



## Banking on Growth in Latin America

The banking industry in Latin America—Brazil in particular—has much higher returns than in many developed markets. That provides both opportunity and risks, says Christopher Vost, a T. Rowe Price investment professional who covers that sector in the region.

Chris, who grew up in Spain and is based in London, makes several research trips a year to Latin America with T. Rowe Price colleagues to stay abreast of economic and political developments as well as bank balance sheets. He regularly visits with executives from incumbent private and state-owned banks, industry leaders, central bankers, and new entrants.

“I also like to meet with other corporates—industrial, retail, and consumer companies—to get their views on the health of the economy and consumption trends,” he adds. “That gives me insight into what’s happening on the ground and how consumers are feeling, which helps in assessing banks’ asset quality and growth potential.”

### Going Beyond the Numbers Reveals the Full Story

At T. Rowe Price, our investment approach is to go beyond the numbers when evaluating what companies may offer the best future potential. By getting out into the field we gain insights and a deeper understanding of where a company or industry stands and where it could go in the future.



*Talking with*  
**Christopher Vost**  
Investment Professional, Banking  
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Chris notes that “one of the challenges in our efforts is that the political and economic backdrop in these countries can be very volatile, particularly in Brazil, where the economy is recovering from a steep recession. Competition is also heating up in this market from new financial technology (fintech) challengers, and the pace of innovation is fast, so getting a firsthand look at these developments is very important.”

For example, on a recent trip, he met with the chief executive officer of Itau, Brazil’s largest private bank. He also met with the head of the bank’s merchant acquiring business for more in-depth perspective at the operation level.

“I got important, detailed insights on potential disruption from new entrants,” Chris says. “I also gained a better understanding of which of their divisions are most at risk and how the bank can protect profitability through a combination of anticipating competitors’ moves, improving customer service, optimizing pricing, and reducing costs.”

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While many banks have not fully recovered profitability from the global financial crisis a decade ago, Chris says Brazilian banks “have been very resilient with great returns.”

### **Getting Ahead of Change**

That strong profitability can also pose a risk because it has attracted many fintech

entrants. “The pace of innovation in Brazil is really impressive, so we also meet with these companies that could eventually disrupt the banks,” Chris says. “We need to assess whether these banks will be as profitable three to five years out.”

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