

Banco Santander Chile

Mgmt. lowered its 2023 guidance; next year's earnings recovery already priced-in

Reiterate Rating: UNDERPERFORM | PO: 46.00 CLP | Price: 44.34 CLP

2Q23 earnings below BofA/consensus on weak NII

No surprise, as preliminary 2Q results were already known. NI of ChP127bn dropped 8% QoQ and -55% YoY and came 9%/6% below BofAe/market consensus. Mixed operating trends reflected weaker NII, while modestly higher opex and provisions charges. ROAE of 12.6% improved from 13.5% in 1Q23, but significantly declined from 31.3% in 2Q22.

Lower 2023 guidance to 15% ROAE (vs. 15-17% before)

Management lowered its 2023 ROAE guidance to 15% (vs. 15-17% before). Lower guidance mainly reflects NIM pressure of 90 bps (vs. 50 before) on expected inferior inflation levels. New guidance implies earnings contraction of 19% in 2023. Meanwhile, management kept its long-term guidance of 17-19% ROAE (vs. 19% of BofAe).

Increasing our PO to ChP46/\$22 ADR

We are increasing our PO to ChP46/ ADR at \$22 (ChP39/ ADR at \$19 before) to reflect 1) our new earnings estimates, 2) the roll-over of our PO to '24E, 3) a lower beta of 1.0x (vs. 1.1x before) given lower political noise and potential economic rebound, and 4) a lower country risk of 140bp (vs. 160bp before) on recent political moderation. At our PO, Santander Chile would trade at 1.7x '24E P/BV and 10.3x '24E P/E.

Reiterate our Underperform rating

BSAC's stock price has rebounded 42% YtD (vs. 43% in dollars) anticipating to lower rates. Nonetheless, we reiterate our Underperform rating on BSAC, as we are already expecting earnings to improve in 2H23 and next year, while a sustainable ROAE of 19% (in-line with management's long-term guidance). Meanwhile, BSAC is trading at 1.7x '24 P/BV and at 10.1x '24x P/E, which we think seems demanding against Brazil and Mex-banks.

Estimates(Dec) (CLP)	2021A	2022A	2023E	2024E	2025E
EPS	4.17	4.29	3.54	4.42	5.26
GAAP EPS	4.17	4.29	3.54	4.42	5.26
EPS Change (YoY)	51.6%	2.9%	-17.5%	24.9%	19.0%
Consensus EPS (Bloomberg)			3.31	4.15	4.52
DPS	1.65	2.50	2.57	2.12	2.65
ADR EPS (US\$)	1.96	2.02	1.75	2.13	2.47
ADR DPS (US\$)	0.78	1.18	1.27	1.02	1.25
Valuation (Dec)					
P/E	10.6x	10.3x	12.5x	10.0x	8.4x
GAAP P/E	10.6x	10.3x	12.5x	10.0x	8.4x
Dividend Yield	3.7%	5.6%	5.8%	4.8%	6.0%

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Refer to important disclosures on page 9 to 12. Analyst Certification on page 7. Price Objective Basis/Risk on page 6.

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31 July 2023

Equity

Key Changes

(CLP)	Previous	Current
Price Obj.	39.00	46.00
2023E Rev (m)	2,241,416.9	2,134,885.2
2024E Rev (m)	2,452,604.4	2,433,159.6
2025E Rev (m)	2,696,738.2	2,711,630.9
2023E EPS	4.01	3.54
2024E EPS	4.58	4.42
2025E EPS	5.28	5.26

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Stock Data

Price (Common / ADR)	44.34 CLP / 21.09 USD
Price Objective	46.00 CLP / 22.00 USD
Date Established	31-Jul-2023 / 31-Jul-2023
Investment Opinion	A-3-7 / B-3-7
52-Week Range	31.40 CLP - 45.09 CLP
Market Value (mn)	8,355,696 CLP
Average Daily Value	8.40 CLP
Shares Outstanding (mn)	188,446.0 / 471.1
BofA Ticker / Exchange	XLDTF / SGO
BofA Ticker / Exchange	BSAC / NYS
Bloomberg / Reuters	BSAN CI /
	BSANTANDERSN
ROE (2023E)	15.3%

iQprofileSM Banco Santander Chile

Income Statement Data (Dec)

(CLP Millions)	2021A	2022A	2023E	2024E	2025E
Net Interest Income	1,802,343	1,598,345	1,279,300	1,586,108	1,825,358
% change	13.1%	-11.3%	-20.0%	24.0%	15.1%
Net Fee Income	353,729	407,269	534,093	527,051	566,273
Securities Gains / (Losses)	115,872	216,599	324,338	320,000	320,000
Total Operating Income	2,174,591	2,128,717	2,134,885	2,433,160	2,711,631
Operating Expenses	(799,637)	(855,020)	(857,933)	(885,698)	(908,391)
% change	4.2%	6.9%	0.3%	3.2%	2.6%
Provisions Expense	(382,950)	(370,728)	(473,733)	(478,400)	(517,786)
% change	-25.1%	-3.2%	27.8%	1.0%	8.2%
Operating Pre-Tax Income	992,004	902,969	803,220	1,069,061	1,285,454
Operating Net Income to Comm S/Hold.	785,897	798,333	657,435	821,970	980,066
GAAP Net Income	785,393	808,644	666,942	832,590	990,686

Balance Sheet Data (Dec)

(CLP Millions)	2021A	2022A	2023E	2024E	2025E
Total Assets	63,964,359	68,164,603	71,409,562	77,681,564	84,568,337
Average Interest Earning Assets	44,478,709	45,553,576	48,105,323	52,076,336	56,317,693
Total Gross Customer Loans	36,628,686	38,871,708	40,989,126	44,363,684	48,016,063
% change	6.5%	6.1%	5.4%	8.2%	8.2%
Total Customer Deposits	28,031,973	27,065,016	28,864,883	31,423,588	34,216,461
% change	11.5%	-3.4%	6.7%	8.9%	8.9%
Tangible Equity	3,634,917	4,128,808	4,572,592	5,005,017	5,496,149
Common Shareholders' Equity	3,634,917	4,128,808	4,572,592	5,005,017	5,496,149

Key Metrics (Dec)

(CLP Millions)	2021A	2022A	2023E	2024E	2025E
Net Interest Margin	4.05%	3.51%	2.66%	3.05%	3.24%
Effective Tax Rate	19.8%	9.9%	15.5%	21.0%	22.0%
Loan / Deposit Ratio	130.7%	143.6%	142.0%	141.2%	140.3%
Tangible Common Equity / Assets	5.7%	6.1%	6.4%	6.4%	6.5%
ROA	1.3%	1.2%	1.0%	1.1%	1.2%
ROE	21.8%	20.8%	15.3%	17.4%	18.9%
RoTE	21.8%	20.8%	15.3%	17.4%	18.9%
Dividend Payout Ratio	39.6%	59.0%	73.8%	48.7%	51.0%
Efficiency Ratio (Cost / Income Ratio)	38.8%	44.7%	47.4%	41.9%	38.0%

Quality of Earnings (Dec)

(CLP Millions)	2021A	2022A	2023E	2024E	2025E
Total Non-Interest Inc / Operating Inc	17.1%	24.9%	40.1%	34.8%	32.7%
NPLs plus Foreclosed Real Estate / Loans	1.2%	1.8%	2.1%	2.2%	2.3%
Loan Loss Reserves / NPLs	213.14%	144.49%	130.05%	124.22%	118.89%
Loan Loss Reserves / Total Loans	2.62%	2.67%	2.77%	2.77%	2.77%

Company Sector

Banks-Retail

Company Description

Banco Santander-Chile is Chile's largest bank, with 18.2% share of total loans in the system. The bank has a strong position in the Chilean retail banking segment, resulting in one of the industry's highest levels of ROE, due to low funding costs and good efficiency ratio. Banco Santander-Chile is the result of the merger of Banco Santander and Banco Santiago in 2002.

Investment Rationale

Santander Chile's stock price has significantly rebounded YtD anticipating to lower rates. Our estimates already assume earnings to recover in 2H23 and in 2024, while a sustainable ROAE of 19% (at the high-end of the company's guidance). Underperform

Stock Data

Average Daily Volume	156,616,300
Shares / ADR	400.00

Quarterly Earnings Estimates

	2022	2023
Q1	1.25A	0.72A
Q2	1.52A	0.67A
Q3	0.98A	0.85E
Q4	0.54A	1.29E

Key Changes

(US\$)	Previous	Current
Price Obj.	19.00	22.00
2023E EPS	1.95	1.75
2024E EPS	2.17	2.13
2025E EPS	2.44	2.47
2023E DPS	1.25	1.27

2Q23 results already known

Long-term ROAE guidance kept at 17-19%

No surprise, as preliminary 2Q results were already known. NI of ChP127bn dropped 8% QoQ and -55% YoY and came 9%/6% below BofAe/market consensus. Mixed operating trends reflected weaker NII, while modestly higher opex and provisions charges. ROAE of 12.6% improved from 13.5% in 1Q23, but significantly declined from 31.3% in 2Q22.

Lowering '23 guidance to 15% ROAE (vs. 15-17% before)

Management lowered its 2023 ROAE guidance to 15% (vs. 15-17% before). Lower guidance mainly reflects NIM pressure of 90 bps (vs. 50 before) on expected inferior inflation levels. New guidance implies earnings contraction of 19% in 2023. Meanwhile, management kept its long-term guidance at 17-19% ROAE (vs. 19% of BofAe).

Key operating highlights: positives and negatives

Loan Growth (=): +3% YoY (in-line with BofA), decelerating from 6% in 1Q. We noticed weaker activity in commercial loans (-4% YoY from 1% in 1Q) and mortgages (+11% YoY from +13% in 1Q), while a relatively stable behavior in consumer loans (at 6% YoY).

NIM (-): despite higher inflation in the quarter (UOF variation of 1.37% in June vs. 1.32% in March), NIM eroded -20bp QoQ to 2.2% on higher funding costs. Meanwhile, NII contracted 8% QoQ and 52% YoY, and came 15% below expectations, affected by soft loan growth.

Asset Quality (-): The NPL ratio deteriorated +30bp QoQ to 2.1%, while the reserve coverage declined to 130% (excluding additional provisions) from 145% in 1Q23. Furthermore, provisions charges rose 3% QoQ and +29% YoY, and came 2% above our expectations, reflecting a CoR of 1.2% avge gross loans (same as in 1Q23).

Fees (+): rose 5% QoQ and 43% YoY (5% above BofAe) supported by customer growth in individuals and SMEs, while greater activity in card commissions, insurance brokerage, payments (Getnet), and others.

Opex (-): grew 5% QoQ and +2% YoY, and came modestly above our estimates, in light of higher personnel expenses (salaries adjusted with inflation).

Tax rate (+): declined to 5% (vs. 11% in 1Q), due to higher tax benefits on inflation.

Exhibit 1: Santander Chile – 2Q23 results

2Q23 earnings came below expectations on weak NII and modestly higher opex and provision charges

Ch\$ bn	2Q/22	1Q/23	2Q/23	2Q/23A	YoY	QoQ	vs BofAe
Net interest income	530	277	298	254	-52%	-8%	-15%
Fee income	95	130	129	136	43%	5%	5%
Net trading and brokerage	41	77	65	85	106%	10%	31%
Other non-interest income	-37	-3	-2	0	-100%	-105%	-108%
Non-interest expense	217	211	217	221	2%	5%	2%
Provision for loan losses (gross)	91	114	115	117	29%	3%	2%
Net income - reported	286	136	139	127	-55%	-6%	-9%
EPS - reported	1.52	0.72	0.74	0.67	-55%	-6%	-9%
EPADR (US\$) - reported	0.61	0.25	0.36	0.36	-41%	43%	1%
Gross loans	38,157	39,118	39,509	39,362	3%	1%	0%
Total assets	70,884	69,506	70,801	68,682	-3%	-1%	-3%
Deposits	27,619	28,072	28,422	28,164	2%	0%	-1%
Equity	3,588	3,921	4,060	4,169	16%	6%	3%
ROAE - reported	31.3%	13.5%	14.0%	12.6%	-1870 bps	-90 bps	-140 bps
NIM	4.6%	2.4%	2.5%	2.2%	-250 bps	-20 bps	-30 bps
Efficiency ratio	34%	44%	44%	47%	1210 bps	270 bps	220 bps
Effective tax rate	11%	11%	10%	5%	-600 bps	-650 bps	-510 bps
Provisions/ Avg gross loans	1.0%	1.2%	1.2%	1.2%	20 bps	0 bps	0 bps
NPLs/ Gross loans	1.5%	1.9%	1.9%	2.1%	70 bps	30 bps	30 bps
LLR/ NPLs	182%	145%	145%	130%	-5160 bps	-1500 bps	-1500 bps

Source: Company data and BofA Global Research estimates

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Exhibit 2: Santander Chile – Change in earnings estimates

Lowering our NI estimates in 2023 and 2024 mainly to reflect softer NII on lower inflation levels

CLP mn	2023E			2024E			2025E		
		New			New			New	
Net interest income	1,488	1,279	-14%	1,707	1,586	-7%	1,924	1,825	-5%
Commissions and fees	491	534	9%	514	527	3%	541	566	5%
Other income	263	321	22%	232	320	38%	232	320	38%
Noninterest expense	872	858	-2%	887	886	0%	910	908	0%
Op inc bfr provs	1,369	1,277	-7%	1,566	1,547	-1%	1,787	1,803	1%
Provisiona	466	474	2%	460	478	4%	498	518	4%
Earnings bf taxes	903	803	-11%	1,106	1,069	-3%	1,289	1,285	0%
Net income - reported	756	667	-12%	863	833	-4%	995	991	0%
EPS - reported	4.01	3.54	-12%	4.58	4.42	-4%	5.28	5.26	0%
EPARD -- before extra	1.95	1.75	-10%	2.17	2.13	-2%	2.44	2.47	1%
Gross loans	40,303	40,989	2%	43,621	44,364	2%	47,213	48,016	2%
Total assets	73,667	71,410	-3%	80,011	77,682	-3%	86,980	84,568	-3%
Deposits	29,135	28,865	-1%	31,698	31,424	-1%	34,493	34,216	-1%
Equity	4,541	4,573	1%	4,951	5,005	1%	5,428	5,496	1%
ROAE - reported	17.4%	15.3%	-211bp	18.2%	17.4%	-80bp	19.2%	18.9%	-31bp
NIM	3.1%	2.7%	-46bp	3.3%	3.0%	-28bp	3.5%	3.2%	-22bp
Efficiency ratio	39%	40%	128bp	36%	36%	25bp	34%	33%	-24bp
Effective tax rate	15%	16%	39bp	21%	21%	0bp	22%	22%	0bp
Cost of risk	1.2%	1.2%	1bp	1.1%	1.1%	2bp	1.1%	1.1%	2bp
NPLs/ Gross loans	1.1%	1.3%	19bp	1.1%	1.2%	4bp	1.1%	1.2%	4bp
LLR/ NPLs	145%	130%	-1499bp	138%	124%	-1339bp	131%	119%	-1202bp

Source: Company data and BofA Global Research estimates

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Increasing our POs

Gordon Growth Model yields ChP46 PO / USD22

We are increasing our PO to ChP46/ ADR at \$22 (ChP39/ ADR at \$19 before) to reflect 1) our new earnings estimates, 2) the roll-over of our PO to '24E, 3) a lower beta of 1.0x (vs. 1.1x before) given lower political noise and potential economic rebound, and 4) a lower country risk of 140bp (vs. 160bp before) on recent political moderation. At our PO, Santander Chile would trade at 1.7x '24E P/BV and 10.3x '24E P/E.

Our COE of 12.6% (13.2% prior) reflects a US risk-free rate of 3.5%, Chile country risk of 140bp, inflation differential of 2.0%, a beta of 1.0x, and an equity risk premium of 570bp.

Exhibit 3: Santander Chile – Balance Sheet

Expect an ROAE of 15% in 2023 and sustainable at 19%

CLP mn	2022	2023E	2024E	2025E	Growth rates (YoY)			
					22/21	23/22	24/23	25/24
Net interest income	1,598	1,279	1,586	1,825	-11%	-20%	24%	15%
Net interest margin	3.5%	2.7%	3.0%	3.2%				
Net commissions and fees	407	534	527	566	15%	31%	-1%	7%
Other non-interest income	123	321	320	320	565%	161%	0%	0%
Operating revenue	2,129	2,135	2,433	2,712	-2%	0%	14%	11%
Noninterest expense	855	858	886	908	7%	0%	3%	3%
Efficiency ratio	40%	40%	36%	33%				
Op inc bfr provs and taxes	1,274	1,277	1,547	1,803	-7%	0%	21%	17%
Provision for loan losses	371	474	478	518	-3%	28%	1%	8%
Provisions/ Avg. gross loans	1.0%	1.2%	1.1%	1.1%				
Earnings before taxes	903	803	1,069	1,285	-9%	-11%	33%	20%
Incurred income tax & profit sharing	89	125	225	283	-54%	39%	80%	26%
Effective tax rate	10%	16%	21%	22%				
Net income	809	667	833	991	3%	-18%	25%	19%
EPS -- reported	4.29	3.54	4.42	5.26	3%	-18%	25%	19%
EPADR -- reported	2.02	1.75	2.13	0.61				
BV per share	21.91	24.26	26.56	29.17	14%	11%	9%	10%
TBV per share	21.34	23.76	26.06	28.67				

Exhibit 3: Santander Chile – Balance Sheet

Expect an ROAE of 15% in 2023 and sustainable at 19%

ROAE - reported	20.8%	15.3%	17.4%	18.9%
ROAA - reported	1.2%	1.0%	1.1%	1.2%
Dividends per share	2.50	2.57	2.12	2.65
Shares outstanding (millions)	188.4	188.4	188.4	188.4

Source: Company data and BofA Global Research estimates

Growth rates (YoY)

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Exhibit 4: Santander Chile – Balance Sheet

Expect loan growth of 5% in 2023 and to accelerate to 8% in '2024-2025

CLP mn	2022	2023E	2024E	2025E	Growth rates (YoY)			
					22/21	23/22	24/23	25/24
ASSETS								
Cash and due from banks	1,983	2,461	2,664	2,883	-31%	24%	8%	8%
Investment in securities	6,035	7,461	8,076	8,741	3%	24%	8%	8%
Gross loans	38,872	40,989	44,364	48,016	6%	5%	8%	8%
Loan loss reserves	1,037	1,136	1,229	1,331				
Total interest earning assets	46,172	50,039	54,114	58,521	3%	8%	8%	8%
Fixed assets	189	196	220	248	0%	3%	13%	13%
Equity investments	47	100	113	127	24%	115%	13%	13%
Intangibles	108	94	94	94	13%	-12%	0%	0%
Other assets	21,968	21,243	23,380	25,789	16%	-3%	10%	10%
Total assets	68,165	71,410	77,682	84,568	7%	5%	9%	9%
LIABILITIES								
Demand deposits	14,086	13,673	14,655	15,708	-21%	-3%	7%	7%
Time deposits and other	12,979	15,192	16,768	18,509	28%	17%	10%	10%
Total deposits	27,065	28,865	31,424	34,216	-3%	7%	9%	9%
Bank bonds	8,865	9,992	11,136	12,412	0%	13%	11%	11%
Subordinate debt	7,166	8,102	9,119	10,263	3%	13%	13%	13%
Total interest bearing liabilities	43,096	46,958	51,679	56,892				
Other liabilities	20,831	19,754	20,863	22,034				
Total liabilities	63,926	66,713	72,542	78,927	7%	4%	9%	9%
SHAREHOLDERS EQUITY								
Equity	4,129	4,573	5,005	5,496	14%	11%	9%	10%

Source: Company data and BofA Global Research estimates

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Exhibit 5: Santander Chile – Financial Indicators

Expect sustainable ROAE of 19%

	2022	2023E	2024E	2025E
Income Statement				
Net interest margin	3.5%	2.7%	3.0%	3.2%
Fees/ Core revenues	19.1%	25.0%	21.7%	20.9%
Fees/ Noninterest expense	47.6%	62.3%	59.5%	62.3%
Fees/ Avg. Earning assets	0.9%	1.1%	1.0%	1.0%
Efficiency ratio	40.2%	40.2%	36.4%	33.5%
Opex / Avg. earning assets	1.9%	1.8%	1.7%	1.6%
Effective tax rate	9.9%	15.5%	21.0%	22.0%
Dividend payout ratio	60.0%	60.0%	60.0%	60.0%
Profitability				
ROAE - reported	20.8%	15.3%	17.4%	18.9%
ROAA - reported	1.2%	1.0%	1.1%	1.2%
Balance Sheet				
Loans/ Total assets	57.0%	57.4%	57.1%	56.8%
Securities/ Total assets	8.9%	10.4%	10.4%	10.3%
Loans/ Deposits	143.6%	142.0%	141.2%	140.3%
Cash and equivalents/ Deposits	7.3%	8.5%	8.5%	8.4%
Equity/ Assets	6.1%	6.4%	6.4%	6.5%
Asset Quality				
NPL/ Gross loans	1.8%	2.1%	2.2%	2.3%
LLR/ NPL	144.5%	130.1%	124.2%	118.9%
Provisions/ Avg. gross loans	1.0%	1.2%	1.1%	1.1%
Capital				
Tier 1 ratio	13.2%	11.3%	11.5%	11.6%

Source: Company data and BofA Global Research estimates

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Acronym Definitions**BSAC:** Banco Santander Chile**CoR:** Cost of Risk**NII:** Net Interest Income**NI:** Net Income**NIM:** Net Interest Margin**ROAE:** Average Return on Equity**SMEs:** Small and Medium Sized Companies**Price objective basis & risk****Banco Santander Chile (BSAC)**

Our price objective for Santander Chile of USD22 per ADR / CLP\$46 per share is based on a Gordon Growth model, assuming a sustainable ROE of 19%, cost of equity of 12.6% in nominal CLP and a perpetual growth rate of 4% in nominal CLP. Our cost of equity is derived using a capital asset pricing model with a Chile sovereign spread of 140 bp and a beta of 1.0x

Upside risks to our PO are higher inflation levels, greater cost-controls and better than expected macro impacting loan growth and asset quality.

Downside risks to our PO are NIM margin pressure from lower inflation levels and an upward trend in the effective tax rate.

Banco Santander Chile (XLDTF)

Our price objective for Santander Chile of USD22 per ADR / CLP\$46 per share is based on a Gordon Growth model, assuming a sustainable ROE of 19%, cost of equity of 12.6% in nominal CLP and a perpetual growth rate of 4% in nominal CLP. Our cost of equity is derived using a capital asset pricing model with a Chile sovereign spread of 140 bp and a beta of 1.0x

Upside risks to our PO are higher inflation levels, greater cost-controls and better than expected macro impacting loan growth and asset quality.

Downside risks to our PO are NIM margin pressure from lower inflation levels and an upward trend in the effective tax rate.

Downside risks to our PO are NIM margin pressure from lower inflation levels and an upward trend in the effective tax rate.

Analyst Certification

We, Ernesto Gabilondo, Antonio Ruette and Flavio Yoshida, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Latin America - Financials Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	ABC Brasil	XBABF	ABCB4 BZ	Flavio Yoshida
	B3	XIMAF	B3SA3 BZ	Mario Pierry
	B3	BOLSY	BOLSY US	Mario Pierry
	Banco do Brasil	XBBAF	BBAS3 BZ	Mario Pierry
	Banco do Brasil	BDORY	BDORY US	Mario Pierry
	Banorte	GBOOF	GFNORTEO MM	Mario Pierry
	Banorte	GBOOY	GBOOY US	Mario Pierry
	Bci	BZCIF	BCI CI	Ernesto Gabilondo
	BTG Pactual	XNXCF	BPAC11 BZ	Flavio Yoshida
	Caixa Seguridade	XDUF	CXSE3 BZ	Mario Pierry
	ClearSale	XZUOF	CLSA3 BZ	Flavio Yoshida
	Credicorp Ltd	BAP	BAP US	Ernesto Gabilondo
	Genera	CMPRF	GENERAT* MM	Ernesto Gabilondo
	Grupo BMV	BOMXF	BOLSAA MM	Ernesto Gabilondo
	IFS	IFS	IFS US	Ernesto Gabilondo
	Inter	XBZIF	INBR32 BZ	Mario Pierry
	Inter	INTR	INTR US	Mario Pierry
	PagSeguro Digital Ltd	PAGS	PAGS US	Mario Pierry
	Porto Seguro	PSGUF	PSSA3 BZ	Mario Pierry
	Regional	RGNLF	RA MM	Ernesto Gabilondo
	XP Inc.	XP	XP US	Mario Pierry
NEUTRAL				
	Bajio	BBAJF	BBAJ100 MM	Ernesto Gabilondo
	Banrisul	XGRBF	BRSR6 BZ	Flavio Yoshida
	BB Seguridade	XBDFP	BBSE3 BZ	Mario Pierry
	BB Seguridade	BBSEY	BBSEY US	Mario Pierry
	Bradesco	BRDPF	BBDC4 BZ	Mario Pierry
	Bradesco -A	BBD	BBD US	Mario Pierry
	Cielo	CIOXF	CIEL3 BZ	Mario Pierry
	Cielo	CIOXY	CIOXY US	Mario Pierry
	Itau Unibanco	ITUBF	ITUB4 BZ	Mario Pierry
	Itau Unibanco	ITUB	ITUB US	Mario Pierry
	Nubank	NU	NU US	Mario Pierry



Latin America - Financials Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Qualitas	QUCOF	Q* MM	Ernesto Gabilondo
	StoneCo	STNE	STNE US	Mario Pierry
UNDERPERFORM				
	Banco Chile-ADR	BCH	BCH US	Ernesto Gabilondo
	Banco de Chile	XHND	CHILE CI	Ernesto Gabilondo
	Banco Macro	BMA	BMA US	Ernesto Gabilondo
	Banco Macro	BCVMF	BMA AR	Ernesto Gabilondo
	Banco Santander Chile	BSAC	BSAC US	Ernesto Gabilondo
	Banco Santander Chile	XLDTF	BSAN CI	Ernesto Gabilondo
	GFINbur	GPFOF	GFINBURO MM	Ernesto Gabilondo
	Grupo Financiero Galicia	GGAL	GGAL US	Ernesto Gabilondo
	Grupo Financiero Galicia	GGABF	GGAL AR	Ernesto Gabilondo
	Santander Brasil	XCBD	SANB11 BZ	Mario Pierry
	Santander Brasil	BSBR	BSBR US	Mario Pierry
	Supervielle	SUPV	SUPV US	Ernesto Gabilondo
	Supervielle	XAZFF	SUPV AR	Ernesto Gabilondo
RSTR				
	Bancolombia	CIB	CIB US	Ernesto Gabilondo
	Bancolombia	XAFF	PFBCOLO CB	Ernesto Gabilondo

IQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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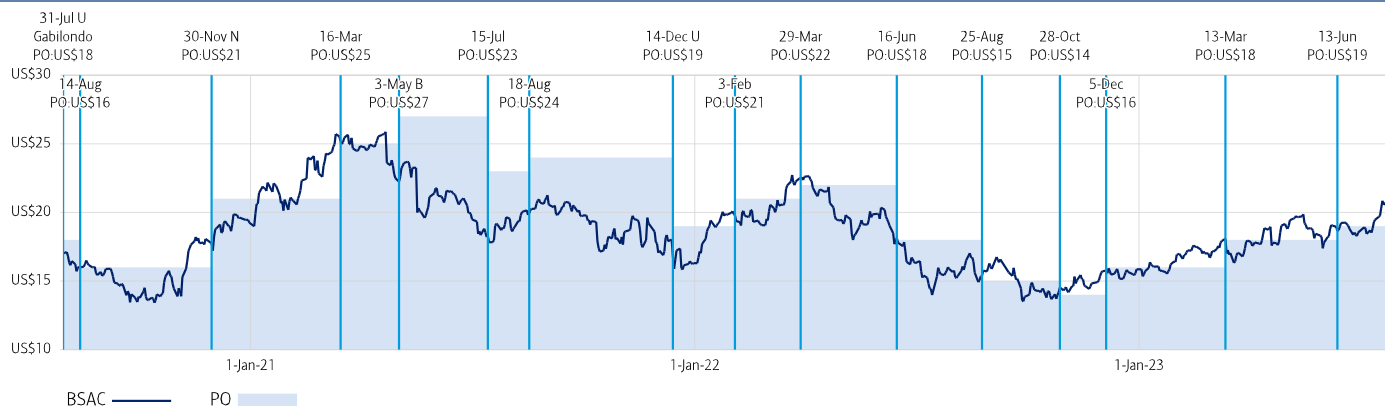
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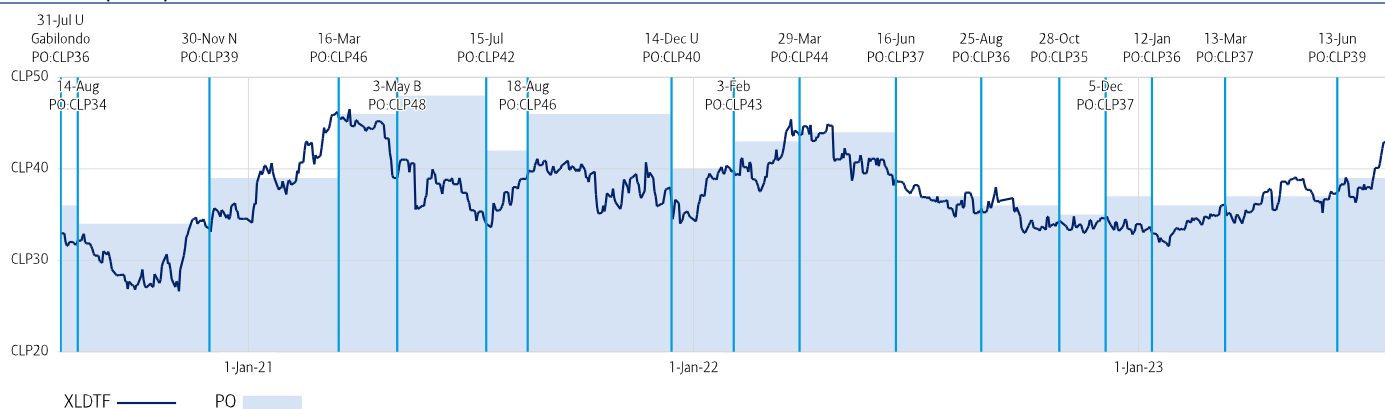
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Santander Chile (BSAC) Price Chart



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Santander Chile (XLDTF) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Banks Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	98	50.52%	Buy	81	82.65%
Hold	45	23.20%	Hold	33	73.33%
Sell	51	26.29%	Sell	37	72.55%

Equity Investment Rating Distribution: Global Group (as of 30 Jun 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1877	53.28%	Buy	1040	55.41%
Hold	815	23.13%	Hold	464	56.93%
Sell	831	23.59%	Sell	385	46.33%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.



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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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