

Credicorp, Ltd.

First Quarter 2025 Earnings Conference Call

May 16, 2025 at 10:30 a.m. Eastern

CORPORATE PARTICIPANTS

Milagros Ciguenas - *Investor Relations*

Gianfranco Ferrari - *Chief Executive Officer*

Alejandro Perez-Reyes - *Chief Financial Officer*

Cesar Rios - *Chief Risk Officer*

Francesca Raffo - *Chief Innovation Officer*

PRESENTATION

Operator

Good morning, everyone. I would like to welcome you to the Credicorp's Limited First Quarter 2025 Conference Call. A slide presentation will accompany today's webcast, which is available in the Investors 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 Webphone on your computer, please use the keypad on your computer screen. If you're 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; Cesar Rivera, Head of Insurance and Pension; and Carlos Sotelo, Mibanco's Chief Financial Officer.

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 statements sections of 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 improved macro environment, a brief overview of our quarterly results and on how Peru is positioned amid global uncertainties, followed by Alejandro Perez-Reyes, who will provide a more detailed analysis of key macroeconomic indicators, our financial performance and our outlook for 2025. Gianfranco, please go ahead.

Gianfranco Ferrari

Thank you, Milagros. Good morning, everyone, and thank you for joining us today. I want to begin by saying that I'm confident in Peru's macroeconomic fundamentals and Credicorp's potential to lead and generate value within it. The economy is rebounding faster than expected with momentum across sectors from construction to retail and from agriculture to services. This is translating into higher private investment expectations and formal employment recovery.

Peru's first quarter of 3.9% GDP growth confirmed this trend, supported by private spending, lower inflation and terms of trade at record levels. Declining interest rates and the business cycle recovery are stimulating credit demand and unlocking growth in the private sector. Despite lingering political uncertainty, Peru's macroeconomic policy has remained broadly responsible. Even modest political stabilization could unlock meaningful upside. And at Credicorp, we are well-positioned to capture it.

We continue to monitor global developments, including President Trump's announcement of a 10% tariff on US imports from all its trading partners. While the direct impact of this tariff on Peru's GDP is expected to be limited, the broader concern is how these developments may affect global growth and commodity prices given our position as a small and open economy where up to 60% of GDP volatility originates from external factors. This issue is particularly relevant as China and the US are Peru's main trading partners, and China is a key destination for Peru's copper exports. Given the rapidly evolving

environment, it remains too early to fully assess the potential effects. Nevertheless, we are closely monitoring developments and are prepared to act as necessary.

Against this backdrop, Credicorp delivered a solid first quarter. We saw resumed loan growth, especially in wholesale banking and individuals, while maintaining a prudent risk approach. Risk adjusted NIM improved year-over-year, driven by lower provisioning. Profitability remained strong, underpinned by operating dynamics and our ability to leverage Peru's cyclical rebound. These outcomes result not only from favorable macro conditions, but also from intentional strategic investments. We've modernized core systems, expanded digital capabilities and redesigned key client journeys across Universal Banking, microfinance, insurance and wealth management.

Turning now to the first quarter results. We reported a high ROE of 20.3%, as strong operating results were further boosted by extraordinary gains related to the closing of the acquisition of the remaining 50% stake in the joint venture with Empresas Banmedica. Excluding this non-recurring gain, ROE would have been 18.4%, which still exceeded expectations and reflects solid fundamentals across our core businesses.

Operational performance was strong across Universal Banking and insurance and pensions. Performance improved microfinance alongside continued growth in non-interest income, particularly from fee-based and transactional volumes. We achieved 5.4% of risk-adjusted revenues from new businesses this quarter, advancing toward our 10% target by 2026.

We're seeing a reactivation of credit demand across our main lending segments. In Q1, loan growth was particularly robust in wholesale banking short-term loans and to a lesser extent, individuals and Mibanco. We expect retail segments and microfinance to accelerate in the coming quarters. Risk-adjusted NIM strengthened sequentially, boosted by enhanced asset quality and a resilient underlying NIM, even as interest rates declined, cushioned by our increasing low-cost funding base.

On the funding side, deposit growth remained strong, driven by system liquidity and increased client trust. Our sustained investments in service and digital platforms have deepened client relationships and we've gained market share in low-cost deposits, reaching 41.3%. The improving asset quality reflects proactive measures we've taken since 2023, tightening origination standards, repricing risk, strengthening low-risk scheduling and investing in analytics, alongside a favorable macro environment. We also continue to enhance our risk management capabilities as our risk transformation project progresses and is expected to deliver more material impacts starting in 2026.

Additionally, our strong solvency has enabled us to increase our dividend to 40 soles per share while also supporting our plans for sustained long-term growth. Our efficiency ratio is at 45.7% within our guidance range, as strategic investments in innovation and digital capabilities continue to drive diversified income streams and scalable growth through deeper market penetration. We continue to embed sustainability deeply into our strategy, given that we view sustainability as tied directly to business performance. From inclusive finance, financial education and green loans to environmental risk management and development of social impact metrics, our initiatives are aligned with long-term value creation.

We recently published our updated sustainability framework from 2025 to 2030 on our website, a more focused action-oriented framework that reflects our commitment to inclusive sustainable growth. We invite investors to review the full strategy and welcome feedback as we continue to strengthen our sustainability approach.

This quarter also included a P&L one-off gain of approximately 236 million soles related to the

revaluation of our previously held 50% stake in Pacifico's health business under IFRS accounting. Moreover, there was a non-cash equity adjustment of around 257 million soles stemming from the revaluation of Bolivian assets, following the adoption of a more market reflective exchange rate. Bolivia remains part of our regional footprint where we continue to take a disciplined approach to managing our exposure. These results underscore the strength of our core operations and our long-term commitment to building a more agile, client-centric and resilient financial platform.

Looking ahead, Peru's economic economy is on track to grow around 3% in 2025, assuming global recession risks remain contained. The momentum from Q1 is expected to extend into Q2, supported by high times of trades, recovery in real wages and resilient private consumption. Other tailwinds include significant profit distributions to employees, the delayed impact of monetary easing and strong investment expectations. While global uncertainty and the 2026 elections could affect sentiment later this year, the outlook remains encouraging.

Let me now take a step back and explore what the evolving global environment means for Peru and the potential challenges and opportunities ahead. There is no doubt that Peru is in a strong economic position, characterized by positive macroeconomic indicators, robust domestic demand and solid performance in the first quarter. However, we are operating in a globally uncertain environment marked by evolving trade tensions, global recession risks and geopolitical factors.

While the direct impact of current tariff measures on Peru remain limited, there is broader concern about how slower global growth may affect external demand, commodity prices and overall market sentiment. Recent progress in trade negotiations between the US and its partners is an encouraging sign that could help mitigate potential risks to global growth. However, we remain vigilant as uncertainty continues to weigh on the outlook.

Beyond Peru, the implications of trade tensions are moving similarly across the region. In Chile, while the direct effects of tariffs appear limited, the indirect impacts such as the slowdown of key trading partners, declining copper prices and deteriorating business confidence pose additional downside risk. Given that copper accounts for nearly half of Chile's export revenues, weakening external demand prospects are extending downward pressure on growth expectations.

In Colombia, the sharp decline in oil prices, if sustained, could put pressure on fiscal revenues and investment. Peru, Colombia and Chile's economies may benefit over-time from a realignment in global trade flows with shifting global sourcing patterns. For Credicorp, these dynamics reinforce our ability to adapt across different economic cycles. As a result, we are focused not just on managing near-term volatility, but on positioning Credicorp to benefit from long-term shifts in regional freight and production patterns. Our strong capital base, digital infrastructure and client-centric model give us the tools to do both.

Now, I'd like to turn the call over to Alejandro to go into further detail on our operating and financial results.

Alejandro Perez-Reyes

Thank you, Gianfranco, and good morning, everyone. As Gianfranco mentioned, our 20.3% ROE this quarter includes extraordinary income related to the acquisition of the remaining 50% stake in the joint venture with Empresas Banmedica. Isolating this effect, operating ROE was a robust 18.4%, positioning us for a strong 2025. A non-recurring adjustment affected our balance sheet this quarter. In March, we revalued Bolivia's balance sheet using a more market reflective exchange rate. We generated an accounting contraction of 2% in Credicorp's total assets.

As I discuss the quarter's highlights, I will focus on the year-over-year operating trends and isolate one-off effects. Loans expanded 1.5% measured in average daily balances, driven primarily by short-term loans in wholesale banking. Asset quality has improved materially year-over-year. NPLs contracted in retail banking at BCP and at Mibanco and Credicorp's NPL ratio stood at 5.1% this quarter. Cost of risk fell to a low of 1.6%, driven by a more dynamic portfolio management and supported by improvements in payment performance and in the Peruvian economic backdrop.

Net interest income increased 4.3%, spurred by a contraction in interest expenses after interest rates fell and low-cost deposits expanded and registered a 59% share of the funding base. In this context, NIM remained resilient at 6.2% despite a year-over-year contraction in asset yields. Diversified sources of income reported double-digit growth year-over-year. Fee income increased 16%, boosted by transactional activity at Yape and BCP. Gains on FX transactions increased 12.6% through higher volumes at BCP. Lastly, the insurance underwriting result rose 17.9%, reflecting a stronger reinsurance result in the P&C business.

We delivered robust operating results through strengthened asset quality and diversified income sources, showcasing the success of the company's strategy and of our investment in digital capabilities. Finally, we recently announced a dividend payout of 40 soles per share as we move capital levels closer to target across our subsidiaries.

Next slide, please. Peru's GDP grew 3.9% year-over-year in the first quarter of 2025, marking the third consecutive quarter of growth at this pace. This positive momentum which reflects the transition to the mid-cycle phase of the business cycle is expected to continue supporting growth in the second quarter. High frequency economic indicators such as car sales and imports are growing rapidly, while employment and real wages continue to recover. According to the Central Bank survey, business investment expectations hit a historical peak, reaffirming that private investment is poised to improve.

Inflation remained within the Central Bank's target range of 1.7% year-over-year in April. This figure is among the lowest reported in both advanced and emerging economies, further supporting the recovery in private consumption. Moreover, the quota for the first anchovy fishing season announced in April was 20% higher than last year's and marked a seven-year high and will benefit the fishing and primary manufacturer sectors in the second quarter of this year.

Record high terms of trade are also bolstering economic growth. In 2024, gold constituted nearly 20% of our exports and its price has surged to historical highs. Gold shipments this year could be twice that of 2023 and approach the level of copper, our main export product, which represents 31% of total exports. If the global recession is kept at bay, the probability that Peru will grow above 3% this year remains high given the favorable domestic environment. Even though the heightened uncertainty imposes downsized risks to growth, markets are more optimistic after the recent trade deals between the US and UK and the US and China. Hence, the impact of tariffs is expected to be mild.

Next slide, please. The Federal Reserve has been in a holding pattern this year, and Chairman Powell has said that it is in no hurry to adjust its policy stance as they wait for more economic data. Market expectations for rate cuts are divided, influenced by varying perspectives on the impact of tariffs and uncertainty regarding growth and inflation. Fed Futures have shifted and now they are pricing two rate cuts by year end. The unpredictability of President Trump's announcement continues to drive market volatility and this tendency is likely to persist.

In Peru, the Central Bank lowered its policy rate 25 basis points to 4.5% in May's meeting. The Central Bank will remain cautious and prudent until the global outlook can be determined with greater certainty, especially as its rate stands close to neutral levels.

In Colombia, inflation has decelerated to 5.2% year-over-year in April, although it remains above the upper bound of the target range of 4%. Consequently, the Central Bank decided to cut its policy rate by 25 basis points to 9.25%, maintaining a cautious approach due to the fiscal challenges and uncertainties on the external front.

Finally, in Chile, the Central Bank also opted to keep the rate stable throughout 2025 as inflation has remained pressured upwards and stood at 4.5% year-over-year in April. The latest monetary policy report suggests that only one rate cut will be made over the year.

Next slide, please. BCP posted strong performance, mainly on the back of improvements in asset quality and diversified sources of revenues, which continued to represent a key strength. On a quarterly basis, ROE stood at 27.1%, driven by the following dynamics. Total loans measured in average daily balances rose 1%, mainly fueled by wholesale banking and secondarily by consumer loans both at BCP and Yape. NIM remained resilient at 5.8% despite decreasing interest rates, cushioned by a lower cost funding structure. NPL volumes fell 4.7%, mainly driven by wholesale banking and SME-Pyme.

The cost of risk stood at 1.3%. Recent improvement in cost of risk are due to cumulative impact of enhancements in underwriting and risk management, a relatively strong Peruvian economy and a few one-time events, including consumer and credit card risk model recalibration, pension fund withdrawals in the second half of last year and increased customized loan restructuring to clients in hardship. On a quarter-over-quarter basis, provisions contracted, driven by the one-time events previously mentioned and by an improvement in payment performance. Additionally, in wholesale, provisions dropped due to higher reversals after repayments by corporate clients. In this context, BCP's risk-adjusted NIM stood at 5%.

From a year-over-year perspective, I would like to highlight the following dynamics. Loans grew 2.9% in average daily balances, driven primarily by wholesale loans and secondarily by retail loans and mortgages in particular. NIM remained resilient, impacted by the same dynamics seen quarter-over-quarter. Other core income rose 17.8%, driven mainly by fee income which increased on the back of rising transactional levels. Gains on FX transactions were fueled by higher volumes amid market volatility. The cost of risk fell across mutual banking segments as payment performance improved in a strengthening economic backdrop.

The efficiency ratio stood at 37.7% this quarter. Growth in operating expenses was spurred by an uptick in provisions for variable compensation, which rose on the back of stronger business performance and by investments in innovation initiatives. It is noteworthy that the ratio for other core income to assets has been rising since the second half of last year, which attests to the positive impact of initiatives to diversify BCP's income streams.

Next slide, please. Yape continues to demonstrate strong user growth, adding over 0.5 million new active users per quarter to surpass the 14 million mark in the first quarter of this year. Yape's popularity is reflected in solid engagement results, where Yape Yaperos conduct more than 52 transactions a month on average and use 2.6 functionalities. Regarding monetization, Yape's revenue generation remains strong and represented 4.8% of Credicorp's risk-adjusted revenues. Notably, the gap between revenues and expenses per MAU is gradually increasing every quarter.

Our payments business continues to be the key driver of revenue growth, representing 56% of Yape's revenues. This uptick was mainly driven by bill, QR code and checkout payments. Moreover, the financial business expanded due to improvements in the effectiveness of leads. Multi-installment loans, which have better asset quality profile than single standalone loans have accelerated and now represent 50% of loan balances compared to 25% at the beginning of 2024. By the end of the first-

quarter of this year, lending revenue represented 13% of Yape's revenues and we are halfway to achieving our aspiration of having 5 million Yaperos with at least one loan disbursement. Finally, we are improving the value proposition of current features while maintaining the highest standard of security and stability to provide the best possible for Peruvian.

Next slide, please. This quarter, Mibanco Peru sustained profitability in the mid-teens as asset quality metrics strengthened and loan growth resumed. I would like to highlight key quarter-over-quarter dynamics. Mibanco's loans measured in average daily balances grew 0.7% following an uptick in disbursements that was particularly strong in March, which reflects the improvements incorporated in our models to better assess risk profiles and subsequently expand loan offerings. This growth was mainly concentrated in small-ticket higher yield loans.

The NPL ratio fell for a third consecutive quarter to stand at 6.4%, in-line with pre-pandemic levels. This reflects the positive impact of ongoing adjustments to origination guidelines, debt relief facilities and improvements in debt collection processes. NIM contracted due to a less favorable asset mix and stood at a strong 13.9%. The cost of risk rose to 5.1% due to a base effect given that write-offs were low last quarter. In this context, risk-adjusted NIM stood at 10.1%.

From a year-over-year perspective, I would like to highlight the resilience of Mibanco's NIM. Our active loan pricing management, coupled with a decrease in the cost of funding helped sustain NIM. The cost of risk rose 53 basis points, which reflects one-time reversals made in the first quarter of last year. If we exclude this effect, the cost of risk decreased 104 basis points, reflecting an improvement in underlying risk and lower risk vintages gained traction in the portfolio. Operating expenses remained under control and efficiency stood at 52.9%. In this context, Mibanco's first quarter contribution to ROE was 14.7%. Mibanco Colombia's results improved significantly despite a challenging business environment, thanks to its focus on efficiency as well as disciplined risk processes and controls. In this context, loan origination resumed growth and new vintages present lower risk.

Next slide, please. At Grupo Pacifico, insurance underwriting results remained strong this quarter, supported by solid commercial dynamics in both the P&C and Life businesses. Nonetheless, profitability was impacted by credit downgrades in the investment portfolio and stood at 19.3%. This quarter figures also reflect the full consolidation of Empresas Banmedica operations effective since March, with no material impact on the results in this period.

On a quarterly basis, net income rose 8%, primarily driven by a drop in operating expenses due to seasonality. This was partially offset by lower insurance underwriting results in the Life business, mainly related to the disability and survivorship product, given that Pacifico was not awarded a tranche of SISCO VIII for this year as opposed to having won a tranche under SISCO VII last year, and low results from our corporate health business due to higher claims. On a year-over-year basis, net income dropped 16%, primarily impacted by an increase in the net loss on securities, which continued to be impacted by a credit downgrade in the investment portfolio last quarter. The impact of this variation was nonetheless, partially offset by higher insurance underwriting results in both the P&C and Life businesses.

Next slide, please. Operating dynamics were strong this quarter for the Investment Management and Advisory business, which reaffirms that our strategic approach is on target and puts us in good stead for 2025. ROE for the line of business according to internal managerial figures came in above expectations and stood at 18.4%, which is impacted by a one-off charge for equity related to last year's results. If we exclude this effect, ROE stood at 16.9%, driven by the following operating trends.

On a quarter-over-quarter basis, net income rose 47%, fueled primarily by a seasonal drop in operating

expenses and growth in income from our Asset Management business, where AUMs in US dollars were up 12%. The impact of these variations was partially offset by lower income from our Wealth Management business and less favorable treasury results.

On a year-over-year basis, net income increased 10%, fueled primarily by lower operating expenses and higher income from our Asset Management business, where AUMs in US dollars were up 20% and our Capital Markets business, which registered an uptick in transactional activity among corporate clients. The impact of these variations was partially offset by lower income from wealth management due to a decrease in net interest income from time deposits and current accounts in the context of declining interest rates.

Next slide, please. Now I would like to review Credicorp's consolidated evolution. As we mentioned earlier, we revalued Bolivia's balance sheet by increasing the exchange rate which led Credicorp's balance sheet to contract. I will now focus on explaining underlying quarter-over-quarter dynamics. The 23 basis point drop in the yield on interest-earning assets was fueled by the interest-earning asset mix, which reported a shift to our assets with lower rates by a decline in market rates.

On the liability side, lower market interest rates and ongoing growth in low-cost deposit share of total funding led the cost of funding to drop 14 basis points. On a year-over-year basis, similar balance sheet dynamics drove a contraction of around 50 basis points, both in yield on assets and funding costs. Going forward, improving macroeconomic conditions and growth in retail loans should help us sustain resilient NIM despite lower interest rates.

Next slide, please. Moving on to loan portfolio quality. Asset quality has clearly turned the corner and NPL volumes continue to contract across segments, falling to levels below those reported two years ago prior to the 2022 inflation. Provisions dropped over the past nine months due to an improvement in payment performance, successful risk management measures at both BCP and Mibanco, and the one-time event mentioned previously. Consequently, the cost of risk dropped to 1.6%. In this context, the NPL coverage ratio rose and stood at 107.4%. Going forward, we expect some of the impacts of one-time events to gradually dissipate. We will resume more balanced origination and as a result, cost of risk is expected to increase and remain under control at the lower end of our guidance.

Next slide, please. Let's move on to an analysis of our year-over-year income and the evolution of expenses. Core income rose 7%, driven by other core income which increased 15% on the back of our recovery strategy. We expect our diverse sources of fee generation and fortified FX digital capabilities to sustain growth down the line.

Regarding margins, we set new heights for our risk-adjusted NIM, which has risen 39 basis points to 5.24% on the back of resilient NIM and a significant decrease in the cost of risk. The efficiency ratio stood within guidance of 45.7%. Operating expenses grew 15.6%, driven primarily by the core business at BCP and by investments in our innovation portfolio. At the core business at BCP, expenses growth was mainly related to increased provisioning for variable compensation and IT expenses.

Next slide, please. ROE for the quarter stood at 20.3% after we benefited from extraordinary gains related to the finalization of our acquisition of the remaining 50% stake from the joint venture we had with Empresas Banmedica. If we exclude this non-recurring gain, ROE stood at 18.4%, fueled by strong operating results at our Universal Banking and Insurance businesses. It is important to highlight that recurring consolidated net income this quarter represented a record high for the company as we leverage the decrease in the cost of risk and harness the power of diversified sources of income. Now, I will move on to our guidance.

Next slide, please. As previously mentioned, assuming there is no global recession, we maintain our expectation for Peru's GDP to grow around 3% in 2025. We expect loan book year-over-year growth of around 3.5% measured in average daily balances or around 6% measured in quarter end balances. In both cases, excluding the impact of Bolivia's balance sheet revaluation.

Amid a more dynamic economic backdrop, we expect growth to accelerate over the remainder of the year, driven mainly by retail banking at BCP and by Mibanco. The loan acceleration anticipated and the shift in the mix towards retail should support NIM while interest rates trend downward. Accordingly, we expect NIM to stand between 6.2% to 6.5%.

This quarter's cost of risk was below expectations as we anticipate the effects of one-time events to gradually fade and retail origination to increase, the cost-of-risk is expected to approach the lower end of our guidance range. Given the current global economic uncertainty, we are maintaining our guidance for both cost of risk and risk-adjusted NIM.

On the efficiency front, we maintain our guidance range for 2025. Fee income is expected to grow in the low double-digit this year, supported by an acceleration in economic activity and ongoing diversification of our income sources. Additionally, insurance underwriting results are expected to remain solid and relatively stable compared to 2024. While the robust ROE in the first quarter of 2025 places us in a favorable position with potential upside, global uncertainties have led us to maintain our guidance for ROE at around 17.5% for this year.

With these comments, I would like to start the Q&A session.

QUESTIONS AND ANSWERS

Operator

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 Webphone 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.

Our first question today comes from Brian Flores with Citibank. Please go ahead.

Brian Flores

Hi, team. Thank you for the opportunity to ask questions. Congrats on the results. I wanted to ask you on the guidance. As you mentioned, there is a very improving environment, right? And as you mentioned, of course, the first quarter ROE with or without one-offs is perhaps ahead of the midpoint of the guidance. So just wanted to ask you, of course, you mentioned the heightened uncertainty, but what is keeping you from updating this guidance, right? Is it more on the election side? Is it on the risk of lower commodity prices? And just if things go as they are apparently going by the second quarter, would it be possible to think of a revision by the second quarter?

And then just a quick follow-up because you also mentioned last quarter that the sustainable ROE of Credicorp would be around 18%. So maybe on the first question or kind of the first part of the question is on the short-term or on this kind of mid-term and longer-term, is it reasonable because you're already achieving it to start dreaming of, let's say, higher levels of sustainable ROE above 18%? Thank you.

Gianfranco Ferrari

Alejandro, can you take it?

Alejandro Perez-Reyes

Sure. Thanks for the question. So yes, I think you are right in the sense that from what we're seeing today, we would expect to be probably above of the current guidance of around 17.5%. But given the world situation, and I would place it not on the Peruvian situation, to be honest, this year we are not expecting any changes to our views. We think Peru is going to have a strong year and the political events are probably going to be felt more in the beginning of 2026 and 2025.

The main issue is related to tariffs or this trade war, and not from a direct effect. So the direct effects that we expect for Peru are very, very mild. But the issue is that if you have a recession, where China starts growing less, the US starts growing less, yes, Franco mentioned, we're a small open economy, that certainly has an impact. Price of copper has an impact. So in that scenario we could envision a number closer to the guidance we gave. It's not our very scenarios especially since what we've seen in the last couple of weeks in the sense of potential agreements happening. And certainly as soon as we have more clarity we intend to give a new guidance, assuming things remain stable and we have more clarity. So yes, you could expect some revision.

As for the longer-term ROE, again, we are in a process of revising that. We've had the conversation. I think the backdrop and all the things that we've been doing as Credicorp makes us feel that we might be able to increase that number, but we need to have a thorough review. We want to get that number to be really stable going forward. So we will review it and come back to you in a few months [Technical Difficulty].

Operator

Pardon me, this is the conference operator. We seem to have a connection issue with the speakers. Give me one moment.

Alejandro Perez-Reyes

I think we're okay now.

Operator

You're back on the line. Thank you.

Alejandro Perez-Reyes

Sure. Yes. So I was going to say that for the longer-term, yes, we are doing a review, but it's going to take a little bit longer because we want to be really sure about the numbers we give the market and we'll come back in the future with that revision.

Operator

The next question is from Renato Meloni with Autonomous Research. Please go ahead.

Renato Meloni

Hi, everyone. Thanks here for the opportunity for asking questions. So we saw a pretty subdued cost of risk this quarter, you mentioned a revision in the models similar to what happened in 4Q, but within different segments. So I wonder here, what are the drivers if it's only helping here on the model revision and improvement in cost of and if you expect this to continue going forward, so you still can revise models for different segments, and if the conditions improve we can actually have cost of risk much lower than the guidance this year? Thank you.

Gianfranco Ferrari

Cesar?

Cesar Rios

Okay. Yes. Thank you, Renato, for the question. I would like to emphasize that there are several factors behind this reduction in the cost of risk. Of course, the macroeconomic environment is more positive. We have had some particular events that has impacted the current situation, but also the accumulative effect of several measures taking in the origination process since the second part of 2023 through 2024 that has aligned our credit policy, streamlined the process. Part of this process is adjusting the models and now our models are recognizing lower expected losses in specific segments. But given, say that, down the road we expect to originate higher volumes in riskier, more profitable segments. So we are going to trend up the cost of risk, but coupled with significantly improved in margins in this specific sector. So the net effect in risk-adjusted NIM should be net positive.

Renato Meloni

Perfect. That's understood. Congratulations on the results. Thank you.

Operator

The next question is from Tito Labarta with Goldman Sachs. Please go ahead.

Tito Labarta

Hi, good morning. Thanks for the call and taking my question. I guess my question is a little bit a follow-up on the potential upside risk to guidance because it does look like it's primarily coming on the cost of risk and asset quality trends were good, you know, good performance there. But NIM was down a little bit, loan growth still remains fairly muted. I understand it should go up, I mean, but it's hardly growing given how strong the economy is growing. And if the cost of risk had been closer to the guidance of 2%, I estimate ROE and thinking about America, ROE would have been closer to 17%.

So just to understand, would the upside risk come from just primarily a lower cost of risk and what's it going to take for loan growth to accelerate from here? Because the economy is doing well, asset quality is doing well, but we still haven't really seen that pickup in loan growth. Just to understand where the upside could come from? Thank you.

Alejandro Perez-Reyes

Sure. Thank you, Tito. I'm sorry, go ahead Gianfranco.

Gianfranco Ferrari

No go ahead, Alejandro, and I'll complement you.

Alejandro Perez-Reyes

Yes. I was just going to mention on the loan growth part of the question. So usually when these cycles like the one we had in 2023 and 2024 happen, there's a lag on the recovery of loans. And the other thing that we've seen is very high liquidity, which has also bring high prepayments from clients. So what we are seeing is an increase in loan sales, especially in the last couple of months we've seen very, very good numbers. But again, it takes a little bit to build up the portfolio. But still we are confident that we are going to be able to be in the guidance of 3.5% in our daily balances and above 6% in year-over-year numbers. And also, I would say that it's just the ramp up after a complicated cycle.

Gianfranco Ferrari

Yes, maybe hi, Tito, just to complement Alejandro is, first we need to feel quite comfortable with the risk processes and models and so on and then push the throttle in terms of loan growth and not the other

way round. So yes, this quarter the impact has been mainly related to a great cost of risk. Going forward as it was mentioned before, we feel very comfortable that the loan growth is going to be there.

Operator

The next question is from Yuri Fernandes with JP Morgan. Please go ahead.

Yuri Fernandes

Thank you guys and congrats on another good set of results, 18% ROE even the one-off is pretty good. I had a question regarding loan growth and I understood Bolivia revaluation took a hit. I see you are keeping your average loan growth guidance of 3.5% changed. So just trying to understand how quickly loan growth will rebound? And if you are still comfortable with this because given this is an average accrual, right, this is your average book, not your end of period book, it gets tougher, right, after I would say a more soft growth in the first Q. So if you can explain a little bit the loan growth dynamics, I would appreciate. Thank you.

Alejandro Perez-Reyes

Sure. Thank you, Yuri. Yes, I get the point still. As I was mentioning, we've already seen a couple of months that are very strong. Actually, the numbers from the last month are very high in historical terms in the sense of loan sales. So we are expecting this second quarter to pick up and then actually accelerate more in the third quarter as all of our risk capabilities, we are going to be more comfortable with them. So I would say these next six months we should see an important acceleration in loans.

Another important thing to mention is that in March specifically we had some prepayments in the wholesale side that also decreased the number and showed a lower number than we've had before. So again, we are confident that it's going to pick up, and it's what we're seeing actually right now. Again, we are seeing more activity on the lending side right now.

Operator

Again, if you have a question, please press star then one. The next question is from Carlos Gomez-Lopez with HSBC. Please go ahead.

Carlos Gomez-Lopez

Hello, good morning and congratulations on the very good results. I have a question on the sensitivity to rates. You continue to post a very good margin, in part because rates in the US and mostly in the US have remained relatively high. Can you remind us what your sensitivity is to each 100 basis points decline in rates, both locally and internationally?

And if I may add, I know we're supposed to have only one question, but you do sound more positive and I would say I'm surprised you sound so positive about the politics, right? You just lost the Prime Minister, you have elections next year, but you seem more confident than in previous cycles that things will be okay. Do I interpret it correctly? Thank you.

Gianfranco Ferrari

Carlos, let me take the second question first. And the short answer to your second question Carlos is yes, but it's an unfortunate situation. We've been under a really mediocre government for the last four years. So the changes we've seen over the last few days, what we expect is the same situation, the continuity and despite all the political noise and instability the macro figures as we mentioned before are very solid. So we do believe that the performance of not only Credicorp, but Peru in the following quarter is going to be quite strong.

Alejandro Perez-Reyes

Okay. I'll take the other question. We've actually just revised the analysis. So for 2025 if there were to be a parallel shift of 100 basis points, we would be talking about 17 basis points effect on the NIM, which basically 92% of it, like almost 16 basis points comes from our dollar portfolio, okay?. The solid portfolio, we don't think there's too much risk and besides, Central Bank is probably close to neutral. So we're not even expecting more than 25 basis points of rate cuts. So we don't expect too much movement from there. But in the dollar side, it would be around 16 basis points just on the dollar side if there were to be a parallel shift of 100 basis points, which of course it's a very theoretical exercise.

Operator

The next question is from Andres Soto with Santander. Please go ahead.

Andres Soto

Good morning, Gianfranco, Alejandro. Thank you for the presentation. My question is on Yape. We have seen positive results this quarter. Congratulations on Yape already contributing to profits. My question is specifically on lending. I would like to hear again what you mentioned regarding multi-instalment loans and how much that already represents from the disbursements made through Yape and based on that, what are your expectations for the ramp up of lending and which areas of lending? Are you seeing opportunities for lending? Are you seeing there it's going to be individual lending or are you also considering SME lending to be a driver in the short-term?

Gianfranco Ferrari

Yes. Francesca, can you answer that?

Francesca Raffo

Thank you, Andres. And today I would say that for the last part of your question, our main focus is on individual lending right now. We still have ways to go to a design product offering and to fine-tune the sales process, the collection process and so forth. But our ambition is, of course to go into SME lending. We have a big portion of our customers are in the SME business. No, they're small businesses and we think a lot of data to be able to create something there, but we have started with individuals.

Today, I would say that still multi-quarter represents the biggest chunk of disbursement. But end of balances, of course, you see multi-quarter beginning to be more relevant because, no, they stay for more than a month. Our idea is to move more towards multi-quarter, but we're doing it on a low and grow type of view, and therefore we do believe that the balance by the end of the year is going to be mainly the outstanding balances is going to be mainly a multi-quarter.

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. The first quarter of 2025 marked a strong start for the year and reaffirmed the strength and adaptability of Credicorp's businesses, with an ROE of 20.3% and 18.4% excluding extraordinary gain from America, we exceeded expectations while remaining focused on quality, sustainability and execution. These results reflect more than favorable macro conditions. They are the product of consistent strategic decisions, deepening client relationships, strengthening risk management and investing in the capabilities that will define financial services in the years ahead. Despite an evolving rate environment, margins remained resilient. Our deposit base grew and efficiency was in-line with our

expectations as we accelerated investment in disruptive growth.

We're particularly encouraged by the progress of disruptive initiative strategies, which reached 5.4% of risk-adjusted revenues this quarter, evidence that our innovation is scaling with impact. As these new models mature, we are confident in our ability to meet our structural ROE ambition of 18% by 2026, while expanding access and generating shareholder value.

At the same time, we're embedding sustainability deeper into our business. Our updated 2025, 2030 sustainability framework reflects this commitment, linking long-term value creation with financial inclusion, access to quality healthcare and health insurance, sustainability, finance, resilience and trust. With over 6 million Peruvians newly integrated into the financial system since 2020, this is more than a strategy. It is our purpose in action.

We're also monitoring the external environment carefully. The recent US tariff announcements are expected to have limited direct impact on Peru. However, we are mindful of second order effects on global freight and commodity flows, particularly given China's importance to Peru's export base. The recent 90-day tariff reprieve between the US and China along with progress on the UK-US trade deal are positive developments. That said, we remain attentive to evolving dynamics in the external environment. As always, we're prepared to respond with agility and discipline.

Looking ahead, we see a supportive backdrop. Peru's recovery is gaining momentum, private investment is strengthening and confidence is returning. Credicorp is exceptionally well-positioned to capture this cycle and lead through it with our diversified portfolio, strong capital base and a clear sense of strategic decision.

Thank you all for your questions. We look forward to speaking with you again next quarter and to welcoming many of you in person at our upcoming Investor Day in New York City on October 9, 2025, as we celebrate Credicorp's 30-year IPO anniversary. We'll share updated strategic priorities and progress on our innovation agenda. More details will be shared in due course. Thank you very much.

Operator

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