Credicorp LTD

Second Quarter 2026 Earnings Conference Call

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CORPORATE PARTICIPANTS

Milagros Ciguenas – *Investor Relations Officer*
Gianfranco Ferrari – *Chief Executive Officer*
Alejandro Perez-Reyes – *Chief Financial Officer*
Francesca Raffo – *Chief Innovation Officer*
Cesar Rios – *Chief Risk Officer*

PRESENTATION

Operator

Good morning, everyone. I would like to welcome you to the Credicorp Ltd. Second Quarter 2026 Conference Call. A slide presentation will accompany today's webcast, which is available in the Investor section of Credicorp's website. Today's conference call is being recorded. As a reminder, all participants will be in listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you would like to ask a question, please signal by pressing star one on your telephone keypad. If you have connected to the call using the HD web phone on your computer, please use the keypad on your computer screen. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment.

Now, it is my pleasure to turn the conference over to Credicorp's IRO Milagros Ciguenas. You may begin.

Milagros Ciguenas

Thank you, and good morning, everyone. Speaking on today's call will be Gianfranco Ferrari, our Chief Executive Officer, and Alejandro Perez-Reyes, our Chief Financial Officer. Participating in the Q&A session will also be Francesca Raffo, Chief Innovation Officer; Cesar Rios, Chief Risk Officer; Diego Cavero, Head of Universal Banking; Eduardo Montero, Head of Insurance and Pensions; and Rocio Benavides, CFO at Mibanco.

Before we proceed, I would like to make the following safe harbor statement. Today's call will contain forward-looking statements which are based on management's current expectations and beliefs and are subject to a number of risks and uncertainties, and I refer you to the forward-looking statement section in our earnings release and recent filings with the SEC. We assume no obligation to update or revise any forward-looking statements to reflect new or changed events or circumstances.

Gianfranco Ferrari will begin the call with remarks on the current operating environment, Credicorp's strategic priorities, and the key drivers underpinning our confidence in achieving a medium-term ROE of around 22%. He will also highlight our strong performance this quarter. Alejandro Perez-Reyes will then review our financial performance in greater detail and discuss our outlook for 2026. Gianfranco, please go ahead.

Gianfranco Ferrari

Thank you, Milagros. Good morning, everyone, and thank you for joining us today. Before reviewing our quarterly performance, I would like to begin by sharing why we have greater confidence in Peru's medium-term outlook and what this means for Credicorp. We believe Peru is entering a more favorable environment for growth. This confidence is grounded first in the continued improvement of the country's underlying economic fundamentals. Private investment, domestic demand, favorable commodity prices, and business confidence were already gaining momentum before the recent election. The political transition could help reinforce this momentum. Greater visibility around the policy agenda, a less fragmented Congress, and continued commitment to Peru's sound macroeconomic framework and private investment would further support confidence.

Early signals of policy continuity and discipline, including the formation of a new and solid technical team at the Ministry of Economy and Finance and continuity at the central bank are encouraging and consistent with a more predictable economic environment. Data support this view. Business confidence has recovered to its highest level in years. Private investment is growing by approximately 13% year-over-year. and domestic demand by more than 5%. Peru also continues to benefit from exceptional favorable commodity prices, with gold prices having roughly doubled since 2023 and copper prices increasing nearly 60%. Together, these factors are strengthening investment, credit demand, and economic activity providing a solid foundation for stronger medium-term growth.

The principal near-term risk of this to this outlook is El Niño. While we recognize its potential impact on families, communities, and small businesses, we continue to be to view it as a temporary and manageable shock rather than a structural change in Peru's growth trajectory. At Credicorp, we are prepared to support our clients and communities through this period, leveraging our ecosystem, distribution channels, and digital capabilities to help them anticipate and manage potential disruptions. Alejandro will provide more details on expected financial impact and how we are incorporating currently available information related to El Niño risk into our financial outlook. Importantly, based on the information currently available, El Niño does not alter our broader confidence in Peru's medium-term outlook or in Credicorp ability to continue delivering sustainable growth. Across the region, the outlook remains mixed, but constructive over the medium term.

In Chile, while near-term activities have been softer than expected, the investment pipeline, elevated copper prices, and policies aimed at encouraging private investment support a better outlook. In Colombia, despite ongoing challenges and the terrible impact of the recent earthquake, market sentiment has improved following recent political developments, reflected in a stronger currency and lower sovereign yields. Overall, the improving operating environment reinforces our confidence in Credicorp's long-term outlook. Against this backdrop, we delivered a strong second quarter with solid performance across our businesses and continued progress against our strategic priorities.

Let me now walk you through the key results. We delivered another quarter of strong execution, reporting a 20.3% ROE, reflecting the strength of our diversified business model and solid performance across our core businesses. Operational momentum remained robust across the franchise. Our innovation portfolio contributed 9.9% of Credicorp's risk-adjusted revenues keeping us firmly on track to our strategic objectives while demonstrating how the portfolio is becoming an increasingly meaningful contributor to earnings profile. We are also seeing credit demand continue to strengthen. Loan grown accelerated across our main lending businesses, supported by both retail and wholesale banking at BCP as well as Mibanco.

Our profitability continues to benefit from disciplined execution. Risk-adjusted NIM stood at 5.5% supported by our low-cost funding advantage, healthy portfolio mix, and disciplined pricing. Our strong capital position and discipline risk management continue to provide resilience. We're actively monitoring El Niño risk, reinforcing our ability to support clients while maintaining a sound risk profile. At the same time, we remain focused on building the business for the long term.

Our efficiency ratio stood at 45.4% while investments in innovation and digital capabilities continue to broaden our revenue base, deepen customer engagement, foster financial inclusion, and support more scalable growth. As we have discussed in recent quarters, our previous mid-term ROE expectation of around 19.5% has become increasingly conservative as our performance strengthened and the underlying economics of our business continued to grow.

With greater visibility across our key markets and earning drivers, we believe the time is right to update our medium-term ROE expectation. We now believe Credicorp has the capacity to deliver a medium-term return on equity of approximately 22%. This reflects a more stable operating environment, but more importantly, the structural transformation of our ecosystem.

Over the past several years, we've strengthened the drivers of our earnings, improving the quality of our loan portfolio, enhancing risk management capabilities, reinforcing our structural funding advantage, and diversifying our sources of revenue. At the same time, we have invested consistently in technology, data, and talent, creating a more scalable and efficient business model. Innovation is an increasingly important part of that transformation. It is expanding financial inclusion and deepening customer relationships, while becoming a more meaningful contributor to growth, energy diversification, and long-term resilience. Together, these structural improvements position us to deliver stronger and more sustainable profitability across economic cycles.

We look forward to sharing more information about how our innovation strategy is becoming an increasingly important driver of growth and value creation across Credicorp at our digital strategic update on November 17th. Now let me turn the call over to Alejandro.

Alejandro Perez-Reyes
Thank you, Gianfranco, and good morning, everyone. As Gianfranco mentioned, we delivered a 20.3% ROE this quarter supported by strong operating performance, accelerated loan growth, and higher risk-adjusted revenues across our diversified business ecosystem. As I discuss the quarter's highlights, I will focus on the year-over-year operating trend.

Loans measured in quarter-end balances increased 13.1%. This uptick was driven primarily by BCP through both retail and household banking and by Mibanco. Asset quality improved further, with Credicorp's NPL ratio declining to 4.1% for the quarter, supported by better origination quality and enhanced collections capabilities. The cost of risk stood at 1.9% reflecting portfolio growth within our risk appetite and an impact of 27 basis points due to El Niño -related provisions based on currently available information. Net interest income increased 13.3% mainly driven by lower interest expenses, supported by our local funding structure and by a higher yielding loan mix. Against this backdrop, NIM stood at 6.6%.

Other core income grew 19.7%. Fee income increased 15.9% boosted by transactional activity at Yape and BCP. Gains on FX transactions rose 29.8% through higher volumes at BCP, which rose in the context of a higher volatility.

Lastly, the insurance underwriting results decreased, mainly reflecting a base effect from provision reversals recorded in the second quarter of last year in the life business. Our diversified business portfolio, strong capital position, and healthy asset quality puts us in good stead to navigate potential El Niño impact as we continue to execute our strategic priorities. Next slide, please.

Peru's economy remained resilient in the second quarter of the year, with GDP estimated to have grown by around 3% year-over-year. Robust domestic demand, supported by historically high terms of trade, employment gains, and ongoing business cycle momentum helped offset a sharp contraction in primary activities. Primary GDP is estimated to have fallen by nearly 5% year-over-year, marking its steepest decline since 2014, excluding the pandemic as El Niño -related disruptions weighed on fishing, agriculture, and primary manufacturing. Despite these headwinds, domestic demand is estimated to have expanded roughly 5% year-over-year, reporting the seventh consecutive quarter of strong growth.

High-frequency indicators continue to sign a broad-based and robust economic expansion, with several indicators posting double-digit year-over-year growth. Private investment expectations have rebounded sharply following the presidential election, reaching their highest levels since the series began in 2013. President Keiko Fujimori has confirmed Julio Velarde's continuation as governor of the central bank and appointed Elmer Cuba, a respected macroeconomist and former central bank director, as finance minister, reinforcing expectations of solid and predictable macroeconomic policy under the new administration. Next slide, please.

Under Chairman Kevin Warsh, the Federal Reserve has emphasized its commitment to price stability and signed off limited tolerance for persistently elevated inflation. Economies remain divided between expectations of traditional rate hikes and an extended pause in monetary policy. In Peru, annual inflation remains around 4% year-over-year between April and July, its highest level since late 2023, driven primarily by higher local transportation costs. Core inflation, excluding transportation, is still below 2%.

In Colombia, annual inflation is slightly to 6% year-over-year in July, down from 6.1% in June, marking the first moderation after four consecutive monthly increases. Inflation remains elevated, however, partly reflecting the significant minimum wage increase implemented at the beginning of the year. The central bank has responded by raising its policy rate by 275 basis points since December. Investor sentiment, in turn, has improved following the election of President Abelardo de la Espriella. In this context, the peso has appreciated sharply, making its strongest showing against the US dollar since 2019.

In Chile, higher oil prices and weaker than expected mining production have weighted on the economic outlook this year. Annual inflation eased to 3.5% year-over-year in July, after reaching its highest level in nine months in June while the central bank has kept the policy rate unchanged at 4.5%.

In June 2026, Bolivia transitioned to a market-based FX framework, replacing its long-standing peg. We do not anticipate a material impact on Credicorp given that we incorporated market exchange rate dynamics in Bolivia in our reporting for the first quarter of last year. In parallel, the IMF and authorities reached a staff-level agreement on a new program of about PEN 1.9 billion to support the country's economic reform program.

Although uncertainty persists around oil prices, geopolitical developments in the Middle East, and the potential impact of El Niño during the remainder of the year, as Gianfranco mentioned, we believe that improvements in the regional operating environment support our confidence in a more favorable medium-term outcome. Next slide, please.

Before moving on, I would like to address El Niño risk in Peru, a key topic for investors assessing our earnings, asset quality, and capital generation resilience. El Niño is a transitory event that periodically affects Peru. While it may create short-term volatility, it does not alter our long-term view of the Peruvian economy or its underlying strength. So far in 2026, El Niño Costero has mainly affected Peru's fishing, agriculture, and related activities in the north, while the broader economy has remained resilient. The strongest impact would likely materialize in the first quarter of next year if the event intensifies or converges with a global El Niño scenario.

From a macro perspective, we estimate 2027 GDP growth to remain resilient around 3% under a moderate to strong El Niño scenario, while an extraordinary event could lead to a more pronounced slowdown. Importantly, Peru is entering this period with stronger fundamentals and higher liquidity across the financial system than in prior El Niño episodes. For Credicorp, estimated direct exposure to potentially affected clients is approximately 9% of total loans.

While visibility should improve toward the last quarter of this year, we are already incorporating the currently available information related to El Niño risk, resulting in additional provisions starting in June. Under the scenarios currently assessed, we expect full year 2026 cost of risk to remain within guidance.

Looking towards 2027, a more severe event could moderate loan growth and fee income through downward pressures on activity. However, we are better prepared than in previous similar events, supported by lower direct exposure, early mitigation, stronger risk management and analytics, and healthier portfolio quality. More broadly, this is not a new risk for us. We have a robust governance framework and mitigation playbook, supported by enhanced data and digital capabilities. This helps us identify vulnerable clients earlier, communicate at scale, and deploy target detection faster.

In short, we are approaching this scenario from a position of strength. Portfolio quality remains healthy. Our balance sheet is strong, and we are confident in our ability to manage potential El Niño impacts while supporting clients, communities and the broader Peruvian economy, and preserving profitability. Next slide, please.

This quarter, BCP's profitability remains strong with a favorable economic backdrop. Loan growth continues to accelerate as underlying credit risk trends remain positive. In parallel, currently available information related El Niño risk has been incorporated into provisions. In this context, ROE stood at 29.2%. From a quarter-over-quarter perspective, total loans rose 4.7%. In FX neutral terms, loan growth stood at 5.5%. Retail loans led the expansion bolstered by performance in the consumer and SME-PYME segment. Additionally, wholesale loans rose primarily on the lack of long-term loans, as the outlook for private investment continued to improve.

NIM stood at 6.1% as the loan portfolio shifted to a higher yield mix, while funding costs remained stable. the NPL ratio fell to 3.9%. This result was driven by improvements across business segments, where the NPL ratio fell on the back of fortified risk management capabilities. The cost of risk rose to 1.4% reflecting the normalization of underlying cost of risk and additional El Niño-related provisions. Underlying provisioning was mainly driven by portfolio growth in specific retail segments, particularly consumer and SME-PYME where higher yielding products continue to perform within our expectations. As a result, BCP's risk-adjusted NIM stood up 5.2%.

On a year-over-year basis, total loans rose 10.9% and 12.2% in FX inflow terms, led by retail banking and secondarily by wholesale banking through the same factors mentioned in the quarter-over-quarter analysis. NIM rose 12 basis points, mainly driven by funding cost improvement, alongside an increase in low-cost deposits share of total funding. The NPL ratio dropped 93 basis points, fueled mainly by the SME-PYME and individual segments, mostly driven by better origination and enhanced collection capabilities. Cost of risk rose 25 basis points, mainly as a result of higher loan volumes rather than a deterioration in the underlying credit trends.

Other core income rose 15.4% driven mainly by fee income as strong transactional activity was channeled through Yape and BCP. Gains and FX transactions also contributed to this result, albeit to a lesser extent, as transacted volumes rose significantly in a context marked by high volatility. As a result, the ratio of other core income to assets remains strong, supported by our diversified revenue streams.

Finally, operating expenses, which are better explained on an accumulated basis, rose 14.9% year-to-date due to an uptick in both administrative and personal expenses. Administrative expenses rose on the back of growth in IT-related services and use of cloud infrastructure. Personal expenses rose, driven by the continued development of commercial and technological capabilities and by an uptick in variable compensation. In this context, the efficiency ratio stood at 38.6% for the first half of the year. Next slide, please.

Yape continues to strengthen its position as Peru's leading digital ecosystem. The platform remains highly engaged, with more than 16 million monthly active users transacting 69 times per month and maintaining an NPS of 78. Customer engagement remains exceptionally strong, and we continue to see that translate into stronger unit economics. Revenue per month reached PEN 11.1, outpacing growth in expenses per month, which stood at PEN 6. As a result, Yape's contribution to Credicorp's risk-adjusted revenues increased to 8.9% reinforcing its growing relevance within the group.

At the same time, Yape continues to expand its financial services footprint. Loans reached PEN 1.8 billion, up four times year-over-year, while the number of clients receiving loan disbursements increased to 5.6 million. With loan penetration at around one-third of monthly active users, we continue to see significant opportunities to further expand lending adoption, increase customer lifetime value, and deepen financial inclusion across Peru.

As Yape scales, the composition of Yape's revenues continues to evolve. Lending further increases contribution to 28% while payment contributions stood at 45%. Moreover, revenue-generating payment transactions grew 42% year-over-year, continuing to strengthen Yape's ability to generate data, enhance customer engagement, and unlock cross-selling opportunities across credit. Yape's strong engagement, improving monetization, and significant headroom for deeper product and service adoption, positions the platform to sustain scalable, profitable growth. Next slide, please.

Mibanco continues to strengthen its franchise, combining healthy growth with disciplined risk management. At the same time, we continue fostering revenue diversification to enhance the resilience and quality of earnings. This strong execution translated into a quarterly ROE of 22.9%. On a quarter-over-quarter basis, loans measured in quarter-end balances grew 4.4% supported by continued growth in low-ticket loans, the main driver of recent quarters, and a greater focus on higher-ticket segments where larger loan sizes accelerated volume growth. In this context, the NPL ratio continues its downward trend, reaching a record low of 4.8%. The average yield on interest earning assets maintained an upward trend offsetting a slight uptick in the cost of funding. As a result, NIM rose 23 basis points to stand at 15.2%.

The cost of risk rose 30 basis points and stood at 5.1% reflecting higher underlying provisions and additional El Niño-related provisions. Provisioning for underlying credit risk growth, driven primarily by portfolio growth within our risk appetite and, to a lesser extent, slight increase in write-offs. Risk-adjusted NIM stood at 11.2% down 5 basis points. From a year-over-year perspective, loans rose 15% supported by improved productivity amid a dynamic economy. In this context, our portfolio's margin increased despite a slight uptick in the cost of funding. As a result, NIM rose 78 basis points. The cost of risk fell 24 basis points on the back of lower risk vintages.

Despite ongoing investments in strategic initiatives to fuel digital transformation and modernized technology, the efficiency ratio for the first half of the year dropped 4 percentage points to stand at 48%. Mibanco Colombia continued to deliver strong results with double-digit loan growth, disciplined risk management, and enhanced commercial productivity. As a result, ROE reached 18.5% for the quarter. Next slide, please.

Grupo Pacifico delivered solid results this quarter on the back of strong commercial execution across all businesses. In this context, ROE stood at 19.1% at quarter end. Net income remained relatively flat year-over-year. Pacifico continues to deliver solid profitability led by our life business, the largest contributor to net income. Our life business posted healthy organic growth this quarter, driven by strong momentum in bancassurance and retail sales. Nevertheless, net income reported lower results due to a base effect associated with provision reversals in the disability and survivorship line in the second quarter of last year.

In the P&C business, net income fell driven primarily by lower underwriting results, which registered higher claims. Our corporate health business posted higher net income for the quarter, supported by stronger premium production as the customer base expanded. Meanwhile, results in our medical services business remained relatively stable, supported by resilient commercial dynamics and disciplined cost management. Next slide, please.

Profitability in our investment management and advisory business strengthened significantly this quarter. Sustained growth in recurring businesses, coupled with an uptick in trading contribution due to temporary market volatility, drove a strong ROE of 23.5%. From a year-over-year perspective, revenues increased, supported by solid performance across our recurring businesses. Asset management and wealth management contributed positively, with AUM up 44% and 30%, respectively. The capital market line also contributed significantly to results where heightened market volatility and increased activity among corporate clients created favorable conditions to boost trading and client-driven revenues. Higher revenues were partially offset by an increase in operating expenses, where the uptick was driven by a comparatively low base in the first half of 2025. As a result, net income increased 47% year-over-year. Next slide, please.

Now I'd like to examine the evolution of our consolidated balance sheet. Sequentially, interest earning assets grew 1.8% driven primarily by loan growth at BCP and, to a lesser extent, by higher investment balances as we capitalized on tactical opportunities by leveraging our cash position. On the liability side, the 3.5% funding increase was driven by growth in demand and time deposits and an uptick in the balance of central bank funding instruments. On a year-over-year basis, interest earning assets rose 12.2% led by loan growth at BCP and Mibanco. The impact of this shift in the asset mix offset the impact of decreasing interest rates keeping the yield and interest earning assets stable at 8.4%. On the liability side, lower interest rates and an increase in the share of low-cost deposits drove a 29 basis point decline in the funding cost, which stood at 2.2% at quarter end. Against this backdrop, NIM was 6.6% for the growth. Next slide, please.

Moving on to loan portfolio quality. Portfolio quality continued to evolve favorably this quarter as NPLs dropped to 4.1% driven by improvements in origination, monitoring, and collection capabilities. Based on current available information, we registered approximately PEN 106 million in additional provisions related to a El Niño risk. This brought our reported cost of risk to 1.9%. Excluding this impact, cost of risk stood at 1.6% primarily reflecting portfolio growth within our risk appetite. Underlying portfolio trends remain solid, supported by healthier vintages and enhanced risk capabilities. As a result, coverage levels remain strong, reinforcing the balance sheets' ability to absorb future volatility while preserving capacities to support growth. In this context, the NPL coverage ratio rose and stood at 117.3% Next slide, please.

Core income grew 15.1% year-over-year on the back of diverse revenue streams with net interest income, fees, and FX gains reporting double-digit expansion. Profitability metrics continue to strengthen year-over-year with risk-adjusted NIM standing at 5.5% this quarter, reflecting disciplined pricing, portfolio mix optimization, and solid underlying credit performance. The efficiency ratio for the first half of the year stood within guidance at 45.6%. Operating expenses grew 13.5% fueled primarily by core businesses at BCP and investment in our innovation portfolio. Growth in core expenses at BCP was driven mainly by IT expenses for commercial and transactional capabilities development. Expenses for our innovation portfolio, which were led by Yape, Tenpo, and Culqi, rose 33% and represented 84% of disruptive expenses for the quarter. Next slide, please.

First half ROE reached 21.2% supported by the strength of our integrated business ecosystem and ongoing improvement in economic conditions. Net income remained robust, bolstered primarily by accelerated loan growth across key businesses. Loan expansion was achieved alongside prudent risk management and complemented by an increase in contributions from diversified revenue streams, which rose on the back of market leads, transactional, and digital capabilities. Now I will move on to our guidance. Next slide, please.

We continue to expect Peru's GDP to grow around 3.5% in 2026, including the estimated impact of El Niño. We are raising our outlook for loan growth measured in quarter-end balances to around 12% reflecting stronger than expected momentum, primarily in retail banking at BCP and Mibanco. The expected loan shift towards retail, coupled with a more recent scenario where interest rates are expected to remain higher for longer, should support NIM and risk-adjusted NIM, which we expect to stand at the higher end of our guidance range.

As retail origination continues to expand and we incorporate currently available information related to El Niño risk, we expect the cost of risk to increase in the second half of the year and to remain within our guidance range. We are also raising our fee income outlook, now expecting high teens growth supported by stronger transactional activity, continued economic momentum, and our strategy to strengthen principal value. The efficiency ratio is expected to remain within guidance. We are reaffirming our 2026 ROE guidance of around 19.5% with a current bias to the upside, subject to how El Niño evolves. While operating income came in ahead of our expectations, visibility on the potential severity of El Niño remains limited. As new information becomes available, we will continue to reflect updated El Niño-related provisions.

Looking ahead to the medium term, as Gianfranco mentioned earlier, we expect ROE to move structurally higher. This outlook is supported by stronger loan growth across our core businesses, a higher yield portfolio mix, sustained funding advantage, and increasing contributions from fee-based revenues. As our ecosystem-led initiatives continue to scale, we expect to capture greater operating leverage while maintaining disciplined risk management and capital allocation. Together, these drivers strengthen our ability to deliver a medium-term ROE of around 22%.

Before we begin the Q&A, and given that this will be my last conference call as Credicorp's CFO, I would like to take a moment to thank all of you for your support, engagement, and constructive dialogue throughout my tenure. Your questions, insights, and feedback have helped make us better, and I'm deeply grateful for your professionalism and trust. As I take on my new role leading Mibanco and Credicorp's microfinance business, I look forward to staying connected with many of you and sharing our progress and perspectives on the opportunities ahead. I would also like to wish Ignacio every success in his new role. Having worked closely with him for the last two and a half years, I am confident that he will do an outstanding job, and I know Credicorp will continue to benefit under his leadership and expertise.

Now, I would like to open the Q&A session.

QUESTIONS AND ANSWERS

Operator
Thank you. We will now begin the question and answer session. If you would like to ask a question, please signal by pressing star one on your telephone keypad. If you have connected to the call using the HD web phone on your computer, please use the keypad on your computer screen. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. We will pause for just a moment to allow everyone the opportunity for questions. We also ask that you please only ask one question at a time. After each question has been addressed by our speakers, you will then be allowed to ask as many follow-ups as needed, but again, please only ask one question at a time. Thank you. The first question will come from Ernesto Gabilando with Bank of America. Please go ahead.

Ernesto Gabilando
Thank you. Hi. Good morning, Gianfranco, Alejandro, Ignacio, Cesar, Francesca, and Milagros. Congrats on your second quarter results and in your conviction of reaching a medium-term ROE of 22% in the next years. Also very helpful the slide that you provided about En Niño, very helpful. So, my question would be on loan growth. Congrats on returning to a double-digit loan growth, and I noted that you're expecting around 12% growth in this year. Having said that, how should we think about the loan growth breakdown by segment? Just to understand if you will be conservative in the risky portfolio, or how comfortable you are to grow the portfolio under a potentially strong El Niño? Thank you.

Cesar Rios
Yes. Thank you, Ernesto, for your question. Regarding El Niño, I would say that our approach has been both comprehensive, trying to address the different dimensions on the impact, and also very granular at the same time. As Alejandro has highlighted, we have identified the parts of the portfolio by segment, by geography, the field of the client that are going to be more impacted and the scenarios that we have contemplated, and we are adjusting and going to adjust gradually the appetite in this segment very granularly. So, our impact is going to be related to this part of the portfolio, depending on the severity, but in the rest of the country, subject to economic growth, our ambition and expectations remains strong.

Gianfranco Ferrari
Ernesto, this is Gianfranco. Maybe complementing Cesar's comments, actually the question has like a two-fold answer. One is specifically on El Niño, which is what Cesar answered. I would only add there that we're also trying to be proactive in helping our clients to be more prepared for the impact by industry, by region, by really, as Cesar mentioned, granular, but the other answer is more a longer-term answer I,s as we mentioned along the presentation, business confidence is at record levels. Private investment has been growing at double digits. Private consumption has been growing at over 5% over the last, I believe, six quarters already. Commodity prices are where they are, and so on. So, yes, El Niño is, I would say, like a hiccup in terms of potential negative impact, but in a more longer-term vision, we are very confident that the macro environment is very positive.

Alejandro Perez-Reyes
This is Alejandro. Maybe just to add one more important data point to Gianfranco's comment is the loan penetration. I think I mentioned this sometime before, but if you take constant exchange rate of December of 2025, at the end of last quarter, the penetration of loans in Peru was 34%. In 2019, it was 42% to GDP. So, I mean, there's still an opportunity even to go back to numbers that we've already seen. So, we think the opportunity is big, and if we add to that the capabilities that we have developed, we are really confident in the mid-term long growth, regardless of the hiccup that might come in the short term.

Ernesto Gabilondo
No, perfect. Very helpful, Gianfranco, Cesar, and Alejandro, and just to follow up on all this in terms of the trend for, for example, wholesale and retail, should we expect both loan portfolios to be at the double-digit because of what you were mentioning, private investment, private consumption, commodities prices? All that should be helping, and in that scenario, very, very granular in what could be exposed related to El Niño. So, how should we think about the loan growth for both segments? Double digit for both, or how are you thinking about it?

Alejandro Perez-Reyes
Yes, we are expecting, again, without considering the hiccup coming from El Niño, we are expecting double-digit loan growth for both wholesale and retail. Retail has been already showing it, and as we were mentioning, wholesale is picking up again with very high expectations from private investment. So, yes, the short answer is yes. Both portfolios should grow double-digits.

Ernesto Gabilondo
Perfect. Thank you very much.

Operator
The next question will come from Brian Flores with Citibank. Please go ahead.

Brian Flores
Hi, team. Good morning. Congratulations on the results, and best of luck to Alejandro and Ignacio in the respective roles. I have a question on asset quality. The cost of risk seems to be very, very controlled

despite the fast growth you're showing across the board in SMEs, in Yape, in consumer, so I wanted to understand strategically if we, as analysts, do you think we're, I don't know, maybe underestimating how much better your underwriting is or the collections have improved, or do you think this is more extraordinary regarding liquidity in the system, the good conditions from the macro? Just wanted to understand how much do you think this is idiosyncratic, and how much would this be more of a tailwind from the macro side?

Cesar Rios
Yes. Thank you, Brian, for the question. I think without doubt, the positive economic environment is a significant factor, but as we have mentioned previously, we have been working very disciplined in several parts of the risk capabilities in the origination models, monitoring collections, and we have entered, I would say after an initial phase of identifying particular improvements in a new phase in which we are developing, I would say, better, higher capabilities, and we are starting to reap the benefits of that. The approach is very disciplined. BCP, Mibanco, also in the other subsidiaries of the group, level by level, we are developing and deploying these capabilities. These capabilities are also going to help us to withstand the potential impacts of El Niño, but our long-term vision is that we are going to increase the capacity to originate higher-yielding loans with controlled risk, monitoring very closely the risk appetite.

Alejandro highlighted, specifically the collections. We have been more focused on models, origination, monitoring, and recently we have started to develop additional capabilities in collections that are showing results in BCP and Mibanco. So, the short answer is, the environment helps, but we are doing our job improving internally.

Gianfranco Ferrari
Brian, just one quick comment on top of what Cesar just mentioned is don't forget that we don't manage by cost of risk. We manage by risk-adjusted NIM. So, yes, the cost of risk may increase, but what we're convinced is that the risk-adjusted NIM is going to increase more than that, really, because as we go into new markets, the Yape portfolio is a great example, yes, the cost of risk is higher, but the risk-adjusted NIM is also higher.

Brian Flores
Super clear, Gianfranco. Thank you. Just also, if I may, a quick follow-up on your recent comment. We know, obviously, we have a new administration coming in. Just wanted to check with you after maybe your initial approaches with them if you feel the tone in terms of partnerships, in terms of growth, is a bit more upbeat, or are you a bit more constructive in terms of the outlook here for, particularly growth.

Gianfranco Ferrari
Yes. As Alejandro mentioned before, the penetration and the financial system, we've gone back. It's still very low, and we've gone back. We haven't had any specific contact with the new administration, but from what we see and listen, the whole environment is going to be much more proactive in terms of promoting financial inclusion, promoting growth, promoting private investment, and obviously that environment is much more benign for growth of the financial system.

Brian Flores
No, perfect. Thank you very much.

Operator
The next question will come from Renato Meloni with Autonomous Research. Please go ahead.

Renato Meloni
Hi, everyone. Good morning. Congrats on the results, and thanks for taking the questions here. I wanted

you to expand your comments on the provisions for El Niño and what to expect going forward. So, first, on the PEN 106 million this quarter, was that done like client specific, or was that more sector specific than the ones that you mentioned before? Then, going forward, is this going to be like a recurring level for the next couple of quarters, or is this enough for the foreseeable future? Thank you.

Cesar Rios
Yes. Thank you for the question, Renato. As we mentioned, we have done a very thorough analysis of the portfolio. Talking specifically the provisioning, we have done client by client, segment by segment in the wholesale part of the portfolio, and in the retail we have used an approach of geography and profile of the client. We have several scenarios, and we are with the logic of expected losses that is embedded in the logic of IFRS9, we are constituting provisionings, and we are going to have probably a second important point of control at the end of the end of the third quarter, the beginning of the fourth because in our conversation with the specialists, the climatologists, at this point, September, October, we are going to have a much better assessment of the severity. We are moving in the expectation of a medium to strong El Niño, and at this point, we are going to make a reassessment to calibrate the expected losses that we need to book this year.

Renato Meloni
Perfect. So, September, October, a potential new adjustment, and that's going to be it for this year, and when we get to 2027, when you mentioned it's when the economy will see the impacts, maybe another one there, or potentially reversing what was done.

Alejandro Perez Reyes
Yes, the way we provision through IFRS 9 is a forward-looking provision. Therefore, you're completely right. Depending on the data, as Cesar just mentioned, depending on the data we can analyze in September, October, we will make a new assessment, and as we move forward and the real impact of El Niño comes into place, we will decide what we are. The models will tell us what the provision should be, but bear in mind, our provisional system is forward-looking.

Cesar Rios
Based on expected loss.

Renato Meloni
Thank you, and congrats again on the strong results.

Operator
The next question will come from Daniel Vaz with Safra. Please go ahead.

Daniel Vaz
Hi guys, good morning. Congrats on the results. Alejandro, Inacio, wishing you the success in your new roles. So, my question is regarding your refreshed midterm ROE guidance. We often, as you are a bank, we often do a bottom-up analysis to your model, but Credicorp, you still are holding also, right, so you have a lot of businesses, and we could look at a top-down view or sum of the parts view also. I guess my question is, which companies in your holding carry the most upside right now? So, Mibanco is already running above the 22% guidance. BCP runs at 30s, and Pacifico and the advisory runs below. So, should we expect even better ROEs at the ones that already run above it, or ROEs improving at the ones which run at this level right now? Thank you,

Alejandro Perez-Reyes
Yes, thank you, Daniel. I'll first start talking about the levers that we believe are behind the new midterm ROE that we've shared, and then give you some color on the specific question. So, basically, we believe

this comes from continuing to grow in the underpenetrated financial product segment, and this, by the way, is lending, but it's also investments. It's also insurance. So, all in all, they are all underpenetrated segments even if you compare them to countries like Colombia and, of course, Chile, so there's still an opportunity to continue penetrating.

The other thing is that we are expecting higher risk-adjusted margins. This is supported by pricing, the shift in portfolio mix that I've been mentioning, risk capabilities also, so we should see an impact there. The other important thing is an increase in fee income and monetization of our innovation portfolio, Yape being the most visible one, but other ones coming down the pipeline that should start to generate also more fee income and a positive operating leverage where basically income should grow faster than our expenses. So, all of those things bring us to this new around 22% ROE.

When you talk specifically, I think both things can be true in the sense that we believe there's still space for some improvement in ROE in the companies that are performing strong today, say BCP and Mibanco, going back to this penetration in lending, etc., but if you think about also the underpenetration in insurance, underpenetration in mutual funds, there is still space also in the other companies, so we are not seeing this like specifically in one or two companies. We believe there's space for improvement across the board.

Gianfranco Ferrari
Just to add on what Alejandro just mentioned, also bear in mind the impact on the disruptive initiative. In terms of ROE, they are very active, so they're going to be active this year, and obviously, as we move forward, they should be, or we expect them to be, much more accretive. So, that's another lever that you should take into account.

Daniel Vaz
Okay, thank you.

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

Carlos Gomez-Lopez
Thank you for taking the question, and first congratulations, and thank you to Alejandro for this time with us. It has been brief, but it has been good, and good luck to Ignacio in his new role. I want to go back to the same question, which is the target for ROE. My question is a little bit different. What is the urgency to increase the midterm ROE? I mean, you were around 17% for a long time, increased only last October to 19.5%. Now you got 22%. I mean, at this point in time, where arguably everything is going right, you're delivering 21%. Is this something that you are setting an internal goal, or something has changed fundamentally that makes you believe that you absolutely need to be there?

I ask that because I go back in time, and over the last 10 or 20 years, your ROEs have been—my numbers are 17.5%, 19%. That's even taking out COVID, and you actually are at less leverage now than you were then. You have more capital, so I mean it would stand to reason that maybe it doesn't get that high. So, I want to understand why you need to move the target now, and again, I don't doubt that we can achieve it. I just wonder why. Thank you.

Alejandro Perez-Reyes
Hi, Carlos. This is Alejandro. So, I'll begin by saying that yes, we did mention the 19.5% in October of last year, but I specifically mentioned there that we were going into a big political cycle in all of Latin America. If you remember, at that time we were about to have elections in Chile, Bolivia, Colombia, Peru, and so we basically decided to take a conservative stance, and we were explicit about it, and we did

mention then that we would come back after that cycle with a revised number, which is what we're doing right now. When you look, and I was just explaining the drivers, the ecosystem we've built, our ability, the principality we built, and our ability to better serve all these clients, it makes us confident that we can achieve a higher ROE around 19.5%.

Even, I mean, just to give you an example, even this year, if there was no El Niño, we would have outperformed clearly that 19.5%, and probably would have been above the 20% mark, so our ability to generate returns today is higher than the number we gave on a stable situation. I mean, taking away specific things like El Niño, so we thought it was the right thing to basically give a more realistic number on what we can achieve in the coming years.

Gianfranco Ferrari
Yes, and Carlos, this is Gianfranco. You hit right on the spot. We also are a more less leveraged company, so the risk of Credicorp is lower than a few years before when the common equity ratio was in the single digits, but we're confident that the 22% is more than achievable..

Carlos Gomez-Lopez
Thank you so much, and good luck.

Operator
Again, if you have a question, please press star then one. The next question will come from Yuri Fernandes with JP Morgan. Please go ahead.

Yuri Fernandes
Hi, Gianfranco, Milagros, Cesar, Alejandro, everybody, and congrats also on the quarter. Pretty good 20% ROE despite the additional provisions. I have a curiosity about the quarter here on other income, especially the non-core income. It moved up a lot this quarter, some 40% quarter-over-quarter, so if you can explain what drove it. I guess on your comments in the notes you mentioned FX, maybe securities mark to market. So, what drove this? Is this client activity? Should this be more recurring, or should we see a normalization of this other income line? Thank you.

Alejandro Perez-Reyes
Yes, sure. Hi, Yuri. So, basically, I would say it comes from a lot of different sources. As we increment this principality, we've been talking about there's more transactional fees that we generate, both at BCP and Yape. I mentioned FX as a driver also, which has been growing for the last few years. It had a very good return due to the volatility related to elections, but we still believe it can continue to have very strong results going forward. In general, again, as we move further down with our strategy to increase principality, we are getting a larger share of fees in the market, and we expect that to continue, and that's why I mentioned earlier when I was giving the guidance that we're talking about high teens or mid to high teens expected growth there, and we believe that should continue going forward.

Yuri Fernandes
No, super clear, and if I may a second one here, guys, just on costs and efficiency, could we see for the 22% ROE cost to income being much better? I know today expenses and revenues they are growing somewhat at the similar pace, but you are accelerating on growth. You are pretty confident with risk-adjusted margins. I know you have your new initiatives 350 bps guidance for cost to income headwind, but I don't know, could we start to see expenses slowing down and maybe know efficiency become a powerful tailwind for you? Thank you.

Alejandro Perez-Reyes
Yes, the short answer is yes. These numbers haven't changed. When we were in October of last year,

we talked about a mid-term cost to income closer to 40%. We are expecting to go in that direction. Our view of the market takes it in that direction. As our innovation scales, Gianfranco just mentioned today, the innovation portfolio is positive in ROE, but it has around 300 basis points of drag on cost to income. That is going to change as Yape keeps scaling and goes from its current cost to income, which is higher than BCP, and going below those numbers more kind of like large neobanks. So, all in all, what we see going forward is an improvement in the operating leverage. So, basically, income growing much faster than expenses, and going to be around 40% cost to income in the midterm.

Yuri Fernandes
Okay. Perfect. Thank you very much.

Operator
The next question will come from Juliana Ohara with Goldman Sachs. Please go ahead.

Juliana Ohara
Hi, everyone. Thank you for taking my question and congratulations on your results. I just have a quick follow-up on a comment you made earlier. I think you mentioned you're adjusting your portfolios based on what you're seeing for El Niño. I just wanted to know if you could share a bit more color if that would have some mixed impact into NIM and your asset quality expectations. Thank you.

Cesar Rios
Yes, thank you. The change is actually in the origination mix in specific areas. So, we continue improvement in general, but identifying areas that are going to be more severely impacted as it mixes with the profile of the client, we adjust lowering the risk appetite temporarily in this segment. So, temporarily, we are going to have, let's say, a less pronounced change in the mix of the portfolio, but the general trend continues.
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Alejandro Perez-Reyes
Maybe I'll just add something. As I mentioned in the guidance—this is Alejandro, by the way—we are expecting this year to have around 12% loan growth. So, again, it's going to be a very strong year where we might see a little bit of a lower loan growth in 2027 when all the things that Cesar is mentioning would take place. You know, again, the main effects of El Niño are expected to be in 2027, and that could mean probably a little bit of a lower rate of growth in in loans.

Juliana Ohara
Okay, thank you.

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

Andres Soto
Good morning, everybody. Thank you for the presentation. I have two questions. The first one is a follow-up on the El Niño provisions. I understand you guys will do a new assessment by the end of third quarter, beginning of the fourth one, but I would like to understand from your guidance for the full year how much of additional provisions are you already considering for El Niño. Is it going to be similar to this quarter, which added 30 bps to the cost of rates, or is it going to be higher, lower? Any color that will be helpful.

Alejandro Perez-Reyes
Hi, Andres. This is Alejandro. Maybe the main color I'll give is that what we're expecting is to remain within guidance, even with a severe El Niño case. So, I mean, we still don't know how far it's going to get, but given the dynamics we've seen this year where we were coming on the lower end of the guidance,

what will probably happen is that we move towards the middle to higher end of the guidance, but stay within guidance, even with the full provisioning of a severe El Niño.

Andres Soto
Okay. That helps. My second question is on Yape lending. We saw a significant acceleration this quarter. I would like to understand this acceleration is coming from increasing the balances for your existing customers as you extend duration, or is it coming from new customers, or is it already reflecting the lending initiatives with SMEs within Yape

Francesca Raffo
Yes, hi, Andre. So, it's actually coming from both. As you have heard us, we start Yape with a mono quota, a mono installment, and then once we know your behavior, we go into a multi-installment. We do this for SME and for individuals. The growth is today primarily in individuals just because the SME is a little farther behind. We started later. So, we're seeing growth on both sides, and what we are seeing as well is recurrence in customers, so repayment and a secondary loan, a third loan, and we are seeing ticket growth and also term growth. Those contribute both on the on the loan portfolio side and, of course, on the NIM. So, this is still gradual. This is very slow, but this is what we've seen on both segments.

Andres Soto
Thank you so much, Francesca. At some point, you mentioned what the potential number of customers that you could reach via lending. Do we have any update to that number based on the performance that you have achieved over the past few quarters?

Francesa Raffo
Yes. So, Yape, as you know, has a base of over 16 million. You've heard that credit penetration in Peru is still low. We have today reached over 5 million customers through our loans, and the portfolio is around, I would say, we disbursed around 2 million loans. So, the growth rate here is important. We don't have a set target in terms of like 50% of Yape customers should have a loan or anything like that, but of course we feel because of the product and the type of customer we serve, this is going to be large-scale in terms of loans, small loans, again. This is not going into high loans. That's more BCP and more Mibanco. This is very short loans and shorter term as well, so growth should be expected.

Andres Soto
Perfect. Thank you so much, and congratulations, everybody, on the results.

Operator
The next question will come from Alvaro Galicia, private investor. Please go ahead.

Alvaro Galicia
Thank you for taking my question. Well, you've just upgraded your medium-term ROE target to an impressive 22% driven by structural improvements and digital monetization, however, you also mentioned that the strongest impact of El Niño will likely materialize in Q1 2027, and the severe scenario could pressure loan growth and fee income. Realistically, how much of that 22% of ROE guidance is at risk if El Niño shifts from a manageable shock to severe even later this year? What is the specific cost of risk threshold that would force you to walk back in this new profitability target?

Alejandro Perez-Reyes
Hi, this is Alejandro. So, when we talk about the mid-term ROE, we're talking an ROE for the next two to three years, and we believe it is completely achievable. As I was mentioning, we are not necessarily expressing a specific guidance for 2027, which would of course, be impacted by a severe El Niño and could potentially, 2027 we could guide for a lower ROE than the 22%. Again, we're not saying anything

of that as of now, but it doesn't change our expectation of achieving this 22% mid-term ROE at all. It would just have a shorter term impact. The same with loan growth. You know, I mean, we're expecting that will be loan growth for the coming years. It's not necessarily going to be the case in 2027, depending on how severe El Niño happens to be.

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 a little bit on El Niño as well. How are you thinking about dividend potential, extraordinary dividends, for the second half of the year? Maybe if I can ask about El Niño in a different way. If it's a severe El Niño, what's the amount of provisions that you think you will have to book this year? Is it PEN 500 million? Is it PEN 1 billion? Maybe if you can provide a figure for that. Thank you.

Gianfranco Ferrari
Alejandro, can you take the second part and talk about dividends?

Alejandro Perez-Reyes
Yes. You mean the total provision?

Gianfranco Ferrari
Yes.

Alejandro Perez-Reyes
So, again, we are not providing a number because, as was mentioned earlier, this is information that goes into our models and comes out with a certain number that we include, and we'll give more color as we put more provisions into the numbers. Again, as I mentioned, we are expecting to remain in guidance even in the case of a severe El Niño, from what we see today. So, again, without giving a number, just to give you some color, imagine us going up to the upper side of our guidance, and that should give you a sense of what could end up happening, but it's going to depend on the information that keeps coming in the coming weeks and months.

Gianfranco Ferrari
Yes, and maybe on the dividend question, we believe that we are very well capitalized, so the potential provisions or additional provisions because of a very strong El Niño shouldn't affect the extraordinary dividend that we may pay this year because actually we're paying profits that were generated last year. So, yes, that's it.

Alonso Aramburu
Great, thank you.

CONCLUSION

Operator
It appears there are no further questions at this time. I will now turn the call back over to Mr. Gianfranco Ferrari, Chief Executive Officer for closing remarks.

Gianfranco Ferrari
Thank you. As we close today's discussion, I want to come back to the main message I shared at the beginning of the call. We have greater confidence in Peru's medium-term outlook, and Credicorp is well

positioned to capture the opportunities ahead. The results we discuss today, together with the updated medium-term ROE expectations we shared, reflect not only a more constructive operating environment but also the structural progress we've made across our ecosystem. Credicorp today has a deeper customer relationship, stronger digital capabilities, disciplined risk management, and a more scalable business model.

Importantly, our growth remains anchored in our purpose, improving lives by helping people and business thrive. That purpose guides how we invest, expand financial inclusion, and support our customers and communities through changing conditions. We believe in Peru, and we believe Credicorp has an important role in shaping its future. Every day, we have the privilege of helping millions of people and businesses move forward, and there is no greater opportunity than that.

Before closing, I want to thank Alejandro for his partnership and leadership as CFO. I look forward to continuing to work closely with him in his new role in our microfinance business and Mibanco Perú. I also want to welcome Ignacio who will join us as CFO and will be with us on next quarter's call. Thank you all for joining us today.

Operator
Thank you, ladies and gentlemen. This concludes today's presentation. You may now disconnect.