

InterCorp Financial Services (IFS): Strategic Investment Analysis

Structural Competitive Advantages,
Cyclical Positioning, and the Valuation Gap.



Investment Horizon: 2026-2030
Ticker: NYSE: IFS / BVL: IFS
Current Price: ~\$50.00

Executive Summary: The Thesis.

The Performance Engine

\$/ 1,943M

FY 2025 Net Profit
(+48.6% YoY)

16.8% ROE 

Growth driven by
provision normalization
and high-yield asset mix,
not just volume.

The Structural Reality

80 bps

Cost of Funds
Disadvantage vs. BCP

IFS: 3.1% | BCP: 2.3%

Funding gap forces IFS to
overweight
uncollateralized consumer
risk to match peer ROE.

The Opportunity

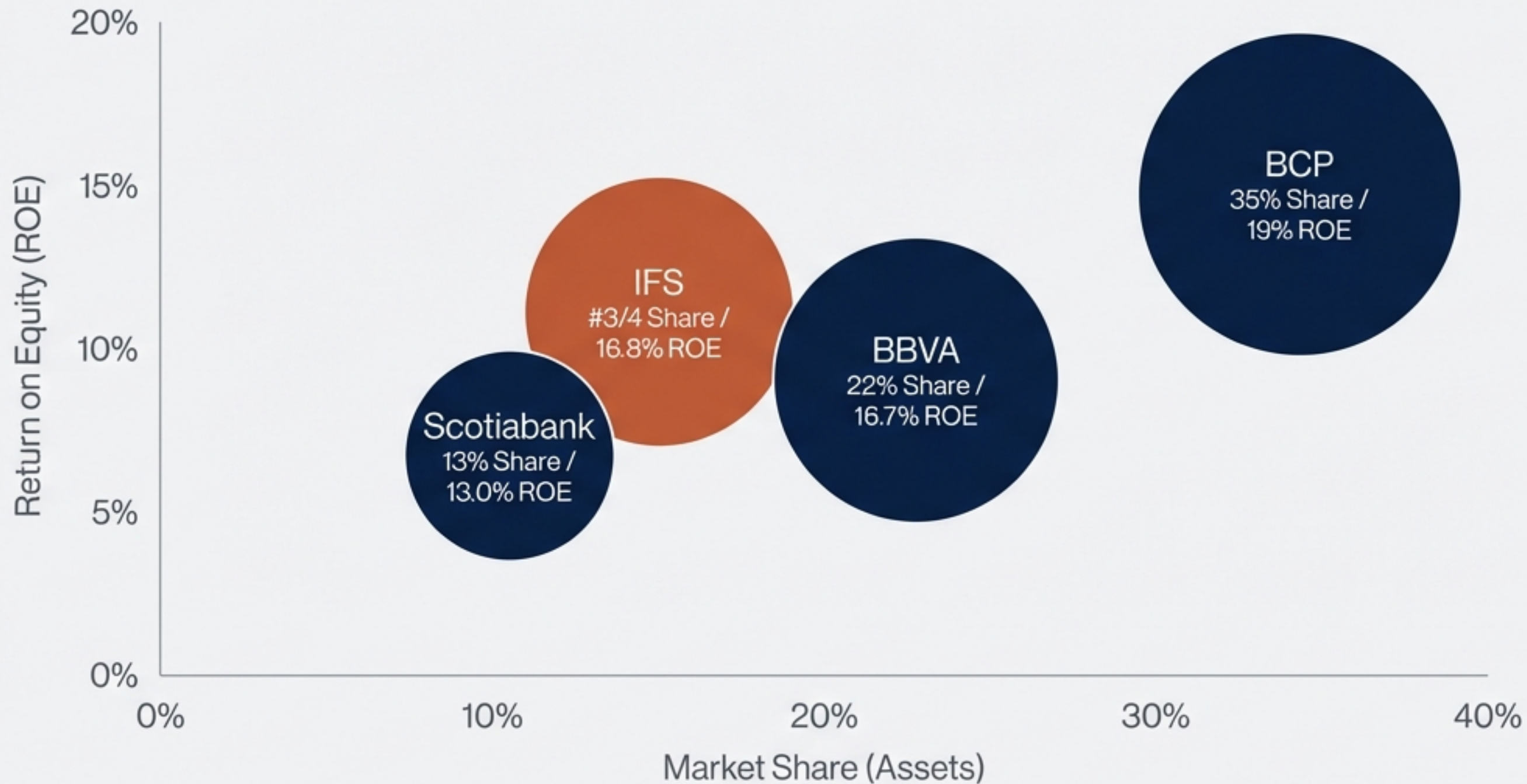
1.5x

Price-to-Book Value

Aggressive insider 
buybacks at ~\$20 floor
signaled management
confidence. Now fairly
priced for quality
compounding.

The Arena: Peru's Rational Oligopoly

Top 4 institutions control >80% of system assets.



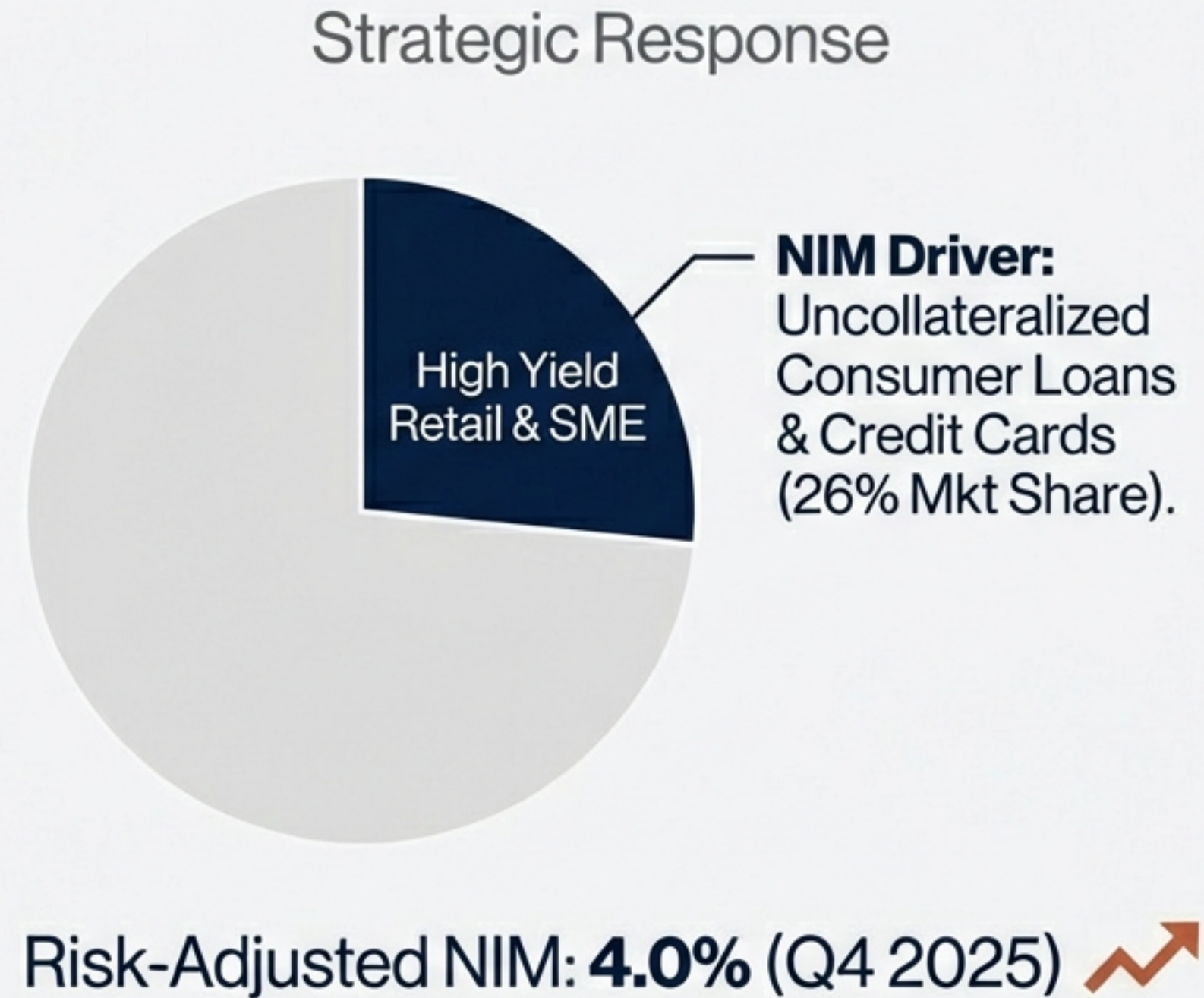
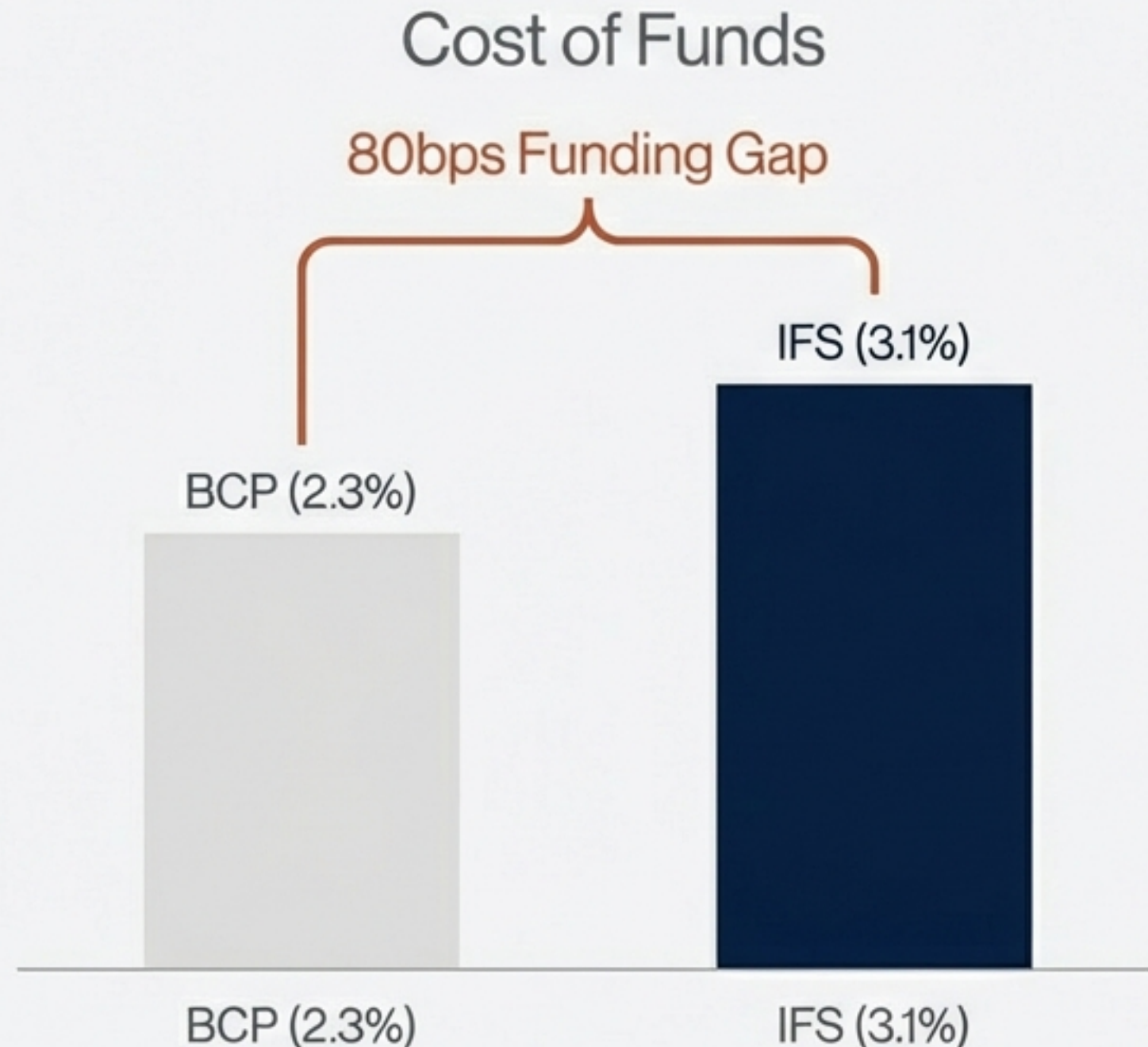
Insight

Price wars are rare. Competition is fought on digital user experience and efficiency.

High barriers to entry protect margins.

The Structural Liability Disadvantage

Why IFS must take more risk to achieve peer-level returns.

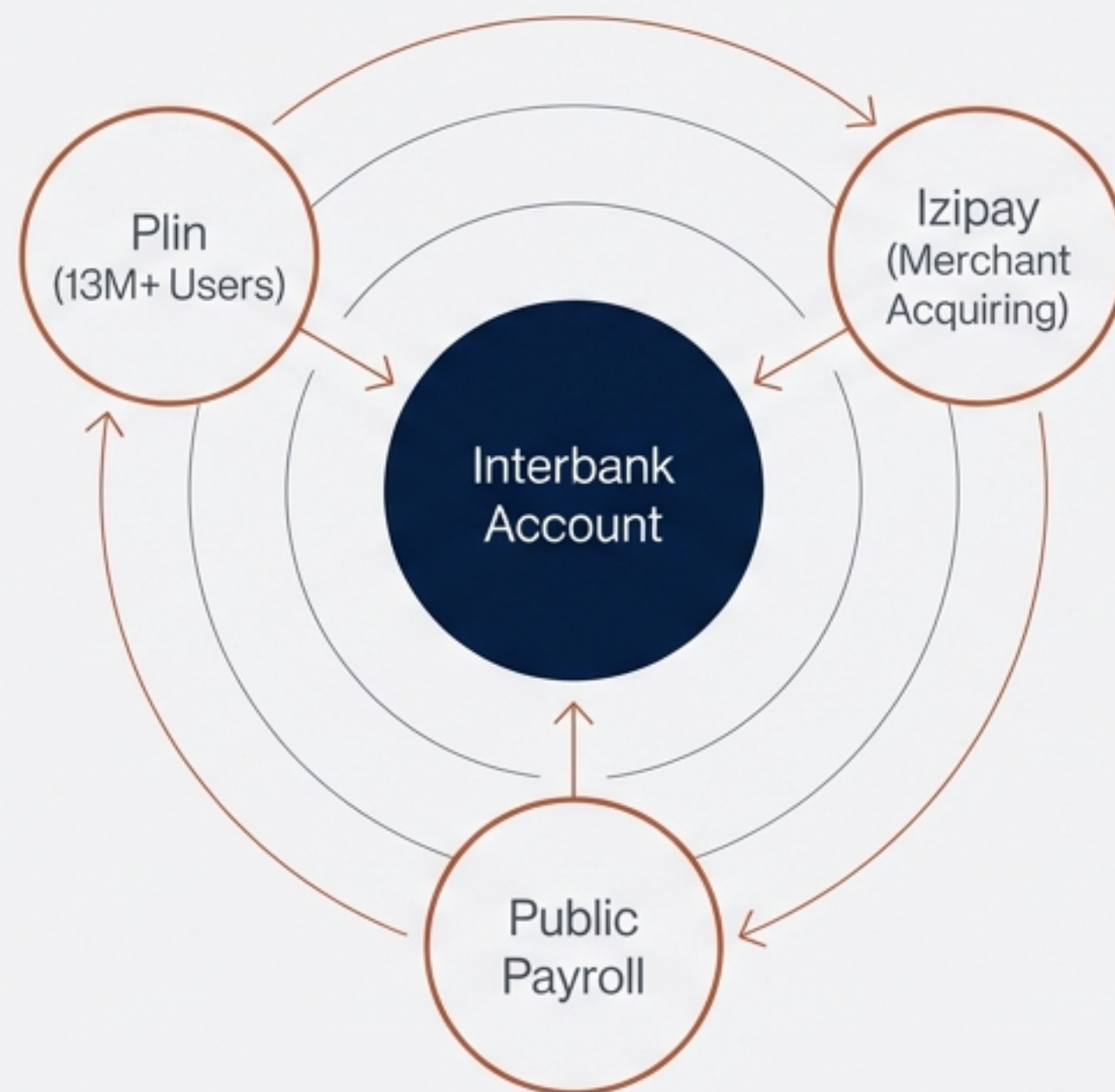


84% of retail clients are digital users.

The Moat: Ecosystem & Switching Costs

Once payroll, merchant processing, and P2P transfers are integrated, switching costs become prohibitive.

Zero marginal CAC for Plin acquisition.



The Engine Room: Interbank Strategy

Commercial Banking (The Stabilizer)



- Focus: Mid-sized Enterprises.
- Avoids blue-chip price wars with BCP.
- Provides deposit base stability.

Retail Banking (The Yield Generator)

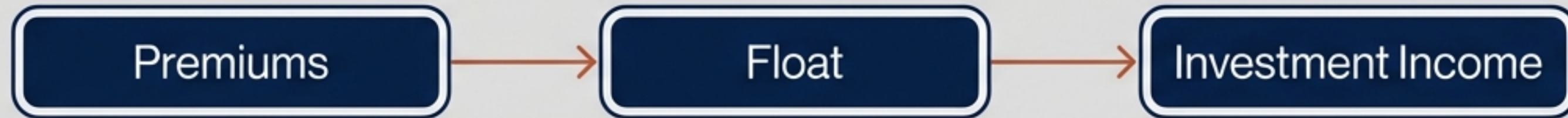


- Dominates High-Yield Credit Cards (**26% Share**).
- Focus: Consumer Loans & Payroll Deduction.
- Driver of **4.0%** Risk-Adjusted **NIM**.

Efficiency Ratio: 36.8%

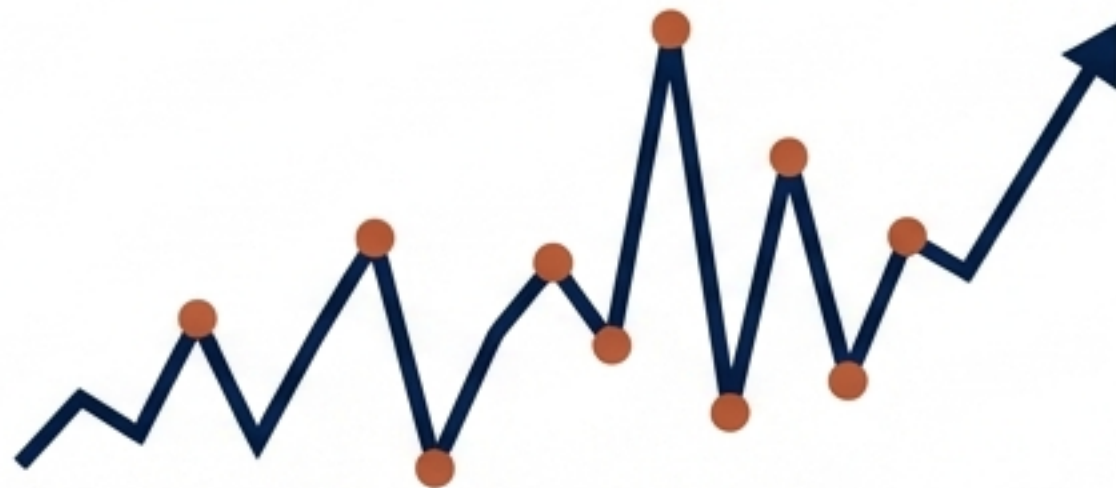
Non-Banking Diversifiers

Interseguro (Insurance)



Annuities Leader (>30% Share).

⚠ Impairment Risk: Rutas de Lima (S/ ~205M loss).



Inteligo (Wealth Management)

High Beta Accelerator (\$9.1B AUM).
Earnings spike during global market rallies.

The Digital Transition: Monetization vs. Cannibalization

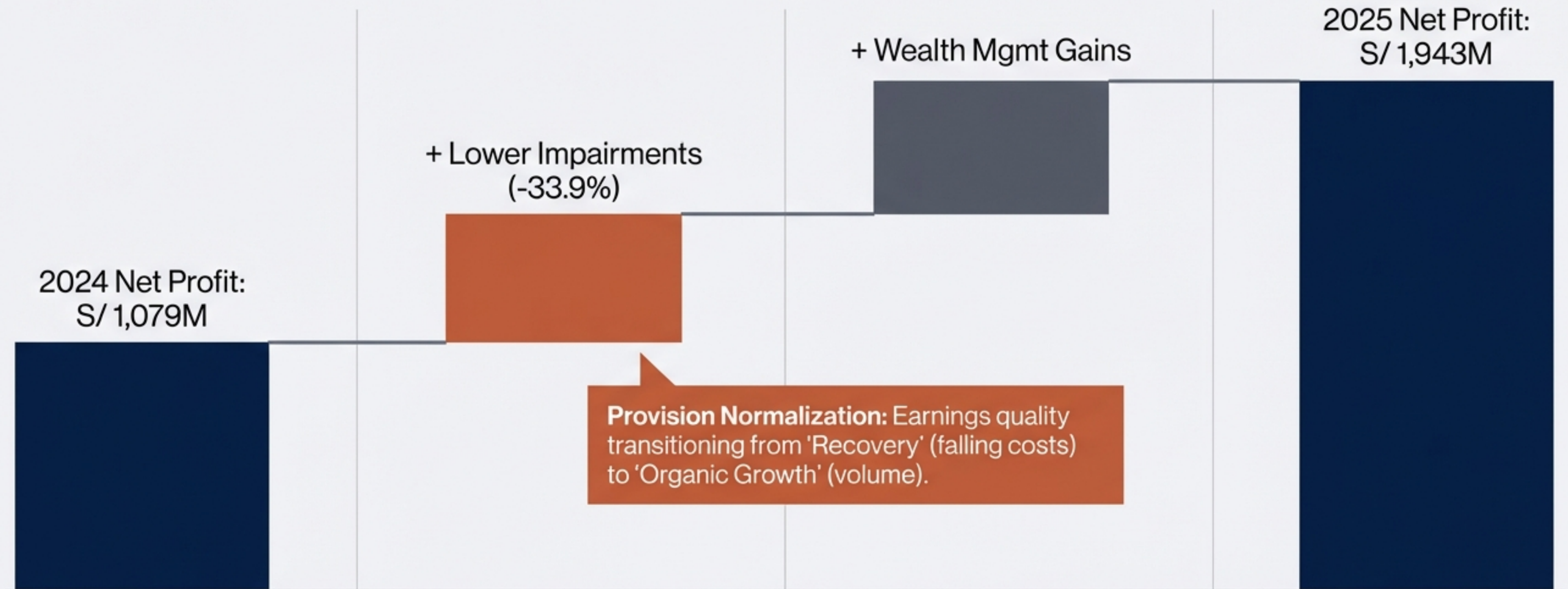


Conflict

The Dilemma: Wallet transfers destroy traditional card interchange fees. The bet is that proprietary data equals lower credit losses.

- Plin & Yape >50% of retail cashless transactions.
- **Strategic Hedge:** Izipay acquisition captures merchant fees.

Deconstructing 2025: Recovery, Not Just Growth



Cost of Risk fell to 2.3%.

Future Vectors: Sustaining 17% ROE



High-Yield Mix

Accelerating SME (**+25% growth**) and Consumer loans to widen NIM.



Digital Efficiency

Keeping Efficiency Ratio **<37%** via digital migration (**84% users digital**).



Macro Lift

Capitalizing on **3%+ GDP growth** to drive formalization.

The Macro Backdrop: Resilient Economy, Political Noise

GDP Growth

3.2%

Rebound vs Region.

Inflation

1.5%

Tamed. Target Band 1-3%.

Reference Rate

4.0%

BCRP Easing Cycle.

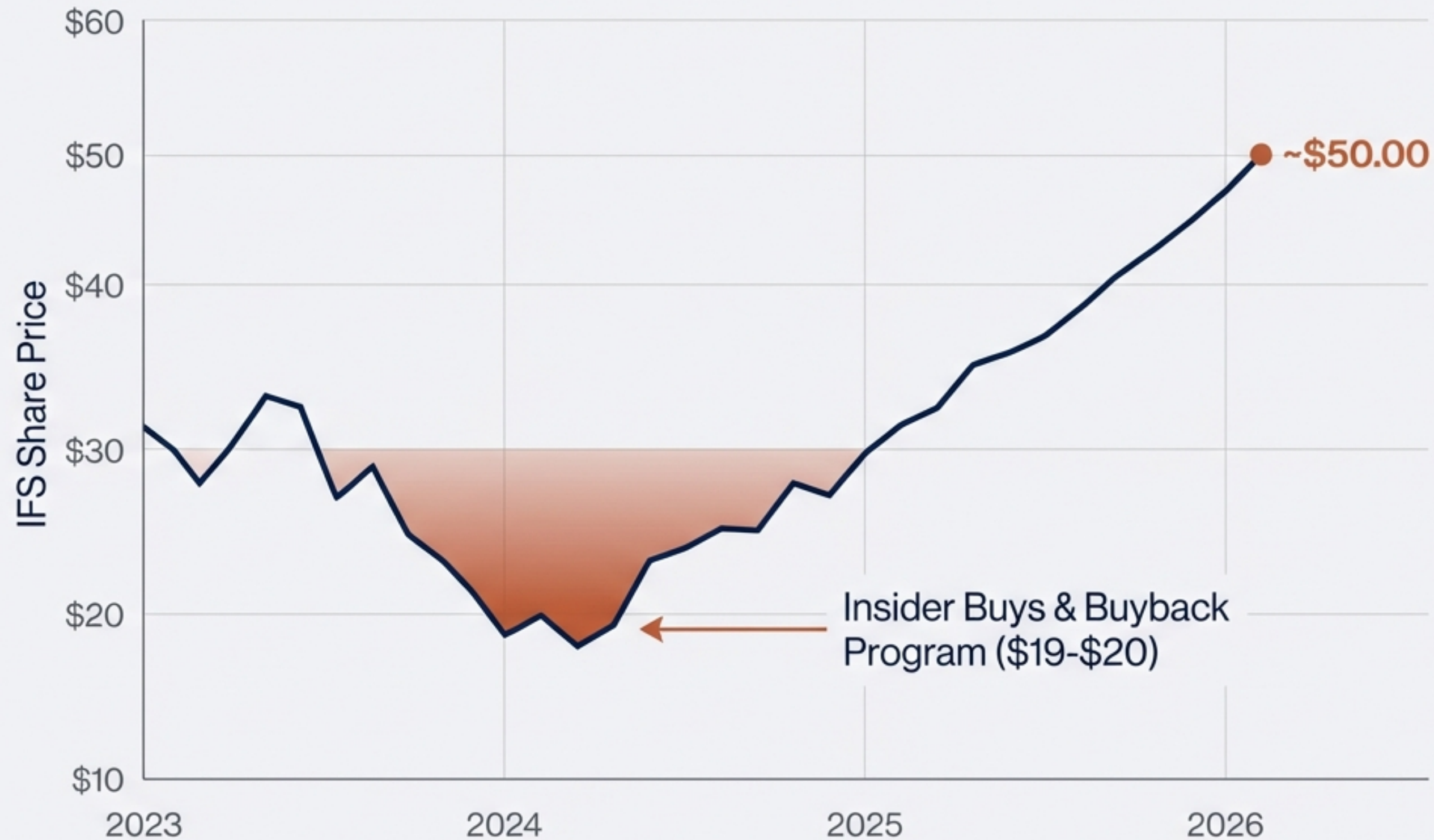
Currency (PEN)

Stable

Supported by Copper Reserves.

Risk Note: 2026 General Elections present recurring political discount, but Central Bank independence remains absolute.

Capital Allocation: The Insider Signal



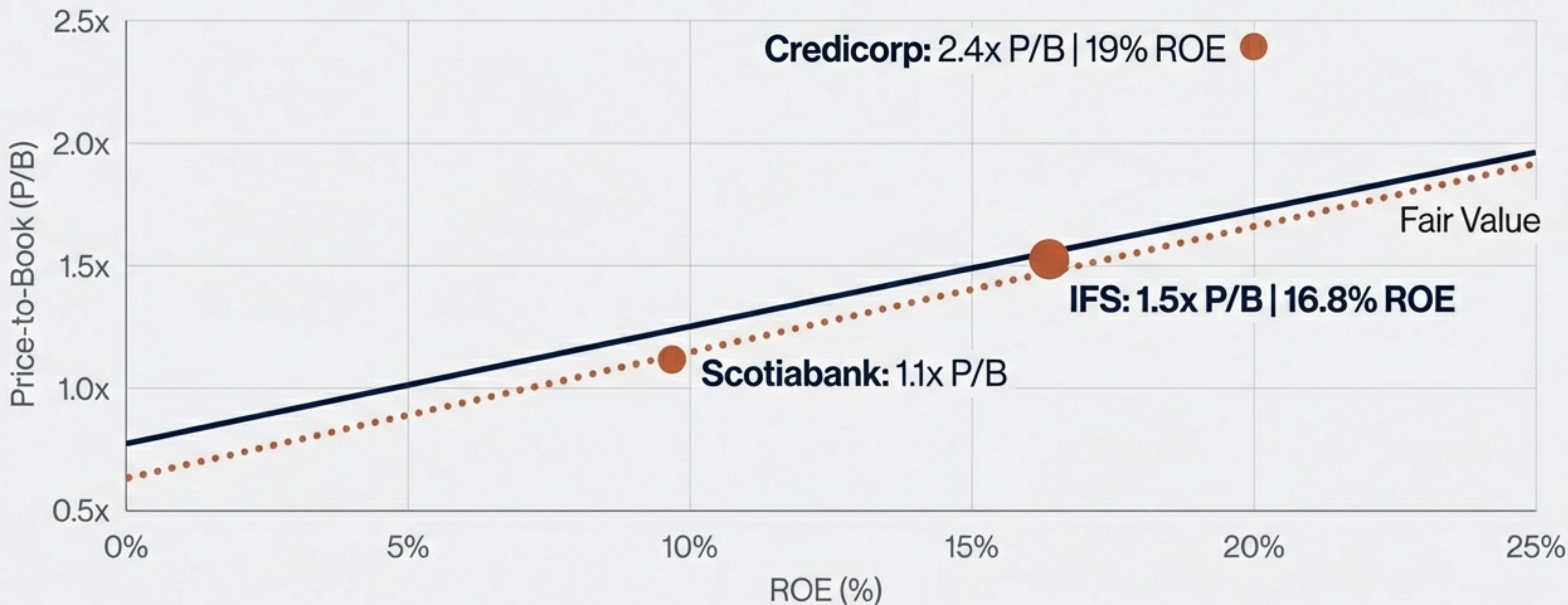
Philosophy

Management **bought the bottom.** Retaining **80%** of earnings to **compound at 16.8% ROE.** Dividend yield (~2.0%) is secondary to reinvestment.

Risk Analysis: The Bear Case

The Consumer Credit Cliff 	Underwriting Discipline	Political Populism
• Did AFP pension withdrawals hide insolvency? • Metric to Watch: Cost of Risk > 2.5%	• Rutas de Lima Impairment (S/ 205M). • Indicates failure in political risk assessment for infrastructure bonds.	• 2026 Election Cycle risks: Interest rate caps or pension system destruction.

Valuation Context: Fairly Priced



No arbitrage anomaly left at \$50/share. Offers fair price for quality compounding.

Investment Synthesis: The Compounder

The Checklist (Conditions to Invest)

- ☐ GDP > 3.0%.
- ☐ Cost of Risk stays < 2.5%.
- ☐ Plin data improves underwriting precision.

The Verdict

- A disciplined #2 player in a profitable oligopoly.
- Fairly valued at 1.5x Book.

**Recommendation:
Hold/Accumulate.**

Buy for the ROE, monitor the credit cycle.