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**PRIMA**AFP



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# O 1 PRIVATE PENSION SYSTEM

## 249 thousand new affiliations

The year 2013 was marked by a series of events linked to the implementation of the Private Pension System (SPP) and a new competitive dynamic at the market level.

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## PRIVATE PENSION SYSTEM

The year 2013 was marked by a series of events linked to the implementation of the Private Pension System (SPP) and a new competitive dynamic at the market level.

### **Reform of the Private Pension System**

In 2012, Law No.29903 was passed. The purpose of this legislation, among other aspects, is to contribute to efforts to develop and strengthen operational aspects of the private pension system by increasing the SPP's competence and efficiency while reducing administrative costs.

In this context, diverse changes were implemented in the SPP in 2013. The most relevant measures were:

#### 1. New Commissions Scheme and Process for Affiliates to Select Commissions:

As part of the SPP reform, changes were made in the way AFP charge commissions. The new commission schemes, which are mutually exclusive, are:

- **i. Commission based on flow:** applied on the monthly remuneration base of the affiliates.
- **ii. Mixed commissions:** composed of a flow-based commissions, which is calculated using the affiliate's monthly remuneration, plus an annual commission on the new balance (generated as of February 2013 for new affiliates to the system or as of June 2013 for old affiliates to the system who choose this commission scheme).

A process was created for affiliates to choose between the two commission schemes. The selection period, which SBS initially stipulated would culminate in March 2013, was extended to May given the volume of requests from affiliates.

As a result of this selection process, close to 80% of SPP's affiliates contributors decided to remain in the flow-based commission scheme while 20% opted for a mixed commission.

#### 2. The affiliate assignment period ends and a new competitor enters the market:

The assignment period that Prima AFP had been awarded in a tender held in September 2012 came to an end in May 2013. During this period, Prima AFP had the exclusive right to affiliate all newcomers to the SPP system. On June 01, 2013, the AFP that won the tender held on December 2012 began to exercise its exclusive right affiliate new entrants in the SPP for a period of two years.

In the month of September, SBS made changes in the affiliation process by including electronic affiliation of dependent workers, which led to change in the process to declare, retain and pay workers' obligatory contributions. The objective of these modifications is to facilitate the entry of new affiliates in the SPP.

#### **3.** Public Tender for a Collective Insurance Policy.

On September 2013, in accordance with the Law to Reform the SPP, a public tender was held for a collective insurance policy to manage risks of disability, survivorship and burial costs in the October 2013 — December 2014 period. The new rules require a change in the tender scheme for insurance companies. Prior to September 2013, each AFP held private tenders for policy management; as such, the winning insurance company was responsible for covering the risk associated with each tender it was awarded.

Under the new scheme, the policy is managed collectively by the four Insurance Companies that win the tender. After this process, a new premium, equivalent to 1.23% of remuneration, was set for all SPP affiliates.





It is important to note that this change will not affect the AFPs' results due to the fact that the insurance premium is not part of the companies' income.

#### 4. Investment reform:

In 2013, no significant changes were made in investment rules; nonetheless, new provisions are expected in 2014 with regard to alternative funds, financial derivatives and mechanisms to make the investment process more agile.

In January 2013, BCRP stipulated that the AFPs can invest no more than 32% of its portfolio in foreign investments and instruments. Subsequently, this ceiling was lifted to 34% in February, 36% in April and 40% in December. This last increase mentioned will be made gradually during the period from December 15, 2013 to July 2014 (a 0.5% increase every month). BCR's decision to raise the limits will allow companies to diversify their portfolios.

#### 5. Independent workers are incorporated in the affiliate pool:

To expand the SPP's coverage, the Reform Law stipulated the independent workers under the age of 40 must become part of the AFP system. Although initially obligatory affiliation was set to begin in August 2013, the Government decided to extend the deadline to begin affiliation until August 2014 and indicated that obligatory contribution rates would be progressively implemented over time.

In 2013, 41 thousand independent workers affiliated to the SPP, of this total 82% were affiliated in the months of August and September. The 38% YoY increase in affiliation of this segment is attributable to the Government's initial stipulation that this group of workers was to have affiliated by August 2013.



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#### Other relevant events

In 2013, the market experienced a change in its competitive dynamic. In April, AFP Integra and Profuturo AFP simultaneously acquired 100% of the shares of AFP Horizonte through a transaction on the Lima Stock Exchange and became equal owners of the shares sold. In August, AFP Horizonte's equity block and funds under management were transferred.

In December 2013, Law 30142 was passed. This extended the duration of the Special Regime for Early Retirement for the Unemployed in the Private Pension System (REJA) until December 31, 2015. This regime was initially established in October 2009 and was meant to run until December 2012. In addition to early retirement, this regime stipulates the right to early redemption of the Recognition Bonus and the reimbursement of 50% of the contributions that affiliates have made to their individual capitalization account (CIC) if and only if the estimated pension is not equal to or greater than the minimum wage (RWV) and the affiliates meet the requirements set by the new rule. The balance will be held in the affiliate's CIC account until he or she retires.

#### **Main indicators**

In 2013, the volume of new affiliations to the Private Pension System (SPP) totaled 249 thousand. This represents a decline of 32.0% with regard to last year. Prior to the tender of affiliates, all four companies rolled out commercial campaigns to capture new affiliates. After the tender, only one AFP was awarded the exclusive right to affiliate new entrants. This explains part of the reduction seen in the level of new affiliations in the SPP in the second half of the year.

The volume of contributors<sup>1</sup> increased 4.8% YoY. The contribution level this year was 44.2% in relation to the total number of affiliates while the contributions volume

of affiliates to pension funds totaled US\$2,804.7 million, which represents a 10.6% increase YoY. At the end of 2013, the Peruvian SPP reported a total volume of funds under management of US\$36,508 million, which represented a 3.8% decline with regard to the end of 2012. The volatility of the international markets, the decline of the Stock Exchange of Lima, and the devaluation of local currency affected funds under management.

Our country has maintained solid indicators. Nevertheless investment flows to emerging markets have not been positive, which is due primarily to the uncertainty surrounding growth in China, which in turn has led to a less than encouraging outlook for commodities. In terms of the profitability of SPP's investments, in the last year (December 2013/December 2012), the nominal yield for Fund 1 was 0.10%; -0.04% in the case of Fund 2; and 0.32% for Fund 3.

In terms of financial results, in 2013 the SPP reported income of US\$395.7 million, which represents a 6.4% decline with regard to last year due to a decline in commissions, a change in the collections scheme, and the effect of the devaluation of local currency. Operating expenses increased 1.4% to total US\$226.7 million. This was attributable to higher charges for administrative and sales personnel, which in turn associated with processes to implement the SPP reform and changes in the system. In terms of operating income, the SPP reported a total of US\$169.0 million, which represents a 15.1% decline with regard to the figure posted in 2012. Finally, the system's net income totaled US\$109.5 million in 2013. It is important to note that these results, which are expressed in US dollars, incorporate the effect of the depreciation of the local currency (around 9.6% in 2013).

<sup>&</sup>lt;sup>1</sup> Average number of contributors Jan – Sept 13 (available information)



#### **Private Pension System: Main Figures**

End of period	2013	2012	2011
Affiliates (thousands) % variation (1)	5,482	5,268	4,928
	4.0%	6.9%	6.2%
New affiliations (thousands)	249	366	314
% variation (1)	-32.0%	16.6%	42.5%
Contributors (thousands) (2) % variation (1)	2,423	2,312	2,081
	4.8%	11.1%	7.5%
Sales Force	567	1,008	1,142
% variation (1)	-43.8%	-11.7%	-0.6%
Funds under management (US\$ millions) % variation (1)	36,508	37,967	30,360
	-3.8%	25.1%	-2.3%
Voluntary Contributions (US\$ millions) % variation (1)	204.6	230.4	203.9
	-11.2%	13.0%	-23.8%
Collections (US\$ millions) (3) % variation (1)	2,804.7	2,536.3	2,093.6
	10.6%	21.1%	-23.8%
Income (US\$ millions) Operating Expenses (US\$ millions) Operating Income (US\$ millions) Net Income (US\$ millions)	395.7	422.6	354.6
	226.7	223.6	200.7
	169.0	199.1	153.9
	109.5	146.8	115.1

Source: SMV and information from the Superintendencia de Banca, Seguros y AFP.

<sup>(1)</sup> Variation with regard to the previous year.
(2) Annual average number of contribution. In 2013, information available as of September

<sup>(3)</sup> Collections: Corresponds to total deposits in the period for obligatory and voluntary contributions.



## O2 PRIMA AFP

More than 200 thousand new affiliates caught during the period of assignment

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Between October 2012 and May 2013 Prima AFP had the exclusive right to capture new affiliates. Only in 2013 the commercial effort of the company managed 140 thousand clients incorporated, similar to the number of affiliations made in 2012.

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### **Prima AFP**

#### **Relevant Events**

The impacts that have affected Prima AFP since the system was reformed are:

- 1. The new scheme of administrative commissions and the process for affiliates to choose their commission scheme:
- **□ Commission based on flow:** 1.60% applied to affiliates' monthly remuneration.
- **Mixed commission:** composed of 1.51% commission on the flow, which is applied to the affiliates' monthly remuneration, plus a 1.25% annual commission, which is applied to the new balance (applied beginning in February 2013 for new affiliates and June 2013 for old affiliates in the system that choose this commission scheme).

The results of Prima AFP's process to allow affiliates to choose a commission scheme were similar to those obtained by the SPP (80% chose the commission for flow and 20% opted for a mixed commission).

#### 2. End of the affiliate assignment period:

Between October 2012 and May 2013, Prima AFP had the exclusive right to capture new affiliates. Over this eightmonth period, the company's arduous commercial efforts significantly increased its client base by 200 thousand new affiliates. As a result, Prima AFP strengthened its position in the market and gained competitiveness. This has reinforced the company's commitment to providing topnotch customer service while obtaining good results with its prudent approach to pension fund management.

It is important to note that the company successfully handled the process to adapt to the changes brought about by the Law to Reform the SPP and will institute ongoing efforts to manage a solid portfolio of clients, whose remuneration (income base for the AFP) will continue to be one of the highest in the system. This will ensure our growth and sustainability in the future.

In terms of fund management, 2013 was marked by different behaviors in distinct financial markets. The stocks markets in developed countries posted positive yields and flows while those of emerging markets reported negative yields, which affected the yields of funds under management. Peru, despite its solid macroeconomic fundamentals, monetary and fiscal stability and the fact that it continues to lead growth in the region, experienced these outflows. This had a negative effect on the confidence of both consumers and the business community and affected expectations about the economy's evolution.

Prima AFP manages the risks that can affect the company's objectives. In 2013, improvements were made in the process to assess and monitor risks to control the counterparty risk that can affect the portfolio under management. In terms of Market Risk, we implemented the CVaR Expert risk tool to measure, analyze and communicate.

Improvements were also made to derivative reports and significant efforts were made to measure the risk relative to our funds under management.

Finally, we continued to assess the operating risks associated with critical processes and the company's new products. We also conducted monitoring and control of compliance with legal and internal limits and ran tests on the company's contingency plans for primary processes and technological infrastructure to guarantee business continuity.

As part of our effort to renew our ISO 9001:2008 certification, we conducted two maintenance audits in 2013. The results showed that Prima AFP's performance was satisfactory.

In line with requirements and international standards, in 2013 the System of Quality Control (SGC) focused on analyzing indicators of perception to determine how clients rated the service they receive the company's customer service channels. Our efforts to reach out to our clients are proof of our on-going commitment to improving service and maintaining the levels of satisfaction that our clients have come to expect. Additionally, in 2013, we aligned the company's documentation processes with normative changes and internal operativity; continued efforts to treat findings to address deviations through internal and external monitoring mechanisms; and reinforced the efforts of our team of internal quality auditors, who oversee the health of our quality control system on a volunteer basis. All of these efforts are meant to promote order at the internal operations



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level in a way that is aligned with the organization's strategy. In 2013, Prima AFP continued its efforts to improve customer service by implementing improvement projects with the LEAN methodology. These projects aim to increase customer satisfaction levels by: ensuring that services are timely, reducing wait times and mitigating the risks associated with processes. During the first quarter of the year, the process to analyze and implement improvements in the processes of the Fono Prima, Telephone Maintenance and Services@ call center was completed. In the second half of the year, efforts were directed at improving customer service at each of 17 Prima AFP's branches nationwide. These projects contribute to the company's permanent efforts to achieve excellence in the services that it offers its affiliates.

In the month of July 2013, Prima AFP was recognized by the Lima Stock Exchange as one of the companies with the best corporate governance practices in the market (2012). This means that we consistently demonstrated our commitment to transparency, reliability, equity, social responsibility, fluidity and integrity in our approach to handling information relative to fund management and in our relations with groups of interest.

In 2013, Prima AFP established its Policy for Social Responsibility and the Environment as part of its commitment to society. The company also signed the Global Pact with the UN and in December, was recognized by Peru2012, a non-profit organization, as a "Socially Responsible Company. The ESR® distinction evaluates responsible management approaches by examining companies' policies, procedures and actions as well as their commitment to good business practices and the country's sustainable development. This distinction drives us to promote new thoughts and practices at the corporate level that are aligned with globalization and allow us to serve the country's neediest sectors.

In 2013, Prima AFP's internal auditing effort was recognized by the Institute of Internal Auditors Global (IIA), which awarded the company the International Certificate of Quality Standard 1300 to the Internal Auditing Unit at Credicorp and the subsidiaries. This award situates us among a select group of financial companies in Latin America and means that we are within the top 5% of all the companies evaluated in the last 3 years. Our excellent rating in this process encourages us to keep striving to optimize our processes and ensure that they are executed correctly.



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Next, we will provide information on the main indicators of Prima AFP's market share in 2013:

- The contributions level of Prima AFP's affiliates remained solid with an average adjusted contribution index of 57.1% in January-September, which tops the 51.9% posted by the system as reported by the Superintendence of Banking, Insurance and AFP (this indicator excludes the affiliates that have not made contributions during their time in the SPP).
- □ In terms of obligatory contribution collections, Prima AFP reported a share of 34.3% of the total amount of collections. This year, the collections volume increased 15.5% (measured in US Dollars).
- ► Fee income depends on the collections scheme that is chosen, the remuneration level of our contributors and the accumulated fund as of February 2013 for new affiliates

and June 2013 for old affiliates that choose the mixed-commission scheme. According to our estimates, which our based on our income, our clients' remuneration increased in 2013. If we extend the analysis to the level of the SPP, we estimate that our market share was around 34.4%<sup>2</sup> at the end of 2013.

- □ Prima AFP's funds under management at the end of 2013 totaled around US\$11,579 million, which represents 31.7% of the total amount managed by the SPP.
- ☐ The volume of voluntary contributions under management totaled US\$ 88 million at the end of 2013 with a market share of 43.0%.

<sup>&</sup>lt;sup>2</sup> November 2013 (available information).



#### **Prima AFP: Main indicator and** market share

	Prima AFP 2013	System 2013	Share % 2013	Prima AFP 2012	System 2012	Share % 2012
Affiliates - thousands(1)	1,473	5,482	26.9%	1,339	5,268	25.4%
New Affliations - thousands(2)	140	249	56.0%	141	366	38.4%
Sales Force (1)	163	567	28.7%	447	1,008	44.3%
Funds under Management US\$ millions (1)	11,579	36,508	31.7%	11,964	37,967	31.5%
Collections US\$ millions (2)	963	2,805	34.3%	833	2,534	32.9%
Voluntary Contributions US\$ millions	88	205	43.0%	98	223	44.1%
RAM US\$ millions (3)	705	2,048	34.4%	663	2,047	32.4%

Source: Superintendencia de Banca, Seguros y AFP; SMV. (1) At the end of the period.

<sup>(2)</sup> Accumulated to period.(3) Monthly affiliate remuneration, income calculation base. Prima AFP estimates, based on averege income over the past 4 months. In 2013, information available as of november.



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#### **Commercial Results**

In January-May 2013, Prima AFP's commercial efforts were directed a capturing new affiliates during the assignment period. This led to the incorporation of more than 140 thousand clients, which is similar to the number of affiliations made in 2012 (141 thousand affiliations). It is important to note that Prima AFP, following the assignment award, was the only AFP in the System that was authorized to capture new affiliates. Throughout this process, the company affiliated more than 200 thousand new members to its client portfolio. The company also reported transfers, which after subtracting the number of exits, totaled 2,069 affiliates. With these actions, Prima AFP considerably increased its client base in a framework of sustained economic growth that generated employment and improved salaries.

Prima AFP worked tirelessly in 2013 to increase its contact with its clients through new channels. We launched Prima Movil, which is a mobile unit that travels around the city to give clients the opportunity to do paper work and ask for advice in the same way they would if they were to visit a branch. This initiative has been well received by our affiliates, which has led us to visit companies so that Prima AFP's affiliates can work with us from the comfort of their offices.

In 2013, Prima AFP decided to build on its success with on-line conferences (via internet) by increasing the number of conferences to discuss the economic situation, issues related to obligatory contributions and topics of general interest. This venue allows our affiliates to ask presenters questions and obtain immediate answers, all from the comfort of their homes, offices or other locations.

To ensure that we are closer to our affiliates, in the last quarter of the year Prima AFP developed an application for smartphones that allows our affiliates to obtain information on their balances and account movements. They can also chat on-line amongst other service options. It is important to note that we will be promoting this service at the beginning of 2014.

Prima AFP has also extended its service hours for its on-line chat component, which serves both affiliates and employees and allows them to find answers to their concerns in less time than needed in other venues.

The company has also implemented on-line conferences for employers, which allows them to remain informed and up-to-date on the main events in the SPP and provides them with information on topics in human resource management.

Prima AFP has a network of 17 branches throughout the country. Our staff is prepared to provide our affiliates with the service levels they expect.

For the fourth consecutive year, we won the World Finance Pension Funds award, which is granted by the prestigious British publication "World Finance." This magazine specializes in global economics, finance and business. This acknowledgement recognizes Prima AFP as the best AFP in Peru.

Prima AFP obtained this award due to its outstanding investment and risk management as well as its commitment to excellent customer service and ensuring that its affiliates have the information they need when they need it.

According to the results of the Annual Business Leadership Survey<sup>3</sup> conducted by Ipsos Apoyo Opinión y Mercado, 47% of the executives surveyed believe that Prima AFP is the best AFP in the system and perceive that its performance is above the system's average. Additionally, Prima AFP was selected, for the sixth time, as the AFP of choice according to the XIII Annual Survey of Executives 2013 conducted by the Chamber of Commerce of Lima<sup>4</sup>.

<sup>&</sup>lt;sup>3</sup> The universe is composed of managers from the TOP 1,500 private companies that work in Peru. The study was conducted in Metropolitan Lima, Arequipa, Trujillo, Chiclayo, Piura, Cuzco, Huancayo and Iquitos. The sample is made up of 246 managers (175 from Lima and 71 in the aforementioned cities). The study was conducted through personal and field study interviews that were held between August 23 and October 2013.

<sup>&</sup>lt;sup>4</sup>Survey conducted by CCR of 429 executives at small, medium and large companies in Metropolitan Lima conducted between October 22 and November 4, 2013.



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#### **Investment Results**

In 2013, differences predominated among the behaviors of financial markets around the world. On the global scene, according to the MSCI indexes, the world's stock exchanges grew 20.2% YoY. This growth was driven mainly by developed markets, which posted profitability of 24.1%. The emerging markets declined -4.5% during the same period.

In the local ambit, the Peruvian stock exchange drew back 23.6% and its yields fell below those of other Latin American stock exchanges, which dropped 15.7% on average. The market was also volatile due to external factors, such as the uncertainty surrounding the FED's decision to taper the monetary stimulus and China's economic deceleration. The trajectory of the local stock market kept step with the evolution of metal prices for gold, silver and copper. These commodities reported negative yields during this period.

In this scenario, Prima AFP directed its efforts at emerging markets. Regardless, the prices of fixed income and equity instruments in these markets fell and posted negative results in 2013. As such, our results fell below expectations and were further diminished by the 9.6% depreciation in local currency against the dollar.

As such, in 2013, the value of the funds managed by Prima AFP drew back 3.2% to total US\$ 11,579 million at year end. The profitability of our funds in the last 12 months (December 2013/ December 2012) was 0.1%, -2.4% and -2.8% for Funds 1, 2 and 3, respectively. In this context, Prima AFP is ranked second in Fund 1 and third in Funds 2 and 3 with regard to profitability system-wide.

If we analyze the period from Prima AFP's creation to date (7 years<sup>5</sup>), nominal annual profitability has been 6.32%, 7.12% and 6.94% in funds 1, 2 and 3 respectively. These figures place the company first, second and third in the system.

A long term analysis of the SPP reveals that during the period covering the system's creation to date (December 2013 / December 1993<sup>6</sup>), annualized profitability for Fund 2 for all AFPs was 12.4% in nominal terms and 7.6% in real terms.

 $<sup>^5</sup>$  Historic information available on the 3 funds (Dec 2013 / Dec 2006). In the case of Fund 2, profitability at 8 years (nominal annualized) was 9.58%.

<sup>&</sup>lt;sup>6</sup> Oldest information available on <u>www.sbs.gob.pe</u>



## **Prima AFP: Annualized nominal return indicators**

Results from investments	Prima AFP Dec - 2013	System Dec - 2013
Fund 1 Profitability (1 year ) Profitability (7 years)	0.11% 6.32%	0.10% 5.90%
Fund 2 Profitability (1 year ) Profitability (7 years)	-2.43% 7.12%	-0.04% 7.12%
Fund 3 Profitability (1 year ) Profitability (7 years)	-2.78% 6.94%	0.32% 7.38%

Source: Superintendencia de Banca, Seguros y AFP

Different yields this year led to variations in each fund's relative weight within Prima AFP's total funds under management. In this scenario, Fund 3's share of total funds fell from 23.4% to 23.0% while Fund 1 posted in increase in its share, going from 10.6% to 11.6%.



## Prima AFP: Management portafolio to December 2013 and 2012 (US\$ million)

	Dec - 13	Part.%	Dec - 12	Part.%
Fund 1	1,339	11.6%	1,272	10.6%
Fund 2	7,577	65.4%	7,897	66.0%
Fund 3	2,663	23.0%	2,795	23.4%
Total US\$ million	11,579	100.0%	11,964	100.0%

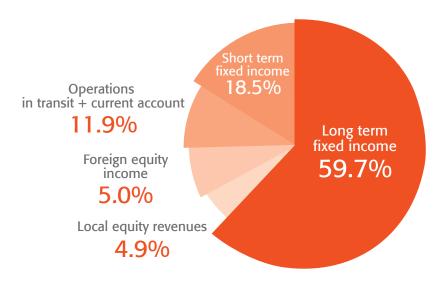
Source: Superintendencia de Banca, Seguros y AFP

The investments made with Prima AFP's funds under management contribute to national development. Our FuMs are invested in the country's main companies and are used for important development projects in sectors such as energy (electricity distribution, hydropower and hydrocarbons), transportation (road networks), telecommunications and agriculture. By the end of December 2013, more than US\$1,300 million had been invested in companies and infrastructure projects throughout the country.



Next, we will look at the structure of each fund at the end of December 2013 by asset class:

## Prima AFP: Fund 1 structure by asset class, as of December 2013(%)

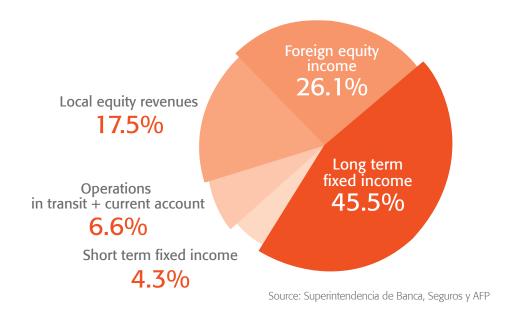


Source: Superintendencia de Banca, Seguros y AFP





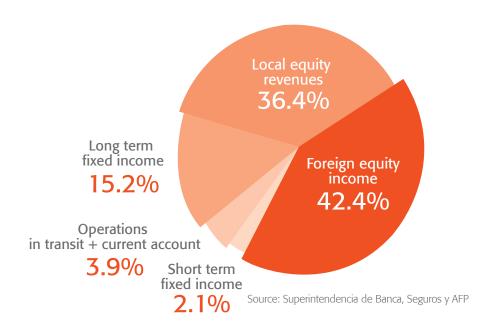
## Prima AFP: Fund 2 structure by asset class, as of December 2013 (%)







## Prima AFP: Fund 3 structure by asset class, as of December 2013 (%)





#### **Financial Results**

At the end of 2013, Prima AFP reported fee income of US\$136.0 million and earnings of US\$50.8 million due to growth in our income base and adequate control of operating expenses.

#### **Income**

Fee income totaled US\$136.0 million, which represents a 16.1% increase over 2012's figure. This was attributable to our solid income base, which is composed of the total remunerations of our contributors (the base upon which Prima AFP's management fee is calculated). Although some affiliates were charged mixed commissions as of February 2013, this commission scheme does not, at this point in time, represent a significant contributor to income. It is important to note that the new affiliates that were incorporated in the assignment period contributed to growth in income in 2013. The depreciation of local currency of around 9.6% affected income in US dollars.

### Administration and sales expenses

Personnel expenses totaled US\$31.3 million, which represents a 10.9% decrease with regard to 2012's figure. It is important to note that this variation includes the effect of the devaluation of the Nuevo Sol in 2013.

Administrative expenses, without including personnel, totaled US\$31.7 million. This figure was 19.0% higher than that recorded in 2012, which included US\$7.1 million for depreciation and amortization. This increase was due primarily to higher expenses in 2013, including: external advisory services for special projects, expenses for commercial and operating support services, which were associated with the affiliate assignment and commission scheme selection processes, as well as advertising to strengthen the company's image.

Amortization of intangible assets stemming from the acquisition of AFP Union Vida totaled US\$ 4.4 million.

#### Other income and expenses

At the end of 2013, other income and expenses reported a result of -US\$ 0.7 million, which represents a decline with regard to the figure posted in 2012 (US\$ 1.3 million). This difference was due to the earnings of US\$3.6 million that were generated by the fact that the company sold the property where its headquarters is located to Pacífico Vida in 2012. It is important to note that other income and expenses is composed of the sum total of income results for net interest income, other income, other expenses and the translation result.

In terms of the translation result, the company posted a translation gain of US\$ 1.0 million in 2013.

#### **General Balance**

Prima AFP's cash level at year-end totaled US\$ 32.9 million. These cash levels were generated by the company's business. Temporary cash surpluses during the year are deposited in bank accounts.

Legal reserves to cover possible fluctuations in the company's profitability with regard to the competition increased in 2013. At year-end the asset level was situated at US\$104.2 million and shareholders' earnings reported net unrealized gains of US\$34.7 million.

Prima AFP's financial debt matures in 2019. Its debt payment schedule is consistent with the company's objective of optimizing its debt/capital structure. At the end of 2013, Prima AFP's bank debt was US\$24.5 million. It is important to note that at year-end, the company shifted its total debt in US Dollars to Nuevos Soles, which mitigated exchange risk exposure and paved the way for an alignment with Credicorp's plan to change its functional currency in 2014.

Finally, Prima AFP reported an asset level of US\$291.8 million at year-end with total liabilities of US\$112.8 million and shareholders' equity of US\$179.1 million.

## Prima AFP: Main financial indicator (US\$ thousands) 1/

	2013	2012
Revenues	135,968	117,157
General expenses	(85,170)	(78,971)
Net earnings	50,798	38,186
Total Assets	291,834	310,821
Total Liabilities	112,761	141,713
Net Equity	179,073	169,108

1/IFRS



#### **Legal and Shareholders' Issues**

At the General Shareholders' Meeting held on March 21, 2013 a new Board was appointed. The delegates to the Board are:

- 1. Walter Bayly Llona, President
- 2. Ruben Loaiza Negreiros, Vice President
- 3. Alvaro Correa Malachowski
- 4. Gianfranco Ferrari de las Casas
- 5. Fernando Dasso Montero
- 6. Pedro Rubio Feijoo
- 7. Alfredo Thorne Vetter
- **8.** Eduardo De la Piedra Higueras

At the meeting held on October 09, 2013, the Board agreed to name Mr. César Rios Briceño to replace Mr. Alvaro Correa Malachowski, who presented his resignation.

At the meeting held on November 22, 2013, the Board appointed Nella Vidal Solis to replace Jorge Maravi Cabrera as Head of Auditing. This change became effective as of January 01, 2014.







#### **Balance Sheet**

	2013 (US\$ thousands)	2012 (US\$ thousands)
Assets		
Cash	32,883	51,642
Legal reserves	104,231	102,550
Fixed Assets	2,018	3,015
Intangibles	60,220	64,525
Goodwill	44,594	44,594
Other assets	42,819	43,867
Income tax differed	5,070	627
Total assets	291,834	310,821
Liabilities		
Deposits and obligations	791	766
Bank debt	24,543	28,468
Income tax differed	27,563	27,878
Other liabilities	59,865	84,600
Total liabilities	112,761	141,713
Net equity		
Capital	71,433	71,433
Legal reserves and others	12,789	8,517
Unrealized earnings	34,671	37,108
Cummulative results	9,383	13,863
Annual results	50,798	38,186
Total net equity	179,073	169,108
Total liabilities and net equity	291,834	310,821



#### **Profit and Loss Statement**

	2013 (US\$ thousands	2012 s) (US\$ thousands)
Financial revenues	873	968
Interests on bank deposits	873	968
Financial expenses	(1,738)	(1,714)
Interests on bank and correspondents' loans	(1,738)	(1,714)
Net interest income	(865)	(746)
Other income	136,598	118,123
Fees	135,968	117,157
Other income	630	966
Operative expenses	(64,503)	(60,798)
Personnel expenses	(31,295)	(35,109)
Administrative expenses	(24,617)	(18,079)
Depreciation and Amortization	(7,053)	(8,542)
Other expenses	(1,538)	932
Exchange rate translation result	1,039	153
Income before income tax	72,269	56,733
Income Tax	(21,472)	(18,547)
Net income	50,798	38,186









## **Board of Directors and Management**

#### **Board of Directors**

Walter Bayly Llona President

Ruben Loaiza Negreiros Vice President

Fernando Dasso Montero **Director** 

Gianfranco Ferrari De Las Casas **Director** 

Pedro Rubio Feijoo Director

César Rios Briceño Director

Alfredo Thorne Vetter **Director** 

Eduardo De la Piedra Higueras **Director** 

#### **Management**

Renzo Ricci Cocchella General Manager

Jaime Vargas Galdos Commercial Manager

José Antonio Roca Voto-Bernales Investment Manager

Claudia Noriega Pacora Risk Manager

Julissa Echecopar Yllanes Finance and Administration Manager

Julio Bravo Torrontegui Operations Manager

Guillermo Beingolea Vingerhoets IT Manager

Claudia Subauste Uribe Legal Manager

Carla Barrionuevo Gómez-Morón Human Resources Manager