Intercorp Financial Services
April 30, 2013
9:00 A.M. CT

Melanie Carpenter: Thank you, Jennifer. Good morning, everyone. Welcome to Intercorp Financial Services first quarter 2013 earnings conference call. Thank you for joining us today. We are pleased to have with us Ms. Michela Casassa, Chief Financial Officer of Intercorp Financial Services, Mr. Enrique Espinoza, Chief Investment Office of Interseguro, Ms. Maria Carmen Rocha, Finance and General Services Division Manager of Interseguro, and also joining us are the gentlemen whose appointments were announced this morning, Mr. Luis Felipe Castellanos, Chief Executive Officer, and Mr. Gonzalo Basadre, Deputy Chief Executive Officer of Intercorp Financial Services. They will be discussing the results that were distributed yesterday evening. There is also a presentation to accompany these results. If you have not received the presentation or the earnings release, please visit ifs.com.pe to download a copy. You can also call I-Advize in New York at 212.406.3695, and we will email you copies immediately. So it is now my pleasure to turn the call over to Ms. Michela Casassa, Intercorp's Chief Financial Officer for her presentation. Please go ahead, Ms. Casassa.

Michela Casassa: Good morning, and welcome to Intercorp Financial Services first quarter 2013 conference call. We will start with a brief discussion of the highlights of Intercorp's performance, but before that, let me explain, briefly, some changes in the accounting methodology that have been introduced by the Peruvian regulators starting this year, that we have changed the way certain P & L lines are presented today. This is the way they were presented in the past. There are four main changes. The first one is that fee income related to credit and debit cards has been included in the financial income of the Bank. Second, gains of investment, change in derivative gains and dividends from subsidiaries are no longer part of the financial income, but are considered within a newly created account, results from financial operations, below the gross financial margin line. Deposit insurance fund expenses are no longer part of the financial expenses, but are considered now with the net fee income, and finally, provisions are now net from recovery from loan write-offs. All the information included in this report has been prepared in line with the new methodology, restating past income for comparison purposes.

Now, let's have a look at the main highlights of the Intercorp Financial Services. IFSN net earnings were 203.5 million in the first quarter of 2013, a 40.5 percent quarter on quarter and a 27.5 percent rise year on year. The quarter-on-quarter increase was driven by investment gains reported by Interbank and Interseguro, as well as lower provisions and administrative expenses at Interbank. Year-on-year net earnings growth was mainly due to increases of 9.7 percent in gross financial margin, and 25.4 percent in results from financial operations. IFS ROE was 27.2 percent in the first quarter, above the 21 percent in the fourth quarter of the previous year, but below the 28.1 percent of the first quarter of the previous year. IFS recurring net earnings decreased 5.8 percent quarter on quarter and 14.5 percent year on year, due mainly to a decrease in results in financial operations. At Interbank, net earnings reached a record of 163.8 million in the first quarter, an increase of 30.2 percent quarter on quarter, and 14.9 percent year on year. The quarterly growth was driven mainly by a 36.4 percent increase in results from financial operations, as well as lower provision and administrative expenses. Net earnings rose year on year, mainly due to investment income and results from financial operations. Excluding non-recurring factors, earnings would have increased 19.2

percent quarter on quarter, but would have decreased 3.7 percent year on year. The loan portfolio increased 14 percent year on year, driven by strong growth in mortgages and commercial loans. Recurring NIM remained stable quarter on quarter, as lower yield on the loan portfolio was compensated by a higher return on investment. The ratio of past due loans to total loans increased from 1.8 percent in the fourth quarter to 1.9 percent in the first quarter 2013, in line with an expected seasonality of the loan portfolio. The BIS ratio stood at 15 percent in the first quarter, well above the necessary requirements.

At Interseguro, net earnings increased 159.6 percent quarter on quarter, and 98.5 percent year on year, due to strong investment income. Annuity sales increased 31.6 percent quarter on quarter, and 26.9 percent year on year, supported by market expansion and gains in market share. Interseguro remained the market leader in annuities.

Please turn to the following page of our presentation for a brief operating review of net earnings of ISF and its two subsidiaries. On Page 4, we can see a summary of the quarterly earnings of Intercorp Financial Services and its two subsidiaries. Net earnings were 203.4 million in the first quarter, a 40.5 percent increase quarter on quarter, and 27.5 percent increase year on year. When excluding non-recurring items reported in the first quarter, net earnings decreased 5.8 percent quarter on quarter and 14.5 percent year on year. IFS ROE was 27.2 percent in the first quarter.

In the following pages, we will go through detailed discussion of each company's quarterly performance. Please turn to Page 5 for a discussion of IFS' P & L Statement. Looking at the quarter-on-quarter performance, net earnings increased 40.5 percent quarter on quarter, mainly due to an increase of 9.5 percent in gross financial margin, and decreases of 19 percent in provisions and 7.3 percent in administrative expenses, partially offset by declines of 127.4 percent in results from insurance underwriting, 15.8 percent in fee income for financial services, and 65 percent in other income. Financial income increased 6.2 percent, mainly due to non-recurring gains from the sale of property at Interseguro, and to a lesser extent, higher interest on loans and interest on cash at Interbank, partially offset by a decline in fees on loans at Interbank. Financial expenses decreased 4.7 percent quarter on quarter, due to a reduction in other financial expenses of Interseguro, as a result of our investment of provisions for uncollected lease payments. Provision expenses decreased 19 percent, due to the reversal of provisions related to internal alignments and a decline in generic provisions, mainly as a result of our decrease in credit card loans. Fee income decreased 15.8 percent quarter on quarter, mainly due to seasonal declines and fees from the real estate division and from loan structuring at Interbank. Interseguro's loss from insurance underwriting rose 127.4 percent, mainly as a result of a 34.1 percent increase in resales related to premium sales. Results from financial operations grew 12.6 percent quarter on quarter, as a result of increases in non-recurring gains on the sale of equity investments and on the sale of fixed income investments of Interbank, partially offset by the difference in exchange on derivative gains of Interbank and derivative gains at IFS. Administrative expenses decreased 7.3 percent, due to declines in expenses related to customer incentives and advertising, which are seasonally high in the last quarter of the year. Other income decreased 65 percent quarter on quarter, due to the voluntary contribution of provision for loans in the commercial portfolio, compared with our provision for foreign exchange rates in the fourth quarter of Interbank, and an increase in extraordinary expenses of IFS. IFS' effective tax rate decreased from 25.8 percent in the fourth quarter to 21.7 percent in the first quarter 2013, as a result of two factors. The first was a higher contribution to net earnings from Interseguro, whose investment income is tax exempt. The second was a decrease in Interbank's effective tax rate, from 27.1 percent in the fourth quarter to 24.2 percent in the first quarter, due to higher tax exempt income, such as the interest and overnight deposits held at the Central Bank. If we look at the year-on-year performance, net earnings increased 27.5 percent, mainly due to increases of 9.7 percent in gross financial margin and 25.4 percent as a result from financial operations, partially offset by growth rates of 3.5 percent in administrative expenses and 8.8 percent in provision. Financial income rose 9.6 percent, mainly explained by increases of 39.8 million in investment income in Interseguro, as well as 35.4 million in interest on loans and 15.6 million in interest on cash at Interbank, partially offset by decreases of 16.8 million in fees on loans, and 14.4 million in investment income at Interbank. The increase in investment in income at Interseguro was due to 40.8 million gain on the sale of real estate investments reported in the first quarter. Financial expenses increased 9.2 percent year on year, due to higher interest on bonds, reported at due-to banks at Interbank, partially offset by a reduction in other financial expenses at Interseguro. The rise in interest on bonds was attributed to three new bond issues in the last 12 months, while increasing interest on deposits and due-to banks was mostly explained by higher average volumes. Financial expenses from the additional funding at Interbank was partially offset by the rates and liquidity to overnight deposits at the Central Bank, who interest gains are tax exempt. Provision expenses grew 8.8 percent, due to an 19.4 year-on-year growth in the commercial portfolio. Fee income declined 5 percent. This decline was partially offset by an increase in fees from indirect lending at Interbank. Interseguro's loss form insurance underwriting increased 3.7 percent, as a result of higher resale in claims, partially offset by an increase in annuity premiums. Results from financial operations grew 25.4 percent year on year, as a result of an investment income reported in the first quarter at Interbank, as previously mentioned, partially offset by the decreases in Interbank's exchange provision and derivative gains at IFS. Administrative expenses increased 3.5 percent year on year, due to higher expenses for wages and variable compensation costs at Interbank and higher personnel expenses at Interseguro. Other income grew 130.7 percent, due to higher extraordinary income and lower provision for foreign exchange risk at Interbank. IFS' effective tax rate decreased year on year from 25.7 percent to 21.7 percent in the first quarter 2013, as a result of higher contributions to net earnings from Interseguro, whose investment income in tax exempt, and an decrease in Interbank's effective tax rate as previously mentioned.

Please turn to Page Number 7, for a discussion of Interbank's performance. Interbank's net earnings were 153.8 million in the first quarter of 2013, an increase of 7.2 percent quarter on quarter, and 14.9 percent year on year. The quarter-on-quarter growth was due to a 36.4 percent increase in results form financial operations, and decreases of 19 percent in provisions and 6 percent in administrative expenses, partially offset by a 17.8 percent decline in fee income. The year-on-year growth in net earnings was due to increases of 34.8 million in results from financial operations, and 14.2 million in other income, partially offset by a 9.8 million decrease in gross financial margin, and increases of 8 million in administrative expenses and 7.7 million in provision. Interbank's ROE was 28.2 percent in the first quarter, above the 21.9 percent reported in the fourth quarter of the previous year, but below 29.4 percent registered in the first quarter of 2012.

On Page 8, performing loans grew 2.8 percent quarter on quarter, with commercial loans growing 4.6 percent in the first quarter, the fourth consecutive quarter of growth, after having decrease in the first quarter of 2012. Retail loans increased 1 percent, mainly due to a 5.6 percent increase in mortgage loans. The growth in mortgage was the result of continued demand for new housing, and exceptional commercial efforts at Interbank. Other consumer loans grew slightly, 0.4 percent, due mainly increasing payroll deduction loans. Credit card loans declined 4.5 percent quarter on quarter, due to three factors. The first was the application of mortgages and credit standards, regarding the acquisition of new clients, within an environment of more aggressive competition. The second factor was a greater emphasis on profitability in order to adjust to new regulations that limits fee income and increases capital requirements for consumer loans. The third factor was a decision to stop acquiring new clients with the veha card and credit cards supermercado cellular. The business model to acquire these new clients in not in line with Interbank's risk appetite, given the new competitive and regulatory environment. However, with the list of our unique value proposition for this segment, which includes a full range of Visa, MasterCard and American Express card offerings, as well as our partnerships with telecom operator Claro, the airlines and the potential business opportunities we have with the other companies of Intercorp Group, will allow us to return to growth in the medium term. Intercorp Group is mainly comprised of three retail, which include both the large and small and movie theater chains in Peru, as well as leading restaurant chains, such as Papa John and Dunkin Donuts and the country's most popular hamburger chain, Bembos. Performing loans grew 14 percent year on year. Commercial loans increased 19.4 percent year on year, driven by growth across most segments, mainly medium-term loans, leasing and trade finance loans. Retail loans grew 9.3 percent year on year, due to increases of 27.3 percent in mortgage loans and 9 percent in other consumer loans, partially offset by a 10 percent decrease in credit cards.

On Page 9, Interbank's total funding grew 8.8 percent quarter on quarter, in line with interest earning assets. Deposits grew 9.7 percent, due to increases of 38.9 percent in institutional deposits, 6.4 percent in retail deposits, partially offset by a 7.8 percent decline in commercial deposits. Due to banks rose 7.4 percent quarter on quarter, driven by increases of 8.2 percent in funding from correspondent banks, and 6 percent in local funding. The rise in funding from correspondent banks allowed the Bank to replace its other, more volatile sources of funding for trade finance. Bonds grew 3.7 percent quarter on quarter, due to two factors. The first was a 1.5 percent appreciation of the nuevo sole against the U.S. dollar, which drove an increase the value of bonds in dollars. Dollar denominated bonds represent 85 percent of total bonds. And the second factor was a 150 million subordinated bond issue contributing January of this year. These bonds were placed locally in soles at an interest rate of 5.8125 percent. The increase in outstanding bond volume was partially offset by the maturity of 136.5 million in issued bonds in March 2013. The Bank's funding base grew 22.5 percent year on year, due to increases of 20.5 percent in deposits, 37.2 percent in bonds and 20.6 percent in due to banks. The growth in deposits was attributed to growth of 55 percent in institutional deposits, 9.7 percent in retail deposits and 18.7 percent in commercial deposits. The yearly increases in bonds was explained by three new bond issues. The first was 137.9 million in subordinated bonds placed in June 2012. The second one was $250 million in senior bonds placed in September 2012. And the third was the previously mentioned 150 million subordinated bonds placed in January of this year. The increase in our funding volume was partially offset by three factors. The first was a maturity of the leasing bond previously mentioned. The second factor was a 2.9 appreciation of the nuevo sole against the U.S. dollar, which drove a decrease in the value of bonds issued in dollars. The third factor was the payment of 2.2 million in mortgage bonds over the last 12 months. The increase in due to banks was explained by growth rates of 16.6 percent in funding from correspondent banks and 7.5 percent in local funding.

On Page 10, looking at the quarterly performance. Gross financial margin declined 0.6 percent quarter on quarter, as a result of a 0.3 percent reduction in financial income, and a 0.4 percent increase in financial expenses. The decrease in financial income was due to a 15.4 percent reduction in fee income from loans, partially offset by increases of 1.2 percent in interest on loans and 35 percent in interest on cash. The quarter-on-quarter decrease in fees on loans was mainly attributed to the elimination of certain fees by the Peruvian banking regulators, starting January 1st. These fees include buyers; credit and debit card related fees, such as cash advance fees, maintenance fees, over-the-limit fees, late payment fees, and fees for the insurance and delivery of account statements. Interest on loans grew 1.2 percent quarter on quarter, as a result of a 3.2 percent increase in the average loan volume, partially offset by a ten basis point reduction in the average yield, from 12.4 percent in the fourth quarter to 12.3 percent in the first quarter. The higher average volume was attributed to increases of 4.7 percent in the commercial portfolio and 1.6 percent in the retail portfolio. Within the commercial portfolio, growth was due to increases of 8.2 percent in medium-term loans, and 3.7 percent in leasing, partially offset by a 7.8 decrease in trade finance loans. In the retail portfolio, higher volume was due to increases of 5.5 percent in mortgages and 0.8 percent in other consumer loans, partially offset by a 2.5 percent decrease in credit cards. The lower average yield was due to a 10 basis point reduction in the commercial portfolio, partially offset by a 20 basis point increase in the retail portfolio. The higher yield on retail loans was mainly due to higher rates on credit cards, partially offset by a 30 basis point decrease in the average yield of other consumer loans. The increase in the average rate on credit cards was implemented in order to compensate for the elimination of certain credit card feeds, as previously mentioned. Interest on cash grew 35.1 percent quarter on quarter, due to increases of 20 basis points in the average yield, and 14.4 percent in the average volume. The increase in the yield was explained by a higher proportion of overnight deposits at the Central Bank within the total cash provision. The growth in volume was due to increases of 16.7 percent in retail requirements funds, and 28.9 percent in overnight deposits at the Central Bank. The growth in retail funds was attributed to increases in the average requirement in January, February and March 2013, as previously mentioned. The return on interest earning assets, which includes capital gains resulting from the sale of investments and gains in equity participation in subsidiaries that excludes fee income and exchange and derivative gains was 10 percent in the first quarter, a 70 basis point increase, compared to the 9.3 percent rate registered during the fourth quarter of 2012, mainly due to higher investment gains. Financial expenses rose 0.4 percent quarter on quarter, due to a 3.6 percent increase in interest on bonds, partially offset by decreases of 1.7 percent in interest on due to banks, and 0.8 percent in interest on deposits. Interest on bonds rose mainly due to a 1 percent increase in the average volume, while the average cost remained stable. The increase in the average volume was explained by two factors. The first was a 1.5 appreciation in the nuevo sole against the U.S. dollar, which caused an increase in the value of the bonds issued in dollars, which represent 85 percent of the total bonds. The second was the issuance of the new subordinated bonds in January 2013, partially offset by the maturity of the leasing bond in the same month. The 1.7 percent decline in interest from due to banks was due to a 30 basis point reduction in the average cost, partially offset by a 9.9 percent growth in the average volume. The lower average cost was attributed to a 70 basis point decline in the cost of funding from correspondent banks. Interest on deposits increased 0.8 percent, due to a 4.4 percent growth in the average volume, partially offset by a five basis point decline in the average cost. As a result of the factors mentioned above, the average cost of funding remains stable quarter on quarter at 2.6 percent. When we look at the year-on-year performance, gross financial margin decreased 2.3 percent as a result of 17.4 percent increase in financial expenses, partially offset by a 2 percent rise in financial income. The growth in financial income was due to increases in 25.4 million in interest on loans and 15.6 million in interest on cash, partially offset by decreases of 16.8 million in fees on loans and 14.4 million in investment income. The rise in interest on loans as explained by a 12 percent increase in the average loan volume, partially offset by a 70 basis point decrease in the average yield, from 13 percent in the first quarter of 2012, to 12.3 percent in the first quarter of 2013. The higher average volume was due to increases of 17.3 percent in the commercial portfolio and 10.5 percent in the retail portfolio. The higher commercial loan volume was due to increases of 32.6 percent in medium-term loans, 10.4 percent in leasing and 33.4 percent in discounts, partially offset by a 9.5 percent decrease in trade finance loans. Within the retail portfolio, growth was driven by increases of 27 percent in mortgage loans and 9.2 percent in other consumer loans, partially offset by a 6.3 percent decrease in credit cards. The average yield on the loan portfolio decreased as a result of a lower yield on retail and commercial loans. The yield on retail loans decreased 130 basis points, due to competitive pressures in majority of loan totals, as well as an increase in the proportion of mortgage loans within the portfolio. This proportion increased from 33.8 percent in the first quarter of the previous year to 38.9 percent in the first quarter of 2013. In the Commercial portfolio, the yield decreased 30 basis points, mainly due to lower rates in medium-term loans, leasing and discounts. The decline in fees on loans was due to the elimination of credit card fees previously mentioned. The return on average interest earning assets was 10 percent in the first quarter, 30 basis points below the same 0.3 percent reported in the first quarter of the previous year, mainly as a result of the lower yield in the loan portfolio and increasing the proportion of cash within total assets. Financial expenses rose 17.4 percent year on year, due to increases of 32.4 percent in interest paid on bonds, 12.8 percent interest on deposits and 9.1 percent in interest on due to banks. The increasing interest on bonds was due to a 35 percent growth in the average volume, partially offset by ten basis point reduction in the average yield. The growth in interest on deposits was attributed to increases of 15.7 percent in the average volume. The higher average volume was due to increases of 37 percent in institutional deposits, 12.7 percent in commercial deposits and 6.9 percent in retail deposits. The average cost remained stable year on year. Interest on due to banks increased, as a result of a 29.2 percent growth in the average volume, partially offset by a 30 basis point reduction in the average cost. Higher volume was due to increases of 30.3 percent in funding from correspondent banks, and 27.5 percent in local funding. The average cost of funding remained stable year on year, at 2.6 percent.

On Page 11, you can see the net interest margin was 7.1 percent in the first quarter 2013, above the 6.6 percent in the fourth quarter of the previous year, but below the 7.5 percent registered in the first quarter of the previous year.

On Page 12, provision expenses decreased 19 percent quarter on quarter, and increased 8.8 percent year on year, as a result of the restoration of provision expense to average loan was 2.4 percent in the first quarter of 2013, below the 3 percent registered in the fourth quarter of the previous year and in line with the 2.4 percent reported in the first quarter of 2012. The quarter-on-quarter decrease was due to two factors. The first was a reversal of provisions related to internal alignment. These provisions are required when clients who are current with certain obligations become delinquent, as the Bank must provision as if such clients were delinquent with all outstanding obligations. The second factor was a decline generic provision mainly as a result of a decrease in the credit card loans. The year-on-year increase in provision expense was attributed to an increase in commercial loan provisions, due to a 19.4 percent year-on-year growth in the commercial portfolio. The ratio of past due loans to total loans increased from 1.7 percent in the first quarter of the previous year and 1.8 percent in the fourth quarter of the previous year, to 1.9 percent in the first quarter of 2013.

On Page 13, fee income decreased 17.8 percent quarter on quarter, mainly due to lower fees from commercial banking services. The decrease in commercial banking fees was due to the decrease in fees from the real estate division and from loan factoring. Fee income declined 2.7 percent year on year, as a result of higher expenses related to the origination of insurance products and lower loan structuring fees, partially offset by an increase in fees from indirect lending. Results from financial operations increased 26.3 million quarter on quarter, due to increases of 38.2 million in gains from the sale of investments and 5.8 million in income from participation in subsidiaries, partially offset by a 17.8 million reduction in exchange and derivative gains. Results from financial operations grew 34.8 million year on year, due to increases of 22.7 million in gains from the sale of investments and 6.8 million in income from participation in subsidiaries, partially offset by 14.7 million decline in exchange and derivative gains. Administrative expenses decreased 6 percent quarter on quarter, but increased 3.4 percent year on year. The quarter-on-quarter reduction was mainly due to a 17.4 percent decrease in expenses for services received from third parties, partially offset by an 8.8 percent increase in personnel expenses. The year-on-year increase was mainly attributed to an 8.8 percent increase in personnel expenses, partially offset by lower expenses for third party services. The efficiency ratio improved from 50.8 percent in the fourth quarter and 47.4 percent in the first quarter of the previous year to 47.2 percent in the first quarter of 2013.

On Page 14, you can see the ratio of regulatory capital to risk weighted assets was 15 percent in the first quarter, above the 13.3 percent reported in the last quarter of the previous year and the 14.9 percent reported in the first quarter of 2012. The quarter-on-quarter increase was due to a 13.7 percent growth in regulatory capital, while risk weighted assets remained relatively stable. The quarter-on-quarter growth in regulatory capital was a result of three factors. The first was an agreement to capitalize the first quarter 2013 earnings of 163.8 million. The second factor was the capitalization of 2012 earnings, which included an additional 68.5 million in excess of seven years' earnings that were already considered regulatory capital as of the fourth quarter, due to a funding capitalization agreement. The third factor was the issuance of the 150 million subordinated bonds due in the first quarter of 2013. Risk weighted assets remained stable quarter on quarter, despite the growth in loans, due to the sale of an investment position in equities. The year-on-year increase in the capital ratio was due to a 24.6% growth in the regulatory capital, partially offset by a 23.2 percent increase in risk weighted assets. The increase in regulatory capital was a result of two factors. The first was the capitalization of 317.7 million of earnings from 2012, as well as the capitalization agreement for the first quarter of this year, which was 14.9 percent higher than those of the first quarter of 2012. The second factor was the issuance of the subordinated bonds of 137.9 million that matured June last year and 150 million in January of this year. The year-on-year increase of risk weighted assets was a result of loan growth and scheduled regulatory adjustments to the calculations on their components. In July 2012, three of these adjustments went to effect. The first was the adjustment title for trade and market risk weighted assets that increased from 98 percent to100 percent. The second, the weight given to the leasing operation was raised from 80 percent to 100 percent, and finally, the adjustment for operational risk weighted assets increased from 50 percent to 60 percent. As of March of this year, Interbank's capital ratio was 15 percent, 390 basis points above the risk adjusted minimum capital ratio established at 11.1 percent, below the regulatory capital ratio requirement was 10 percent, while the additional capital requirement for income was 1.1 percent, as of March.

Now I will turn to Maria Carmen Rocha, who will go through Interseguro's results.

Maria Carmen Rocha: Good morning. Please turn to Page 16 of the presentation. This table shows the summary of Interseguro's P & L performance, where we can see a 21.6 percent year-over-year and a 20.4 percent quarter-over-quarter increase in premiums, driven mainly by higher sales. Administrative expenses decreased 9.0 percent quarter over quarter, but increased 68.4 percent year over year. This increase is due largely by a bonus provision and a one-time cash expense. Investment income increased 64 percent year over year and 69.6 percent quarter over quarter, respectively. As a result of these factors explained before, Interseguro's net income in the first quarter 2013 was 65.8 million soles, a 98.5 percent increase year over year, and 159.6 percent quarter over quarter.

Please turn to the next page of the presentation. Page 17 shows in detail the performance of Interseguro's premiums. Premiums increased 21.6 percent year over year and 20.4 percent quarter over quarter. The year-over-year and quarter-over-quarter growth are mainly explained by higher sales in annuities. The growth of annuity premiums is due to a 20.4 percent year-over-year and a 7.3 percent quarter-over-quarter increase in market size, as well as an increase in Interseguro's market share. As of the end of the first quarter 2013, Interseguro remains the leading annuity provider, with an estimated 27.6 percent market share, compared to a 25.5 percent share in the first quarter of 2012.

Finally, on Page 18, there are some details on Interseguro's investment portfolio and investment income. Interseguro's investment income was 101.9 million soles in the first quarter of 2013, a 64 percent increase year over year, and a 69.6 percent quarter over quarter. The quarter-over-quarter and year-over-year increases are explained by 40.8 million soles gain attributable to the sale of real estate investment in the first quarter of 2013. Real estate sales included two properties. Interseguros investments for the portfolio grew 17.4 percent year over year and 5.3 percent quarter over quarter, due to higher annuity sales and a price appreciation of Interseguro overall the portfolio. Fixed income investments accounted for 74.2 percent of the total portfolio in first quarter 2013, compared to 72.8 percent in the fourth quarter of 2012 and 72.9 percent in the first quarter of 2012.

This will be the end of our presentation. We welcome questions. Thank you.

Operator: Thank you. 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, on your touchtone phone now. Questions will be taken in the order they are received. Again, that is star one to ask a question. As a reminder, if you would like to ask a question, please press the star key, followed by the one key, on your touchtone phone now. Our first question comes Alonso Aramburu with BTG.

Alonso Aramburu: Hi. Good morning. Thank you for the call. I had a question regarding the credit card. Can you just give a little more color on your decision behind stop issuing the Vea card? And remind us what your percentage of your credit card portfolio was the Vea card?

Michela Casassa: Good morning, Alonso. Let me give you some figures later today on that portfolio. As of March this year, the outstanding loans from Vea represented roughly 30 percent of the credit card portfolio, and let's say it's roughly 40-43 percent of the outstanding cards, number of cards.

Alonso Aramburu: Okay, and the reasoning behind stop issuing cards to related to profitability to competition, to new regulation fees, is that specific to your decision?

Luis Felipe Castellanos: Hi, Alonso, this is Felipe. Yeah, the reason behind what Michela mentioned during the call – it's a combination of factors related to a new environment for the credit card business in Peru and the stance of Interbank towards profit and lower risk segments. We have been working with the Vea cards for over ten years, and the places where veha is growing now are more and more remote and rural areas, where the profile of the customers are not the ones that Interbank is willing to accept according to our risk capital the majority of the newly acquired customers, so what we're doing here is we're keeping the portfolio, we are not selling the portfolio; we're keeping the existing customers. The customers who have the cards now will continue to be using the cards and will have full promotion in the supermarket. The only thing is that we don't have the exclusivity to sell the Vea cards anymore, and we weren't issuing new credit cards. We tried to replace this with an exclusive agreement with American Express, and as Michela mentioned, we have a valuable position that we believe will be able to replace this segments for further growth in the coming months. The new economics of the credit card business in Peru with lower level of commissions and more capital required really makes us to focus more, as we've been doing the last couple of years, more on profitability and a just market share of volume.

Alonso Aramburu: Okay great. Thank you for that, Felipe. Is it fair to say that we should continue to see flat to maybe average volumes for the very short term?

Luis Felipe Castellanos: Yes. We think that year to year, growth of the portfolio should be around 5 to 10 percent, but for the coming months, probably we will continue to see more decline. I think that the worst has happened already, but still there's for continued reduction.

Alonso Aramburu: Great. Thank you.

Operator: We have no further questions at this time. I would like to turn it back over Ms. Casassa for closing remarks.

Michela Casassa: Okay, thank you very much for your interest in this first quarter results conference call. We see you next time.

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

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