IFS 3Q12 Conference Call
October 31, 3012
10:00 A.M.

Operator: This is the Peter Majeski teleconference with I-Advize for Wednesday, October 31, 2012 at 9:00 a.m. Central Time. Excuse me, ladies and gentlemen. Thank you for joining us today. Welcome to Intercorp Financial Services' third quarter 2012 conference call, on this, the 31st of October 2012. All lines have been placed on mute to prevent any background noise. Following the speakers' remarks, there will be a question and answer session. Instructions to participate will be given at that time. I would now like to turn today's call over to Peter Majeski from I-Advize.

Peter Majeski: Thank you, Jeff. Good morning, everyone. Welcome to Intercorp Financial Services third quarter 2012 earnings conference call on this, the 31st of October 2012. Today's call is for investors and analysts only. Questions from the media will not be taken. It is now my pleasure to introduce our speakers. Joining us today from Lima are Ms. Michela Casassa, Intercorp Financial Services recently named Chief Financial Officer, Mr. Gonzalo Basadre, Chief Executive Officer at Interseguro, and Ms. Claudia Valdivia, Chief Financial Officer at Interseguro. They will be discussing Intercorp's results per the press release and presentation distributed yesterday evening. If you have not yet received a copy, please visit www.ifs.com.pe, in order to download both the earnings release and conference call presentation. Before we begin, I would like to remind everyone that any forward looking statements made today by Intercorp's Management are subject to various conditions, and may differ materially from actual results. It is now my pleasure to turn the call over to Ms. Michela Casassa, Intercorp Financial Services' Chief Financial Officer for her first quarterly conference call presentation. Ms. Casassa, you may begin.

Michela Casassa: Ok, good morning and welcome to Intercorp Financial Services' third quarter 2012 conference call. We will start with a brief discussion of the highlights of Intercorp's performance. At IFS, net earnings were 158.5 million in the third quarter of 2012, a decrease of 38.8 percent quarter on quarter, and 21 percent year on year. Excluding non-recurring items, net earnings would have been 166.8 million in the third quarter, an increase of 27.7 percent over the past quarter, and 15.2 percent year on year.

In the second quarter 2012, Interseguro reported 106 million non-recurring gains in real estate property sales. In the third quarter of 2011, non-recurring items included a recovery from a loan write-off at Interbank, an extraordinary investment income at Interbank, Interseguro and also IFS. Recurring ROE at IFS was 26.3 percent in the third quarter 2012, above the 22.6 percent in the second quarter, but below the 28.8 percent in the third quarter of 2011. At Interbank, net earnings were 159 million in the third quarter, the Bank's second highest quarterly result. Net earnings increased 11.4 percent, quarter on quarter, driven by higher financial margins and lower provisions. Recurring net earnings increased 20.5 percent year on year, due to 13.7 percent loan growth and stable provisions. Loans grew 2.9 percent, quarter on quarter, as a result of sustained credit demand across most segments. Beside lower funding costs, NIM declined 30 basis points, quarter on quarter, due to increases in the proportion of cash and mortgages within interest earning assets. The ratio of past due loans to total loans remained stable quarter on quarter at 1.8 percent.

At Interseguro, net earnings decreased 86 percent quarter on quarter, and 49 percent year on year, due to lower investment income, which was exceptionally high in the second quarter of 2012. Excluding non-recurring items, net earnings would have increased 6.2 percent quarter on quarter. Premiums increased 11.7 percent quarter on quarter, and 1.5 percent year on year.

Annuity sales increased 14 percent quarter on quarter, after a 6.7 percent decline in the previous quarter. Interseguro remains the market leader in annuities.

Please turn to the following page for a brief overview of the net earnings of IFS and its two subsidiaries. On page 4, we can see a summary of the quarterly earnings of Intercorp Financial Services and its two subsidiaries. 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 IFS's P&L statement. Looking at the quarter-on-quarter performance, net earnings increased 34.8 percent, mainly due to strong non-recurring investment income reported by Interseguro in the second quarter 2012. When excluding non-recurring items, net earnings rose 27.7 percent, as a result of higher financial income, lower provisions and lower administrative expenses of Interbank, partially offset by a decline in other income. Financial income declined 13.4 percent, explained by decreases of 103.8 million in net investment income at Interseguro, and 8.6 million in investment income at Interbank, partially offset by increases of 5.4 million in exchange gains, and 4.4 million in interest on loans at Interbank. The decrease in net investment income at Interseguro was due to 106.3 million non-recurring gains on the sale of real estate investments registered in the second quarter. Provision expenses declined 26.9 percent, mainly due to the reversal of provisions for internal alignment of client ratings.

Fee income decreased 5 percent quarter on quarter, due to lower fees from credit and debit cards. Interseguro's loss from insurance underwriting decreased 12.2 percent, as a result of a 3.4 million increase in the elimination of fees paid by Interseguro to Interbank, related to the sale of premiums, partially offset by higher reserves linked to increasing annuity sales. The rise in annuity sales was attributed to an estimated 26.5 percent market growth.

Administrative expenses declined 7.4 percent quarter on quarter, mainly due to the transfer of Interseguro, Real Plaza and Interproperties Peru to InRetail Real Estate Corporation, a subsidiary of InRetail Peru Corp., as a result of a reorganization plan implemented in August 2012. Due to this reorganization, 15.3 million in administrative expenses related to these subsidiaries were not accounted for in the third quarter 2012. Other income decreased 90 percent, mainly due to the elimination of other income from the transferred subsidiaries. Intercorp's effective tax rate rose from 13.9 percent in the second quarter to 25 percent in the third quarter, as a result of two factors. The first was a lower contribution to net earnings from Interseguro, whose investment income is tax exempt. The second was the normalization of Interbank's effective tax rate, which was unusually low in the second quarter, increasing from 21 percent in the second quarter to 34.5 percent in the third quarter.

Moving to the year-on-year performance, net earnings decreased 21 percent, due to a decline in other income, partially offset by higher gross financial margins. When excluding non-recurring items, net earnings rose 15.2 percent. Non-recurring items were related to a recovery from a loan write-off in the third quarter of 2011, and extraordinary investment income at Interbank and IFS. Financial income rose 4.4 percent, driven by increases of 8.4 percent in interest on loans and 96 percent on exchange gains at Interbank, partially offset by the decreases in investment income of 23.5 percent at Interbank and 9.9 percent at Interseguro.

Financial expenses increased 4.1 percent year on year, due to growth in interest on deposits, partially offset by decreases in interest from due-to banks and other financial expenses of Interbank. Provision expenses increased 4 percent due to growth in the loan portfolio.

Fee income declined 3.9 percent year on year, as a result of higher expenses associated with fee generation and a reduction in commission from credit and debit cards, partially offset by growth in loan structuring and account maintenance fees at Interbank.

Interseguro's loss from insurance underwriting increased 39 percent, driven by higher claims and reserves, partially offset by higher group life premiums.

Administrative expenses increased 2.2 percent year on year, due to higher advertising costs, property leases and personnel at Interbank and the implementation of technology projects at Interseguro. Other income decreased 94 percent, due to lower income from recoveries at Interbank and elimination of other income from the transferred subsidiaries. In the third quarter 2011, income from recoveries was unusually high, as a result of a 26.3 million recovery from a loan write-off at Interbank.

Please turn to page 7 for a discussion of Interbank's performance. Interbank's net earnings were 159.2 million in the third quarter, an 11.4 percent growth, quarter on quarter, and a 2.7 decline year on year. The quarter-on-quarter growth was due to a 1.8 percent increase gross financial margins and a 26.9 percent decrease for provision expenses, partially offset by a 4.4 percent increase in administrative expenses and a higher tax rate. The year-on-year decline was due to 12 percent growth in administrative expenses and a 59 percent decrease in other income, despite a 12.2 percent increase in gross financial margins. In the third quarter 2011, non-recurring gains were realized as a result of a recovery from a loan write-off and the sale of investments, resulting in after tax income of 37.5 million. In the third quarter 2012, extraordinary gains on the sale of investments totaled 7.3 million after taxes. Excluding such non-recurring items, net earnings would have grown 20.5 percent year on year. Interbank's ROE was 29.8 percent in the third quarter 2012, above the 28.6 percent reported in the second quarter, but below the 38.7 percent reported in the third quarter of the previous year. Performing loans increased 2.9 percent quarter on quarter. Commercial loans grew 3.5 percent in the third quarter, the second consecutive quarter of growth, after having decreased in the first quarter of the year. By the end of the third quarter, the commercial portfolio had fully recovered from this decline, reaching a record volume in terms of outstanding balances. Retail loans rose 2.4 percent, mainly due to an increase of 6.7 percent in mortgages. Growth in mortgage loans was a result of continued demand for new housing and successful commercial efforts at Interbank, which drove our market share to continue expanding, from 12.4 percent in the second quarter to 12.6 percent in the third quarter. Other consumer loans increased 3.6 percent, driven mainly by payroll deduction loans. Credit card loans decreased 4.2 percent, as a result of higher competition in this segment and tighter credit policies at Interbank. Performing loans grew 13.7 percent year on year. Retail loans increased 16.8 percent, mainly due to growth rates of 27.4 percent in mortgages, 15.7 percent in other consumer loans and 6.5 percent in credit cards. Commercial loans increased 10.6 percent year on year, as a result of growth in a wide range of products, such as medium term loans, leasing, discounts and factoring.

On page 9, Interbank's total funding remained stable, quarter on quarter, in line with interest earning assets. However, there were significant changes in the third quarter 2012, which strengthened the Bank's funding structure. This was reflected by a 586 million increase in bonds, which was offset by a 621 million decrease in deposits. Interbank issued US$250 million in senior bonds in late September 2012. The transaction consisted of the reopening of a 400 million bond issue placed in October 2012. The additional funding was priced at a rate of 4.8 percent and was used to replace deposits, mainly institutional, as well as funding from correspondent banks. In addition, the new issue allowed the Bank to more closely match maturities of dollar denominated assets and liabilities, and will help to finance loan growth in the following months. Due-to banks decreased 2.2 percent quarter on quarter, as a result of an 8 percent decline in funding from correspondent banks, partially offset by 8.5 percent growth in local funding. Local funding was mainly used to fund mortgage loans granted under government-sponsored housing programs. The Bank's funding base grew 21 percent year on year, due to increases of 20.7 percent in deposits, 29.6 percent in bonds, and 24.4 percent in due-to banks. The growth in deposits was attributed to increases of 83 percent in institutional deposits, almost 7 percent in retail deposits and 4 percent in commercial deposits. Before the third quarter, institutional deposits had been growing rate than retail and commercial deposits since the third quarter 2011. As a result, the proportion the institutional deposits to total deposits increased from 19.5 percent in the third quarter 2011 to 29 percent in the third quarter 2012, but decreased from the 38.8 percent reported in the second quarter. The increase in bonds was explained by two new bond issues, including the 250 million senior bond issue previously mentioned, and 137.9 million subordinated bond issue placed in June 2012. The 24.4 percent year-on-year increase in due-to banks was explained by growth rates of 23.5 percent in funding from correspondent banks and 26.3 percent in local funding.

Moving forward to page 10, looking at the quarter-on-quarter performance, the gross financial margin grew 1.8 percent quarter on quarter, as a result of a 0.4 increase in financial income and a 4.1 decrease in financial expenses. Financial income increased due to growth in exchange gains and interest on loans, partially offset by a decrease in investment income. Exchange gains rose 12.9 percent, mainly due to an increase of 8.4 million in gains on Interbank's exchange position. Interest on loans grew 0.9 percent quarter on quarter, due to a 3.6 percent increase in the average loan volume, partially offset by a decline of 40 basis points in the average yield, from 13.1 percent in the second quarter to 12.7 percent in the third quarter. The higher average volume was attributed to increases of 4.4 percent in the commercial portfolio and 2.8 percent in the retail portfolio. In the commercial portfolio, growth was driven by increases of 15.8 percent in trade finance and 11.1 percent in small business lending. In the retain portfolio, volumes grew 6.9 percent in mortgages and 3.4 percent in other consumer loans, partially offset by a decrease of 2.7 percent in credit cards. The yield on retail loans declined 70 basis points, mainly due to lower rates on credit cards and a lower proportion of credit card loans within the retail portfolio. The yield on commercial loans rose 10 basis points in the third quarter, the third consecutive quarter in which the return on this portfolio increased. Investment income decreased 16 percent as a result of lower interest earned on central bank certificates of deposit, which was due to declines of 24 percent in the average volume and 30 basis points in the average yield.

The return on average interest earning assets was 9.8 percent in the third quarter, below the 10.5 percent reported in the second quarter, mainly due to the increase in cash, which has a lower yield than the rest of the interest earning assets. Financial expenses decreased 4.1 percent, quarter on quarter, as a result in decreases in interest paid on deposits, due-to banks and interbank funds, partially offset by an increase in interest on bonds. Interest on deposits decreased 9 percent, due to a decline of 7 basis points in the average cost, partially offset by a 4.9 percent growth in the average volume. The lower cost was attributed to a 90 basis point reduction in the average rate of institutional deposits. The higher average volume was mainly due to increases of 13.5 percent in institutional deposits, and 3.5 percent in commercial deposits. Interest on due-to banks and interbank funds declined 8.8 percent, explained by the increases of 40 basis points in the average cost and 0.2 percent in the average volume of due-to banks. The reduction in the average rate was attributed to a lower proportion of long-term loans from correspondent banks within the funding mix. Lower volume was the result of a 3.6 percent decrease in funding from correspondent banks, partially offset by an increase of 7.9 percent in local funding. Interest on bonds grew 6.3 percent, due to the full quarter effect of the 137.9 million in the subordinated bonds issued in late June 2012. As mentioned earlier, during September 2012, the Bank issued an additional $250 million in senior bonds due October 2020. This new issue did not have a significant impact on financial expenses in the third quarter. The average cost of funding declined from 2.7 percent in the second quarter to 2.4 percent in the third quarter of 2012, mainly attributable to the lower cost of deposits. Looking at the year-on-year performance, gross financial margin rose 12.2 percent, as a result of a 9.5 percent increase in financial income, partially offset by a 1.2 percent growth in financial expenses. Financial income grew due to increases of 8.4 percent in interest on loans and 96.9 percent in exchange gains, partially offset by a 23.5 percent decline in investment income. Higher interest on loans was explained by a 13.1 percent increase in the average volume of loans, partially offset by a 30 basis point reduction in the average yield, from 13 percent in the third quarter of 2011 to 12.7 percent in the third quarter 2012. Average loan volume rose, due to increases of 18.3 percent in the retail portfolio and 7.4 percent in the commercial portfolio. In the retail portfolio, volume growth was driven by increases of 27.9 percent in mortgages, 13.2 percent in payroll deduction loans and 11.8 percent in credit cards. The average yield decreased 160 basis points, due to lower rates on credit cards and payroll deduction loans, as well as an increase the proportion of mortgage loans within the portfolio.

In the commercial portfolio, volume growth was due to increases of 9.4 percent in medium-term loans and 6.8 percent in leasing. The average yield improved 10 basis points, mainly due to higher rates within the trade finance segment. Exchange gains rose due to increases of 13.8 million in gains from Interbank's exchange position, 6.6 million from exchange rate forwards and 4.3 million from trading activity with clients. Investment income decreased, mainly due to lower non-recurring realized gains on the sale of investments. Non-recurring income from investments amounted to 21.4 million in the third quarter of last year, compared to 8.3 million in the third quarter of 2012. The return on average interest earning assets was 9.8 percent in the third quarter 2012, 130 basis points below the third quarter of last year, mainly as a result of the lower yield on the loan portfolio and the increase in the proportion of cash. Financial expenses rose 1.2 percent year on year, due to growth of 12.4 percent in interest on deposits, partially offset by decreases of 46.5 percent in other financial expenses and 3.5 percent in interest on due-to banks and interbank funds. Interest on deposits increased, due to a 19.5 percent growth in the average volume, partially offset by a 10 basis point decrease in the average cost. The rise in volume was due to increases of 62.6 percent in institutional deposits, 8.3 percent in retail deposits, and 5.7 percent in commercial deposits. The lower average cost resulted from a 90 basis point decline in the cost of institutional deposits. Interest on due-to banks decreased as a result of an 80 basis points reduction in the average cost, partially offset by a 16.2 percent growth in the average volume. The average cost of funding fell 40 basis points year on year, from 2.8 percent in the third quarter 2011 to 2.4 percent in the third quarter 2012, due to lower rates on the due-to banks and bonds.

On page 11, you can see net interest margin was 7.2 percent in the third quarter of 2012, below the 7.5 percent reported in the second quarter 2012 and the 7.8 percent reported in the third quarter 2011.

On page 12, the ratio of past due loans to total loans remains stable at 1.8 percent in the third quarter, and the coverage ratio of the past due loan portfolio decreased from 243.5 percent in the second quarter to 234.9 percent in the third quarter. Administrative expenses decreased 26.9 percent quarter on quarter, and increased 4 percent year on year. The quarter-on-quarter reduction was mainly due to the reversal of provisions related to internal realignments. These provisions are required when clients who are current with certain obligations become delinquent on others, as the Bank must provision as if such clients were delinquent with all outstanding obligations. In credit cards, the ratio of past due loans remained stable quarter on quarter at 3.6 percent, and therefore, the Bank reported a lower requirement for new provisions. The year-on-year increase in provisions was attributed to growth in the loan portfolio. As a result, the ratio of provision expense to average loans was 2.8 percent in the third quarter 2012, lower than (0:23:24 – skip in audio).

On page 13, fee income decreased 1.3 quarter on quarter, as a result of lower fees from credit and debit cards, partially offset by higher fees from stand-by letters of credit and real estate financing. Fee income declined 1.9 percent year on year, due to an increase of 5.6 million in expenses associated with fee generation, and a reduction of 6.7 million in commissions from credit and debit cards, partially offset by an increase of 7.4 million in loan structuring and account maintenance fees. Administrative expenses grew 4.4 percent quarter on quarter, and 12 percent year on year. The quarter-on-quarter increase was due to higher advertising expenses associated with the beginning of the new marketing effort, and a 2.5 percent rise in personnel expenses. The year-on-year growth was attributed to higher costs for advertising and property leases and a 5 percent increase in personnel costs. Due to the moderate growth in expenses, the efficiency ratio increased from 46.9 percent in the third quarter of 2011, and the second quarter of 2012 to 48.3 percent in the third quarter 2012.

On page 14, you can see the ratio of regulatory capital to risk weighted assets was 13.9 percent in the third quarter, below the 14.9 percent reported in the second quarter and the 14.6 percent reported in the third quarter of the previous year. The quarterly variation was due to a 6 percent increase in risk weighted assets and a slight decrease of 0.4 percent in regulatory capital. The growth in risk weighted assets was attributed to scheduled regulatory adjustments to the calculation of their components. In July 2012, three of these adjustments went into effect. First, the adjustment factor for credit and market risk weight assets was increased 98 percent to 100 percent. Second, the weight given to leasing operations was raised from 80 percent to 100 percent, and finally, the adjustment factor operational risk for risk weighted assets increased from 50 to 60 percent. The yearly decrease in the capital ratio was due to an increase of 24.2 percent in risk weight assets, partially offset by an 18.5 percent increase in the regulatory capital. The growth in risk weighted assets was attributed to loan growth and the regulatory adjustments previously mentioned. The increase in regulatory capital was due to the incorporation of 298.6 million of net earnings of capital and reserves over the past we months, and the 137.9 million subordinated bond issue completed in June 2012. In July 2012, the Bank initiated the process of adapting to the additional regulatory capital requirement outlined by the Peruvian banking regulator. Under the new regulation, banks must comply with 40 percent of the additional regulatory capital requirement stated in such regulation, which will gradually increase 200 percent in July 2016. As of September 30th, Interbank's capital ratio was higher than it's risk adjusted minimum capital ratio, established at 11.12 percent. The minimum regulatory capital ratio requirement was 10 percent, while the additional capital requirement for Interbank was 1.12 percent as of September 30, 2012. Now I will leave it to Claudia Valdivia, who will comment on Interseguro's results.

Claudia Valdivia: Thank you, Michela. Please turn to page 16 of the presentation. The table shows the summary of Interseguro's P&L performance, where we can see an 11.7 percent increase in premiums quarter over quarter, and 1.5 percent year over year, driven mainly by annuity premiums due to an estimated market growth of 26.5 percent. This increase in premiums also explains a higher technical margin loss year over year and quarter over quarter, since according to Peruvian accounting regulations, each time an annuity premium is sold, an accounting loss must be recognized in the profit and loss claims. Administrative expenses grew 5.2 percent quarter over quarter and 5.9 percent year over year, driven by an increase in personnel expenses, attributable to a provision made for personnel bonuses, as well as high consulting fees due to implementation of technology projects. Investment income decreased 63.6 percent quarter over quarter and 9.9 percent year over year. The quarter-over-quarter decrease is mainly explained by 106.3 nuevo soles, a non-recurring gain from the sale of real estate investments reported in the second quarter of 2012. When excluding these extraordinary gains, investment income grew 4.3 percent quarter over quarter. As a result of the factors explained before, Interseguro's net income was 17.2 million nuevo soles in the third quarter of 2012, an 86 percent decrease quarter over quarter and 49.4 percent year over year. The quarter-over-quarter decrease was due to 103.8 million nuevo soles decrease in investment income, explained mainly by the non-recurring gain on the real estate portfolio mentioned before. When excluding these non-recurring gains, net income grew 6.2 percent quarter over quarter. The year-over-year decline in net income was attributable to a 6.5 million decrease in investment income and a 9.3 million nuevo sole increase in the technical margin loss. A decline in technical margin loss was attributable to higher claims and reserves tied to an increase in annuity premiums.

Please turn to the next page of the presentation. Page 17 shows in detail the performance of the Interseguro's premiums. Premiums increased year over year and quarter over quarter, mainly explained by higher annuity premiums, due to an estimated 26.5 percent market growth in the regular retirement segment, as well as increasing sales across nearly every Interseguro business line. The business lines with the highest growth were in individual life and group life insurance. As of September 30, 2012, Interseguro's is the leading annuity provider with an estimated 24.8 percent market share.

Finally, on page 18, there are some details on Interseguro's investment portfolio and investment income. Interseguro's investment income was 59.4 million nuevo soles in the third quarter of 2012, a 63.6 percent decrease quarter over quarter and 9.9 percent year over year. The quarter-over-quarter decrease was explained by a 94.9 percent decline in real estate income, due mainly to a 106.3 million nuevo sole non-recurring gain on the sale of property reported in the second quarter of 2012. Excluding these non-recurring gains, investment income grew 4.3 percent quarter over quarter. The year-over-year decrease was due to 9.3 million nuevo soles in lower real estate income, mainly explained by the real estate property sold in the second quarter of 2012, as well as in the fourth quarter of 201, and lower realized gains in the equity portfolio attributable to a one-time dividend received in the third quarter of 2011. Interseguro's investment portfolio decreased 1.4 percent quarter over quarter and increased 11 percent year over year. The quarter-over-quarter decline was due to a decrease in fixed income, attributable to a portfolio rebalancing to include higher yielding bonds and real estate property. The year-over-year increase is explained by the funds received due to higher sales and the appreciation of Interseguro's equity and fixed income portfolio. This ends the discussion of Interseguro's results for the third quarter. Thank you.

Michela Casassa: Do you have any questions?

Operator: Thank you. At this time, ladies and gentlemen, we will open the floor for questions. If you would like to ask a question, simply dial star, followed by one, on your touchtone phone now; star one. Questions will be taken in the order in which they are received, and if at any time you would like to remove yourself from the queue, just dial star two. Again, to pose a question, just dial star one on your touchtone phone now. Our first question comes from Carlos Herrera from Barclays.

Carlos Herrera: Good morning. (0:32:01 – inaudible - 0:32:09) will get to (0:32:12 – inaudible) to getting growth in the (0:32:16 – inaudible).

Michela Casassa: Carlos, sorry. There are some problems with the line. We couldn't absolutely understand your question. Could you repeat it, please?

Carlos Herrera: Can you hear me now?

Michela Casassa: No, it's like on and off.

Operator: Mr. Herrera, you have a bad connection, sir. If you're able to pick up your line, it might help. In the meantime, ladies and gentlemen, if you do have a question, simply dial star one on your touchtone phone now.

Mr. Herrera, try to pose your question again, sir. All right, we have a bad line there. Again, ladies and gentlemen, that's star one to pose a question. We are holding for questions. Everyone, there are no questions in the queue currently. Everyone, again, that's star one.

Mr. Herrera, if you would like to re-prompt and attempt your question again, you may do so by dialing star one, to pose a question.

Our next question comes from Alonso Aramburu from BTG.

Male: Hi, actually this is (indiscernible) on behalf of Alonso Aramburu. I would like to ask you a quick question regarding the credit card market in Peru. I would appreciate if you guys can give me a perspective. It seems that we have seen a little bit of more competition and market share being lost. If you could give a little bit of guidance on how you see for the end of the year the evolution of the credit card market and regarding market share and margins, I would appreciate it.

Felipe Castellanos: Hi Alonso, this is Felipe Castellanos from Interbank thanks for your question. We have indeed seen increased competition, starting last year, mentioned in the previous quarter. We expected this competition to continue. We're seeing not only traditional banks jumping aggressively into this market, tapping into new potential customers and also the traditional commercial houses, tapping that market, no? We're seeing a decrease in the quality of the portfolio, and as a result, we specifically, as announced again last quarter, we have decided to tighten our credit standards, reduce a bit our aggressiveness in order to realign our views in the market. We expect that for next year, the growth will re-come in the market, and margins will be improved, with better, narrower provisions. We do see a market growing next year, with increased profitability. Having said that, we still expect this coming quarter to continue with the tightening of our standards. We are seeing good results in the new businesses, but we're still working through that.

Male: Thank you very much.

Operator: Thank you. As a reminder, ladies and gentlemen, to pose a question, simply dial star, followed by one, on your touchtone phone now. We are holding for questions. Everyone, there are no further in the queue currently. Ladies and gentlemen, that's star one to pose a question. Everyone, I would like to turn the call back over to Ms. Casassa for closing comments.

Michela Casassa: Ok, with no further comments, just to thank everybody for participating in this call.

Operator: Thank you, everyone. This does conclude our teleconference for the day. You may now disconnect.

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