# Intercorp Financial Services

## Fourth Quarter 2024 Conference Call

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**CORPORATE PARTICIPANTS**

**Ivan Peill –** *Investor Relations, InspIR Group*

**Luis Felipe Castellanos -** *CEO*

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**Bruno Ferreccio –** *Inteligo Bank's CEO*

**Carlos Tori –** *Interbank CEO*

**Gonzalo Basadre** – *Interseguro CEO*

**PRESENTATION**

**Operator**
Good morning, and welcome to the Intercorp Financial Services Fourth Quarter 2024 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 the 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 Mr. Ivan Peill from InspIR Group. Sir, you may begin.

**Ivan Peill**
Thank you, and good morning, everyone. On today's call, Intercorp Financial Services will discuss its fourth quarter 2024 earnings. We are pleased to have with us Mr. Luis Felipe Castellanos, Chief Executive Officer, Intercorp Financial Services, Ms. Michela Casassa, Chief Financial Officer, Intercorp Financial Services, Mr. Carlos Tori, Chief Executive Officer, Interbank, Mr. Gonzalo Basadre, Chief Executive Officer, Interseguro, Mr. Bruno Ferreccio, Chief Executive Officer, Inteligo. They will be discussing the results that were distributed by the company yesterday. 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. Otherwise, if you need any assistance today, please call InspIR Group in New York at 646-940-8843.

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, 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. Good morning and welcome to our fourth quarter 2024 earnings call. I want to thank you all for attending our call today. 2024 marked a period of recovery, both for our country and for IFS. In the macroeconomic front, we finished the year with an improved sentiment and outlook on the back of a rebound in manufacturing, construction, agro, and fishing. Inflation remained under control, and our currency, the sol was stable. We're anticipating a GDP growth of 3.2% for the year 2024, primarily driven by the mentioned recovery in diverse sectors and improved drivers of private investment and consumption. Peru will probably be the country with the highest growth in the region for 2024.

Looking ahead to 2025, we continue to be modestly optimistic about the future growth of Peru. We expect private investments and consumption to continue its positive trend. However, we're cautious, given that 2025 is a pre-electoral year, and changes in the external environment could create certain volatility. 2024 results for IFS confirm that, we are emerging from the most challenging phase of the credit cycle.

During the first half of 2024, we still carried the challenges coming from the deterioration of the consumer portfolio from the previous year, but as expected in the second half, and particularly in this last Q, we saw an important recovery boosted by the liquidity events that helped Peruvian consumers, including the fourth release of pension funds and the availability of severance indemnity deposits.

The de-risking strategy we implemented in the banking segment has definitely paid off as the cost of risk has returned to low levels. Additionally, the market performance has had a positive impact on our investment portfolio, both in the insurance and the wealth management segments. As a result, the recovery of our businesses is evident. We achieved an ROE of 18% plus in the fourth quarter, a fast recovery that demonstrates the resilience and value of our operations. We believe that these trends should continue.

At Interbank, we had a positive year as we have been able to increase our market share in loans and deposits, consolidating our position as the third largest bank in both. Our growth in loans has been driven by commercial banking where we have gained over 80 basis points in market share. We believe we have begun our recovery path in our consumer portfolio. We have deployed enhanced internal risk models, thus further improving our underwriting standards. Although, we are still being cautious.

Izipay and Interbank continue to seize business opportunities together, while Plin keeps increasing the engagement of users, fostering more primary banking relationships and supporting growth. On a separate note in the banking segment, it is worth to mention that, by year end, we executed the successful issuance of subordinated bonds at the lowest ever spread for Interbank, which reaffirms the market's confidence in our franchise.

At Interseguro, we have seen relevant growth in our core business, mainly in individual life and annuities, where we continue to be the market leader.

Our Wealth Management segment, Inteligo, had a positive year in its core business as assets under management reached an all-time high, growing by 17% in the year. The investment portfolio's performance also improved.

Our key strategic priority at IFS continues to be, to achieve digital excellence for our customers to generate primary relationships.

Our ambition is to be a leading digital platform, with focus on key businesses and profitable growth, providing a comprehensive offering of the best digital experience with deep analytical capabilities as our competitive advantage.

Going forward, we continue to be optimistic about IFS's franchise and outlook on the back of the continued recovery of Peru's fundamentals while we continue to execute our long-term strategy.

Now let me pass it on to Michela for further explanation of this quarter and full year results. Thank you.

**Michela Casassa**
Thank you, Luis Felipe. Good morning and welcome, everyone, to Intercorp Financial Services 2024 fourth quarter and full year earnings call. To begin, we would like to review the macroeconomic outlook for Peru.

On Slide 2, complementing what Luis Felipe mentioned, the improvement in macroeconomic indicators has been constant throughout the year. Peru's economic recovery has consolidated in the fourth quarter, driven by investment and consumption. As such, GDP for the fourth quarter grew around 3.7%, marking three consecutive quarters with growth above 3%. November alone showed a 3.9% growth, accumulating 3.1% for the year.

Primary sectors drove growth, accumulating 3.5% for the year, driven by the second fishing season and a rebound in the agricultural business, while non-primary sectors accumulated 3%.

In terms of monetary policy, the Central Bank has been able to control inflation and anchor it within its range with the expectation of 2% for 2025.

Within the region, Peru was the first to reduce reference rates, already cutting 300 basis points from the peak of 7.75% to the current 4.75%. Although the Central Bank is closer to the neutral interest rate, we believe it still has room to continue reducing rates as long as the Fed continues to cut as expected. Moreover, the currency has been stable throughout the year. Both inflation and the exchange rate are expected to remain stable during 2025.

For 2025, the Peruvian economy is projected to grow by around 2.8% with a stronger first half due to the pre-electoral year, which typically reduces dynamism in the second half. The dynamism in sectors include trade, services, construction, agriculture, mining, and tourism is expected to contribute significantly to growth during this year, in line with the increase in private spending. Higher prices in copper and gold should generate additional support. However, the fiscal deficit will close at 3.6% of GDP in 2024, still better compared to the region. Finally, it will be important to closely monitor the evolution of economic policy in the U.S., which could negatively impact the business environment.

On Slide 3, consistent with the previous slide, indicators show optimism in the labor market and private investment, while a key driver for domestic demand improvement has been private consumption. Consumer confidence has gradually improved each quarter, aligning with economic optimism and labor market recovery. As of November, formal employment and real formal wages have shown year-over-year growth, positively impacting private consumption.

This recovery in consumption has also been accelerated by pension fund withdrawals and severance indemnity deposits, enhancing people's purchasing power and consumption levels.

Business trust has remained stable and positive throughout the year. The Central Bank's latest report anticipates private investment to grow by 4.1% in 2025, reflecting a more optimistic view of the Peruvian economy.

According to the Ministry of Foreign Affairs, there are more than sixty infrastructure projects in the pipeline for upcoming years 2025, 2026, represented in an estimated total amount invested of $16 billion, of which, $7.6 billion are expected to commit for 2025. For instance, the new Carretera Central, La Linea 2 of the Metro de Lima and the reposition of Chalcobamba. In terms of mining projects, there are several for the upcoming years as the total investment is expected to surpass $50 billion by 2028. Some examples include Tia Maria, Yanacocha, and Los Chancas.

In this context, we continue to build on our three key strategic priorities.

On Slide 4, first, we aim for profitable growth to become a leading digital platform. IFS has demonstrated solid recovery, showing resilience through the credit cycle, with a net income 70%

higher than the same period last year and achieving over 18% ROE in the fourth quarter, in line with our mid-term target. Additionally, we continue to grow our customer base at double-digits rates across all segments, consistent with the macroeconomic recovery.

Second, we strive to create the best digital experience, aiming to generate primary banking relationships. As a result, more than 80% of our retail banking customers and over 70% of our commercial customers are digital, and our NPS for retail banking was 55 points as of the end of December, with a positive trend for January as our internal estimate is above 60 points.

Third, we continue to focus on our core businesses, maintaining a significant market share in consumer banking loans at 21%, ranking second in the market, retail deposits around 15%, ranking third in the market, and in annuities as the leader with over 30% market share. Finally, in wealth management, assets under management continue to grow at double-digit rates, reaching 17% year-over-year and surpassing previous maximum.

On Slide 5, we wanted to share our key messages for the quarter. First, we have observed a strong recovery in earnings and profitability in the last quarter of the year, driven by banking and investment results, reaching a net income of S/ 490 million at IFS level. This has resulted in an ROE now exceeding 18%, marking a significant improvement from the previous quarter and aligning with our medium-term ROE goal.

Second, our quarterly cost of risk continued to decrease, standing at 2.6%, which is a 180 basis points below last year and 50 basis points lower than the previous quarter. Consequently, we see better results for Interbank with an ROE at 16%, higher than both the previous quarter and the same period last year.

Third, the cost of funds continues to improve, decreasing by 100 basis points year-over-year, outperforming the system's average decrease by 40 basis points. This improvement is primarily due to faster repricing and a better funding mix supported by synergies with Izipay and the proactive management of low-cost funding, which enabled us to increase low-cost deposits by 16% year-over-year.

Fourth, we have strengthened our commercial and payments ecosystem, generating primary banking relationships that allowed us to increase our market share in commercial banking by more than 130 basis points in 2024. Additionally, the share of Izipay's flows to Interbank accounts is currently above 40%.

Fifth, we have achieved double-digits growth in individual life and annuities, demonstrating improvement in our insurance core business and maintaining our leadership in annuities.

And finally, in wealth management, we experienced a record year in assets under management, which grew significantly throughout the year. This growth drove the fee income up, while also allowed us to gain market share in Interfondos, our mutual fund company.

Moving on, we will review four sections of our earnings presentation: sustainable growth, key businesses, digital update, and, finally, guidance and takeaways.

Let us start with the first section, which focuses on sustainable growth.

On Slide 8, the net income of S/ 490 million for the quarter is 71% higher than the net income reported last year and 26% higher than the previous quarter. This improvement results in an ROE of 18.2%, which is already in line with our mid-term ROE goal as previously mentioned.

In banking, net income has almost tripled in year-over-year comparisons, primarily due to a lower cost of risk and a slight improvement in margins through a reduction in the cost of funds. This has allowed net income to grow by 2.6 times compared to last year, reaching an ROE of 16%, which is more than double that of the previous year. It is important to mention that there is a seasonal effect on banking results due to the high level of activity in December.

In the insurance business, our core operations remain solid as annuities and life insurance continue to grow. The year-over-year decrease is attributed to the extraordinary results from the investment portfolio in the fourth quarter of 2023.

Finally, in the wealth management business, the positive dynamic with clients continues as assets under management hit record levels once again, driving fee income upward. Additionally, the investment portfolio had an extraordinary performance in the last quarter. Consequently, there is a significant recovery year-over-year, rebounding 1.9 times and improving ROE to 28.3%.

On Slide 9, we aimed to highlight the consistent improvement in quarterly earnings at the banking segment, which represents around 70% of IFS' results.

Firstly, the cost of risk exhibited a positive trend throughout the year, falling below our 3% appetite for the fourth quarter of 2024. This improvement followed the rise in provisions in 2023, within the consumer portfolio, which was due to the deterioration in the payment capabilities of retail clients amid sustained high inflation, low economic growth, and various disruptions caused by weather and political factors in 2023.

Secondly, better net-interest income was achieved through a reduction in the cost of funds, which will be elaborated on in subsequent slides. Interbank's ROE reached 16% in the fourth quarter, twofold the same period of a year ago, driven by a 1.6 times growth in net income. These results, along with the insurance and wealth management mentioned in the previous slides, position IFS on a recovery trend, achieving mid-term ROE in the fourth quarter.

On Slide 10, we see a recovery in revenues in the last quarter, mainly due to an important improvement in revenues from Inteligo as fees continue to grow, and the investment portfolio had a good quarter. Additionally, an improvement in margins at Interbank on a year-over-year basis is driven by a reduction in the cost of funds. Finally, we see good performance of core business at Interseguro with a better return on the investment portfolio in the last quarter.

Finally, in this section on Slide 11, we wanted to highlight that efficiency remains a top priority for us. There is a 5% increase in total expenses at IFS level versus the previous year, driven by the 5% increase from the banking segment mainly due to variable costs. The cost income ratios are still within the expected levels at 37% for IFS and 39% for Interbank for the full year, which is best practice in LatAm.

Now let's move on to show you more details on the performance of our three key businesses.

On Slide 13, we wanted to show you the evolution of our loan portfolio as we observed a full year loan growth of 6.5% in a context where the overall market has grown a little bit below 2%.

On one side, the commercial book had an important growth this year. With 17% growth year-over-year, it has gained relevance in the mix, passing from 44% to 48%. During the year, we have leverage on the Impulso MyPeru program, which allowed us to grow in SME and mid-sized companies with government guarantees. Moreover, sales finance remains one of our key products, with market share growing from 17.7% just 12 months ago to more than 19%, ranking second in the market.

Therefore, the commercial banking portfolio has outperformed the system, as mid-sized companies gained over 80 basis points in market share, now consolidating as third in the market, boosting our commercial banking market share by 130 basis points to 10.9%, which is our all-time high.

On the other side, we see two separate trends in the retail loan book.

First, we experienced significant growth in mortgages and payroll deductible loans with over 7% year-over-year growth each. In the second half of the year, we had a boost in our mortgage loans, gaining 40 basis points in market share over the past year.

Second, the fourth quarter was an inflection point for consumer loans. The reactivation in consumption and the increase in cash loan disbursements have driven our recovery in the retail segment, with a slight increase of 0.4% in the portfolio in the last quarter.

Still, with a conservative approach to growth, the enhancement of our internal models, including customer centricity vision, helps us generate a more comprehensive value proposition for our clients, allowing us to grow in a healthy manner.

On Slide 14, risk adjusted NIM had a gradual increase during the year, with a full year improvement of 40 basis points and 160 basis points from the bottom by the end of last year. This trend is in line with the reduction in cost of risk

Meanwhile, there was an impact on yields due to the shift of the loan book mix. Consumer loans, which include credit cards and personal loans, decreased from 22% to 18% year-over-year. Consequently, we see lower yield on loans of 70 basis points in the annual comparison, reaching 10.5% for the full year 2024. However, we have been proactive in managing our investment portfolio to offset this effect, taking advantage of market opportunities to generate additional margin.

On Slide 15, we wanted to point out that, the cost of risk and NPLs are already below risk appetite at 2.6% and 2.5%, respectively. Both indicators have followed a downward trend, as anticipated, given the improvement in the economic indicators and, to some extent, the liquidity events from the second quarter. The improved macro environment is slowly starting to enhance people's purchasing power and increase their disposable income, leading to better payment behavior from customers.

Now let's walk through some additional insights.

First, we have increased our exposure to commercial banking, moving from 44% in 2023 to 48% of Interbank's portfolio as of the end of 2024. This segment has performed well during the year as approximately 13% of the commercial portfolio is backed by guarantees from the Impulso MyPeru program, which generated growth at a lower cost of risk. For the following year, we expect to continue growing this segment still with a conservative approach.

Second, during this year, we have tactfully been growing on lower risk products, shifting the mix of our retail portfolio. Credit cards and personal loans have decreased, now representing 18% of the total loan book, although, in the fourth quarter, we have seen a slight improvement.

Meanwhile, low-risk products such as stable deductible loans to the public sector employees and mortgages have remained stable at 12% and 22%, respectively. This shift has allowed the cost of risk from retail to reduce around 340 basis points from its peak a year ago down to below our internal appetite levels. It has also impacted on the NPL coverage ratio for retail, resulting in a lower coverage ratio when compared to a year ago, an effect which is purely due to the mix of the portfolio and not to lower coverage ratios in each specific retail product as consumer products continue to have over 200% coverage.

Finally, we are taking advantage of our analytics capabilities, enhancing our strategy in origination and risk management, aiming to promote growth in a healthy manner. Consequently, the right allocation of loans will result in a cost of risk within our risk appetite.

On Slide 16, we had a positive year in terms of the cost of funds as the downward trend was constant throughout the year. This was due to, first, lower market rates as the short duration of interest-bearing deposits allows for faster repricing, especially in local currency deposits. Second, due to a better funding mix as the efficient funding or low-cost funding has gained relevance, improving from 33% in 2023 to 36% in 2024. Deposits have become a more relevant part of our funding structure, increasing from 78% to 81% in the last 12 months. As a result, our cost of funds improved by 100 basis points on a year-over-year basis and 40 basis points in the full year comparison.

The emphasis on low-cost funding and the synergies with Izipay have shown results as we continue to grow deposits faster than our competitors, reaching an annual growth rate of 11.2% compared to 10.8% of the banking system. Additionally, we have been working to enhance our value proposition to clients, aiming to increase primary banking relationships, which has positively impacted our deposits. Our market share in retail deposits has consistently grown over the past few years to 14.6% as of December 2024, positioning Interbank as the third largest bank in retail deposits and also in total deposits.

Finally, our loan-to-deposit ratio of 96% is in line with the industry's average.

On Slide 17, we wanted to take a closer look at the efficient funding strategy of Interbank, which primarily focuses on capturing savings deposits and current accounts with low interest rates. To achieve this, we have implemented various initiatives aimed at enhancing the value-added services provided to clients.

For example, the synergies with Izipay have enabled us to offer a more comprehensive service to our clients, thereby increasing the float that Interbank receives from Izipay and generating rise in transactional deposits.

Additionally, the growth of new clients through Impulso MyPeru program has also positively impacted mid-sized and small companies. All this contributes to a 15% increase in commercial low-cost funding year-over-year.

Retail low-cost funding has also seen an 11% increase year-over-year, driven by several strategies. Firstly, we captured 20% of the private pension funds withdrawals, successfully retaining 13% of these balances by year end. Secondly, we are working on providing additional benefits to clients who have anchor products such as payroll accounts. And finally, we are continuously enhancing the customer experience to foster primary banking relationships. As a result, we achieved a 16% year-over-year increase and a 12% compound annual growth rate from 2016 in our low-cost funding, raising its share of funding from 28% in 2019 to 36% in 2024.

Now moving to Insurance on Slide 18. On a yearly basis, we see an increase in the contractual service margin of 18%, and that was mostly driven by individual life and annuities, partially offset by credit life due to a clean-up in the database. In the fourth quarter, we observed growth in individual life and annuities reserves of 28% and 22% respectively, driven by the generation of new business, which surpasses the monthly amortization of the CSM.

The result from investments increased in the last quarter of the year to 6.1% mainly due to better real estate valuation. On the other hand, the year-over-year reduction is mainly explained by the extraordinary gains of the fourth quarter of 2023.

Finally, in Wealth Management, we continue to see growth in assets under management with a yearly growth of 17% and a quarterly growth of 2%, reaching, again, a historical maximum of $7.3 billion, which had led to the recoveries in fee income.

Interfondos had an important year as the digital developments with ERNI have allowed us to grow more than 45% in the last year, outperforming our peers, hence gaining market share, which is now at 16.5%.

Additionally, market volatility and client's interest in shifting from time deposits to market positions has also driven the recovery of fee income.

Overall, fee income showed 28% year-over-year growth and 17% full year growth.

Now let's move on to the digital update.

On slide 21, we have a full-scale digital platform with world-class and scalable digital propositions continuously developing solutions to meet our clients' needs. For instance, our clients can open fully digital accounts and utilize the piggy bank features for savings. They can also use Izipay and Plin for payments and have the flexibility within the app to adjust their credit card limits, complementing the physical and e-commerce business offerings with Dividelo.

In terms of insurance, our offering is diverse, including travel insurance, digital SOAT, Life insurance through Rumbo and credit card insurance, among others.

For investments, ERNI enables our clients to onboard and subscribe to mutual funds entirely digitally. Finally, our clients have access to the Shopstar marketplace and various loyalty products.

On Slide 22, we continue to highlight the positive trends in our digital indicators compared to the previous year. Interbank's digital experience is defined as everything you need in a single app. We have made significant progress in our journey towards becoming more digital, developing necessary capabilities to meet our customers' needs, and providing them with the best experience. As a result, we have seen substantial growth in both retail and commercial digital customers, increasing from 75% to 82% and from 69% to 73%, respectively. In the case of retail, the number of digital customers has increased by 17%.

The digital self-service indicator has risen to 80%, thanks to our Always ON communication actions, which focus on educating customers about new self-service functionalities through the app and our virtual assistant.

Finally, during the last quarter, we experienced a negative impact on our NPS in the yearly analysis due to one-time issue with app functionalities. However, we have already seen a recovery during January, as our internal estimate is to be above 60 points in NPS.

As part of our digital value-added proposition on Slide 23, we believe we are creating significant value in primary banking relationships through Plin. Plin serves as an accelerator, evidenced by the fact that 60% of the average monthly transactions of customers that use Interbank as their primary bank are explained by transactions sent and received with Plin.

We have been implementing commercial actions focused on increasing usage and transactions through various campaigns, which have resulted in accelerated growth for Plin. The number of transactions increased 2.3 times in the full-year comparison, with active users increasing by more than 22% and the average number of transactions per user rising by 37%.

At Interbank, the proportion of primary banking clients increased to approximately 34% of all retail clients in 2024. These clients have 1.6 times more products, 1.4 times more deposits, 97% less churn, and 3 times higher NPS.

We have continued working to generate further synergies as we encourage the growth of our payment ecosystem, focusing on increasing transactional volumes, offering merchants, value-added services, and using Izipay as a distribution network for Interbank products as well as a source to increase float. As such, the Interbank share of Izipay flows is above 40%.

The results are evident as we follow four key figures. Around 30% yearly increase in Izipay cash flow coming to Interbank accounts and 39% increase in float from merchants, 2.7 times yearly increase in transactional volumes and 63% growth in float from micro merchants thanks to Izipay Ya.

Finally, in this section on slide 25, Insurance and Wealth Management digital indicators show positive developments, as well as as digital adoption is increasing. In Insurance, during this year, we have focused on enhancing the digital experience for our clients and expanding our distribution network to new digital channels like WhatsApp. The development of internal capabilities has allowed us to increase digital self-service to 69% from 59% of the previous year. Similarly, SOAT digital sales have reached 85%. Moreover, digital life premiums experienced an important growth, although slowly gaining relevance reaching 15%.

In Wealth Management, Interfondos digital transactions reached 53%, and ERNI users now account for 27% of total Interfondos customers. To achieve these results, we have focused and will continue to work on enhancing communication and sales through digital channels and on the development of products with special characteristics tailored for digital clients. And as mentioned before, results of the digital strategy are reflected, also, in higher assets under management and higher fees.

Now let me move to the final part of the presentation where we will provide some takeaways and the guidance for 2025.

On Slide 27, let me review the guidance for this year. The first point is on capital.

Capital ratios should remain at sound levels with a total capital ratio above 15% and the core equity Tier ratio above 11%.

Our guidance for 2025 ROE is to be around 16%, expecting a significant improvement compared to the full year 2024 of 12.6% and closer to the 18% mid-term target by the end of the year. Although the ROE for the last quarter of 2024 was above 18%, this was due to some positive impacts from the regular seasonality of banking results and the good performance of the Inteligo investment portfolio, which we don't expect to be repeated in each quarter.

For loan growth, we expect a high single-digit growth, surpassing 2024's growth driven by commercial banking and the recovery of the consumer portfolio. We expect this to be above the system's average growth as to continue gaining market share in key businesses.

In that line, we expect a slight recovery of NIM for Interbank to be above 5.4% as the cost of funds continue to improve due to a better funding mix and the yield of loans recovery in line with the consumer portfolio growth.

Cost of risk for banking is expected to remain sound at around 3%, below the 3.6% of full year 2024 and in line with our mid-term target.

We continue to focus on efficiency at IFS as we expect a cost to income ratio of around 37%, driven by the improvement in top-line income.

Let me finalize the presentation with some key takeaways.

First, strong recovery of earnings and profitability for IFS.

Second, low cost of risk at the banking segment.

Third, better funding mix and cost of funds.

Fourth, we have strengthened our commercial and payments ecosystem.

Fifth, double-digit growth in individual life and annuities.

And sixth, a strong increase in assets under management in wealth management, lending market share in Interfondos.

Additionally, we would like to provide you with an update of the buyback program that we have. As you are aware, we have a buyback program in place that was approved by the General Shareholders Meeting in 2023 for up to $100 million amount of which we have already purchased approximately $75 million. The Board has currently approved a new buyback program, which is subject to being discussed and approved in the next General Shareholders' meeting.

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

**QUESTION AND ANSWER**

**Operator**
Thank you. At this time, we will open the floor for your questions. First we will take the questions from the conference call and then the webcast questions. If you'd like to ask a question, please

press the star key followed by the one key on your touchtone phone now. Questions will be taken in the order in which they are received. If at any time you would like to remove yourself from the questioning queue, just press star two. Again, to ask a question, please press star one now. For the webcast viewers, simply type your question in the box and click submit question. We will pause momentarily to compile a list of questioners. And today's first question comes from Ernesto Gabilondo with Bank of America. Please go ahead.

**Ernesto Gabilondo**
Thank you. Hi. Good morning, Luis Felipe, Michela, Carlos, and good morning to all your team. Congrats on your fourth quarter results and 2025 guidance. My first question will be on fee income growth. So, considering you're expecting higher loan growth in 2025, how should we think about fee income growth? Will it also be supported by Izipay, Inteligo’s funds, cash management? How much of your fees or total revenues are coming from digital channels? And I don't know if you have like a medium-term target or how much digital revenues will represent of total revenues. So, that's for my first one. My second one will be on the wealth management business. As you pointed out, we continue to see a recovery in this business. So just wondering, what will be the variables that we should monitor to see this further recovery during 2025? I don't know, inflation rate, anything that you can provide us some color will be very helpful. And the last question is on your effective tax rate. We saw it was kind of low in '24 when compared to historical levels. So, what should be the level we should expect in ‘25 and in the next years? Thank you.

**Luis Felipe Castellanos**
Okay. Thank you, Ernesto, for your kind words. We are also very happy with the recovery and performance in the 4Q. We expect to continue consolidating this trend in the coming year. I'm going to go on the number one, I'm going to go to Michela. After that, we're going to Bruno, please, for the wealth management business. And maybe Michela can touch upon number one and three.

**Michela Casassa**
Yes. Okay. Good morning, Ernesto. First of all, talking about fees. We are expecting fees to grow at, I mean, between high single-digits and maybe low double-digits, and this is mainly due to the composition of our fees. As you have seen, when you see IFS as a whole, fees have been growing nicely in some of the business segments like, for example, Inteligo, and they have also been growing nicely in commercial bank. The portion of fees that was impacted during 2024 was the one related to the consumer loan book, so to credit and debit cards.

Now, given that now we are expecting a recovery of that business, we are expecting that personal fees to be the one that impacts positively and makes us grow faster than what you have seen during 2024. You talked about digital fees. I guess, for us, it is difficult to split it because most of the fees that we have today are coming from digital, because of the higher incidence of the digital players as you have seen, with the 80% retail clients and 70% commercial clients.

And as for the tax rate is concerned, I mean, tax rate actually varies a little bit depending of the weight of two things, the weight of bank versus insurance, versus wealth management, that is one of the factors that impacts the tax rate of IFS. But the second one that has impacted specifically the tax rate of the bank is the mix between the, let's say, the portion of the earnings or the income of the bank that comes from tax exempted instruments, okay?

So basically, especially at the beginning of the year the tax rate for Interbank was particularly low because of the mix, and that has been going up to a more normalized level as of the fourth quarter. So, I guess, when you look at the tax rate as a whole, during 2025, you should see a slightly higher tax rate when you put everything together, Ernesto, for IFS as a whole. So, with the higher incidence of the bank as a whole and of the core business parents.

**Luis Felipe Castellanos**
Yeah. Maybe moving to the wealth management question, Bruno. Bruno, do you have a comment there?

**Bruno Ferreccio**
Good morning, Ernesto. With regards to wealth management, we've already seen good growth in fees all 2024. We expect that to continue to be the case during 2025. The first half was a little slower in terms of portfolio returns with a good performance on the second half. So, we would expect a normalization on that end. I'm sure you know, but the last probably 18 months were very volatile, and a couple of quarters were affecting results.

But again, the fourth quarter was very solid, and we expect that to normalize during the year. Perhaps the one thing that wasn't that great during '24 was NIM. We were expecting rates to fall or fed rates to come down a little bit faster than we saw last year. But as those rates continue to go down a little bit, we expect NIM to recuperate and do better this year as opposed to last. So, I would say, continued growth in fees, better NIM, and more stable results in the portfolio should be the explanation for this year's results.

**Ernesto Gabilondo**
That’s helpful. Thank you very much.

**Operator**
Thank you. And our next question today comes from Nicolas Riva with Bank of America. Please go ahead.

**Nicolas Riva**
Thanks, Michela and Luis Felipe, for the chance to ask questions. I have only one question about the Tier 2 bonds of Interbank. So, last week you raised the $350 million with a new 2035 bond. I wanted to ask about the plan regarding the call option on the 2030 Tier 2s in July. I would assume, given the new issue last week, that you're going to be calling the 2030s in July. But if you can discuss your thoughts on that, that would be helpful. Thanks.

**Luis Felipe Castellanos**
Yeah. Let's take a look at it. It's very simple. Yeah, we're planning to execute that call. That's the reason of the usual proceeds of the issues we did. So, you're right.

**Nicolas Riva**
Thanks, Luis Felipe.

**Luis Felipe Castellanos**
Thank you.

**Operator**
Thank you. And our next question today comes from Yuri Fernandes with JPMorgan. Please go ahead.

**Yuri Fernandes**
Hi, guys. Thank you. Good morning and congrats also for the 18% ROE. I have a question actually on this -- on your guidance for ROEs on the 16%. I understand the cost of risk was very low this quarter and you also have the Inteligo help on high ROE. But 16% for next year, it's not embedding a lot of recovery. I know versus the full year, yes, it's a recovery, but versus the pace we are seeing on the 4Q. So, trying to understand if we're being a little bit more conservative if it is the tax rate going up a little bit. It's just the cost of risk in the 4Q that is not a good sample and should converge the 3% of your guidance. Just trying to understand because not saying 16% is not bad, but I know your goal at some point was to return to 18%. I don't know. I just would like to understand a little bit more depth towards like a higher teens ROE. Thank you.

**Luis Felipe Castellanos**
Thanks very much. That's a very good question. So, actually, we're very happy with the result of this quarter, obviously. As you know, there's some seasonality in the results of IFS, especially at the bank, at Interbank. It usually wraps up -- the last quarter, especially December, are normally the highest points of the year in terms of returns. And as you mentioned, Inteligo had very strong investment results. So, I think they looked like a 28% ROE. We're targeting more like 20% is how we're sustainable in terms of what we are looking at.

So, if you go do those types of adjustments, you get to lower numbers than the 18 that we specifically booked on the specific quarter. However, we need to understand we are rebuilding the consumer book. If that happens faster in a more efficient way in terms of cost of risk, depending on the performance of the Peruvian economy, probably, we have some upshot risk potential in terms of the numbers that we have guided. It's not that we are being extremely conservative. I think we are being cautious because there are some unknowns around next year. But obviously, we'll be trying to get onto each opportunity that comes up. So, the combination of the seasonality, the way that, we're going to ramp up the recovery, and the strong results from investments are the ones that explain a little bit why we are still guiding a little bit below that. What we do see is probably the last part of the year, we will be at those 18% levels. However, the question mark will be how we build into the first half of next year.

**Yuri Fernandes**
Got it. So, 18% to the target maybe for the first half of next year. Is that correct understanding?

**Luis Felipe Castellanos**
Yes. So, it's going to be lower in the first half, and then we'll be building up in the second half.

**Yuri Fernandes**
No. Super clear. Can you also provide some guidance on the ROE of the subsidiaries? The 20% on Inteligo like as a more normalized, is a good guidance. Can you say on the insurance and the bank division how does the ROEs on those units also?

**Luis Felipe Castellanos**
Yes. We're talking about medium-term targets. Maybe I can pass it over to Michela for specific next year. We don't go into that detail, I think, on guidance, okay? But our medium targets for ROE, again, is for IFS as a whole, 18, and that will be built up by 20 and 20 for Inteligo and Interseguro and 18 at Interbank. But we, I think we're still away of going like year-by-year detail. It's just the overall number that you should focus on.

**Yuri Fernandes**
No, no. Super clear. Yeah, I understand. And just a second topic here. Just on growth. It's pretty good, high single-digits, but I would like to understand how do you see the competition? You should see other players also, I don't know, with these ambitions to grow high-single-digits or basically IFS gaining market share? Like trying to understand the competitive outlook in Peru. Thank you.

**Luis Felipe Castellanos**
Yes. Obviously, the competitive landscape is, we feel is very strong, Peru. I think we've proven year in, year out, we built a franchise that can gain, it's able to gain scratch market share from competitors. So, our idea in a system that does not grow that aggressively is to continue scratching market share on a reasonable and sustainable way. But that's our aim. Obviously, there are businesses where we have a higher chance of doing that and others where we already have a large footprint, it will be a little bit more difficult, but our aim is to, year in, year out, continue to grow market share over our competitors. And this is particularly about banking. Maybe I can pass it on to Carlos if you want to complement anything on how you particularly are seeing the competitive landscape for banking terms.

**Carlos Tori**
Yeah. Thank you, Luis Felipe. I would say the same thing. I don't know if we would enter and discuss each competitor. But the way we look at this is we're expecting the market to grow probably around -- or the system, not to grow around somewhere between 5% to 7%, which is a two times multiplier over our expected GDP. And we've been growing higher than that for the last several years. Possibly, as Luis Felipe mentioned, we aim to recover a bit of the consumer finance book and maybe a little more growth there. We've seen in 2024, we grew more in commercial banking where the system didn't grow. We aim to continue to grow a little bit higher than the system. So, yes, we will grow. We will gain market share. That is our aim. It won't be crazy. It will probably be a little above the market, particularly in consumer.

**Yuri Fernandes**
Super clear. Thanks, and congrats, again, on the quarter.

**Carlos Tori**
Thank you.

**Operator**
And our next question comes from Alonso Aramburu with BTG. Please go ahead.

**Alonso Aramburu**
Yes. Hi. Good morning and thank you for the call. Two questions on my end. The first one, a little bit of a follow-up on the previous question. Just trying to reconcile a little bit how you get to a 19% ROE, specifically at Interbank. You had a 16% ROE this quarter with a cost of risk of 2.6. So, if you're saying that your cost of risk is going to be 3%, it seems like something else has to improve materially for the ROE to go to 18%. I'm just wondering whether that is margins? Is that efficiency? How do you get there? And then my second question is, if you can give us some color on the mark-to-market gains at Intelgo specifically which securities were the ones that had those gains? Thank you.

**Luis Felipe Castellanos**
Okay. Alonso, to your first question, it's basically just seeing how our consumer book has shrunk. So, by rebuilding that consumer book and bringing in the yields of the consumer book and more

activity, you'll have both positive impact of higher yielding loans, plus more fee income because of activity and a bit of the counter balance will be that this changing mix will increase cost of risk. But obviously, what we're planning is that the equation has to be positive. That will bring it up. Then we have some space for improved cost of funds a bit more. I think we are still in the recovery phase of going back to cost of funds where we had it some years ago. I'm focused on efficiency, as well. I think there's still some room. It will be more evidently seen because of the increase in revenues, but still, we plan to continue with efficiencies and cost control. So, that equation should bring back ROEs of the bank at levels that we've seen before of around 18%.

And then on Inteligo, I think it's tough to go specific in terms of what instruments were the ones that brought the strong results. However, I would say, the overall market sentiment for investments in last quarter was positive both for fixed income and what we have in equity. So, it's been across the board. Maybe, Bruno, you can complement if any particulars. But I think that's the overall sense that we have on the portfolio. Bruno?

**Bruno Ferreccio**
Yes. So, like you were saying, Luis Felipe, it was pretty much across the board. I think in the fourth quarter, the main contributor was the equity part of our portfolio. And we have some investments in financials and technology stocks that performed well in the fourth quarter, and those had a good contribution to the overall performance of the portfolio.

**Luis Felipe Castellanos**
Thank you. I hope we answered your questions, Alonso.

**Alonso Aramburu**
Yes. Thank you very much.

**Luis Felipe Castellanos**
Thank you.

**Operator**
Thank you. And our next question today comes from Andres Soto with Santander. Please go ahead.

**Andres Soto**
Good morning to all and thank you for the opportunity to ask questions. My question is a follow-up. I want to make clear if the numbers that you suggested in terms of the ROE for the business units, is that what you’re expecting to top in ’25, or it's the medium-term number? And specifically for 2025 what will be the target mostly for Interbank?

**Luis Felipe Castellanos**
Yeah. What I referred to was the medium-term targets, Andres. That's the way we build the vision of our sustainable 18% ROE for IFS. So, that's our medium-term. I think we're not going specifically subsidiary-by-subsidiary. Maybe we can go follow-up on that. I think we don't have that info right now. I don't know, Michela, if you have any comments.

**Michela Casassa**
I mean, just to say, we have always started at the 18% ROE medium-term, which was a combination of 20% Interseguro, 20% Inteligo, and around 18% Interbank. If you see what's -- what has happened in the fourth quarter of this year, the numbers that we have on the slides there, the 18.5% of IFS is a combination of a higher ROE of Interseguro, a high ROE of Inteligo,

but Interbank still on 16% ROE and despite the seasonality that we have discussed. So basically, due to the mix of the portfolio and the fact that we are still in the recovery phase of that business, that is the ROE that is still not on the mid-term range. If you look at the numbers that we have already provided to you -- and when we target the 16% ROE of next year, I mean, what I can say is that it's mainly because the bank is not yet in our mid-term ROE. That's the way -- how it works, and that should get to the 18% full year, not most likely in the year next to that because of the full recovery of the bank. I guess maybe that can help the explanation.

**Andres Soto**
That's clear. Thank you, both. When I look at your NIM guidance for next year, it looks a bit conservative considering the improvement in the funding cost and that you expect already a recovery in consumer lending, so the mix should at least remain the same. What are your thoughts about the NIM? Is there any structural change in the system in the bank that prevents you to have higher NIM than the one that you currently have, or is this the driver that is going to take the ROE to the 18% over the medium-term?

**Luis Felipe Castellanos**
Yeah. I think it's related to the pace of recovery of the consumer book. Again, we're happy, the economy is improving, Andres. We're seeing, no doubt, that the salaries of Peruvians improving, but this is a process. It's not going to be automatic. So, it's not like the first quarter of next year we're going to see super growth in our consumer book. We've been through cycles. We know that we're seeing some indicators of recovery. However, we're still being very cautious in our approach to going back with more strength into the market. We need to see more indicators of this consolidating, and then our book will start to grow.

And then, in the second half, we have to be cautious because of the potential volatility coming up from the pre-electoral year. So, that is still early to tell, but usually we know how this moves in terms of investments being delayed until they're more clarity in the picture. Again, we're cautiously optimistic, but we're being cautious even in the way we think we're going to rebuild the book. If things turn out like this year that we get positive surprises, obviously we'll be ready to deploy more resources into growing our book faster. However, coming from the part of the rate cycle that we've gone through, we'd rather be careful rather than aggressive at this point.

**Andres Soto**
That’s clear, Luis Felipe. Thank you so much and congratulations on the results.

**Luis Felipe Castellanos**
Thank you.

**CONCLUSION**

**Operator**
Thank you. There appear to be no further questions at this time, so I'd like to turn the floor back to Ms. Casassa for closing remarks.

**Michela Casassa**
Okay. Thank you. And thank you, everybody, for being with us today. We will see everybody again during our first quarter 2025 results. Bye bye.

**Operator**
Thank you. This concludes today's conference call. You may now disconnect your lines and have a wonderful day.