

Banco de Chile

A tough 2024 ahead: no earnings growth and lower profitability

Reiterate Rating: UNDERPERFORM | PO: 93.00 CLP | Price: 94.99 CLP

Reducing estimates, we see NIMs affected by lower rates

After 3Q results and mgmt.'s '23 expectations, we have fine-tuned our NI estimates, reducing them modestly by 2% in '24-25 mainly to reflect higher provision charges and lower fee income generation. We forecast Banco de Chile to post EPS contraction of 16% in '23 for an ROAE of 23.3% (roughly in-line with mgmt. guidance). Meanwhile, we expect earnings contraction of 9% in 2024 affected by NIM pressure from lower inflation levels, while earnings growth of 8% in 2025 on stable NIMs and NII growth.

Reducing our PO to ChP93/\$20 ADR

We are cutting our PO to ChP93 / ADR at \$20 (from ChP98 / ADR at \$24) to reflect 1) our new NI estimates, 2) higher US risk-free rate of 4.0% (vs. 3.5% before), 3) a higher FX of ChP\$954 per US dollar. At our PO, BCH would trade at 1.6x '24E P/BV and 9.0x '24E P/E.

Most expensive valuation against the region

Banco de Chile trades at 1.7x '24E P/BV, or at i) 16% premium against Mexican banks (although with better earnings growth, higher ROE, superior CET1, lower NPLs and higher dividend yields), ii) 89% premium against Peruvian banks (with modestly lower sustainable RoEs), and iii) 21% premium vs. Itau (although the latter with a higher ROE).

Reiterate Underperform rating

We reiterate our Underperform rating on BCH, as we fail to see earnings growth next year (pressured by lower inflation levels). We prefer other LatAm banks in the region with better earnings momentum and with the opportunity to expand ROAEs.

Estimates(Dec) (CLP)	2021A	2022A	2023E	2024E	2025E
EPS	7.84	13.95	11.76	10.66	11.48
EPS Change (YoY)	71.2%	77.9%	-15.7%	-9.4%	7.7%
Consensus EPS (Bloomberg)			11.00	9.68	10.20
DPS	2.71	5.33	8.58	7.06	6.39
ADR EPS (US\$)	1.84	3.28	2.49	2.23	2.36
ADR DPS (US\$)	0.64	1.25	1.82	1.48	1.31
Valuation (Dec)					
P/E	12.1x	6.8x	8.1x	8.9x	8.3x
GAAP P/E	12.1x	6.8x	8.1x	8.9x	8.3x
Dividend Yield	2.9%	5.6%	9.0%	7.4%	6.7%

16 November 2023

Equity

Key Changes

(CLP)	Previous	Current
Price Obj.	98.00	93.00
2023E EPS	11.27	11.76
2024E EPS	10.72	10.66
2025E EPS	11.86	11.48

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Stock Data

Price (Common / ADR)	94.99 CLP / 21.53 USD
Price Objective	93.00 CLP / 20.00 USD
Date Established	16-Nov-2023 / 16-Nov-2023
Investment Opinion	A-3-7 / B-3-7
52-Week Range	69.79 CLP - 97.00 CLP
Market Value (mn)	9,335,655 CLP
Average Daily Value	6.44 USD
Shares Outstanding (mn)	98,280.4 / 491.4
BofA Ticker / Exchange	XHND / SGO
BofA Ticker / Exchange	BCH / NYS
Bloomberg / Reuters	CHILE CI / CHILE.SN
ROE (2023E)	23.3%

See glossary of abbreviations in the Appendix on page 6

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

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Timestamp: 16 November 2023 06:00AM EST

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Income Statement Data (Dec)

(CLP Millions)	2021A	2022A	2023E	2024E	2025E
Net Interest Income	1,553,543	2,235,546	1,873,340	1,833,503	1,944,971
% change	18.3%	43.9%	-16.2%	-2.1%	6.1%
Net Fee Income	468,362	531,619	541,148	590,127	649,339
Securities Gains / (Losses)	152,142	303,385	475,806	452,000	452,000
Total Operating Income	2,196,785	3,102,130	2,940,062	2,919,875	3,090,554
Operating Expenses	(871,499)	(995,474)	(1,084,858)	(1,119,916)	(1,152,904)
% change	-1.3%	14.2%	9.0%	3.2%	2.9%
Provisions Expense	(357,065)	(435,118)	(333,278)	(420,357)	(450,504)
% change	-22.8%	21.9%	-23.4%	26.1%	7.2%
Operating Pre-Tax Income	968,221	1,671,538	1,521,926	1,379,602	1,487,147
Operating Net Income to Comm S/Hold.	791,973	1,409,187	1,187,960	1,076,841	1,159,675
GAAP Net Income	794,214	1,422,767	1,200,878	1,091,085	1,173,919

Balance Sheet Data (Dec)

(CLP Millions)	2021A	2022A	2023E	2024E	2025E
Total Assets	51,758,326	55,255,362	56,607,244	61,755,063	67,429,998
Average Interest Earning Assets	41,729,329	45,653,123	46,996,253	48,992,858	52,563,210
Total Gross Customer Loans	34,230,117	36,694,804	38,595,648	41,363,614	44,330,091
% change	10.8%	7.2%	5.2%	7.2%	7.2%
Total Customer Deposits	27,053,964	27,540,373	26,359,871	28,679,106	31,209,139
% change	12.5%	1.8%	-4.3%	8.8%	8.8%
Tangible Equity	4,293,521	4,858,327	5,356,545	6,005,238	6,777,031
Common Shareholders' Equity	4,293,521	4,858,327	5,356,545	6,005,238	6,777,031

Key Metrics (Dec)

(CLP Millions)	2021A	2022A	2023E	2024E	2025E
Net Interest Margin	3.72%	4.90%	3.99%	3.74%	3.70%
Effective Tax Rate	18.4%	16.5%	22.8%	23.0%	23.0%
Loan / Deposit Ratio	126.5%	133.2%	146.4%	144.2%	142.0%
Tangible Common Equity / Assets	8.3%	8.8%	9.5%	9.7%	10.1%
ROA	1.6%	2.6%	2.1%	1.8%	1.8%
ROE	19.8%	30.8%	23.3%	19.0%	18.1%
RoTE	19.8%	30.8%	23.3%	19.0%	18.1%
Dividend Payout Ratio	34.6%	38.2%	73.0%	66.2%	55.7%
Efficiency Ratio (Cost / Income Ratio)	42.6%	35.6%	44.0%	45.4%	43.7%

Quality of Earnings (Dec)

(CLP Millions)	2021A	2022A	2023E	2024E	2025E
Total Non-Interest Inc / Operating Inc	29.3%	27.9%	36.3%	37.2%	37.1%
NPLs plus Foreclosed Real Estate / Loans	0.9%	1.1%	1.4%	1.4%	1.6%
Loan Loss Reserves / NPLs	246.92%	196.41%	207.17%	177.39%	177.21%
Loan Loss Reserves / Total Loans	2.10%	2.12%	2.80%	2.57%	2.75%

Company Sector

Banks-Retail

Company Description

Banco de Chile is Chile's second largest bank in terms of total loans, holding a market share of 18%. Banco de Chile is one the most recognized brands within the Chilean banking sector. Banco de Chile merged with Banco Edwards in 2002.

Investment Rationale

We view Banco de Chile as high-quality bank in Chile, with competitive advantages in asset quality and funding costs, which has translated in the past to above market ROEs. We rate Banco de Chile Underperform, in light of earnings contraction in '23 and '24 due to NIM pressure on lower inflation levels, and no further upside potential.

Stock Data

Average Daily Volume	59,781,860
Shares / ADR	600.00

Quarterly Earnings Estimates

	2022	2023
Q1	2.89A	2.63A
Q2	4.27A	3.29A
Q3	3.36A	2.57A
Q4	3.43A	3.27E

Key Changes

(US\$)	Previous	Current
Price Obj.	24.00	20.00
2023E EPS	2.78	2.49
2024E EPS	2.58	2.23
2025E EPS	2.79	2.36
2023E DPS	2.12	1.82

We forecast earnings contraction of 16% in '23 and -10% in 2024, before earnings growth of 6% in 2025, for an ROE of 17.9% in '25. Key assumptions in our model are:

- **Earnings growth and ROE:** After 3Q results and mgmt.'s '23 expectations, we have fine-tuned our NI estimates, reducing them modestly by 2% in '24-25 mainly to reflect higher provision charges and lower fee income generation. We forecast Banco de Chile to post EPS contraction of 16% in '23 for an ROAE of 23.3% (roughly in-line with mgmt. guidance). Meanwhile, we expect earnings contraction of 9% in 2024 affected by NIM pressure from lower inflation levels, before earnings growth of 8% in 2025 on stable NIMs and NII growth.
- **Loan growth:** we estimate 5% growth in 2023 (in-line with mgmt.'s expectations). Meanwhile, we expect loan growth to accelerate to 7% in 2024-2025 supported by positive trends in the consumer loan book supported by the gradual economic recovery and no longer excess liquidity from support programs and pensions withdrawals during the pandemic.
- **NII:** We assume stable NIM pressure of 90bp in 2023 (vs. -110bp guided) and -30bp in 2024 on lower inflation levels. Our economists expect inflation to decelerate to 8.25% in 2023 (from 11.25% in '22) and to 6.0% in 2024. Meanwhile, we expect stable NIMs in 2025. Furthermore, we expect NII contraction of 16% in 2023 and -2% '24, before growth of 6% in 2025 (modestly below loan growth).
- **Fees:** we expect 2% growth in '23, decelerating from 14% in 2022, and growth of 9/10% in '23-24, supported by higher transaction services and insurance fees, offsetting lower interchange fees.
- **Operating expenses:** expect opex growth of 9% in '23 (modestly above inflation), while opex growth of 3% in '24-25 (below inflation). As such, we estimate the efficiency ratio to be at 37% in 2025.
- **NPL ratio:** NPL ratio is expected to deteriorate by 30bp to 1.4% in 2023. Meanwhile, we assume modest NPL's deteriorating of 20bp in the next years to 1.6%, by leaving behind the extra household income obtained from the withdrawals of pension funds and an accelerated growth in retail loans.
- **Provision charges:** We assume provisions to average loans of 0.9% in 2023 (vs. 1.2% in '22), in-line with the mgmt.'s guidance of 0.9%. We expect reserve coverage ratio to normalize to 177% in 2025 (vs. 207% in '23). Meanwhile, we expect cost of risk to normalize to 1.1% levels in 2024-25.
- **Effective tax rate:** Expect 23% effective tax rate, above 16.5% in 2022, due to inferior tax benefits on lower inflation levels.
- **Dividend pay-out ratio:** Expect 60% pay-out in the next years.

Exhibit 1: Banco de Chile – 2023 management guidance vs. BofAe

2023 is done, although 2024 looks more challenging

	2023 Mgmt. guidance	2023 BofAe
Loan, yoy growth	slightly above industry	5%
NIM pressure	-110bp (to 4.4%)	-90bp
Operating expenses, yoy growth	n.a.	9%
Efficiency ratio	~38%	37%
Provisions to Average Loans	0.9%	0.9%
Tax rate	n.a.	21%
ROE	23%	23%
Long-term ROAE	18%	18%

Source: Company data and BofA Global Research estimates

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Exhibit 2: Banco de Chile – Change in earnings estimates

Reducing our 24-25 estimates to reflect softer fee income generation

CLP mn	2023E			2024E			2025E		
		New			New			New	
Net interest income	1,774	1,873	6%	1,768	1,834	4%	1,898	1,945	2%
Commissions and fees	589	541	-8%	652	590	-9%	724	649	-10%
Other non-interest income	509	526	3%	496	496	0%	496	496	0%
Noninterest expense	1,078	1,085	1%	1,111	1,120	1%	1,133	1,153	2%
Op inc bfr provs and taxes	1,793	1,855	3%	1,805	1,800	0%	1,985	1,938	-2%
Provision for loan losses	367	333	-9%	410	420	3%	439	451	3%
Earnings before taxes	1,426	1,522	7%	1,395	1,380	-1%	1,546	1,487	-4%
Net income - reported	1,138	1,188	4%	1,082	1,077	-1%	1,198	1,159	-3%
EPS - reported	11.27	11.76	4%	10.72	10.66	-1%	11.86	11.48	-3%
EPADR -- reported	2.78	2.49	-10%	2.58	2.23	-13%	2.79	2.36	-16%
Gross loans	38,473	38,596	0%	41,232	41,364	0%	44,189	44,330	0%
Total assets	57,073	56,607	-1%	62,326	61,755	-1%	68,131	67,430	-1%
Deposits	29,184	26,360	-10%	31,789	28,679	-10%	34,634	31,209	-10%
Equity	5,412	5,357	-1%	6,085	6,005	-1%	6,893	6,777	-2%
ROAE - reported	22.2%	23.3%	110bp	18.8%	19.0%	12bp	18.5%	18.1%	-32bp
NIM	3.7%	4.0%	28bp	3.5%	3.7%	27bp	3.5%	3.7%	22bp
Efficiency ratio	38%	37%	-64bp	38%	38%	26bp	36%	37%	97bp
Effective tax rate	21%	23%	161bp	24%	23%	-50bp	24%	23%	-50bp
Provisions/ Avg. gross loans	1.0%	0.9%	-9bp	1.0%	1.1%	2bp	1.0%	1.1%	2bp
NPLs/ Gross loans	1.3%	1.4%	2bp	1.4%	1.5%	2bp	1.5%	1.6%	2bp
LLR/ NPLs	207%	207%	-4bp	207%	177%	-2961bp	207%	177%	-2958bp

Source: Company data and BofA Global Research estimates

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PO derivation

Gordon Growth Model yields ChP93 PO / USD20

We are cutting our PO to ChP93 / ADR at \$20 (from ChP98/ADR at \$24) to reflect 1) our new NI estimates, 2) higher US risk-free rate of 4.0% (vs. 3.5% before), 3) a higher FX of ChP\$954 per US dollar. At our PO, BCH would trade at 1.6x '24E P/BV and 9.0x '24E P/E.

Our COE of 13.1% reflects a US risk-free rate of 4.0%, Chile country risk of 140bp, inflation differential of 2.0%, a beta of 1.0x, and an equity risk premium of 570bp.

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

Implied PO of ChP93 and USD\$20 for the ADR

Beta (x)	1.0x
US Treasury/10yr (bp)	400
Chile risk spread (bp)	140
Inflation differential (bp)	200
Equity risk premium - ERP (bp)	570
Cost of equity (%)	13.1%
Sustainable growth rate (%)	4%
ROAE (%)	18%
Implied target P/BV [(ROE-g)/(COE-g)]	1.6x
Implied 2024 price target (ChP)	93
Upside/Downside – potential (%)	-2%
Price ChP (07/28/2023)	95
Implied 2024 price target (ADR)	20
Upside/Downside – potential (%)	-9%
Price USD\$ (11/15/2023)	22

Source: BofA Global Research estimates

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Exhibit 3: Banco de Chile – Income Statement

Expect earnings contraction next year

CLP bn	2022	2023E	2024E	2025E	Growth rates (YoY)		
					23/22	24/23	25/24
Net interest income	2,236	1,873	1,834	1,945	-16%	-2%	6%
Net interest margin	4.9%	4.0%	3.7%	3.7%			
Net commissions and fees	532	541	590	649	2%	9%	10%
Other non-interest income	335	526	496	496	57%	-6%	0%
Operating revenue	3,102	2,940	2,920	3,091	-5%	-1%	6%
Noninterest expense	995	1,085	1,120	1,153	9%	3%	3%
Efficiency ratio	32%	37%	38%	37%			
Op inc bfr provs and taxes	2,107	1,855	1,800	1,938	-12%	-3%	8%
Provision for loan losses	435	333	420	451	-23%	26%	7%
Provisions/ Avg. gross loans	1.2%	0.9%	1.1%	1.1%			
Earnings before taxes	1,672	1,522	1,380	1,487	-9%	-9%	8%
Incurred income tax & profit sharing	276	346	317	342	26%	-8%	8%
Effective tax rate	16%	23%	23%	23%			
Net income	1,409	1,188	1,077	1,159	-16%	-9%	8%
EPS -- reported	13.95	11.76	10.66	11.48	-16%	-9%	8%
EPADR -- reported	3.28	2.49	2.23	2.36			
BV per share	48.09	53.03	59.45	67.09	10%	12%	13%
TBV per share	47.04	52.15	58.50	66.06	11%	12%	13%
ROAE - reported	30.8%	23.3%	19.0%	18.1%			
ROAA - reported	2.6%	2.1%	1.8%	1.8%			
Dividends per share	5.33	8.58	7.06	6.39			
Shares outstanding (millions)	101.0	101.0	101.0	101.0			

Source: Company data and BofA Global Research estimates

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Exhibit 4: Banco de Chile – Balance Sheet

Expect single-digit loan growth

CLP bn	2022	2023E	2024E	2025E	Growth rates (YoY)		
					23/22	24/23	25/24
ASSETS							
Cash and due from banks	2,765	3,169	3,430	3,711	15%	8%	8%
Investment in securities	7,658	6,027	6,522	7,057	-21%	8%	8%
Gross loans	36,695	38,596	41,364	44,330	5%	7%	7%
Loan loss reserves	778	1,079	1,064	1,218	39%	-1%	14%
Total interest earning assets	46,722	47,271	50,715	54,411	1%	7%	7%
Fixed assets	210	215	232	251	2%	8%	8%
Equity investments	62	61	66	71	-2%	8%	8%
Intangibles	107	89	96	104	-17%	8%	8%
Other assets	8,537	9,531	11,110	13,123	12%	17%	18%
Total assets	55,255	56,607	61,755	67,430	2%	9%	9%
LIABILITIES							
Current accounts	13,383	13,042	13,979	14,983	-3%	7%	7%
Time, savings deposits and other	14,157	13,318	14,700	16,226	-6%	10%	10%
Total deposits	27,540	26,360	28,679	31,209	-4%	9%	9%
Bank bonds	9,268	9,708	10,508	11,375	5%	8%	8%
Interbank loans and other	5,398	5,506	6,077	6,706	2%	10%	10%
Subordinate debt	344	261	294	331	-24%	13%	13%
Total interest bearing liabilities	42,550	41,835	45,558	49,621	-2%	9%	9%
Other liabilities	7,847	9,416	10,192	11,032	20%	8%	8%
Total liabilities	50,397	51,251	55,750	60,653	2%	9%	9%
SHAREHOLDERS EQUITY							
Equity	4,858	5,357	6,005	6,777	10%	12%	13%

Source: Company data and BofA Global Research estimates

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Exhibit 5: Banco de Chile – Financial Indicators

Expect sustainable ROAE of 18%

	2022	2023E	2024E	2025E
Income Statement				



Exhibit 5: Banco de Chile – Financial Indicators

Expect sustainable ROAE of 18%

	2022	2023E	2024E	2025E
Net interest margin	4.9%	4.0%	3.7%	3.7%
Fees/ Core revenues	17.1%	18.4%	20.2%	21.0%
Fees/ Noninterest expense	53.4%	49.9%	52.7%	56.3%
Fees/ Avg. Earning assets	1.2%	1.2%	1.2%	1.2%
Efficiency ratio	32.1%	36.9%	38.4%	37.3%
Opex / Avg. earning assets	2.2%	2.3%	2.3%	2.2%
Effective tax rate	16.5%	22.8%	23.0%	23.0%
Dividend payout ratio	68.0%	61.5%	60.0%	60.0%
Profitability				
ROAE - reported	30.8%	23.3%	19.0%	18.1%
ROAA - reported	2.6%	2.1%	1.8%	1.8%
Balance Sheet				
Loans/ Total assets	66.4%	68.2%	67.0%	65.7%
Securities/ Total assets	13.9%	10.6%	10.6%	10.5%
Loans/ Deposits	133.2%	146.4%	144.2%	142.0%
Cash and equivalents/ Deposits	10.0%	12.0%	12.0%	11.9%
Equity/ Assets	8.8%	9.5%	9.7%	10.1%
Asset Quality				
NPL/ Gross loans	1.1%	1.4%	1.5%	1.6%
LLR/ NPL	196.4%	207.2%	177.4%	177.2%
Provisions/ Avg. gross loans	1.2%	0.9%	1.1%	1.1%
Capital				
Tier 1 ratio	14.2%	9.8%	9.8%	10.3%

Source: Company data and BofA Global Research estimates

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Appendix

BCH: Banco de Chile

CoR: Cost of Risk

ROAE: Return on Average

Equity

CET1: common Equity Tier 1

NIM: Net Interest Margin

NII: Net Interest Income

NI: Net Income

NPL: non-performing loans

Price objective basis & risk

Banco de Chile (XHND / BCH)

Our price objective for Banco de Chile of CLP93 per share (US\$20/ADR) is based on a Gordon Growth model, assuming a sustainable ROE of 18%, a cost of equity of 13.1% 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

Downside risks are macro deceleration, constitutional changes and a tough regulation against the banks, impacting loan growth and asset quality, difficulties improving cost efficiencies and increased tax rates. Upside risks to our PO are faster-than-anticipated inflation benefiting NIMs and a more benign macro scenario, which would increase loan growth expectations.

Analyst Certification

We, Ernesto Gabilondo, Antonio Ruetter 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
	Bajjo	BBAJF	BBAJ100 MM	Ernesto Gabilondo
	Banco do Brasil	XBBAF	BBAS3 BZ	Mario Pierry
	Banco do Brasil	BDORY	BDORY US	Mario Pierry
	Banco Pan	XQSFF	BPAN4 BZ	Flavio Yoshida
	Banco Santander Chile	BSAC	BSAC US	Ernesto Gabilondo
	Banco Santander Chile	XLDTF	BSAN CI	Ernesto Gabilondo
	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
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	Credicorp Ltd	BAP	BAP US	Ernesto Gabilondo
	Gentera	CMPRF	GENER* 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	XBDPF	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



Latin America - Financials Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Nubank	NU	NU US	Mario Pierry
	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
	GFinbur	GPFOF	GFINBURO MM	Ernesto Gabilondo
	Grupo Financiero Galicia	GGAL	GGAL US	Ernesto Gabilondo
	Grupo Financiero Galicia	GGABF	GGAL AR	Ernesto Gabilondo
	Qualitas	QUCOF	Q* MM	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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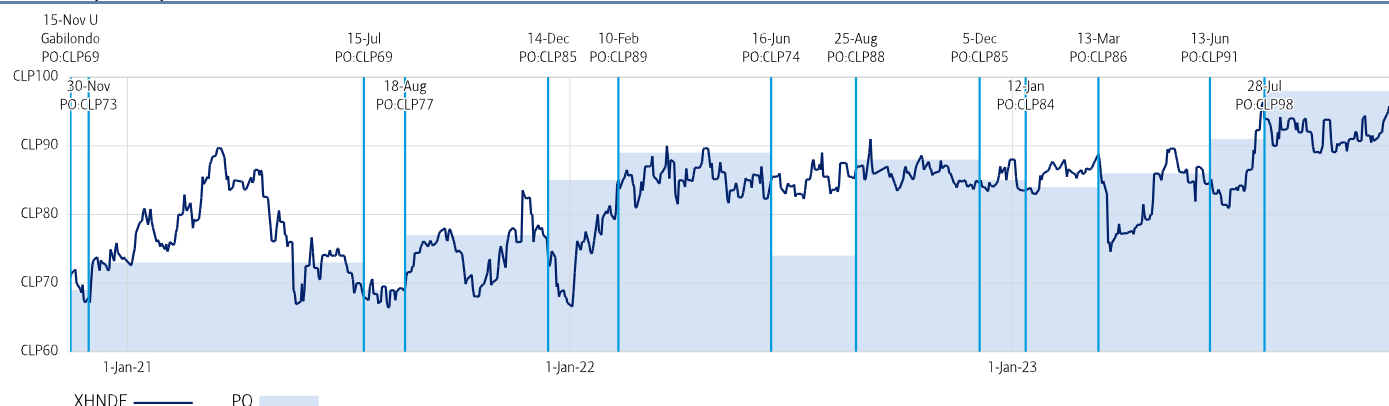
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Important Disclosures

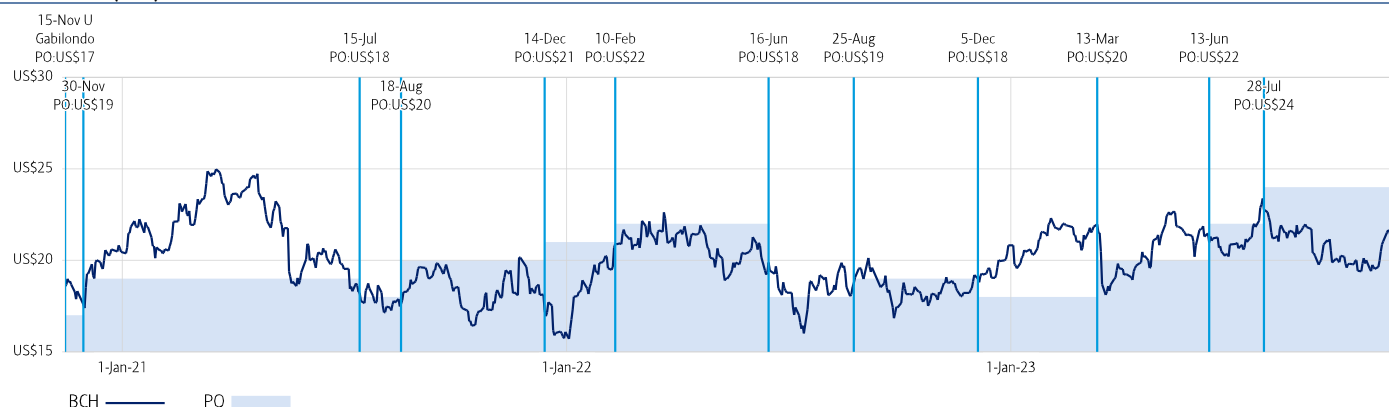
Banco de Chile (XHNDF) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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.

Banco Chile-ADR (BCH) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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 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%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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