

IFS

After a lackluster 2023, a promising 2024

Reiterate Rating: BUY | PO: 29.00 USD | Price: 21.39 USD

Lowering our estimates after August's monthly data

After August's monthly data, we have reduced our '23-25 NI estimates by c.8% mainly to reflect higher provision charges and lower revenue generation. Indeed, monthly data from the regulator showed an average CoR 5.0% in July-August (vs. 3.3% in 2Q23). As such, we have increased our CoR estimate to 3.9% in 2023 (vs. 3.6% before) and above the revised company's guidance range of 3.2-3.6%. Furthermore, we expect EPS contraction in '23, although an average growth of 28% in '24-25.

Expecting double-digit ROAE, but below company's target

Our new estimates assume 12% ROAE in 2023 (which is below 14% guided by the company), while we expect a sustainable ROAE of 16% (vs. 18% guided by the company). Looking beyond 2023, we expect NIM pressure from lower rates, which is expected to be offset by i) normalized provisions charges (although behaving above pre-pandemic levels), ii) opex under control, and iii) a recovery in the wealth management business.

Cutting our PO to USD\$29 (vs. USD\$32 before)

We reduced our GGM-derived PO to USD\$32 ADR (from USD\$30 before) to reflect i) our new earnings estimates (adjusting them by -c.8% in '23-25), and ii) a lower sustainable ROAE of 16% (vs. 17% before). At our new PO, IFS provides +30% potential upside, and implies to trade at 8.0x '24 P/E and 1.2x '24 P/BV.

Reiterate Buy on earnings recovery & attractive valuation

After a lackluster 2023, we see earnings bouncing-back and at a more sustained level in the next years supported by diversified earnings mix, a recovery in fixed-income securities once interest rates start to trend-down, robust digital trends, and an attractive valuation (trading below '24 book value, despite expected double-digit ROAE). Buy

| Estimates (Dec) (PEN) | 2021A | 2022A | 2023E | 2024E | 2025E |
|---------------------------|--------|-------|--------|-------|-------|
| EPS | 12.94 | 12.93 | 10.24 | 14.14 | 16.55 |
| GAAP EPS | 15.51 | 14.87 | 9.87 | 14.14 | 16.55 |
| EPS Change (YoY) | 205.9% | -0.1% | -20.8% | 38.1% | 17.0% |
| Consensus EPS (Bloomberg) | | | 12.94 | 15.90 | 16.82 |
| DPS | 1.66 | 6.76 | 4.49 | 3.46 | 4.81 |
| Valuation (Dec) | | | | | |
| P/E | 6.6x | 6.3x | 7.9x | 5.7x | 4.9x |
| GAAP P/E | 5.5x | 5.5x | 8.2x | 5.7x | 4.9x |
| Dividend Yield | 1.9% | 8.3% | 5.5% | 4.3% | 5.9% |

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Refer to important disclosures on page 8 to 10. Analyst Certification on page 6. Price Objective Basis/Risk on page 6.

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Timestamp: 05 October 2023 06:00AM EDT

05 October 2023

Equity

Key Changes

| (PEN) | Previous | Current |
|---------------|-----------|-----------|
| Price Obj. | US\$32.00 | US\$29.00 |
| 2023E Rev (m) | 6,179.0 | 6,080.1 |
| 2024E Rev (m) | 6,843.1 | 6,663.3 |
| 2025E Rev (m) | 7,463.6 | 7,259.2 |
| 2023E EPS | 11.66 | 10.24 |
| 2024E EPS | 15.15 | 14.14 |
| 2025E EPS | 17.71 | 16.55 |

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Stock Data

| | |
|----------------------------|----------------------|
| Price | 21.39 USD |
| Price Objective | 29.00 USD |
| Date Established | 5-Oct-2023 |
| Investment Opinion | B-1-7 |
| 52-Week Range | 19.98 USD -29.50 USD |
| Mrkt Val / Shares Out (mn) | 2,469 USD / 115.4 |
| Average Daily Value | 0.80 USD |
| BofA Ticker / Exchange | IFS / NYS |
| Bloomberg / Reuters | IFS US / IFS.N |
| ROE (2023E) | 12.3% |
| ESGMeter™ | Medium |

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

Mgmt.: Management

CoR: Cost of Risk

WM: Wealth management

W

iQprofileSM IFS

Income Statement Data (Dec)

| (PEN Millions) | 2021A | 2022A | 2023E | 2024E | 2025E |
|--------------------------------------|---------|---------|---------|---------|---------|
| Net Interest Income | 3,548 | 4,209 | 4,791 | 5,000 | 5,469 |
| % change | -1.7% | 18.6% | 13.8% | 4.3% | 9.4% |
| Net Fee Income | NA | NA | NA | NA | NA |
| Securities Gains / (Losses) | 737 | (186) | 272 | 600 | 640 |
| Total Operating Income | 4,836 | 4,895 | 6,080 | 6,663 | 7,259 |
| Operating Expenses | (2,263) | (2,656) | (2,818) | (2,948) | (3,105) |
| % change | 18.4% | 17.4% | 6.1% | 4.6% | 5.3% |
| Provisions Expense | (679) | (831) | (1,783) | (1,618) | (1,697) |
| % change | -71.6% | 22.4% | 114.7% | -9.3% | 4.9% |
| Operating Pre-Tax Income | 2,008 | 1,903 | 1,586 | 2,198 | 2,572 |
| Operating Net Income to Comm S/Hold. | 1,791 | 1,716 | 1,140 | 1,633 | 1,911 |
| GAAP Net Income | 1,494 | 1,493 | 1,182 | 1,632 | 1,911 |

Balance Sheet Data (Dec)

| (PEN Millions) | 2021A | 2022A | 2023E | 2024E | 2025E |
|---------------------------------|--------|--------|--------|---------|---------|
| Total Assets | 89,954 | 87,479 | 91,949 | 101,237 | 112,084 |
| Average Interest Earning Assets | 84,630 | 80,126 | 83,035 | 89,870 | 98,073 |
| Total Gross Customer Loans | 44,688 | 47,025 | 50,723 | 54,902 | 60,014 |
| % change | 3.7% | 5.2% | 7.9% | 8.2% | 9.3% |
| Total Customer Deposits | 48,898 | 48,531 | 49,714 | 53,670 | 58,544 |
| % change | 3.7% | -0.8% | 2.4% | 8.0% | 9.1% |
| Tangible Equity | 9,504 | 9,349 | 9,883 | 11,116 | 12,472 |
| Common Shareholders' Equity | 9,504 | 9,349 | 9,883 | 11,116 | 12,472 |

Key Metrics (Dec)

| (PEN Millions) | 2021A | 2022A | 2023E | 2024E | 2025E |
|--|-------|-------|--------|--------|--------|
| Net Interest Margin | 4.19% | 5.25% | 5.77% | 5.56% | 5.58% |
| Effective Tax Rate | 20.6% | 24.3% | 26.1% | 25.5% | 25.5% |
| Loan / Deposit Ratio | 91.4% | 96.9% | 102.0% | 102.3% | 102.5% |
| Tangible Common Equity / Assets | 10.6% | 10.7% | 10.7% | 11.0% | 11.1% |
| ROA | 1.7% | 1.7% | 1.3% | 1.7% | 1.8% |
| ROE | 16.2% | 15.8% | 12.3% | 15.5% | 16.2% |
| RoTE | 16.2% | 15.8% | 12.3% | 15.5% | 16.2% |
| Dividend Payout Ratio | 10.7% | 45.4% | 45.4% | 24.4% | 29.1% |
| Efficiency Ratio (Cost / Income Ratio) | 55.2% | 52.3% | 48.5% | 48.6% | 46.9% |

Quality of Earnings (Dec)

| (PEN Millions) | 2021A | 2022A | 2023E | 2024E | 2025E |
|--|---------|---------|---------|---------|---------|
| Total Non-Interest Inc / Operating Inc | 26.6% | 14.0% | 21.2% | 25.0% | 24.7% |
| NPLs plus Foreclosed Real Estate / Loans | 4.0% | 3.6% | 3.4% | 3.4% | 3.5% |
| Loan Loss Reserves / NPLs | 115.28% | 120.09% | 120.94% | 121.51% | 122.10% |
| Loan Loss Reserves / Total Loans | 4.62% | 4.31% | 4.05% | 4.18% | 4.31% |

Company Sector

Banks-Retail

Company Description

Intercorp Financial Services (IFS) is the fourth-largest private bank in Peru, the second player in consumer banking, with a leading position in the credit card business, the largest provider of payroll loans to public sector employees and the dominant player in annuities. This is along with a scalable digital platform already in place.

Investment Rationale

We view IFS as a vehicle for those investors who want to participate in the potential growth and low credit penetration of Peru's economy and banking system. We think that Buy-rated IFS offers earnings bounce-back and at a more sustained level in coming years, supported by diversified earnings mix, a recovery in fixed-income securities once interest rates start to trend down, robust digital trends, and attractive valuation

Stock Data

Average Daily Volume 37,543

Quarterly Earnings Estimates

| | 2022 | 2023 |
|----|-------|-------|
| Q1 | 4.11A | 2.66A |
| Q2 | 2.16A | 2.85A |
| Q3 | 3.36A | 2.08E |
| Q4 | 3.31A | 2.65E |

Changes in earnings estimates

Exhibit 1: IFS – Changes in earnings estimates

Reducing EPS estimates by 12% in 2023 on higher cost of risk, while by -7% in '24-25 to recognize lower revenue generation

| NS\$m | 2023E | | | 2024E | | | 2025E | | |
|-------------------------------------|---------------|---------------|-----------------|---------------|---------------|----------------|---------------|---------------|----------------|
| | Old | New | Change | Old | New | Change | Old | New | Change |
| Net interest income | 4,866 | 4,791 | -2% | 5,240 | 5,000 | -5% | 5,734 | 5,469 | -5% |
| Commissions and fees, net | 1,213 | 1,213 | 0% | 1,307 | 1,307 | 0% | 1,430 | 1,430 | 0% |
| Results from financial transactions | 372 | 272 | -27% | 600 | 600 | 0% | 640 | 640 | 0% |
| Result from insurance, net | (273) | (197) | -28% | (305) | (244) | -20% | (341) | (280) | -18% |
| Total operating revenues | 6,179 | 6,080 | -2% | 6,843 | 6,663 | -3% | 7,464 | 7,259 | -3% |
| Non-interest expense | 2,830 | 2,818 | 0% | 2,971 | 2,948 | -1% | 3,129 | 3,105 | -1% |
| Pre-provision profit | 3,349 | 3,262 | -3% | 3,872 | 3,716 | -4% | 4,334 | 4,154 | -4% |
| Provision for loan losses | 1,653 | 1,783 | 8% | 1,618 | 1,618 | 0% | 1,697 | 1,697 | 0% |
| Extraordinary income | (42) | (42) | - | - | - | - | - | - | - |
| Net income - reported | 1,305 | 1,140 | -13% | 1,750 | 1,633 | -7% | 2,045 | 1,911 | -7% |
| Net income before extra | 1,347 | 1,182 | -12% | 1,750 | 1,633 | -7% | 2,045 | 1,911 | -7% |
| EPS - reported | 11.30 | 9.87 | -13% | 15.15 | 14.14 | -7% | 17.71 | 16.55 | -7% |
| EPS - before extra | 11.66 | 10.24 | -12% | 15.15 | 14.14 | -7% | 17.71 | 16.55 | -7% |
| Gross loans | 50,723 | 50,723 | 0% | 54,902 | 54,902 | 0% | 60,014 | 60,014 | 0% |
| Total assets | 92,114 | 91,949 | 0% | 101,461 | 101,237 | 0% | 112,403 | 112,084 | 0% |
| Deposits | 82,012 | 82,012 | 0% | 90,064 | 90,064 | 0% | 99,555 | 99,555 | 0% |
| Equity | 10,047 | 9,883 | -2% | 11,340 | 11,116 | -2% | 12,790 | 12,472 | -2% |
| ROAE - reported | 13.5% | 11.9% | -160 bps | 16.4% | 15.6% | -80 bps | 16.9% | 16.2% | -70 bps |
| ROAE recurring | 13.9% | 12.3% | -160 bps | 16.4% | 15.6% | -80 bps | 16.9% | 16.2% | -70 bps |
| NIM | 5.9% | 5.8% | -10 bps | 5.8% | 5.6% | -30 bps | 5.8% | 5.6% | -30 bps |
| Effective tax rate | 26% | 26% | 20 bps | 26% | 26% | 0 bps | 26% | 26% | 0 bps |
| Provisions/ Avg gross loans | 3.6% | 3.9% | 30 bps | 3.2% | 3.2% | 0 bps | 3.1% | 3.1% | 0 bps |
| NPLs/ Gross loans | 3.1% | 3.1% | 0 bps | 3.2% | 3.2% | 0 bps | 3.3% | 3.3% | 0 bps |
| LLR/ NPLs | 121% | 121% | 0 bps | 122% | 122% | 0 bps | 122% | 122% | 0 bps |

Source: BofA Global Research estimates

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Cutting our PO to USD\$29 (\$32 before)

We increased our GGM-derived PO to USD\$29 ADR (from USD\$32 before) to reflect i) our new earnings estimates (adjusting them by -8% in '23-25), and ii) a lower sustainable ROAE of 16% (vs. 17% before). At our new PO, IFS provides +30% potential upside, and implies to trade at 8.0x '24 P/E and 1.2x '24 P/BV.

Our GGM assumes a COE of 14.2% and reflects a US-risk free rate of 3.5%, a country risk spread of 190bp (vs. 160bp of 10Y CDS and 170bp of EMBI), inflation differential of 2.0%, an equity risk premium of 5.7% and a beta of 1.2x (on potential political risk, social unrest, potential El Niño Impact, and lower liquidity).

Table 1: Price objective derivation – COE and Gordon Growth Model

Implied PO of US\$32

| | |
|--|-------------------|
| Beta (x) | 1.2 |
| US Treasury/10yr (bp) | 350 |
| Peru risk spread (bp) | 190 |
| Inflation differential (bp) | 200 |
| Equity risk premium - ERP (bp) | 570 |
| Cost of equity (%) | 14.2% |
| Sustainable growth rate (%) | 4% |
| ROAE (%) | 17% |
| Implied target P/BV [(ROE-g)/(COE-g)] | 1.2x |
| Implied 2024 price target (ADR) | 29 |
| <i>Upside – potential (%)</i> | <i>33%</i> |
| Price Ps (10/04/2024) | |

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Source: BofA Global Research estimates



Exhibit 2: IFS – Income Statement

Expect earnings contraction in 2023, although an important earnings recovery in 24-25

| S\$m | 2022 | 2023E | 2024E | 2025E | Growth rates (YoY) | | | |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------------|-------------|------------|------------|
| | | | | | 22/21 | 23/22 | 24/23 | 25/24 |
| Net interest income | 4,209 | 4,791 | 5,000 | 5,469 | 19% | 14% | 4% | 9% |
| Net interest margin | 5.3% | 5.8% | 5.6% | 5.6% | | | | |
| Commissions and fees, net | 1,137 | 1,213 | 1,307 | 1,430 | 38% | 7% | 8% | 9% |
| Results from financial transactions | (186) | 272 | 600 | 640 | | | | |
| Result from insurance, net | (266) | (197) | (244) | (280) | -2% | -26% | 24% | 15% |
| Operating revenue | 4,895 | 6,080 | 6,663 | 7,259 | 1% | 24% | 10% | 9% |
| Non-interest expense | 2,656 | 2,818 | 2,948 | 3,105 | 17% | 6% | 5% | 5% |
| Efficiency ratio | 54% | 46% | 44% | 43% | | | | |
| Op inc bfr provs and taxes | 2,239 | 3,262 | 3,716 | 4,154 | -13% | 46% | 14% | 12% |
| Provision for loan losses | 831 | 1,783 | 1,618 | 1,697 | 22% | 115% | -9% | 5% |
| Provisions/ Avg. gross loans | 2.0% | 3.9% | 3.2% | 3.1% | | | | |
| Non-operating income (expense) | 495 | 107 | 100 | 115 | | | | |
| Earnings before taxes | 1,903 | 1,586 | 2,198 | 2,572 | -5% | -17% | 39% | 17% |
| Income tax and social contribution | 463 | 414 | 561 | 656 | | | | |
| Effective tax rate | 24% | 26% | 26% | 26% | | | | |
| Translation effect | 65 | 18 | 4 | 4 | | | | |
| Extraordinary income/loss | 223 | (42) | 0 | 0 | | | | |
| Net income | 1,716 | 1,140 | 1,633 | 1,911 | -4% | -34% | 43% | 17% |
| Net income before extra | 1,493 | 1,182 | 1,633 | 1,911 | 0% | -21% | 38% | 17% |
| EPS -- reported | 14.87 | 9.87 | 14.14 | 16.55 | -4% | -34% | 43% | 17% |
| EPS -- before extra | 12.93 | 10.24 | 14.14 | 16.55 | 0% | -21% | 38% | 17% |
| BV per share | 80.98 | 85.60 | 96.29 | 108.03 | -2% | 6% | 12% | 12% |
| ROAE | 18.2% | 11.9% | 15.6% | 16.2% | | | | |
| ROAE - recurring | 15.8% | 12.3% | 15.6% | 16.2% | | | | |
| ROAA | 1.9% | 1.3% | 1.7% | 1.8% | | | | |
| ROAA - recurring | 1.7% | 1.3% | 1.7% | 1.8% | | | | |
| Dividends per share | 6.76 | 4.49 | 3.46 | 4.81 | | | | |

Source: Company data and BofA Global Research estimates

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Exhibit 3: IFS – Balance Sheet

Expect mid-to-high single digit loan growth

| | | | | | Growth rates (YoY) | | | |
|------------------------------------|--------|--------|---------|---------|--------------------|-------|-------|-------|
| S\$mn | 2022 | 2023E | 2024E | 2025E | 22/21 | 23/22 | 24/23 | 25/24 |
| ASSETS | | | | | | | | |
| Cash and cash equivalents | 13,490 | 11,839 | 13,195 | 14,707 | -21% | -12% | 11% | 11% |
| Investments in securities | 22,788 | 26,594 | 28,786 | 31,159 | -7% | 17% | 8% | 8% |
| Gross loans | 47,025 | 50,723 | 54,902 | 60,014 | 5% | 8% | 8% | 9% |
| Loan loss reserves | 2,028 | 2,056 | 2,295 | 2,585 | | | | |
| Total interest earning assets | 81,275 | 87,099 | 94,588 | 103,295 | -4% | 7% | 9% | 9% |
| Fixed assets | 1,198 | 1,294 | 1,397 | 1,509 | | | | |
| Other assets | 5,006 | 3,556 | 5,252 | 7,281 | | | | |
| Total assets | 87,479 | 91,949 | 101,237 | 112,084 | -3% | 5% | 10% | 11% |
| LIABILITIES | | | | | | | | |
| Demand deposits | 13,825 | 12,835 | 13,857 | 15,115 | | | | |
| Time deposits | 12,867 | 17,436 | 18,824 | 20,533 | | | | |
| Other Deposits | 928 | 876 | 945 | 1,031 | | | | |
| Total deposits | 48,531 | 49,714 | 53,670 | 58,544 | -1% | 2% | 8% | 9% |
| Bonds, notes and other obligations | 7,906 | 5,963 | 6,712 | 7,554 | | | | |
| Interbank loans | 7,131 | 10,308 | 11,645 | 13,156 | | | | |
| Total interest-bearing liabilities | 63,568 | 65,985 | 72,027 | 79,254 | -3% | 4% | 9% | 10% |
| Other liabilities | 14,509 | 16,026 | 18,038 | 20,302 | | | | |
| Total liabilities | 78,076 | 82,012 | 90,064 | 99,555 | -3% | 5% | 10% | 11% |
| SHAREHOLDERS EQUITY | | | | | | | | |
| Equity | 9,402 | 9,938 | 11,173 | 12,529 | -2% | 6% | 12% | 12% |

Source: Company data and BofA Global Research estimates

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Exhibit 4: IFS – Financial Indicators

Expect sustainable ROAE of 16%

| | 2022 | 2023E | 2024E | 2025E |
|---|-------|-------|-------|-------|
| Income Statement | | | | |
| Net interest margin | 5.3% | 5.8% | 5.6% | 5.6% |
| Fees/ Core revenues | 23% | 20% | 20% | 20% |
| Fees/ Noninterest expense | 43% | 43% | 44% | 46% |
| Fees/ Avg. Earning assets | 1.4% | 1.5% | 1.5% | 1.5% |
| Efficiency ratio | 54% | 46% | 44% | 43% |
| Operating expenses/ Avg. earning assets | 3.3% | 3.4% | 3.3% | 3.2% |
| Effective tax rate | 24% | 26% | 26% | 26% |
| Dividend payout ratio | 44% | 30% | 35% | 34% |
| Profitability | | | | |
| ROAE | 18.2% | 11.9% | 15.6% | 16.2% |
| ROAE - recurring | 15.8% | 12.3% | 15.6% | 16.2% |
| ROAA | 1.9% | 1.3% | 1.7% | 1.8% |
| ROAA - recurring | 1.7% | 1.3% | 1.7% | 1.8% |
| Balance Sheet | | | | |
| Loans/ Total assets | 54% | 55% | 54% | 54% |
| Securities/ Total assets | 26% | 29% | 28% | 28% |
| Loans/ Deposits | 97% | 102% | 102% | 103% |
| Cash and equivalents/ Deposits | 47% | 53% | 54% | 53% |
| Equity/ Assets | 11% | 11% | 11% | 11% |
| Asset Quality | | | | |
| NPL/ Gross loans | 3.3% | 3.1% | 3.2% | 3.3% |
| LLR/ NPL | 120% | 121% | 122% | 122% |
| Provisions/ Avg. gross loans | 2.0% | 3.9% | 3.2% | 3.1% |
| Capital | | | | |
| Tier I ratio | 10.8% | 11.4% | 11.8% | 12.1% |

Source: Company data and BofA Global Research estimates

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Price objective basis & risk

IFS (IFS)

Our price objective for IFS of US\$29 per share is derived from the Gordon Growth Model, assuming a COE of 14.2% (reflecting a US risk-free rate of 3.5%, Peru country risk of 190bp, and beta of 1.2x (political & economic risks, and lower liquidity than peers), a sustainable ROE of 16% (in line with our estimates, and below company's medium-term target of 18%) and 4% growth in perpetuity

Downside risks are 1) asset quality deterioration under a weaker macro scenario, 2) political noise calling for early elections, 3) a potential currency mismatch & changes in interest rates, and 4) regulatory risks on the insurance business.

Upside risks are 1) stronger economic activity, 2) entering the SME and unbanked segments, while maintaining solid asset quality trends, 3) improved efficiencies by migrating to digital channels, 4) pro-market economic policies.

Analyst Certification

We, Ernesto Gabilondo, Antonio Ruetten 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 |
| | Bajio | BBAJF | BBAJ100 MM | Ernesto Gabilondo |
| | 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 |
| | BTG Pactual | XXNCF | BPAC11 BZ | Flavio Yoshida |
| | Caixa Seguridade | XXDUF | CXSE3 BZ | Mario Pierry |
| | ClearSale | XXZUF | CLSA3 BZ | Flavio Yoshida |
| | Credicorp Ltd | BAP | BAP US | Ernesto Gabilondo |
| | Gentera | CMPRF | GENTERA* 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 | Banrisul | XGRBF | BRSR6 BZ | Flavio Yoshida |
| | BB Seguridade | XXDPF | 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 |
| | Bci | BZCIF | BCI CI | 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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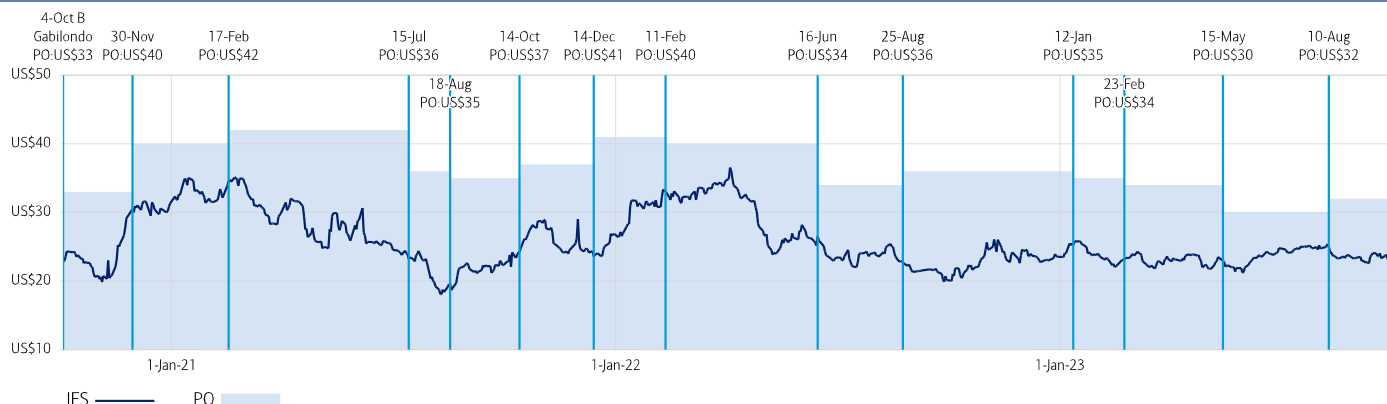
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B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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

| Coverage Universe | Count | Percent | Inv. Banking Relationships ^{R1} | Count | Percent |
|-------------------|-------|---------|--|-------|---------|
| Buy | 98 | 50.78% | Buy | 81 | 82.65% |
| Hold | 47 | 24.35% | Hold | 35 | 74.47% |
| Sell | 48 | 24.87% | Sell | 36 | 75.00% |

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

| Coverage Universe | Count | Percent | Inv. Banking Relationships ^{R1} | Count | Percent |
|-------------------|-------|---------|--|-------|---------|
| Buy | 1869 | 53.48% | Buy | 1046 | 55.97% |
| Hold | 828 | 23.69% | Hold | 461 | 55.68% |
| Sell | 798 | 22.83% | Sell | 370 | 46.37% |

^{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} |
|-------------------|---|--|
| Buy | ≥ 10% | ≤ 70% |
| Neutral | ≥ 0% | ≤ 30% |
| Underperform | N/A | ≥ 20% |

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