Operator: Good morning, and welcome to Intercorp Financial Services' First Quarter 2020 Conference Call. [Operator Instructions] It is now my pleasure to turn the call over to Rafael Borja of i-advize Corporate Communications.

Rafael Borja: Thank you, and good morning, everyone. On today's call, Intercorp Financial Services will discuss its first quarter 2020 earnings. We are very pleased to have with us Mr. Luis Felipe Castellanos, Chief Executive Officer of Intercorp Financial Services; Mrs. Michela Casassa, Chief Financial Officer of Intercorp Financial services; Mr. Gonzalo Basadre, Chief Executive Officer of Interseguro; and Mr. Bruno Ferreccio, Chief Executive Officer of Inteligo. They will be discussing the results that were distributed by the company yesterday.

There is also a webcast 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.

Please be advised that forward-looking statements may be made during this conference call. These not account for future economic circumstances, industry conditions, the company's future performance or financial results. As such, statements made are based on several assumptions and factors that could change causing actual results to materially differ from the current expectations. For a complete note on forward-looking statements, please refer to the quarterly report issued yesterday.

It is now my pleasure to turn the call over to Mr. Luis Felipe Castellanos, Chief Executive Officer of Intercorp Financial Services, for his presentation. Mr. Castellanos, please go ahead, sir.

Luis F Castellanos: Thank you very much. Thanks, everyone, and good morning. Welcome to IFS' First Quarter 2020 Earnings Call. To start, I want to thank you for taking the time to participate in our call and again wishing that all, your families included, are in good health and safe during these difficult times.

On this call, we will have the opportunity to review IFS' first quarter results as well as to provide an update of the actions taken by IFS to ensure business continuity and to help our clients under the current circumstances. Also, we will touch upon the main measures that the government has taken to face this situation.

As mentioned in our COVID update call that took place a couple of weeks ago, our main objective is to ensure that our employees and clients remain safe. We continue in the middle of weathering the storm. We will continue to vision difficult days ahead. Unfortunately, the number of people infected in Peru continues to rise, and the country continues under an emergency state with mandatory confinement so far lasting over 55 days, and it has recently been extended for two more weeks as of now. The government plans are to recover the economy in 4 phases with Phase 1 starting only two days ago. The expectation for GDP contraction this year continues to change with ranges of -5 percent to -20 percent being discussed by economic analysts.

It is worth to note that this crisis finds the banking system, and IFS in particular, with good solvency levels and well capitalized. In addition, the government actions to face the crisis have been within the most aggressive in the region, building upon the solid macroeconomic fundamentals that Peru has enjoyed during the last close to 30 years.

We are certain that IFS have an important role to play in helping Peruvians through this situation and more importantly in recovering once the crisis ends. We know that it's going to take some time for the country and the economy to recover. Our digital platform is ready to take a leading role in the recovery process and also to adapt our strategy and capabilities to become even more relevant in the life of Peruvians under the new normal that will arise as a result of the COVID phenomenon that has impacted everybody's life.

We remain committed to execute our long-term strategy where digital and analytics play a key role and to continue providing high-quality financial services to our customers to contribute to the country's sustainable growth by empowering all Peruvians to achieve financial well-being.

Now let me pass it on to Michela Casassa for a deeper review of our results.

Michela Casassa: Thank you, Luis Felipe. Good morning, everybody, and welcome again to Intercorp Financial Services First Quarter 2020 Earnings Call. Again, I want to thank you all for sharing with us this call and hope you and your loved ones are safe from wherever country you are listening to this call from.

This time, we have divided our presentation in 4 parts, which include highlights, an update to the COVID situation, the first quarter results in detail and some few takeaways at the end. The main highlights are, at Intercorp Financial Services, profits reached PEN 145 million in the first quarter and ROAE reached 6.6 percent, affected by higher provisions at Interbank and impacts on investments at Interseguro and Inteligo. At Interbank, net profit decreased 17.1 percent year-on-year mainly due to higher provisions, and ROE was 13.8 percent.

The initial impacts of COVID-19 are already reflected in the first quarter 2020 key banking indicators. Continued growth in retail deposits and market share up to 13.7 percent after lockdown. There has been a deceleration of loan growth and activity after the lockdown, especially in retail, which now grows 12.3 percent year-over-year. We've registered the first impact on provisions with NPL coverage up to 136 percent, and the Core Equity Tier 1 ratio has improved 180 basis points year-over-year to 12 percent, enhanced by higher capitalization.

At Interseguro, quarterly results affected by negative impacts on investment portfolio. Net premiums grew 10.8 percent in the quarter and 1 percent in the year mainly driven by retail insurance business. We continue to be the market leader in annuities with a 27.9 percent market share. And the return on the investment of the portfolio is at 4.2 percent or 6.1 percent excluding the one-offs compared to 5.8 percent in the previous quarter.

At Inteligo, quarterly results were also affected by negative impacts on the investment portfolio. Fee income divided by the average assets under management remained stable at 1 percent, and the assets under management decreased quarter-on-quarter due to the mark-to-market despite growth in net new money.

Now let me give you an update on COVID-19 main actions on Slides 5 to 10. Today, we are completing two full months of lockdown, which is set to finish by May 24. Since March 15, only supermarkets, markets, pharmacies and financial services institutions are being allowed to operate. As Luis Felipe mentioned, it has only been 2 days since some few other activities have started to operate.

As discussed during the COVID-19 update we had on April 14, there are four key messages that we would like you to keep in mind. First, we had an early and fast response to this unprecedented situation. This response has successfully guaranteed the continuity of our operations. Second, most of the actions we have taken during the past weeks have been focused on helping our people and our customers to overcome the problems that they have been facing under the current circumstances.

Third, we have reinforced our liquidity and capital positions in all of our businesses in order to face the uncertain months to come. We believe our key solvency and liquidity indicators are at sound level to face the months to come.

Finally, we see an opportunity to further accelerate digital adoption by our customers under the new normal, a situation supported by the investments that we have deployed during the last years to build our digital platform.

On Slide 6, we are showing a summary of the comprehensive government support program, which is considered one of the most aggressive in Latin America and in the world in terms of its relative size when compared to the country's product. This government support has been increased further these last days as a result of the extension of the lockdown.

In the first weeks of the lockdown, the government announced a support program which, at that time, represented around 12 percent of the Peruvian GDP. This was a 3-phase economic stimulus plan led by both the Ministry of Economy and the central bank that sought to offset the COVID-19 outbreak. It included emergency measures for the health system and measures aiming at helping low-income families and companies.

The biggest part of the program was Reactiva Perú with initially PEN 30 billion aiming at helping companies to fund their working capital needs to overcome the disruption in their activities. This program has been expanded to PEN 60 billion this last Saturday in order to further help companies, given the extension of the lockdown period. We will discuss more of these programs further ahead in the presentation. With this extension, the overall government support program represents already 15 percent of the Peruvian GDP.

We continue to work very closely with the Ministry of Finance, the central banks, the superintendency and Asbanc in order to manage the crisis and coordinate all measures needed. And we are also helping the government as a channel to distribute to individuals and companies the above-mentioned financial aid.

On Pages 7 and 8, we are showing a brief summary of the main measures taken since the beginning of the crisis. Since early March, we started taking actions to face what we believe was going to be a severe crisis even before the government declared the state of emergency on March 15.

Based on our business continuity program, we established a crisis committee with daily meetings to closely monitor 8 fronts involving key stakeholders: first, our people; two, our operations including key suppliers; three, our distribution channels, physical and digital; four, our communication strategy, internal and external; five, a review of our retail and commercial clients and portfolio; six, design of specific credit facilities for them; seven, assessment and reinforcement of liquidity and solvency positions; and eight, measures for costs containment. All of these efforts were always taken under close coordination with our Board of Directors and with the relevant Board committees.

At Interbank, one of the key focus is our people. Some of the actions taken include the development of protocols in health surveillance, development of an active communication plan and actions for employee engagement. We were able to quickly implement home office for most of our staff people as we have recently made relevant IT investments for this to happen. So, today, we are able to operate with 98 percent of administrative staff and 50 percent of our call center employees working from home.

Additionally, we have reduced branch hours following government parameters and as such, reduced by 50 percent the employees per branch on any given day, thus, allowing social distance and employee rotation to minimize the risk of contagion of big groups. And similar actions have been taken in our call centers.

Regarding our operations, the IT measures taken were related to guaranteeing critical IT employees the tools and capabilities required, the focus on tools and processes to ensure home office for all areas, and freezing the deployment of new projects that could generate systems instability.

In the strategic operations front, we have established new protocols for business continuity under the current circumstances. We have put together a new contingency plan for our call center, and we have reinforced our operational capacity to process the volume of loans rescheduling and Reactiva Perú required by our customers under our credit facilities program.

Regarding our physical suppliers, we have been monitoring their contingency plans, having online and daily status with their executive teams and monitoring and reinforcing cash supply to our branches and ATMs given that we are actively involved in helping the government in deploying money to the vulnerable population.

Finally, we all know that new cybersecurity threats have risen. To deal with them, we have been very active in resourcing our cyber capabilities on our IT networks, including the monitoring of our key infrastructure with relevant alerts by our cybersoc support. We have also been very active in messaging customers and employees with alerts on these new threats, and rigorously applying and deploying security protocols for employees working from home.

Our distribution channels are taking a very important role these days, not only because the financial system continues to operate as it has been considered as an essential industry for the country but also because, as mentioned, we are supporting the government in the distribution of the different aid packages to the vulnerable population.

Regarding our financial stores, the opening hours changed many times. We currently have around 225 financial stores operating out of 255, 87 percent of our branch people are working on a rotating scheme, and 30 percent are on vacation or medical leave. We have reduced customer capacity per branch by 50 percent following social distancing protocols.

Our contact center operating hours have also changed. We have increased operators from 180 to 290 to manage service requests without increasing total headcount as we have reconverted salespeople to perform this new role. We are providing private transportation to our employees also to ensure we are properly staffed in our call centers given the existing transportation restrictions in the country.

Finally, our digital channels, through our app and home banking, allow us to continue interacting with our customers in a digital, easily and friendly way. We have designed special protocols for troubleshooting. We have created special landings, deploying new info, loan reprogramming schemes, Reactiva Perú program, and have developed digital ads and in-app and enough communications to make sure we are close to our customers. Moreover, through Tunki, we are providing clients 100 percent digital solutions to be able to receive government financial aid 100 percent digitally, which we will discuss in a moment.

Now let's talk about the liquidity and solvency positions, which are strong and have been reinforced since the COVID-19 started. In terms of liquidity, we have taken several measures to maintain solid liquidity ratios. After the lockdown, we have obtained extra soles and dollars liquidity, such as new soles funding from central bank and new dollar funding from international banks.

Our loan-to-deposit ratio at 103.4 percent as of the end of March is below the 104.6 percent of the financial system as a whole, and our liquidity coverage ratio and net stable funding ratios remained at healthy levels. We have continued to increase our retail deposits base and have gained 20 basis points market share in the quarter.

With respect to our solvency position, we have also taken important measures to strengthen our capital such as, first, increasing the capitalization of 2019 earnings to 75 percent from previously approved 55 percent to strengthen Core Equity Tier 1 ratio and total capital ratio, and have also fully capitalized the first quarter earnings.

Historically, our capitalization ratio for the many past years has been 55 percent. With this, our total capital ratio as of the end of March was 16.1 percent compared to 14.2 percent of the system and 11.4 percent required by the Superintendency. And our core equity tier 1 ratio was 12 percent. Both of these ratios will slightly decrease in April due to the redemption of the $200 million hybrid Tier 1 bond by the end of April.

Moreover, we have done different stress scenarios to test solvency and are daily monitoring the balance sheet to optimize liquidity, capital and profitability.

On Slide 8, Interseguro and Inteligo also had a fast and efficient reaction to COVID-19. On one side, Interseguro also implemented home office for all of its administrative staff, reduced portfolio risk profile by reducing equity positions, decreased our short dollar position and increased our cash position. We are closely monitoring the life premiums collection and rescheduling of payments to life insurance policyholders, getting ready to recapture backlog of annuity market premiums once lockdown is over.

In terms of potential increase in claims, in the first quarter, we are setting up additional reserves for unemployment credit insurance policies, which cover up to six months of credit payments given to Interbank and Financiera Oh clients who become unemployed. There is no exposure to health insurance, and we have a natural hedge between life insurance business and the annuities business. Interseguro continues to hold a solid surplus of required capital and low debt ratio.

On the other side, Inteligo also established an emergency committee early March and implemented home office for their staff of Inteligo Bank and Interfondos. Moreover, the communication with clients is frequent, and all services are available: trading, transfers, withdrawals, and loan renewals.

There is a higher liquidity at Inteligo when compared with pre-COVID levels and strong capital adequacy ratio. As well as for Interseguro, the biggest risk for Inteligo is the mark-to-market of the portfolio given the current volatility.

Now let me comment on the positive impact we have experienced since the lockdown in terms of acceleration of banking the unbanked and of migration to digital. As a result of the lockdown and our efforts to boost the use of digital, we have seen an acceleration of our digital indicators as shown in Slide 9.

Digital users as of March are 69 percent, up from 57 percent 1 year ago and has reached 78 percent as of the end of April. 100 percent digital customers, which are clients that do not use branches or contact center any longer and who use digital channels plus ATM and correspondent agents only for cash in and cash out, have reached 42 percent, up from 27 percent one year ago and have reached 62 percent as of the end of April.

Digital sales have also seen a rapid increase, but the total level of sales has decreased given freeze in new sales in retail. Our investments to build our digital capabilities during the last year have definitely played to an advantage for our customers and our operations under the current circumstances.

We've seen a huge pickup in the number of new digital accounts being opened, both for individuals and small businesses since the start of the lockdown especially in April as the lockdown was extended. At the end of March, 44 percent of new retail savings accounts were opened digitally, and the same for 70 percent of business accounts, compared to 24 percent and 38 percent one year ago, respectively.

New digital client acquisitions of retail customers reached 21 percent as of March compared to 12 percent one year before and has reached 51 percent as of the end of April. This, in line with strong increase in the number of retail clients and businesses we have experienced lately, most of which are coming through our digital channels. We have opened 4x more new digital retail saving accounts and business accounts during April versus March.

The second big impact in April in Slide 10 is that PLIN, the P2P payment feature among multiple banks with cellphone numbers, is already active in roughly 800,000 clients only in 3 months, 40 percent of which use Interbank as key account.

Third, we have opened, 50,000 new accounts in one week in Tunki, our 100 percent digital solution for payments in order to deliver the government financial aid for families and have allowed them to collect their money 100 percent digitally, avoiding them having to go to bank branches.

We believe this peak in new accounts is mainly due to 2 factors: On one side, the extension of the lockdown is pushing an acceleration of digital; and on the other side, the need to have an account to be able to receive the government's aid packages faster both for individuals and small businesses as well as to receive the pension fund deposits.

On Slides 12 and 13, now let's have a closer look at the quarterly performance. IFS registered earnings of PEN 145 million in the first quarter and PEN 286 million when excluding the negative impact from investments at Interseguro and Inteligo. This led to a quarterly ROE of 6.6 percent for IFS. All three operating segments have different impacts from COVID-19.

Interbank registered earnings of PEN 221 million and 13.8 percent ROE in this first quarter, mainly due to the increase in cost of risk, which reached 3.4 percent in the quarter as well as to the top line, which was affected by lower activity especially in retail. Both Interseguro and Inteligo registered losses in the quarter of PEN 22 million and PEN 55 million respectively, negatively impacted by market trends on their investment portfolios. Excluding the PEN 56 million and PEN 84 million negative impact on investments, Interseguro and Inteligo would have registered profits of PEN 34 million and PEN 29 million in the quarter, respectively.

Total revenues were hit in the quarter mainly by other income from Interseguro and Inteligo, which decreased 10 percent on a quarterly basis but grew 0.7 percent on a yearly basis. At Interbank, total revenues continued to increase 1 percent in the quarter and 5 percent in the year. Net interest and similar income were up 0.9 percent in the quarter and 10.3 percent when compared to the same quarter last year.

The efficiency ratio at IFS was also hit by other income, increasing 310 basis points in the quarter but is still a very low ratio at 36.4 percent in the quarter. At Interbank, efficiency ratio was 38.8 percent in the quarter as costs remained relatively stable on the quarter and improved from 40.3 percent versus last year.

The first measures of cost containment were started to be implemented by the end of March. But we expect to see bigger impacts in the next quarter as we will have the full three-month impact of the measures we are adopting.

NIM at Interbank decreased 20 basis points in the quarter but increased 10 basis points in the year. Reported risk adjusted NIMs show a strong decrease to 3.2 percent due to the increase in cost of risk previously mentioned. Fees from financial services decreased 13.4 percent in the quarter and 1.6 percent in the year mainly due to credit card-related fees due to the sharp decrease in transactional volumes of the last two weeks of March.

At the insurance segment, gross premiums plus collections increased 8.9 percent in the quarter but decreased 8.4 percent in the year. Return on investments decreased 160 basis points in the quarter and the year mainly due to the negative impact previously mentioned. And at our wealth management segment, assets under management decreased 5.1 percent on a quarterly basis and 2.2 percent in the year, and fees were down 8.5 percent in the quarter but increased 10.5 percent in the year. The quarterly trends are mainly explained by the negative impacts on the investment portfolio.

On Slide 14, IFS relevant net income, the base for dividend payments, reached PEN 213 million and is PEN 68 million higher than the IFRS profit mainly due to a difference at Interseguro, which has registered profits of PEN 40 million in local GAAP versus a PEN 22 million loss under IFRS for the different accounting treatments on the investment portfolio.

Now let's have a look at each segment's performance in detail. Starting with the banking segment on Slide 16. We are showing that COVID-19 is already impacting most of the key banking indicators. As mentioned before, NIM, risk-adjusted NIM has seen a decline. And total other income decreased 8.2 percent in the quarter and 8.1 percent in the year mainly impacted by a reduction in fee income due to the strong decrease of transactional volumes.

On Slide 17, retail deposits speed up their growth during this quarter at 5.2 percent reaching a yearly growth of 15 percent, allowing us to gain 20 basis points market share in the quarter and 50 basis points market share in the last 12 months, reaching a record 13.7 percent. Total deposits decreased 1.4 percent in the quarter as we have replaced corporate and institutional deposits with more cost-efficient funding from the central bank.

Due to banks, which includes this funding as well as funding from international banks, has increased more than 30 percent during this quarter as we obtained both extra liquidity from the central bank in soles as well as dollar liquidity from seven international banks to increase our liquidity levels given the uncertainty at that time.

Average cost of funds has already improved 10 basis points in the quarter and 30 basis points in the year, down to 2.7 percent, and we expect further improvements in cost of funds coming both from the redemption of the $200 million Tier 1 bond in late April and from lower rates on deposits and due to banks.

Loan-to-deposit ratio at 103.4 percent is below the system average of 104.6 percent. This ratio will see a deterioration in the coming months for Interbank and for the system as a whole from the participation of Reactiva Perú loans, which have a special funding from central bank, so we will be showing you this ratio also excluding those loans for comparability purposes.

On Slide 18, our yearly loan growth has decelerated after the lockdown, down to 10 percent year-over-year, with retail loans growing 12.3 percent and commercial loans growing 7.4 percent. We continue to grow faster than the market in retail, but we were very cautious on commercial banking, especially on big tickets with corporates at the end of March when the COVID outbreak started.

So, we proactively managed the balance sheet giving priority to liquidity at that time rather than growing loans. This has led to a decrease in our total loan market share of 30 basis points in the quarter with a stable market share in retail and a decrease in commercial banking.

On Slide 19, let me give you some characteristics of the Reactiva Perú program launched by the government. The original amount of this program was PEN 30 billion targeting around 350,000 companies. There are 4 different levels of coverage provided by the government, which go from 80 percent for the bigger corporates to 98 percent for the smaller SMES.

Loans have a 12-month grace period, and total maturity is up to 36 months. There are limits to the amount of each loan, which relates to one month of sales and up to PEN 10 million. There are no capital or provisioning requirements for the guaranteed portion of these loans.

This weekend, the government has announced the extension of the program to PEN 60 billion with specifics still to be defined. As of May 11, there were 11 repo auctions that have already taken place for a total amount of PEN 27 billion or 91 percent of the originally launched program, which now will be extended. Interbank has been able to obtain PEN 3.1 billion or 12 percent of the fund, which is slightly above its market share in commercial banking of around 9 percent.

Most of the funds are related to corporate and midsized companies with PEN 1.7 billion in the 80 percent guarantee bucket and PEN 1.1 billion in the 90 percent guarantee bucket. We have already disbursed almost PEN 2 billion as of today and will most likely disburse all the PEN 3.1 billion throughout the rest of this week.

On Slide 20, we wanted to give you an update of the loans rescheduled so far, which has reached 30 percent of the total loan portfolio of the bank as of the end of April, slightly below the 33 percent of the system as a whole. This represents PEN 10.9 billion for Interbank and PEN 116 billion for the total system. This percentage was 12 percent for Interbank as of the end of March.

As far our retail portfolio is concerned, loans rescheduled reached 35 percent of the retail portfolio or PEN 6.9 billion, which correspond to loans granted to, roughly speaking, 300,000 clients. In commercial banking, 24 percent of the commercial portfolio has been rescheduled or PEN 4 billion, which correspond to 15,000 clients, mostly small businesses in terms of number of clients but more skewed towards corporate and midsized companies in terms of volumes.

On Slide 21, we wanted to give you a sense of the main portfolios exposed to COVID-19 impact. 11 percent of the portfolio is comprised of loans to small businesses, consumer loans to self-employed workforce, which include credit cards and personal loans, and mortgages to self-employed workforce, which we consider to be the most exposed but which at the same time have higher coverage ratios with consumer loans NPL coverage ratios above 200 percent.

On the other hand, the least exposed portfolio represents 55 percent of the total loan book and includes corporate and midsized companies and consumer loans to the public sector employees, which are more resilient to crisis or less exposed to unemployment. Within our commercial loan portfolio, only around 3 percent of the commercial portfolio of Interbank is related to affected sectors such as oil and gas, tourism, transport or entertainment.

On Slide 22 and 23, starting with 22, 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 already seen a fair deterioration in this quarter as a result of COVID with expected loss up 20 basis points in the quarter at total bank level and also both in retail and commercial. This is much stronger in credit cards, which has seen an increase of 60 basis points in the quarter.

Having said that, we believe this does not show yet the full extent of the impact as migration between stages has not been fully recorded this quarter due to the rescheduling schemes in place. A large part of the impacts registered in the first quarter is coming through the update on the forward-looking model, which as of March included a GDP forecast of minus 5 percent and which, as today, has been revised many times with different numbers forecasted in a range from minus 5 percent to minus 20 percent approximately.

On Slide 23, cost of risk was up 60 basis points in the quarter and 110 basis points in the year reaching 3.4 percent, in line with what previously explained, with cost of risk in retail banking reaching 5.5 percent and up 70 basis points in the quarter and 130 basis points in the year. In commercial banking, cost of risk reached 0.9 percent and up 50 basis points in the quarter and 90 basis points in the year.

The NPL coverage ratio for the bank was 136.1 percent as of the end of March, up from 131 percent 1 year ago with retail coverage ratio at 160 percent, up from 148 percent 1 year ago and commercial banking coverage ratio at 81.6 percent, down from 93 percent 1 year ago when we had a spike in this ratio due to the construction sector companies.

On Slide 24, we are showing you the breakdown of the year-over-year increase in expenses as of the first quarter. As you can see from the breakdown, what drives the yearly growth to be 6.4 percent are: first, technology expenses, which grew 16 percent year-over-year as a result of higher IT investments due to the transformation process; and second, variable costs related to the strong growth in credit cards of 13 percent year-over-year. All other expenses grew at a rate of 3 percent to 4 percent.

Right after the outbreak of COVID-19 and as soon as we entered the lockdown, we started working on identifying opportunities for cost savings in the short term. Some variable costs will decrease just because of lower transactional volumes as in the case of credit cards-related expenses and variable employee benefits.

On the other hand, we are taking many measures to decrease fixed costs, including hiring and salary increase freezes; renegotiation of all contracts including rentals, IT contracts and all relevant suppliers; reduction of discretionary expenses such as advertising, and during the month of April, we have already registered a decrease in costs of around 10 percent versus April 2019.

On Slide 25, we wanted to share with you and reinforce the actions taken on capital, which include the increase of the 2019 earnings from 55 percent to 75 percent and the full capitalization of the first quarter earnings. With this, our capital ratio as of March is 16.1 percent and the core equity tier 1 ratio is 12 percent. As of the end of April, we have called the $200 million tier 1 bond for optional redemption and as we announced in the previously call. After this and the distribution of dividends, our total capital ratio stands at 14.9 percent as of the end of April and core equity tier 1 ratio stands at 11.4 percent, levels similar to February and well above the minimum requirement.

Please now turn the following pages to discuss our insurance segment results. On Slide 27, gross premiums increased 8.9 percent on a quarterly basis with growth in almost all business segments with Interseguro remaining as the market leader in annuities with 27.9 percent market share.

During the first quarter, gross premiums increased 8.9 percent on a quarterly basis but decreased 8.4 percent on a yearly basis. The growth in retail insurance was double digit for the quarter and the year. Likewise, regulated and private annuities increased in the quarter but remained below year-over-year mainly explained by a market contraction.

On Slide 28, in the first quarter, Interseguro's investment portfolio reached PEN 11.8 billion, which represents a decrease of 5.4 percent in the quarter and relatively flat year-over-year. Results from investments in the first quarter were PEN 127 million, which represents a 4 percent return on Interseguro's investment portfolio, down 160 basis points on a quarterly and yearly basis.

On Slide 30, we can see Inteligo's main indicators. Net interest and similar income was PEN 25 million, a 3.4 percent increase compared with the fourth quarter mainly explained by interest income generated by a higher average balance of fixed-income investments in addition to a reduction in interest expense related to lower funding costs on both client deposits and external lines of credit. Net interest and similar income decreased PEN 5 million or 17 percent year-over-year mainly attributed to lower average returns on financial investments and higher cost of client deposits.

Net fee income from financial services was PEN 43 million, a decrease of 8 percent when compared to the previous quarter mainly explained by a base effect due to the above-average returns in various asset classes during the fourth quarter as well as increased recurring income due to higher mark-to-market on assets under management in such quarter.

On a yearly basis, net fee income from financial services increased 10 percent mainly explained by higher brokerage fees due to increased trading volumes triggered by higher price volatility and client appetite for investing or rebalancing portfolios.

Inteligo's other income, reached a loss of PEN 85.8 million, a decrease of PEN 115 million on a quarterly basis and PEN 122 million on a yearly basis attributable to mark-to-market valuations and realized losses on Inteligo's proprietary portfolio during the second half of the quarter mainly as a result of the COVID-19 outbreak. Revenues generated by Inteligo for the quarter were minus PEN 17 million.

On Slide 31, Inteligo's assets under management reached PEN 18 billion, a 1.6 percent decrease on a quarterly basis but a 1.3 percent growth on a yearly basis. The quarterly reduction was mostly related to the negative mark-to-market valuation as a result of the COVID outbreak, despite growth in new money for the period. Conversely, the annual increase was mainly explained by new account openings, which generated an influx of funds after strengthening prospection and client conversion strategies at Inteligo.

Finally, let's have a look at the potential trends coming forward and some key takeaways of this earnings call. On Slide 33, we are not providing guidance at this time given the high level of uncertainty of the months to come. Instead, we wanted to share with you some trends that, given the information that we currently have and the assumptions that we are able to make today, could materialize in the coming months. We believe we will be able to maintain solid levels of capital, given the increased capitalization and lower growth, and adequate levels of liquidity due to the central bank measures and flight to quality in deposits.

We expect lower growth in loan volumes due to the slowdown of the economy and to the tightening of our credit standards, this excluding the Reactiva Peru program. We also expect lower revenues, lower net interest income and NIM due to lower growth and activity in addition to the loan rescheduling impacts.

Cost of funds will likely decrease further as a result of lower rates and the already in-place redemption of the tier 1 bonds executed. We expect higher provisions and cost of risk due to the deterioration of the portfolio, and we will most likely register lower costs thanks to the cost containment measures being deployed and the lower activity. And as a result of all the previously above-mentioned trends, we expect lower profits and ROE but mainly coming from higher provisions and the impacts on investments already registered.

On Slide 34, I want to close the presentation with a brief summary of 5 key messages. First, the quarterly earnings and ROE are affected by higher provisions at Interbank and negative impacts from investments at Interseguro and Inteligo. Second, we had an early and fast response to this unprecedented situation, and this response has successfully guaranteed the continuity of our operations.

Third, most of the actions we have taken during the past weeks have been focused on helping our people and our customers to overcome the problems that they have been facing under the current circumstances.

Fourth, we have reinforced our liquidity and capital position in all of our businesses in order to face the uncertain months to come. We believe our key solvency liquidity indicators are at sound levels to face the months to come.

Finally, we see an opportunity to further accelerate digital adoption by our customers under the new normal, a situation supported by the investments that we have deployed during the last two years to build our digital platform.

Thank you very much. Now we'll welcome any questions you may have.

Operator: [Operator Instructions] And your first question comes from the line of Ernesto Gabilondo from Bank of America.

Ernesto Gabilondo: My first question is on the economic outlook. You have mentioned GDP growth expectations are between minus 5 percent to minus 13 percent. But what would be the average level of GDP that you will be considering for your assumptions? And how should we think about the economic growth next year?

And then my second question is on provision charges and cost of risk. Can you share with us how much of your provision charges in the quarter were related to COVID-19? And when do you expect to have the peak in provisions?

And then my last question is on the Reactiva program. So, if the client has already a credit with you, then you can also provide a Reactiva program, right? So, how much do you estimate that the Reactiva program could add to your total loan portfolio? And can you explain us how was the selection to assign the Reactiva programs per bank? And have you estimated what could be the impact to your total no-interest rate by the incorporation of the Reactiva programs?

Luis Castellanos: Ernesto, it's Luis Felipe. Thank you very much for your question. Let me go on the GDP growth, which is, as we mentioned, it's been changing. The rate we're seeing, starting at minus 5 percent, right, when the outbreak broke. However, now we see more in the range of between -10 and -20. And this is evolving for a number of reasons: first, because the confinement continues to be extended.

So, every two weeks, we're getting a new confinement and that obviously every week that the country is closed, GDP goes down by a factor. So, it's tough to say. We are very actively talking to the central bank and talking to different think tanks and economic analysts to have a perception. But so far, the range is that wide, -10 to -20. And we're kind of running our stress scenarios under those parameters to see the potential impact. So, if the government does extend, these numbers will continue to move.

The fact that the government is starting to open the economy is a positive news. However, it's been very shy in terms of how much the economy's been open and the protocols that have to be put together by companies in order to come into action are very strict. And so, we don't see huge impact in the short term of the economy being open.

And lastly, something that nobody is being able to put down very easy in the analysis is the impact of the government programs, including Reactiva, CRECER, and FAE which are more targeted to small companies in the whole process, okay? Because that liquidity is a challenge to come to market. So, the government continues.

They are expecting before May to touch like 6 million people with PEN 760 bonus for the vulnerable population, plus the liquidity coming from the government programs like Reactiva and the other targeted to SMEs. Those should have positive impacts that are very tough to quantify right now because the money is not flowing that quickly because of certain bureaucracy and it's has not yet reached the target people.

So, that's on the GDP outlook. Let me do a comment on Reactiva, and then maybe Michela can close with the provisions part of your question and also the impact of Reactiva in our numbers.

Reactiva is the relief program set by the central bank and the ministry of finance whereby all the financial institutions can lend to any type of clients. It could be existing clients or nonexistent clients. You get the guarantees, so you look for the clients that require this funding under certain restrictions, certain activities that are restricted to certain type of companies in terms of the credit profile. They are restricted, but then it's open for everybody.

So, the way this works is the Central Bank does an auction almost every week for the last -- almost every day for the last two weeks, whereby they put an amount that banks or financial institutions can bid upon depending on the level of the guarantee. So, for instance, they say, "Okay, we have PEN 3 billion for auction for the 80 percent bucket." So, the banks come in with proposals in terms of the maximum rates that they will charge for those funds, and whoever bids lower gets the funds.

The only restriction is that you cannot lend to your customers at a higher rate than what you have bid. And that's quite the way it works. So, you have auctions every day for the different buckets, and the bank comes with their postures; and then you get the funds, you turn around, you place it with your customers. And once the money is placed, you take the paperwork to the Central Bank and you do that repo for that loan and then you get your funding back for the part that is guaranteed by the government. Basically, that's the way it works.

So, you are free to participate. you're free to be as aggressive as you want, and you are free to share with your existing customers, or you grant it to new customers. Obviously, given that we need to make sure that we have made good use of the money not only for the bank but also for -- on behalf of the government. There is a credit analysis that we are going through, but I think you do have to like fast-track processes in order to address certain sectors where we want to focus more, certain types of customers. Every bank has a different strategy on that front. And the rates are very low.

The lowest rate, I think, the funding from the Central Bank comes at 0.5% plus 0.5% per year for the guarantee of the government and some of the auctions have come out at 0.55% rate, and up to 3.5%, depending on the bucket and the guarantee that you are getting from the government.

So now, maybe, Michela can help me on the provisions and the impact of Reactiva in our numbers.

Michela Casassa: Yes, okay. Maybe just to close on the Reactiva issue. Actually, so far, we have PEN 3 billion out of the first PEN 30 billion of Reactiva Perú. So, I mean, at the very beginning, when we were analyzing the impact of that on our NIM, we estimated something between 20 and 30 basis points. And this is because Reactiva Perú loans are, I mean, really close to 0 margin. It's funding at 0.5 percent, rates below 1 percent, so this is really a zero-sum game. But now that the Reactiva Perú program has been extended, we need to understand how much more of this second package we will have. But just, I mean, as a rule of thumb, if we have an additional PEN 3 billion, so a similar portion to the first one, that impact on NIM can reach up to 60 basis points. And the...

Luis F. Castellanos: Yes. Sorry, Michela. Sorry to interrupt. This is not kind of a business, providing liquidity for your customers to be stronger and they can continue doing business. So, just as Michela mentioned, it's very marginal for us in terms of contribution to profits. It's more giving sustainability and viability to the customers or clients so they do not break channel of payments.

Michela Casassa: Yes. So, actually it is very important to continue to look at the bank like -- I don't know, like two banks. We will continue to monitor all our ratios and key indicators excluding Reactiva Perú guaranteed portions because it's like this big amount but close to 0 profitability.

And related to cost of risk. What we have seen in this first quarter, it's like -- I mean more than 50 percent of the provisions that we are doing are coming from COVID. And why? Because we updated the forward-looking variables. So, basically, we were coming from a scenario which was a positive scenario with growth in GDP of around 3 percent, growth of internal demand of around 3 percent to 4 percent.

So, the scenarios that we had prior to this change were very positive. So, basically by changing these forward-looking scenarios to a minus 5 percent GDP growth, which is the one we had at the time that we closed the numbers, the portfolios which are more, if you want, related to this, which are for sure credit cards and small businesses, were the ones that, as shown in the expected loss numbers, registered higher increases in provisions.

Now having said so, this is just a partial number of what is still to come, first, because the forward-looking variables have worsened from the time that we closed our numbers; and second, because we still need to see the behavior of the portfolio in terms of migration between stages and to understand what portion of the loans that have been rescheduled will actually become bad credits. Because of course, it would not be all of it, but that effect, the migration between stages, is not yet there in the numbers of the first quarter. So, we do expect more provisions in the second quarter; and have in mind that the second quarter has 2 full months of lockdown, April and May. So, we will have also some impact in terms of revenues.

Ernesto Gabilondo: Very helpful, Luis Felipe and Michela. Just a follow-up in terms of Reactiva: Have you estimated what could be the impact in terms of provisions? Because I believe there will be a 12-month grace period. So, I just want to understand how this will work because, as you mentioned, there will be a portion of guarantee, so the impact will be very small. But just to understand on the timeline how it will evolve.

Michela Casassa: Ernesto, thanks for the questions. The impact on provisions is very limited because there are no provisions on the guaranteed portion. In the clients where the guarantee is only 80 percent, there we're talking about corporates. So, basically, it's not such a high provision. So, it's not something material what we will see in terms of those provisions.

Operator: And your next question comes from the line of Jason Mollin from Scotiabank.

Jason Mollin: My first question is on capital. In particular, we saw other comprehensive income take a hit this quarter. I think it was about PEN 500 million in our calculation. Can you talk -- and you mentioned the 12 percent CET1. And then if you can repeat what you said about where capital would be in April and then talk about where the minimum level would be. We know the regulatory minimum, but what is the minimum that IFS would feel comfortable with in terms of CET1?

And then my second question is just a follow-up on provisioning just to make sure I understood clearly. So, you mentioned that, of course, the macro indicators are weaker from when you closed these numbers already. You mentioned that there's going to be more provisions coming. So, really these forward-looking provisions were forward looking at that time, so we're going to see more forward-looking provisions in the second quarter not just reflecting the actual delinquency in the second quarter but some gauge of what kind of losses you would expect on those loans that were restructured. Is that correct?

Luis F, Castellanos: I'm going to pass it to Michela. I think she's ready. Go ahead, Michela.

Michela Casassa: Jason, thank you for your questions. Yes, maybe let's start with the cost of risk one. I guess what you described is -- the answer is yes. We expect a further update of the macro variables in the second quarter, as we have mentioned that the different variables have changed since what we used by the end of [technical difficulty] to these numbers. So, this will be a first impact.

And the second, the answer is also yes. We see some movements between stages that will materialize. I'm not sure whether it is going to be all of it because -- have in mind the rescheduling programs that we have in place are longer than that, but we will start to see the effects of the first groups of clients that will not be able to pay their debt. So, there will be more migration between stages than what we have registered in the first quarter of this year.

And in terms of capital, the ratios as of the end of April are 14.9 percent for total capital ratio and 11.4 percent for Core Equity Tier 1 ratio. And besides the -- as you mentioned, the minimum regulatory level in Peru, we only have for total capital ratio, in which as of April is 11.2 percent, what the superintendency requires. We have internal limit which is 200 basis points above the minimum regulatory requirement. So, that regulatory requirement actually has been changing and decreasing.

So, as of April, that number is 11.2 percent, and so our internal limit should be 13.2 percent. And we are at 14.9 percent. That's for total capital ratio. And as for the Core Equity Tier 1 ratio is concerned, as of April, 11.4 percent. We have an internal limit of 10 percent, so even here we are well above our internal limit. We do not have a limit for Core Equity Tier 1 ratio from the superintendency, but of course we aligned our internal limit to also what all the rating agencies have seen. And with this level, we feel comfortable at the time.

Operator: Your next question comes from the line of Piedad Alessandri with Credicorp Capital.

Piedad Alessandri: I wanted to ask regarding the investment portfolio of Inteligo and Interseguro. If you have made some changes regarding the variability and the risk exposure of those portfolios given the current market circumstances, preparing yourselves for the following quarters, if could you could give us a bit more details of your measures regarding the investment portfolio in Interseguro and Inteligo.

Luis F. Castellanos: Sure. Well, thanks very much for your question. Let me pass it on to each of the responsible of both Inteligo and Interseguro for a brief comment on each of their strategies. So, why don't we start first with Gonzalo Basadre from Interseguro? And then we will pass it on to Bruno so he can touch upon it as well. Gonzalo?

Gonzalo Basadre: Yes, sure. We've done a couple of things to reduce the risk of our portfolio. First of all, we reduced the equity allocation to our portfolio. We were -- some of our positions in some of the names. The other thing we did is we closed some of our short position in U.S. dollars and to make us less -- our exposure less -- a smaller exposure to variability of the exchange rate. We've also been reviewing all the names in our portfolio to check what's the impact on -- of the new scenario. And we are doing some changes in the positions. The superintendency, by the way, has made it more flexible for us to do some of our sales. So, that will facilitate the change of the positions in the portfolio.

Luis F Castellanos: And Bruno, for Inteligo?

Bruno Ferreccio: Yes. In our case, we did reduce some of the exposure to investments that we had during March. And that's why we realized some losses during the month of March that have been -- that are shown in the results, mainly some fixed income and equity exposure that we had. Going forward, our portfolio is still very much geared towards fixed income investments. So, we think we should be okay going forward, but still market volatility is still due to be high, we think. And so, the only way we'll limit that will be to unwind the entire portfolio, and that's certainly not possible, but we think we have taken the appropriate steps.

Piedad Alessandri: Okay. You could say that Interseguro's portfolio had a high exposure to FX, so that affected the results.

Gonzalo Basadre: We are -- I mean, in terms of the size of the portfolio, it's not that big. It's our long -- our short dollar position, it's around less than 0.2 percent of our overall size but still has an impact on our results. Still, what we did was we reduced our short position on the portfolio.

Operator: And your next question comes from Yuri Fernandes with JPMorgan.

Yuri Fernandes: I have two questions also. I would like to start by margins. My point is how much the loan reschedule could impact your margins. I guess, given zero rate loans and credit cards and other personal loans for the installments in April and May. So, my question is how that could impact your margins. Should we see this impact in the second Q? It will be a hit on margins, or should we see these negative trends be reflected in another account, I don't know, like an impairment account or something like this?

I guess where I want to reach is the global impact for the margins, right, because you have several headwinds. You have the lower rates in Peru. You have Reactiva, the 20, 30 bips Michela mentioned, and you also have the renegotiated loans. So, I guess where I want to reach is like how bad could be NII this year? Can we be missing like a very negative trend on NII here? And my second question is regarding costs. You mentioned some measures to reduce costs, and you are starting to do these in March. So, my point is, how much costs can you cut? Like could you see administrative expenses converging close to inflation? Is that possible? Like what's the guideline for costs here?

Luis F. Castellanos: Thanks, Yuri. Thanks very much. Let me give you first an overview of how I see them, and then we can go to Michela for details. Margins are obviously going to be under pressure; the extent of the reduction in income, I don't think we will overcome the reduction in financial costs. And it's really tough really to truly get a sense now because we are still going through the process. The way it works is we have granted--we will have two impacts from the reprogramming coming from the programs that we have launched.

First, we did some reprogramming at the beginning of -- in late March, we did the reprogramming with interest being charged, okay? But then in April, we switched to a program where there was 0 interest but only for the installments during April and May. So, it's not the whole loan that changed, it's only the installments, and similarly for the minimum payment of the credit cards, we got the minimum payments.

And that, at the end, based on the numbers that we have now, is between granting PEN 400 million to PEN 500 million at a zero rate. Everything else will come with interest. So, that will impact firstly the results.

Second, we need to see the actual behavior of our customers once the programs end. And that, usually we have some parameters -- I don't want to go very profound on this, obviously we have some calculations on what we would expect. However, this phenomenon is really -- it's been very broad throughout the economy. Now we've made it very easy for the customers to access to these programs. And given the nature of the crisis, many people, some just to be conservative, decided to go into the program. And many others probably will have lots of difficulties, but that at this stage is very tough for us to measure.

A counterpart to this will be again all the liquidity programs that are coming into the system, okay? So, doing the numbers is not that easy. What we know is that when customers -- when this starts opening up and the customers start transitioning through the payment process, the values will be affected by the people that cannot pay because we will have to do an assessment of any interest that were delayed to those guys that will have to come back. And there is also the impairment part of the loans granted at zero rate, and this is going to be accounted under IFRS provisions.

Michela can give us a little bit more of light, but these are discussions on the one-time hit that we will have to take because of those zero-interest rate -- and the rate versus the NPV for that hit. Will that be the rate of your average loans? Is it a different rate? And that's all being discussed right now. It's very new. It has impacted most of the banks around the world. So, that's something we're working around and probably will have more clarity when we have the next call.

And then in terms of costs, you mentioned inflation. We will be much more aggressive than that. We see our cost base flat to lower than that, but maybe Michela can give us more of details on these two subjects.

Michela Casassa: Yes. Thank you, Luis Felipe. Yuri, just to complement on the portion of margins and how it should be recorded under IFRS -- actually, in fact, as Luis Felipe mentioned, IFRS 9 requires you to do a calculation of NPV of the loans that have been reprogrammed with different conditions than the original, which is the case for a portion of the loans that we have rescheduled with 0 interest rates. And you should compare the NPV of the new loans with the original rate for those loans.

So, basically there the discussion is on which rates to use to do this exercise because, as you can imagine, for portfolios, it can be credit cards or small business, that have higher rates, this impact can be big. And the issue is that you have to register, all in one shot. So, it goes like all the portfolios you have rescheduled have to be recorded in the second quarter as an impairment of the -- of that value that goes directly to revenues. So, it's a negative on the net interest margin.

So, we do not know the extent yet of that number because we are in many discussions and because actually, as for many things under IFRS, as was the case for provisions -- that, at the end, the international auditing community decided that the models couldn't be applied just as they were and that a financial expert criteria should be used for provisions for COVID. These same discussions are happening now for this impact on revenues. So, we still need to figure out what will be that number for the second quarter.

And in terms of costs, just to complement what Luis Felipe mentioned. There are some variable costs that we have that actually already, as of April, we have seen the impact because our cost base was growing mainly because of IT expenditure. And that will continue, maybe with a little bit of less growth, but we will not stop the digital transformation, but the variable costs related to growth, especially for the credit cards portfolio, that has stopped.

So, basically everything related to rewards, to incentives, etcetera to the credit card portfolio, as of April, have been, I mean, much less in -- than in the past; and also everything related to variable costs of incentives to employees, as obviously the earnings are not as before.

So, what we have already seen in April, which is the result of both factors, lower variable costs and the measures we are implementing, is that the month of April at the bank level has seen a decrease of 10 percent versus the month of April of 2019. And what we are targeting is, as Luis Felipe mentioned, to have flat costs versus last year, not more than that. And we'll continue to work to find some other cost containment measures that we can put in place but remember that we already had been planning before COVID a reduction of branches.

So, we are continuing with that plan that sees some additional branches to be closed this year, on top of what we have already closed in the past 2, 3 years, which was close to 10 percent of the overall branch network. And what we are also reviewing is that, given the new normal and the acceleration of digital, the new overall distribution model could require less branches. So, there are many exercises that, on top of the ones that we have already closed and are implementing, are evaluating to see what other things we can put in place.

Luis F. Castellanos: Sorry, Yuri. Just to close: We have also streamlined our IT projects. However, we have identified certain where we will double or triple down because we see that the digital traction that customers are getting will allow us to grow. So, the only thing that we will continue to invest heavily will be in deploying new digital capabilities. Everything else has been kind of rationalized.

Yuri Fernandes: Thank you, gentlemen. If I may, just a third one. I think Peru is doing very well, you Peruvian banks were very quick on disbursing the program Reactiva. We are seeing other countries still struggling, but Peru was able to disburse almost all the money -- actually, at least during the auctions in almost 14 days. You were doing the 0 rate renegotiations.

But still my concern is regarding regulation. Are you seeing any kind of regulatory pressure in addition to the capped -- or not capped, the portfolio performance for interest rate payments? I think we saw that but just checking if there is something going on in Peru that we are missing here regarding regulation for banks on taxations, caps and interest or any kind of stuff that is a concern for you at this point.

Luis F. Castellanos: Yes. Thank you, Yuri, yes. We're seeing many things these days. There's a lot of pressure in many fronts. Specifically, for the financial system, there are some, especially coming from congress, ideas on, well, additional taxes or limits on the companies can charge or moratorium in terms of charging for certain services or installments through the emergency state.

So, obviously that's a point of concerns for everybody. We're actively monitoring that. We hope that, given that what has been in Peru in the last 12 years has been in response to the market forces and also, yes, discipline in terms of macroeconomic prudence and well regulated, a competitive financial system will prevail. However, it's a concern for everybody, and we are watching that very closely.

Operator: Your next question comes from the line of Daniel Mora with Credicorp Capital.

Daniel Mora: I have a question regarding the commercial segment. Unlike other banks in the region, we did not observe a spike or growth in the commercial segment during the quarter. What is the best way to think about it? It could be due to a low demand from clients, or the company probably was cautious disbursing credits to this segment.

Luis F. Castellanos: Thank you for your question. We are actually -- as you well know, we are a universal bank, we're very strong in all of our business. However, we are not a big corporate bank. So, I guess we will be considered not like a go-to for the big corporates on the first reaction. So, basically, I think what we're seeing is happening in Peru is that the big corporate banks are the ones that have been granted the big lines in order to take precaution in light of what was coming at the end of March.

What we've seen is that, after the close of March, our activities have come back, we have grown. And also, as Michela mentioned, we kind of took a conservative approach -- we kind of were reading the crisis to be much bigger than what was appearing at the beginning or mid-March.

So, we also were not very proactive in going out to offering credit to big tickets just because we were worried about liquidity, and we wanted to get a good sense on assessment of the situation before actually opening our books. And once we saw that our deposits continued to grow and that the Central Bank was there providing lots of liquidity and coming with the Reactiva program, and all that, that made us more comfortable in also serving bigger tickets for some of our customers.

Michela Casassa: And maybe just to complement as of the month of April, we have seen an increase in the commercial loan book of close to 4 percent. So, on April, you will see something more of those loans going to especially corporates.

Operator: And our next question comes from the line of Andres Soto with Santander.

Andres Soto: I would like just to clarify the accounting treatment of these rescheduled loans in terms of asset quality and cost of risk. I understand that under local regulation those rescheduled loans are considered as performing loans, and I would like to understand if that's the same way you are going to reflect that under IFRS, and if you are consequently considering provisions on those rescheduled loans.

Luis F. Castellanos: Sure. Why don't -- Michela, do have a response?

Michela Casassa: Yes. Andres, thank you for the questions. You are correct. In local GAAP, those loans are considered as normal loans, but actually what we have been doing in local GAAP both -- I mean in April is that despite the fact that we are not required to do provisions because the local outstanding is normal, we have booked voluntary provisions, okay? That's local GAAP.

Now when we talk IFRS, as we are talking about expected losses, we do have already factored the impact from the forward-looking variables, okay? It's not one to one correlated to the rescheduling of loans, but for sure, it includes higher provisions because of the new macro scenario. So, there is a portion already there.

And what are going to do and have been doing also in the first quarter is that we're not going to be keeping all loans as normal. So, we are going to run some estimates in terms of the migration between the different stages and constitute provisions based on the behavior and the expected loss, NPVs, of the different client portfolios and products. It will not be treated as what the Superintendency, if you want, is allowing us to do.

Andres Soto: Perfect. And I understand it's the same for asset quality. When you show the asset quality indicators, you are going to also reflect some of the effect of these rescheduled loans. Is that correct?

Michela Casassa: Yes, yes. Correct.

Operator: And our next question comes from Carlos Gomez with HSBC. If you're able to hear us: We are unable to hear you. [Audio Difficulty]

At this time, we will take the webcast questions. I will now turn the call over to i-advize.

Rafael Borja: Luis Felipe and Michela, we have a couple of questions from the webcast. Both are related to Inteligo. The first one is coming from Luis Ordóñez from SURA. Can you please give more details about the losses on the Inteligo proprietary portfolio? What kind of certain investment strategies hit its performance?

And the second is from Juan Berrios from LVS. Were those losses due to mark-to-market or valuation changes from independent valuators. Could we know what GDP assumptions you used for IFRS 9 and provisions purposes?

Luis F. Castellanos: Okay. Thank you. And I think, Michela, why don't you help me with the last part of the provisions and the GDP for IFRS 9? And then we pass it on to Bruno for the question about the losses at Inteligo.

Michela Casassa: Okay. Actually, we mentioned it already. The GDP growth that we used for provisions as of the first quarter was -5 percent. That was the estimate that we had at the time that we ran the numbers.

Luis F. Castellanos: Okay. And now Bruno, maybe you can help us with the question about Inteligo's portfolio.

Bruno Ferreccio: Yes. On the first part of the question: Our portfolio is mainly fixed income, about 2/3, I would say; with the other parts divided between alternatives and equity. The mark-to-market or realized losses that we've seen were both in fixed income and equity. Unfortunately, both were down during March with basically net flat in the alternatives side of the portfolio.

So, both fixed income and equity saw declines during the first quarter. On the second part, we -- as I mentioned before, we did reduce some exposure in the portfolio, and that's why we have a portion that's realized, and that realized was sold at market prices. So, there's no third-party valuation. So, it was market operations, and the positions were sold to the market with market prices.

Rafael Borja: At this time, I'm showing no further questions. I would like to turn the call over to the operator.

Operator: And at this time, we have no further questions. I would now like to turn the floor back to Mrs. Casassa for any closing remarks.

Michela Casassa: Just to thank again everybody for taking the time for this call. And we will be listening to each other again for our second quarter in August. Bye, everybody.

Luis F. Castellanos: Keep safe. Thank you.