, for example, the FX part of the bank is also impacted. This decreased from 2.8 percent in 2015 to 1.7 percent in 2016. So I cannot give you an exact number, but we should see a slight recovery of it.

José Raunelli: But you feel that it will be below 20 for 2017, or it's going to be above?

Michela Casassa: No, I mean we are targeting at least 20%.

José Raunelli: Okay. Thanks. Thank you very much.

Operator: Thank you. Once again, we will now hold for questions. Please press star one if you would like to ask a question. Again, that is star one if you would like to ask a question. At this time, I am showing no further questions in the queue. I would now like to turn the call back over to Mrs. Casassa for closing remarks.

Michela Casassa: Okay, just to say thank you, everybody, for joining our call, and we will hear each other again during our next quarter results. Bye to everybody.

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

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