

# Brazil Banks in Context

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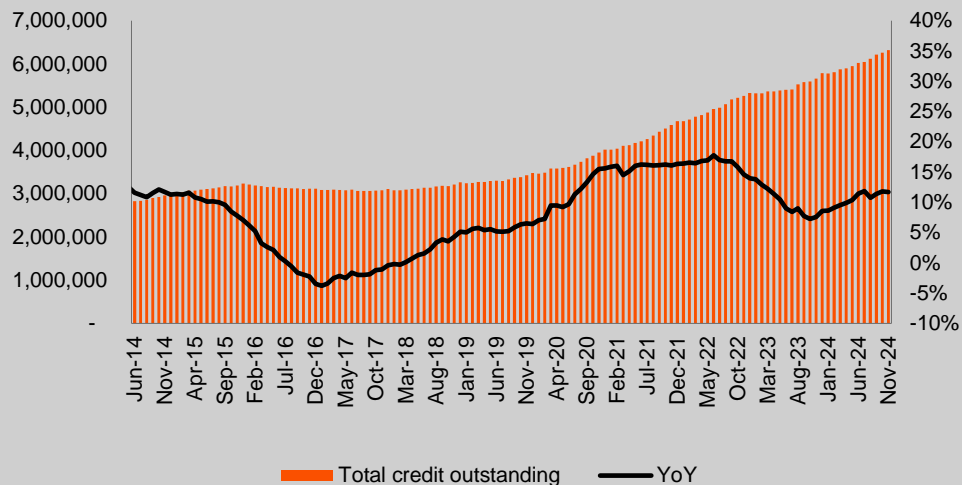
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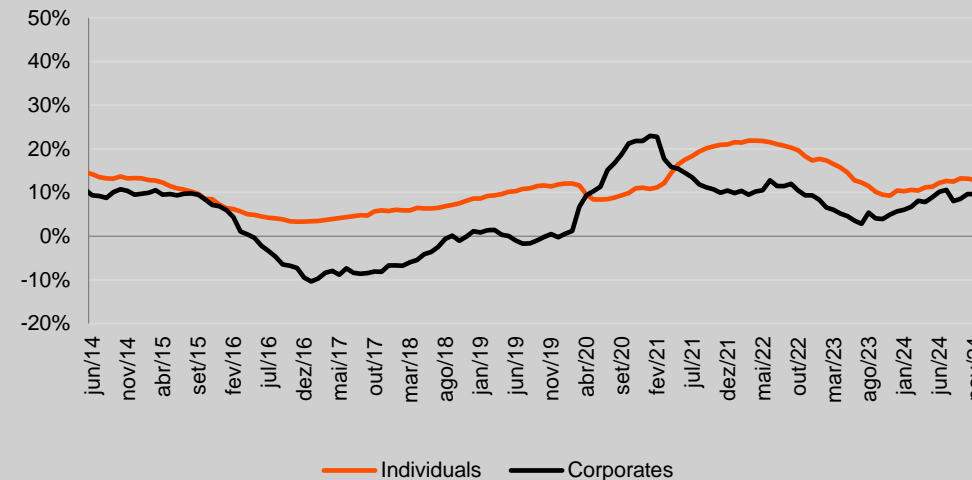


# Macro Charts

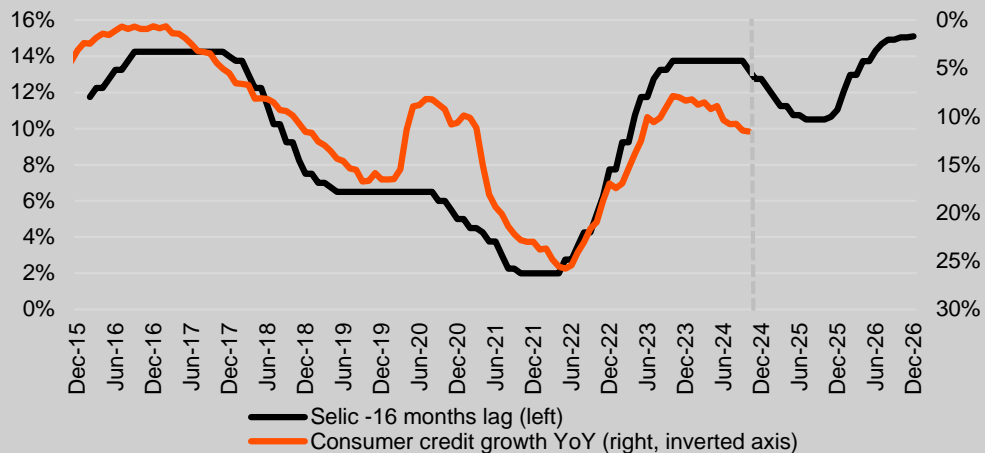
**Total Credit Balance and YoY Growth (BRL m; %) – Volumes are likely to slowdown**



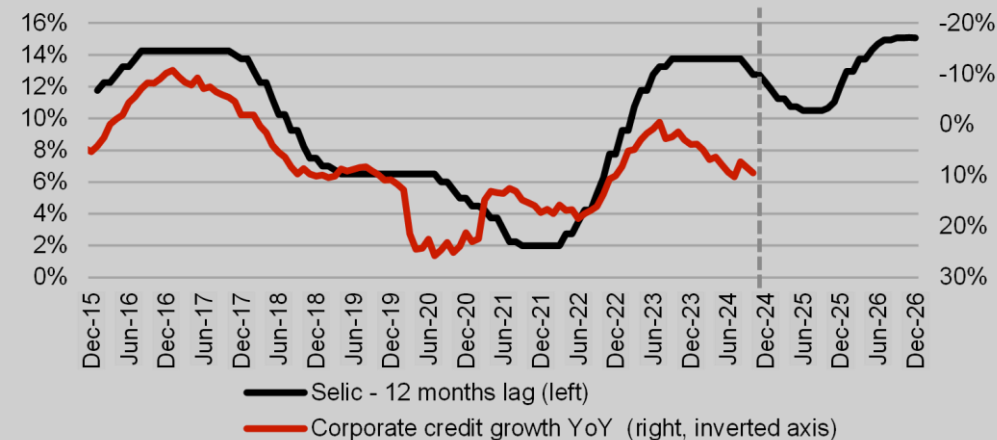
**Balance Growth YoY (%) – Corporates & Individuals had been accelerating in FY24**



**Consumer Credit YoY Growth – Selic hits consumer volumes the most with 16-month lag**

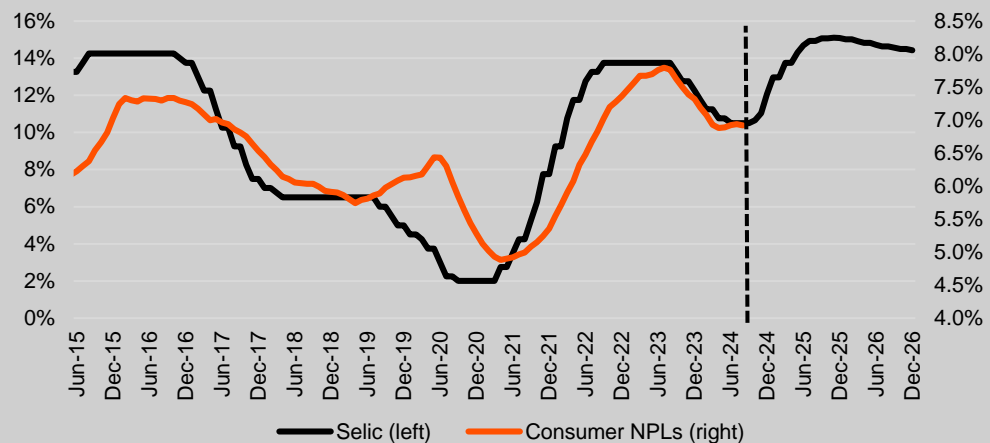


**Corporate Credit Growth YoY - Selic hits corporate volumes the most with 12-month lag**

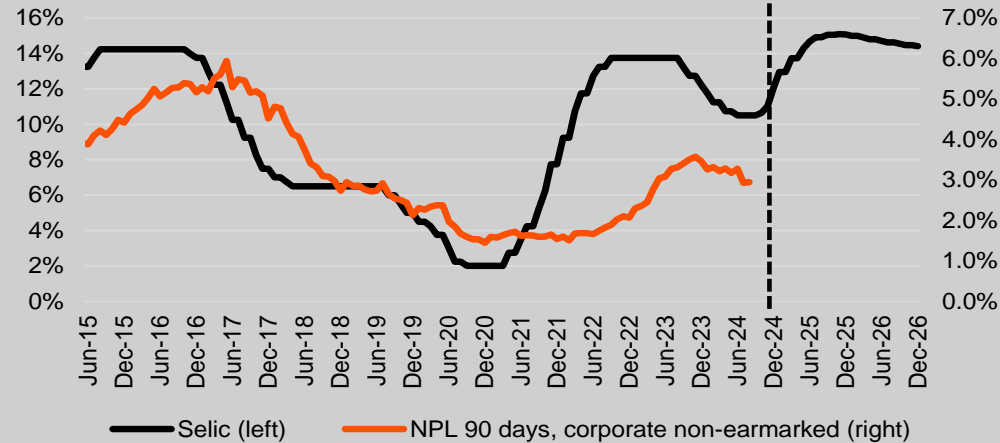


# Macro Charts

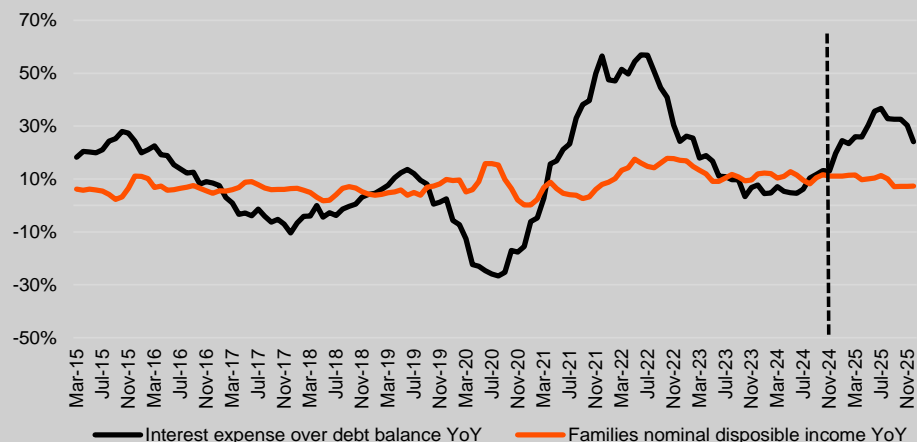
## Consumer NPLs vs. Selic Rate p.a. (%) – Consumer delinquency is likely to rise in FY25



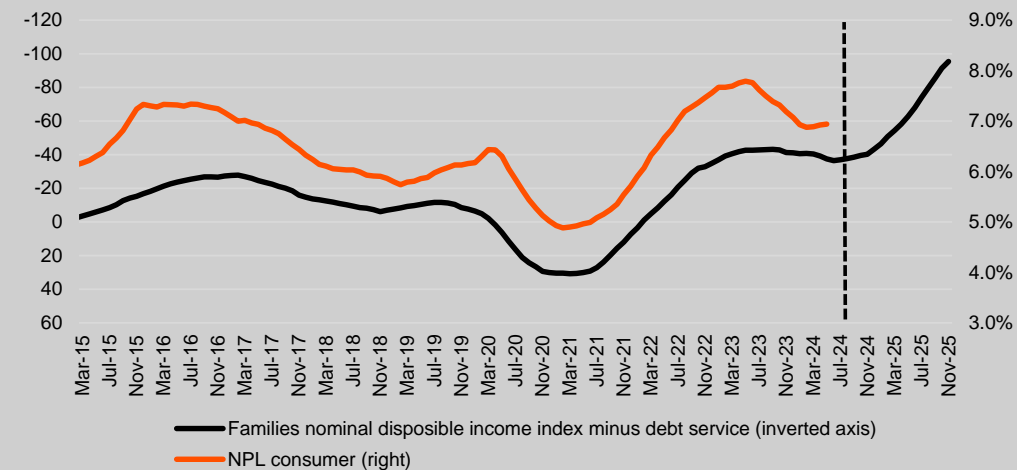
## Corporate NPLs vs. Selic Rate p.a. (%) – More corporate defaults are also likely in FY25



## Disposable Income vs. Debt Service YoY (%) – Pressure should come via higher debt service



## Itaú's Debt Burden Index points to 50-100bps increase in Consumer NPLs (%)



Source: Itaú BBA, BCB. Consumer considers non-earmarked individual NPLs. Household broad disposable income mainly considers wage mass, social transfer, pension, property income and tax charges. Debt service considers interest on non-earmarked consumer loans\*balance. Debt burden index indicates the household disposable income speed of change relative to the non-earmarked consumer debt service (interest\*balance). A rising orange line (i.e., a more negative number) means less wealth left after paying debt.

# 2025 Overview – Soft Landing in Credit and Earnings

## 2025E Macro Topics in a Nutshell

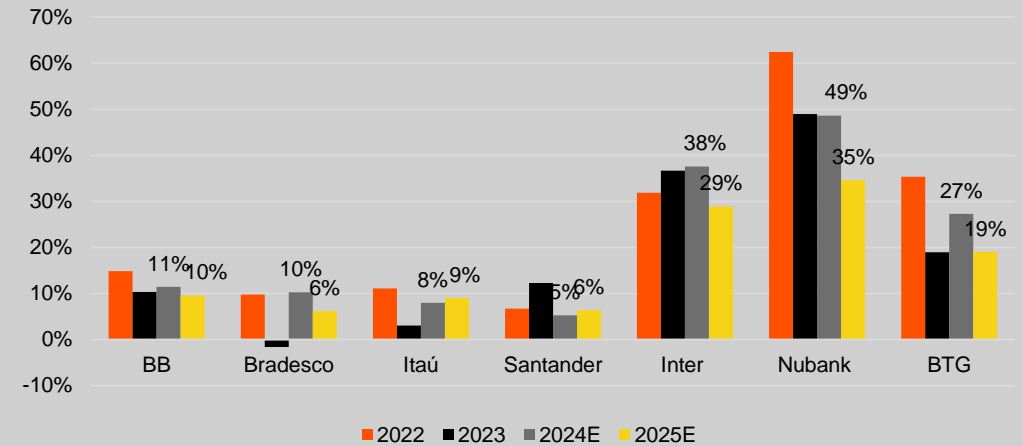
### Loan book growth expected to decelerate

- Risk perception has increased with higher rates, inflation, and lower GDP
  - Risk hurdles increased, focus on less risky clients
- Interest rates rising and lower confidence reduces demand

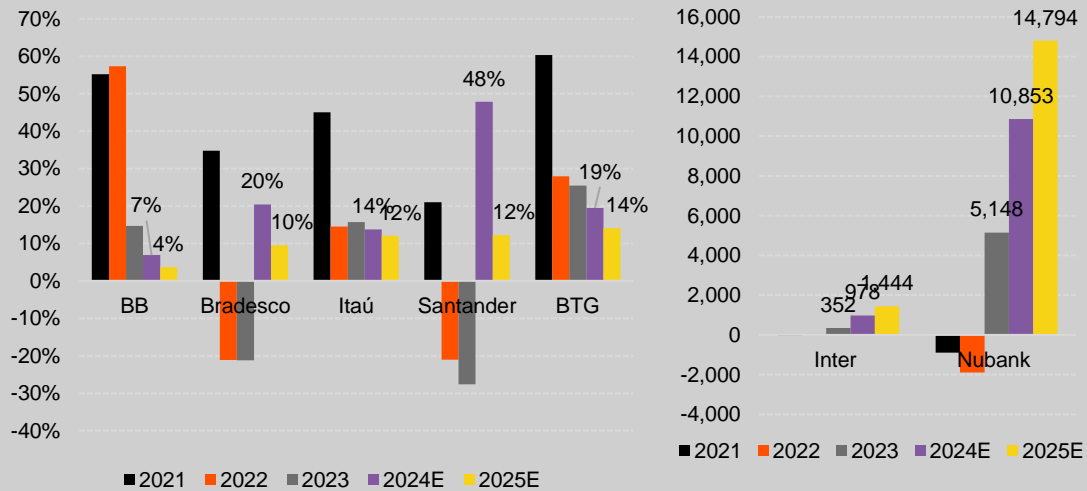
### NPLs likely to rise, earnings growth to cool

- NII should grow only slightly above the loan book; NIMs face industry spread pressures and de-risking mix
- NPLs and Cost of Risk should rise, specially from 2Q25 onward
- Earnings growth still likely, but more execution dependent

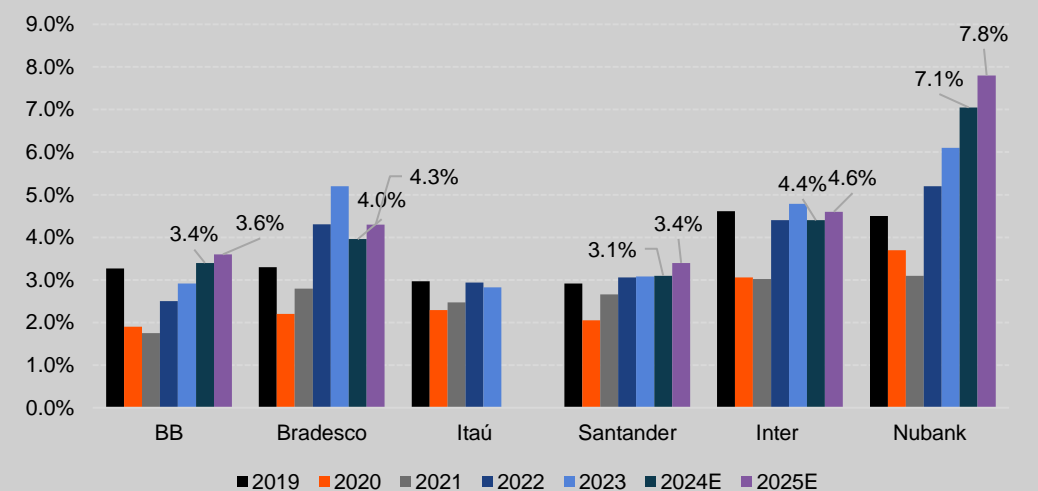
## Loan Book Growth Expected to Decelerate (Expanded Portfolio, YoY)



## Modest Earnings Growth in 2025 (Net Profit Adj. YoY% or BRL mn for Amounts)

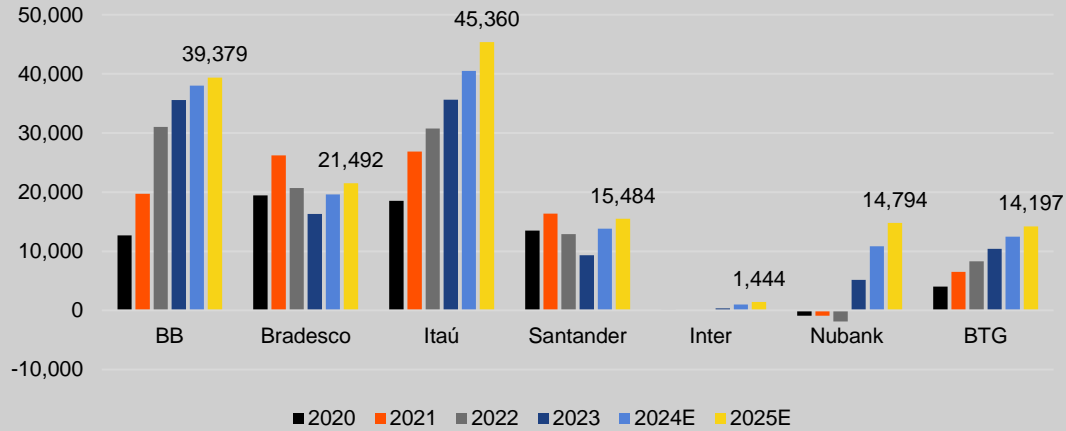


## NPLs Expected to Rise Gradually Into Year-End 2025 (>90 Days Late as % of Total)

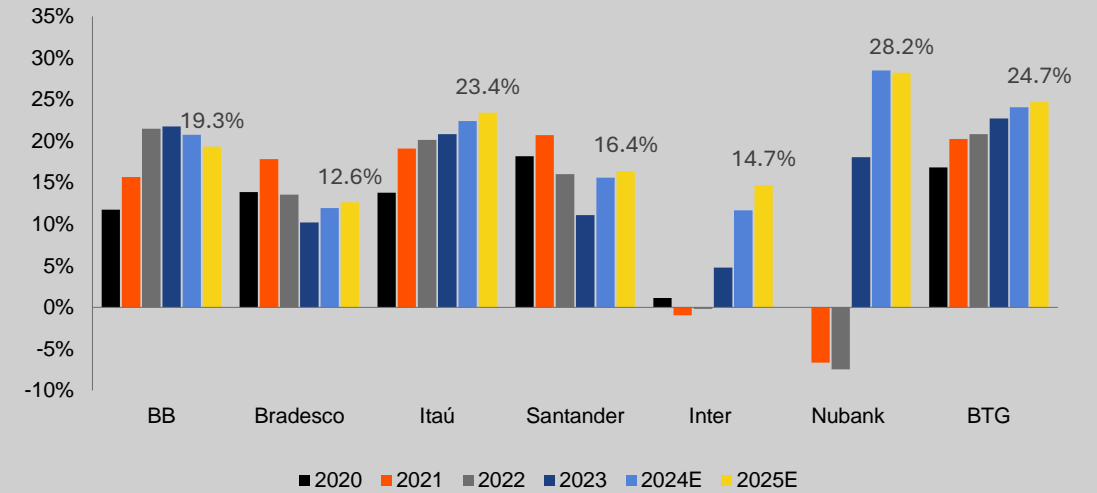


# Profitability and Capital to Remain at High Levels

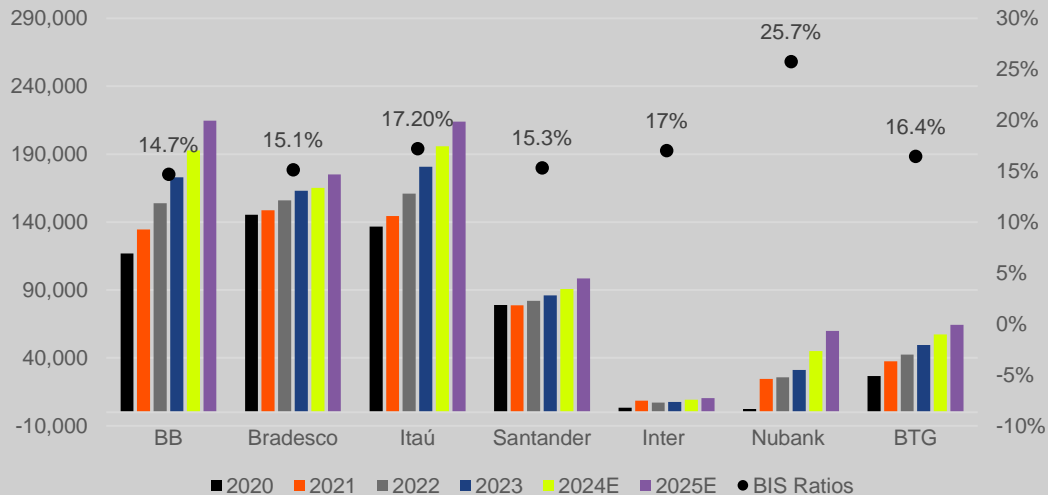
## Net Income (BRL mn)



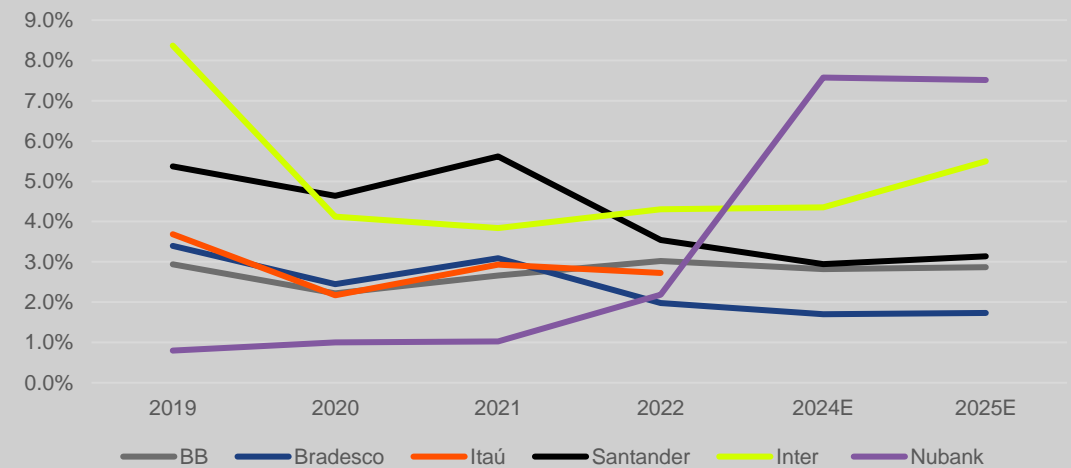
## Return on Equity (ROE)



## Strong Capital Base and Elevated BIS Ratios (BRL mn; %)

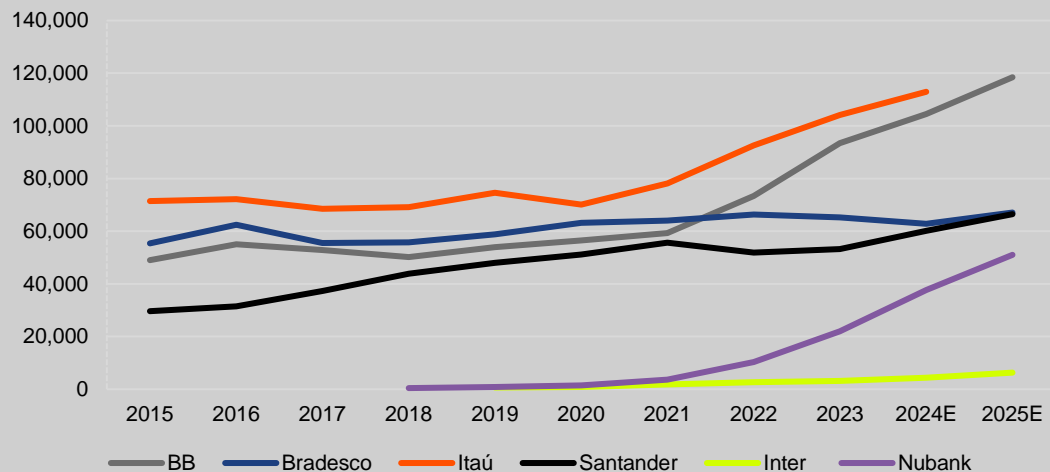


## NIM Post CoR (as % of All Earnings Assets)

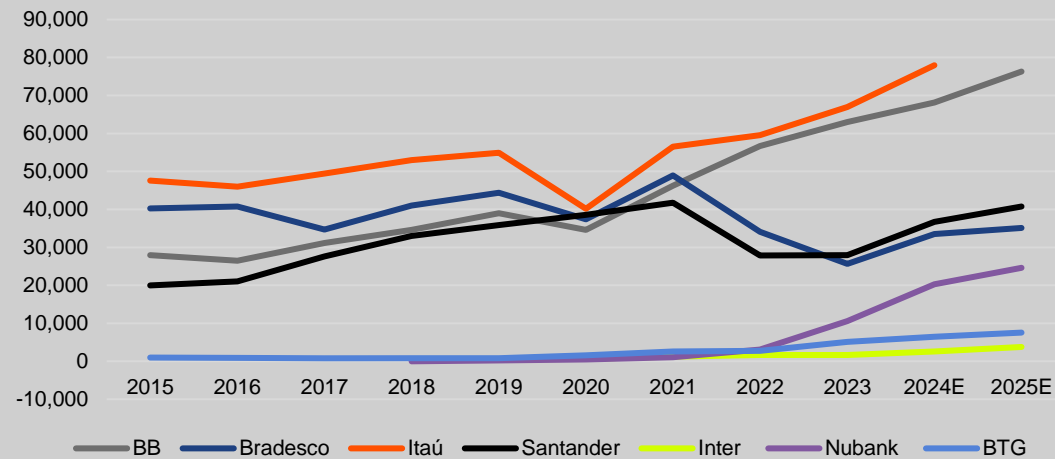


# Revenue and Efficiency Movie – A Healthy Outlook

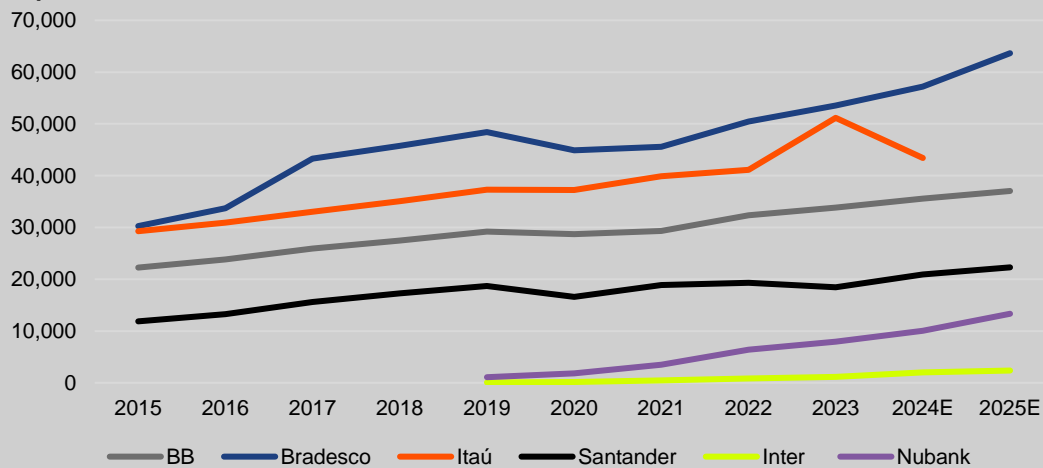
## NII Expected to Grow Slightly Above Loan Books (BRL mn)



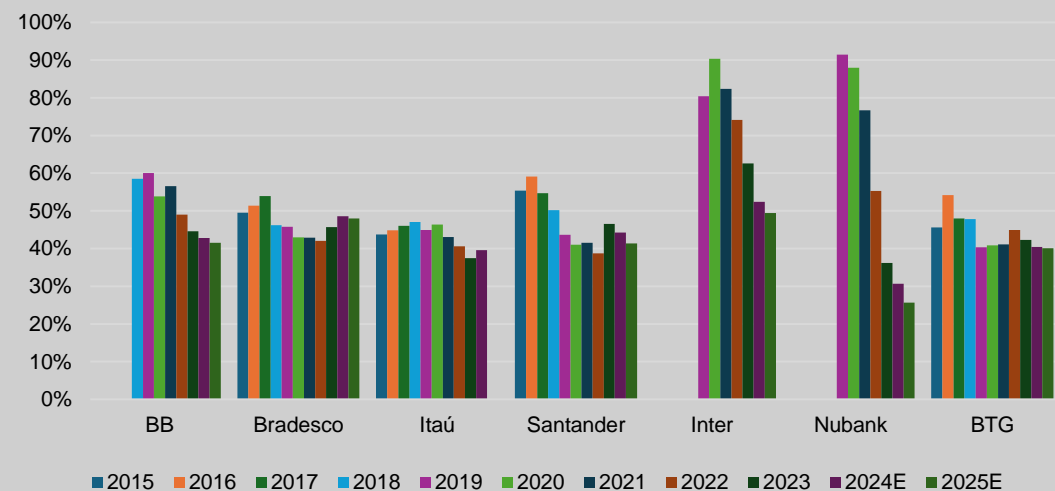
## NII Post Provision Expense Likely to Continue Expanding (BRL mn)



## Industry Service (and Insurance) to Continue Growing at a Mid-Single-Digit Rate (BRL mn)



## Efficiency Gains Likely to Continue at a Gradual Pace (SG&A as % of Revenues)



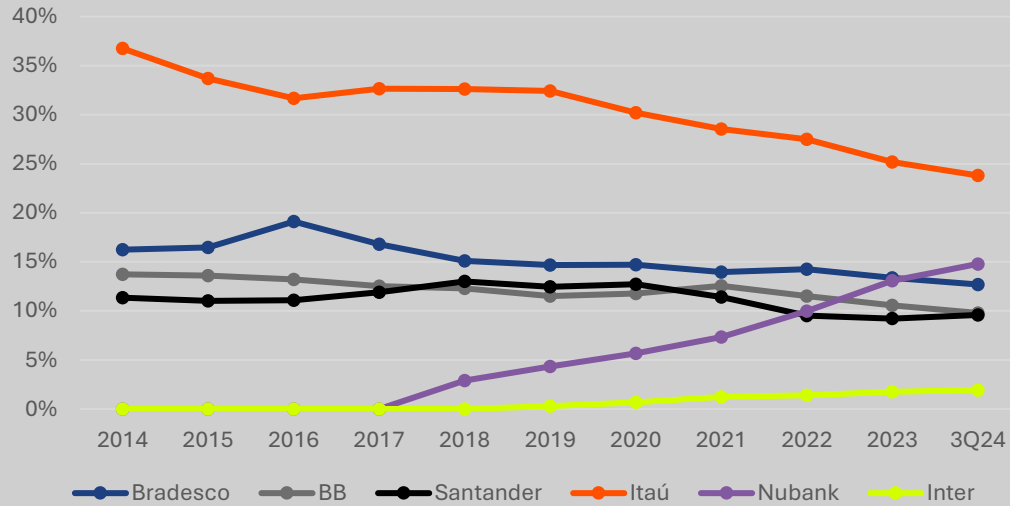
# Coverage Views

# 1. Nubank

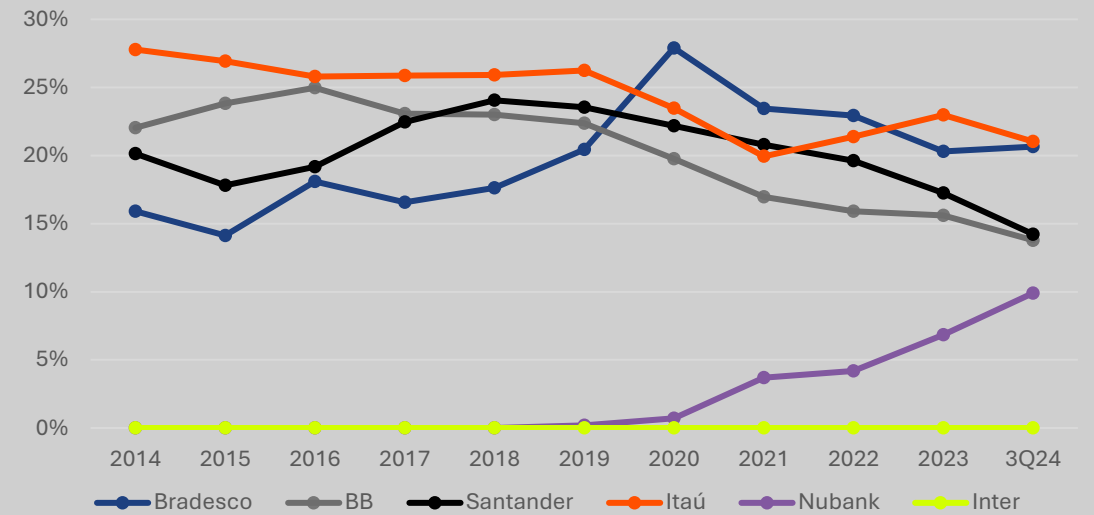


# Nubank – Market Share in Personal Loans and Credit Cards; Industry Also Grew

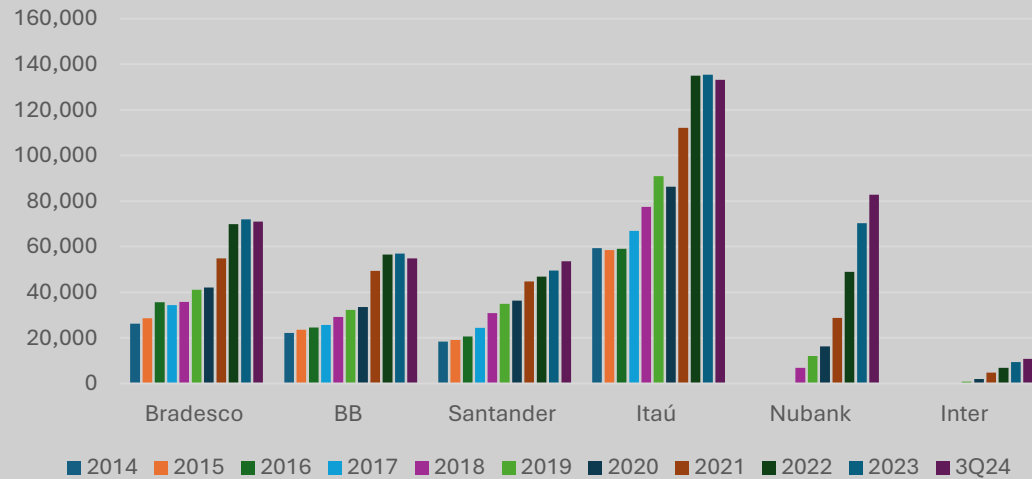
## Credit Card Industry Market Share (%)



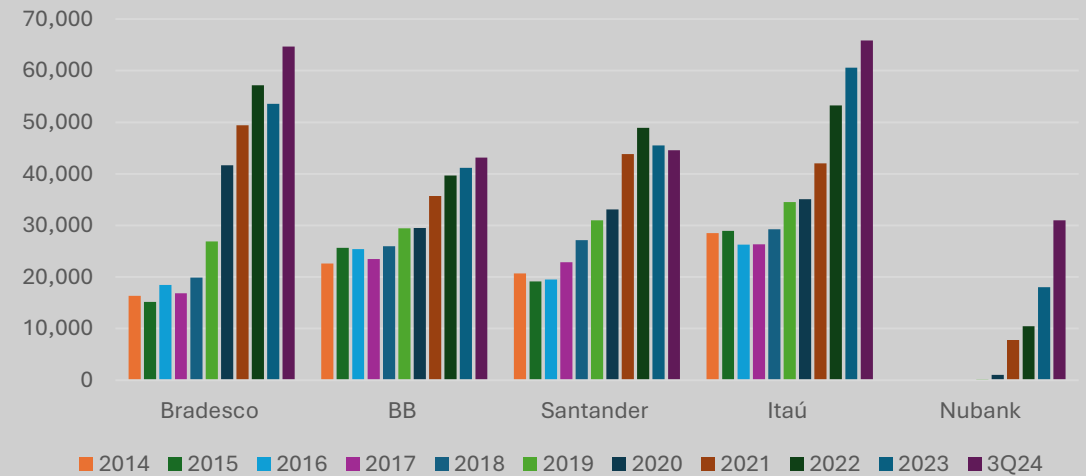
## Personal Loan Industry Market Share (%)



## Credit Card Industry Balance (BRL mn)



## Personal Loan Industry Balance (BRL mn)

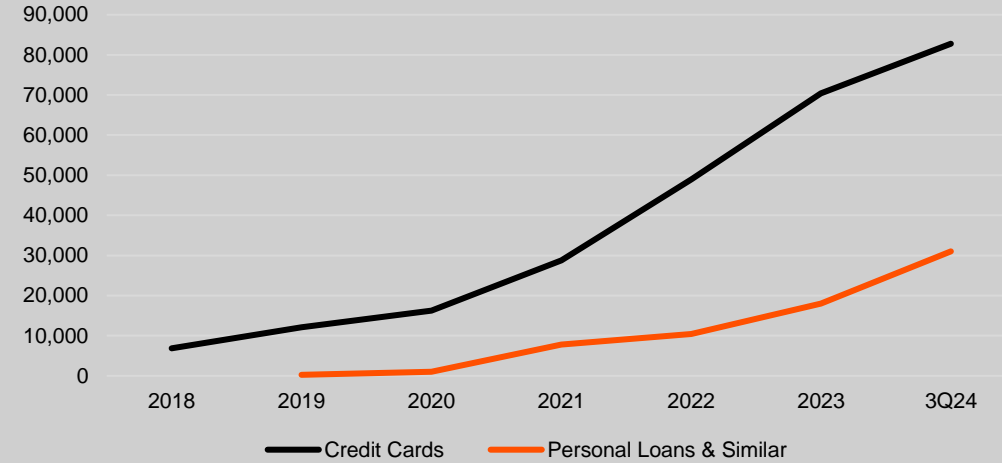


# Nubank – Market-Creation Analysis

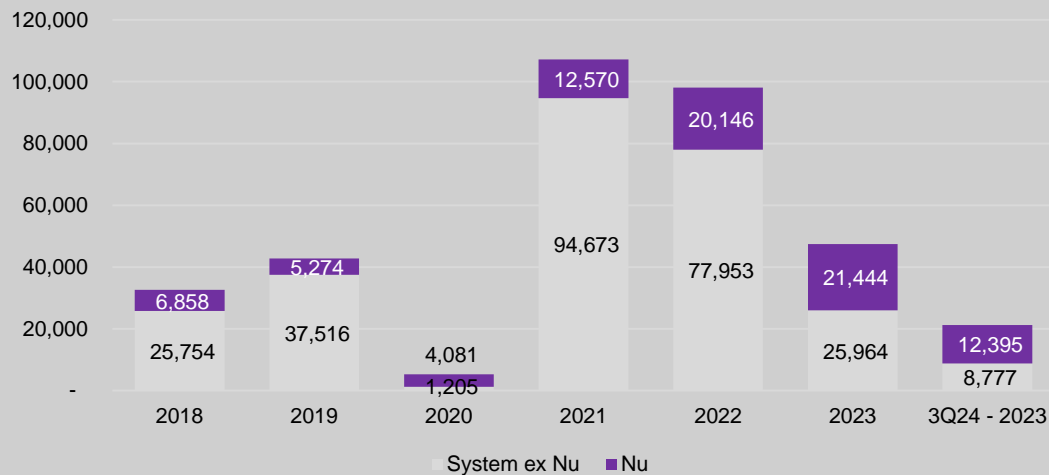
## Nubank Likely Created Market in Cards and Personal Loans

- **Industry grew; Nu gained share**
  - Higher risk appetite while industry became more selective
  - 50% of the national credit card BRL balance growth since 2023
  - 32% of the national personal loan BRL balance growth since 2023
- **Competitive credit model allows for market creation**
  - Nu’s low cost of funding, cost to acquire and cost to serve allow for higher credit losses – it can “bank” where others could not
  - Lower relevance of macro indicators in credit making decisions

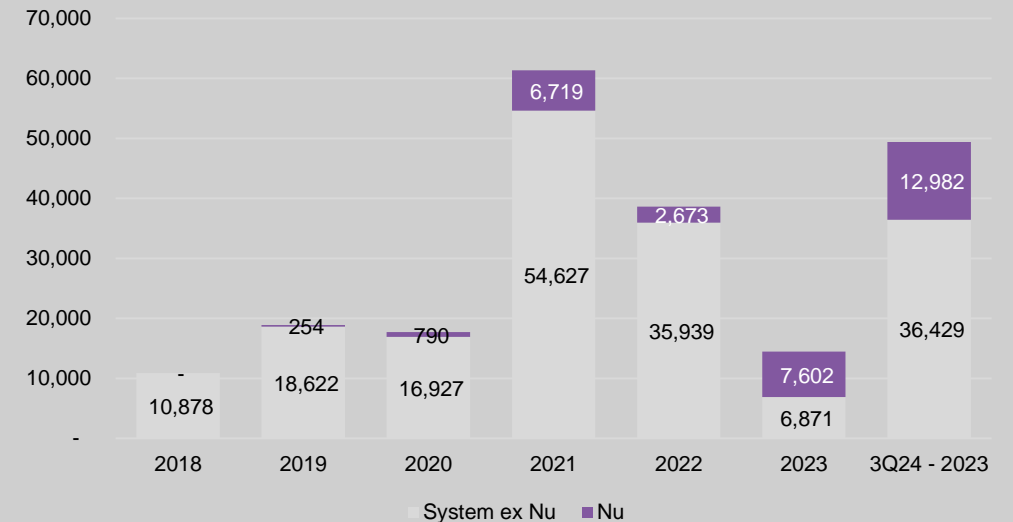
## Nubank Credit Card and Personal Loan Book (BRL mn)



## Credit Card Book Industry Growth – Nubank vs. Others (YoY Delta, BRL mn)

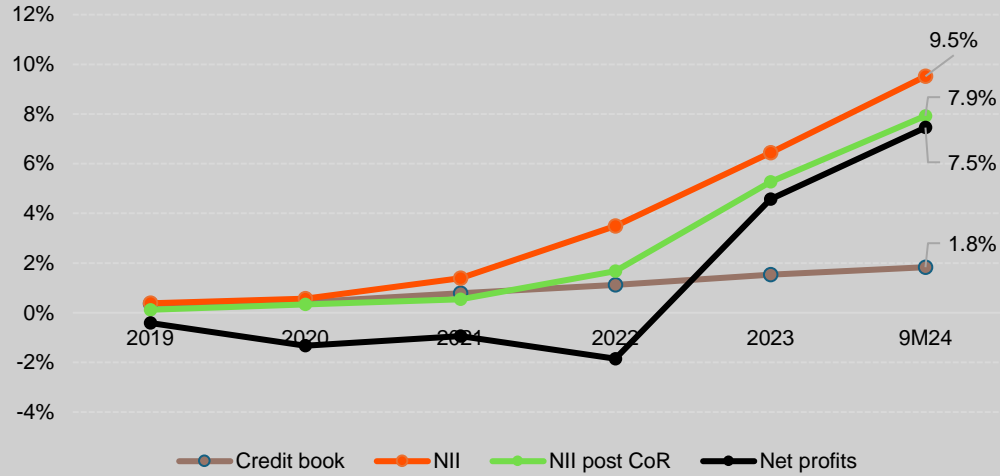


## Personal Loan Industry Growth – Nubank vs. Others (YoY Delta BRL mn)

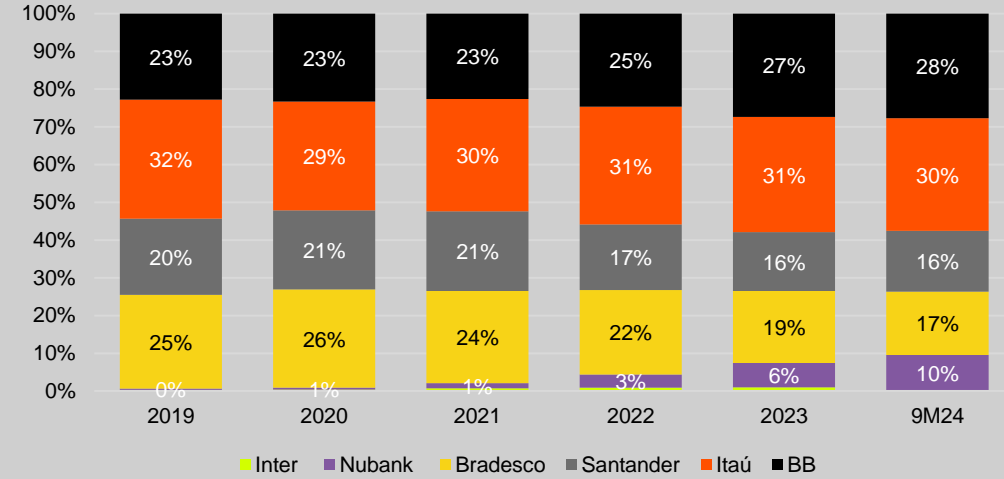


# Nubank – Gaining Grounds in and Industry’s Volumes and Profit Pool

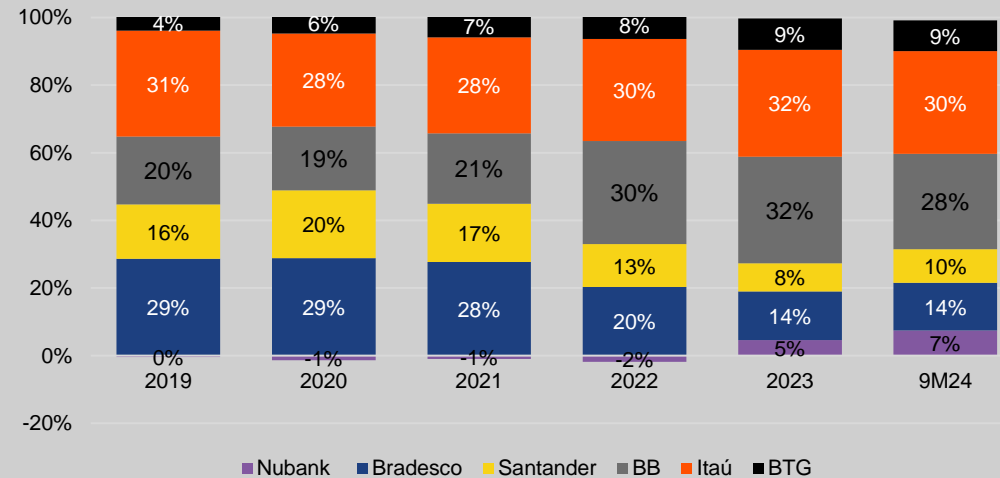
## Nubank’s Share of the Industry in Credit, NII, NII Post CoR and Profits



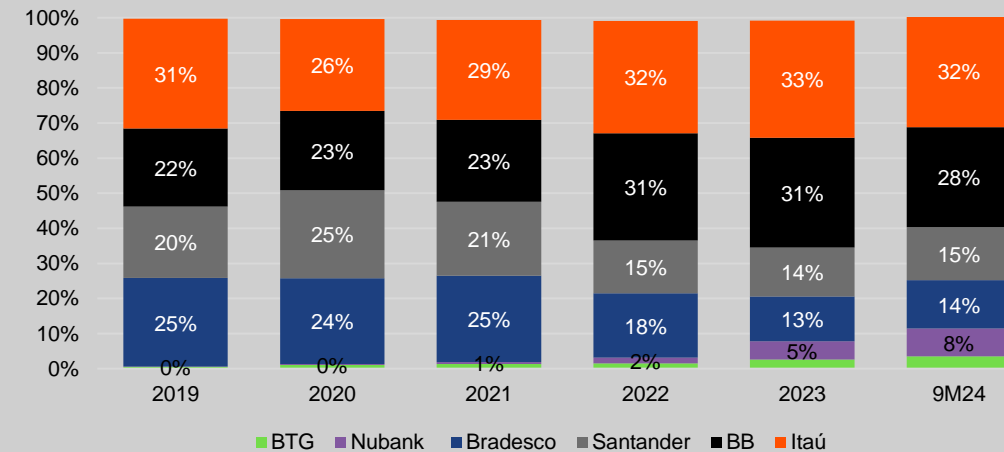
## Industry NII Share (%)



## Net Profit Share Amongst Large Banks Covered (% of Sample)



## Industry NII Post Provision Expense Share (%)

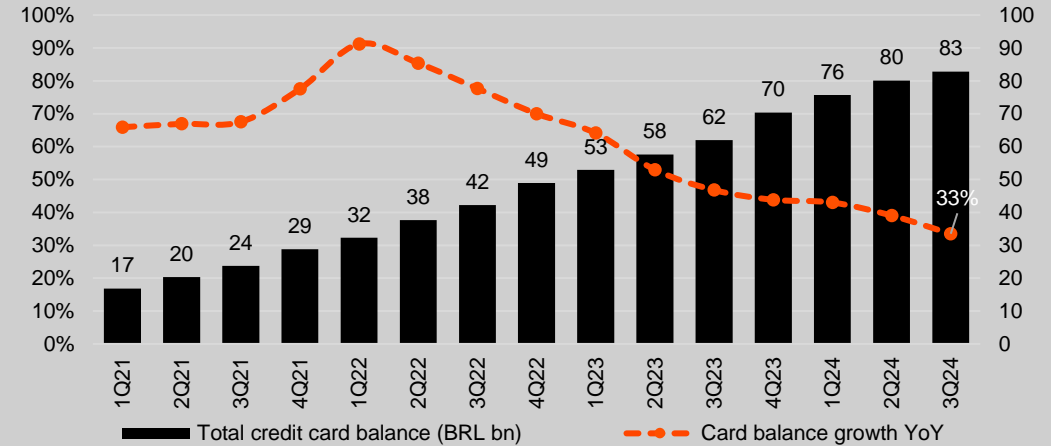


# Nubank – Credit Card Volumes

## Nubank Credit Card Volumes

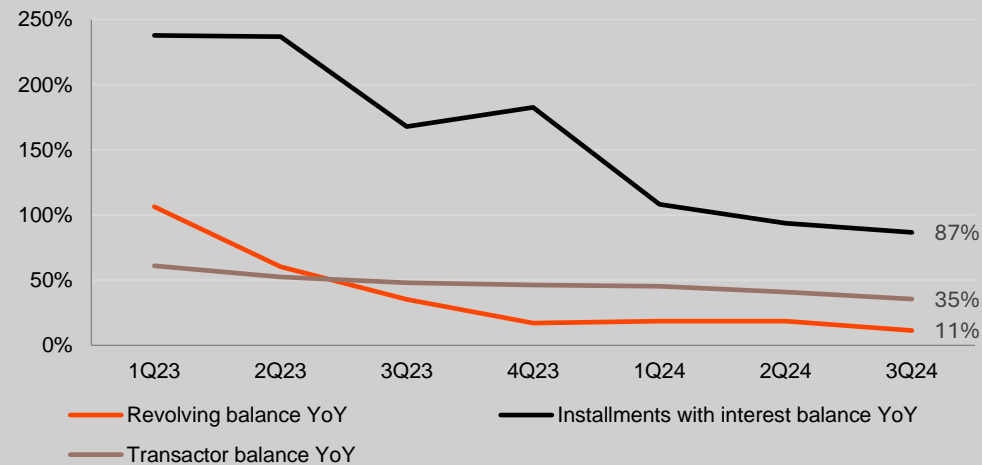
- BRL 83 billion in total balance; 15% national share
  - Volumes decelerating in BRL and YoY terms
- Rising share of interest-bearing products, transactors down
  - Transactors lose share from ~90% in 2021 to ~65% now
  - Installments with interest now 29% of total driven by PIX-Credit; company started to slow down product penetration
  - Revolvers have been flattish below the national level

## Nubank Credit Card Balance (BRL in bn and YoY Growth)

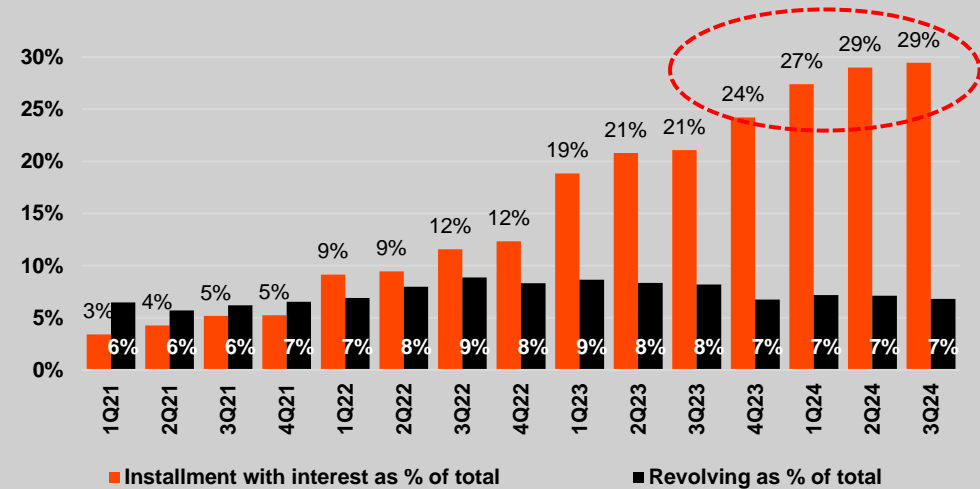


Source: Company data, Itaú Research. Credit card balance gross of provisions.

## Volume Deceleration Across All Credit Card “Product Types” (YoY Growth)



## Credit Card Mix Breakdown – More Installment With Interest (%)

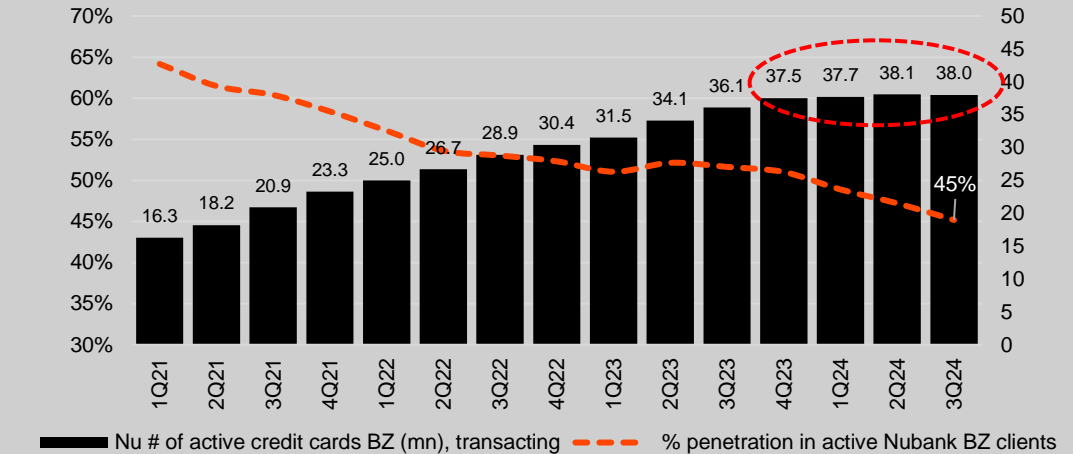


# Nubank – Number of Credit Cards

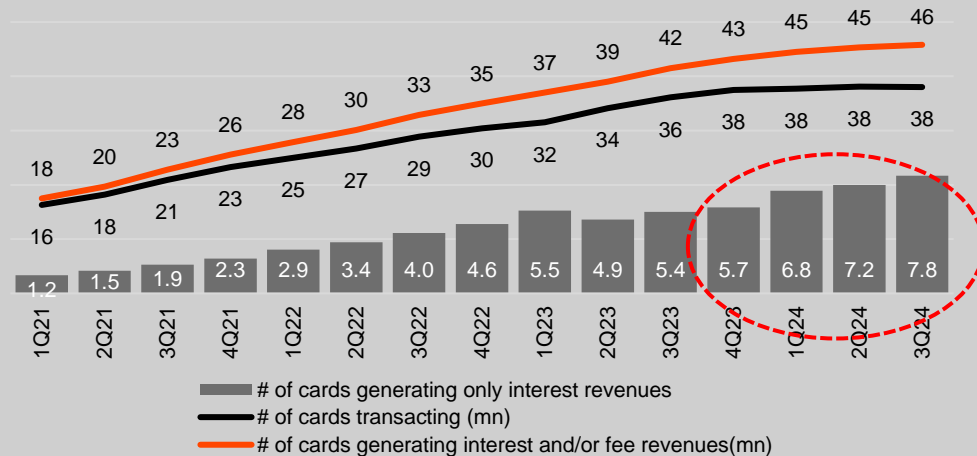
## Nubank Credit Card in Number of Plastics

- 38 million active transacting credit cards
  - # of plastics now flattish for four quarters; down in 3Q24
  - Penetration of cards in active client base down to 45%
- Rising share of non-transactional cards
  - 7.8 million cards are just bringing in interest, but not no longer transact; highest share on record
- Rising balance per card offsetting lower card count

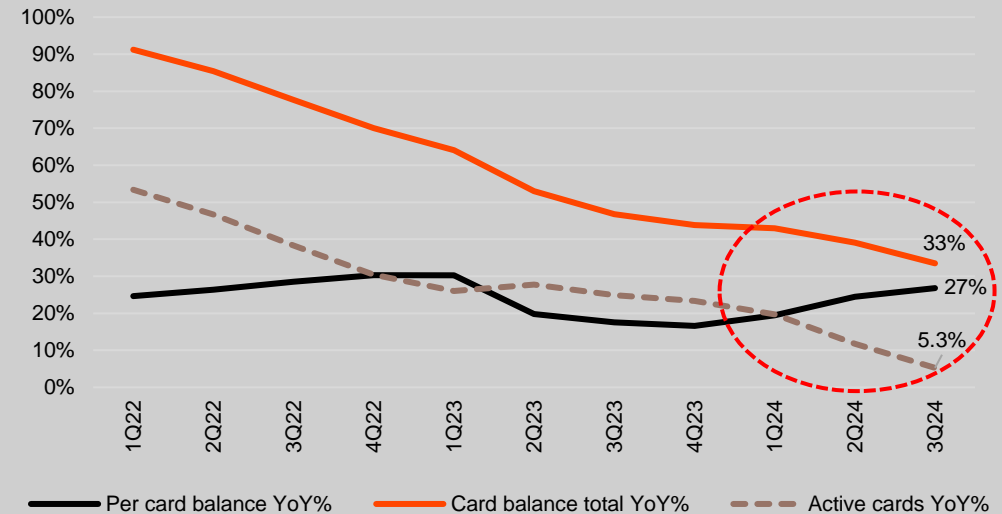
## Number of Active Transacting Cards Is Flat; Client % With Cards Is Down



## Transacting Cards Are Losing Share to Cards Bearing Interest (mn)



## Growing Balance per Card Has Offset Lower Card Base Growth

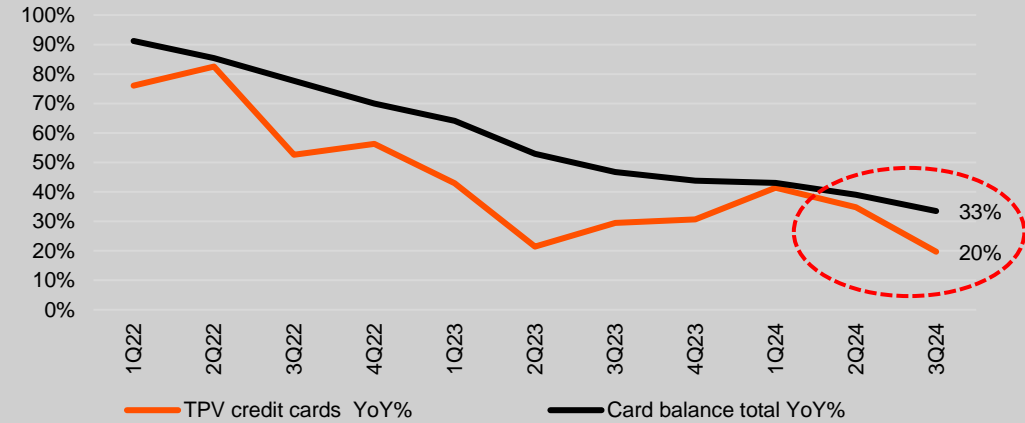


# Nubank – Credit Card Transaction Volumes (TPV)

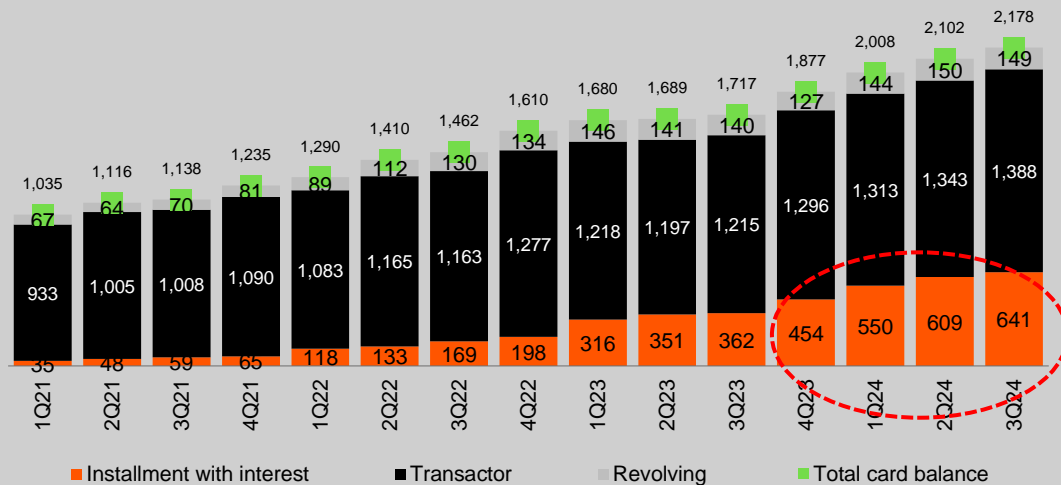
## Nubank Credit Card Transaction Volumes (TPV)

- Credit card TPV is decelerating faster, to 20% YoY, and growing less than total balance (33% YoY)
- TPV per card growth slowed in 3Q24 after a long sequence of gains to BRL 973/month, adding to the headwind of flattish active card count
- Balance per card is accumulating the most via interest installments
  - Delta BRL 471 in total balance 3Q24 x 3Q23 was 61% interest with installment, 38% transactor

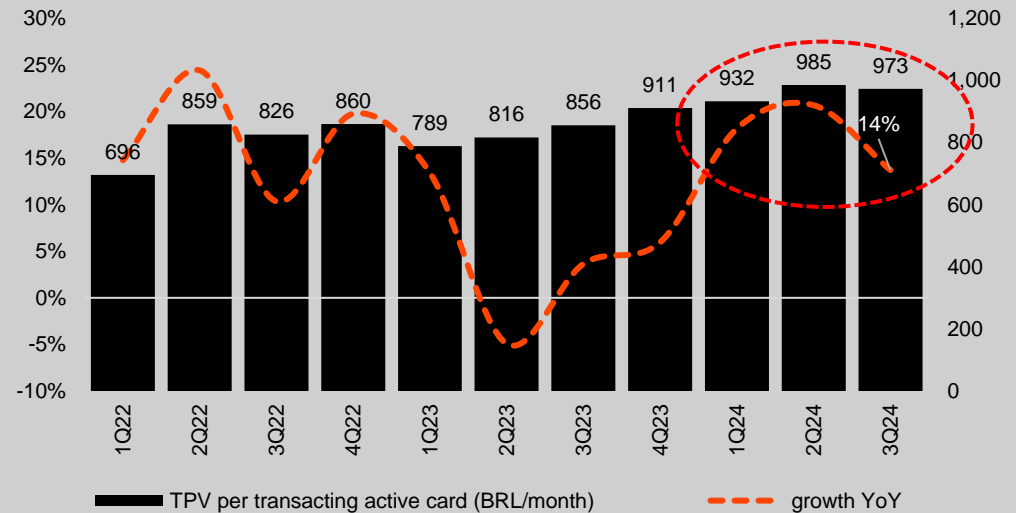
## Nubank Credit Card TPV Has Been Decelerating Faster Than Total Balance



## Balance per Card – Interest Installments Growing the Most (BRL)



## TPV per Card Started to Decelerate Again in 3Q24 (BRL)

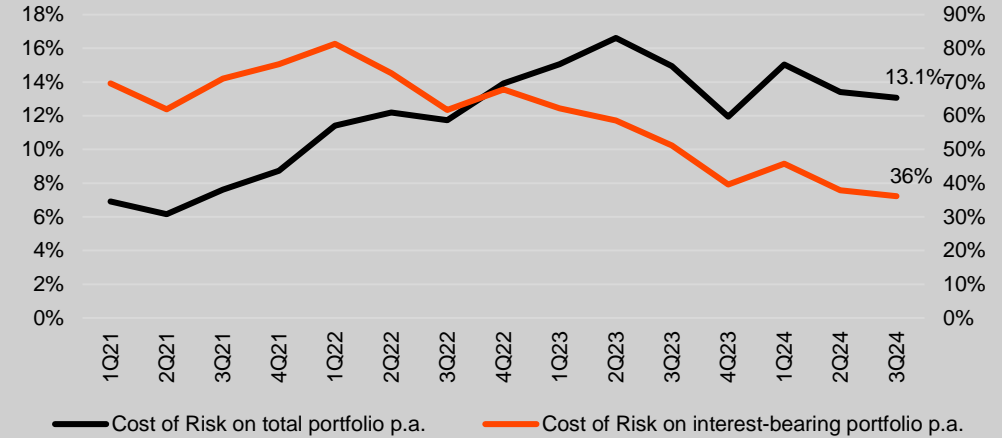


# Nubank – Credit Card Quality Indicators

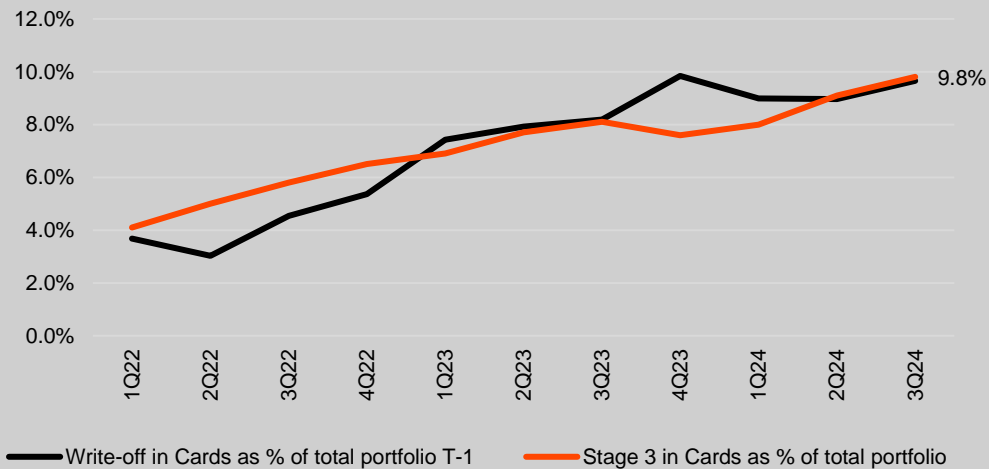
## Nubank Credit Card Cost of Risk and Portfolio Quality Indicators

- Provision expenses as % total of portfolio are stable
- Provision expenses as % of interest-bearing portfolio are down, indicating better health in the riskier portion
- Write-offs and Stage 3 are rising as % of total portfolio
- Write-offs and Stage 3 are stable as % of interest-bearing portfolio
- Slow-down in credit cards does not seem credit-quality related, although yellow flags start to show in Stage 3

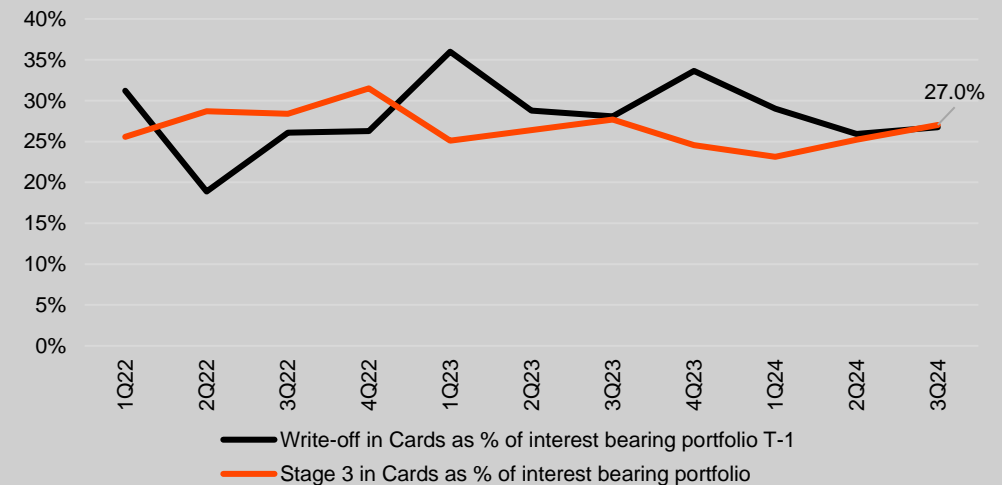
## Credit Card Cost of Risk as % of Total Portfolio; % of Interest-Bearing Portion



## Credit Card Write-Offs in and Stage 3 in Cards as % of Total Portfolio



## Credit Card Write-offs in and Stage 3 in Cards as % of Interest-Bearing Portfolio

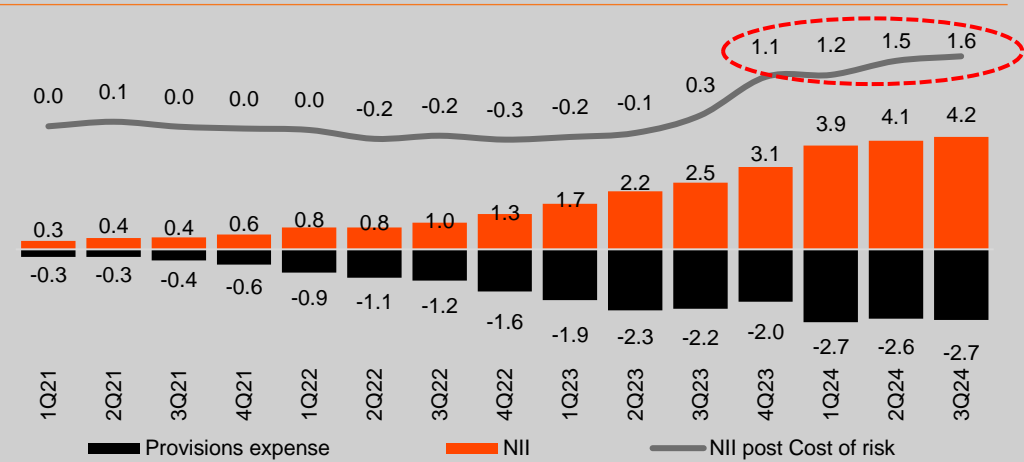


# Nubank – Credit Card Economics

## Nubank Credit Card Economic Estimates

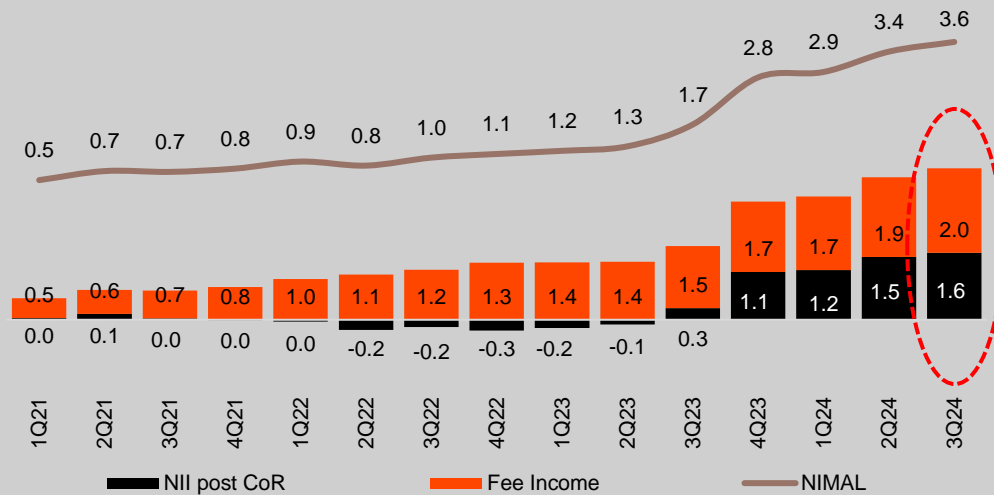
- **NII post CoR improved; recently flattish**
  - NII post CoR improved mainly on higher NIMs; higher share of interest-bearing portfolio
  - Flattish CoR is a merit given higher risk portion of the portfolio
  - Better cycle and slower loan book growth also reduced CoR
- **Fee income is the lion share of Credit Card “NIMAL”**
  - Interchange help offset low credit NIMs
  - Nubank “reinvests” little of its interchange into card benefits

## Nubank Credit Card NII Estimate and CoR (BRL bn)

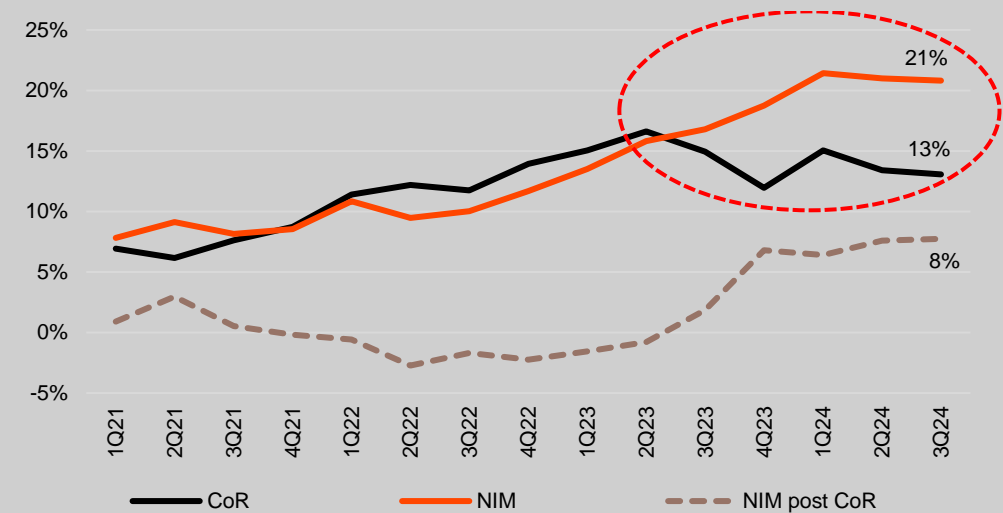


Source: Company data. Itaú Research. Funding cost estimated based on non-transactor portfolio at 100% of CDI.

## Credit Card Economics Largely Dependent on Fee Income (BRL bn)



## Credit Card NII Post CoR Rose Mainly (on NIMs as % of Total Card Portfolio)



Source: Company data. Itaú Research. CoR is a negative number.

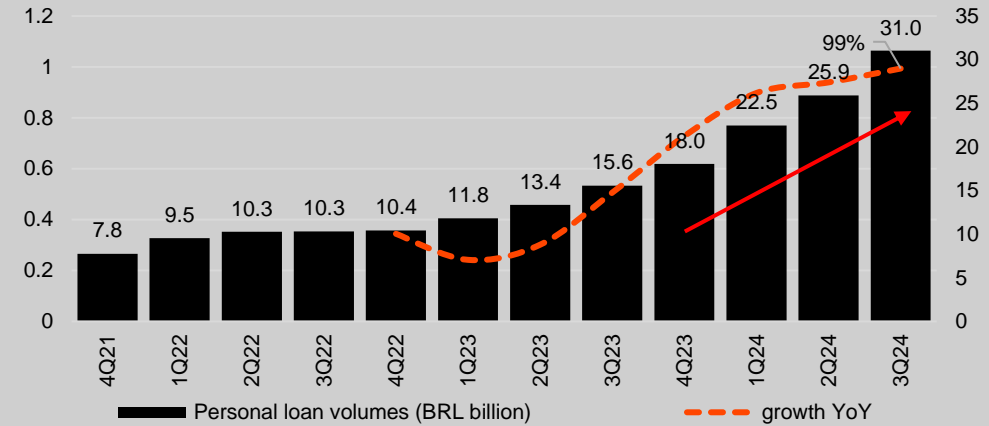


# Nubank in Personal Loans – Volumes

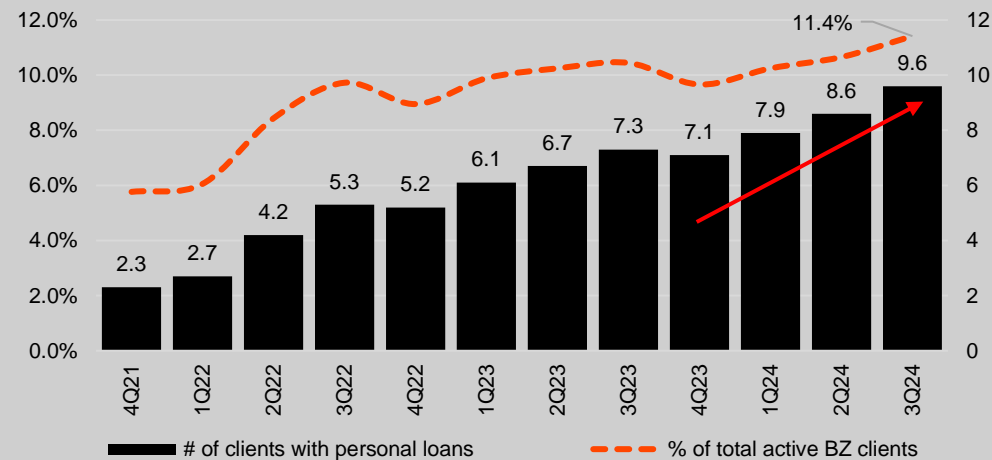
## Nubank in Personal Loans

- **Personal loan book growth is still accelerating in BRL and YoY terms**
  - BRL 31 billion portfolio represents ~10% national market share; ~20% of origination
  - Estimated 20%-30% are FGTS-backed loans
- **Client penetration of product is rising at 11% of total**, contrary to credit cards which have been falling, to 45% now
- **Average tickets are 52% higher YoY** at BRL 3.2k/client, boosting total portfolio growth

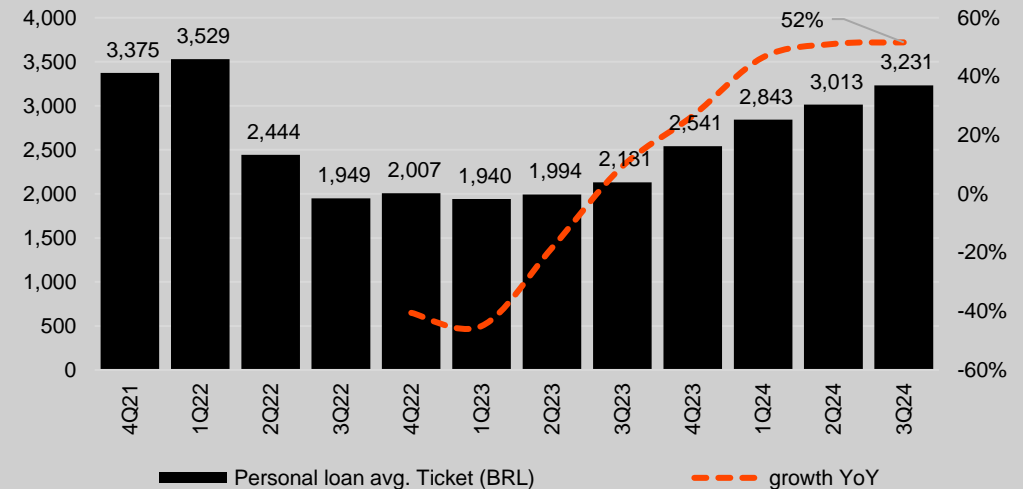
## Nubank Personal Loan Balance (BRL and YoY Growth)



## Clients With a Personal Loan (mn) and % Penetration Within Nu's Total



## Personal Loan Average Ticket per Client With a Loan (BRL and YoY Growth)

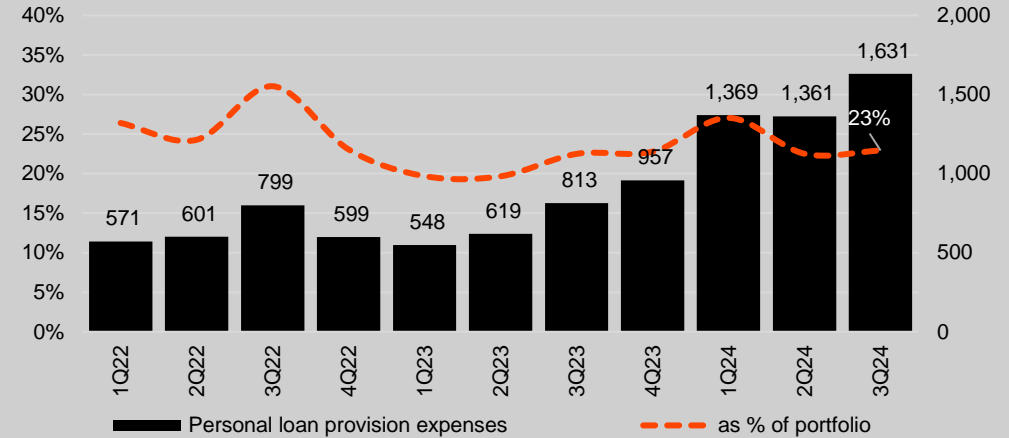


# Personal Loans Credit Quality

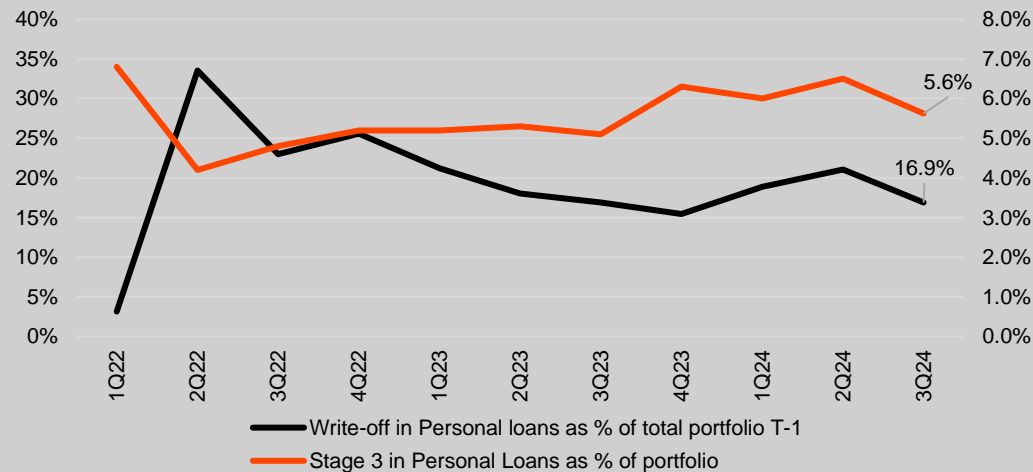
## Personal Loans

- Provision expenses have been improving to 23%, far from the 25%-30% level of 2022 that seems to be the limit to halt growth
- Write-off pace relative to portfolio T-1 is stable to better
- Stage 3 has improved again as % of total loans
- Personal loan credit quality is outperforming credit cards

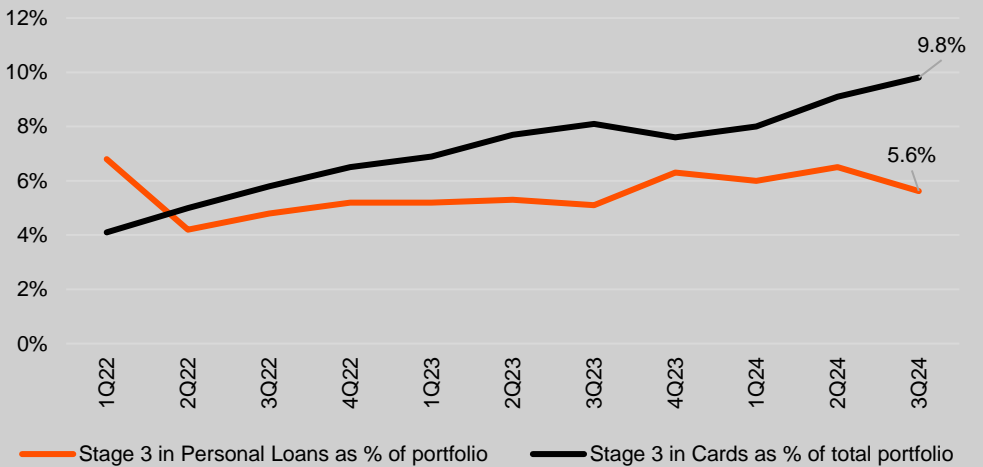
## Nubank Personal CoR Has Been Improving (BRL mn and as % of Portfolio)



## Personal Loan Write-Off Pace p.a. and Stage 3 as % of Total



## Stage 3 Comparison Between Credit Cards and Personal Loans (as % of Total)

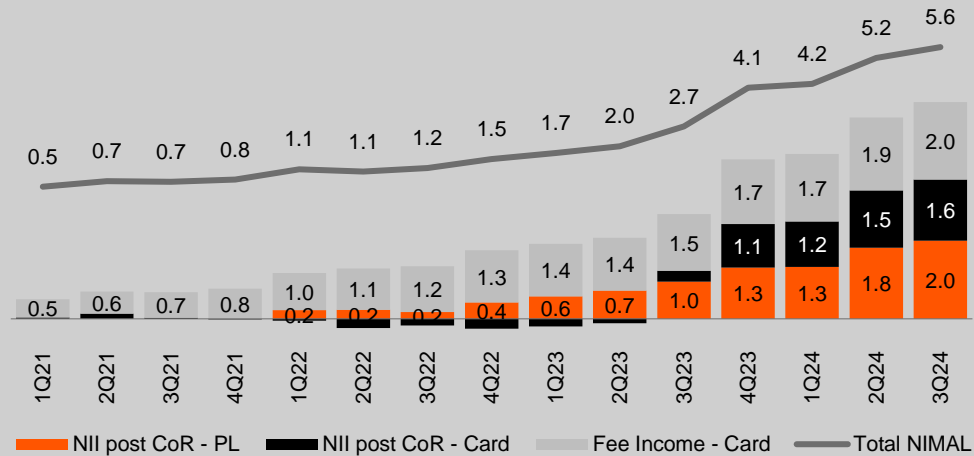


# Nubank – Personal Loans Economics

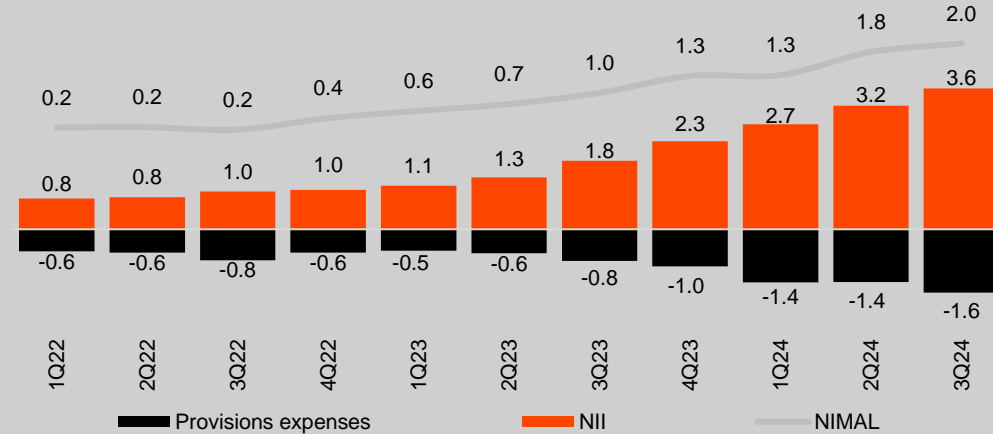
## Personal Loans

- **NII post CoR has been consistently improving**
  - NIM margins rose as Nu raised final prices (~60% p.a. gross yield vs. 50% in 2022)
  - Cost of Risk has been roughly stable at mid-20%.
  - Better credit cycle is likely buffering growth impact on CoR
- **Personal loans have higher credit profits**
  - Personal Loan NIMALs of ~30% compare with ~18% in Credit Cards (with fees)

## Total Consumer Loan Estimated NII, Cost of Risk and Fees (BRL bn)

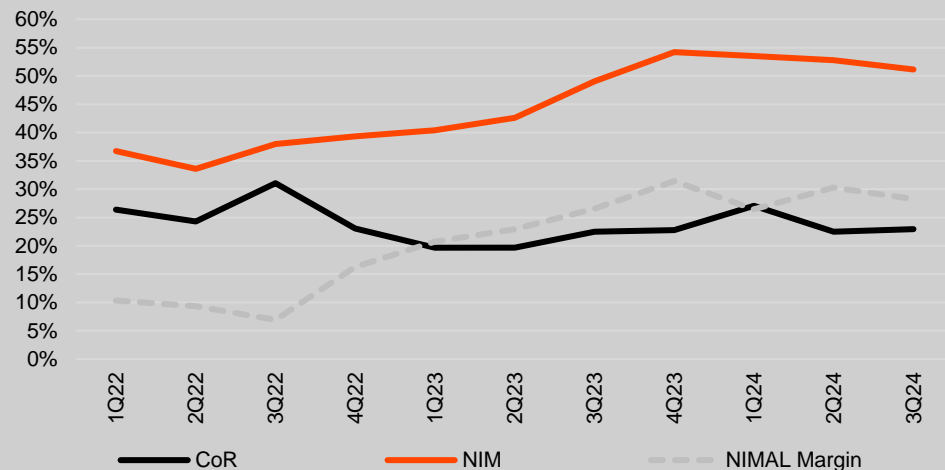


## Nubank Personal Loan NII and CoR Estimates (BRL bn)



Source: NII estimated using 100% of CDI as funding cost 1:1 with portfolio. NIMAL defined as NII-provision expenses (no fees).

## Personal Loan NIM and NIMAL (NII-Pdd) Margins as % of Portfolio



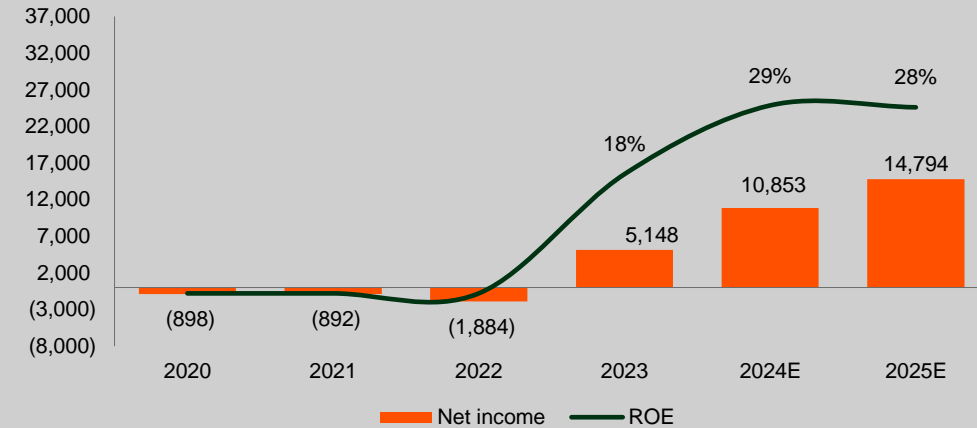
Source: NIMAL defined as estimated NII-provision expenses. As % of personal loan portfolio in the same quarter.

# Nubank (MP) – Investment Views and Financial Summary

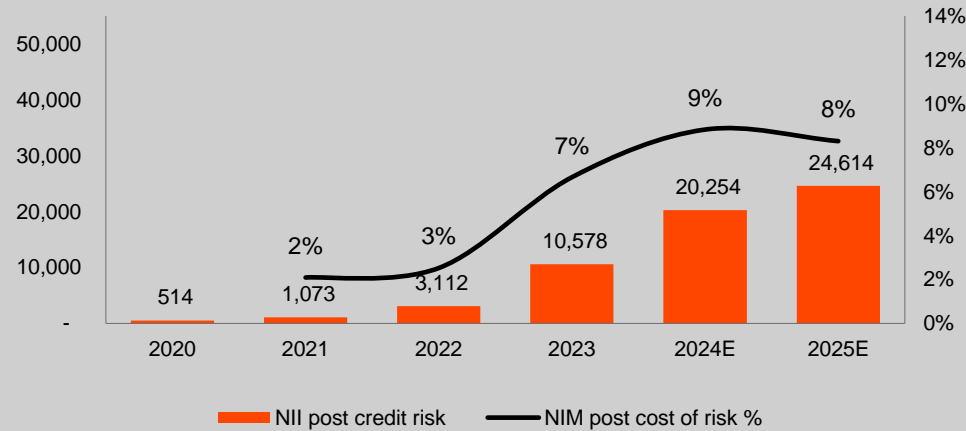
## Nubank – Market Perform (YE25 Target Price of USD 13)

- **Growth hurdles to challenge multiples; credit-cycle risk**
  - Credit cards are facing signs of growth fatigue in terms of users and TPV
  - Pix financing may have to scale back, hurting NIMs
  - Personal loan growth is still strong, but is likely to cool with macro
- **Market perform; rich valuation with growth question marks**
  - 21x P/E '25 and 5x P/B '25E
  - Earnings revisions have been negative

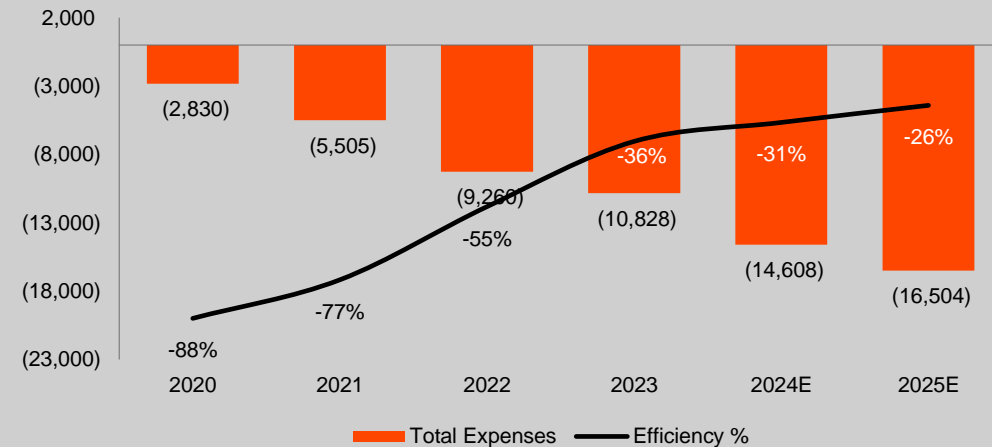
## Net Profit (BRL mn) and ROE (%)



## NII Post Cost of Risk (BRL mn)

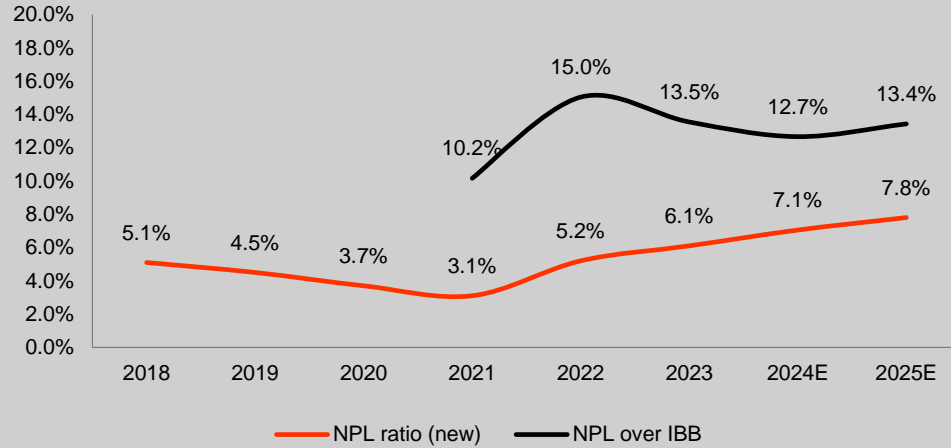


## SG&A and Efficiency (All SG&A as % of Revenues)

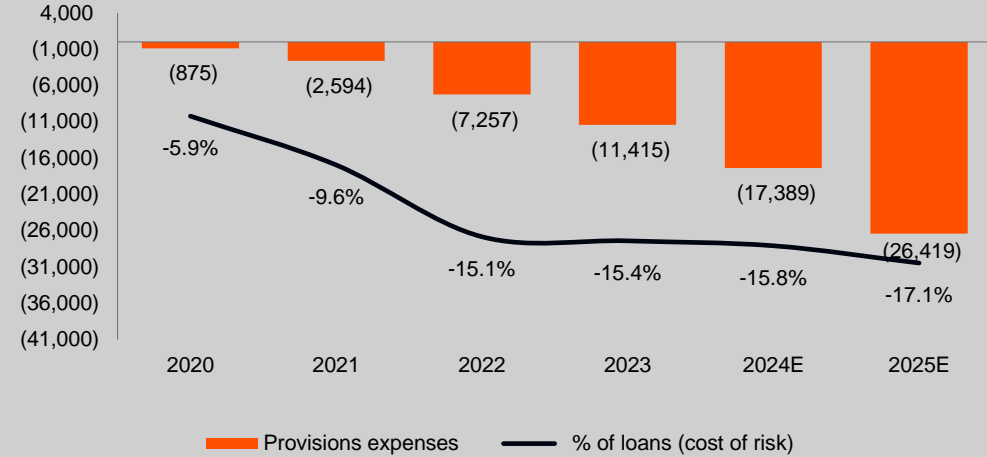


# Nubank – Credit Quality Indicators

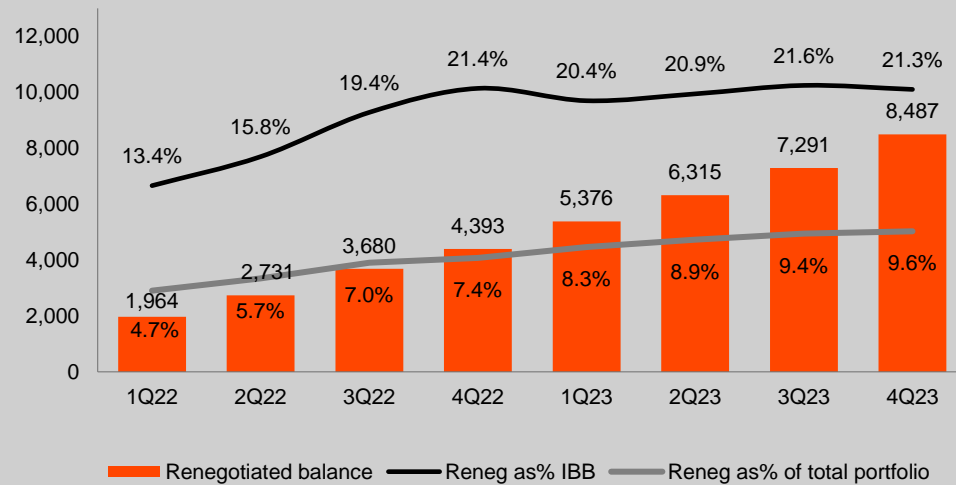
## NPL (90 day) Indicators



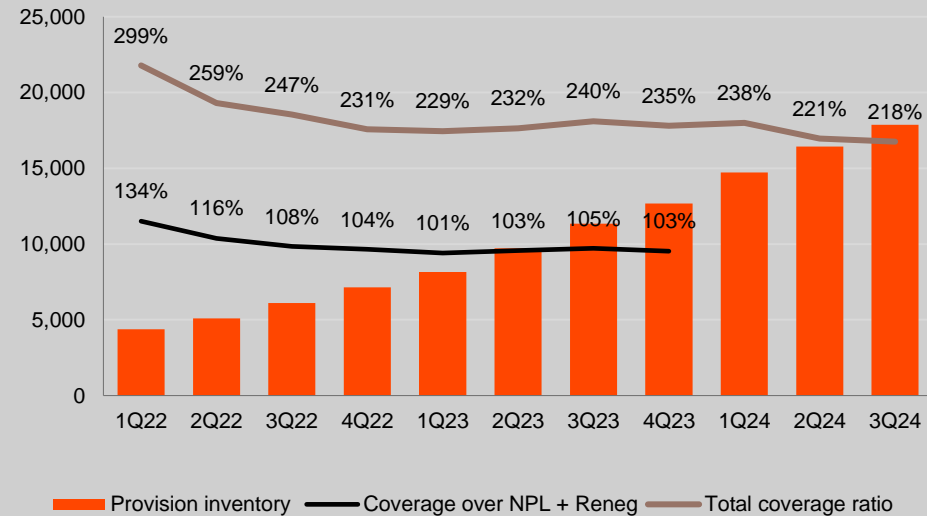
## Provision Expenses in BRL mn and as % of Loan Book



## Renegotiated Loan Book in BRL mn and as % of Total



## Coverage Ratio of 90-day NPL and Including Renegotiated Portfolio

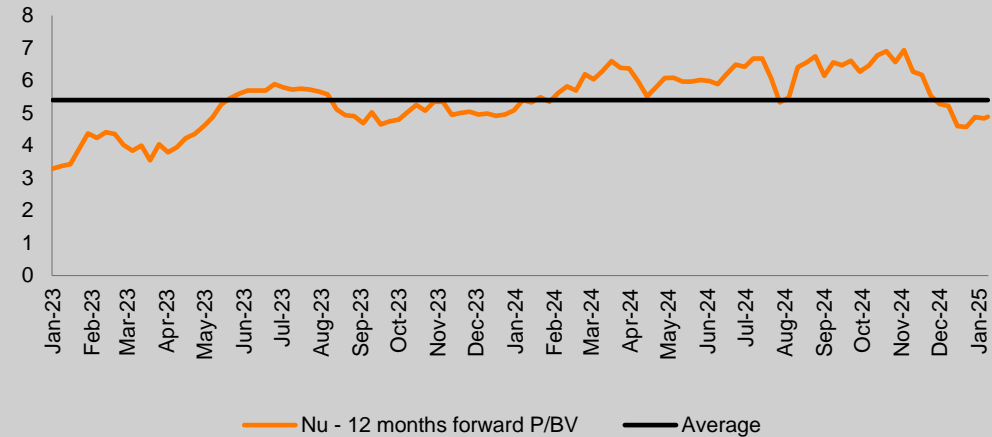


# Nubank – Earnings Revisions and Valuations

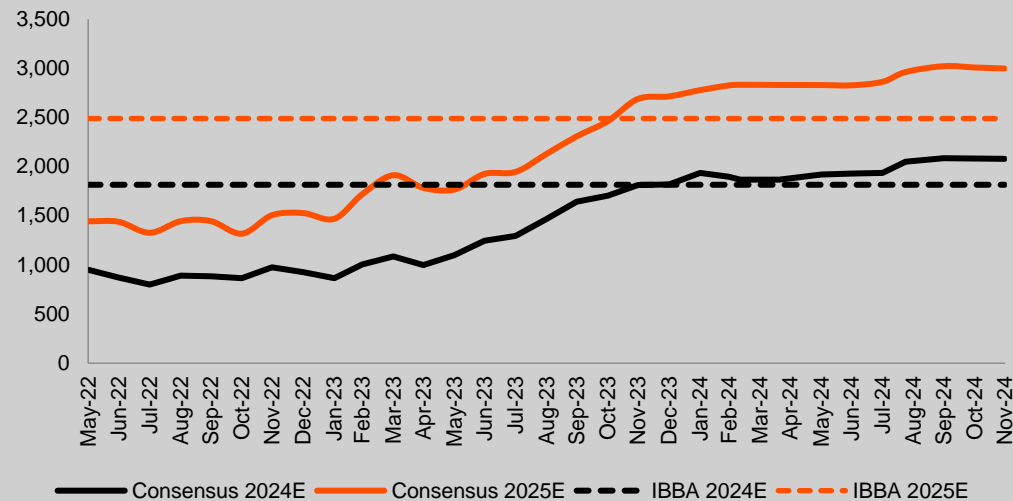
## Comments on valuation

- P/E at 21x '25 leaves plenty of room for a correction if the pix financing/macro headwinds drive a slowdown of Brazil operations
  - The bank's valuation has yet to reflect the new Ke, macro environment and the likely business slowdown
- The stock is trading at a rich 21x P/E '25 and 5x P/BV for its ~40% EPS CAGR ('24-'26E)

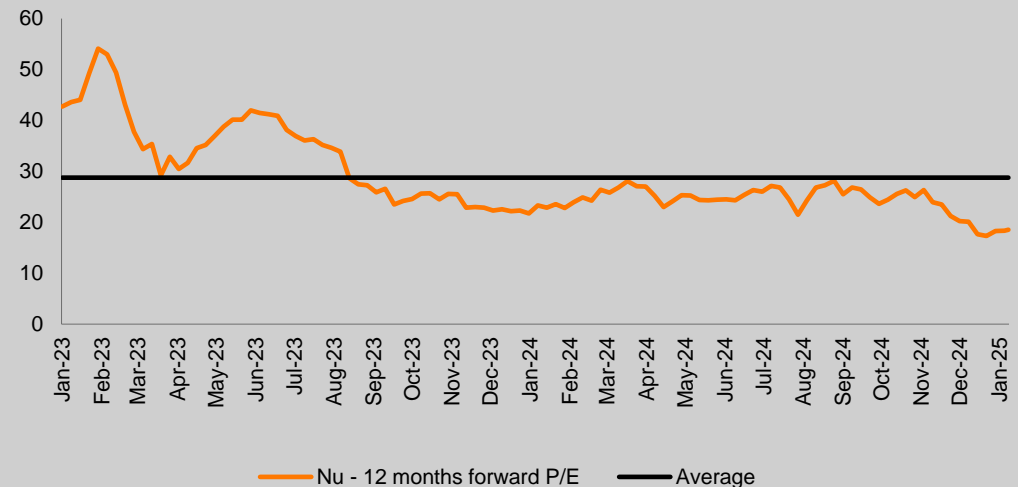
## Nubank P/B 12m Fwd



## Consensus Earnings Revisions (USD mn)



## Nubank P/E 12m Fwd



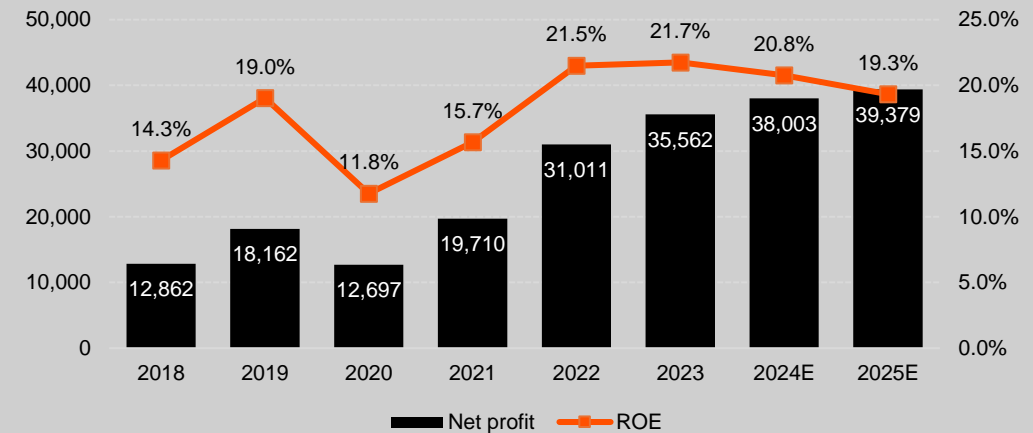
## 2. Banco do Brasil

# Banco do Brasil (MP) – Investment Views and Financial Summary

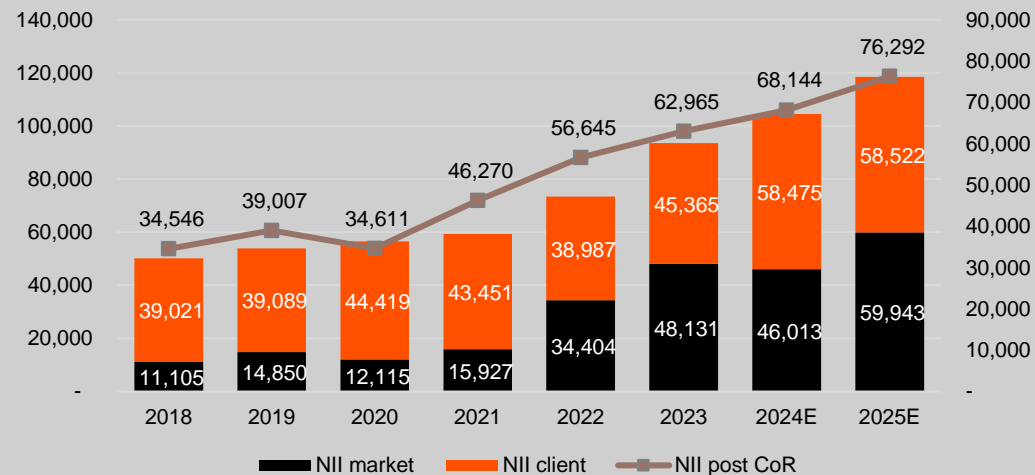
## BB – Market Perform (YE25 Target Price of BRL 30)

- Earnings growth likely to be soft (~5% YoY)
  - Net interest income (NII) growth supported mainly by Market results; Client NII to slow
  - Cost of risk likely to remain high on renegotiation increase in all segments
  - SG&A pressures on inflation and IT-related investments
- Market perform; low valuation with weak momentum
  - 3.5x P/E '25 and 0.7x P/B '25E, 13% div. yield

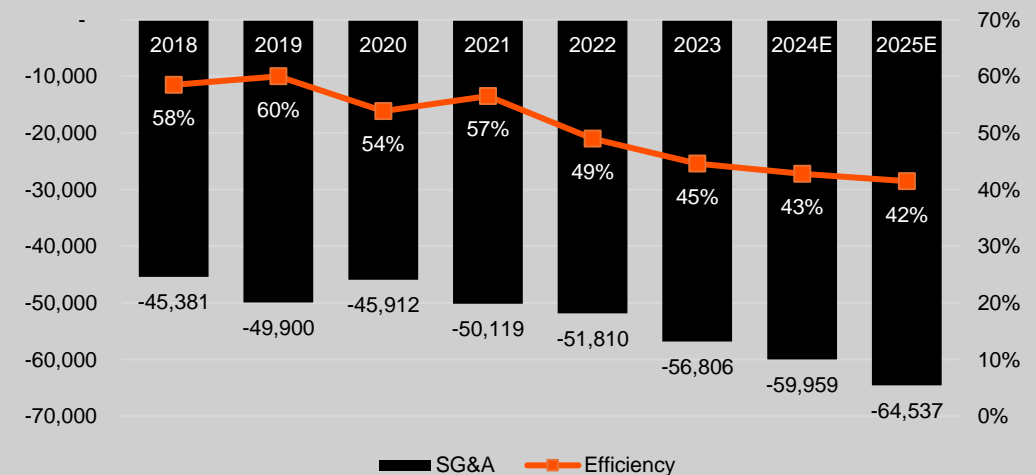
## Net Profit (BRL mn) and ROE (%)



## NII Post Cost of Risk (in BRL mn)



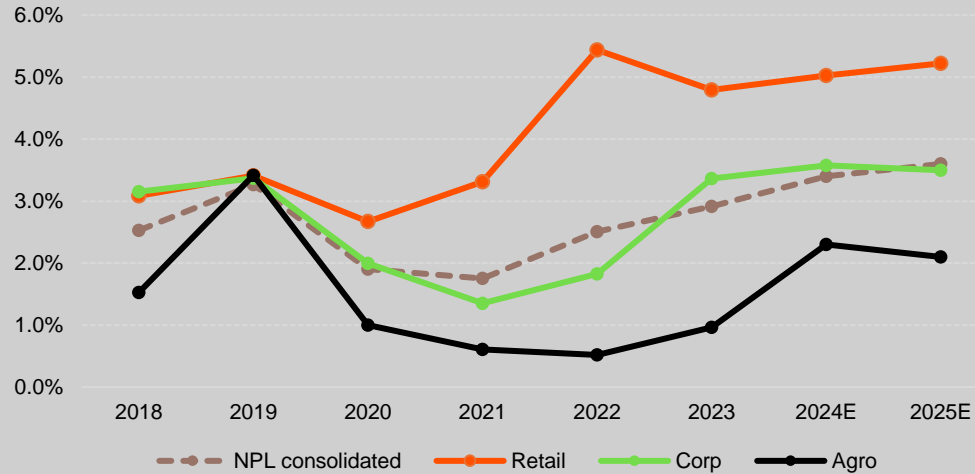
## SG&A and Efficiency (SG&A as % of Revenues)



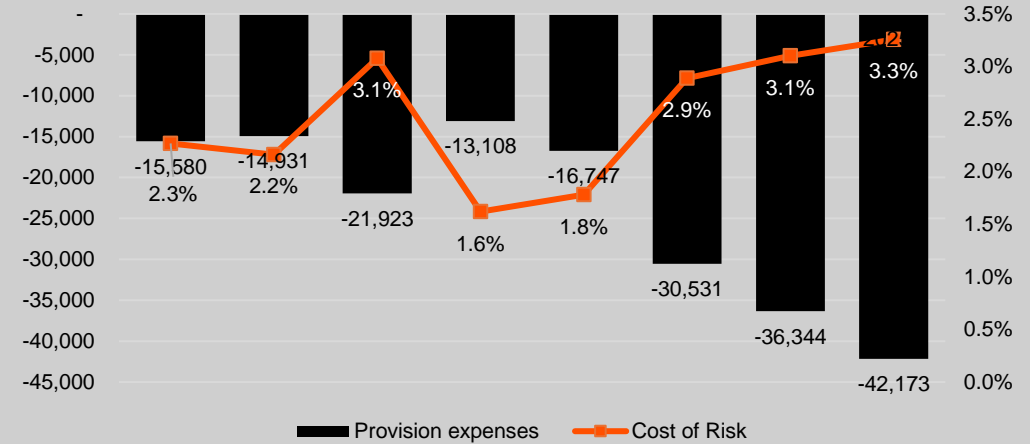


# Banco do Brasil – Credit Quality Indicators

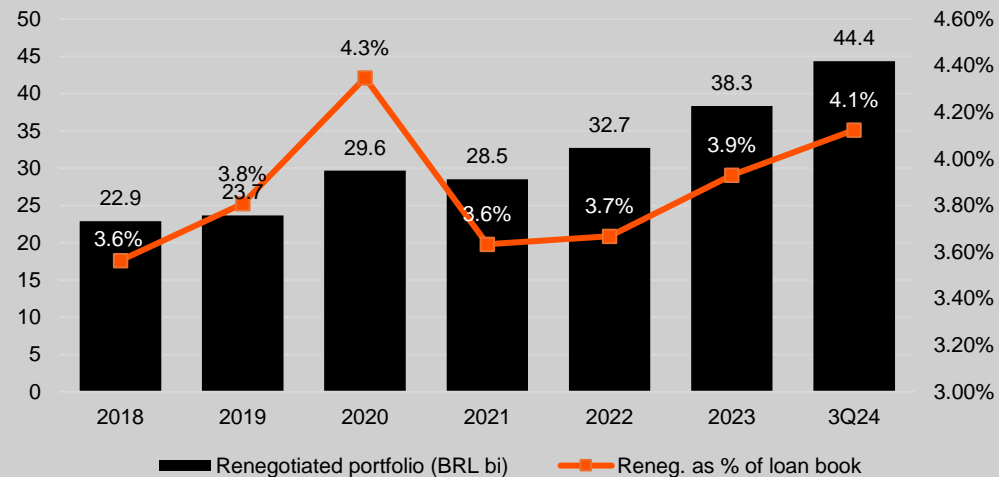
## Banco do Brasil NPL (90 day) Indicators



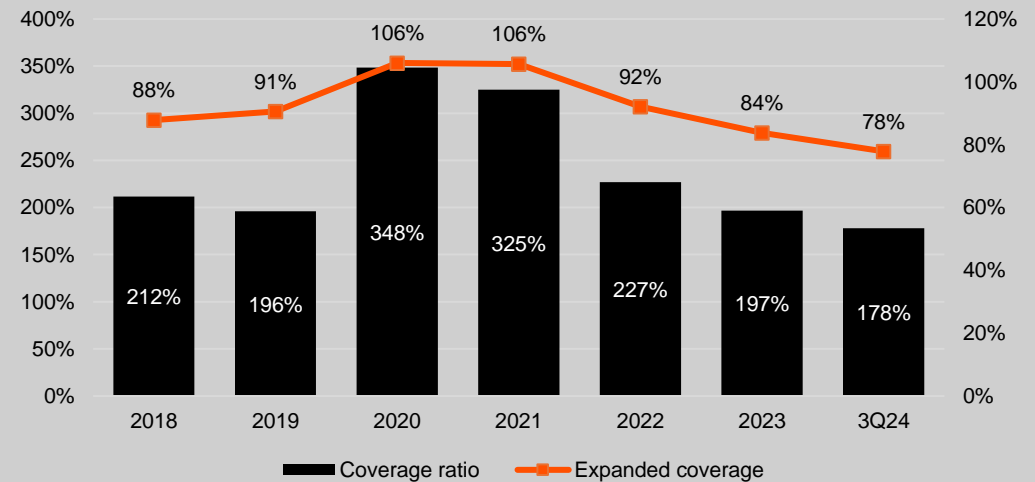
## Provision Expenses in BRL mn and as % of Loan Book



## Renegotiated Loan Book in BRL bn and as % of Total



## Coverage Ratio of 90-day NPL and Including Renegotiated Portfolio

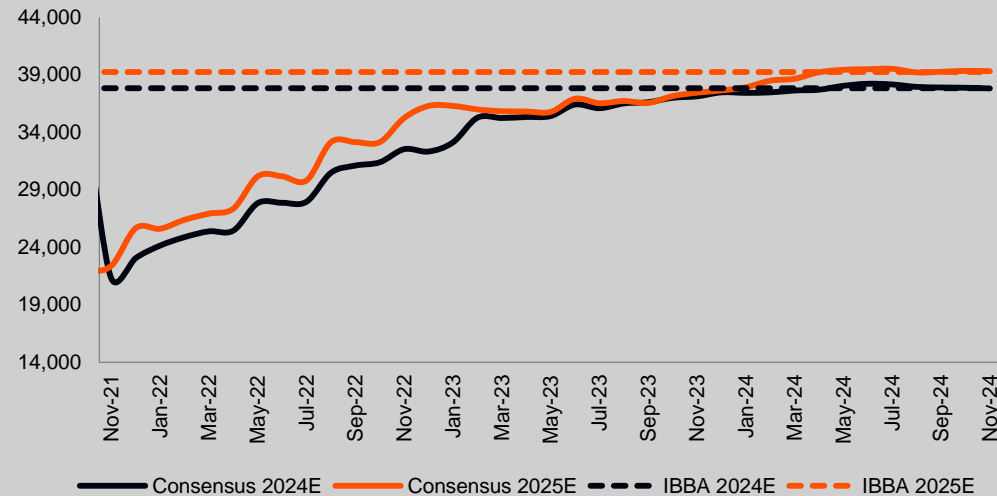


# BB – Earnings Revisions and Valuations

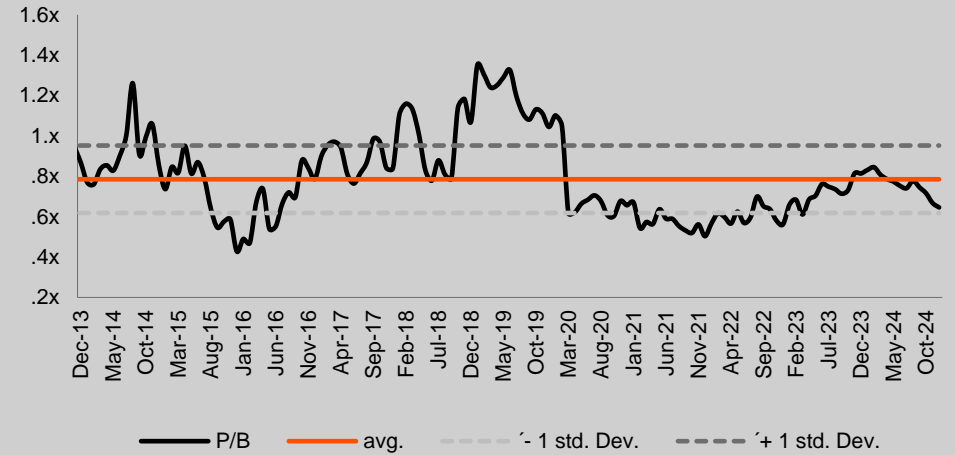
## Comments on Valuation

- **P/B below 1x** for 19% ROE reflects medium-term uncertainty for earnings and increasing risk premium; target price implies 0.85x P/B '25E
  - Discount to other banks has reduced over the years as BB's ROE has sustained a higher ROE level. Bradesco is at 0.8x P/B and Santander at 0.9x.
  - Higher dividend payout could help the multiple, but is unlikely.
- **P/E of 3.5x** and 13% div. yield reflects higher investor return ask

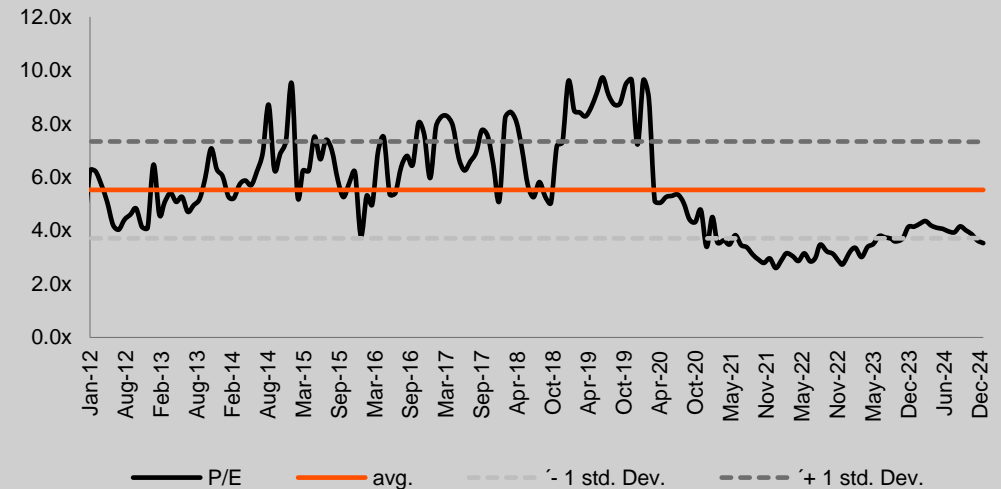
## Consensus earnings revisions (BRL in mn)



## BB P/B 12m fwd



## BB P/E 12m fwd



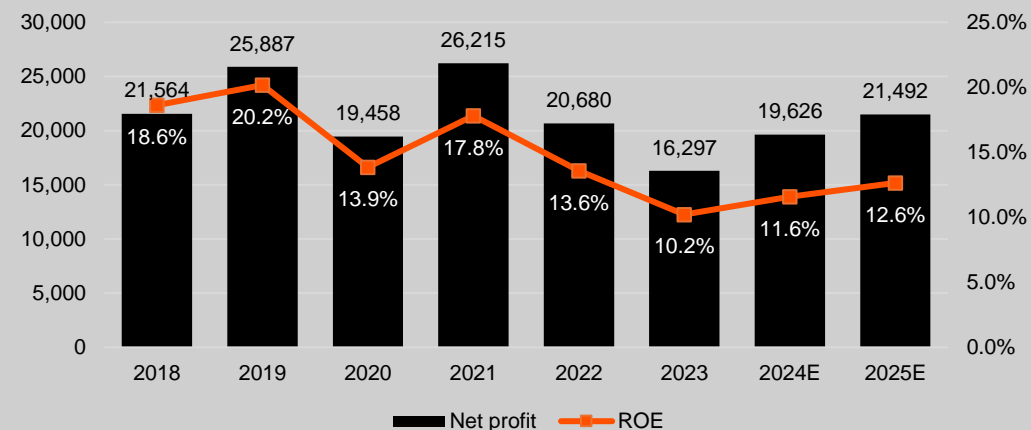
## 3. Bradesco

# Bradesco (MP) – Investment Views and Financial Summary

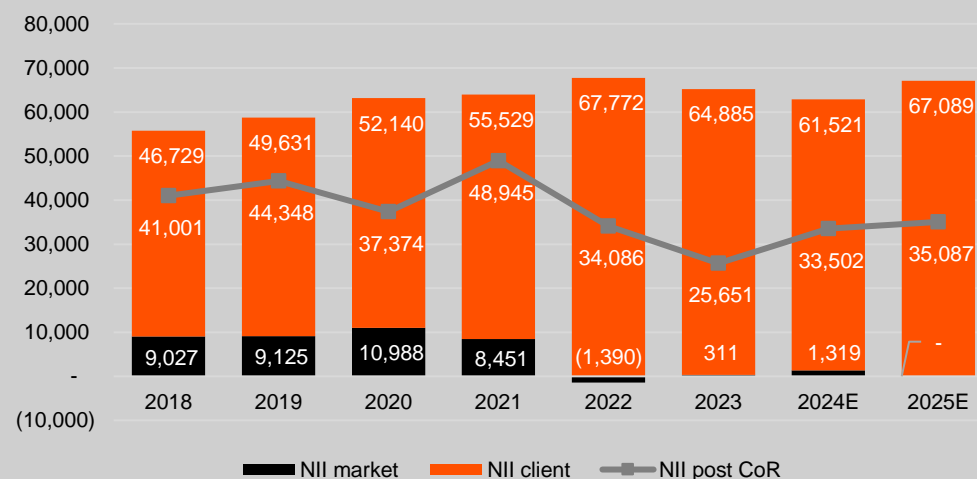
## Bradesco – Market Perform (YE25 Target Price of BRL 14)

- ROE likely to remain low for longer
  - Net interest income (NII) to grow only by high-single digits as bank de-risks client portion and Market NII suffers from a higher yield curve
  - Cost of risk is no longer a tailwind, while SG&A pressures on inflation and transformation investments
- Market perform; low valuation with weak momentum
  - 5x P/E '25 and 0.7x P/B '25E, 10% div. yield

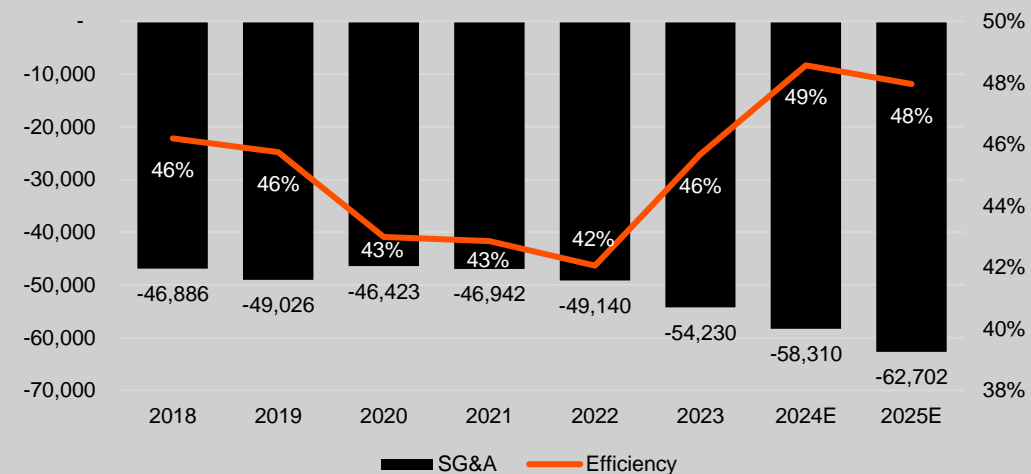
## Net Profit (BRL mn) and ROE (%)



## NII Post Cost of Risk (in BRL mn)

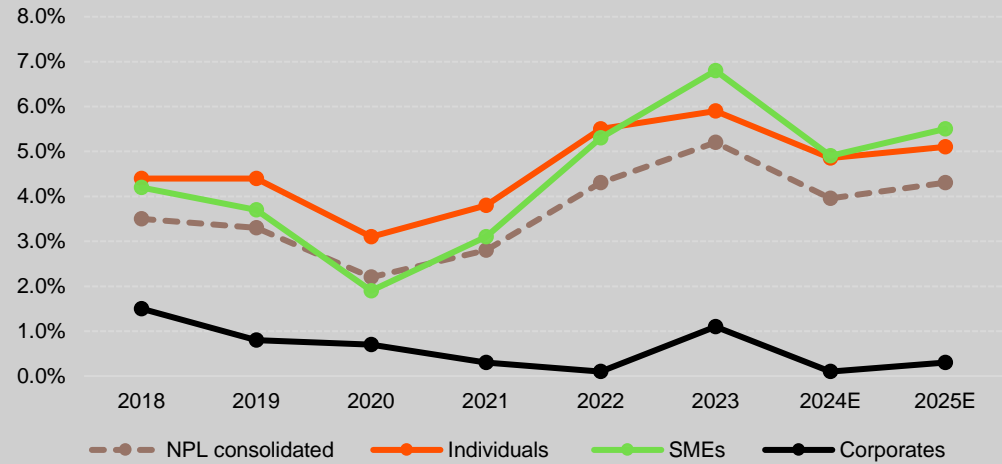


## SG&A and Efficiency (All SG&A as % of Revenues)

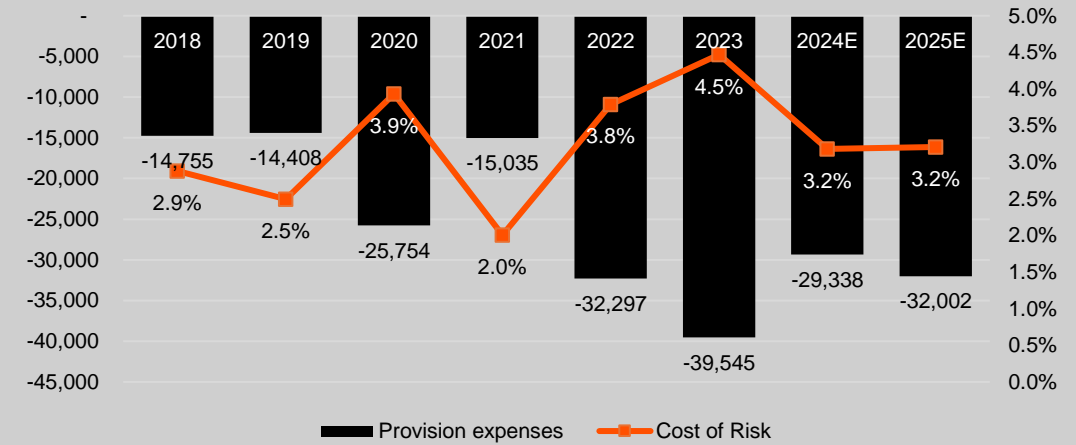


# Bradesco – Credit Quality Indicators

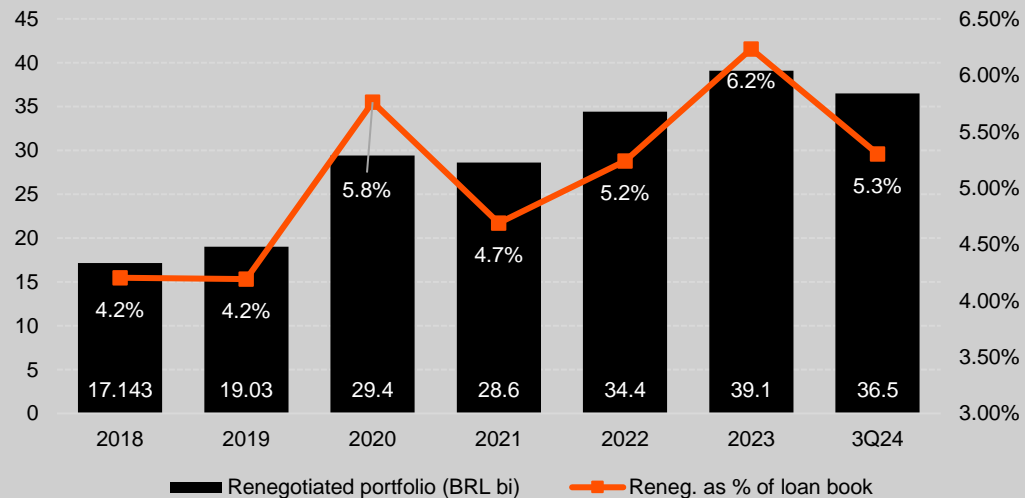
## Bradesco NPL (90 day) Indicators (%)



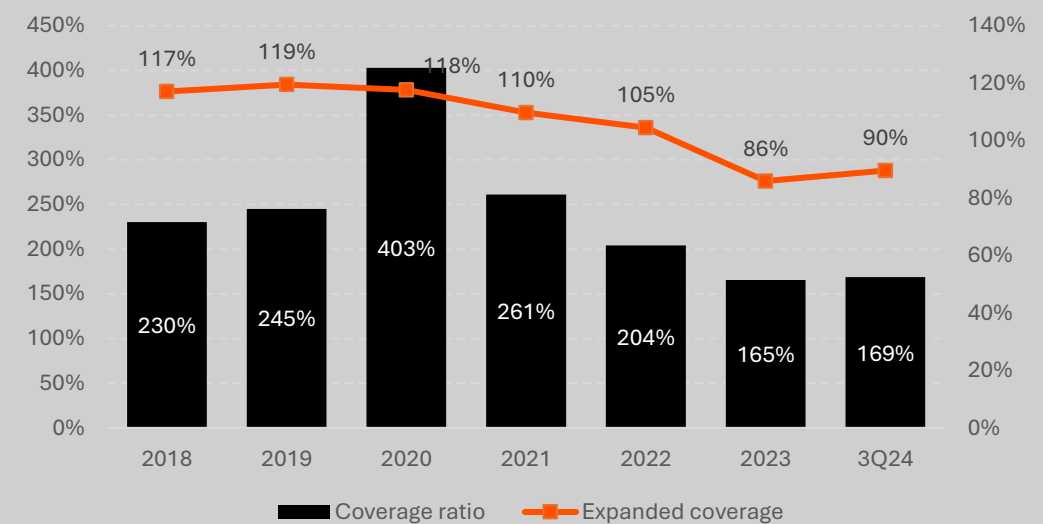
## Provision Expenses in BRL mn and as % of Loan Book



## Renegotiated Loan Book in BRL bn and as % of Total



## Coverage Ratio of 90-Day NPL and Including Renegotiated Portfolio

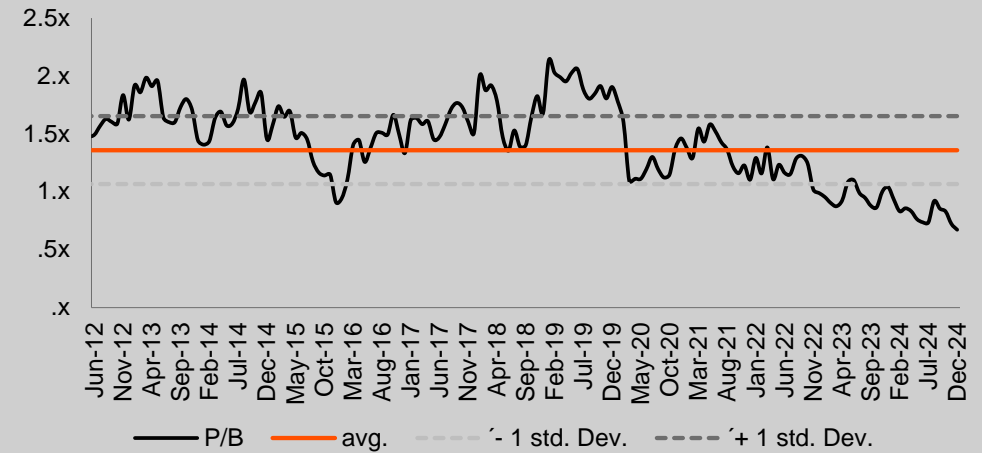


# Bradesco – Earnings Revisions and Valuations

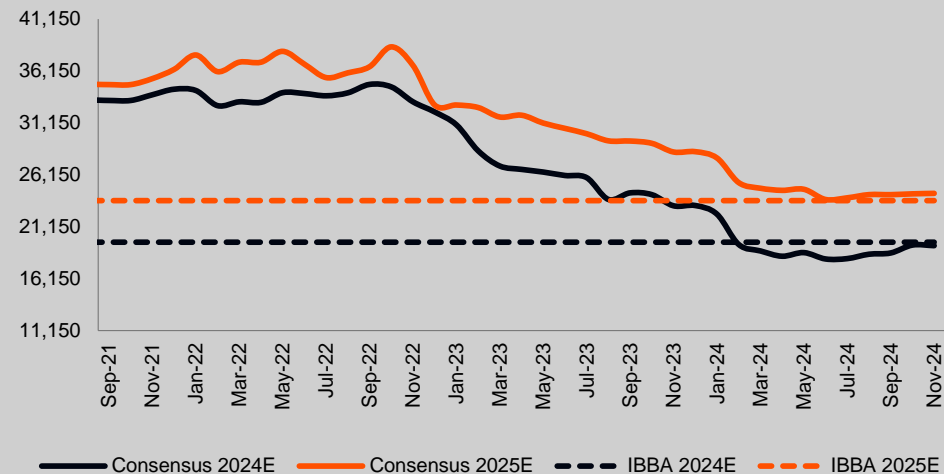
## Comments on Valuation

- **P/B below 1x** for 13% ROE reflects medium-term uncertainty for earnings and increasing risk premium; our target price implies 0.9x P/B '25E
  - Discount to other banks widened in recent years, together with the ROE underperformance
  - Execution seen as most challenging
- **P/E of 5x** and 10% div. yield reflects higher investor return ask

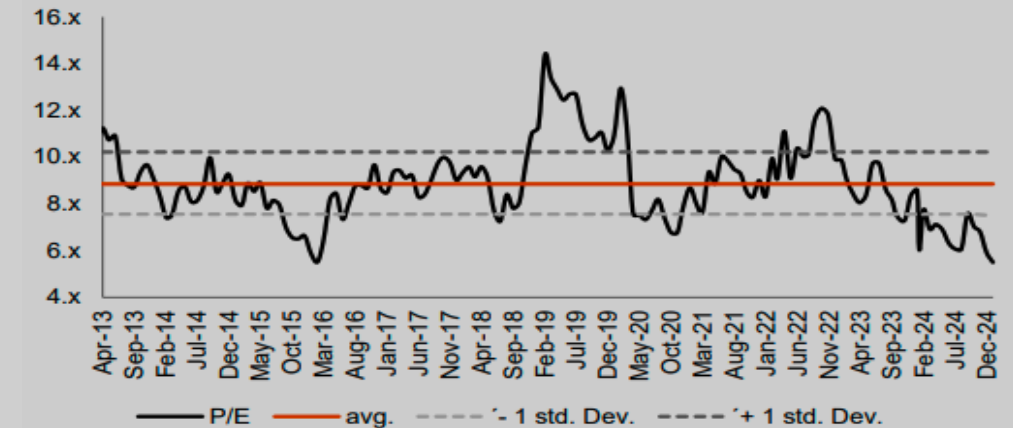
## Bradesco P/B 12m Fwd



## Consensus Earnings Revisions (BRL in mn)



## Bradesco P/E 12m Fwd



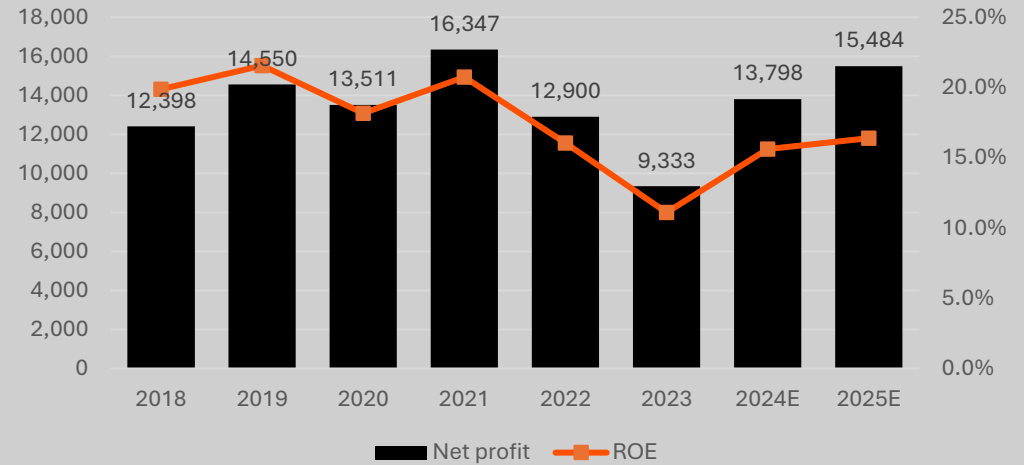
## 4. Santander Brasil

# Santander Brasil (OP) – Investment Views and Financial Summary

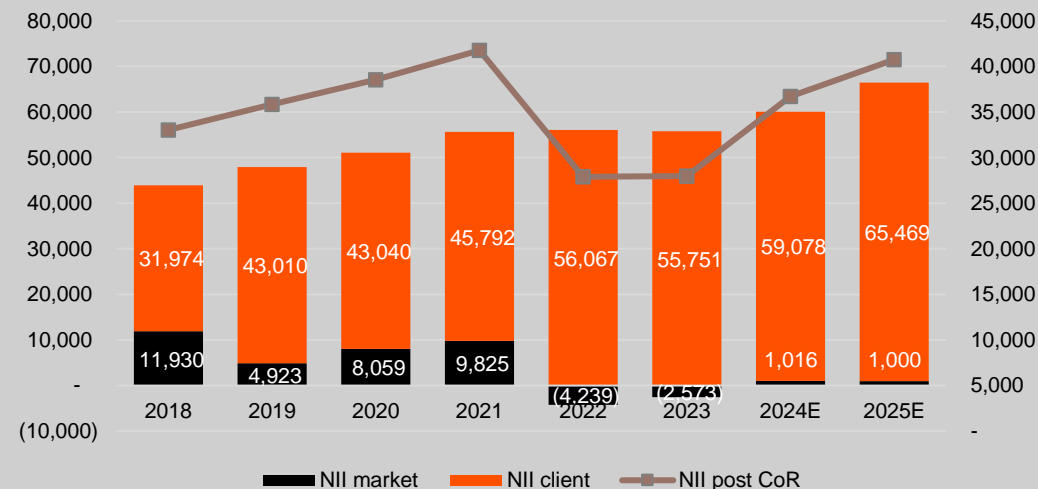
## Santander Brasil – Market Perform (YE25 Target Price of BRL 32)

- **ROE recovery is already under way; 16% in 2025E**
  - Bank enters 2025 more streamlined in segments and structure, better provisioned with less credit risk
  - Growth in NII preferred over loan book; net interest income (NII) depends on client NII as treasury weighs against
- **Outperform; low valuation with improving momentum**
  - 6x P/E '25 and 0.9x P/B '25E, 9% div. yield
  - Best risk x reward and quality in large banks we cover

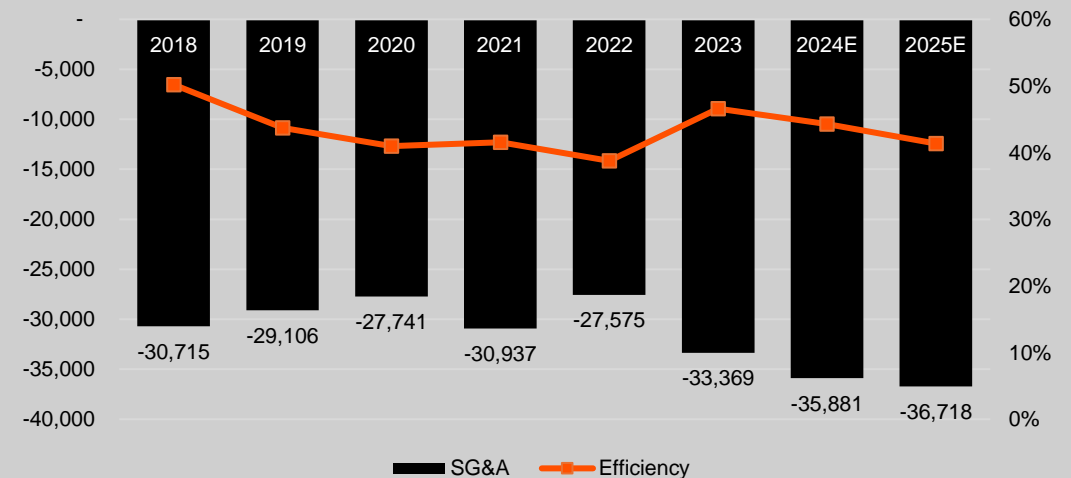
## Net Profit (BRL mn) and ROE (%)



## NII Post Cost of Risk (in BRL mn)



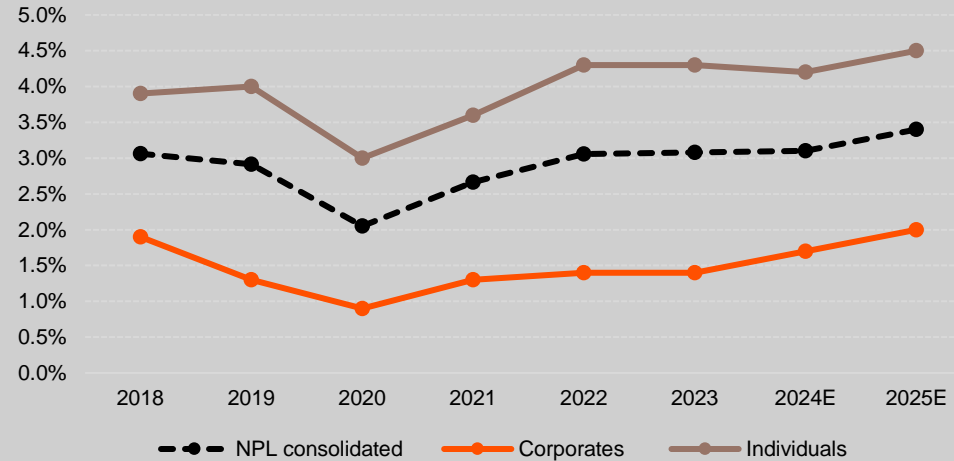
## SG&A and Efficiency (All SG&A as % of Revenues)



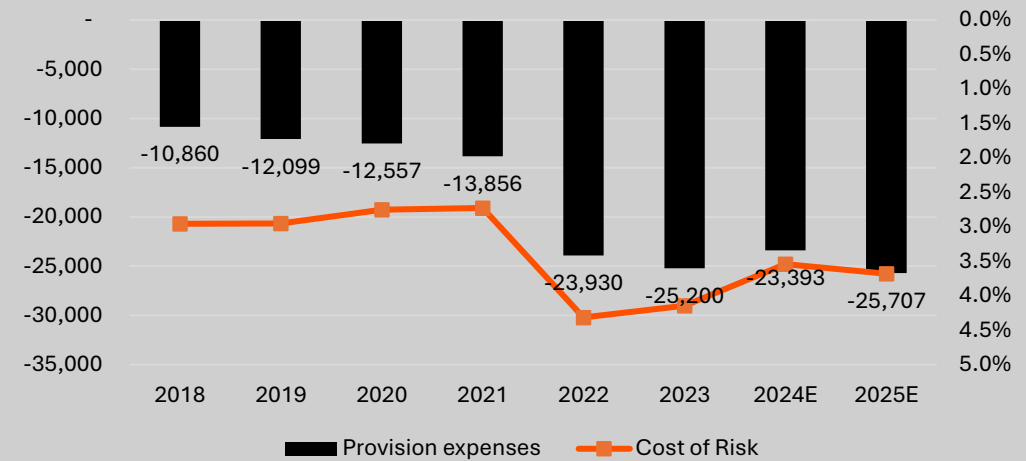


# Santander Brasil – Credit Quality Indicators

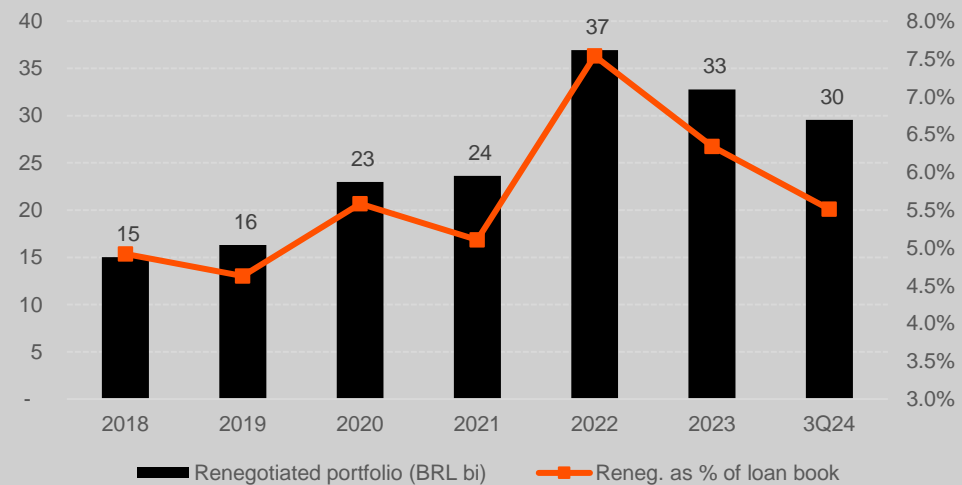
## Santander NPL (90 day) Indicators



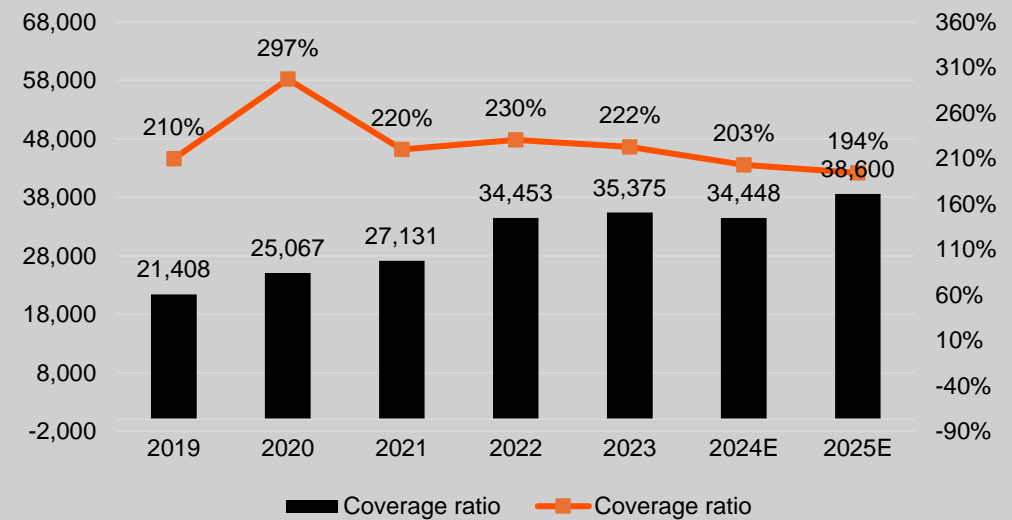
## Provision Expenses in BRL mn and as % of Loan Book



## Renegotiated Loan Book in BRL bn and as % of total



## Coverage Ratio of 90-Day NPL and Provision Inventory in BRL mn

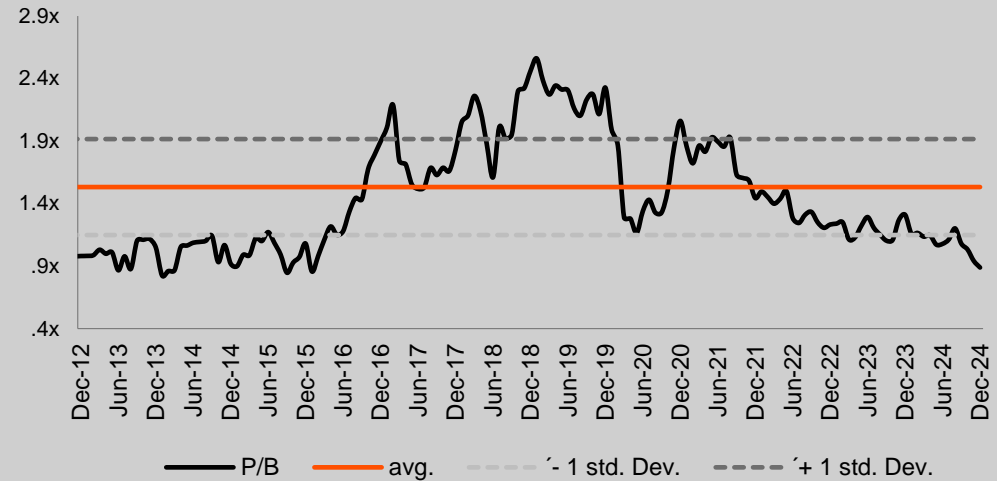


# Santander Brasil - Earnings Revisions and Valuations

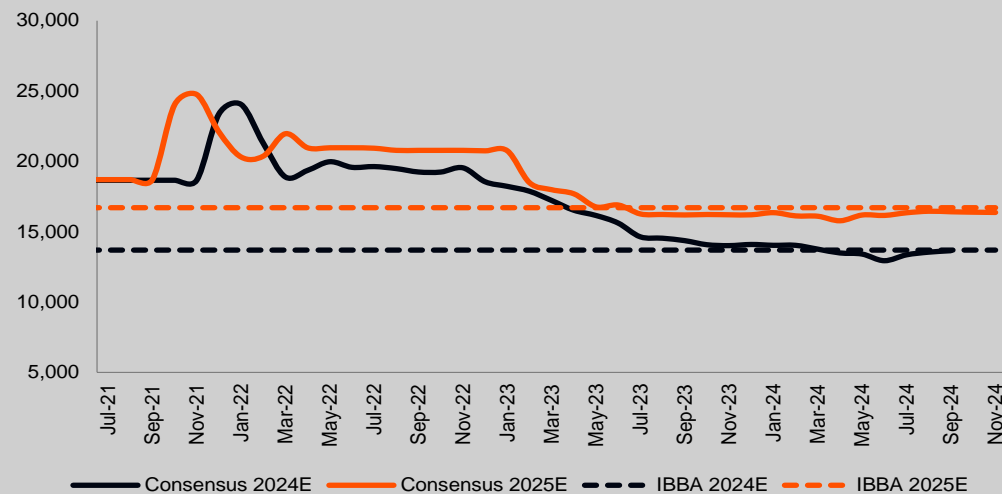
## Comments on Valuation

- **P/B below 1x** for a 16% ROE reflects medium-term uncertainty for earnings and increasing risk premium; our target price implies 1.2x P/B '25E.
  - Discount to other banks widened in recent years, together with the ROE underperformance.
  - Macro headwinds seen as most challenging
- **P/E of 6x** and 9% div. yield reflects higher investor return ask

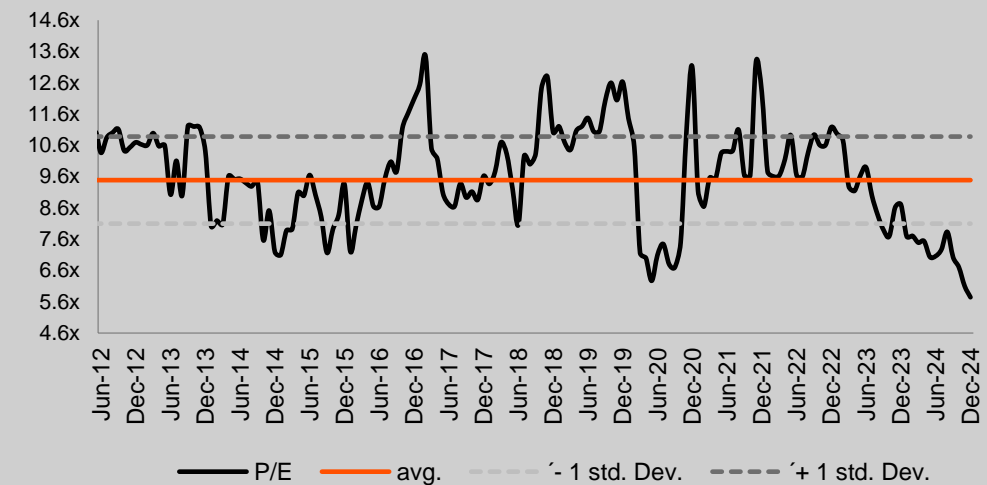
## Santander P/B 12m Fwd



## Consensus Earnings Revisions (BRL in mn)



## Santander P/E 12m Fwd



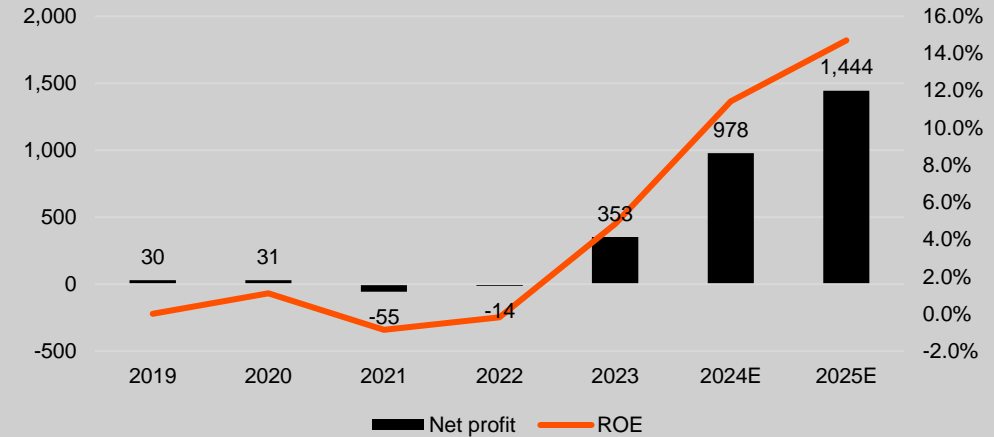
## 5. Inter & Co

# Inter (OP) – Investment Views and Financial Summary

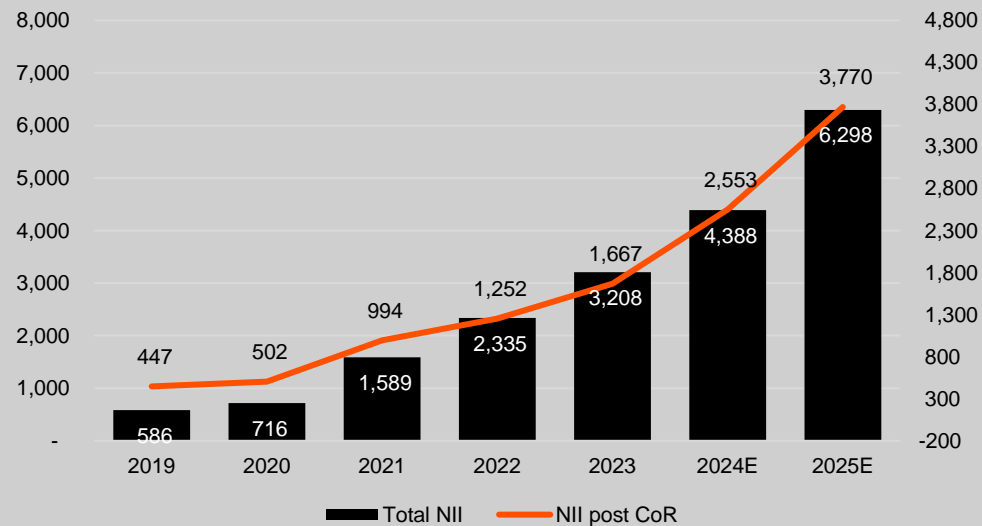
## Inter – Outperform (YE25 Target Price of USD 7)

- **ROE should continue to improve on micro efforts**
  - Higher-NIM post CoR (+100 bps) driving ROEs to the mid-to-high teens during 2025, despite macro headwinds, via product and ALM success
  - Fast 50% YoY earnings growth also in 2025 with quality and a balanced credit portfolio exposure
- **Outperform; low valuation with positive earnings momentum**
  - 8x P/E '25 and 1.1x P/B '25E

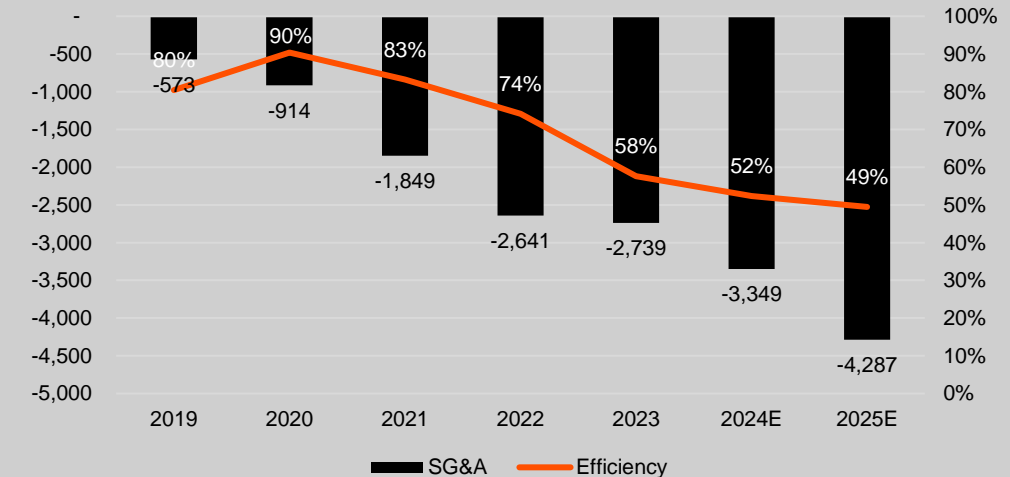
## Net Profit (BRL mn) and ROE (%)



## NII Post Cost of Risk (in BRL mn)

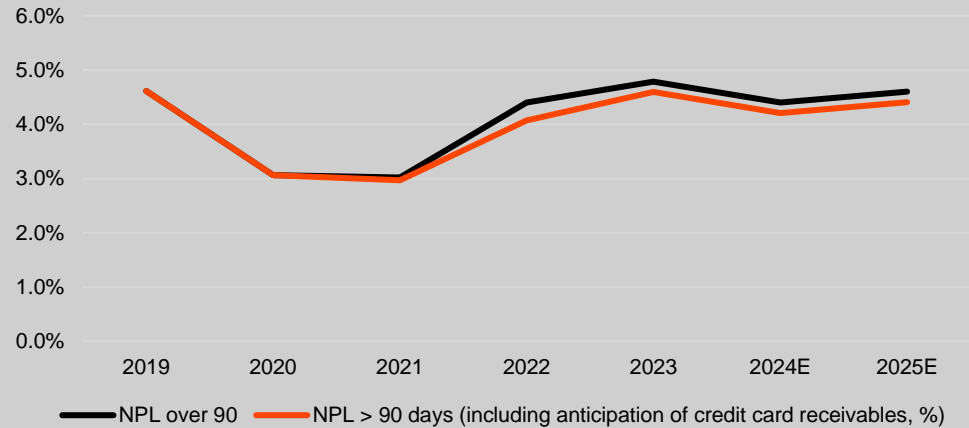


## SG&A and Efficiency (BRL mn; SG&A as % of Revenues)

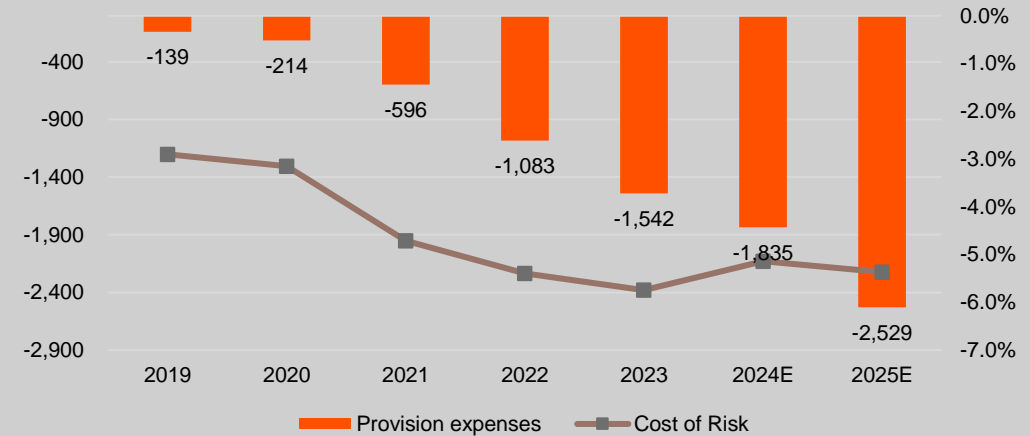


# Inter – Credit Quality Indicators

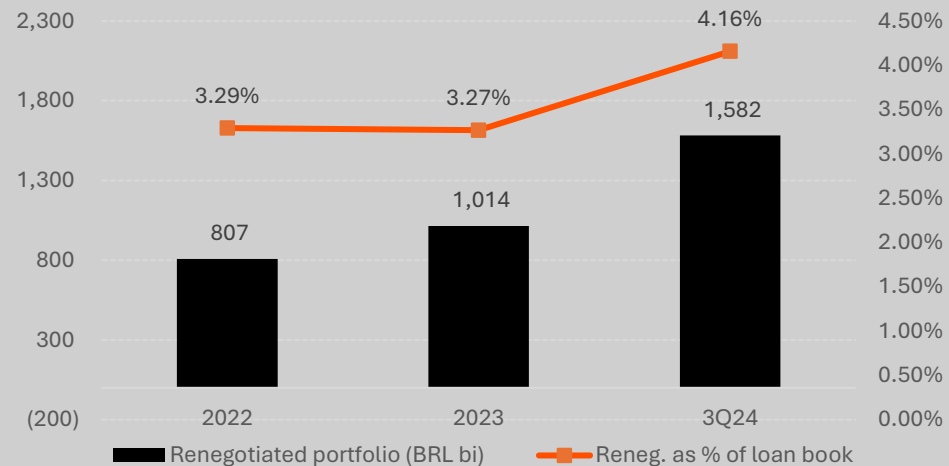
## Inter NPL (90 day) Indicators



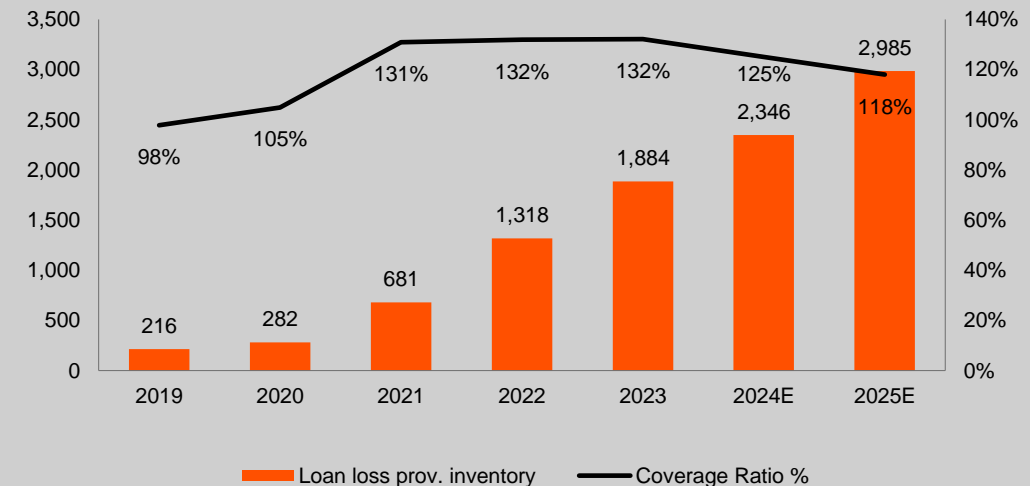
## Provision Expenses in BRL mn and as % of Loan Book



## Renegotiated Loan Book (in BRL mn and as % of Total)



## Coverage Ratio of 90-day NPL and Provision Inventory in BRL mn

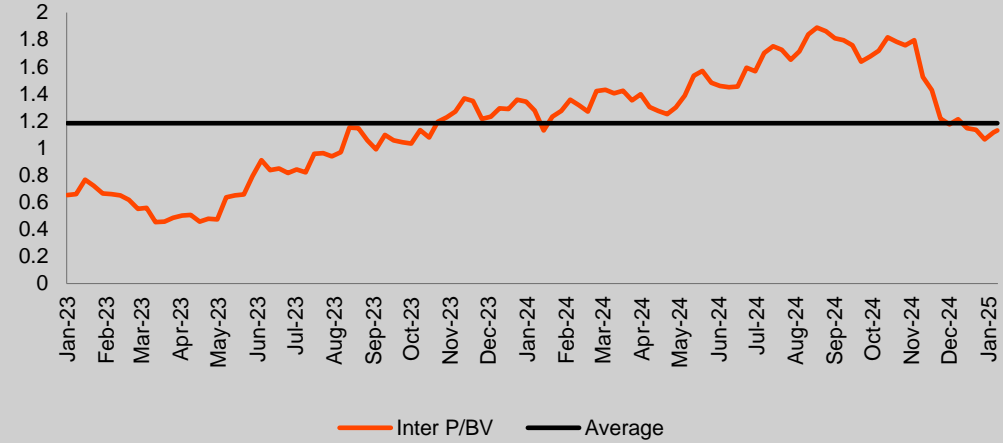


# Inter – Earnings Revisions and Valuations

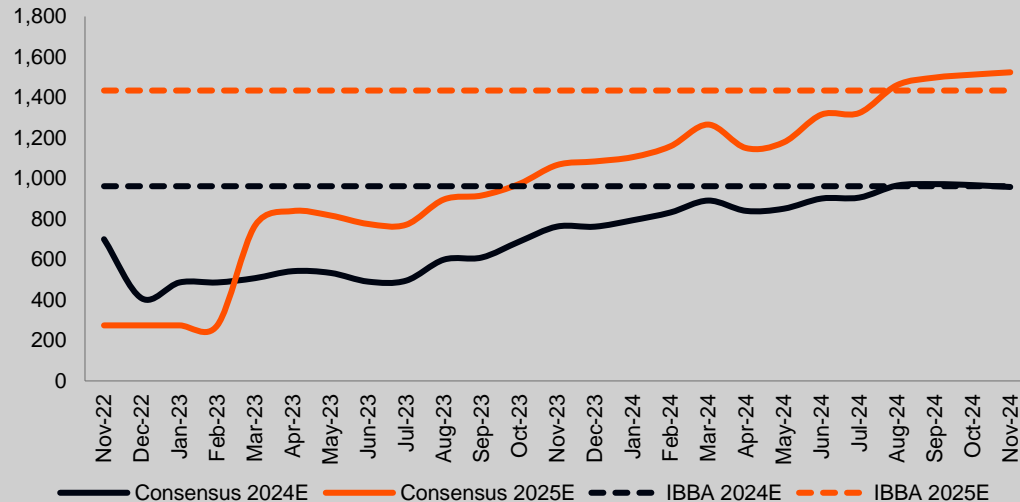
## Comments on valuation

- P/E at 8x '25 reflects mostly higher risk premiums, not necessarily micro headwinds, in our view.
  - The bank trades at a hefty ~60% discount to Nubank, despite higher earnings growth in the following years
- The stock is trading at attractive 1.1x P/B '25 and 8x P/E for its ~40% EPS CAGR ('24-'26E)

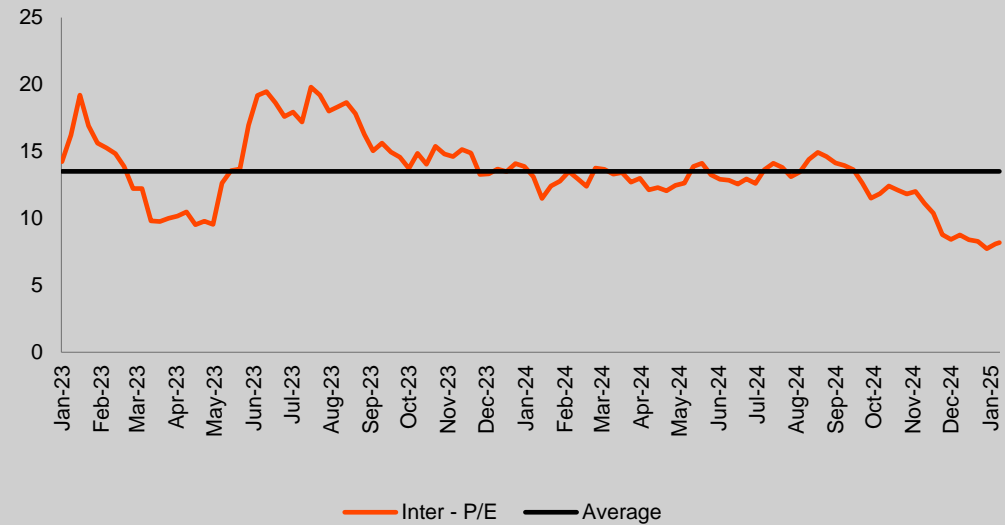
## Inter P/BV 12m Fwd



## Consensus Earnings Revisions (BRL in mn)



## Inter P/E 12m Fwd



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Analysts	Disclosure Items				CNPI
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