

Credicorp

Q225 Earnings Conference Call

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CORPORATE PARTICIPANTS

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 Limited Q225 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; [indiscernible], CFO of Insurance and Pensions; and Rocio Benavides, 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. I'll refer you to the forward-looking statements section 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 macroenvironment, a brief overview of our quarterly results and an update on our strategy to build a more agile, balanced and forward-looking platform, 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. Let me begin with reflections on Peru's evolving macroenvironment and why Credicorp is uniquely positioned to benefit from what's ahead.

Momentum is building. Terms of trade remain historically high, driven by strong gold, silver and copper prices. Also, Peru maintains solid trade surplus. Inflation is below 2%. Real wages are recovering, and formal employment is expanding. GDP is expected to grow 3.2% this year with domestic demand growing around 4.5%. These tailwinds are creating a more constructive backdrop.

The data tells one story. The renewed activity on the ground is even more promising. While large infrastructure projects have yet to ramp up, small and mid-sized businesses are investing again, modernizing, adding capacity and meeting stronger demand. Investments are increasingly spread across regions laying a healthier foundation for sustained growth. In this environment, Credicorp is ready not just to participate in the recovery, but to lead it. We have built a resilient, diversified business anchored in digital infrastructure, deep client engagement and scalable fee-generating platforms. This enables us

to perform through difficult cycles, increasingly decoupling from the macro.

With improving tailwinds, we are even better positioned to capture the upside efficiently and profitably. Our Q2 results reflect that momentum, stronger fundamentals, improving credit dynamics and disciplined credit execution. We now expect ROE for the year to reach approximately 19%, including a 50-basis point boost from extraordinary income in the first half with a longer-term outlook of around 19.5%. This underscores solid performance, structural resilience and the accelerating impact of disruptive platforms like Yape.

While our efficiency ratio reflects upfront investments to scale these capabilities, we remain focused on unlocking operating leverage through disciplined execution in digital data and risk. A healthier micro level recovery further reinforces our long-term view and strengthens our confidence in delivering sustained shareholder value. Alejandro will detail the results and updated outlook, but before that, let me comment briefly on our situation with SUNAT.

As previously announced, SUNAT has required us to pay approximately \$1.6 billion soles in alleged unpaid income tax and associated interest, which was done this week. This development does not alter our legal position or our confidence in a favorable resolution. We continue to believe that our case has strong legal and technical grounds. We are prepared to defend our position through the appropriate channels, whether at the tax court where proceedings may take one to three years, or if necessary, through the judiciary, which could extend the process by an additional five years. We will continue to operate with discipline and transparency, defending our rights while building a stronger, more agile Credicorp.

Let's now turn to our Q2 performance. We delivered another solid quarter with strong contributions across core businesses and continued execution on strategic priorities. These results translated into a ROE of 20.7% supported by solid operating performance and disciplined risk management. Universal banking and insurance and pensions posted very strong results, while microfinance continued to recover. Fee-based and transactional income also grew, reinforcing our diversified platform. Our innovation portfolio contributed 6.2% of risk adjusted revenues keeping us on track toward our 10% target for 2026.

Trade dynamics improved and FX neutral loan growth accelerated across all segments. Origination pipelines remained healthy, particularly in retail banking and microfinance, and we expect sustained engagement in the second half of the year.

Risk adjusted NIM hit a record 5.4% aided by improved asset quality and our low-cost funding structure. On deposits, we increased our share of demand and saving accounts to 40.6% reflecting our digital strategy and the trust we've built with clients. Asset quality trends remained favorable thanks to tighter origination standards, refined risk pricing and strengthened collections. Our efficiency ratio came in at 44.2% within our expected range, highlighting the scalability for our digital investments and our disciplined approach to cost control. Capital levels remained solid across all businesses.

Our performance this quarter reflects more than improved macro conditions. It's the result of a deliberate multi-year strategy to build a more agile, balanced and forward-looking platform. In recent years, we've modernized systems, built end-to-end digital capabilities, and reimagined client engagement across each of our businesses. These investments continue to pay off in performance, resilience and adaptability. We are encouraged by the strong traction of our disruptive innovation portfolio, a key pillar of our long-term strategy.

Credicorp is no longer just a credit growth story. We're structurally shifting to a more balanced model where fee generation, client engagement and scalable innovation are just as critical as lending. This

transformation strengthens our resilience and positions us for more consistent, higher quality growth. It's the foundation for the finance of the future, more inclusive, more digital and more sustainable.

Yape continues to scale in both reach and relevance, now serving nearly 15 million monthly active users, equivalent to 75% of Peru's economically active population. Its monetization strategy is advancing, making it one of the top five contributors to fee income in the Peruvian financial system. Transaction volumes and engagement remain high, and we are expanding services and deepening client interactions. With platforms like Yape and promising ones like Tempo, our soon to be digital bank, we are scaling high impact services that grow revenues and deepen relationships transaction by transaction, not just loan by loan.

As part of our long-term vision, we're building the next generation capabilities to future proof our businesses, and redefine value creation for clients, employees and shareholders. This includes advancing digital onboarding, behavioral scoring, embedded finance and ecosystem-based distributions. These are not just pilots. They're core building blocks for lasting differentiation. We're embedding AI and data management across our operations to generate value in tangible, scalable ways.

Let me highlight three key areas. First, we're elevating the customer experience through hyper personalization, advanced chatbots and voice bots, making every interaction faster, smarter and more intuitive.

Second, we are enhancing operational efficiency by equipping our teams with AI copilots and productivity tools. These are already driving productivity gains of over 30% in cogeneration [ph] and simplifying daily workflows for commercial teams and analysts.

Third, we are strengthening strategic decision making by harnessing data insights to identify new market opportunities, optimize our offerings, and increase earnings through solutions such as ALM optimization, smart customer prioritization, and strengthened risk management frameworks. By embedding AI deeply into how we operate, we are not just innovating. We are building a future where both our clients and our people benefit from smarter, faster and more effective solutions. This commitment positions us at the forefront of our industry's transformation. Our goal is to shape the future of finance in our region, not only through technology, but through a model that is inclusive, efficient and highly engaging.

Looking ahead, we remain focused on execution, innovation and long-term value creation. I invite you to join us in New York on October 9th for our Investor Day, marking the 30th anniversary of our IPO. Together, with our business leaders, I will share how we are transforming finance to improve life and positioning our platform to lead in a changing region. We will outline our financial services models of the future anchored in innovation, inclusion and data-driven client engagement while scaling distribution and unlocking synergies across our ecosystem. We'll also show how AI-advanced risks and data capabilities and discipline execution are futureproofing our business for sustainable growth.

Having said that, let me pass the presentation to Alejandro.

Alejandro Perez Reyes

Thank you, Gianfranco, and good morning, everyone.

This quarter's 20.7% ROE reflects sustained momentum in our core businesses and the increasing contribution of our innovation portfolio. These results include a positive 120 basis point impact related to a relevant gain in BCP's investment portfolio. Similar to what we communicated last quarter we revalued Bolivia's balance sheet using a more market reflective exchange rate, we generated an accounting contraction of 2.8% in Credicorp's total assets this quarter.

As I discuss the quarter highlights, I will focus on the YOY operating trends. Loans measured in quarter end balances dropped 4.1% impacted by the revaluation of Bolivia's balance sheet and a depreciation in BCP's dollar portfolio following an appreciation of the Peruvian sole. Excluding these FX [ph], underlying loan growth for the quarter was 2.6%. This increase was driven primarily by BCP, particularly through mortgages and consumer loans in retail banking and by Mibanco.

Asset quality has improved materially YOY. MPLs contracted across the board and Credicorp's MPL ratio stood at 5% this quarter. The cost of risk fell to a low of 1.6% on the back of fortified risk management and supported by improvements in payment performance and in the Peruvian economy.

Net interest income increased 4.2% spurred by a contraction in interest expenses after interest rates fell and low-cost deposits expanded accounting for 67.2% of the funding base. In this context, NIM remained resilient at 6.4%.

High single digit growth was registered for other core income. Fee income increased 8.2% boosted by transactional activity at Yape and BCP. Gains on FX transactions rose 7.9% through higher volumes at BCP. Lastly, the insurance underwriting results grew 11.2%, reflecting stronger insurance service results in the live [ph] business. On the efficiency front, our cost-to-income ratio stood within guidance at 44.9%. Next slide please.

Peru's GDP growth is to around 3% YOY in the second quarter, down from close to 4% in the first due to a slowdown in primary sectors and a higher comparative base from the previous year. However, domestic demand remains strong, expanding around 5% and outpacing overall GDP growth since mid-2024. This sustained momentum reflects the economy's current midcycle phase and ongoing support from elevated export prices. As a result, GDP expanded close to 4% over the last four quarters through the second quarter of this year, while domestic demand grew around 5%.

High frequency indicators continue to signal economic dynamism underpinned by steady recovery in employment and real wages. More importantly, key proxies for private investments such as heavy-duty vehicle sales, capital goods imports, and terms of trade are expanding at double-digit bases [ph]. Notably, terms of trade have reached their highest level in 75 years, driven by elevated gold, silver and copper prices, which together account for roughly half of Peru's exports.

Supporting this trend, the central bank's business expectations survey showed that investment sentiment reached a historical high in the second quarter, suggesting that private investment should strengthen. Furthermore, the favorable low inflation environment continues to support recovery in private consumption. Hence, Peru's economy is expected to grow above 3% this year with domestic demand rising around 4.5%, which would represent the higher growth rate in 12 years excluding the post-pandemic rebound.

On the external front, elevated global uncertainty persists. Regarding President Trump's announcement of corporate tariffs, the direct impact on Peru is expected to be very limited as copper input materials are not subject to the 50% tariffs. Next slide, please.

The Federal Reserve has kept the policy rates stable throughout the year with dollar [ph] signals emerging from a minority of its members. Chairman Powell has continued to communicate a cautious approach toward lowering rates. Even in the slowdown of the labor market, Fed futures are now pricing between two and three rate cuts this year. Persistent [indiscernible] surrounding President Trump's announcements continues to contribute to the unpredictability of the external environment.

In Peru, annual inflation has remained below 2% for 7 consecutive months, which constitutes one of the lowest trends for both advanced and emerging economies. The central bank has slowed the pace of rate cuts as it approaches its neutral level, making its last cut in May, when it dropped the rate of 25 basis points to 4.5%. In Colombia, inflation has slowed to 4.9% YOY in July, which remains above the upper bound of the target range of 4%. Inflation concerns and fiscal challenges have led the central bank to maintain a cautious stance.

In Chile, the central bank cut its rates to 4.75% during its last meeting after holding its policy rates stable throughout 2025. The move came as inflation eased to 4.1% YOY in June, the lowest level since September of last year. A rate cut appears unlikely in the next meeting given that inflation accelerated in July. Next slide please.

BCP registered a strong ROE of 30.9% which reflects resilient margins, diversification of income, and a low level of cost of risk. This result includes a two-percentage point impact of a significant gain realized on the investment portfolio. On a quarter over quarter basis, total loans measured in quarter end balances rose 1.4% or 2.5% in FX neutral terms. Growth was mainly driven by retail banking, which grew 2%, driven by mortgages and consumer loans. The wholesale banking portfolio, which is volatile due to the nature of its short-term loans, increased 0.8%. The growth recorded in middle market banking was almost completely offset by the contraction registered in corporate banking.

NIM stood at 6% due to an improvement in the asset mix and a drop in the funding costs. MPL volumes fell 2.2%, mainly driven by wholesale banking. In retail banking, MPL volumes remained relatively stable both in individuals and SMEs. Provisions contracted 4.8% driven mainly by an improvement in payment performance in wholesale banking. In retail banking, provisions in individuals dropped slightly due to risk model calibrations. This evolution was partially offset by growth in provisions in SMEP met [ph] following an uptick in disbursement of lower ticket higher yield loans.

The cost of risk registered a low 1.2% impacted by initiatives this year to shore up risk management and bolstered by favorable macro conditions in Peru. In this context, BCP's risk adjusted NIM stood at 5.2%. Other core income rose 16.4% fueled primarily by gains on FX transactions as volumes rose via adept pricing strategies and market volatility. Moreover, fee income rose on the tail of solid transactional levels. Other non-core income this quarter includes a relevant gain on securities of 106 million soles driven by a sovereign bond exchange that extended the duration of the investment portfolio.

From a YOY perspective, I would like to highlight the following dynamics. Loans in quarter end balances remained relatively stable, given that 2.1% growth in retail banking was offset by a 2.4% contraction in wholesale banking, which reflects depreciation in the dollar denominated portfolio. In FX neutral terms, retail and wholesale banking drove average growth of 2.6% in BCP's portfolio.

MPLs contracted across all BCP segments primarily in wholesale and SME [indiscernible]. In the case of individuals, MPLs fell due to debt cancelations on the back of higher liquidity and due to an improvement in loan origination and debt collections management.

NIM remained resilient, bolstered by a downward trend in the funding costs. The cost of risk fell across retail banking segments as payment performance improved due to a greater share of lower risk [indiscernible] within the loan portfolio supported by a strengthening economic backdrop.

The efficiency ratio stood at 38% for the first half of the year. Growth in operating expenses was spurred by an uptick in provisions for variable compensation, which rose alongside stronger business performance and initiatives to hire digital talent for strategic projects. The ratio for other core income to assets accelerated its upward trend reflected the positive impact of initiatives to diversify BCP's income

streams. The strong fees and FX gains results contributed to this acceleration. Next slide please.

Yape continues to lead Peru's digital financial services landscape with nearly 15 million monthly active users at the end of the second quarter. This figure is equivalent to 75% of the economically active population. With consistent quarterly growth of over half a million users, Yape remains on track to meet its 2026 target of 16.5 million monthly active users. User engagement remains robust with an average of 54.5 monthly transactions and 2.7 functionalities used per user, signaling deeper adoption of the app's ecosystem.

Monetization and operating leverage continued to strengthen, where revenue per monthly active user reached 6.5 soles, while expenses per monthly active user stood at 4.4 soles, as an increasingly larger share of users contributed to revenue generation. Payments remained the primary revenue driver, fueled by growth in the average ticket in bill payments. However, lending has emerged as the fastest growing segment, now serving 3 million users and accounting for 18% of Yape's total revenue. This growth reflects an uptick in loan disbursements driven by heightened effectiveness in lead [ph] conversion.

The launch of SME loans in June marks a strategic move into higher value long-term credit products. By the end of the second quarter, Yape's revenue had doubled YOY to represent 5.5% of Credicorp's risk adjusted revenue. Yape remains focused on deepening user engagement, scaling monetization and enhancing its value proposition as it advances financial inclusion. Notably, nearly 30% of Yape loans recipients access their first loan in the formal financial system through the platform. Next slide, please.

Ongoing economic recovery is positively impacting the microfinance sector in Peru. In this context, Mibanco's profitability continued to rise and stood at 16.3% this quarter supported by a rebound in loan disbursements in recent quarters, strength in credit risk management and effective interest rate strategies. I would like to highlight key quarter-over-quarter dynamics.

Loans grew 2.1% in quarter end balances mainly driven by a drop in write-offs after more stringent origination guidelines were instituted one year ago. The MPL ratio fell for the fourth consecutive quarter to stand at 6.1% in line with pre-pandemic levels. NIM rose to a peak of 14.4%, its highest level since before the pandemic, boosted by a shift in the mix towards small ticket higher yield loans. In parallel, the cost of risk rose 25 basis points to stand at 5.4%, while risk adjusted NIM situated at 10.3%.

From a YOY perspective, the decrease in the cost of funding coupled with our active loan pricing management helped sustain the strong NIM. The cost of risk fell 217 basis points as lower risk vintages continued to gain traction and now account for 70% of total loans. Operating expenses remained under control and efficiency stood at 52.4% for the first half of the year. In this context, Mibanco's [indiscernible] contribution to ROE was 15.1% transitioning towards our target for a sustainable ROE in the low 20s.

Mibanco Colombia's results continue to tick up on the lack of measures taken last year and also reflecting an improvement in the economic environment for the microfinance sector. Growth is currently steady and risk is controlled, and the operation reported 11.1% profitability at the quarter end versus losses at the same point last year. Next slide please.

At Grupo Pacifico, insurance underwriting results remain strong this quarter, supported by solid operational dynamics in both the P&C and life businesses with ROE standing at 21.1%. On a quarterly basis, net income rose 23%. Insurance underwriting results rose 27% on the back of a decrease in insurance service expenses in the life business, which was driven by a drop in claims in credit life and disability and survivorship. The net loss on securities dropped in line with a lower impact of credit downgrades on a couple of assets in the investment portfolio this quarter.

On a YOY basis, net income rose 16%, primarily due to the full consolidation of corporate health insurance and medical services operations. Insurance underwriting results increased across both life and P&C businesses, particularly through lower claims in individual life and credit life in the former, and cars and personal life in the latter. These impacts were partially offset by an increase in the net loss on securities, which was impacted by credit downgrades on a couple of assets in the investment portfolio. Next slide, please.

In profitability, our investment management and advisory business remained resilient this quarter with ROE standing at 15.5%. On a quarter-over-quarter basis, core income generating businesses delivered strong results this quarter reflecting favorable treasury performance, improved capital markets activity particularly in the trading unit, and continued growth in wealth management with AUMs in US dollars up 6%. However, this solid business momentum was offset by a temporary increase in operating expenses due to a low base in the first quarter resulting in a 6% decline in net income. On a YOY basis, net income decreased by 20% mainly due to the absence of last year's one-off income from a now discontinued corporate finance business. Nevertheless, stronger treasury performance and lower tax expenses helped partially offset the impact. Next slide please.

Now I would like to review Credicorp's consolidated evolution. As we mentioned earlier, we revalued Bolivia's balance sheet once again this quarter, leading to a contraction in Credicorp's balance sheet. I will now focus on explaining the underlying quarter-over-quarter dynamics. The yield on interest earning assets increased 21 basis points due to a shift in the interest earning asset mix. On the liability side, a more expensive deposit mix [indiscernible] funding costs to increase two basis points. On a YOY basis, interest earning asset yield fell 27 basis points driven by market interest rate dynamics and by a decrease in loans share of the asset structure.

On the liability side, the drop in market interest rates and the lower cost funding structure drove a 42-basis points reduction in funding costs. In this context, NIM remained resilient and stood at 6.42%, increasing 9 basis points. Going forward, loan growth, particularly in retail segments, should help us sustain resilient NIM despite lower interest rates. Next slide, please.

Moving on to loan portfolio quality. Asset quality showed slight further improvement this quarter as MPL volumes continued to contract across segments, falling to levels below those reported two years ago prior to the 2023 recession. Amid ongoing economic recovery, provisions have dropped over the past 12 months due to an improvement in payment performance and successful risk management measures at both BCP and Mibanco. The positive impact of these improvements exceeded expectations, which kept provisioning levels low once again in this quarter. In this context, the MPL coverage ratio rose and stood at 109.5%. Going forward, we will continue to accelerate retail origination and manage risk in parallel. We expect the cost of risk to rise, but remaining within our appetite. Next slide, please.

Moving on to core income, we recorded a 5.3% YOY increase. First, net interest income rose 4.2% supported by lower interest expenses on an improved funding mix. Second, other core income grew 8.1% fueled by fee income through Yape and core transaction activities and by gains on FX transactions. We continue to set new highs in our risk adjusted NIM reaching 5.44% this quarter, a 104 basis points increase YOY driven by resilient NIM and a lower cost of risk.

The efficiency ratio for the first half of the year stood within guidance at 44.9%. Operating expenses grew 11.4%, fueled primarily by core business at BCP and by investments in our innovation portfolio. Growth in core expense at BCP was driven mainly by provisioning for variable compensation and higher IT expenses. Expenses for our innovation portfolio rose 15% led by Yape, Tempo and Culqi, which represented 83% of these expenses in the first half of this year. Next slide, please.

ROE for the quarter stood at 20.7% driven by strong results across all our businesses. Meanwhile, ROE for the semester was 20.9% supported by solid business performance and bolstered by an extraordinary gain from the Banmédica transaction [audio distortion]. If we adjust for this transaction, recurring ROE is 20% for the semester. This quarter, the recurring net income reached a record high as we leveraged the differentiated funding structure and low cost of risk. More importantly, we continue to strengthen revenue streams beyond lending while advancing our transition towards a more diversified and resilient business model.

As we communicated earlier this week, the full amount specified in the SUNAT resolutions against Grupo Credito announced on June 30th has been canceled. This payment totals almost 1.6 billion soles for a [indiscernible] paid income tax and associated interest. This has not changed our stance in this case. We reaffirm our decision to exercise all legal rights available to challenge the resolutions as we consider them unfounded. We are confident in a favorable outcome and continue to head the contingency as [indiscernible]. Hence, no expense provisions have been deemed necessary. The payment does not affect the operations of our subsidiaries; however, it will impact cash flow at the critical level. Consequently, we do not anticipate issuing extraordinary dividends this year.

Now I will move on to our guidance. Next slide, please. As previously stated, our GDP growth expectation remains unchanged at around 3%. We expect our loan book to grow around 6.5% YOY measured in end of period balances. This is equivalent to around 3% measured in average daily balances. These figures do not consider the impact of the revaluation of BCP Bolivia's balance sheet, but they do consider the US dollar devaluation against the Peruvian sole.

Amid a more dynamic economic backdrop and strengthening origination levels in the first half of this year, we expect balances growth to accelerate over the second half, 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 the interest rates trend downward. Accordingly, we expect NIM to stand in the upper end of our guidance of between 6.2% to 6.5%.

Although we expect a slight increase in the cost of risk in the second half of this year due to stronger retail origination, our guidance has been updated to 1.8% to 2.2% to reflect lower and anticipated provisioning levels in the first half of 2025 as the positive impact of our risk management measures and improvements in macroeconomic conditions exceed expectations. Accordingly, we are also adjusting our risk adjusted NIM guidance upward to between 5% and 5.2%. On the efficiency front, we maintain our guidance range for 2025. Fee income is expected to grow in the low double digits 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.

We are increasing our full year ROE guidance to around 19%. This new guidance already includes extraordinary gains from the Banmédica transaction, which we estimate will have an impact of 50 basis points by year end. This revision reflects both solid core performance and sustained discipline on the risk front. While global uncertainties remain, we believe the fundamentals are in place to support this higher level of profitability.

Finally, as Gianfranco mentioned, we are revising our long-term sustainable ROE range upwards from 18% to around 19.5%. This adjustment is primarily driven by strong expectations of loan growth dynamics, particularly through the penetration of new higher yielding segments, which leads to a more favorable loan mix evolution and an improvement in risk adjusted NIM. Moreover, we are seeing enhanced expectations for fee income and gains on foreign exchange operations largely due to increased transactional activity across our diversified business lines. These factors contribute to a more optimistic efficiency outlook compared to our previous estimates.

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

QUESTIONS AND ANSWERS

Operator

We will now begin the Q&A 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.

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

Brian Flores

Hi team. Good morning. Congratulations on the results and the new guidance. I wanted to ask you on cost of risk, because I think it's a relevant improvement in your guidance. If you could elaborate a bit on what is driving this. Also, you mentioned very recently that you're going to accelerate on retail, making the second half of it in these terms a bit riskier, but just if you collaborate on the long term, what is making you be a bit more constructive on a lower cost of risk? I think that would be very helpful. Thank you.

Gianfranco Ferrari

Good morning, Brian. I'll ask Cesar Rios to answer your questions.

Cesar Rios

Hi Brian. Thank you for the question. Yes. First probably it's good to explain a little bit the results of the first half of the year. Last year we took several measures to assure that all our portfolios are under the risk appetite. So in addition to improvement in capabilities, we restricted origination in certain segments. As a result of all of these FX [ph] we have had during the first part of this year a very low cost of risk, actually below our initial expectations. With one minor exception, all our portfolios are under the risk appetite. Beginning more clearly in the second quarter of this year, we started to originate higher yielding higher risk portfolios in a successful way. So what we are anticipating in the second part of the year is to have the reflection of this improved origination in higher yielding risks that are going to change the mix, and this trend should continue in the following years.

Brian Flores

No, perfect.

Gianfranco Ferrari

Maybe, Brian, just to complement Cesar's answer, bear in mind that we do not manage our portfolio based on cost of risk but on risk adjusted NIM, which is very relevant.

Cesar Rios

Yes.

Brian Flores

No, perfect. Super clear. Then a quick follow up on the guidance, too. You reiterated the efficiency ratio, and I think you're very efficiently becoming increasingly digital. Could you just share what is your long-term vision on the digital branch network? Are you planning to monetize any of your prime real estate

holdings? If you could elaborate if you see branches evolving to a more, I would say, transactional hub. Just how are you thinking about this in the long-term? Thank you.

Gianfranco Ferrari

Actually, Brian, this is a strategy we've started to deploy maybe four or five years ago. At the peak at BCP, we reached up to close to 450 branches. Today we have 300, so there's been a reduction of about 1/3 of the network.

More importantly, I would say that the number of branches, the role of the branch has changed dramatically over the last few years from a more transactional vision to a more educational and commercial vision. That path will follow. I would say that the bulk of the reduction has already been done. We do not plan to be as aggressive going forward. However, the world is changing so fast that we will see.

Brian Flores

No, perfect. Thank you.

Moderator

The next question is from Lindsey Shema with Goldman Sachs. Please go ahead.

Lindsey Shema

Hi, thank you for taking my question and congrats on the increased guidance. A quick follow up on cost of risk. When you think about cost of risk long-term where do you see the ratio trending and how long should it take to get there? Could it be structurally lower, or should it continue to accelerate to your long-term range? Thank you.

Cesar Rios

Thank you for the question. Once we reach, I will say, a more representative level at the end of the year, we expect for some years to increase the cost of risk based on the strategy that we are outlining. I am going to give a very simple example. Our cost of risk now is going to be around, let's say, 2%. This is a combination of wholesale retail portfolios, but if we are starting to originate in higher risk portfolios, for example, only a one billion portfolio that has a cost of risk of 8% but brings a margin of 20% additionally, it's going to increase 5 basis points the overall cost of risk of the portfolio, but is going to improve significantly 2.5x that the profitability of the business. That's the strategy that we are going to follow once we have stabilized the portfolio. That's already happening, and we are starting to build the portfolio with new tools. So for some years, we increased these higher risks and higher leaning portfolios and the overall cost of risk should increase, but with increased profitability.

Gianfranco Ferrari

Again, Lindsey, the whole strategy and growth strategy actually is based on risk adjusted NIM, as Cesar mentioned, not only as cost of risks. As a matter of fact, we also include acquisition costs and so on, but regarding the risk adjusted NIM, it's how we manage it.

Lindsey Shema

Thank you. If I could elaborate on that a little bit, for loan growth this year, could you break down your expectations? Then, I know you switched from average balances to period end, but is the better expectation mostly on retail and then just segment by segment? Thank you.

Gianfranco Ferrari

Alejandro?

Alejandro Perez Reyes

Yes. Hi, Lindsey. Yes, we made that change after a conversation with a lot of investors that prefer the end-of-year balance, but we still gave the equivalent. As we mentioned during the presentation with the guidance, we are expecting growth end to end to be 6.5% including the revaluation of the sole, which is stronger to the dollar than what we were expecting. It does come particularly from the more retail segment, both in Mibanco and then at BCP with mortgages and consumer credit. So, I mean, we are expecting most areas to grow, but those areas should be the ones picking up more. We have already seen that pick up in the last few months and we expect that to continue and become even a little bit stronger in the next part of the year.

Operator

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

Renato Meloni

Hi, everyone. Thanks for taking the questions. It's Renato here. So just quickly on loan growth for this year, I'm just thinking of the guidance from the beginning of the year and what has materialized. If you could explain a bit on what diverged the most here and the adjustments you've made. Then on the long-term guidance – and congrats again for raising the guidance for this year and for the sustainable ROE – I just wondered if you could expand a little bit on the comments of the drivers for the higher guidance in the long term. Thank you.

Alejandro Perez Reyes

Sure. I mean as for loan growth, as I was just mentioning and tying it up to the improvement in the economy as we've been mentioning, both Gianfranco and myself, really, we are seeing a very strong economy today and a much better situation for consumers. That, tied to what Cesar was mentioning about our risk capabilities and our origination capabilities, is basically what we expect to translate into higher growth in lending, particularly as I was saying on the retail side and the consumer side and microfinance side.

By the way, it's already been happening so far. I mean, in mortgages FX neutral for the year, for a whole year we've grown 6.5%, in consumer almost 6%, and we're seeing that actually pick up in the last couple of months, so we expect that to continue with these capabilities and our distribution capabilities – and I'm tying this to a longer-term ROE – to continue to access more, let's say, riskier or more of the consumer segment of retail with a good risk-adjusted NIM. So that is one of the main drivers for the sustainable array [ph] that the loan mix with the good cost of risk that translates into a better risk adjusted NIM. Also on the fee income, we've been building a lot of different businesses and lines around that driven by Yape, but there are other things that we're also developing that are basically important sources of growth in the coming years. When you put those together, that's what brings us to our expected 19.5 sustainable ROE.

Gianfranco Ferrari

Maybe, Renato, just an additional comment on what Alejandro just mentioned is if you remember a few years ago, we stated a couple of guardrails regarding how much we were going to invest in our disruptive initiatives. One of those guardrails was up to 150 basis points of ROE. This year, 2025, that impact is going to be close to zero.

Going forward, as we see, that should be positive, so that drag should be eliminated. Obviously, again, since the world is changing at the pace it is changing, we may have to invest or another Yape idea may come. But today, the vision we have is that the digital investments going forward from '25 onwards will generate positive ROE rather than negative ROE.

As we've mentioned before, since we've been very conservative especially in how to register [ph] the

investments we have been doing in the digital transformation initiatives, basically 100% or 90% of those investments we will register them as expenses. So the equity part of those digital investments is close to zero. It's not zero, but it's really irrelevant to the income they will generate going forward.

Renato Meloni

That's very clear. Thanks very much.

Operator

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

Carlos Gomez

Hello. Thank you, and congratulations on the results. Thank you for clarifying that the bond exchange was an extraordinary gain. Can I ask you briefly, is that an after tax or before tax gain?

Alejandro Perez Reyes

The gain is actually before tax, but government bonds don't have income tax, so it ends up going all the way below the line.

Carlos Gomez

Okay, that's very clear. Thank you. [Indiscernible]. My real question is about Yape. We look at the numbers that you published, and I estimate that right now you are showing a net income contribution of around \$25 million. I could be wrong about that. How much do you think Yape can contribute this year, next year, and in the future? What's the number that you are considering internally and you are talking to investors about?

Gianfranco Ferrari

Francesca, can you answer that?

Francesca Raffo

Hi. The number you mentioned is correct. What we are expecting is as Yape begins to increase its loan portfolio, its contribution will be much larger. We are expecting for the next three to five years the goal would be for Yape to be the second largest line of business that Credicorp has, primarily due to its lending business in retail and SME segment, and also, its [indiscernible] in the newer segment in the newer lines of business as marketplace and commerce.

Carlos Gomez

So that will be second to, I guess, BCP, and therefore larger than Pacifico. Are we talking \$150 million, \$200 million, \$250 million?

Gianfranco Ferrari

You have to do your math, Carlos. We don't disclose specific figures. You have the figure of BCP. You have the figure of Pacifico. Do the math.

Carlos Gomez

Okay, I'll do that. Thank you.

Gianfranco Ferrari

Thank you.

Operator

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

Alonso Aramburu

Yes. Hi and good morning. Thank you for the call. Just following up on Yape, can you comment on your asset quality trends at Yape? What's your cost of risk? What's the goal of NPLs? Also, on some color on the lending, what kind of size of loans are you doing and the term of the loans? Has that changed in the last few months? Do you have a target for how much lending should be as a percentage of revenues at Yape? Thank you.

Gianfranco Ferrari

Yes, maybe I'll start, and then, Francesca, you can complement me. So, Alonso, today still, the Yape portfolio is very small even though we're dispersing over a million loans per month. The bulk of that is a mono [ph] installment, so the duration is actually less than 30 days. What we're doing is basically even though that business is profitable, the real target is to learn to lend to the best performance of those initial clients.

We're building up multi-installment loans in the consumer finance business, which is growing rapidly, and we just started some testing in the SME market also. NPLs, I don't know, Francesca, if you have it [ph].

Cesar Rios

Low teens annualized.

Gianfranco Ferrari

Again, the risk adjusted NIM is very good, Alonso, but we are quite positive on the impact of the lending business at Yape. Again, we're not disclosing how much of the income or profits at Yape should be generated by lending, but obviously it's going to be the major contributor, which, by the way, today, it isn't.

Alonso Aramburu

Yes. Thank you for that. Just to follow up generally on the cost of risk guidance, is it correct that the expectation then for the second half of the year should be closer to 2% cost of risk for Credicorp?

Cesar Rios

The expectation for the whole year is in the range that we have stated, between 1.8% to 2.2%. That implies doing the math that the second part [ph] of the year should be closer to 2% than closer to 1.6% for the reasons that we have already stated.

Alonso Aramburu

All right. Fantastic. Thank you very much.

Operator

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

Yuri Fernandes

Hi, everyone, and also congrats on the quarter. I have just a question on your deposit franchise. We see the economy in Peru doing better and your deposits are growing way above alone, so don't get me wrong here, but when I go to your low-cost deposits, they are down a little bit quarter-over-quarter, some 5%. So I'm just checking if this is seasonal. On YOY they are still growing, but given you have so many different verticals, I think a 4% or 5% overall on deposits could be a little bit higher. So I'm just trying to understand on deposits why it was down the low cost.

Then I have a second question regarding dividends. You are generating a lot of capital. Loan growth has

been a little bit lackluster. So, the quarterly question on dividends is how should we think about your extraordinary dividends for this year? Thank you.

Gianfranco Ferrari

Yes. Hi, Yuri. What you see is seasonal. Regarding low-cost deposits, if you take a look at YOY, growth has been quite important. Because of your question, I would like to share information that was shared by the central bank this week. The usage of cash as in transactions in Peru has gone from 95% of total transactions done in cash in Peru in 2013 to 64%. So that's an over 3,000-basis points reduction.

The major driver for that decline has been the digital wallet and the major digital wallet in Peru is Yape. Therefore, we are quite confident that the low-cost deposit growth and market share will still be there, because this is great news, but if you see it, there's still two thirds of the market doing transactions in cash, so there's a lot of room for growth there. That's regarding deposits.

Regarding dividends, the policy is exactly the same. We haven't changed the policy. The issues that Alejandro mentioned during his speech, is since we had to pay 1.6 to 1.7 billion soles to SUNAT, even though that doesn't affect our P&L, it does affect our cash position. Therefore, we won't be paying this year an extraordinary dividend in the second half of the year.

Alejandro Perez Reyes

Maybe just to complement Gianfranco, that is exactly right. The main impact that we are having of this SUNAT situation is actually a cash impact. The money that we expected to pay out as an extraordinary dividend is the one that we're using to pay this claim by SUNAT. What I just wanted to mention is that this doesn't change going forward our expectations for next year's ordinary dividends and ideally also extraordinary dividends. So it is just an impact on this year because it is the money that we were expecting to pay out as an extraordinary dividend.

Yuri Fernandes

Oh, perfect. Thank you very much.

Operator

Again. If you have a question, please press star then one. The next question is from Andres Soto with Santander. Please go ahead.

Andres Soto

Good morning to all and thank you for the presentation and the opportunity to ask questions. My first question is regarding your digital initiatives and your targets for the short term. You have mentioned the subjective of these initiatives to represent 10% of revenue by 2026. I would like to understand if these targets refer to the whole year or a specific quarter. You were already at 6% in the second quarter of the year, so it will be interesting to hear your thoughts on the ramp up to get to these targets.

Gianfranco Ferrari

Sure. Francesca?

Francesca Raffo

Yes. Thank you, Andres. Our goal was 2026 10% for the whole year. We are very confident with what we're seeing with Yape's results. As you know, what we've shared before is that the idea around the innovation portfolio is to have also initiatives graduate. So the challenge for the innovation portfolio is to continue to generate a new set of initiatives around Tempo, around Culqi, around Dio [ph]. So this is the way we're viewing it. We're very confident because we have a good venture around Yape, but the work is still there, so it's on an annual basis.

Andres Soto

That's clear. Thank you, Francesca. My second question is regarding the new medium-term ROE target, that 19.5%. Your comment was very helpful, Gianfranco, that this partially reflects not considering the detraction that you are getting from digital initiatives, which are already broke even, but it looks like it's still a conservative one, considering that as they start to ramp up, they will actually contribute to profitability, and they will take your ROE to even higher levels. So what prevents you to get a more ambitious target for your sustainable ROE? That will be point number one.

Point number two, you mentioned that part of what we are seeing here is a better risk adjusted NIM, higher contribution leading to better efficiency. In the past, you used to have an efficiency target tied to this 18% medium-term ROE. What is your new efficiency target in this new objective?

Gianfranco Ferrari

Yes. Maybe let me take the efficiency question and then I will pass it to Alejandro, and you may comment the impact, Alejandro, on the [overlapping voices].

Alejandro Perez Reyes

Yes, I was going to say that.

Gianfranco Ferrari

First of all, good morning, Andres. The efficiency ratio with these new ventures growing at a much faster pace than the incumbents is tricky, because they start to become profitable, but their efficiency ratio is much higher than the efficiency ratio the incumbents have. So the more Yape grows, the more inefficient we become. Obviously, at some point in time, Yape's efficiency ratio should be much lower than the BCP's efficiency ratio, but it's not the situation today. That happened because most of the new ventures were deployed. That's the main reason for efficiency ratio. Obviously, we keep investing in running the business and also in the transformation.

Also, as I mentioned before, the bulk of what we've done in terms of investments in the digital transformation mostly in the new ventures, we've registered them as expenses. So, we've been front loading expenses and going forward there's a trade-off. As we are successful, digital initiatives will grow but deteriorate the cost to income ratio, but at the same time, since they become profitable, the ROE impact shouldn't be negative, as I explained before. I don't know if I made it clear.

Andres Soto

That was clear, Gianfranco, but what I would like to get here is if the number that you're putting as a medium-term target is probably conservative considering this math that you described. To the point of the guardrails that you used to have, are they still valid? Are you still operating under the assumption that the disruptive initiatives are going to take away 300 basis points of efficiency and 150 basis points of ROE, or is this something that you are going to be [overlapping voices] with the board?

Gianfranco Ferrari

Yes. Again, 150 basis points impact. As a matter of fact this year is going to be, let's say, zero, so that's not a negative. It won't be a drag this year. Starting from 2026 onwards, it should be positive. That's the ROE answer. The cost-to-income answer, the efficiency ratio is another answer, because, as I mentioned, it's concretely Yape. Yape is profitable now, but the cost to income of Yape is not 40-something percent. It's much more. The larger Yape becomes, the more that "negative" impact on cost to income has. Going forward, that may change, and Yape will end up being much more efficient than, let's say, BCP. In that case, the cost to income ratio will decrease also.

Andres Soto

That is fundamentally a function of lending, I suppose.

Gianfranco Ferrari

Yes. So the major source of marginal income growth for Yape for the upcoming year is what we expect the lending business is going to become, yes.

Andres Soto

Maybe Francesca probably mentioned this before the three to five-year period for the ramp up. Is this still a valid time frame, or when are you expecting to accelerate Yape lending when those testing loans are going to start to become multi-installment and larger loans?

Gianfranco Ferrari

They are all very multi-installment, but you know as well, Andres, we're conservative, so we're not going to bet the house going to grow dramatically that portfolio. We feel very comfortable with what we're doing both regarding cost of risk and growth. The more comfortable we become, the faster we will deploy the whole strategy. We do not have a specific answer today on when we will achieve what we are doing [ph].

Cesar Rios

Yes. If you focus on the nature of this client, it's an exploratory business at the beginning. We deploy pilots. We monitor the pilots. When we discover a specific segment that performs particularly well, we scale that. In these cases, we can be scaling up certain parts of the portfolio rapidly, but subject to have discovered profitable segments. So it's a discovery process. We have great expectation but it's a discovery process.

Andres Soto

Thank you, Cesar. What percentage of Yape borrowers are already in a multi-installment scheme?

Gianfranco Ferrari

Do you have that, Cesar?

Cesar Rios

Today they are 50/50. The balance sheet is 50/50. You're right. Not the number of clients, but the balance is cut in half [ph].

Gianfranco Ferrari

Again, Andres, since the model installment loans are model installments, the duration is less than one month.

Cesar Rios

It's 30 days.

Cesar Rios

You have to work a lot to maintain the balance. That is going to shift dramatically in the upcoming years.

Andres Soto

Perfect. Thank you, guys, and congratulations on the results.

Alejandro Perez Reyes

Thank you.

Cesar Rios

Thank you.

Moderator

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.

CONCLUSION**Gianfranco Ferrari**

Thank you and thank you all for your questions. Q225 was another quarter of solid execution at Credicorp. Momentum in the economy, our business, and our innovation agenda give us confidence for the rest of the year and beyond. Fee income is scaling. Digital engagement is deepening. Great demand is returning, and we are delivering value consistently, even amid regulatory uncertainty.

As I noted earlier, we operate in a more supportive environment but are not dependent on it. Our platform performs through volatility and is now better positioned to capture upside more effectively. In this context, we've revised our long-term sustainable ROE upward from around 18% to approximately 19.5%, reflecting the benefits of a more diversified, inclusive business model as we expand into new segments and broaden our addressable market. Our strategy will drive higher risk adjusted NIM through a more retail oriented loan portfolio, while increasing transactional and non-interest income from our disruptive initiatives. These drivers will accelerate income growth, enhance efficiency and strengthen our ability to deliver sustainable returns.

Looking ahead, I invite you to join us on October 9th in New York for our Investor Day where we will share how Credicorp is positioning to lead the next chapter of Latin American finance. We look forward to seeing many of you there. Thank you for your continued trust.

Moderator

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