

Intercorp Financial Services

First Quarter 2026 Conference Call

Tuesday, May 12, 2026, 10:00 AM ET

CORPORATE PARTICIPANTS

Luis Felipe Castellanos--*Chief Executive Officer, Intercorp Financial Services*

Michela Casassa--*Chief Financial Officer, Intercorp Financial Services*

Carlos Tori--*Chief Executive Officer, Interbank*

Gonzalo Basadre--*Chief Executive Officer, Interseguro*

Bruno Ferreccio--*Chief Executive Officer, Inteligo*

Ivan Peill--*InspIR Group*

PRESENTATION

Operator

Good morning, and welcome to Intercorp Financial Services First Quarter 2026 Conference Call. [Operator Instructions].

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 first quarter 2026 earnings. We are very 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 on (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 thank you all for joining our first quarter 2026 earnings call. Let me start on the macro front. 2026 started better than expected with first quarter GDP growth of around 3.6%, supported by private spending and favorable commodity prices. However, going forward, the outlook remains subject to certain risks.

The international environment has become more volatile with higher energy prices and external uncertainty potentially pressuring inflation and growth outlook. In addition, the potential impact of El Niño could affect activity in the coming quarters if weather-related disruptions materialize. While Peru's monetary framework and macro fundamentals continue to provide support, we believe it is appropriate to remain prudent and closely monitor how both domestic and external risks evolve.

Turning to IFS' first quarter results. We delivered record quarterly net income of 602 million and an ROE above 19%. These results reflect disciplined execution across our platform and the

benefits of our model. At Interbank, we also delivered record quarterly net income, supported by low cost of risk and improving risk-adjusted NIM. Loan growth has been more measured due to pension fund withdrawals, although higher-yielding segments continue to grow at a high-single digit pace.

In parallel, we are making progress with Izipay, strengthening our merchant franchise, and capturing joint business opportunities with the bank. We are also enhancing our small business value proposition through our recently launched business app, while Plin continues to deepen engagement through new features such as Plin credit card.

Interseguro continues to grow in its core business, supported by private annuities and life insurance. It is also leveraging synergies with Inteligo to expand private annuities and with Interbank to advance integrated bank assurance solutions. Inteligo, our Wealth Management segment, continues to grow at double-digit rate, reaching a new record in assets under management, thanks to our customers' trust and consistent engagement.

IFS remains committed to focused profitable growth with customers at the center of our decisions. We are reinforcing this through digital excellence, deeper primary relationships and continued investments in technology, Gen AI, and innovation to improve productivity and customer experience.

A highlight of this quarter was our strategic partnership with InRetail. As announced in April, IFS and InRetail agreed to acquire InFinance XP, formerly Financiera Oh!, through the purchase of IXP Holding for \$130 million.

We believe this transaction will strengthen our consumer finance and payments ecosystem by combining IFS' capabilities with InRetail's reach, a powerful combination to create a superior value proposition to enhance customer experience in everyday uses through a scalable digital platform. We are committed to do the investments required to make this possible.

Looking ahead, we remain focused on executing our strategy in an environment that may continue to be volatile. Our platform and diversified sources of revenues have proven resiliency across cycles. We believe we are well-positioned to keep executing our growth strategy with discipline, sustaining profitability, and continuing to strengthen our leadership in Peru. We maintain a strong focus on risk management, efficiency, and disciplined investments.

Now let me pass it on to Michela for further explanation of this quarter's results. Thank you.

Michela Casassa

Thank you, Luis Felipe. Good morning, and welcome everyone to Intercorp Financial Services first quarter earnings call. We'd like to begin with our quarterly key messages. In the first quarter of 2026, we see a robust start to the year, delivering a solid performance across all segments, as mentioned by Luis Felipe. Net income reached a quarterly record of PEN602 million, marking a 35% increase compared to the prior year and a return on equity of 19.4%.

Second key message is that higher-yielding loans continue with a positive momentum, showing a 9% growth on a year-over-year basis. Third, risk-adjusted NIM increased 90 basis points over the year, reaching 4.2% in the last quarter, while we maintained a low cost of risk at 1.4% and cost of funds below 3%.

Fourth, we continue to deepen primary banking relationships and as a result, our retail banking primary customers grew by 14% and our NPS reached 68 points. Fifth, our Insurance and Wealth Management business continues to deliver double-digit growth with written premiums growing by 35% year-over-year, mainly due to the growth in private annuities and with assets under management growing 13% year-over-year.

On this slide, I'll start with a quick update on our latest acquisition. InRetail Peru Corp. and Intercorp Financial Services announced the acquisition of InFinance XP, formerly Financiera Oh!. We executed the transaction through the purchase of IXP Holding Corp. from IFH Retail Corp. for \$130 million, implying a 1.19x price over book value multiple.

Following the closing InRetail and IFS each own 50% of IXP Holdings. Additionally, we wanted to mention that as part of InFinance digital strategy, they've recently launched SIP, an app that brings together financial products, payments, and the loyalty program in one application.

On Slide 4, we wanted to highlight 3 key points. First, this is a strategic partnership to strengthen our consumer finance and payments ecosystem. We are building on InFinance XP's scale with close to 3 million customers, PEN1.8 billion in loans and PEN1.5 billion in deposits.

Second, we're combining IFS' solid financial position and integrated capabilities with InRetail's leading retail platform, which has more than 4,000 stores nationwide to accelerate adoption and distribution. Third, we are enhancing the customer value proposition through a scalable digital platform, expanding access and convenience, and making everyday payment and consumer credit simpler and more seamless. Now let's start with our first key message.

On Slide 6, let me start with a brief update on the macro environment. We entered 2026 with stronger momentum than expected. GDP growth for the first quarter is tracking around 3.6%, following a solid finish to 2025, supported by private spending and still favorable commodity prices. That said, the near-term outlook has become more challenging.

Inflation has picked up above the Central Bank's target due to temporary supply shocks and global conditions have turned more volatile, particularly with higher energy prices. Looking ahead, growth should remain close to 3%, supported by non-primary sectors such as construction, commerce and services, even though political uncertainty related to the presidential elections could slightly slow the pace.

Nonetheless, monetary policy remains supportive with the reference rate at 4.25%, which is 50 basis points above the Fed. At this point, we do not expect rate cuts from the Central Bank. Moreover, while the sol has shown an appreciation trend over the last 12 months, more volatile global conditions and domestic political dynamics have led to a depreciation of 2.2% year-to-date as of May.

In sum, Peru continues to offer strong fundamentals and attractive long-term opportunities even as we navigate a more volatile environment in the near term. In terms of domestic demand, growth continues to be led by private investment, which is expected to expand by around 7% this year. This reflects a mining project pipeline of over 60 billion across more than 60 projects, together with the infrastructure works already underway, particularly in transportation and energy.

This momentum is clearly visible in strong construction activity. Private consumption remains solid, supported by real wage growth and a still tight labor market with the formal wage bill

expanding by over 5% in real terms. While consumer and business confidence softened in April as the electoral cycle intensified, this has not yet translated into fundamentals. Business confidence has remained in the positive part of the range on the back of record copper and gold prices.

There are still some risks to monitor. Weather conditions, including a higher probability of a moderate coastal El Niño could affect sectors such as fishing and trade, while higher global energy prices may continue to pressure costs. That said, current momentum and underlying fundamentals point to resilient domestic demand even as the electoral process adds uncertainty.

In this context, credit growth remains slightly positive, led by retail lending, which continues to outpace commercial credit. On Slide 8, we delivered a very strong start to the year with record quarterly net income at IFS. Earnings were up 35% year-over-year and ROE above 19%. Earnings also improved substantially versus last quarter.

At the bank, results were supported by lower cost of risk and strong financial transaction results, including gains on our sovereign bond portfolio and dividends received from IFS, which we net of IFS consolidation as well as strong FX gains. Net income increased 44% versus last year, and the bank's ROE improved to 19.5%.

Interseguro and Inteligo also posted another quarter of double-digit growth, supported by healthy core trends. At Interseguro, results were mainly supported by a stronger insurance result, excluding the impact of inflation, mainly in annuities and life. At Inteligo, results benefited from a stronger return on the investment portfolio with ROE reaching 22%.

Overall, it was a solid quarter across all IFS business lines with core operating performance as the main driver of profitability. On Slide 9, you can see that IFS revenues grew 10% year-over-year. At the bank, top line growth was up 8% this year, supported by ongoing improvements in our cost of funds, stronger fee generation and better investments and FX results. Interseguro also showed strong revenue growth of 18%, driven by better insurance results in life and annuities.

And at Inteligo, revenues increased 34% reflecting steady fee growth in line with higher assets under management. Investment performance also improved in the quarter, partly reflecting a softer fourth quarter comparison as the portfolio delivered a 12-month return of above 12%. On Slide 10, IFS expenses increased 13% year-over-year, reflecting the investments we are making to support our long-term growth.

These includes accelerated spending in technology to strengthen resilience, enhance the user experience, improve cybersecurity, expand capacity, and advance our Gen AI capabilities. We are also investing in leadership and talent across key teams because people remain central to executing our strategy.

As a result, the cost-to-income ratio at IFS level stands at 36.6%. Now let's move on to our second key message. On Slide 12, we are seeing consistent growth across products and segments with a 9% growth in our higher-yielding loans. Our total loan portfolio grew around 6% year-over-year or 7%, excluding FX. Growth was driven by mortgages, midsized companies, and small businesses with this last one up nearly 30% over the past year.

In retail banking, we continue to see healthy momentum across segments. Mass market remains our core retail franchise, representing roughly 66% of the retail portfolio, while affluent continues to expand as well. Consumer balances were broadly stable quarter-over-quarter, reflecting the expected excess liquidity, yet still grew 5% year-on-year with disbursements growing 15% year-over-year during the month of March.

Good news came in April, where growth came in very strong, showing an acceleration. Mortgage lending also continued to outperform, growing more than 8% year-over-year. We gained 20 basis points of market share, reaching 16.2%, which is more than 100 basis points above the fourth bank, hence, firmly positioning us as the third largest player in the system.

In Commercial Banking, performance was strong across corporate, mid-sized companies and small business. Small business stood out again, growing almost 30% year-over-year and disbursements more than doubling year-over-year during the month of March. This means we not only replaced all Impulso MyPerú maturities but expanded our book to more than 3x that level.

Over the past year, disbursements have doubled, reflecting the strength of our enhanced value proposition. And we've recently launched our new business banking app for small business, which now brings together both Interbank and Izipay functionalities in one place. This is a key step to make our clients more digital, improve day-to-day interactions with the bank and ultimately deepen primary banking relationships.

Following with the third message, we continue to see improvement in risk-adjusted NIM. On Slide 14, let me share a quick update on asset quality. Our quarterly cost of risk continued to improve, reaching 1.4% this quarter, the lowest level in the past 4 years. This reflects a healthier loan mix and a more supportive credit environment, together with the positive impact from the excess liquidity in the retail portfolio.

In retail, cost of risk is now below 3%, down 100 basis points versus last quarter and well below our risk appetite. Consumer lending continues to perform better with cost of risk improving from around 7% to below 5% year-over-year, supported by healthier customers and the positive impact of recent liquidity events. Importantly, new vintages are also tracking well. On the commercial side, asset quality remains strong with cost of risk stable.

Overall, nonperforming loan ratios remain healthy, and our coverage ratio is solid at around 140%. Looking ahead, as our consumer and small business portfolios continue to grow and now represent around 22% of total loans, we would expect cost of risk to gradually normalize from these very low levels.

Even in a volatile environment, these trends point to a healthier operating backdrop and reinforce that our disciplined risk management is supporting sustainable growth. On Slide 15, there are some good news to highlight in terms of risk-adjusted NIM. We continue to make meaningful progress on a risk-adjusted basis.

The risk-adjusted NIM is up 90 basis points year-over-year, reaching 4.2%. The last quarter alone added another 20 basis points, mainly driven by the lower cost of risk. On the asset side, average loan yields were slightly lower. This mainly reflects the risk mix of the portfolio. On the funding side, our cost of funds declined by another 20 basis points quarter-over-quarter, reflecting continued improvement in our deposit mix and pricing and offsetting the impact from yield on loans.

As a result, reported NIM declined by 10 basis points versus last quarter, but it remained stable year-over-year. It's worth noting that the bond issuance completed in January added a negative impact of around 20 basis points to NIM, which will disappear later this year. On Slide 16, I want to spend a moment on funding as the trends are moving in the right direction. Deposits continue to be our main source of funding, representing about 82% of the total.

Total deposits grew 8% year-over-year or 9% excluding FX effect. Retail deposits continue to grow, up more than 13% with savings and transactional balances up over 20%, supported by the pension fund release. On the commercial side, the continued expansion of our payment ecosystem led to a 27% increase in efficient commercial deposits.

All of this is translating into lower funding costs as our cost of funds is down 40 basis points year-over-year and a further 10 basis points over the last quarter. Cost of deposits improved by 20 basis points just in the quarter. With efficient funding now at about 40% of the mix, we still see additional room for improvement.

Moving on to our digital strategy. Our payment ecosystem with Plin and Izipay is driving our growth in loss low-cost funding. We have continued working to generate further synergies as we drive the growth of our payment ecosystem, focusing on increasing transactional volumes, offering value-added services, and leveraging Izipay as both a distribution network for Interbank products and a source to increase float.

As mentioned, one key development has been the new banking app for small business, which allows us to deliver an integrated solution and maximize the value we bring to our clients. As such, the flows from Izipay were up 60% over the past year for the segment, contributing to a 14% increase in deposits, which now account for 12% of wholesale deposits or 33% of wholesale low-cost deposits.

Additionally, the flows from Izipay to Interbank expanded by 16% in the same period, as Interbank share of Izipay flows is around 40%. Plin continues to gain scale and deepen engagement. Plin WhatsApp, the first bank-led payments experience on WhatsApp in Peru, reached almost 7,000 affiliates by the end of March. Usage keeps accelerating with "plineos" per user up 44% quarter-over-quarter. In March, we launched Plin credit card, our buy now, pay later solution, where we already have more than 30,000 active clients.

Our digital initiatives continue to create tangible value and deepen primary banking relationships with Plin playing a central role. Over the past year, our retail primary banking base grew 14% and now represents more than 35% of total retail clients. Plin closed the quarter with 2.7 million monthly active clients and more than 70 million monthly transactions with 60% going to merchants.

We also continue to see encouraging trends in our digital indicators. Retail digital adoption increased to 84% and commercial digital clients now stand at 75%. The good news is that NPS improved quarter-over-quarter, reaching 68% in retail, a record high and 73% in commercial, supported by the agility, simplicity of our app and consistently strong service quality.

Finally, we are upgrading the app experience with a clear focus on security, speed, and self-service. We added antifraud alerts on the home screen and piloted temporary credit card blocking, increasing alert contactability by over 40%. In addition, we enabled digital tracking of customer requests, helping reduce customer assistance by 20%, and we reduced physical debit

card issuance by 30%. All of this reinforces our commitment to delivering the best possible experience for our customers.

In insurance, we continue to focus on enhancing the digital experience for our clients and expanding our sales from digital channels. The development of internal capabilities has allowed us to increase digital self-service to 70% and the digital premiums to grow 25% in the last year.

In Wealth Management, we are committed to improve our Interfondos app, aiming to transform it from a simple transactional tool into a comprehensive digital adviser for our mutual fund clients. This has led to a steady rise in app engagement with a number of digital users increasing to 38%. Additionally, digital transactions now represent 58% of all activity on the platform.

Moving on, solid results with double-digit growth in Insurance and Wealth Management. On Slide 22, we continue to build contractual service margin, which increased 15% year-over-year. Growth was mainly driven by annuities, up 19%, followed by individual life, up 17%.

Individual Life remains a key priority for us given its low penetration and high profitability. While our traditional channels continue to perform well, we are also broadening distribution and refining the product offering to reach new segments and sustain growth.

On investments, results were affected by higher inflation, which impacted a portion of the portfolio linked to inflation. This same effect flows through insurance results, largely netting out at the bottom line. Excluding this impact, the investment portfolio return would have been 6.3% in line with our historical levels.

On Slide 23, Inteligo continues to show solid momentum. Assets under management have grown at a double-digit pace, reaching again new highs and now totaling \$9.5 billion, including deposits. Fee income continues to improve at 9% year-over-year, adding to the positive trend in results.

Now let me move to the final part of the presentation, where we provide some key takeaways. Before we move on to our operating trends, we'd like to summarize where we are focusing our growth efforts. The consumer portfolio was flat quarter-on-quarter, yet it posted 5% year-over-year growth.

April has seen a clear acceleration in growth, which we expect to continue in the coming months. At the same time, the Mortgage segment continued its positive trajectory with 8% growth, continuing to gain market share, now above 16%.

In Commercial Banking, we have seen important growth in small business, which increased by 29% year-over-year. We continue to see a strong potential in this business given our current small market share. The commercial portfolio as a whole grew 8% year-over-year when adjusted by FX.

This strong performance is supported by our strategy to deepen relationships with key mid-sized company clients and leveraging synergies with Izipay to enhance our value proposition. In insurance, we're maintaining our focus on long-term products as Individual Life has shown encouraging growth this year.

Finally, in Wealth Management, asset under management continues to grow at a healthy pace at 13% year-over-year, reaching a new record level, a reflection of both market performance and continued client engagement.

On Slide 26, let's go through our first quarter operating trends. Our ROE for the first quarter was 19.4%, above our guidance for 2026. Given this result, we see our year-end ROE above 17% rather than around 17% as stated in the previous call.

In terms of loan growth, we were up 5.6% or close to 7% adjusting for FX appreciation. We continue to expect high-single-digit growth for the full year. Finally, we remain focused on efficiency at IFS. Our cost to income ratio was below 37%, within our guidance range.

Let me finalize the presentation with some key takeaways. First, we saw a robust start to the year. Second, our higher-yielding loans continued with a positive momentum, especially in the small business segment. Third, we continue to see sustained improvement in the risk-adjusted NIM helping profitability.

Fourth, we are strengthening primary banking relationships with our retail clients. And finally, our insurance and wealth management business continued delivering double-digit growth. Thank you very much. Now we welcome any questions you may have.

QUESTION AND ANSWER

Operator

Thank you. At this time, we will open the floor for your questions. [Operator Instructions] The first question will come from Ernesto Gabilondo with Bank of America. Please go ahead.

Ernesto Gabilondo

Thank you. Hi, good morning, Luis Felipe, Carlos, Michela. And good morning to all your team and congrats on your results. My first question will be about the political outlook. Can you provide us more color on the latest update on the Presidential elections? When is the court expecting to decide on who will be the second candidate? And what is the next date we should be following?

My second question is on the weather phenomenon of El Niño. So also, you can provide us like the latest news on the probability of having a moderate or a strong El Niño this year? And what should be the date or what should we be monitoring to think about this phenomenon of El Niño?

And my third question is on your cost of risk outlook. As you pointed out, it behaved much better than expected. You also mentioned that you have this risk appetite over higher loans, credit cards and SMEs, and we should be thinking a gradual higher cost of risk.

But I remember last time, you were guiding around 2.5% for the year. So, after a very, very good first quarter, just wondering how do you see the cost of risk in 2026? And then how should we be in the next years? Thank you.

Luis Felipe Castellanos

Okay, Ernesto, thanks very much for your questions. Let me go over some of them, and then I'll pass it on to the team. On the political outlook, actually, it's not exactly clear when. There's an expectation that probably by the 15th of this month, the 100% of the count will be completed. Right now, it's very close.

It's at 99.755%. So it's very close. The difference is only like around 15,000 votes. So I guess it will be prudent to wait until everything is counted. So I guess the next day to really get important news is when this 100% is completed.

Again, as mentioned, I've heard that it could be as early as this Friday, the 15th, but the entities are doing their work. So, I guess, that's what we need to pay attention. And then that second round is scheduled for June 7. So that's probably another important date what we need to focus on because obviously, that will define who comes in office afterwards. So that's what we have on the political outlook so far.

In terms of El Niño, I was looking at some numbers and the chances of a moderate El Niño have increased as we reported in the presentation. They were around 21% probability in January and has increased to 43%. However, that situation can change. We've seen this changing over the years, but we're preparing. We have lots of experience in terms of managing this in terms of what we need to do with our customers, our clients.

And the effect will probably not be very strong during the course of this year, but probably we'll see some additional hot weather, maybe some droughts on the south of Peru, hot weather in the north of Peru. But really, the impact should come more towards the latter part of the year or early next year. That's when the actual weather phenomenon should hit. But something that we're paying attention and obviously getting ready to be prepared and then in terms of cost of risk, yes, I guess also it was mentioned during the presentation, like the system as a whole is behaving very well in terms of cost of risk. And in particular, Interbank is having a very good result given all the measures that we have been taking.

For the outlook of the year, let me pass it on to Carlos. Maybe he can elaborate a little bit more around our strategy for continue growing in higher-yielding growth, which is the one that is going to, at the end, impact how fast the cost of risk should go back to more normal levels. So Carlos, you can help me there, it would be great.

Carlos Tori

Yes. Thank you, Felipe. Hello, Ernesto. So the way we look at it is not that we have, obviously, we don't have a target to increase the cost of risk. The way we look at it is the yield on loans, usually, when you go higher-yielding loans, the cost of risk goes up together and you manage that spread.

So we've been obviously getting better with our models and being able to assess risk better. But also, as Luis Felipe mentioned, the whole system has had low cost of risk over the last, I would say, 5 or 6 months because of end of year ratifications, the AFP withdrawals.

So it's been a very liquid system for consumers. And that has 2 effects, okay? So one is, obviously, overall risk goes down, but also on credit cards, on revolving credit cards, not only risk goes down, but our customers repay a larger amount of their credit card bills.

So the balance goes down as well. So in terms of that, it kind of hurts the yield a little bit, but also improves the risk. As long as the equation is that the yield is still there, and we are, it's a profitable loan, we're fine with that, and that's what has been happening.

What we foresee over the next couple of months is that risk will go up a little bit as liquidity kind of wears away, and we will continue to see growth. That's what we have seen in April. April, we have seen more growth than what we saw in the previous months, but risk is still controlled.

So those are the 2 levers that we look at, and we would expect a little bit more growth and that it won't be a fast increase to cost of risk, but our appetite to risk is in the 2.5 or 2.8 range, long-term, not in the short-term. I don't know if that answers your question.

Ernesto Gabilondo

Excellent. Perfect. Thank you. Thank you so much. So just the last question in your ROE expectations. As you mentioned, this year, the ROE could be above your previous guidance and now could be above 17% for the year.

I know that the quarter was also favored by financial transactions, especially market-related revenues, and other income. So I just wanted to know or to understand if that could be recurring? And also, what will be the drivers behind your new guidance?

Luis Felipe Castellanos

Okay. Thank you, Ernesto. Well, the driver is basically the strong start to the year. As mentioned during the call, we are cautiously optimistic. The risk for the ROEs to the upside. As Michela mentioned, we were guiding at around 17%. Now we feel more comfortable saying that it's going to be higher than 17%.

However, it's early in the year. There are lots of moving parts still. We have the international environment that creates some volatility. We have the political situation. And obviously, we need to see what happens with El Niño. So we wouldn't want to move strongly around that.

But obviously, the beginning of the year and the trends that we're seeing put us in a very optimistic situation in terms of what can 2026 deliver for us. The drivers are low cost of risk that we're seeing. The economy of Peru is growing and is expected to grow at around 3%. The commodity prices continue to be very strong that creates a positive momentum for Peru as a whole.

Business confidence and the investment environment started very positive in the year. Let's see how that evolves as the political landscape starts to clarify. So, those indicators are the ones that are driving the increase in expectation of our ROE.

Ernesto Gabilondo

Perfect. Thank you very much.

Luis Felipe Castellanos

Thank you.

Operator

The next question will come from Yuri Fernandes with JPMorgan. Please go ahead.

Yuri Fernandes

Thank you, guys. Congrats, Michela, Luis Felipe. I'll try to explore some of the topics that Ernesto didn't touch in his few questions here. Maybe on margins, if you can provide a little bit of more color. I think the mix towards more consumer loans may help, the NIMs to move up.

And I think that's part of the explanation, risk-adjusted NIMs going up. So if cost of risk moves up, NIM should also go up.

Can you help us quantify the magnitude of that? Are we talking about 10 bps risk adjusted going up over the years, 20 bps, 30 bps? Just trying to understand how powerful the combination of margins minus cost of risk may be here for the company. And then I can ask a second question.

Luis Felipe Castellanos

Hey, Yuri. Yeah, you're right. In terms of trends, that's correct. As cost of risk goes up, yields should go up and the overall impact should be positive. To go over specific numbers, let me pass it on to Michela to see if she has the model, or more detail on the numbers, if we can provide them. Michela?

Michela Casassa

Good morning, Yuri. Listen, we did have a budget with NIM, cost of risk and risk-adjusted NIM. But as you can see from the numbers now that we are showing this first quarter, the numbers have been substantially better, especially in terms of cost of risk. So at the end of the day, the risk-adjusted NIM is better than what we expected.

What we expect, let's say, for the rest of the year is a gradual, let's say, recovery in NIM, which has not happened this quarter, because still the portfolio mix has not changed that much before, because of the excess liquidity and the private pension funds withdrawal.

So, one thing that we should see in the coming months at a certain moment is that yield on loans should start to pick up because of the mix and at the same time, also cost of risk. So risk-adjusted NIM will be stable or roughly not going above the level that you see there, but the components should start to go up, so both yield on loans and cost of risk.

Yuri Fernandes

No, super clear, Michela and Luis Felipe. And if I may, a second one, just on insurance, I think that was a highlight this quarter. There was, I guess, some help on inflation. But thinking ahead, what should we expect about this business unit? When I look to your premiums, they are growing, but the number of insurance clients; I think there is a slide on your presentation about this. It caught my attention that the number of clients is mostly stable, growing, I think, 1% year-over-year. That is a little bit less than what we see on wealth and banking.

So, again, it was a good quarter. Premiums are fine. You had like financial income. But looking ahead, how should we think about insurance? I guess, part of my concern is maybe this subsidiary is not doing as good as the other ones, given the number of clients, but maybe I'm just wrong because the pension withdrawals, maybe they explain part of the annuities weakness here. So, if you can help me understand what should we expect for insurance? I would appreciate. Thank you.

Luis Felipe Castellanos

Yeah, Yuri. So, yeah, I see you are referring to the fact that we closed March 2025 with 3.2 million customers in insurance, and 3.3 million in March '26. So probably that's what you're referring. We have Gonzalo Basadre here, which will help us. The drivers of insurance overall are very strong. As you see, premiums are growing double digit. The results from investment coming very well as well, and it's a very efficient operation.

But in order to address specifically your question, Gonzalo can help us with that.

Gonzalo Basadre

Hi, Yuri. I think that the confusion lies in that total number of clients, as you have seen, is not growing very fast, but that's because a big proportion of our clients are bank assurance clients, which are very big in number, but very small in individual revenues.

What's growing very fast is private annuities, life insurance, which have a smaller number of clients with much bigger premiums. In total, as you have seen, premiums are growing very fast. So, what we should expect for the following months is premiums growing very fast, but number of clients not so much, just because most of them come from bank assurance. But that doesn't mean that the business is not growing at a very healthy pace. I don't know if I explained it.

Yuri Fernandes

No, no, it helps. That was exactly like premiums growing 35%, clients not growing, but it's clear. So, basically, the growth of bank clients in the end also help you to grow your premiums on the insurance division, right? So you don't need to have, let's say, proper insurance clients for you to keep delivering the premium growth. That's basically it, right?

Gonzalo Basadre

I mean, bank clients are not growing as fast as our private annuities and life insurance clients. And that's why total number of clients is not growing very fast, but premiums do grow very fast just because average premiums of private annuities and life is much bigger than the bank assurance clients.

Yuri Fernandes

No, that's clear. Thank you very much, guys. Thank you.

Luis Felipe Castellanos

Thank you, Yuri.

Operator

The next question will come from Carlos Gomez with HSBC. Please go ahead.

Carlos Gomez

Hello, good morning, and congratulations on the results, and thank you for your detail presentation as always. So I have two questions more for the long-term. The first one is regardless of the outcome of elections, what do you think that we should expect in terms of growth in your planning for the medium-term for the next, let's say, three, five years? What is it that you're expecting in terms of asset growth, perhaps returns, but mostly asset growth for the medium-term? And second, are there any regulatory changes that affect Plin or the relationship between Plin and Yape that you expect in the next year or two years? Thank you so much.

Luis Felipe Castellanos

Carlos, thanks very much for your question. Regarding medium, long-term growth, the way we see it is specifically for loans, let's say, or assets. Our take is that the system should be growing between two and three times GDP, okay?

So as long as GDP continues to grow 3% plus or recovers, we should see high single digit or starting to get into the low double-digit growth. And particularly, Interbank, for instance, has always focused on gaining a little bit market share given that we have opportunities in certain

specific segments. So probably our growth will be above what we have as an expectation for the system as a whole.

Premiums on the contrary, probably growing faster because the level of penetration of premium in Peru, the opportunities that bring insurance businesses in Peru, particularly in life and annuities, which is our area of focus has strong under-penetration. So we expect that for some years, we'll continue to see double-digit growth.

And then in terms of our private bank as well, all these years of continued growth are creating an emerging wealthy class, which is the segment that we are catering specifically for our Wealth Management segment, and that also should bring low double-digit growth at least for the years to come. So that's our take on the way we see growth for the upcoming years, medium to long-term.

And then in terms of Plin and Yape, I didn't get very well your question. I think the dynamic is as we've seen, both getting traction. Peruvians using more and more digital solutions and the payment ecosystems are being reinforced. Plin continues to get traction. We are starting to move some use cases into our Plin solutions like what Michela mentioned, like tarjeta de crédito or credit card related to Plin. So, we see this as a very important opportunity for us as well. I don't know, Carlos, if you want to complement anything specific around this dynamic.

Carlos Tori

No, just to follow your...

Carlos Gomez

Sorry about that, Carlos.

Luis Felipe Castellanos

Go ahead, Carlos Tori.

Carlos Tori

Too many Carlos in the call.

Carlos Gomez

Go ahead, go ahead please.

Carlos Tori

Luis Felipe was talking about Plin. So, yeah, the other avenue of growth for Plin is the instant payments on WhatsApp. So Plin WhatsApp is, obviously, something that only Interbank has, and we've been growing with that as well. But I understand, Carlos, your question was more related to regulation that affects Yape and Plin. I don't know if that was your question.

Carlos Gomez

Yeah, yeah, that's my question. I mean as both companies start to monetize the strong network that both of you have created, I would expect that perhaps at some point, the regulator might want to have a look at how that monetization takes place and whether there might be new rules or force you to share things in a way that you have not in the past. If you expect to encounter any constraints as you deepen your monetization of Plin?

Carlos Tori

So, the regulation regarding Plin and Yape was given, I believe, it like two years ago or 2.5 years where it asked us to interoperate. So Plin can send to Yape, Yape to Plin. And that's the regulation, that's a framework. There's updates to that in terms of SLAs and stability and stuff like that, and they continue to monitor and revise, and the regulator is the Central Bank, and that is working.

In terms of new regulation, we don't foresee anything in the short-term. What will possibly and this is something that we'll see what happens, but what possibly may affect the way we interact is that the Central Bank will start offering a new, let's call it, highway. So they're starting with TAP, which is a service provided by UPI from the Indian Central Government. So the Central Bank will offer a highway where we can interconnect.

So if Plin wants to send to Yape or Yape to Plin or other players in the market, we can go through this, I'm calling it highway in the Central Bank. But it will not be, as far as we know, subject to regulation. There will be informants in terms that we all will have to be connected, but we don't necessarily have to use it.

The idea of the Central Bank is to offer this highway in better terms or better or more use cases to incentivize the different issuers use the highway, but it should not be, or as far as we know, there will be no regulation saying we have to go through it. So it's not, I wouldn't consider additional competition, but it will be an additional rail or highway through, which we can interact.

And just to complement that, it will probably be the first use of open banking. So, the idea is that the rail will be able to source funds from different accounts to send your transaction. That's the idea that should come online I think the target date is December, probably most banks will not go into production in December, because it's just a very high transactional month, probably January of 2027 is a more realistic timeframe.

Carlos Gomez

That's very clear and very complete. Thank you so much.

Luis Felipe Castellanos

Sure. Thank you, Carlos. Both Carlos.

Operator

The next question will come from Alonso Aramburu with BTG. Please go ahead.

Alonso Aramburu

Yes. Hi, good morning. Thank you for the call. Just following up on your comments on loan growth in April that you're seeing acceleration. Just curious, I mean, where are you seeing that? Is it broad-based? Or are you referring more to your consumer and credit card book? And what's driving that? Is it really more appetite from the bank? Or is a normalization of liquidity or maybe a combination of the two?

And then a second question regarding your acquisition of InFinance XP. Just curious, I know it's only a month since the acquisition, but if you can provide some comments on the initial reaction to the seat up from the public. How is that launch is going? Thank you.

Luis Felipe Castellanos

Okay. So thank you, Alonso. On your first question, yeah, I think it's a combination of both. I think the money from the pension funds is starting to be used already. So demand is starting to get back into the system.

So we're seeing that growth in the consumer financing, particularly in our small business segment. For us, it's more driven by the fact that we are building value proposition and going out to look for clients given the low market share that we have over there.

And then in terms of commercial banking, the activity is mixed. So, we have not seen strong growth there, but it's very seasonal. So let me pass it on to Carlos, so he can complement this part of the question, and then I'll return to go over your SIP question. Tori?

Carlos Tori

Thank you, Felipe. I think you mentioned most of it. Hola, Alonso. How are you? So yes, it's a mix. There's a little bit less liquidity. So we're having, as I think mentioned over the calls, our value proposition has been having traction, and we've been seeing more transactions and increase. What has happened over the last few weeks is maybe prepayment of our credit card isn't as high. So that gives you a little bit of growth.

But also, we have put in line one or two good models that target the high risk or the lower segment, which has allowed us to have a little bit more penetration there without increasing risk too much, and we've started to see some of that. So it's a little bit appetite, I would say 50% appetite and 50% market. And we expect to continue to see that over the next couple of weeks and months.

So, yeah, and what we previously mentioned in commercial banking, that's it, as we mentioned, we continue to see good growth in the lower segment of banking. So, Banca Negocios is doing well as well, good growth.

Luis Felipe Castellanos

Thank you. Yeah. On the SIP, you're right, Alonso, not only the transaction has been recently executed, but also the launch of SIP has been very recent as well. It's having good traction. It's a couple, both it's acquiring new customers and new customers are coming in better than we expected. And then it's a matter of migration of people that used to have the Oh! solution, Financiera Oh! Solution, and then you had some people that use Agora.

So, now this new app consolidates basically three things: loyalty, consumer financing, and also a payment solution. And we had certain expectations in terms of what we were willing to achieve at launching of the new brand and new solution. What I can tell you, it is surpassing the expectations that we had.

So, I think we are in a good start. And as we discussed, this is an early stage. It's probably a very interesting digital solution that we are bringing to market to bear with Inretail. It will require still time and investments in order to pursue the growth that we are thinking it could have. So it's more like a medium to long-term where we will start seeing the actual results of what we are imagining on this front. But to go over your specific question, the launching has been successful in our view and the traction that is getting is exceeding the expectations that we had.

Alonso Aramburu

Great. Thank you, Felipe, and Carlos.

Luis Felipe Castellanos

Thank you, Alonso.

Operator

[Operator Instructions] The next question will come from Andres Soto with Santander. Please go ahead.

Andres Soto

Good morning to all and thank you very much for this presentation. My question is regarding your digital strategy, and the question has two components: one, a philosophical one. I understand there is an app under InFinance, which is the one that those users used to go to the stores. And then you mentioned in the call there is another app under Izipay, which is the one that I guess you are giving to your SME customers. And then you have Plin, which is the one that you used to interconnect with other banks.

My question is, is this by design? Are you planning to continue keeping those apps separate? Or is it the plan for at some point to migrate to an ecosystem where your customers can go to cover all the financial needs? And the other part that is not philosophical from the question is regarding investments. I would like to understand what point in the cycle are we in terms of digital investment? You reiterate your guidance for cost to income of 37%, are you expecting some additional pressure into 2027? Or you believe that your expenses in digital can be covered under this very stringent efficiency ratio? Thank you very much.

Luis Felipe Castellanos

Andres, thanks very much for your philosophical question and your other question. On the philosophical side, part of the strategy actually. Well, Plin is not an app, as you know, Plin is like a highway that connects payment possibilities within customers. So that's not making a highway. You have to see it that way. And we've talked about it is like Zelle in the U.S., okay?

And then you have In-Finance app or SIP is a different play. It's a consumer financing. It's a joint venture between us and in retail has its own customers. It's probably going to be integrated at some point through the ability of doing certain things that move you through different apps. But right now, the way it works and the way it's structured, it's a different solution, serving specific customers that have very specific needs that we see that is boosted by the opportunities and potential that having InRetail as a partner brings.

And then you have the small businesses app, which is a separate app, which caters to its own segment with other specific solutions, more related to merchants and there the Izipay and the Interbank app for those types of customers is being integrated as a single one. So yes, philosophically, we have different place for different segments and different strategies. That's the way we are designing this. If they are going at some point, all be converted into a single app, I don't see it right now based on the information that I'm seeing, but probably we'll build communication ways in order to provide different services through APIs or something like that. But that's the way we are designing the future so far.

And then in terms of investments, that's a very interesting question. I do see that pressure for investments in digital, in technology, in cybersecurity, in GenAI will continue. This is not something that we do digital transformation and it ends at some point. I think, what we're doing is basically following customers' expectations. And customers' expectations are basically increasingly demanding.

So, the level of investments that we need to continue deploying in all of our segments, including banking, including insurance, including wealth management and payments is very demanding as well. So, I think that the ability to manage the efficiency ratio at around 37% will be what guides us for the next couple of years. And then at some point, we'll get another level of scale that will probably allow us to think about levels below 35%. But that's not in the medium term. That's probably more a long-term view.

Andres Soto

That's very clear, Felipe. And if I may ask a follow-up on Plin. Once the Central Bank UPI system is up and running, is there still a place for Plin? What will be the use case for this, which is, as you mentioned, just connecting with other banks?

Luis Felipe Castellanos

There's a space for Plin. Probably our strategy might change. But I guess it's having 2 highways, probably we will need to see which one is more efficient and which one is the one that serves our purposes better. But I don't see that one will completely replace the other. Probably that will be complementary. Carlos has been very involved in our payment strategy. Maybe he can complement it to you as well. Carlos?

Carlos Tori

No, I agree. So first, we start with the fact that Plin is not an app. It's a brand and the highway, as Luis Felipe mentioned. Within that highway, technologically, you can send funds, can use PLIN and send funds through Visa Direct or you can send it through the local exchange chamber. Those are the 2 highways we can use today technologically.

UPI will add a third one. So, we can go through UPI, and we can brand it Plin or we can brand it tap. The transaction will still be from the Interbank app to a customer or another Interbank customer that receives either Interbank or at a different bank. So that will not change. But the fact that there will be additional use cases and the Central Bank is very ambitious on how they will grow this in the next couple of years. We will continue to assess our strategy and see what we do. But as Luis Felipe mentioned, this, at least the first round will be absolutely complementary to what we have now. It's an additional highway.

Andres Soto

Understood. Thank you. Carlos and Felipe. Congratulations on the results.

Carlos Tori

Thank you. Nice to see you, Andres. Nice to talk to you.

Operator

At this time, we will take the webcast questions. I will now turn the call over to Mr. Ivan Peill from InspIR Group.

Ivan Peill

Thank you, operator. The first question comes from Shane Matthews of White Oak Investors. What should we expect cost of risk for the banking business for the year? And were there any large recoveries in Q1, which led to lower provisions for the bank? Or is this the normal run rate going forward?

Luis Felipe Castellanos

Okay. I think we kind of answered this question throughout the course of the presentation, but just to summarize, I don't think we've had any specific one-time recovery. I think that, as was mentioned throughout the call, is that the system as a whole is behaving better in terms of risk. The low cost of risk is particular for Interbank, but also, we're seeing in the business as a whole. And then the level of cost of risk for the year will depend on the speed basically that our higher-yielding book is built.

So that is the expectation that we have. As mentioned, our budget has been out-beat by what we're seeing in the first quarter. And we do expect that probably as the book in higher-yielding loans continues to build up, cost of risk should marginally start to go up.

Conclusion

Ivan Peill

There are no further questions at this time. I'd now like to turn the call over to the operator.

Operator

There appear to be no further questions on the audio side. I would like to turn the floor back to Ms. Casassa for any closing remarks.

Michela Casassa

Okay. Thank you very much. Thank you again, everybody, for joining our call, and we'll see each other again for the second quarter results. Stay safe. Bye-bye.

Operator

This concludes today's conference call. You may now disconnect.