



MANAGEMENT

REPORT

2009

Your choices define your future

PRIMA AFP

Grupo > Crédito

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1. EVOLUTION OF THE PRIVATE PENSION SYSTEM

1.1 MARKET COMMENTARY

During 2009, the behavior of the Private Pension System (AFP) was linked to the evolution of the national economy, which began to recover from the impact of the international financial crisis in 2008. In this context, the government enacted a series of measures to alleviate the effects of the crisis, promote consumption and drive the economy. One of these measures touched the pension market directly by calling for a temporary suspension (until December 2010) of deductions for private pension contributions and other concepts, which meant that no management fees were charged for bonuses paid in July and December. Despite this reduction in collections, the AFPs reported a slight increase in accumulated income this year. In this scenario, the AFP system, like the Peruvian economy, grew at a slower pace during 2009.

The impact of the local economic crisis was also felt on the commercial side. Although commercial activity remained focused on recruitment and was characterized by lower competition for transfers, year-end accumulated commercial results showed a 13.8% decline in new affiliations with regard to 2008's levels. It is important to remember that 99% of the new affiliates in 2009 were dependent workers. Logically, the decline in new affiliations is a reflection of a decrease in job creation in the formal sector, which went hand-in-hand with the economic downturn of 2008.

The decreased intensity of transfers continued a downward trend that was first observed at the end of 2008, and which led to a reduction in sales expenses. In 2009, the number of

transfers contracted 77% with regard to the previous year. In line with this commercial policy, the number of sales personnel in the system fell to 1,128 at the end of 2009, representing a 36% decrease YoY.

In 2009, the financial markets stabilized and the growth trend observed prior to the international crisis resumed its course. This in turn led to growth in the value of AFP's funds under management, which increased significantly YoY to reach US\$ 23.9 billion at the end of 2009. In terms of AFP's returns on investments, funds 1, 2, and 3 obtained yields of 16.36%, 33.21% and 52.47% respectively.

Regarding financial results, AFPs achieved revenues of US\$265 million in 2009, which represents 4% growth YoY. This is attributable to the increase in Prima AFP's management fee, which has been in effect since January 2009, as well as the incorporation of new affiliates and the revaluation of the Nuevo Sol. Operating expenses have fallen significantly, reaching US\$ 161.5 million. This figure represents a 10% YoY decrease that is primarily the result of lower expenses for the sales force and a decrease in advertising costs. The slight increase in revenues and the reduction in operating expenses led to operating income of US\$103.4 million, which represents a 36% increase over 2008's figure. After including the outstanding result for earnings on legal reserves (US\$55.2 million), AFP's net income was US\$ 130.4 million, which represents a significant YoY improvement.

“ Regarding financial results, AFPs achieved revenues of US\$265 million in 2009, which represents 4% growth YoY. ”



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“ The average number of individuals contributing to the system demonstrated a slight increase of 2.7% with regard to 2008's average. ”

1. EVOLUTION OF THE PRIVATE PENSION SYSTEM

1.2 MAIN INDICATORS

AFP's main indicators and their results are as follows:

- ▮ The total number of AFP affiliates continued to grow at a slower pace than in previous years. The economic downturn caused the number of new affiliates to decrease. During 2009, the number of affiliates was 197 thousand, 99% of which were dependent workers.
- ▮ The average number of individuals contributing to the system showed a slight increase of 2.7% with regard to 2008's average, which is in line with slight growth in the national economy throughout 2009.
- ▮ The sales force declined significantly, as is reflected in lower operating costs.
- ▮ The financial markets stabilized in 2009 and continued a trend toward recovery. Funds under management reached US\$ 23.9 billion, which implies a 51% YoY increase. This growth includes the effect of new contributions made throughout the year for US\$ 1.6 billion.
- ▮ Net income grew considerably due to an increase in revenues (+4%), a decline in operating expenses (-10%) and an increase in earnings on legal reserves (209%).

PRIVATE PENSION SYSTEM: MAIN FIGURES

End of period	2009	2008	2007
Affiliates (thousands)	4,458	4,296	4,101
% variation (1)	3.8%	4.8%	5.6%
New affiliations (thousands)	197	229	226
% variation (1)	-13.8%	1.1%	-12.5%
Contributors (thousands) (2)	1,757	1,711	1,591
% variation (1)	2.7%	7.5%	12.4%
Sales Force	1,128	1,763	2,340
Funds under management (US\$ millions)	23,967	15,875	20,371
% variation (1)	51.0%	-22.1%	41.4%
Voluntary Contributions (US\$ millions)	199.0	138.6	356.1
% variation (1)	43.6%	-61.1%	178.0%
Collections (US\$ millions) (3)	1,597	1,635	1,731
Income (US\$ millions)	265.0	254.7	204.2
Operating Expenses (US\$ millions)	161.5	178.7	179.1
Operating Income (US\$ millions)	103.4	76.0	25.0
Earnings on legal reserves (US\$ millions)	55.2	-50.8	39.4
Net Income (US\$ millions) (4)	130.4	1.8	52.2

Source: Superintendencia de Banca, Seguros y AFP; CONASEV

(1) Variation with regard to the previous year

(2) Annual average number of contributors. In 2009, information available as of September.

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

(4) Unlike in IFRS, local Peruvian accounting includes legal reserves in net income.

There is no information on results adjusted according to international accounting norms for the total system.

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2.1 HIGHLIGHTS

Our sales policy in 2009, which was developed in a context of economic recovery, was based on maintaining our portfolio of affiliates and recruiting new affiliates. We also focused on improving the quality of the services we offer our affiliates.

During 2009, significant recovery was seen in international and local financial markets. This was reflected in the growth in our funds under management, which reached, which reached S/. 21,173 million as of December 2008 vs. the S/. 15,275 million reported at the same time last year.

In terms of human resources, we continued to direct our efforts in 2009 at the "Prima Culture" project, which defines the cultural values that Prima seeks to develop: Excellence, Focus, We listen to each other and Drive. This past year, we were able to deploy the project throughout the organization and our employees' response was highly enthusiastic.

“ At Prima we are committed to our country's growth and development and have taken on the challenge of managing relations with our stake holders through different social responsibility programs. ”

Prima is committed to meeting its clients' expectations through a continuous improvement and quality model that is based on knowing the client, team work and efficient processes. In November 2009, after a long development, preparation and implementation process and thanks to the commitment of our entire organization, our Quality Management System obtained the ISO 9001:2008 international certification. This certification applies to all the company's processes and is in line with our goal to provide high quality service to all our clients.

At Prima we are committed to our country's growth and development and have taken on the challenge of managing relations with our stake holders through different social responsibility programs: Entrepreneur Senior Citizen Award and The Excellence Award, which are given in recognition of outstanding achievements among senior citizens and young professionals.

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2.2 MARKET SHARE

Prima maintained its leadership in AFP during 2009. The results of our main commercial indicators are as follows:

- Prima maintained a solid contribution level, obtaining an adjusted contribution index of 57.8%. This compares favorably to the 49% level that the Superintendencia de Banca, Seguros y AFPs listed as of October 2009 as the AFP's average (this indicator does not include affiliates that have not made contributions during their time in the AFP system).
- Prima maintained leadership in contributions collections, achieving a 31.9% share of the system's total collections.
- The monthly remuneration of affiliates (RAM) is the basis of our income. According to our estimates, which are based on Prima's income and take into account the 1.75% management fee, the RAM base increased, which allowed us to obtain the system's highest market share once again this year (31.8%).
- The number of Prima sales personnel declined throughout 2009 and closed the year at 216. This represents a 35.5% decline with regard to December 2008. By reducing the sales personnel, the company lowered sales expenses.
- In terms of funds under management, Prima ranked second with a 30.6% market share. As of December 2009, the company funds under management reached US\$ 7,324 million. It is important to emphasize that the company, due to the international financial crisis, decided to follow a conservative investment strategy that generated moderate fund growth while limiting risk exposure for our affiliates.
- Following a recovery in the financial markets, the volume of voluntary contributions managed increased in 2009, closing the year at US\$ 86 million. With this result, Prima has maintained its first place position with a 43.1% market share.

PRIMA AFP: MAIN INDICATORS AND MARKET SHARE

	Prima AFP 2009	System 2009	Share % 2009	Share % 2008
Affiliates (1)	1,078,317	4,458,045	24.2%	24.3%
New Affiliations (2)	45,185	197,053	22.9%	18.9%
Sales Force (1)	216	1,128	19.1%	19.0%
Funds under Management US\$ millions (1)	7,324	23,967	30.6%	30.6%
Collections US\$ millions (2)	509	1,597	31.9%	33.4%
Voluntary Contributions US\$ millions	86	199	43.1%	44.7%
RAM US\$ millions (3)	374	1,174	31.8%	32.3%

Source: Superintendencia de Banca, Seguros y AFP ; CONASEV

- (1) At the end of the period.
- (2) Accumulated to period.
- (3) Monthly affiliate remuneration, income calculation base. Prima AFP estimates, based on average income over the past 4 months. This does not include the effect of double collection, special collections or voluntary contributions.

“ Prima maintained leadership in contributions collections, achieving a 31.9% share of the system's total collections. ”

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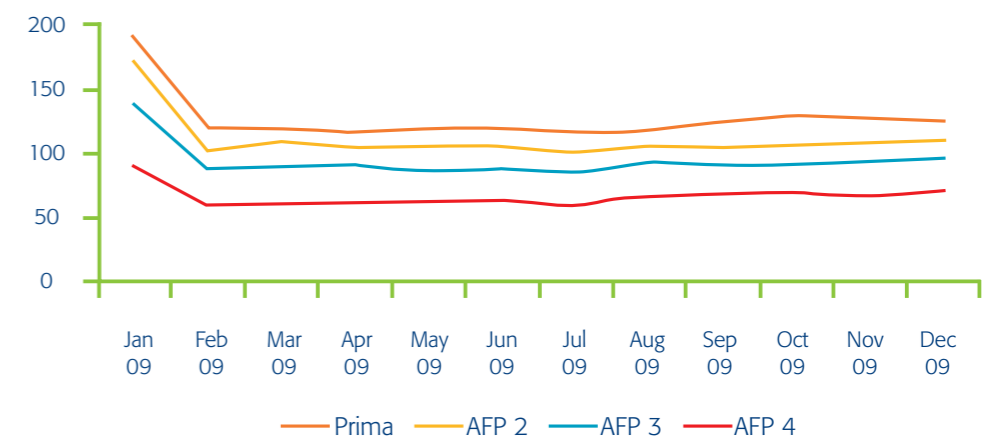
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2.3 COMMERCIAL RESULTS

In 2009, Prima's commercial policy remained focused on capturing new affiliates and on reducing transfer volumes. A significant decrease in transfers was evident throughout the year, going from a monthly level of 4,200 at the end of 2008 to approximately 1,100 at the close of 2009. Prima's new affiliate recruitment level remained stable throughout the year with a monthly average of 3,700. In accumulated terms, new affiliate recruitment in 2009 increased 5% YoY.

Despite a downturn in the local economy, the total monthly remuneration of our affiliates in 2009 achieved moderate growth. This, along with efforts to preserve our client portfolio, allowed the company to maintain a solid contributors' base.

In this context, we ranked first in the AFP system for monthly collections.

MONTHLY COLLECTIONS BY AFP
(S/. millions)

Source: Superintendencia de Banca, Seguros y AFP.

“ During 2009, our commercial efforts also concentrated on maintaining our affiliate portfolio. ”

During 2009, our commercial efforts also concentrated on maintaining our affiliate portfolio. We continue to focus on improving our service and providing more information to our clients, which is a reflection of our value proposal. In keeping with this commitment, we have reinforced our services to both affiliates and employers and have placed emphasis on direct contact with clients. These efforts have included incorporating new applications such as information services via mobile phones and updating our web page.

Our network of offices includes 14 locations nationwide and our staff is ready to provide our affiliates with the service and attention they expect.

These efforts are reflected in our clients' preferences. In 2009, Prima was chosen, for the third consecutive year, as the preferred AFP by executives in a survey conducted by the Chamber of Commerce of Lima, an association that groups the country's most important businesses.

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2.4 INVESTMENT RESULTS

At the end of the second quarter of 2009, the financial markets began to recover from the losses sustained after the international financial crisis in 2008. During the remainder of the year, the markets remained steady and growth was moderate, which contrasts with the high levels of volatility recorded in the previous period. At the end of December 2009, Prima's funds under management reached US\$ 7,324 million. This amount was slightly above the figure recorded in the first half of 2008 before the crisis hit.

In terms of returns, 12-month yields (December 2009/2008) were 15.64%, 32.62% and 50.53% for funds 1, 2 and 3, respectively.

It is important to emphasize that the company adopted a conservative investment strategy during the crisis that is in keeping with its focus on responsible fund management. This conservative position, coupled with a highly volatile context, generated slight differences in profitability.

Given that pension funds constitute a long-term investment, it is best to observe returns over a longer period (which smoothes out short-term fluctuations). Over the last 3-yr. period (December 2009/December 2006), Prima's returns were 21.70%, 31.30% and 35.66% for funds 1, 2 and 3 respectively.

PRIMA AFP: RETURN RATES ^{1/}

Results from investments	Dec - 09	
	Prima AFP	System
Fund 1		
Returns (12 months)	15.64%	16.36%
Returns (24 months)	9.81%	11.46%
Fund 2		
Returns (12 months)	32.62%	33.21%
Returns (24 months)	4.65%	4.08%
Fund 3		
Returns (12 months)	50.53%	52.47%
Returns (24 months)	-7.33%	-5.21%

Source: Superintendencia de Banca, Seguros y AFP.

1/ Nominal returns accumulated to December 2009.

“ In terms of returns, 12-month yields (December 2009/2008) were 15.64%, 32.62% and 50.53% for funds 1, 2 and 3, respectively. ”

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As of December 2009, and due to a context of financial market recovery, the relative weight of each fund in the portfolio experienced slight YoY variations. In this scenario, the relative weight of fund 3 increased while the weights of funds 1 and 2 decreased.

At a local level, Prima AFP continued to contribute to national development. Our funds under management are invested in the country's main companies and fund important development projects in the energy (electricity distribution, hydroenergy and hydrocarbons), transportation (road networks), telecommunications and agriculture sectors.

PRIMA AFP: MANAGED PORTFOLIO TO DECEMBER 2009 AND 2008
(US\$ millions)

	Dec - 09	Part. %	Dec - 08	Part. %
Fund 1	580	7.9%	397	8.2%
Fund 2	4,933	67.4%	3,355	69.0%
Fund 3	1,810	24.7%	1,110	22.8%
Total US\$ mm	7,324	100.0%	4,862	100.0%

Source: Superintendencia de Banca, Seguros y AFP.

“ At a local level, Prima AFP continued to contribute to national development. Our funds under management are invested in the country's main companies and fund important development projects. ”

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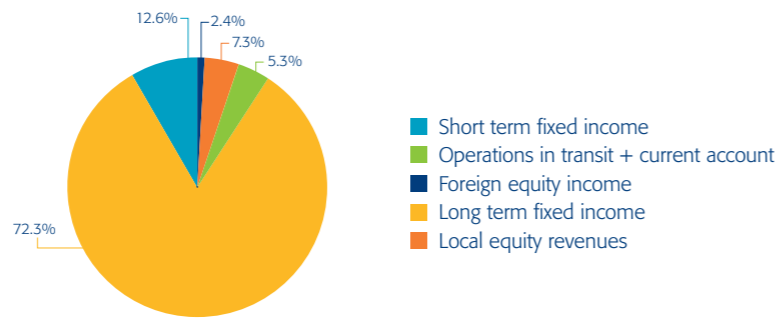
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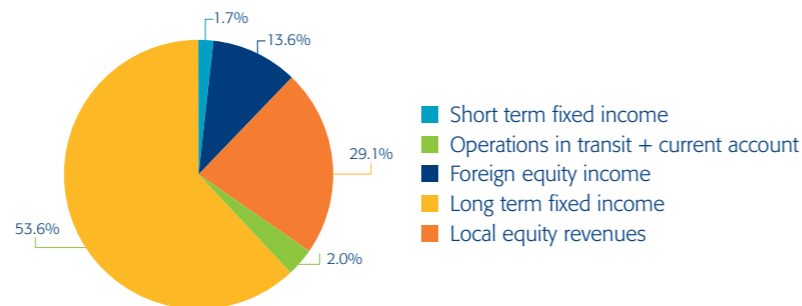
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Prima AFP: FUND 1 STRUCTURE BY ASSET TYPE, AS OF DECEMBER 2009



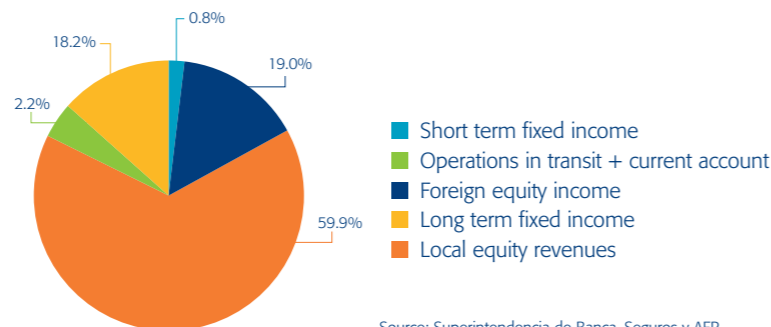
Source: Superintendencia de Banca, Seguros y AFP

Prima AFP: FUND 2 STRUCTURE BY ASSET TYPE, AS OF DECEMBER 2009



Source: Superintendencia de Banca, Seguros y AFP

Prima AFP: FUND 3 STRUCTURE BY ASSET TYPE, AS OF DECEMBER 2009



Source: Superintendencia de Banca, Seguros y AFP

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2.5 FINANCIAL RESULTS

In 2009, Prima obtained US\$ 78.8 million in revenues and US\$ 20.8 million in profits (IFRS results) as a result of an increase in our revenue base and a progressive reduction in our operating expenses.

2.5.1 Revenues

The US\$78.8 million in reported revenues is 11.4% higher than 2008's figure. This improvement in performance is attributable to the fact that we have maintained our portfolio of contributors and have succeeded in recruiting new affiliates.

The revenues obtained in 2009, unlike those reported in 2008, consider 13 rather than 14 contribution periods. This is due to the fact that the government decided, as part of its anti-crisis plan, to exempt affiliates from deductions on additional salaries that, according to Peruvian labor law, must be paid in July and December.

2.5.2 Administrative and sales expenses

Commercial expenses totalled US\$ 11.9 million, which indicates a 14.4% decrease YoY. This result is attributable to lower commercial personnel expenses stemming from steps taken at the beginning of the year to reduce the sales force.

Administrative expenses totaled US\$ 23.7 million, which represents a 4.4% decrease with regard to 2008. This figure includes US\$ 9.3 million for depreciation and amortization. A reduction in expenses was primarily due to lower costs on securities trading related to the portfolio.

2.5.3 Other income and expenses

At year's end, other income and expenses totaled US\$ (4.3) million, which is primarily attributable to financial debt expenses as well losses on FX transactions.

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2.5.4 Balance Sheet

Prima closed the year with US\$ 13.7 million in cash, which is significantly higher than the figure reported as of December 2008. During the first few months of the year, the company used its cash flow to amortize bank debt. Subsequently, and with an eye on achieving higher efficiency in terms of the financing structure, emphasis was placed on maintaining cash surpluses in bank deposits and re-profiling bank debt payments to optimize the debt/capital structure.

Amortization on the intangible assets from the acquisition of AFP Unión Vida totaled US\$ 5.6 million.

Legal reserves, which correspond to shares held in funds as a guarantee in the case of fluctuations in the profitability of Prima's funds vis a vis the competition, experienced significant growth in 2009. As of December, US\$72.1 million were reported as assets and US\$ 18.9 million as unrealized gains.

During the year, Prima paid out US\$ 15.2 million to amortize bank debt. As of December, banks loans reached US\$ 24.9 million, which is 37.9% lower than the figure reported at the end of 2008.

In June, Prima canceled a debt coverage transaction it maintained in soles with the Banco de Credito and replaced debt in soles with its equivalent in dollars (US\$ 14.9 million). In December, Prima consolidated the balance of this debt with debt on real estate obligations, resulting in a new total debt of US\$ 23.1 million. This debt will be paid over six years and includes a three-year grace period.

At year's end, Prima registered assets for US\$ 253.1 million (+13.9%), liabilities for US\$ 87.9 million (-5.4%) and shareholder's equity of US\$ 165.2 million (+27.8%).

PRIMA AFP: MAIN FINANCIAL INDICATORS
(US\$ thousands) ^{1/}

	2009	2008
Income	78,791	70,720
General Expenses	(57,995)	(59,519)
Net income	20,796	11,201
Total Assets	253,140	222,242
Total Liabilities	87,912	92,975
Net Equity	165,228	129,268

^{1/} IFRS

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2.6 LEGAL AND CORPORATE ASPECTS

During the Annual Shareholders Meeting held on March 02, 2009, the following persons were selected to sit on the new board of directors:

1. Dionisio Romero Paoletti
2. Walter Bayly Llona
3. Alvaro Correa Malachowski
4. Gianfranco Ferrari de las Casas
5. Javier Ernesto Maggiolo Dibós
6. Fernando Dasso Montero

It is also important to mention that during the year 2009, Sandra Holme Bowdin replaced Michel Flit Pait as Finance and Administration Manager and Carla Barrionuevo Gomez-Morón replaced Rossina Castagnola Vásquez as Human Resources Manager.

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2.7 OUTLOOK FOR 2010

Since the beginning of our activities, our main objectives have been to achieve the highest yields possible for our affiliates while assuming the lowest feasible level of risk; while providing our clients with up-to-date information, permanent guidance and the best conditions the market has to offer.

The outlook for 2010 will focus on obtaining moderate growth in our client base, which is in line with expectations that the Peruvian economy will expand over the coming year. We will continue to reinforce our position in the market and will place emphasis on recruiting

new affiliates and progressively incorporating independent workers by means of a pension plan that has been designed specifically for this segment.

In terms of operating management, we will continue to focus on improving processes to increase efficiency and reduce costs.

Significant emphasis will also be placed on activities to guarantee that our business is sustainable over time. We will accomplish this through integral risk management, which is one of our primary commitments.

“ The outlook for 2010 will focus on obtaining moderate growth in our client base, which is in line with expectations that the Peruvian economy will expand over the coming year. ”

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3.1 BALANCE SHEET

	2009 (US\$ 000)	2008 (US\$ 000)
Assets		
Cash	13,714	990
Legal reserves	72,081	51,663
Fixed Assets	10,710	10,967
Intangibles	82,769	89,157
Goodwill	44,594	44,594
Other assets	26,455	23,717
Income tax and profit sharing, deferred	2,817	1,155
Total assets	253,140	222,243
Liabilities		
Deposits and obligations	517	788
Bank debt	25,007	40,848
Income tax and profit sharing, deferred	35,437	40,953
Other liabilities	26,951	10,386
Total liabilities	87,912	92,975
Net equity		
Capital	107,956	107,956
Legal Reserves and others	357	-
Unrealized earnings	18,975	598
Cummulative results	17,144	9,511
Annual results	20,796	11,203
Total net equity	165,228	129,268
TOTAL LIABILITIES AND NET EQUITY	253,140	222,243

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3.2 PROFIT AND LOSS STATEMENT

	2009 (US\$ 000)	2008 (US\$ 000)
Financial revenues	215	414
Interests from bank deposits	200	332
Derivative's returns (+) financial expenses	15	82
Financial expenses	(2,505)	(4,268)
Interests paid on bank and correspondents' loans	(2,104)	(3,896)
Interests paid on securities, papers and liabilities outstanding	(401)	(372)
Revenues from net interests	(2,290)	(3,854)
Other earnings	79,926	71,557
Commissions	78,791	70,720
Other earnings	1,135	837
Operative expenses	(47,234)	(51,757)
Personnel expenses	(21,258)	(25,782)
Administrative expenses	(14,419)	(16,036)
Depreciation and Amortization	(9,329)	(8,801)
Other expenses	(2,228)	(1,138)
Exchange rate translation result	(939)	337
Profit Sharing	(823)	(1,033)
Income Tax	(7,844)	(4,047)
Net earnings	20,796	11,203

1. EVOLUTION OF THE PRIVATE PENSION SYSTEM

- 1.1 Market Commentary
- 1.2 Main Indicators

2. PRIMA AFP

- 2.1 Highlights
- 2.2 Market Share
- 2.3 Commercial Results
- 2.4 Investment Results
- 2.5 Financial Results
- 2.6 Legal and Corporate Aspects
- 2.7 Outlook for 2010

3. FINANCIAL STATEMENTS

- 3.1 Balance Sheet
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- 3.3 Board of Directors and Management

3. FINANCIAL STATEMENTS

3.3 BOARD OF DIRECTORS AND MANAGEMENT

Board of Directors

Dionisio Romero Paoletti	President
Walter Bayly Llona	Vice President
Alvaro Correa Malachowski	Director
Javier Maggiolo Dibós	Director
Fernando Dasso Montero	Director
Gianfranco Ferrari De Las Casas	Director

Management

Ruben Loaiza Negreiros	General Manager
Renzo Ricci Cocchella	Commercial Manager
Alejandro Pérez-Reyes Zarak	Investment Manager
Jaime Vargas Galdós	Central Processes Manager
Bruno Zapata Mansilla	Risk Manager
Sandra Holme Bowdin	Finance and Administration Manager
Julio Bravo Torrontegui	Operations Manager
Fernando Díaz Camacho	IT Manager
Claudia Subauste Uribe	Legal Manager
Carla Barrionuevo Gomez-Morón	Human Resources Manager