Intercorp 2Q12 Conference Call
July 31, 2012
10:00 A.M.

Operator: The following is a recording the Peter Majeski teleconference with I-Advize scheduled for Tuesday, July 31, 2012 at 10:00 a.m. Eastern Time. Welcome to the Intercorp Financial Services conference call. At the conclusion of the presentation, we will open the floor for questions. At that time, instructions will be given, if you would like to ask a question. I would now like to turn the conference over to Peter Majeski. Mr. Majeski, please begin.

Peter Majeski: Thank you, Lindsay. Good morning, everyone. Welcome to Intercorp Financial Services' second quarter 2012 earnings conference on this, the 31st of July 2012. We are pleased to have with us from Intercorp, Mr. Jose Antonio Rosas, Intercorp's Chief Financial Officer, and Mr. Enrique Espinosa, Chief Investment Officer, Interseguro. They will be discussing Intercorp's results per the press release distributed yesterday evening. If you have not yet received a copy of the presentation or earnings release, please visit www.ifs.com.pe to download a copy, or call us in New York at 212.406.3695. It is now my pleasure to turn the call over to Mr. Jose Antonio Rosas, Intercorp's Chief Financial Officer. Mr. Rosas, you may begin.

Jose Antonio Rosas: Thank you, Pete, and good morning, everyone, and welcome to our conference call. We will start with a brief discussion of the highlights of Intercorp's performance. Looking at the consolidated P&L statement, we can see that net earnings were 243 million nuevo soles in the second quarter of 2012, an increase of 52% quarter on quarter, and 76% year on year. Net earnings growth was mainly driven by significantly higher investment income at Interseguro, as a result of a sale of real estate properties. Our ROE was 42% in the second quarter of 2012, above the 28% in the first quarter of 2012, and 29.6% in the second quarter of last year. Excluding non-recurring items, net earnings would have been 130.6 million in the second quarter of 2012, a 2.3% increase year on year.

Looking at Interbank's performance, net earnings increased 14% year on year, driven by sustained loan growth and higher fee income, and remained stable quarter on quarter. Performing loans grew 4% quarter on quarter, as the commercial loan portfolio expanded 5.2%, and the mortgage loan portfolio grew by more than 7%. Net interest margin was 7.5% in the second quarter of 2012, down from 7.9% in the previous quarter, and this decline was due to our holding higher average levels of cash at Interbank. The ratio of past due loans to total loans increased from 1.7% in the first quarter to 1.8% in the second quarter, as a result of the seasoning of a group of credit card loans granted in 2011. Mostly as a result of that seasoning, provision expenses rose 40% year on year, and 35% quarter on quarter. Fee income grew 5% quarter on quarter, and 16% year on year, due to higher activity in Corporate Finance Advisory and loan structures. Interseguro's net earnings reached a record level of 122 million soles in the second quarter, driven by strong investment income. Annuity sales decreased, due to a market contraction. However, Interseguro remains the market leader in annuities.

Please turn to the following page for a brief overview of the net earnings of Intergroup and its two subsidiaries. On page four, we can see a summary of the quarterly earnings of Intergroup and Interbank and Interseguro. In the following pages, we will go through detailed discussions of each company's quarterly performance.

Please turn to page 5 for a discussion of Intercorp's P&L statement. On page 5, let's focus first on the quarter-on-quarter performance. Net earnings rose 52% quarter on quarter, driven by increases in investment income at Interseguro and Interbank, and growth in other income at

Interbank, partially offset by higher provisions. Financial income increased 15%, mainly due to non-recurring gains from the sale of property at Interseguro, and from dividends received at Interbank. To a lesser extent, the increase in financial income was explained by higher interest on loans and investment income at Interbank. Provision expenses grew 36% quarter on quarter, due to an increase in delinquencies in the credit card portfolio, growth in commercial loans and regulatory requirements related to a re-alignment of client ratings. Fee income grew 5% quarter on quarter, due an increases in corporate finance advisory, account maintenance and loan structuring fees. Interseguro's loss from insurance underwriting rose 9%, as a result of higher claims and lower premiums. Lower annuity sales were a result of a market contraction. Administrative expenses increased 5% quarter on quarter, a lower growth rate than that of business volume. Intercorp's effective tax rate decreased significantly, from 26% in the first quarter, to 14% in the second quarter, 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 factor was a decrease in Interbank's effective tax rate, from 27% in the first quarter, to 21% in the second quarter, and this was due to an adjustment of tax provisions registered in excess during previous periods, and an increase in tax exempt revenues from government securities at Interbank.

Now let's look at Intercorp's year-on-year performance. Net earnings increased 76% year on year, due to higher gross financial margins, fee income and other income, partially offset by increases in provisions and administrative expenses. Financial income rose 20%, driven by strong investment gains at Interseguro, and increases of 7% in interest on loans and 20% in investment at Interbank. Financial expenses declined 9% year on year, due to decreases in interest and due to the Bank's other financial expenses and interest on bonds at Interbank, and partially offset by an increase in interest on deposits. Provision expenses rose 41%, mainly due to our boost in growth in the regional portfolio and the factors mentioned before, which will be explained in more detail when we discuss Interbank's performance. Fee income grew 17% year on year, driven by increases in loan structuring, corporate finance advisory, credit cards and account maintenance fees. Interseguro's loss from insurance underwriting increased 63%, as a result of higher claims and lower premiums. Administrative expenses increased 15% year on year, due to higher expenses in technology projects and consulting fees at Interbank, and in personnel expenses at Interseguro.

Please turn to page 7 for a discussion of Interbank's performance. Interbank's net earnings were 142.9 million soles in the second quarter of 2012, a number in-line with the previous quarter's earnings, and a 14% growth year on year. The year-on-year growth was due to increases of 6% in financial income and 16% in fee income, partially offset by increases of 41% in provisions and 10% in administrative expenses. Excluding non-recurring gains in the second quarter of 2012 and the second quarter of 2011, explained by dividends received and gains from the sale of investments, net earnings would have grown 19.3% year on year. Net earnings remained stable, quarter on quarter, in-line with growth of 0.8% in gross financial margins. Interbank's return on equity was 28.6% in the second quarter of 2012, lower than the 31.8% reported in the second quarter of 2011, and the 29.4% reported in the first quarter of this year. The decline in ROE was mainly the result of an increase in shareholders' equity, attributed to the accumulation of earnings in the first semester of this year.

Please turn to the following page to see the evolution of Interbank's loan portfolio. The performing loan portfolio grew 4% quarter on quarter and 12% year on year. Retail loans have grown 3.3% quarter on quarter and 20% year on year, driven mainly by significant growth in the mortgage loan portfolio. Mortgages have grown 7.2% quarter on quarter, due to sustained demand for new housing and successful commercial efforts at Interbank. As a result, mortgage loans have grown 29% year on year, and our market share has continued to expand. Other consumer loans grew 3.4% quarter on quarter and 14.4% year on year, driven mainly by an expansion in payroll deduction loans. Credit card financing declined 1.1%, and this is the first quarter-on-quarter decrease that we have seen in the credit card portfolio since the third quarter of 2009. This reaction is explained by two factors. The first was a decline in cash advances related to promotional lines of credit, and the second was a slight decrease in the number of cards issued in the emerging segment. Nevertheless, credit card balances still maintain a healthy growth of 17.3% year on year. Commercial loans grew 5.2% quarter on quarter, mainly due to the disbursement of trade finance loans. This growth in trade finance prompted a recovery in the commercial portfolio, which had decreased 6.6% in the first quarter of this year. Commercial loans have grown 4.2% year on year.

Please turn to the following page. Deposits grew 15% quarter on quarter, due to increases of 50% in institutional deposits, 8% in commercial deposits and 2% in retail deposits. This was the third consecutive quarter in which institutional deposits grew at a higher pace than core deposits. As a result, the proportion of institutional deposits in total deposits increased from 21% in the first quarter of 2012, sorry, from 25% in the first quarter to 32% in the second quarter. Loans grew as a result of a new issue of subordinated bonds for a total of 138 million soles, completed in June of this year. These bonds were placed locally in soles at a rate of 6.9%. This issue qualifies as Tier Two capital. Deposits have grown 19% year on year, due to increases of 48% in institutional deposits, 10% in retail and 7% in commercial deposits. Bank loans increased 9% year on year, and there was some re-balancing within the bank loan line in our balance sheet. Funding from correspondent banks has grown by 36%, while local funding has declined by 19%. The decrease in local funding is related to the Bank's decision to withdraw from an infrastructure loan, which was funded by local funding; that withdrawal took place in the third quarter of last year.

Now please turn to page 10 for a discussion of our financial margins. First, let's focus on our quarter-on-quarter performance. Gross financial margin grew 0.8 quarter on quarter, as a result of a 1.5% increase in financial income, partially offset by a 3.8% increase in financial expenses. Financial income increased due to higher interest on investments and loans, and was partially offset by a decline in exchange gains. Investment income grew 42%, mainly due to non-recurring gains of 9 million soles from dividends received. Excluding this non-recurring factor, investment income has grown 18%, as a result of higher interest earned on central bank certificates of deposit. Interest on loans grew 1.6% quarter on quarter, due to increases of 1.5% in the average loan volume, and 10 basis points in the average yield, from 13% in the first quarter, to 13.1% in the second quarter. The increase in yield was due to a 20 basis point increase in the average yield of the commercial portfolio. This was the second consecutive quarter in which the yield in the commercial portfolio has increased, after three quarters of consecutive declines during last year, arising from competitive pressures. Exchange gains declined 28%, due to a 12 million reduction in income from spot operations. The return on interest earning assets was 10.5% in the second quarter of 2012, lower than the 10.8% reported in the first quarter, due to a higher proportion of cash within our interest earning assets, and obviously, cash has a lower yield than the rest of our assets. Financial expenses grew 3.8% quarter on quarter, due to increases of 11% in interest on deposits and 21% in interest on due to banks, and was partially offset by a decrease in our financial expense. Interest on deposits rose as a result of increases of 8% in the average volume and 10 basis points in the average cost. The higher average cost was attributed to a 10 basis point increase in the commercial deposit rate, and a higher proportion of interest bearing institutional deposits within Interbank's deposit base. Interest on due-to banks grew 21%, as a result of increases of 13% in the average volume and 50 basis points in the average cost. The higher average volume was mainly due to a 17% increase in funding from correspondent banks. The increase in the average rate is explained by a higher proportion of medium term loans from correspondent banks within the funding structure. The average cost of funding remains stable, quarter on quarter, at 2.7%.

Now let's look at the year-on-year performance. Gross financial margin grew 8.5% year on year, due to a 6% increase in financial income and a 1% decrease in financial expenses. Financial income rose, due to increases of 32 million soles in the interest on loans, and 9 million soles in investment income, and was partially offset by a 12 million decrease in exchange gains. Interest on loans grew as a result of a 12% increase in the average volume, and was partially offset by a 30 basis point decrease in the average yield, from 13.5% in the second quarter of last year, to 13.1% in the second quarter of this year. The growth in average volume was due to increases of 20% in the retail portfolio and 4% in the commercial portfolio. The yield on the retail portfolio declined 130 basis points year on year, due to lower rates on credit cards and payroll deduction loans, as well as an increase in the proportion of mortgage loans within our retail asset mix, from 33% in the second quarter of last year, to 35% in this second quarter of this year. The yield on the commercial portfolio decreased 80 basis points, mainly due to competitive pressures, which drove rates down in this segment throughout the second half of 2011. As mentioned before, we have seen rates rebound and increase during this year. Investment income grew as a result of a 96% increase in the average volume of central banks certificates of deposit. Exchange gains declined mainly due to the decreases of 9 million soles in gains on Interbank's own exchange position, and 3 million in income from cross currency swaps. The return on interest earning assets was 10.5% in the second quarter, 20 basis points lower than that reported in the second quarter of last year, mainly as a result of a lower yield on the loan portfolio. Financial expenses declined 2 million soles year on year, due to decreases of 6 million on interest on due-to banks, 4 million in other financial expenses and 1 million in on interest on bonds, partially offset by an increase of 10 million soles in interest on deposits. This increase in interest on deposits was due to growth of 12% in the average volume and 10 basis points in the average cost. This increase in the average cost was a result of a 10 basis point rise in the average cost of retail deposits. Interest on bank loans decreased as a result of a 130 basis point decline in the average cost, partially offset by an increase of 8% in the average volume. The decrease in the average cost was mainly attributed to a decline in the cost of local funding, related to the Bank's decision to withdraw from an infrastructure loan in the third quarter of last year, as previously mentioned. The average cost of funding decreased 20 basis points year on year, from 2.9% in the second quarter of last year, to 2.7% in the second quarter of this year, due to a lower cost of bank loans. Net interest margin was 7.5% in the second quarter of 2012, below 7.9% in the previous quarter, but above 7.5% in the same quarter of last year.

Please turn to page 12 for a discussion of Interbank's credit quality and provision expense. The ratio of past due loans to the total loans increased from 1.6% in the second quarter of 2011 and 1.7% in the first quarter of 2012, to 1.8% in the second quarter of 2012, mainly as a result of the seasoning of a group of credit card loans granted in 2011. Provision expenses increased 36% quarter on quarter and 41% year on year, leading the ratio of provisions to average loans to an average level of 3.9% in the second quarter of 2012, above 2.9% reported in the previous quarter. This rise in provisions was a result of three factors. The first was an increase in the past due loan ratio in the credit card portfolio, from 3.3% in the first quarter, to 3.6% in the second quarter, mainly due to a seasoning of a group of loans granted during 2012. At Interbank, credit policies have been adjusted to make sure that no similar loans are granted during 2012. The second factor leading to an increase in provisions was a significant growth in commercial loan provisions, due to an expansion of 5.2% in the commercial loan portfolio, after a decline of 6.6% in the previous quarter, and this expansion in the commercial loan portfolio brings with itself an increase in generic loan provisions. The third factor was a regulatory requirement for the internal re-alignment of client ratings. Regulations require a bank to apply the same rating to all the clients' obligations as a bank. As a result, even if a client is up to date with certain obligations, like mortgages or payroll loans, but is delinquent such as in credit cards, the Bank must provision as if the client was delinquent in all obligations. Due to this regulation, the increase in delinquencies in credit cards during the second quarter of 2012 led to additional provisioning requirements in mortgages and payroll loans.

Please turn to page 13. Fee income grew 5% quarter on quarter and 16% year on year, due to increases in corporate finance advisory, account maintenance, loan structuring and credit card fees. Administrative expenses grew 2% quarter on quarter, below the rate of growth in business volume, and 9.5% year on year, mainly due to higher expenses in technology projects and consulting fees. The efficiency ratio remains stable quarter on quarter, and improved slightly year on year, from 47.2% in the second quarter of 2011 to 46.9% in the second quarter of 2012.

Please turn to page 14. The ratio of regulatory capital to risk weighted assets was 14.8% in the second quarter of 2012, slightly below 14.9% reported in the first quarter, but above the 14.5% reported in the second quarter of last year. During the second quarter of 2012, regulatory capital grew 10.1%, and risk weighted assets grew 10.9%. The increase in regulatory capital was due to the last issue of 138 million in subordinated bonds and the capitalization of 102.7 million from 2012 earnings. The year-on-year increase in the capital ratio was due to a 28% growth in regulatory capital, and this was due to a capitalization of 431 million soles in earnings over the last 12 months. This completes the discussion of Interbank's performance. Now, Enrique will discuss Interseguro's performance.

Enrique Espinosa: Thanks, Antonio. Please, could you turn to page 16. Interseguro's net income reached an historical level of 132.5 million in the second quarter of 2012, more than a fourfold increase quarter on quarter, and a fivefold increase year on year. Return on equity was 169.6% in the second quarter of 2012, while return on assets was 21.6% during the same period. The main driver for quarter-on-quarter and year-on-year earnings growth was a significant increase in investment income, mostly sustained by the 106.3 million non-recurring gain on the sale of real estate investments in the second quarter. This sale included Real Plaza Mall in Chiclayo and the north wing of Real Plaza Primavera Mall in Lima.

Please turn to page 17, Premiums. Premiums during in the second quarter of 2012 totaled 106.3 million, a 3.5% decrease quarter on quarter, and a 2.9% contraction year on year. The quarter-on-quarter decrease was attributable to lower sales in annuity premiums, as a result of an estimated 3.6% market contraction. This was partially offset by higher premiums in group life and non-life insurance. The year-on-year decrease was due to lower sales in annuity premiums, partially as a result of a 51% market contraction in the early retirement segment. The early retirement regime has been in place since 2010, and applications tend to fall as its conclusion by year end 2012. The decline in annuities was partially offset by increasing premiums in almost all of the other business lines.

Let's talk now about reserve claims and operating expenses. The change in reserves decreased 9.8% quarter on quarter and 4.1% year on year, in-line with annuity sales. Claims increased 28.9% quarter on quarter, and 25.8% year on year, due to higher disability and survivor benefit claims, mainly attributed to a 4.4 million provision for expected mortality claims that have yet to be presented to the Company. Annuity claims increased 5.4% quarter on quarter and 8.4% year on year, as a result of higher pension payments, in-line with the growth in the number of affiliates. As a result of the factors described above, the technical margin loss was 24.9 million in the second quarter of the year, compared to 20.9 million in the first quarter of this year and 16.3 million in the second quarter of last year. Administrative expenses increased 21.1% quarter on quarter and 8.5% year on year, mainly due to higher personnel expenses tied to a provision for annual incentives.

Please turn to page 18, Investment Income. Investment Income increased 163% quarter on quarter and 195% year on year. The quarter on quarter and year on year increases were explained by a 106.3 million non-recurring gain on the sale of properties, which as stated before, included Real Plaza Mall in Chiclayo and the North Wing of Real Plaza Primavera Mall in Lima. This sale of a portion of Interseguro's real estate portfolio was due to reaching investment limits in real estate, and will allow the Company to make further developments in existing and new properties. Interseguro's investment portfolio grew 5.1% quarter on quarter and 21% year on year, driven by funds received from annuity sales and the price appreciation in the overall portfolio. The proportion of real estate investments to the total investment portfolio decreased from 21.2% in the second quarter of 2011 and 16.6% in the first quarter of the year, to 13.4% in the second quarter of this year, due to the sale of properties recorded in both, the fourth quarter of last year and this quarter. Thank you.

Jose Antonio Rosas: Thank you, Enrique. This completes our discussion of Intercorp's second quarter performance, and now we are open to the question and answer session.

Operator: Thank you, sir. 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 telephone keypad now. Questions will be taken in the order in which they are received. If at any time you would like to remove yourself from the questioning queue, press star two. Again, that is star one to ask a question. We have a question from Felipe Urcos with BTG Pactual.

Felipe Urcos: Good morning, Enrique. Good morning. I had a couple of very short questions. The first one is on the NPL deterioration. It seems that it's not just happening to you, but that it is industry-wide phenomenon in Peru. It's been happening in cumulative numbers since December of last year. Can you comment on the situation in Peru generally, and how you think the Company is doing versus the rest of the industry?

Jose Antonio Rosas: Good morning, Felipe. Yes, we have also seen that provision expenses and NPL have been increased at other banks, it is a system-wide trend, and the main explanation is that we are seeing more banks moving more aggressively into the retail segment, and particularly to the PNC socioeconomic categories of the Peruvian population. So, it's to be expected that with banks that have traditionally been corporate banks or focused on higher end segments, as they move to more emerging segments, they should see an increase in NPLs and in provision expense. So that's, in our view, the main explanation for why there is a system-wide increase in NPLs. In our case, we have also, during the last year, grew more significantly in the emerging segments than in the high end segments, and as a result, part of the crop of credit card loans that we granted during 2011 have turned delinquent this year at higher rates than we had anticipated. As mentioned before, we have adjusted our credit policies, and we are making sure that our filters are working much better this year than last year, and we do not expect any more significant increases in NPLs.

Felipe Urcos: Great, and in terms of the 2011 vintage of credit cards, how long do you think it will take for the vintage to work through the system, meaning how much longer do you think NPLs will continue to increase due to that particular portfolio?

Jose Antonio Rosas: We do not expect NPLs to continue to increase from the level we've seen this quarter. We expect a slight decrease during the rest of this year. We certainly do not expect to get back to the levels of 3% we had last year, but we do expect a slight increase throughout the rest of this year, and then, next year, we should be back to more normal levels.

Felipe Urcos: Great, and last two questions; I hate to hold you guys up. The first one is on the recurring NIM, which fell down quite a bit from quarter to quarter. Maybe you could comment a little on that. And the last question is on the real estate sales. It seems you guys have been fairly active selling real estate over the last few quarters, and decreasing the concentration of the real estate portfolio. If you can comment a little more on the motivation of that; if you just want funds for growing other businesses, or you're seeing kind of a peak in the real estate market, or any other comments you may have related to the sales.

Jose Antonio Rosas: Ok, the first one was about the what, sorry?

Felipe Urcos: About the recurring NIM.

Jose Antonio Rosas: Ah, recurring NIM, yes. Regarding NIM at Interbank, as mentioned during the discussion, the main reason for that is an increase in the proportion of cash within our interest earning assets. As you have seen, the yield in the loan portfolio increased slightly. The returns from the investment portfolio was stable, so there was no real decline or pressure on NIM. The cost of funding remains stable quarter on quarter, as well. So the only reason for this decline was that we had a higher proportion of cash within our interest earning assets.

Regarding the sale of the real estate properties, perhaps Enrique can complement on that. What I can tell you first is that Interseguro remains very committed to continue its real estate investment development. It has been very successful, as shown by the gains we have realized on part of our portfolio, and the reason Interseguro has sold properties in the fourth quarter of last year and the second quarter of this year, is that once it has achieved a certain scale or certain level of gains in some of its shopping malls, it needs to free limits to develop new shopping malls and new real estate ventures. So the reason for selling properties that have already matured is to make space within the Company to continue developing real estate properties. I don't know if Enrique, you want to complement on that.

Enrique Espinosa: Well, I completely agree with what you just said, Jose Antonio. We sold these assets mainly to free limits and with this, we're allowing further development of existing properties within Interseguro, and as Antonio mentioned, we have made a significant gain because these were investments that we, let's say, we invested in these malls, more than five years ago, so these were at a scale which saw an opportunity, we sold now, and we're planning on investing in new properties now. We are completely committed to real estate as an insurance company, and as a group.

Felipe Urcos: Ok, good. Thanks a lot, guys.

Operator: Ladies and gentlemen, at this time we are holding for questions. You may press star one to ask your question. Again, that is star one to ask a question. We have a question from Luis Guzman with Santander.

Luis Guzman: Hello, this is Luis Guzman from Santander. I was wondering, regarding market share in consumer loans, your credit cards or your other consumer loans, I was wondering why this market share is declining over the last month. Could you please give me a little bit of color on this?

Jose Antonio Rosas: Good morning, Luis. Yes, indeed, our market share has declined on those two products in consumer loans and in credit cards. The main reason is as you have seen our growth rates remain strong; credit cards have grown by 17% year on year, and other consumer loans have grown by 14% year on year, is that we're seeing much more aggressive competition in those two segments than we used to see before. So, we're seeing other banks growing at an even faster pace than we are. Sometimes, we have seen aggressive policies that we are not willing match. As a result of that, we would rather see a slight decline in market share, while maintaining healthy growth, but not enter a race in which we might have adopt too aggressive policies for our standards.

Luis Guzman: Ok, ok, and do you have a target for loan growth in this particular segment, for consumer or credit cards?

Jose Antonio Rosas: We expect to continue to grow at a rate of between 15-20% year on year on those products.

Luis Guzman: Ok, great. Thank you very much.

Operator: Our next question comes from Maher Saba with Compass Group.

Maher Saba: Yes, you mentioned that you've put in place new policies on credit card loans. Could you be more specific about those policies?

Jose Antonio Rosas: No, they're not new policies. Let's say, we've tightened some of our filters. I cannot be more specific, because that's very proprietary, very closed information, but we have tightened some of the filters to make sure that some of the types of loans that were granted during 2011 are not granted during this year.

Maher Saba: And in real estate investments in Interseguro, could you give us an idea of what's the, how do you spot a mature investment in real estate? How do you, to get an idea of your rotation on the investment.

Jose Antonio Rosas: An idea of what in the investment, sorry?

Maher Saba: In order to get an idea of the rotation of the real estate investment portfolio, how do you spot a mature investment in real estate? How do you say, we go up to this point, and then we sell and invest in somewhere else?

Jose Antonio Rosas: It's more of a case by case decision; there's no specific rule that says once we achieve that level, or once we meet certain targets, then we sell. If there is an opportunity to sell at an attractive price after we having realized a strong gain, then we will do it, and free up space for the development of new projects, but there are no set rules for that. That's why we consider… (*cross talking*). Sorry?

Maher Saba: Do you have a hurdle rate of return for real estate?

Jose Antonio Rosas: Enrique, do you want to answer that?

Enrique Espinosa: This should be above 12%.

Maher Saba: Ok, thanks.

Operator: I'm showing no further questions at this time, so I will turn the call back over to Jose Antonio Rosas for closing comments.

Jose Antonio Rosas: Thank you, everyone, for participating in this call, and we will meet you in our third quarter conference call.

Operator: Thank you, ladies and gentlemen. This concludes today's teleconference. You may now disconnect.

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