



**International Conference Call
Banco Pan (BPAN04)
3Q22 Earnings Results
November 3rd, 2022**

Operator: Good day, ladies, and gentlemen and welcome to Banco Pan's conference call to discuss the **third quarter of 2022 results**.

This event is also being broadcasted simultaneously on the internet, both audio and slideshow, which can be accessed on the companies' IR website: www.bancopan.com.br/ir and webcast platform, with the respective presentation.

We would like to inform you that all participants will be in listen-only mode during the company's presentation. After the company's remarks are completed, there will be a question-and-answer session. At that time further instructions will be given. Should any participant need assistance during this call, please press *0 to reach the operator.

Forward-looking statements are subject to known and unknown risks and uncertainties that could cause the company's actual results to differ from those in the forward-looking statements. Such statements speak only as of the date they are made, and the Company is under no obligation to update them in light of future developments.

With us here today we have **Mr. Carlos Eduardo Guimarães, Banco Pan's CEO**, and **Mr. Inácio Caminha, Head of Investor Relations and Funding**.

Now, I will turn the conference over to **Mr. Inácio Caminha**, who will begin the presentation.

Cadu, you may begin your conference.

Inácio Caminha: Good morning, thank you all for joining our earnings call for the 3Q.

Beginning on the slide 2, we have the main highlights here, the main messages that we always want to state, first of all results. Regarding net income, total portfolio and delinquency remained stable in this quarter even considering the challenging scenario that we have been dealing with, our credit strategy also has been successful since 3Q21 when we started to anticipate the credit cycle that we are living that when we first saw some deterioration on the horizon and kept a conservative origination, and also diversification is something key in our strategy, so we have been diversifying not only products channels, but also risk, and in this



quarter we also deepened Mosaico's and Mobiauto's integration strengthening our platform and thus improving our business model and multiplying our revenue lines.

On slide 3, we have the main figures. So, we reached 22.2 million clients, the credit portfolio stood at R\$236.2 billion, transactions volume total 22.1 billion, the adjusted net income was R\$193 million with an adjusted ROE of 11.7%, so very robust figures. And when you look at the outlook for 23, on slide 4, we have some views here that we would like to share. So, regarding portfolio, we do envision a stronger portfolio growth given an improvement on macroeconomic conditions that we expect to happen, optimizing this way capital and leverage. As for delinquency, we also expect some improvements as a consequence of the scenario that should improve for next year, also in addition to our risk management approach that we have been doing since 3Q21.

As for margins, this movement in delinquency – margins after provisions, right –, this movement in delinquency also supported by an increase on new collateralized products with higher margins, and also the repricing of our products in the new vintages also will promote an improvement in these in these margins. As for efficiency, we do see a space to improve given that expenses should run under control and getting more revenues out of the engagements with the existing and new clients, and diversification will keep key on our strategy, and this will be reflected mainly through higher engagement with the clients bringing more recurrence in the clients and also clients referring to new clients strengthening revenue lines and integrating all the channels that we have.

So, going for the update on the banking units, we have scaled up to 22.2 million clients, as I mentioned, in total in the bank, increasing 47%. When you look at the specific banking clients, on slide 7, they reached 17 million in this 3Q with a stable CAC of R\$34, so we have been able to increase the client base with a very adjusted and very efficient acquisition cost.

Some engagement metrics that we have on slide 8 also show the improvements that we've made, active clients reached 52% and cross-sell index 2.5%, we do believe that these 2 figures will have more space to improve next year with all the products and services that we have been adding to our platform. When we look at Pix keys, we already have 7 million accounts with these registers, and transaction volume totaled R\$22.1 billion in this quarter.

Another way to look at engagement is through insurance, so on slide 9 we see that the banking clients now represents 870,000 insurance policies within the 2 million of total clients that we have with insurance in the bank, this increase was mainly driven by the FGTS insurance there was made available in our app by the end of



2Q and on 3Q the impacts happening the full 3 months, so we do expect this to keep running and increasing overtime.

And not only these services have been added, but when you look at slide 10 we have been increasing also the number of collateralized products that helps engagement to keep improving in these challenging times, also we do have like the unsecured products, but these haven't been the focus for our operations currently, and we do have 6.4 million clients with credits already in the banking unit, so increasing 40% in 12 months.

Also, another interesting thing that we launched recently was our marketplace inside our app, so now we have the full Buscape experience inside our banking app where the client can source and search for products and do the purchase already backed by credits provided by us, so that *Buy Now Pay Later* is already available to our existing clients, and on 4Q this will be available not only to our current customers, but to anyone that accesses Mosaico's platform.

So, as you can see on slide 12, we also have already integrated the credits experience to Mosaico's clients or Mosaico's users on a monthly basis, so whoever wants to buy a product given to credit approval they will be able to experience that and have our products.

Some Mosaico figures that we see on slide 13 is very interesting the change that we've made not targeting just GMV increase, but mainly driving results through an improve in take rate, so we have been driving up these take rate ratios naturally driving up revenues, and besides that, we have already the credit integrated with the *Buy Now Pay Later*, and another interesting thing that we have been observing with Mosaico's client flows that they bring in customers with higher income, and this allows us to offer more products, more services, and they, in a way, complement the client base that we have pre-existing at Banco Pan.

Talking about margins and credit on slide 15, we do see an improvement in the net interest margin after credit costs in this quarter, reaching 12.6%. For next year and already starting on 4Q we do see space for this to keep improving not only as credit costs improves in time, but also with the addition of new products with more margins as we have seen, for instance, in 3Q the new payroll credit card and we have new products coming on 4Q on.

Delinquency rates on slide 16, we do see them flattish on this quarter, the portfolio makes also helps, so having 12% unsecured credit but 88% secured is something that is really important for us to manage risk during these more challenging times, the over 90 days NPL reached 6.8, relatively stable to the last quarters' keeping the statement that we've made in the past saying that we didn't expect any deterioration in these figures, this what we have been observing and for next year



there should be improvement, and also on 15 to 90 days also keeping a steady level at 8.4%.

Talking a little bit about general financial highlights on slide 18, we do see net interest margin at 17.9%, totaling almost R\$2 billion in the quarter, net provision expenses totaled 488 million, 5.4% related to the portfolio, and this also very in line with the movement that we have seen on delinquency ratios and should improve next year given the macro scenario conditions. Expenses they have been quite stable, and we do not expect them to keep increasing at a faster pace, is much more about getting more efficiency, operational efficiency as revenues increase at a faster pace. And as for profitability, we delivered R\$193 million adjusted net income in this quarter, very in line with the previous quarters', and 11.7% on adjusted return on equity.

Talking about origination slide 19, we do see a very important change in levels when we added the banking unit back then in the beginning of 2020, in this quarter we had a very strong origination boosted not only by a recovery in FGTS loans, but also vehicle financing expanding, and the payroll all the products helped, but specifically the credit card was the one that's really improved given the new products with the Social Security Program that was launched in September, so we were able to take advantage on that and deliver very sound levels of origination.

The credit portfolio itself on slide 20 remain relatively stable at R\$36.2 billion, 44% comprised by vehicle loans, 43 payroll plus FGTS, and only 12% unsecured credits, whereas credit cards reduced a little bit to R\$3.8 from 3.9 that we have seen last quarter in June, so 88% of the portfolio is collateralized and only 1.1% is renegotiated, indicating the way that we drive this strategy of collection here at the bank with very low levels of renegotiation.

Some details on payroll credit cards loans and FGTS on slide 21, so in the upper right chart we do see the increase in the payroll credit card, the darker blue series from 2.3 to 3.4, this was a product that was relatively stable and changed levels in this quarter, the FGTS loans, as I mentioned, recovered, so in the lower left table we see that FGTS loans went up R\$340 million per month coming from the 230 million that we have seen last quarter, and payroll credit cards reached 1.2 billion in total in this quarter, and the loans were relatively stable given that second quarter was very strong given the margin increase. And when we look at all the (unintelligible – codes] that we operate, the federal ones still remain very relevant at 94% of everything that we originate.

Vehicles financing on slide 22 also evolved, so we have seen Mobiauto contributing to our loans already representing 7% of all the loans originated coming from this platform, and the number of dealerships plugged into Mobiauto's platform



tripled in the last 12 months, so we see a lot of potential to improve engagement not only with the dealerships, but also with the final clients here. Origination levels improved in this quarter to R\$800 million per month and the portfolio closed the quarter at R\$16 billion.

Credit cards on slide 23 we still see a very conservative approach, so we only issued 173,000 new credit cards in this quarter allowing the portfolio to reduce a little bit given the scenario, whereas TPV stood at 5 billion with relatively stable revenues, around R\$80 million in this quarter.

Insurance on slide 24 we see a very interesting evolution, especially from 2Q to 3Q, the addition of FGTS insurance inside the app was very important for us to deliver or to reach these 2 million clients with active insurance, and we do see space to keep improving as we add more products in time.

As for funding on slide 25, we keep evolving the funding base that we have not only diversifying its sources, but also reducing the funding costs as we have been for more than a year now AAA-rated by S&P and Moody's supported naturally by the consolidation in BTG's balance sheet, and we do see very interesting upsides and opportunities with the client profile coming from Mosaico, as I mentioned, they have higher income so they are more keen to leave demand deposits or time deposits and in that way improve our funding base.

Our capital ratio stood at 16.6% in the end of 3Q, still very strong levels also supported by internal capital generation, and this supports our growth strategy, especially for next year and we envision a better economic environment to allow the portfolio to grow faster.

And when we look at the ESG agenda that we have here at the bank, there has been 2 years that we have been working on this front, so as for transparency in governance, we already have 2 annual reports published showing the way that we present ourselves in this agenda and how we have been evolving in time, we have we have had some interesting awards and recognitions, namely the Great Place to Work top five institutions, financial institutions that we're just nominated in September, so we are very proud of this achievement. And when you look impacts and products, we are already considered carbon neutral, we have issued or launched our preventive health program (called Saúde Pan) last year and we also raised money with the Inter-American Development Bank to allow and to foster banking financing to our clients, namely micro entrepreneurs.

So, with that we close the first part and open the line for questions.

Question and Answer Session



Operator: Thank you. Ladies and gentlemen, we will now begin the Q&A session. If you'd like to ask a question, please dial star 1. If at any point your question has been answered, you may remove your question from the queue by pressing star 2.

Our first question comes from Rafael Frade, with Citi.

Rafael Frade: Hi, guys, good afternoon. I have 2 questions, the first one related to how you're looking for credit growth, right. So, I understand that you were (unintelligible) mostly because you were being more conservative in credit origination. On the other side, we are seeing an origination in fact picking up a lot. So, I'd like to understand in a moment that you see that you feel more comfortable to reaccelerate, what will happen? Will you need to increase a lot the origination from where you are right now given that the level of origination starts supporting stronger growth in the portfolio? So, I'd like to understand better the reconciliation between origination and the credit portfolio.

And the second question would be related to the payroll cards. So, you mentioned that the stronger origination was mostly coming from September. I'd like to understand if this is kind of one-off mainly because there were some special demands for this new program, or this could be something that will continue for the coming months? So, what would be the reasonable level of origination for these products? Thank you.

Inácio Caminha: OK, thank, Rafael, for the questions. I'll start with the last one.

So basically, what happened was that there was this new margin made available in September, so naturally, as it usually happens in payroll, whenever there is this margins increase, there is a one-off opportunity for volumes to become much bigger, then in the following months it goes back to a normal level of origination. So, we do not see this 1 billion that we originated in September being repeated in the coming months, it would go back to previous levels, not only for us but for the entire market. And when you look at the dynamics for origination and growth, indeed, we have been originating very sound levels of credits namely concentrated in secured loans, so this has been allowing us to keep all the engine and having a better or improving origination through all our channels, we haven't seen this reflected in our credit portfolio growth because of the current scenario, we rather keep a lower leverage and higher capital ratios, but whenever we have more comfort in credit scenario, we may hold more of these credits and thus deliver higher portfolio growth.

Rafael Frade: All right, thank you.

Operator: Ladies and gentlemen, please hold while we poll for questions.



Since there are no more questions, I would like to turn the floor over to Inácio Caminha for his final remarks.

Inácio Caminha: Thank you all for joining us. I hope you have a great day and see you next quarter.

Operator: Thank you. This does conclude Banco Pan's conference call for today. You may disconnect your lines and have a good day.