Intercorp Financial Services

1Q22 Earnings

May 13, 2022 at 10:00 a.m. Eastern

CORPORATE PARTICIPANTS

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PRESENTATION

Operator
Good morning, and welcome to Intercorp Financial Services First Quarter 2022 Conference Call. All lines have been placed on mute to prevent any background noise. Please be advised that today's conference is being recorded. After the presentation, we will open the floor for questions. At that time instructions will be given as to the procedure to follow if you would like to ask a question. Also, you can submit online questions at any time today using the window on your webcast and they will be answered after the presentation during the Q&A session. Simply type your question in the box and click Submit Question.

It is now my pleasure to turn the call over to Rafael Borja of InspIR Group. Sir, you may begin.

Rafael Borja
Thank you, and good morning, everyone. On today's call, Intercorp Financial Services will discuss its first quarter 2022 earnings.

We are very pleased to have with us Mr. Luis Felipe Castellanos, Chief Executive Officer of Intercorp Financial Services; Mrs. Michela Casassa, Chief Financial Officer of Intercorp Financial Services; Mr. Gonzalo Basadre, Chief Executive Officer of Interseguro; Mr. Bruno Ferreccio, Chief Executive Officer of Inteligo; and Mr. Carlos Tori, Vice President of Retail Banking and Channels of Interbank. They will be discussing the results that were distributed by the company yesterday, May 12.

There is also a webcast video presentation to accompany the discussion during this call. If you didn't receive a copy of the presentation or the earnings report, they are now available on the company's website, ifs.com.pe to download a copy. Otherwise, for any reason if you need any assistance today, please call InspIR Group in New York at 212-710-9686.

I would like to remind you that today's call is for investors and analysts only, therefore, questions from the media will not be taken. Please be advised that forward-looking statements may be made during this conference call. These do not account for future economic circumstances, industry conditions, the company's future performance or financial results. As such, the statements made are based on several assumptions and factors that could change causing actual results to materially differ from the current expectations. For a complete note on forward-looking statements, please refer to the earnings presentation and report issued yesterday.

It is now my pleasure to turn the call over to Mr. Luis Felipe Castellanos, Chief Executive Officer of Intercorp Financial Services, for his opening remarks. Mr. Castellanos, please go ahead, sir.

Luis Felipe Castellanos
Thank you, Rafael, and thanks, everyone. Good morning. Welcome to our first quarter 2022 earnings call. We really appreciate you taking your time to attend our call, and I hope that you and your families remain safe and healthy.

Let me start by giving you a brief overview of the macro and political situation in Peru. Despite accumulated GDP growth figures reached 3.9% in February, we expect this year's GDP growth to be somewhere in between 2.5% and 3%, mainly explained by three factors.

One, a less favorable international environment due to global financial conditions, health restrictions in China and the Russia/Ukraine conflict. Second, a historical increase in production costs and inflation, which is negatively impacting businesses' margins and families' purchasing power. The Central Bank is tightening its monetary policy with the recent announcement of a new 50 basis points rate hike as of yesterday. And third, the level of political uncertainty in our country. We believe that the political front will continue to be uncertain in the coming months, and it will take some time for public and private investment to reassume its growth pattern, despite positive headwinds, in light of commodity prices and exports positively impacting the macro accounts.

Under this scenario, IFS continues to show resilience. Our core banking franchise continues to recover with a strong growth in consumer financing and commercial banking, with sound risk indicators. We still face volatility in our investment operations, but all-in-all we have continued our recovery path.

As we have mentioned in the past, we strongly believe that our people, our culture and our ability to adapt to changes through our two-tier digital strategy are our core strengths and the pillars that will allow us to grow profitably in the future. Our deployment of digital products and services continues to evolve, and our franchise continues to grow in number of customers and in revenues, with sound levels of efficiency.

As we will see during the presentation, we recently announced the acquisition of a 50% stake that we did not own in Izipay, a transaction that reinforces our commitment to Peru and completes our 100% ownership of the company. We believe this deal will strengthen our strategic and competitive positioning in the payments landscape in Peru and will allow us to explore new sources of growth and monetization opportunities, both with our retail customers and with merchants. At IFS, we continue to make progress and to grow in a sustainable way. We are committed to fulfill our purpose, which is to empower all Peruvians to achieve their financial wellbeing.

Now let me pass it on to Michela to update you on the results of this quarter and to give you a detailed review of our operations. Thank you very much and remain healthy.

Michela Casassa
Good morning, and welcome everyone to Intercorp Financial Services first quarter 2022 earnings call. This time, we will focus on four items on the agenda, which include financial highlights, the announced acquisition of Izipay, our key messages and takeaways.

I will start with a brief summary of financial highlights on slides 3 to 8. The main highlights are: on slide 3, IFS had a good quarter, reaching an ROE of 17.4%, thanks to the strong recovery in core business at Interbank and despite the negative impacts on the investment portfolio, especially at Inteligo, but also at Interseguro.

Earnings grew more than 50% on a quarterly basis, thanks to the strong growth in the quarterly results of the core banking business, as well as to the partial recovery of insurance and wealth management investment portfolios. On a yearly basis, earnings show a decrease of 24%, mainly due to the extraordinary results registered in the first quarter of 2021 on the investment portfolios of the three subsidiaries, which did not take place this year.

On slide 4, at Interbank, strong recovery of core business in the first Q resulted in 19.1% ROE. There is a solid performance in consumer finance and SME, with credit cards and personal loans up 41% year on year, double-digit growth in net interest income and fee income, there's a shift in the loan mix and higher rates that are driving NIM up, reaching 4.5% in the first quarter, and we continue to have consistent credit quality metrics with cost of risk at 1.4%.

At Interseguro, earnings grew almost threefold quarter on quarter, with ROE at 15.7%. Gross premiums plus collections increased 26% year over year. Return on the investment portfolio was 5.1%, impacted by negative mark to market. Interseguro continues to be the market leader in annuities with a 31.6% share in the first Q 2022.

At Inteligo, the quarterly results are affected by negative impacts on the investment portfolio. Earnings were impacted by losses on the investment portfolio, and there was a slight decrease in the asset under management due to the negative mark to market valuations.

Among the key performance indicators on slide 5, I would like to highlight the continuous recovery in the quarterly and yearly NIM of both Interbank and Intercorp Financial Services. There has been a 20 basis point improvement in the quarterly NIM of IFS, driving the NIM for the year to 4.5%. On the other hand, at Interbank, the increase in NIM in the quarter is 10 basis points, driving the quarterly NIM to 4.5% and the month of March NIM up to 4.9%. Moreover, the efficiency ratio of IFS shows resilience as it has remained at healthy levels of 37% despite the negative impacts on revenues coming from the investment portfolio.

On slide 6, total revenues for IFS grew double-digit on a quarterly basis, thanks to the partial recovery of Inteligo's revenues and investment gains at IFS. But more importantly, we would like to highlight the yearly recovery in revenues at Interbank, which reaches 16.5% when excluding the extraordinary gains registered in the first quarter last year from the investment portfolio.

On slide 7, the efficiency ratio was 37.2% in the quarter, in the high range of the 35% to 37% guidance given at the beginning of the year. This quarter, we have continued to see a recovery of expenses driven by banking activity when compared to the previous year.

It is important to remember that during 2020, IFS was one of the few financial services institutions in the region which was able to execute an aggressive cost reduction program, which ended up reducing the cost base 5% for the full year and improving the efficiency ratio in such a challenging environment. At Interbank, the efficiency ratio is at 41.7% in the quarter, above the 39.6% registered last year, as expenses have increased 12.5%, in line with our expectation and as reflected in our guidance.

The increase in cost at Interbank is mainly due to three reasons. First, a 12.5% increase in technology costs and new ventures, which includes the technology expenses for our digital transformation, as well as new investments in payments and our venture with Rappi. Second, a 19.6% increase in personnel cost, which is mainly coming from the increase in mandatory employee profit sharing, in line with the improvement of the local GAAP earnings at the bank. And third, a 27.8% increase in variable costs related mainly to credit cards, in line with the percentage increase in credit and debit card turnovers, which generates fees and financing volumes. Moreover, we have continued with our branch optimization program, reaching a total reduction in the number of branches of 37% or more than 100 branches from the peak in 2016.

On slide 8, we continue to have solid capitalization position as evidenced by the ratios of Interbank, but also Interseguro and Inteligo. Core equity Tier 1 ratio at Interbank is 10.9% as of March this year, slightly below our 11% guidance due to the dividend distribution that took place in March. This ratio will recover in the following month to the end of the year above guidance.

Now, let's move to the recently announced acquisition of Izipay on slides 10 and 11. Interbank was already owner of 50% of Izipay, one of the largest acquiring companies in the country. With the recent acquisition by IFS of the remaining 50% for $80 million, IFS becomes 100% owner of this company, which has three main lines of business. First, the acquiring business where Izipay is the card present market leader, accepting all different cards and payment platforms, including Visa, MasterCard, Amex, Diners, Apple Pay, PLIN, Tunki and Yape, among others, in which revenues represent around 74% of the total revenues as of 2021. Second, correspondent banking operating around 30% of the market in which revenues represent 13% of total. And third, it is also a credit card processor, operating again around 30%

of the market in which revenues represent 9% of total.

Izipay is a company that has been growing substantially in the past years, especially in the past 15 months, as evidenced by the 60% growth in the number of merchants and more than 140% growth in the number of transactions. Moreover, it has monetized this growth as evidenced by the 81% growth in revenues in the past 15 months and 135% growth in EBITDA, reaching S/ 115 million in the last 12 months as of March 2022. It is important to notice that there is still a big space for further growth, given the low penetration of POS and digital transactions in the country.

We believe this acquisition will enhance our payment strategy and the value of IFS for the following reasons. First, it is a fast growing and very profitable business. Second, it is the leader in card-present business with a strong potential in e-commerce transactions. Third, there are additional potential for merchant financing and additional services for merchants and it will complement its value proposition with IFS product suites, together with some synergies existing in the corresponding banking business.

Talking specifically about the opportunity for merchant financing, we wanted to share with you that before this acquisition, we have been piloting 100% digital solution for self-liquidating working capital loans to merchants linked to their POS flows, which could be used to startup in this opportunity in the short-term.

Now, I will focus on the six key messages we would like to take you home from this call on slide 13. First, we are operating in a very volatile macro and political scenario. Second, we have experienced a strong recovery in our core banking business, which is driving top line growth. Third, we have a healthy risk profile with consistent credit quality metrics. Fourth, other income continues to be impacted by mark to market. Fifth, we continue to work on our two-tier digital strategy to foster growth at IFS. And finally, we are making good progress in our sustainability efforts.

On slide 15, we are showing the evolution of some of the key macro indicators. The exchange rate has registered ups and downs in the past weeks, reaching S/ 3.80 per dollar. Inflation has picked up to 8% as of April, in line with high levels of inflation in other countries, and local currency interest rate has continued to increase as evidenced by yesterday's extra increase of 50 basis points of the Central Bank's reference rate, which stands now at 5%.

Expectations on the economic activities, both for the next three and 12 months, are in negative territory, at their lowest levels in the past month. Political uncertainty continues to be high, and there are a number of measures that are currently being discussed that could impact our operations, including; first, a further extension of Reactiva loans to a group of clients; second, a further release of CTS funds; and third, a further release of private pension funds.

Moving on to slides 17 to 19. On slide 17, we have seen a solid performance in consumer finance and SME indicators in the quarter. Credit cards and debit cards turnover have increased substantially year over year, or 87% for credit cards and 52% for debit cards. This growth has allowed us to increase market share more than 230 basis points in the past 12 months for the combined turnover, thanks mainly to our Interbank benefit program, our increased focus on e-commerce and high growth product categories and finally, also thanks to our upselling strategy. Moreover, credit card sales have increased 92% year over year, getting close to 2019 levels. New disbursement of personal loans have also increased substantially or 90% year over year. These two effects combined are driving credit cards and personal loans up more than 40% in the past 12 months. On the SME front, we have seen a strong first quarter in terms of disbursement or three times the disbursements of 12 months ago.

On slide 18, one of the very good news of this quarter is the double-digit growth in net interest income and fee income. During this first quarter, net interest income for Interbank grew 15.6%, with a strong contribution from net interest income coming from credit cards and personal loans, which grew 18%. Fee income grew 14.3%, thanks to the strong growth of credit card fee income due to the evolution of credit and debit card turnover, but also to the sustained growth of fee income coming from cash management services in commercial banking. Other income at the bank was down 40% year over year, mainly due to the extraordinary gains on the investment portfolio registered during the first quarter last year when we sold a portion of the government bonds we held, anticipating the increase in rates. Excluding that, other income would have also grown double-digit. All-in-all, total core revenues for the bank grew 16.5% year over year, a very strong recovery in banking revenues, which is returning to a positive operating leverage.

On slide 19, we have seen a strong portfolio shift to higher yielding loans in the past 12 months, with an acceleration in this quarter. Retail loans reached 52% of the total portfolio versus 45% one year ago. Moreover, credit cards and personal loans reached 20% of the total loan book versus 15% one year ago and 18% one quarter ago. This effect, together with the increase in the SME loan book, still small, and the increasing rates is pushing NIM upwards, reaching 4.5% in the quarter, but 4.9% in the single month of March.

Moreover, risk adjusted NIM has improved 40 basis points in the quarter and 100 basis points year over year, up to 3.6%. We expect the positive trend in NIM to continue in the coming quarters, coming from the following trends and despite an increase in cost of funds for the full effect of raises in rates in soles and dollars. The higher weight in the portfolio of credit cards and other personal loans will help, as well as our SMEs. The second positive trend would be the increase in rates, which will gradually increase average yields in all products and client segments and the higher weight of the loan book within the total earning assets.

Moving onto the third key message on slides 21 to 23, we have a healthy risk profile, which is still below pre-COVID levels. On slide 22, cost of risk in the quarter was 1.4%, below our guidance of cost of risk below 1.8% and still below pre-COVID levels. From this quarter onwards, we present Stage 3 NPLs and coverage ratio of Stage 3 loans as the relevant indicators of credit quality, fully aligned with IFRS accounting standards. The NPL coverage ratio of Stage 3 loans at 169% is still above pre-COVID levels of 158%, and this is mainly related to the coverage ratio of retail loans, which stands at 256%, well above the 179% pre-COVID.

On slides 22 and 23, two positive news are; on slide 22, the reduction of 55% from the peak of June of the rescheduled portfolio, which is true for both retail and commercial; and on slide 23, the reduction of 34% of Reactiva balances in the past 12 months, which now stands at 9% of the total portfolio.

Now, let's move to the fourth key message of this presentation related to the negative impacts on the investment portfolio from mark to market. On slide 25, we are showing you the historical returns on the investment portfolio of both Interseguro and Inteligo. This quarter, both companies have been impacted by negative mark to market, with a return on investment portfolio of 5.1% for Interseguro and negative for Inteligo. Market conditions are still negatively impacting these figures, which historically have been above 6% for Interseguro and around 10% for Inteligo. We expect the quarterly volatility to remain during the second quarter and hopefully to improve in the second half of the year.

On slide 27, there is a summary of our two-tier digital strategy, which we introduced to you in the last conference call. On one hand, we have the digitalization of our core activities with the main goal of allowing clients to be able to interact with IFS companies and fulfill their needs 100% digitally and with a high NPS, as evidenced by the 20 additional points in NPS of our digital customers when compared to non-digital retail customers.

On the second front, we have new growth initiatives, which aim at increasing the client base and to create new sources of revenue and profitability. On the digitalization front, some examples of our digital solutions include the piggy bank, a 100% digital solution for savings, which allows clients to have specific pockets of savings for specific purposes and helps clients to save with just one swipe. My Finances, another solution in the Interbank app, which shows clients their credit score and helps retail clients to control their expenses and manage their budget and which now incorporates a credit scoring solution and gives them suggestions on how to improve their creditworthiness.

Interbank Benefit, our 100% digital rewards program platform; PLIN, the P2P and QR code payment solution; Dividelo, our buy now pay later solution linked to digital purchases; Interbank.pe for businesses, which allows commercial clients to open business account 100% digitally and fulfill their cash management needs; SOAT Digital, the first 100% insurance product; and finally, ERNI, our mutual funds investment platform.

On the second front of our digital strategy, we have a number of initiatives which we have been working on in the past years that are at different stages. On the consolidating growth phases, we are including: First, Interbank 100% digital accounts for retail and commercial clients, which today constitute the most important part of growth of our client base for both retail and commercial clients; Second, Tunki, our digital wallet; And third, PLIN, our P2P and QR code payment solution, which enables interoperability with multiple financial institutions and a bridge between the banked and the unbanked.

We are also working on two additional initiatives which are currently at early stages of development, which include RappiBank, our alliance with Rappi and Shopstar. Our marketplace aiming to become the preferred e-commerce option for IFS customers and a sandbox to test our initiatives such as Dividelo and loyalty initiatives. All of these initiatives are being developed with a strong approach in advanced analytics, which allow us to improve our risk management, to increase the level of personalization and contextuality of campaigns and to increase sale leads and their hit ratios.

On slide 28, we continue to see strong progress in our digital indicators. As of March 2022, digital customers reached 65% of our customers who interact with the bank during the last 30 days, up five points in the past year. Digital sales have also performed well. At Interbank, retail digital sales reached 61% in March and at Interseguro, SOAT Digital sales reached 81%, both increasing sharply in the last year. We have continued to see an important number of new digital accounts being opened, both for individual and businesses. As of the end of March, 60% of new retail saving accounts were opened digitally, while 89% of new business accounts were opened digitally. We are also introducing a new indicator to show some of the improvements in our analytical capabilities. Personalized campaigns, which has reached 25% as of March this year, increasing from 11% one year ago.

Now moving to our new growth initiatives on page 29. Tunki is our digital wallet and ally to bank the unbanked. It was the first digital wallet in Peru to be able to deliver government financial aid in the context of COVID, 100% digital to Peruvians and today has reached 1.8 million users. We have increased five times the number of merchants using Tunki in the last 12 months and six times the number of transactions. The sources, the strategic rationale we see for Tunki is: first, it is a bridge between the banked and the unbanked, enlarging the payment ecosystem, also to merchants; and second, there is potential monetization through first, top-ups; second, service payments; third, float; and fourth, micro loans.

On slide 30, PLIN has reached 7 million users in two years, out of which 42% use Interbank as a main bank. We believe PLIN is the most successful launch of a digital solution in Peru, given the high number of users achieved in only two years. It provides P2P and QR code payments with the Interbank app in Tunki, allowing interoperability with BBVA, Scotiabank and many other financial institutions. The number of micro merchants has tripled during the last 12 months as well as the number of transactions that have actually doubled in the past three months. The sources of value we see for PLIN are: first, it improves our value proposition for retail customers and merchants by providing them a seamless digital payment experience through QR or P2P 24/7. Second, it replaces cash and brings more clients to the ecosystem. And third, it provides a monetization opportunity on payments at merchant POS, similar to debit card transactions.

Moving to our initiatives currently at early stages on slide 31, RappiBank. Our alliance with Rappi, has reached more than 60,000 credit cards placed. Current NPS is at 60 basis points. Nevertheless, this initiative continues to be at an early stage and its path-forward continues to be refined. The second initiative in early stage is Shopstar, our marketplace aiming to become the preferred e-commerce platform for IFS customers. After its initial pilot in the second half of 2020, it was launched in the first month of 2021 and reached almost 70,000 active customers for the full year 2021, and more than 20,000 have made a purchase in the first three months of this year or three times more than the level registered in the first three months of 2021.

All of the different initiatives described before have the purpose of accelerating even further the growth in our client base to improve our digital value proposition and to increase the level of engagement, satisfaction and loyalty among others.

On slide 32, you can see that our retail client base has grown 19% in the last 12 months, reaching 4.7 million customers. 34% when talking about digital customers and 21% when speaking of commercial clients, most of which are being acquired digitally.

The last key message refers to our sustainability efforts. As introduced during our last conference call, the focus of our ESG initiatives during this year will be on three fronts: first, to promote inclusion and bancarization; second, focus on environment and sustainable finance; and third, to promote a culture of sustainability.

As of March this year, there have been different positive developments, which we would like to share with you. First, on the environmental pillar, we have two sources of good news. First, Interbank and Interseguro have obtained their carbon footprint for 2021. And second, we have just disbursed the first sustainable linked loan for the fishing industry with a $22 million loan.

On the social front, we have recently launched our 100% digital financial education platform, which aims at promoting financial inclusion in the country, Aprendemas. And we have again been awarded Great Place to Work top positions for Interbank, Interseguro and Inteligo. Moreover, we have received the number one position prize in a new category created, which is Best Place to Work from Home. On the corporate governance front, we received the good news that we have been included for the first time in the General ESG Index of the Bolsa de Valores de Lima.

Before ending the presentation, let me now move to the comparison with guidance for this quarter. Capital ratios to remain at sound levels with total capital ratio above 15% and core equity Tier 1 ratio above 11%. The first quarter total capital ratio stands at 15.5%, above guidance, and the core equity Tier 1 ratio at 10.9%, slightly below guidance as we have just distributed dividends, but will gradually rebuild capital in the coming months. Second, a continued path to recovery in core profitability with IFS ROE above 16% as guidance. In the first quarter, ROE was 17.4%, above guidance.

Third, high single digit growth in total loans, led by double-digit growth in consumer loans together with the substitution of a portion of Reactiva loans in commercial banking. As of March, total loans grew 10.2%, slightly above guidance and consumer loans are growing more than 20%. Fourth, revenues will continue to recover with NIM between 4.2% and 4.6% after closing 2021 at 4.1%. The recovery of NIM is taking place at Interbank a little faster than expected with first quarter 2022 NIM already at 4.5% and March NIM at 4.9%.

Fifth, cost of risk, will be below 1.8%. It's still below pre-COVID levels. The first quarter cost of risk is at 1.4%, reflecting a good quality portfolio and well below guidance. And finally, we will continue with our focus on efficiency, and we expect the efficiency ratio to be between 35% and 37%. The first quarter efficiency ratio was 37%, in line with our guidance.

On slide 37, let me recap the six key messages of this presentation. First, we are operating in a volatile macro and political scenario. Second, we have seen a strong recovery in our banking core revenues. Third, we continue to have a healthy risk profile. Fourth, our investment income has been impacted by mark to market, but expect normalization throughout the year. Five, our two-tier digital strategy continues to foster our growth. And sixth, we are making good progress in our sustainability efforts.

Finally, we wanted to let you know that we will be holding our first virtual Investor Day on June 22 to discuss more in detail our strategy, and we hope you can all be there with us.

Thank you very much. Now, we welcome any questions you might have.

QUESTIONS AND ANSWERS

Operator
We will now begin the question-and-answer session. To ask a question, you may press star then one on your telephone keypad. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star then two. At this time we will pause momentarily to assemble our roster.

The first question is from Ernesto Gabilondo with Bank of America. Please go ahead.

Ernesto Gabilondo
Thanks for the presentation, Luis Felipe and Michela and good morning, everybody.

Michela Casassa
Ernesto, are you there? We can hear you. Now, we can't.

Operator
Mr. Gabilondo, can you hear us? It sounds like Mr. Gabilondo is having audio issues. We'll move on to the next question is from Jason Mollin with Scotiabank. Please go ahead.

Jason Mollin
Luis Felipe and Michela, thanks for the presentation. My first question is on the sensitivity of IFS's net interest income to interest rates. Clearly, it looks to be having a positive effect. How is IFS positioning itself? What is the sensitivity today to 100 basis point change on the net NII? But also on your balance sheet, on your investments, if you can give us some color there, that would be very helpful. And how you think management can prepare for what you expect going forward?

And my second question is on the RappiBank joint venture. You showed some figures on credit cards and NPS. And I saw on the 20-F that at the end of December 2021, RappiBank had 209,000 customers. So, maybe you can give us some perspective on how that's evolving and what you expect there relative to what you showed for March and the number of clients at the end of 2021? Thank you.

Luis Felipe Castellanos
Okay. Jason, thank you very much for your question. Let's maybe, Michela, you can start with the sensitivity on the NIM question. And I can then address RappiBank.

Michela Casassa
Okay. Good morning, Jason. As I mentioned during the last call, I mean, we are actually monthly updating our sensitivity calculations because given the speed and number of increases in rates, now this is actually changing, okay? But basically, what we have seen is that for 100 basis points increase in the soles rate, okay, we are seeing a neutral to positive effect, okay? What we are seeing now as the, let's say, the further improvement in NIM versus what we expected, it's more coming from the portfolio mix, okay? But also, to these increases in rates.

What is lagging a little bit behind, but we believe will start impacting in the next month is the financial expenses, okay? For example, there have been a number of positive impacts in the cost of funds coming from exchange rate, for example, okay? That will not necessarily be repeated in the future. So, NIM will continue to improve as we see the full effects of the rates as the increasing rate that we have already in the portfolio. But we are expecting a faster increase in the cost of funds than we saw before. This is why the update that we have today for soles rates is neutral to positive impact. Now when we shift to the dollar impact of 100 basis points increase, this is a little bit different and is actually a negative impact of around, I don't know, between $4 million and $5 million, because we have less earning assets in dollars and more bonds and liabilities, okay?

So, hopefully, with the mix of the two and with the shift of the portfolio, what we are expecting is that on top of the increase of rates that we have seen and even with the dollar ones, NIM will continue to improve in all the coming quarters to be in the high range of our guidance.

Luis Felipe Castellanos
Yes. Let me address, particularly on the interest rate sensitivity of the portfolio. At the bank, it's very straightforward. We do have a large portfolio of sovereign bonds, all of them related to the Peruvian government. They are like short-term bonds. The average duration is about three years, so the impact there is important. So far, over a portfolio of around S/ 8 billion, the rate moves, that have been very sharp, up, like a negative impact of around S/ 700-plus million, which are in DPV. So, they don't hit the P&L. They go to equity. And given that we have plenty of capital, that's not a concern. And with the evolve of time, given the short duration, that should be sweeping away. But we are obviously monitoring that.

And then I think the other important part where we do have investments that could be sensitive to interest rate movements is obviously in our insurance portfolio, and let me pass it on to Gonzalo, who can address the specific effects that we can have there and how we are managing that.

Gonzalo Basadre
Great. Thanks, Luis Felipe. Our portfolio has a high percentage of fixed income securities, around 80%, so definitely, our portfolio led to rate increases. They don't flow to results. They will reduce the possibilities of realized gains because of by sale of securities. On the other hand, what we're seeing is that as investment rates are going up, are the rates we're offering our clients are not moving up at the same speed, so our spreads are increasing. So, even though we'll have a reduced possibility of realizing gains in the short-term, in the long-term what we're seeing is an increase in spreads in the sale of our annuities.

Luis Felipe Castellanos
Okay. Thanks, Gonzalo. And then on the RappiBank effort, as we have mentioned, it's an early stage venture for us. That was launched. It had like a couple of setbacks because of the pandemic. So, we kind of realign and relaunched. It's still early. We are refocusing. As we mentioned, we are pivoting a way of

just opening accounts. We reached, as you well said, 200,000 accounts or wallets. We quickly saw in agreement with Rappi that that was easy to place, but not very clear paths for monetization there. So, we have stopped actually growing through accounts. And we moved to credit cards, where we have achieved close to 60,000 credit cards. And we are closely monitoring the evolution of those cards.

The bottom line is there's traction on the product. However, we are not being very successful in those customers actually taking loans on their credit card. Now they're using the credit card, they use all the benefits that are coming through the usage of the card in Rappi, but we're having trouble in actually making that stick as a credit card loan. We have too many people that are repaying their full amounts, so it's actually a bit costly. So, as you've seen in the last quarter, we almost didn't grow in number of credit cards placed, because we are reworking value proposition, segment of customers, analyzing all the data we're getting and all that. Again, that's an early stage, probably we're going to go through lots of pivoting before we'll come with a very specific product that allows us to really become aggressive in terms of growth.

So, basically, that's the status there. We are monitoring it closely. And hopefully, we'll be able to find, sooner than later, a good profitable source of growth. And if not, we will have to continue monitoring to see what other decisions we can be taking.

Jason Mollin
That's very helpful. Luis Felipe, maybe a follow-up on one of the comments you made more in the general outlook for Peru's economy. I mean, you said that it could take some time to show recovery in investment. What do you think needs to happen for that to take place? What is the positive scenario for catalyst to drive investments? And perhaps what could be some of the concerns that makes it even worse? What would be the downside scenarios or catalysts as well?

Luis Felipe Castellanos
Sure. Okay. Let me try to address that question, which is not—it sounds like a simple question, but you have many, many points to it. But I guess, what needs to happen in order for investor confidence and consumer confidence to come back is to see some sense of stability in the political environment. We all know that the macro fundamentals of Peru continue to be solid despite inflation, because this is an international phenomenon. We know that the Central Bank is very structured, and it's having lots to do in the Peruvian economy to make sure that the macro accounts remain healthy. And the Minister of Finance and their team are doing all the efforts to make that possible.

However, we're very concerned about the way the executive continues to name people that we believe don't have the qualifications to run important parts of the government. So, there's lots of turnover and lots of questioning there. That trend, it creates instability. And on the other side, Congress continues to approve some measures that are very populist that at the end do not allow investors to feel comfortable that we are going on the right track from that point.

And in the middle of that, there's a big push between the executive and the Congress. Even though we've seen, in the latest days, some agreement in certain points where different parties have voted together, one can agree or not in what they have been voting together. So, there is lots of noise going around the executive, Congress, whatever. So, maybe the catalyst will be, from my perspective—and this is completely my perspective—making some changes and the change could be setting up an executive branch with a new prime minister that brings confidence and a new set of ministers that provide that confidence to the market and create a positive working relationship with Congress. I think that could be a good catalyst. Now, it's not happening.

One of the big concerns was the proposal of a new Asamblea Constituyente. That has been put down by

Congress. However, if that continues to rise on and on will also be a source of concern for everybody involved. Hopefully, now that, that has been put to bed, that's out of question. However, it's not clear what will the next days come to us.

So, again, there's political noise and both the executive branch and the legislative branch need to work together in order to return to a more normal stable situation. That could move along with the good economic prospects that we have because of all the potential that the country has and because of the positive cycle of commodities that should benefit our country.

Jason Mollin
Thank you for the comments. I really appreciate. I know it's a tough question. It's difficult to tell, but thank you for that. Fantastic.

Luis Felipe Castellanos
You're welcome.

Operator
The next question is from Ernesto Gabilondo with Bank of America. Please go ahead.

Ernesto Gabilondo
Thank you. Hi. Good morning, Luis Felipe and Michela, and good morning, everybody. Thanks for your presentation and for the opportunity to ask questions. My first question is on loan growth and asset quality. What do you think would be the level in which inflation and interest rates to start to have an impact in loan growth and in asset quality?

Then my second question is on your digital transformation. It was very interesting for me to see your new digital strategies. Especially I would like to hear on your new growth strategy related to payments, the Neobank and open banking. So, just wondering if you would like to create a Neobank or a specific area to allocate the Neobank. And I think if that is the case, it will be very helpful if you can start disclosing a P&L and key performance indicators in the future as they differ from those of a traditional bank.

And then my last question is on your ROE. We saw your reported first quarter ROE was higher than 17% and above the 16% guided. So, do you think you can maintain this level of ROE in the next quarters? And where do you see your sustainable ROE? Thank you.

Luis Felipe Castellanos
Okay. Let me start, Ernesto, and thanks very much for your question. By number three, then I'll move to number two and I'll leave Michela number one, so we're going to be backwards here. Yes, we had a strong start of the year. We are very confident that we could continue with those levels of ROE. I know that our guidance is a little bit below that. At this stage, we don't feel moving guidance. It's early still in the year. It's just a quarter. And there's some uncertainty in front of us, especially in the front of investments. We've seen what has been happening in the last couple of weeks, three weeks, which has been terrible for the market. So, I guess, we feel comfortable that the fundamentals of IFS and all their businesses are strong. We're going to face some volatility. And we hope that we could continue at these levels of ROE.

And on sustainable, I think, Michela can correct me, but we see IFS at 18%+ sustainable ROE for the next years. So that's basically it. But again, a good start of the year in a very volatile environment, which could have some surprises quarter-in, quarter-out because of the volatility in the market. So, I think, we're okay with what we have right now, but the fundamentals are building up pretty nicely.

On the second part, I think we discussed about this. We won't have a Neobank outside of IFS. Maybe in another country at someday, but actually, regulation in Peru does not allow us to have two licenses for different banks. So, everything we do, we will have to do under the Interbank license umbrella. And obviously, as we discussed also last time, we will separate as much as possible the dynamics and value creation of each of the businesses.

So far, our ventures are not creating additional revenue. Our ventures are basically all of them in the investment stage. There is already, in some of them, as Michela mentioned, for instance, Tunki, with the top-ups and with some of the features, is generating revenue, but it's still marginal. So we will create in the product where it is rational to start seeing different types of lines of business, if you want. However, it's early still. But as soon as we see it has some critical mass, we will be able to show that as a P&L, but we will work strongly in creating a set of leading indicators that will give everybody a sense of how all of them are evolving.

Today, we are more focused in the activity ones, which is the ones that we are presenting, but it is part of our vision that as these ventures mature, we will be showing as much information as transparent as possible to be able to identify what the sources of value are and where are they coming from. We will have an Investor Day and we're going to be very happy to have you there.

But obviously, just as a general statement, we are very happy. We are very happy with the digitalization of our core Interbank business itself. So, much of our strategy, as opposed to other banks, that is create satellites and see how those satellites grow and maybe fly away from the core. We feel very comfortable that the products and services that we are creating are a path to bringing many of those customers into our core digital Interbank bank. And we will clearly show in our Investor Day how that path is coming.

Tunki is an example. Tunki, Michela mentioned, is a low-cost acquisition channel for the unbanked, which we have envisioned it as a bridge between the banked and the unbanked, through PLIN because it's the only wallet where the unbanked can have a wallet, but receive and pay to our PLIN platform. And we're doing segmentation work to see which of those customers that come to Tunki can be brought digitally into the Interbank solutions. And once in the Interbank solutions, we can continue to cross-sell loans and cards and deposit accounts, all digitally and have them as 100% digital customers. So, the strategy is a little bit than others, which are creating Neobanks and they want to keep them to themselves because maybe their core is not as digitalized as ours. In our case, this is working. And once a customer touches upon our core digital bank, people are very happy with higher NPS.

I, and maybe you can help us here. We have closed, in the last couple of years, over 37% of our retail branches or financial stores as we call it. I think, and maybe you can prove me wrong, hopefully, that we have been the most aggressive bank in the region to rationalize branches in this way. However, our revenues, our number of customers and our market shares continue or to be stable or to grow. So that is a testament of how efficient our core digitalization of our main bank is evolving to serve those customers, okay?

And then for the first part of your question—and I'm sorry I extended here—I’m going to pass it on to Michela, please.

Michela Casassa
Okay. Thank you, Luis Felipe. Hi, Ernesto. Let me talk about a little bit of loan growth and asset quality. First, you have seen that we have closed this first quarter with high levels of growth, actually taking out the Reactiva impact, which at the end of the day, has little impact of revenues because the loans of Reactiva were at very, very low yields. The total loan book has grown 10%, okay? But the biggest part of this growth is coming from retail and especially from credit cards and other personal loans, that as I

showed, have grown 41% year-over-year. So, basically, what we are seeing today is that the risk profile of our portfolio, okay, is still better than pre-COVID levels, okay? So, even if now, credit cards and other personal loans as a total balance are already a little above than pre-COVID levels, the overall portfolio with still Reactiva loans with higher mortgage loans than pre-COVID, make a total portfolio mix with lower risk than pre-COVID. So, this is then reflecting, as you are seeing in the cost of risk.

But also, when we look at the retail portfolio itself and at credit card specifically, which is the, let's say, the highest risk portfolio, the risk profile of the credit card portfolio itself is also still much better than pre-COVID, okay? So, of course, we have in mind and we are running many different analysis of how inflation in this high interest rates will, at some point, limit the growth that we are seeing, okay? And we believe it will come in the following month. Still, there are important pockets of clients where we could still grow. So, what we are trying to identify is, okay, which pockets of clients are more, let's say, sensible, not to this impact from inflation and interest rates so that we can maybe limit growth there? But we believe there is still room for important growth at least in the coming quarters.

And then, we will need to see, of course, what else happens with the economy, because some of the impacts that we are also expecting and that will have a positive impact in asset quality is, for example, the new funds that will be released to the market. So, the new release of private pension funds and the new release of the CTS, as we saw during last year, were partially used to help clients to honor their debts. So that also is an extra positive impact that we might expect in the future.

Having said that, it is true that with the recomposition the portfolio mix, the cost of risk should gradually increase in the coming months, but we still believe that will be below pre-COVID levels for the full year this year.

So, I don't know, Ernesto, if that covers that part of the question.

Ernesto Gabilondo
Yes. Very, very helpful. Thank you very much, Michela and Luis Felipe.

Luis Felipe Castellanos
You are welcome.

Michela Casassa
Thank you, Ernesto.

Operator
The next question is from Carlos Gomez with HSBC. Please go ahead.

Carlos Gomez
Michela, good morning and congratulations on the results. And as always, congratulations on the transparency and the clear explanation. I particularly like how you show the Reactiva loans and the acquisition of Izipay. And I wanted to ask you about that. First, to confirm, you're paying $80 million for Izipay, so in our numbers, that's about six times EBITDA as per your numbers. Please let me know if that is correct.

And second, can you give us an idea about the market share of Izipay in the payments system? Thank you.

Luis Felipe Castellanos
Hi. You're right. It's 80 million dollars for 50% of the company, given that we already owned the other

50%. So now Izipay is 100% owned by IFS, 50% directly, 50% by Interbank. But at the end, we consolidate the whole entity in our books.

In terms of the multiple, actually, my numbers show a little bit lower than that. I think it was around five times. But let me pass it on to Carlos Tori, who is our Head of Retail Banking and Payments, so he can confirm these numbers.

Carlos Tori
Yes. The multiple depends a lot on the FX you take on the numbers and if you use first quarter or you use expected numbers for the year. But yes, it's somewhere around there US$ 80 million for 50%. Yes. In terms of market share, which was your question, the business is not regulated so we don't know how much the competition processes. We have some idea because we can see within our numbers on our credit cards and debit cards which transactions go where, which depends on the merchants. So, we have some idea. We know market share is growing. But we don't have or we cannot disclose an exact number because it would be an extrapolation from what we see. So, I don't know if you have a following question.

Carlos Gomez
Can you give us an idea? Are we talking 5%, 20%, 50% market share? What range should we be looking at?

Carlos Tori
It should be around 50%.

Carlos Gomez
50? 5-0?

Luis Felipe Castellanos
Yes, 5-0. Yes. And I guess a couple of words on Izipay. I think it's independently of the price, because obviously, I think the transaction was facilitated by a motivated seller, and we took on the opportunity for an asset that we have been chasing for many years, but different circumstances did not allow us to really pull the trigger on it because there were like different interests. But now as you know, Scotiabank is rationalizing their position not only in Peru, but in Latin America, so we took this as an opportunity.

I think that strategically, this creates a tremendous platform for our payment strategy. I think it can accelerate many of the visions that we have, lots of competitors in the region and in the country are starting to build some efforts in order to be able to have this kind of asset in their scope. This, with the traction it has, the platform it has, the size it has and the connection with existing customers it has because it has a very good set of customers and relationships, really makes us feel that we do have something that will definitely accelerate, but boost our vision on becoming the most important manager of a payment ecosystem in the country. So those are the main merits of this transaction for us.

Carlos Gomez
Okay. Thank you. And the selling partner, you mentioned Scotiabank, anybody else?

Luis Felipe Castellanos
No. This was an asset owned 50% by Interbank and 50% by Scotiabank.

Carlos Gomez
Very clear. Thank you so much.

Luis Felipe Castellanos
You’re welcome.

Operator
The next question is from Daniel Mora with Credicorp Capital. Please go ahead.

Daniel Mora
Hi. Good morning, everyone and thank you for the presentation. I have two questions. The first one is regarding NIM. I would like to know what percentage of the loan portfolio or if you want to explain it by segment, is with free floating rates. I would like to understand with the increase of the Central Bank rate, which segment of the portfolio will reprice with the increase of this rate?

And also, I would like to understand what is your base case scenario for the NIM to return to pre-pandemic levels, considering also the higher increase in credit cards and the increase in the loan mix of retail loans? I know that this is something very uncertain and you are analyzing this on a regular basis, but I would like to understand what is the base-case scenario?

And the second question is regarding cost of risk. I would like also to know, when do you expect that we can see a cost of risk also more aligned to the historical levels of IFS. This question is mainly to understand if 2023, the next year, could be considered still a transitory year, or it will be more aligned to pre-pandemic levels. Thank you so much.

Luis Felipe Castellanos
Okay. Well, thank you very much, Daniel, for your question. On this part, let me pass it on to Michela, who will probably have more of the details that you are looking for.

Michela Casassa
Good morning, Daniel, and thank you for the questions. Let me start with NIM and the portions of the portfolio that have float rate. But maybe let me put the answer in a different way, because what actually is going on is that we are, let's say, we are passing some of the increases in rates to different products in the portfolio, okay? So, basically, retail, so let's talk about consumer financing, so credit cards, personal loans, payroll deductible loans for the public sector employees, we have been increasing the rates in the new disbursements. So, a portion of the increase in the interest, in the loan yield that you see is coming from that, together, of course, with the change in mix. But when you look at the new rates and the new disbursements from that, they are clearly above previous level. It is a little bit more difficult in mortgages, okay, which also have a fixed rate. But even there we have started to raise rates in the new disbursement. A little bit more difficult there I’m saying because of competition, because that's the product that has, if you want, in the past month, increased the rate the less.

Now, when moving to the commercial loan book, it's a little bit the same. So, basically there, you price based on spreads. So, basically, if the cost of funds increases, you start to price your loans to your clients also in that way. And in the SMEs, where it is not based on spread, but it is more like retail, even there we have started to grow nicely in this first quarter, but this growth is coming with higher disbursement rates.

So, I mean, I would say that when talking about new disbursement like almost all products are increasing rates, of course, you see different impacts in the average yields of the portfolio because of the duration of the different products. So, the impact in a higher duration product is going to be smaller, but it will come in time. And complementing this part with the base case scenario for NIM. I mean, to be sincere, I'm not comparing to pre-COVID levels because there are a number of things that I'm not sure whether or not will be exactly the same in 2023. And this also relates to cost of risk. But what we are seeing now is that for the next three quarters and up until year-end, NIM, and I'm talking specifically about Interbank now, NIM will gradually improve quarter-by-quarter. And again, this improvement is coming from portfolio mix, but also the yield of each product because of what I just explained of how we are transferring increasing rates to our new disbursement and also a lower incidence on Reactiva loans. So, I really don't know. We are like updating the numbers, but I can imagine that in 2023, at some point, we should be in, NIMs, hopefully, if nothing strong changes, hopefully above 5%.

And in terms of cost of risk, it's a little bit aligned because it depends on the portfolio mix. This year, from the numbers we are seeing, we are guiding that the cost of risk will be still below pre-COVID levels. And again, there are a number of external factors like these new measures on private pension funds and CTS that will inject liquidity to the system that improve this cost of risk. So, 2023, whether or not that's going to be already at pre-COVID levels or a transition year will actually depend on how we close the year. I mean, what I know, for sure, is that cost of risk of 2023 will be much higher than 2022 for sure, because of the, how do you say, the maturity of this portfolio, retail, that has been growing very fast in the past month. But I am not completely sure whether or not it will come back to the levels of pre-COVID, which were between 2.2, 2.5 cost of risk pre-COVID. So, still a way to go there.

So, let me know if this covers your questions.

Daniel Mora
Perfect. Thank you so much. It's very clear, very clear with all the details.

Michela Casassa
Thanks.

Luis Felipe Castellanos
Thank you.

Operator
Excuse me, the next question is from Alonso Aramburu with BTG Pactual. Please go ahead.

Alonso Aramburu
Yes. Hi. Good morning and thank you for the call. I wanted to follow-up, Michela, on the NIM. And in the press release, you mentioned that you had slightly lower rates compared to the previous quarter. So, I'm just wondering, you're mentioning that you're increasing new disbursement, rates on new disbursement. So, what happened between fourth quarter and this quarter? Are you seeing more competition? Just maybe some color, or maybe you're going to less risky clients and that's affecting a little bit the yield on the consumer lending. So that's on the NIM.

And my second question is on commercial lending, which was relatively weak this quarter. I'm just wondering if you can give us some color. Is it just overall private investment in the economy that is affecting the commercial segment? Or is there something else? Is the liquidity of the companies? What are you seeing there? Thank you.

Luis Felipe Castellanos
Go ahead, Michela.

Michela Casassa
Good morning, Alonso. Thank you for the question. Sorry, help me understand the first question. You are talking about the evolution from fourth quarter to first quarter of NIM of IFS, is that right?

Alonso Aramburu
Of Interbank specifically. Because in the press release, you mentioned that the average rate on loans was stable quarter-on-quarter and the mix helped. But there was slightly lower rates across the board, right? So, I'm just wondering what happened.

Michela Casassa
Yes. Okay. Let me explain what is happening there. I mean, when you look at the average rate of each single product, it is increasing, okay? Under IFRS, we have these additional effects that are coming—I don't know if you remember that we had some impairments from the rescheduling that we did last year, okay? That continues to have an impact, which sometimes is positive, sometimes it's negative. So, this particular quarter, what you are seeing there has like an extraordinary impact that makes the rate flat, but that should not be the case going forward. I mean, each single product is increasing its average yield, okay?

And moving to the commercial lending decrease, there are a couple of things to comment there. I mean, first, Reactiva. When -- I mean, we actually look at the growth, both with and without Reactiva because at the end of the day, the balances that are going down from Reactiva, as I mentioned before, have very low yields. So, we are very much focused that the loans from commercial banking without Reactiva are growing, and actually, they are growing very nicely. In the first quarter, there was, I mean, a lot of competition, to be sincere, in the large corporate. Why? Because of the number of increases in rates, okay, that we were trying to pass to clients, but the market dynamics were not allowing to do that.

So you know that from time-to-time, and you have always seen this in the past years, we always focus on profitability. So, if we see big transactions with low or negative yields, we will not enter. So, we saw a decrease in market share in the first quarter in the large corporate segment. That has changed and has improved a lot in -- actually in April, where because rates continue to increase, we have seen the overall market dynamics to be more on the front of raising rates also for the large corporate segment. That is not the case, for example, as I was mentioning for the SMEs. SMEs, a completely different picture there. We are growing and actually, we will start to see some more improvements in market share, and we are also being able to translate the increasing rates with no problem.

So, going forward, I mean, yes, it is true that investments are not happening. So, medium term, financing is not something that is booming, but there are certain sectors in which we are very strong, as for example, the agro-export segment, which is going very nicely in Peru. So, we are focusing on trying to grow profitably in large corporate, in midsized companies and in SMEs in those specific segments, which are kind of not following the GDP evolution in the country.

Luis Felipe Castellanos
Yes. Sorry, Michela. Let me add something. I think we've mentioned it before, but especially in corporate and mortgages and all those businesses are very sensitive to rates. We will continue to be very disciplined in terms of pricing. And again mention -- as we've always mentioned, we are not obsessed by size or just market shares. We're very focused on profitability. And we've seen, this quarter, crazy things happened in the corporate segment, where some of our customers were receiving loans with rates that did not make sense. And we just let them pass and we will continue to do so, because we do know that the end sense will come into action and the right pricing will be able to be achieved in this market. So, we're not playing the size or the market share game. We are playing the profitability game to strengthen our relationship with our customers. So, sometimes, we will sacrifice market share against profitability, and this quarter was a clear example of that.

Alonso Aramburu
Thank you, Luis Felipe and Michela. Great color. Thank you.

Luis Felipe Castellanos
Thank you.

Michela Casassa
Thank you, Alonso.

Operator
At this time, I'd like to turn the call over to Rafael Borja for webcast questions. Please go ahead.

Rafael Borja
Thank you, operator. We have one question from Stacey Xie from Ninety One. Can you please give us more details on the decline quarter-over-quarter in total deposits?

Luis Felipe Castellanos
Sure. Michela, can you help out with that, please?

Michela Casassa
Yes. Hello. Let me tell you a little bit of what's been going on because we haven't discussed a lot about deposits and liquidity. I mean, first, I think it's important to have in mind that as of March, our loan to deposit ratio stands at 99%, which is still below the 106% of the system, okay? And it's actually still below the pre-COVID levels, okay? I mean, our loan to deposit ratio, but also the system loan to deposit ratio pre-COVID was usually a little above 100%. So, we -- you would see numbers for Interbank at around 103%, 104%. What happened with COVID is that there was an extra liquidity in the overall system coming from a number of measures. So, we had the S/ 60 million of Reactiva, we had all the private pension funds flows coming to the system, but also the CTS.

So, we've been living, let's say, at the system level with extra liquidity, a big portion of what was in Soles, okay? So, last year -- and actually, there is a number of slides in the presentation, number 41, where you can see that the loan to deposit ratio of Interbank one year ago as of March 2021, was actually 89%. So, we were very happy, because we were very liquid, but of course, that had a cost. So, what has happened in this first quarter, okay? The most important change in why you see the volumes going down is that, that liquidity at system level has started to disappear because again, all those flows have been started to be used and Reactiva loans have been repaid, so Central Bank has taken out that liquidity. And what we've been trying to do is given the increase in rates is to optimize cost of funds, okay? So, basically, we have been letting some high-cost institutional funds to go away, so that we can limit the impact of the increasing rates in our short-term deposits.

So, basically, going forward, it's possible that this trend that we have seen in the system will continue to take place. But there is this uncertainty that with the new measures that could be approved or are in the process of being approved of extra private pension funds and extra CTS coming to the market, maybe that will normalize a little bit. But we do expect loan to deposit ratio, I mean, to continue to tighten and to go to more normalized pre-COVID levels in the following quarters.

CONCLUSION

Operator
This concludes our question-and-answer session. I would like to turn the conference back over to Mrs. Casassa for any closing remarks.

Michela Casassa
Okay. Thank you very much. Thank you, everybody, again for attending these first quarter results, and we hope to see you all on June 22nd on our first virtual Investor Day. Please don't miss it. Bye.

Luis Felipe Castellanos
Bye, everyone.

Operator
The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.