

Intercorp Financial Services

Fourth Quarter 2025 Conference Call

Thursday, February 12, 2026, 09:00 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 the Intercorp Financial Services Fourth Quarter 2025 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 fourth quarter 2025 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; and 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 the 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 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 fourth quarter 2025 earnings call. Thank you for your interest in IFS. We appreciate your continued support.

I'm going to start with the macro front. We continue to observe a macroeconomic and political environment in Peru, marked by a positive mood. The Peruvian economy maintains its growth momentum with expected growth of 3.3% for 2025, mainly driven by dynamic consumption-related sectors, sustained private investment and the favorable performance of commodity prices, which continues to support the country's external accounts.

Although we maintain a prudent perspective amid the international context and the election period, exchange rate strength and low country risk reflect market confidence in Peru. The sol has appreciated by approximately 10% in the year and inflation remains stable, positioning Peru as one of the most dynamic economies in the region.

Looking ahead to the political transition this year, we do not expect major changes in financial stability. Sound monetary management and strong institutions related to economic resilience and prudence allow us to have a base case scenario of sustained growth, supported by the resilience of the local market and investor confidence. This provides a solid foundation for long-term decision-making, prudent risk management and sustained investments in innovation.

Moving into IFS results for 2025. We delivered record net income of PEN1.9 billion with recovering core results and solid profitability with an ROE of around 17% even after considering the impact of the Rutas de Lima impairment. These results confirm our ability to adapt quickly and keep generating value despite some headwinds in a disciplined and sustained way, aligned with our long-term strategy and reaffirming our commitment to long-term profitability and sustainability. Interbank achieved a record year with PEN1.4 billion in net income. This was supported by a decrease in cost of risk and risk and a risk increase in risk-adjusted NIM.

Our Consumer segment is showing signs of recovery even in the face of pension funds withdrawals, although we recognize that there is still progress to be made to reach our targets. Overall, Interbank has consolidated as the third largest bank in the system, reflecting our strong performance and disciplined approach to risk and profitability management. Izipay and Interbank continue to capture joint business opportunities, reinforcing our payments ecosystem, while Plin deepens user engagement, fostering more primary banking relationships and driving growth.

Interseguro, our insurance company, continues to grow its core business with solid performance in private annuities and life insurance. In addition, Interseguro continues to leverage synergies with Inteligo to expand private annuity sales and to collaborate with Interbank to advance integrated bank assurance solutions that deliver greater value for our customers. It maintains leadership in regulated annuities and has achieved the leading position in private annuities. Inteligo, our Wealth Management segment, continues to grow double digit, achieving new record high in assets under management, thanks to our clients' trust and consistent engagement.

In all, IFS remains committed to our focus on profitable growth strategy, always placing our customers at the centre of every decision we make. We continue to reinforce this approach by prioritizing digital excellence and deepening primary customer relationships through comprehensive data-driven services and differentiated experiences.

Investments in technology, GenAI and innovation are key to maintaining our competitive advantage by enabling more personalized, efficient and secure experiences, while strengthening productivity and delivering greater value to our customers. Looking ahead, we remain optimistic about IFS' outlook. Our platform has demonstrated resilience in downturns and is well positioned to continue executing its growth strategy, maintaining profitability and reinforcing our leadership in the dynamic Peruvian market.

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

Michela Casassa

Thank you, Luis Felipe. Good morning, everyone, and welcome to Intercorp Financial Services fourth quarter results. We would like to start with our key messages for the year. In 2025, we delivered a solid performance across all segments. Net income reached a record PEN1.9 billion, marking a 49% increase compared to the prior year. Our return on equity was also strong, standing at 16.8%.

Second, key message, higher-yielding loans continued the positive trend, showing an 8% growth on a year-over-year basis. Third, risk-adjusted NIM increased 50 basis points over the year, reaching 4% in the last quarter, while we maintained a low cost of risk at 2.1% and cost of funds near 3%. Fourth, we continue to strengthen primary banking relationships. And as a result, our retail primary banking customers grew 11% last year.

Fifth, our insurance business continues to deliver solid double-digit growth with written premiums growing by 61% year-over-year, mainly due to the growth in private annuities. And sixth, our Wealth Management business delivered double-digit growth in our core business with assets under management at new record highs.

Let's start with our first key message. Let me share an overview of the macroeconomic environment. The Central Bank has raised its GDP estimate for Peru in 2025 to 3.3%, driven by stronger-than-expected performance in primary sectors such as agriculture and mining, followed by primary manufacturing, construction and commerce.

Looking ahead to 2026, Central Bank's projections have been revised upward to 3%, driven by stronger private spending. Macroeconomic fundamentals remain stable with inflation contained around 1.5% for 2025. The Peruvian sol has strengthened more than 10% this year, and the reference rate remains low at 4.25%, maintaining favorable financial conditions for ongoing growth.

Overall, Peru is establishing itself as one of the fastest-growing economies in the region, supported by solid domestic momentum despite internal and external challenges. Additionally, the Peruvian economy holds positive prospects for the coming years as it is well positioned to meet the global demand for commodities. Nevertheless, we remain cautious due to the political cycle and global market volatility.

On Slide 5, driven by a favorable macroeconomic environment, private investment continues to expand at solid levels, growing almost 10% in the first 9 months of the year and projected to reach 9.5% in the full year. This momentum is sustained primarily by the rebound in mining investment as well as the strong performance of the non-mining sectors. For 2025, we are expecting internal demand to expand by 5.4% with private consumption rising to 3.6%.

Looking ahead to 2026, internal demand is expected to moderate to 3.5% with private consumption stabilizing at 3% and private investment reaching 5%. These upward adjustments reflect a resilient domestic market and continued optimism among both businesses and consumers. Business expectations remain in optimistic ranges and consumer confidence is stable, supporting domestic demand and employment generation. Private employment and wage are both increasing, fueling consumption. Additionally, a strong pipeline of mining and infrastructure projects is planned for the coming years, further supporting growth. In this context, retail lending continues to lead system-wide loan growth.

On Slide 6, it is noteworthy that our accumulated earnings for the year have reached an all-time high, marking a relevant increase of 49%. This is reflected in our 2025 ROE of close to 17%, demonstrating strong profitability across all business lines. If we exclude the Rutas de Lima impairment, ROE would have been 18.5% for the year. This year, our 3 key business segments delivered exceptional growth. The bank achieved record earnings of PEN1.5 billion, driven by a combination of lower cost of risk, reduced funding costs, increased fee income, among other factors.

Inteligo reported a strong 68% increase in revenues and an outstanding ROE of 21.5%. This performance was driven by growth in core operations and solid results from the investment portfolio. Finally, Interseguro grew by 36% despite the Rutas de Lima effect due to ongoing core business growth and higher investment results, which highlights the company's strength and resilience. Regarding Rutas de Lima in the year, we have made PEN205 million impairment, leaving the residual value at PEN74 million or around \$22 million. At this point and with the information we have, we do not expect any further material impairments.

On Slide 7, during the last quarter of the year, we achieved an additional 1% quarter-over-quarter increase in earnings, reaching an ROE of around 15%. However, this ROE was impacted by the additional provisions for Rutas de Lima as PEN129 million was recognized by Interseguro. Excluding this impact, IFS ROE for the quarter would have reached 19.1%. Furthermore, if we set aside the effect of Rutas de Lima overall, net income would have increased by 11% quarter-over-quarter.

On the banking side, the performance is driven not only by a lower cost of risk, but also by an improved net interest margin supported by better funding costs and robust growth in fee income, particularly when excluding the impact of the provision reversal from Integratel ex Telefonica in the third quarter, net income has increased 6% compared to the previous quarter. The bank's ROE remains stable at 16%. Both Interseguro and Inteligo's core businesses continue to deliver double-digit growth. Interseguro achieved an ROE of 32.5%, in line with higher real estate valuations. Meanwhile, Inteligo's results this quarter were impacted by a lower return from the investment portfolio.

On Slide 8, we would like to highlight the positive trend of our earnings and ROE throughout the year. As mentioned before, for the full year 2025, our ROE stands at 16.8%. However, if we exclude the Rutas de Lima stake, ROE would have reached 18.5%. Overall, this has been a solid quarter and year across all IFS business lines with our core operations serving as the primary driver of profitability.

Let's turn now to slide 9, where we take a closer look at IFS revenues, which grew 13% year-over-year. At the bank level, top line growth has increased by 6% this year. We are beginning to see a recovery in our net interest margin, which reached 5.3% in the last quarter. This improvement is mainly driven by accelerated growth in higher-yielding loans and continued optimization of our cost of funds, together with stronger fee generation and improved FX results fully aligned with our strategy to deepen customer relations.

This year, Interseguro has demonstrated robust revenue growth of 33%, supported by an increase in insurance results of life and annuities, but also by favorable investment results. Meanwhile, Inteligo grew top line 29%, thanks to a steady growth of fee income, which aligns with the positive trend in assets under management. The investment portfolio has delivered a strong 12-month return of 13.4%, marking a very good year overall.

On Slide 10, IFS expenses increased by 11% in 2025 as we continue to make strategic investments to support our long-term growth ambitions. This includes accelerated investments in technology to strengthen resilience, enhance user experience, improve cybersecurity, expand our capacity and develop GenAI capabilities alongside ongoing efforts to strengthening leadership within key teams, reflecting our recognition of the pivotal role talent plays in delivering our strategy. Consequently, the cost-to-income ratio stands at 36.8% at IFS.

Now let's move to our second key message. On Slide 12, we see increasing dynamism in higher yielding loans. Our total loan portfolio expanded by 4% year-over-year, which would have been 6.5%, excluding the FX effect. This positive momentum was driven by the acceleration in higher-yielding loans, which grew 8% over the past year. The robust macroeconomic activity is reflected in increased disbursement by 23% in cash loans and by 60% in small businesses.

Overall, in retail banking, the mass market segment has grown steadily through the year, positively impacting the average yield, recovering around 20 basis points in the last 6 months. It is also worth highlighting our mortgage portfolio, which has expanded by more than 8% over the past year, surpassing market growth. As a result, we gained 10 basis points in market share, now exceeding 16%, firmly establishing ourselves as the third largest player in the system.

On the commercial banking side, performance was strong across all segments, corporate, midsize and small businesses. Notably, the small business segment stood out, achieving a solid 25% growth over the year, which means we have not only replaced all of the Impulso Mi Peru maturities, but also expanded more than threefold beyond that, increasing the average yield by more than 200 basis points over the past year. Excluding FX effects, overall commercial growth reached 6%.

On slide 13, we wanted to double-click on the consumer portfolio, which accelerated in the last quarter. Credit card activity continued to strengthen, supported by higher transaction volumes that reflect improved customer engagement and growing consumption trends. Overall, spending increased by 8% quarter-over-quarter and 13% year-over-year, driven by more personalized communication efforts and the effective execution of targeted campaigns across key spending categories such as grocery stores, retail e-commerce and cross-border.

Personal loans delivered solid balanced growth alongside a sharp improvement in profitability in the fourth quarter. Total balances accelerated in the last quarter at 2.3% despite excess liquidity in the market due to pension fund withdrawals, severance deposit releases and the December seasonality. On a year-over-year basis, balances grew 5%, highlighting resilient demand and strong commercial execution. Looking ahead, we remain optimistic about our growth prospects.

Following with the third message, we see improvement in risk-adjusted NIM. On slide 15, there is some good news to highlight in terms of this indicator. Over the past year, we achieved a substantial improvement in our risk-adjusted NIM, which rose by 50 basis points to 4% in the last quarter and accumulated 3.7% for the full year. This marks an increase of 80 basis points compared to last year's 2.9%. Notably, the last quarter contributed a 20 basis points uplift, driven by lower cost of risk.

On the funding side, we have positive news to share, as our cost of funds further declined by 10 basis points over the past quarter. While the average yield slightly decreased this past quarter, retail rates improved by 15 basis points, supported by both mass market and affluent segments. These segments continue to build momentum and make meaningful contributions to our overall performance.

Furthermore, within higher-yielding loans, we observed an increase of more than 40 basis points in the average yield during the quarter. As a direct result, our NIM increased by 10 basis points quarter-over-quarter.

On Slide 16, let me share a quick update on asset quality. Our quarterly cost of risk continues the trend to lower levels at 1.8% in the quarter, reaching the lowest level in four years with a full year cost of risk of 2.3%. Still, current loan mix supports a low cost of risk.

On the retail segment, the cost of risk continues to decrease, now standing below 4%, representing a decline of 150 basis points compared to the prior year, still below our risk appetite. Our consumer lending portfolio is performing well with cost of risk dropping from around 9% to below 7% year-over-year, supported by healthier customers, while new loans are showing a good performance in the new vintages.

On the commercial side, asset quality remains strong with performance holding steady throughout the year. On top of this, the adjustment of forward-looking parameters has enabled us to release some provisions. Overall, our non-performing loans ratio continued to be healthy and our coverage levels remain solid at approximately 140%.

Looking ahead, as our consumer and small business portfolios keep expanding, now representing 22% of our total loan portfolio, we should expect the cost of risk to gradually increase. All in all, these results underscore an improving operating environment and demonstrate that our prudent approach to portfolio management is enabling us to deliver sustainable growth.

On Slide 17, I'd like to highlight some positive developments regarding our funding structure. Deposits remain a key component, accounting for approximately 81% of our total funding. Over the past year, total deposits increased by 5% and by 9% when excluding the impact of FX. Retail deposits continued their positive momentum, outpacing the overall system, particularly in savings and transactional accounts, in line with the pension fund release.

On the commercial side, deposit growth has been further supported by the expansion of our payment ecosystem, resulting in a 15.5% increase in efficient commercial deposits. As a result of these trends, our cost of funds declined by 20 basis points year-over-year and by an additional 10 basis points in the last quarter, driven by increased deposit flows that were in line with pension funds withdrawal.

The cost of deposits has shown a consistent improvement with a 30 basis points reduction throughout the year. Importantly, there remains further potential for reduction as the share of efficient funding now at 40% continues to grow with a positive impact on the fourth quarter of the additional liquidity coming from the market. Our loan-to-deposit ratio stands at 92%, which is in line with the industry average.

Moving on to our digital strategy. Our payment ecosystem in Slide 19 with Plin and Izipay is driving our growth in 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 as a source to increase float. In particular, the commercial teams from both Izipay and the bank are collaborating more efficiently, allowing us to deliver integrated solutions and maximize the value we bring to our clients.

Izipay continues to show strong momentum in the small business segment with flows from Izipay up 60% over the past year. This growth has contributed to the 26% in deposits, which now account for 11% of wholesale deposits or 33% of wholesale low-cost deposits.

The float from Izipay expanded by 35% in the same period as Interbank's share of Izipay flows is around 40%. Over the past year, Plin transactions increased by 48% and our digital retail customer base now stands at 84%. In 2025, we further enhanced our offering by launching Plin Corredores, Plin WhatsApp and Plin e-commerce, reflecting our ongoing commitment to continuously introduce new features that add value to our customers.

We continue to drive meaningful value and strengthen primary banking relationships throughout our digital initiatives, particularly with Plin. Over the past year, on Slide 20, we have grown our retail primary banking customer base by 11%, now representing more than 35% of our total retail clients. Monthly active Plin users reached 2.6 million, each completing 33% more transactions versus last year.

P2M payments remain a core driver of engagement, now accounting for 60% of our transactions. Additionally, we see good trends in our digital indicators compared to last year as we remain focused on developing solutions that meet our customers' evolving needs.

As a result, we've seen steady growth in digital adoption as our retail digital customer base increased from 81% to 84%, while commercial digital clients now stand at 74%, while the latest NPS reading was 51% for retail customers and 68% for commercial clients.

Advancements include the fully redesigned by payments area, the launch of customizable QR codes and dynamic CVV for Visa credit and debit cards as well as the integration of investment management. Additionally, the ability to perform sales directly within the app further streamlines customer interactions. These initiatives reflect our commitment to security, convenience and innovative financial solutions, underscoring our role as a leader in shaping the future of financial services.

On Slide 21, 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 71% and the digital premiums to grow 25% in the last year.

In Wealth Management, we are committed to continually improve in our -- to improve our Interfondos app, aiming to transform it from a simple transactional tool into a comprehensive digital advisor for our mutual fund clients. This has led to a steady rise in app engagement with a number of digital users increasing by 7 points year-over-year. Additionally, digital transactions now represent 55% of all activity on the platform.

Moving on to the fifth message with double-digit growth in insurance. On Slide 23, we continue to see an increased stock of the contractual service margin, which grew 22% year-over-year, mainly driven by Individual Life, which grew 23% in the last year, supported by strong new business generation that more than offset the monthly amortization of the CSM.

Individual Life remains a key focus for us given its low market penetration. Although traditional channels keep growing at high rates, we've been also diversifying our distribution strategy to include new channels and adjust the product to reach new segments and keep supporting growth. Additionally, short-term insurance premiums grew by over two-fold, driven by disability and survivorship premiums acquired through a two-year bidding process from the Peruvian private pension system.

On the investment side, as mentioned before, the solid results were impacted by additional impairment from Rutas de Lima. Despite this impact, the return on the investment portfolio reached 5.3% for the whole year and would have been 6.6% without this effect.

Finally, Wealth Management continues to deliver double-digit growth. On Slide 25, we highlight the strong performance in our Wealth Management business this year. Inteligo continues to show solid momentum. Assets under management have grown at a double-digit pace, reaching new highs and now totaling \$9.1 billion, including deposits.

Fee income continues to improve, up 15% year-over-year, which would have been 18%, excluding the FX effect, adding to the positive trend in results.

Now let me move to the final part of the presentation, where we provide some takeaways. On Slide 27, before we move on to our operating trends, we'd like to summarize where we are focusing our growth efforts. In Commercial Banking, we have seen important growth in small businesses, which increased loans by 25% 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, gaining 10 additional basis points of market share. This strong performance is supported by our strategy to deepen relationships with key midsized company clients, unlocking additional cross-sell opportunities and leveraging synergies with Izipay to enhance our value proposition, especially in the small business segment where our digital and payment capabilities set us apart.

The consumer portfolio has had three consecutive quarters showing growth. At the same time, the mortgage segment continued its positive trajectory, achieving a market share above 16%. In Insurance, we are maintaining our focus on long-term products as individual life has shown encouraging growth this year.

Finally, in Wealth Management, assets under management continued to grow at a healthy pace, up 16% year-over-year, reaching new record levels, a reflection of both market performance and continued client engagement.

On Slide 28, let me give you a review of the operating trends of 2025. Capital ratios remained at sound levels with a total capital ratio of 16% and core equity Tier 1 ratio at 12.5%. Our ROE for the year was 16.8%, surpassing our guidance for the year.

For loan growth, we grew 3.7%, but 6.5% if we adjust for the FX appreciation. NIM had a slight recovery over the last quarter with a full year ratio of 5.2%. Finally, we continue to focus on efficiency at IFS as our cost-to-income ratio was around 33% -- 37%, sorry.

On Slide 29, let's go through our expectations for 2026. For 2026, we expect ROE to be around 17%, an improvement with respect to the full year 2025 and closer to our 18% mid-term target. For loan growth, we expect a high single-digit growth above 2025 growth, driven by both commercial banking and the recovery of the consumer portfolio.

We expect this to be above the system with the aim to continue gaining market share in key businesses. Finally, we will continue to focus on efficiency at IFS, and we expect to maintain a cost-income ratio of around 37%.

Let me finalize the presentation with some key takeaways. First of all, we saw solid performance across all businesses and our core operations. Second, our higher-yielding loans continue with a positive trend in both consumer and small business financing. Third, we continue to see improvement in the risk-adjusted NIM, helping profitability. Fourth, we are strengthening primary banking relationships with our retail clients. Fifth, our insurance business keeps delivering solid double-digit growth. And finally, our Wealth Management business continues to deliver double-digit growth as well.

Thank you very much, and now we welcome any questions you may have.

QUESTION AND ANSWER

Operator

At this time, we will open the floor for your questions. [Operator Instructions] And our 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. Good morning to all your team. And congrats on the results. My first question will be on Rutas de Lima. Just wondering if we should continue to see further impact in 2026? Or is this almost done?

My second question will be on loan growth and asset quality. So, as you said in the presentation and in your results, you have started to see more credit appetite towards credit cards and personal loans. So, can you give us some color on what is the type of growth you're expecting for each segment? And how should that will be translated into asset quality, NPLs and cost of risk this year?

Then I have a question on expenses. In 2025, you have like a high single-digit growth. You have been putting efforts in terms of technology, personnel, marketing. So, how should we think about OpEx growth this year?

And my last question is on your sustainable ROE. I believe in the past, your ROE used to be at the same level of Credicorp, which now is targeting to be around 20%. I believe you are targeting a midterm ROE of 18%. So just wondering if there is an opportunity to get your ROE more close to your peer at some point? Or is it something that you are not considering? And also, this 18%, you're expecting it to be achieved probably likely in 2028. That will be all for me. Thank you.

Luis Felipe Castellanos

Okay. Ernesto, thank you very much. And again, also apologies from our side for technical difficulties. We're looking into what happened. But going back to your question, Ernesto, thanks again. I'm going to go briefly like a summary, and then we'll pass it on to the team members so they can make more specific comments.

On Rutas de Lima, based on the info that we have, I think this is -- again, we've done close to 80% in provision or impairment right now with information we have where the legal proceedings are, what we expect is going to happen going forward, we feel pretty comfortable that this should be the effect and 2026, we shouldn't see anything else. There might be some positive developments that change this in the medium term. But for the short-term, I think that's -- we feel pretty confident that this is the impact that will go through our books related to this name.

In terms of loan growth, I think it's encouraging what we've seen in the last Q, again, especially higher-yielding loans are starting to pick up. We do expect this trend to continue through next year. And overall, if those loans start picking up as we hope, then obviously, the cost of risk related to those higher-yielding loans will come with that portfolio.

Then in terms of expenses, I think we will continue to invest. So, overall, in the three businesses, we keep strengthening our teams. We keep investing in technology and we're seeing more volume overall. So probably the trend is going to be very similar to this year, okay?

And lastly, in terms of the ROE, our mid-term view is, again, 18% plus. No, we're not getting merit to any specific number. Obviously, if the Peruvian system evolves the way we expect, we should see similar numbers to pre-pandemic, but we're taking it slowly because, again, the nature of volatility that has impacted the system because of some political issues has made the nature of growth in Peru not as strong as we had before. So, while that continues to unveil, we have kind of an optimistic conservative approach towards growth. But obviously, if 30% ROE is achievable, we do think we have a platform that could take advantage of that.

Now let me stop, and I'm going to pass it on specifically for your question one and two to Gonzalo and Carlos afterwards to see if there's anything that they want to complement. First, Gonzalo, anything more that you would like to say on Rutas de Lima? You're on mute, Gonzalo.

Gonzalo Basadre

Yes. Hi, everybody. During our last call, we mentioned that after the closing of the tolls, we will do an additional charge on Rutas de Lima in the fourth quarter, and we reviewed and we think we have a very conservative value in what's left on the investment. It's around 20%. With the information we have now, we think that there doesn't -- there won't be any additional charges on that investment.

Luis Felipe Castellanos

Okay. That's good. Now Carlos, can you help us in a little bit more detail in terms of loan growth and asset quality as by Ernesto?

Carlos Tori

Yes. Thank you. Absolutely. Hello, Ernesto. Thanks for your question. So regarding loan growth, particularly higher-yielding loan growth, which is credit cards and personal loans and SMEs, we have started growing that in '25, I would say, more on the second half of 2025. However, the market kind of -- it's been mixed because of the AFP. So a lot of the growth that we had was amortized by the clients towards November and December. That was an effect that kind of curtailed our growth. But we still grew in personal loans and credit cards around 2.3%, 2.5% on the last quarter.

We expect that to continue and accelerate in 2026 based on the things that we're doing and our risk for appetite, but also on the fact that this is liquidity that Michela mentioned, from the AFPs. What this will do -- it will probably increase cost of risk slightly, not because we want to increase cost of risk per se, obviously, but because it's a more efficient frontier in terms of profitability and risk. So, we will probably go closer -- the last quarter was below 2% our cost of risk, and we will probably get closer to 2.5% or something around our historic environment. So I think that answers the -- I don't know, Ernesto, if you have any follow-up questions on that?

Ernesto Gabilondo

No, no. Yes, excellent. So cost of risk around 2.5% for this year. And in terms of loan growth, you were saying a more gradual increase for these high-yield loans? What about corporate loans? I believe maybe after the election, they can start to pick up. So, just wondering how you're seeing that segment.

Carlos Tori

All right. Just to be clear, the cost of risk is not a target. It's probably -- it's a trend that will happen as you get higher-yielding loans. Corporate loans, as you know, we have good relationships with the main clients in Peru. We work closely with them in short-term and long-term.

Corporate growth will depend on mainly two things: the amount of CapEx that goes on and probably there has been good CapEx in 2025. It will probably slow a little bit until we have more vision on the elections, but there's a lot of things coming in.

And then bond offerings, right? As long as there's more bond offerings, the banks kind of shrink. So we foresee some growth just because the economy will grow and there will be investment, but it won't be necessarily our leading portfolio.

Ernesto Gabilondo

Perfect. Thank you very much. Just a follow-up in terms of the ROE, because the talking about the ROE, it was like stopped the RDL. So if you can repeat again how you're seeing the evolution of the ROE? And do you think at some point, the 20% could be reasonable?

Luis Felipe Castellanos

Yes. Thank you, Ernesto. So again, the ROE, if you see the way we look at ROE, okay? And so Inteligo and Interseguro are already operating at ROEs north of 20%. The one that is growing and recovering is the bank, and that pace of recovery will depend on how fast we can rebuild more relevance of the consumer and higher yielding book, okay?

So again, we do see an 18% plus ROE in the medium-term as this book continues to evolve. And as we continue gaining efficiency at scale, the 20% plus is -- I think, is achievable as long as the Peruvian economy continues to perform well.

So yes, we're not saying it's not achievable. However, in the medium-term, we do need to see the higher-yielding book to recover. So the ROE of the bank with that improvement to be able to push towards north of 18% ROEs.

Ernesto Gabilondo

Perfect. Very helpful. Thank you very much.

Luis Felipe Castellanos

Thank you, Ernesto.

Operator

The next question will come from Daniela Miranda with Santander. Please go ahead.

Daniella Miranda

Good morning, Luis Felipe and Michela, Carlos, Bruno and Gonzalo. Thanks for taking my question. Two very quick ones from my side. The first one is we noticed there was no formal guidance provided on NIM. Could you share some additional color on how you're thinking about NIM in 2026? And also, we continue to see volatility in the results of Interseguro and Inteligo.

What is your medium-term profitability outlook for these businesses? And are there any specific initiatives underway to help mitigate this earnings volatility?

Luis Felipe Castellanos

Okay. Thank you. I'm going to start by your question number two. Again, our medium-term and our structural profitability for both businesses is 20%. Obviously, especially Interseguro is like investment related. So whatever happens with the market will have an influence in the results. That's why you see a little bit more volatility. Same happens, especially with the prop book of Inteligo that we have a mixed strategy there.

As you know, we do have a nice fee business growing in very stable, but then our book brings in some volatility. That is dependent on the evolution of the market in terms of investment results. But we do see 20% ROEs for those businesses year in, year out and going forward, and that's kind of the structural view that we have on it.

In terms of NIM, again, I'm going to let Michela go over that answer. But as long as the higher-yielding book continues to get more relevance, NIM should continue to improve. So that's what we're expecting for next year, but maybe Michela can help us with a little bit more detail on that.

Michela Casassa

Yes. Just to add that as the higher-yielding loan portfolio grows, that should positively impact yield on loans. And we also expect an additional improvement of cost of funds, not as big as we have seen in 2025, because I guess a portion of that was also related to decreasing rates. But we still see potential for further decrease in cost of funds as we continue to improve the mix of the efficient funding with all the things that we are doing both in retail banking, but also with the payment ecosystem with Izipay and commercial banking. So NIM should slightly increase during 2026. We saw it already in the last quarter, 10 basis points. So we should see a further improvement in NIM and in risk-adjusted NIM throughout 2026.

Luis Felipe Castellanos

Thank you, Michela.

Daniella Miranda

Very clear. Thank you.

Luis Felipe Castellanos

Thank you.

Operator

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

Yuri Fernandes

Thank you. Good morning and congrats for the quarter or for the year. I have a question regarding your deposits for you to deliver a high single digit loan growth. How do you imagine your funding also growing, right? And this year, deposits, they are growing less, right? They're growing, I don't know, 5% above loans, but I think this is not enough for [inaudible 0:50:14]. So just checking here, like in the past years, I guess there was a good improvement in funding cost, right, like more expensive institutional funding were growing more retail deposits. So basically, we're focusing in cheaper funding lines.

And now the message from Michela from the past answer was that margins will expand on the asset side, right, on the mix, so just checking the liabilities. Should we see maybe for you to deliver the funding growth you need a higher funding cost for you into 2026? And then just a follow-up for Ernesto, many questions just on the ROE. This was a part of 19% ROE, right? If you adjust for Rutas de Lima that hopefully, it's getting over given the amount of exposure you have. Why not more than 17% ROE for the next year? If insurance and the other business are running already at 20%, it's a better year. Why not a high ROE for the year? Thank you.

Luis Felipe Castellanos

Okay. Thank you, Yuri, for your questions. Let me go over the last one again. Again, it will depend on -- if you see the bank is around to continue to recover, okay? The ROE of Interbank is the one that -- obviously, Inteligo had a soft ROE quarter, very strong year. But again, it will depend on the pace of recovery of the higher-yielding book of the bank. So, more than 17% that is achievable, it is achievable, but it depends on many situations. So that's why we're guiding at around 17%. It's an electoral year. So the pace of recovery is still to be seen.

Again, we've seen that we've had releases of pension funds that is curtailing our ability to grow as strong as we want it. So we are probably in the conservative side in terms of what will happen. If the opportunities for growth are there in that book, we will take advantage of that, and that should have a positive impact in ROE as well and NIM for the bank. But again, we feel more comfortable in looking at a smooth recovery, not an aggressive recovery, okay?

And then in terms of deposits, yes, we are focusing very much on low-cost deposits, I guess, our retail banking platform allow us to continue growing there and also the strategy that we're deploying with Izipay is key for that. So we do expect this to continue growing in the next year and having an impact in our cost of funds base. But let me pass it on to Carlos, so he can connect this with the strategy that we are deploying, so you can have a more ample picture.

Carlos Tori

Thank you, Luis Felipe. And Yuri, yes, I mean, a little more detail on what Luis Felipe said. But as you can see, our loan to deposits is low. The fourth quarter was 92%. We've been growing deposits, but more than focusing on overall deposits, we've been focusing on low funding or low-cost deposits, and that has grown more this year than the last. And that, as Luis Felipe mentioned, comes from 2 -- in 2 ways.

Retail deposits continued to grow well across the years really, and 2025 was an exception, obviously, at the end of the year, helped by the pension fund, but we also get some of that in January and February. So we will continue getting that. And the other source of funding is the payments ecosystem.

It's Plin, it's -- the funds that come from Izipay to the accounts at the bank, I expect that to continue. So we will continue to grow low-cost funding. Maybe the overall size of deposits will continue to grow, but we're more focused on the mix. And that is what would help the cost of funding and NIM. So that's kind of the strategy.

Yuri Fernandes

Very good. Thank you, very much Carlos and Luis Felipe for the answers.

Carlos Tori

Thank you, Yuri.

Operator

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

Carlos Gomez

Good morning. Congratulations and thank you for taking my questions. The first one is actually another way of asking the same thing everybody has asked you. We are obviously in an upswing for retail and for demand. And I guess my question is, to what extent do you think this is temporary because of releases from the pension funds or other factors? Or it's a permanent upswing? Essentially, how long do you think that the good times are going to last? You probably don't have an answer, but I would like to know what your best guess is. Second, referring to Plin. I was trying to find some numbers, but I don't see them in the presentation. What would you say the market share of Plin is today? And what is your market share within Plin? Thank you.

Luis Felipe Castellanos

Okay. We hope that good times last for many months or years going ahead. But Carlos, what we think is -- let's see, again, the pension fund releases and the severance deposit releases actually is stopper to loan growth, okay, because people use those funds, obviously, for some consumption of those activity, but also to repay debt or not get into more personal loans. So when that dries up, and we do expect that to happen starting the second quarter of this year, then probably we will going to see a more strong demand for personal loans in the portfolio and in the system as a whole. So it's a little bit cumbersome, but the releases of funds actually a little bit the growth profile of the portfolio, okay?

Now we are seeing good macro numbers in Peru. The sentiment is positive. The confidence index are at high levels. The labor numbers are looking good. The consumption indexes are also stronger. So there's a structural improvement in Peru's macro front that is having a positive impact in terms of growth as well. And we do expect that to continue during this year. And hopefully, it will flow through to 2027 and moving forward again.

The big question mark is, is Peru going to have noise on the elections of April? Is it going to be something similar to what we had before? We don't think so. Our base case is that, that is not going to be the situation. But again, we know Peru, and we cannot discard that the volatility for the political situation will be there, and let's see how elections at the end evolve. There's some noise right now actually in the political front. Peru has become a surprise in terms of political instability. That is not affecting economic numbers.

But obviously, given that it's an electoral year, there could be some investments being delayed, investor confidence coming down, consumer sentiment changing routes because of this potential noise. So that's the only question mark that we have, but we do see that the structural improvement of the macro front, coupled with the strong commodity prices, position Peru to continue having a strong currency, low inflation and accelerated growth. On that backdrop, the financial system and IFS and Interbank itself should continue to benefit from that environment. And then regarding Plin, let me pass it to Carlos that has a little bit more detail on that. Carlos?

Carlos Tori

Excellent. Yes. The reason we don't disclose market shares in Plin and Yape is because there's no official source for market shares. We build an estimation based on what our competitors say in the market. So we kind of -- we believe PLIN currently has about 15% of the P2P and P2M market. So P2P is person to person and then also using Plin to pay at a merchant. We believe Plin is somewhere around 15%. And Interbank is a little bit over half of that. That's our estimation.

I think it's well founded, but it's not -- there's no definite source on it. We do see growth above 40%, 50% per year. We continue to see very healthy growth in terms of users and in terms of transactions per user. So it's been growing. And it's contributing to our ecosystem. So yeah, I don't know -- I think that's as much as I can share. I don't think I can share more, but that should give you a sense of where we're at.

Carlos Gomez

Could you just remind us -- I mean, there's not an official information, but as far as we know, there are two of you and you have your numbers. So as long as Yape gives theirs, you should have a full picture? Or are we missing somebody? Are we missing some other operator? And overtime, is your -- is the market share of PLIN increasing or decreasing? How do you see this market evolving?

Carlos Tori

Okay. So yes, there are a few -- like there's other banks that are not part of Plin or Yape. That's one. And they go through the CCE and we're all interconnected. So that's one part. It's a small part. It's main at Yape and Plin.

What I don't get to see, and I only get to see on the reports is when Yape sends to another Yape user. We don't see that. We only see when Yape sends to Plin and when Plin sends to Yape. That's the reason we don't see the exact share.

So there's a mix of the players that are not Plin or Yape, and then there's on us or on the transactions. And then in terms of share, yes, we are growing. It's still small. So we think there's a lot more potential to grow faster and to continue to grow. But yeah, we're growing.

Luis Felipe Castellanos

Yeah. And I think that something very, very positive is that, we do see that our customers that use PLIN have much more activity with us, more principality, we become a principal bank. NPS is higher. And obviously, churn is smaller. So the numbers are adding up nicely in terms of building upon the strategy that the bank is deploying.

Carlos Tori

Absolutely.

Carlos Gomez

Thank you.

Carlos Tori

Thank you.

Luis Felipe Castellanos

Thank you, Carlos.

Operator

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

Alonso Aramburu

Yes. Hi. Good morning. And thank you for the call. I wanted to maybe double-click on the performance on consumer loans. Dynamics clearly are better than the last couple of quarters. But

if you look at your market share, you've been losing market share, roughly one point in the last 12 months.

So maybe you can comment on the competitive dynamics. What are you seeing? Who's gaining share? Is it related to payroll loans where you've seen negative growth over the past 12 months and if you're seeing any change in this trend for 2026? Thank you.

Luis Felipe Castellanos

Yeah. Thank you, Alonso. Yes, I think payroll deductible loans to public sector employees, that's a market that for us, it's not growing that much. You have identified it well. And it obviously has an impact. And then I think that we've been digesting the -- what happened in 2023 and 2024. So we're coming back to market probably a little bit later than some of the competitors

But again, we've been in this business for many years. We know how the cyclical can be. And we've been working in making sure that the equation adds up. And so we are returning with a little bit more of risk appetite. But obviously, we've been strengthening our underwriting standards and working through our models in order to make sure that we don't face any issues in the near-term or medium-term.

So that's probably adding all up. You'll see the results that we have seen, especially in the first half of the year. But as Carlos mentioned, we've seen acceleration in the third and especially in the fourth quarter in terms of velocity of growth. But I'm going to pass it to Carlos, so he can complement a little bit more on that specific competitive dynamics that we're seeing. Carlos?

Carlos Tori

No, absolutely. I think there's two different -- so convenience, not payroll loans have their own environment. We are the leaders there, we obviously. It's a good market, but it grows slower than the rest of the market. Being the leader, we're looking at keeping the relationship with our clients, the economics. And that has a much different relations or performance, compared to loans and credit cards.

So where we stopped in 2023, 2024 was loans and credit cards. And as Luis Felipe mentioned, we started to grow again and increase our risk appetite in 2025. We will continue to do that, but we want to do it in a very responsible way. As you know, in the consumer book, big spikes in growth never -- never become -- never end up well. So we've been doing it well. We've been growing.

You would have seen a lot more growth if it wasn't for the AFP withdrawals. I think that's a little something that set us back a little bit in terms of growth, but not in terms of usage of our credit card and usage of our payment solutions. We continue to see growth and engagement there. So we're very positive that over the next couple of months, we will have growth and recuperate some market share.

As we mentioned earlier, we're at the beginning of the cycle, and it's early, and we will -- we know how to do this. And we feel comfortable that the engagement and our value proposition is working well, and it's a matter of increasing the risk in the portfolio slightly, and you will see the growth. So that's kind of the way we're looking at it. The convenience portfolio has a whole different environment, and that should be more stable. The other portfolio that's growing is SMEs and that's higher yielding as well. And that kind of at the end of the day, takes a little bit or brings in a little bit of the yield that is not growing with the payroll loans portfolio.

Alonso Aramburu

Great. Thank you for the color.

Luis Felipe Castellanos

Thank you, Alonso.

Operator

The next question will come from Banyan Mora with Credicorp Capital. Please go ahead.

Banyan Mora

Hi, good morning and thank you for the presentation. I have just one follow-up question. The normalized ROE in 2025 was close to 18.5%. So I'm wondering or I will -- just to clarify what is stopping IFS from reaching a similar figure and achieve an 18% ROE besides the Ruta de Lima, which we don't expect more additional impairment. What will be those factors that do you expect that will not repeat this year and that favor 2025 results? And thus, what will be the ROE expectations for each company in the 17% ROE scenario for this year?

Luis Felipe Castellanos

Thank you, Daniel. Yes, I'm going to go again. So it was a very strong year for some of our investments, especially in Inteligo and also some investments we have at the holding company level, the disclosure is there. So that was very positive. And again, the more stable, sustainable, higher ROE will have to come from the continued recovery of the bank, while the consumer and higher-yielding loans book recover.

For instance, if you see the last Q ROE for Interbank itself was like around 16%. So that needs to continue into a more positive way. And that will come again as a result of higher-yielding loans building up in our portfolio, and that's a process that Carlos just explained. So that's what's holding us back a little bit in terms of how fast we can achieve that medium-term objective. So I hope that answers your question.

Banyan Mora

Yeah. Perfect. Thank you so much.

Operator

At this time, we will take 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 Mathews of WhiteOak Investors. Congratulations on the results. As you increase the share of higher risk loans, do you expect to maintain the same level of coverage of 2025?

Luis Felipe Castellanos

Okay. Thanks for your question. I'm going to pass it on to Michela. I'm assuming, yes, the coverage comes in line with higher provisions due to the cost of risk improving because of those loans. But the mathematics in terms of coverage, Michela, maybe can help me.

Michela Casassa

No, no, yes, not much to add actually. Yes, as Carlo mentioned before, with increasing the high-yielding loan portfolio, we should see an increase in cost of risk. And the levels of coverage, which should remain very similar, not to the ones that you see in 2025.

Ivan Peill

The next question comes from Anand Bhavnani also of WhiteOak Investors. Given it is election year, what are the key risks that you would watch out for?

Luis Felipe Castellanos

Okay. And thanks very much for that question. I guess I'm going to put it in two fronts, okay? Yes, it's an election year. Again, we don't see big disruptions coming into the market. Again, our base case is of continued stability or growth, whatever. What we've seen in previous elections is some candidates that are not market friendly start to rise up in terms of the polls. And then people start losing confidence and investments start getting delayed.

So that's kind of a risk that we see to growth in the coming months that something changes in terms of the political environment and some radical proposal or not market-friendly type of disruption becomes a risk in the political scenario. So, that is the election period itself. And so people will delay and companies will delay some decisions because of this.

And then the second front is what actually happens, who gets elected. And again, the risk is for someone that is not market-friendly being elected and trying to change certain things that support growth or stability, the currency being stable or issues that will come with inflation. So basically, that's the risk. It's a political risk of somebody changing the rules of the game. The probability is not high. But again, we are in Peru, and we've gone through some volatility because of this before. So that is kind of the way we see it. So we need to see what happens in elections and what happens in the actual candidate being elected as President.

Now, again, our base case is of continued stability, continued growth, continued strength. I guess Peru has proven that their economic-related institutions are very solid, very well respected. They do their work pretty well even under the previous election and when President Castillo was elected, that was not touched. That has not changed. So we feel very confident on that continue to working out strong superintendency, strong Central Bank, strong Minister of Economy and Finance. But again, it's -- those are the political risks that we are looking at. So I hope that answered your question on that front.

Ivan Peill

We have a follow-up question from Anand Bhavnani of WhiteOak Investors. Given the boom in copper and lower price of oil, do you anticipate GDP growth to have upside risk and inflation to have downside potential? Can both of which be a tailwind to help you do better?

Luis Felipe Castellanos

Yes. Obviously, those are positive factors that could influence a stronger performance of the Peruvian economy. Obviously, that would help the currency to continue in its strength. It's not a strong pattern as Michela mentioned, the Peruvian sol has appreciated 10% this year. We don't foresee if the commodity prices continue to be strong, probably the sol will continue to follow that path. Inflation will continue under control and having good export results and low cost of energy would help improve some productivity and that should have a positive win towards our economic performance as a whole.

And the Peruvian financial system should be a multiplier of that. And again, Interbank and Interseguro, Inteligo, we have a platform that can definitely look at the opportunities that, that positive situation approach. So there's an upside risk on that front that we are prepared to take advantage of. And obviously, we're looking very detailed on those opportunities. Now again, the

big question mark can be the political situation, but that's going to clear up in a couple of months. So we'll have a more clear picture probably for the next quarterly call.

Ivan Peill

At this time, there are no further questions. I would like to turn the call over to the operator.

Conclusion

Operator

Thank you. And we are not showing any audio questions as well. So I would like to turn the floor back to Ms. Casassa for any closing remarks.

Michela Casassa

Okay. Thank you very much, everyone, for being with us today. Sorry again for the inconvenience, and we hope to see you all on the next quarterly conference call. Thanks again. Bye, everybody.

Operator

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