



**International Conference Call
Banco Pan (BPAN04)
2Q24 Earnings Results
August 8th, 2024**

Operator: Good afternoon, ladies and gentlemen. Welcome to Banco PAN's conference call to discuss results regarding the 2T24.

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The audio and slides of this conference call are being broadcast over the Internet via Zoom, which can be accessed on the company's IR website, www.bancopan.com.br/RI. The presentation will also be available for download after the call is ended.

We would like to inform you that the participants attending the conference will be in listen-only mode during the company's presentation. We will then open the question-and-answer session, when further instruction will be provided. We would like to inform you that forward-looking statements are subject to risks and uncertainties, which may prevent such expectations from materializing, that is, different from what is expected. These forward-looking statements reflect opinions only as of the date they are made, and the company does not undertake to update them.

Present with us are Carlos Eduardo Guimarães, President of Banco PAN, and Mr. Inácio Caminha, Head of Investor Relations and Funding.

I would now like to turn the call over to Mr. Carlos Eduardo Guimarães, who will start the presentation. Cadu, you may proceed.

Carlos Eduardo Guimarães: Good morning, everyone. Welcome to another earnings conference call of Banco PAN.

We're going to start on slide two. We had a strong credit origination this quarter. We have a conservative approach of risks with collateralized products and good spreads. Indicators of delinquency ratios improved as a result of better origination products.

It's important to mention that the number of credit cards that were issued had dropped in relation to the previous period, but the portfolio grew by 7%. We expect major growth in this product and also in personal loan in this period with a higher engagement with our clients.



Now moving on to page 3, we end the quarter with 30.1 million clients, and more than half of those clients are exposed to credit. Our credit ended at 49.2 billion, 29% higher than that of the 2Q23 and 7% higher than the previous quarter. We reached 211 million in net income with an ROE of 11.7% for the year.

I turn the call over to Inácio who will provide more details about our figures.

Inácio Caminha: Okay, continuing on slide 5. We see again the number of 30.1 million clients continuing the activation and cross-sell and 2,2 products per client, active clients, and we see the PIX keys, and the transaction value that amounted to 30 billion, growing 37% in 12 months.

And this move shows how we want to grow in the relationship, in the engagement with the clients and gaining more primality and growing the products and the results with profitability.

On slide 6, we see the numbers, strong numbers, strong figures in different products. 9.7 billion was the total we reached this quarter, in Vehicles we reached 4.6, and Motorcycles we increased the market share. In Payroll Loans and Credit, we maintain a good pace, especially because there is a strong seasonality in the 1Q traditionally, and we have been able to diversify with more public agreements and then leave some of the burden of the INSS. And generally speaking, we have been able to expand the B2C origination.

Portfolio Acquisition is a strategy that we adopted at the bank. It was a bit lower this quarter because of the interest market dynamics. And as for Personal Loan, we made 300 million, but we expect this to increase.

Talking about the portfolio, we can see the composition on slide 7. We had a 7% growth this quarter, and this is driven by the origination that has been growing strong, but also the assignment of portfolio that has been reduced every quarter, and 2.1 billion was what we reached this quarter. But when we compare the numbers with what we did in the same period of last year, we reached 40% lower.

So there is a downward trend, which is quite significant out of the 49.2 billion vehicles, and that would account for 26,5 billion. So that is a 40% growth for the year. Payroll when we add to FGTS, we see a 25% growth in the period of 12 months. And we have the clean products whose evolution has been stronger in the quarter. As Cadu mentioned, we expect this number to increase so that we can have more profitability and a broader margin for the bank.

Now talking about the delinquency rate, we can see that the mix of the portfolio was stable comparing the quarters and the over 90 was also stable at 6.9. 15 to 90 index had a reduction which was quite significant, which is expected for this period, and



we see the products individually. We can see that they are performing well, and this also helps the results that we have been presenting at the bank.

Now talking about credit, clients with credit on slide 9. This is a very important topic, and it's related, very aligned with engagement, and the cards are very relevant for that, so we have clients which have exposure, and we maintain this percentage as we grow.

In addition to increasing the number of clients with credit, we have also been able to work the share of wallet and focusing on the clients with whom we already have a relationship. So we have this being monitored at the bank and this is how we have been getting closer to the clients.

And talking about a few revenue on slide 10, they maintain stability to nearly 400 million in this period, this quarter, with focus on cards. As we can see on slide 11, we see that the number of cards issued was a bit lower in comparison to the previous period, but there is expectation of growth in order to broaden this space, and this is very aligned with the "Build your Credit" strategy, and we monitor, and we follow the lives and the use of the credit of the clients and provide more limits.

And we have been working on fees with more interchange and also with annual fees that we have been offering more benefits and charging fees for the use of those cards.

As for insurance, the premiums amounted to 254 million and we have the total number of clients with agreement and this is very important in order to have a cross-sell, especially when we talk about vehicles, but we also expand to the use of cards and also the insurance, insurance with PIX. So for sure, this is going to complement our sources of income.

Now we're talking about our financial highlights, financial results. On slide 14, we can see the evolution of the financial margin amounting to 18.4%. NIM, if we exclude the results with the assignments, we also can see an evolution reaching 16.4%. And if we also include the credit cost, we continue seeing a growth of 9.6%, which is very consistent with the evolution that we have been seeing at the bank, important evolutions that we have seen along the time, building an ever more profitable portfolio.

And we'd like to highlight some compositions of our results. We see the breakdowns of the margin, it amounted to 2,3 billion this quarter, and only with excluding the results that we got from the assignment so we can see a very important growth and it's a growth that was more accelerated than the credit portfolio. When we saw the net provision expenses, they were marginally higher, practically stable if we consider



quarter on quarter, and we consider this cost of credit which is flat from one quarter to the other and the nominal growth follows the growth of the portfolio.

Expenses as a whole are very well controlled amounting to 1,100 billion for this quarter. and when we look at profitability, we reached the result of 211 million in net income, the LAIR was better for this period, and the net result dropped a little in this quarter, but the ROI of 11.7%. It's in line with the update governance and also with the improvement of our processes. So we refined our model of provisions for lawsuits and that resulted in additional expense of about 210 million if we consider that net of chargeback.

For the future, we expect to have recurring expenses with lawsuits higher than the previous quarters. However, for sure, much lower than what we posted in the 2Q24.

And lastly, on slide 16, we have the reference of capital, *proforma* capital, considering that we are part of the BTG conglomerate. Our individual closed at 14.4%, 8.2 billion of net equity and with enough resources to continue our growth strategy, which is very relevant.

And we end the presentation here and we would like to open the Q&A session.

Question and Answer Session

Operator: We will now begin the Q&A session for investors and analysts. If you wish to ask a question, please raise your hand on the Zoom platform by clicking on the Raise Hand platform.

Pedro Leduc: Thank you, Cadu. Thank you, Inácio. I just heard that I could speak. First, what led to the increase of the provision in the quarter and what we can expect for the quarters ahead? Was there a product which was originated? And information is welcome.

And in relation to provision expenses, I understand there has been a progress. But how do you expect this to perform in the next quarter? How do you see the quality of order of credit, especially for vehicles, which is the item that has been growing stronger?

Carlos Eduardo Guimarães: Thank you, Leduc. In relation to the provision expense and its magnitude, we update our models from time to time and we include the contingency model. So this quarter, we had basically three major pillars: First, we divide the actions as a strategic and mass action. For strategic actions, which are the ones that have higher average ticket, we updated the legal analysis on those actions, and we reinforce this provision of those strategic actions. So this was the first point.



The second point was the following. The number of civil lawsuits that we receive per month – and now I'm talking about in math terms – has been increasing. And there's also the percentage of success that has been reduced a bit. So if we add those two moves to the update of the strategic actions, we adjusted our provisions in the balance for this quarter at R\$ 210 million net of chargeback.

And what do we expect down the road? As Inácio mentioned, we have a much lower level than what we had in this quarter, however, higher, a bit higher than what we posted in the previous quarters.

And another important point for us to mention, and this would account for 80% of the civil lawsuits that comes from the loans, from the payroll loans and the cards, so as we do the pricing, we consider this in the business and we understand that the margin is very interesting for the products, less than what we had last year, but better than what we see in vehicles, but still a very interesting margin for us to continue working with this product.

So our appetite for growth, our vision of business and expectation of results, not only considering the payroll loan product, but for the bank as a whole, will not be changed. So it was a one-off movement in a way. When we updated our model, we updated how we see the strategic lawsuits. And for the future, we're going to have a much lower number than what we saw this quarter.

In relation to your second question, when you talk about provision expense and the future, we believe that there will be a reduction. When we look down the road, there will be a slight reduction of the indicators of delinquency rates and provision expenses in the future. Of course, we also have to consider a larger portfolio, so we have to consider the size of the portfolio, but our vision for the future is that we are going to have a reduction in those items.

But there's something to mention, card and personal loan is related to a very small portfolio. We are far from the optimum level, both for engagement and also activation. So we see a scenario that we are going to have the levels maintained or reduced. But we want to increase our card portfolio and also for personal loans whose delinquency rate and also provision expense is higher, but margins also higher. So this is how we see those items for the future.

And I would like to remind you that a card is a very strong source of engagement and also for personal credit. And after long studies, we feel very comfortable to accelerate, especially our credit models. And also considering our monetization model for those two products.

Pedro Leduc: That's very clear, very detailed. Congratulations, as always.



Carlos Eduardo Guimarães: Thank you, Leduc.

Gustavo Schroden: Good morning, everyone. Can you hear me?

Carlos Eduardo Guimarães: Yes, we can.

Gustavo Schroden: Good morning Inácio, Cadu. Thank you very much for the call. I'm going to ask you two questions. First, I would like to have a follow-up on those provision expenses and also the civil lawsuits that you mentioned.

Cadu said part of it is related to the payroll loan and I don't know if I understood well but you said that this has been priced. I understand that if it's priced already, I mean, if we didn't have an increase in those provisions, we would consider in a different way, considering that everything's under control, like the OPEX and the NIM and everything else. So we would expect those to have increased, considering the history results.

When you say it's already priced, especially when we are talking about payroll loans, shouldn't this increase be mitigated? I would like to understand the relationship when you say that it has been priced, but there has been an increase. So why wouldn't have this effected this quarter?

My second question is related to the mix. We saw the numbers, you saw the figures, it seems that you had a re-acceleration in credit cards. Could you tell us about the rationale behind it? I heard that you said that you would like to have a more conservative portfolio, and we saw an acceleration in credit cards.

So can you explain the strategy? And then you have PIX, Buy Now, Pay Later. Could you also talk about these dynamics?

Carlos Eduardo Guimarães: Thank you for the questions, Gustavo. First, in relation to the provisions, when I say that provisions have been priced, I mean what we have been originating as of now. So, considering the expected profitability, we consider the number of products that we are producing now and considering also the lawsuits.

And considering the higher level of what's been coming in and the success, we have already been priced in our payroll loan and the cards. And even with a new pricing, considering what we are producing today, we still have a profitable product, less than the past, but still our product is very profitable.

In relation to the mix, we have about 5% in credit card and personal loan, and we believe that the ideal level is something around 10 or 15% for the future. And this is what we are going to be working on.



When I say that we want to grow in cards and also in personal loans, there is a mix of profitability when the portfolio with interest is something very important. So we are going to grow those two portfolios in parallel and we are going to see the number of interest rates that we are going to have inside those two products.

So it's based on this that we feel comfortable in addition to the new credit models that we are having, and this is how we intend to grow our clean product. Even with this product, we are going to have 90% of our portfolio collateralized, especially with vehicles. We are going to continue growing much more than we are today. It's a very nice product, profitable product, and we have been working on this product, we have already had this product for different cycles, and we want to continue growing the payroll loan.

Loan has a margin, which is tighter, and we have the strategy with the card and the personal loan that we are going to implement as of September.

When I say card and personal loan, I mean this and the derivatives, the PIX that is paid using the card. You know, when you pay the card installments, the personal loan is all part of the personal loan family. And this family together with the transnational card will allow us to grow as of September.

Gustavo Schroden: Cadu, that's very clear. Thank you. In relation to credit, I understand the assignment, or the result of the assignment has been decreasing. Could you say something about it?

Carlos Eduardo Guimarães: Nothing different has happened. As we have been mentioning for a while, we expect an important reduction in assignment when we compare to the results of last year. And this is how we have, how we see everything. There is nothing to comment about the number of assignments in the 2Q.

Gustavo Schroden: Okay, thank you.

Olavo Arthuzo: Good morning, Cadu. Good morning, Inácio. Thank you very much for taking my questions. I would like to approach OPEX. We noticed that we had a growth in this quarter, a strong growth I would say in the annual comparison for personnel in the bank, and you also mentioned important fact about the headcount, which is important for the quarter.

I would like to understand two things: If the increase in headcount drivers was to reinforce the sales area or was it allocated to the IT area?

My second question is that in the previous earnings conference call, Cadu, I think you mentioned a flat OPEX expectation for this year. I would like to confirm that.

Would you reiterate this expectation? And if so, would we see a reduction in the personnel line, or would the efforts be more concentrated in expenses? Thank you.

Carlos Eduardo Guimarães: Thank you for the question, Olavo. First, in relation to the headcount, when we compare it to the 1Q, I can see there was an increase of 50 headcount, very small growth, and there was a decrease when compared to the 2Q of last year. So in macro terms it continues the same. We are going to remain flat in terms of personnel expenses when we compare it to the same period of last year and we do not have major expenses related to investments for this year.

Of course, opportunities may come up but the way we see it at the moment is that expenses are under control and the bank is gaining in efficiency because the size of our portfolio is increasing quite a lot. As Inácio said, 30% when compared to last year and 7% compared to last quarter.

So we expect that we are going to grow in large strides with the credit card and with flat expenses.

Olavo Arthuzo: Okay, would you allow me to ask a second question? On page 14 of your release when you talk about credit origination, we saw that there was a retraction in vehicles for the quarter and also maintenance for motorcycles. Do you think that this dynamic is a normalization in association with vehicles? Would you consider this to be a normalization, or do you think there is a player increasing the competition in the market and that would impact this decrease in origination when compared with the previous quarter? Thank you.

Carlos Eduardo Guimarães: In relation to the vehicle market, it's a very competitive market, and it has been like this for a while. So obviously, we have credit, we have circles of credit and some circles considering different players. Sometimes there is more or less acceleration, but we are very well-positioned in this segment.

As for motorcycle use and new motorcycles, we hold more than 30% of the market share. We are the largest players, way ahead of the second place, and we know how to work with the motorcycles, and we intend to grow with this market. Of course, after reaching 30% of market share it becomes more difficult to grow.

We have 9% of market share for vehicles and we intend to increase in the next months. We may even contract a commercial part, or we can also develop new models, and this is what we have been studying at the bank. When we look ahead, we see the potential of growth in light vehicles and also growth in motorcycles.

We don't see different competitors in the segment, and they also have their movements for accelerating and de-accelerating their processes. And this is



something that happens along the time. But we're very enthusiastic about this business.

Olavo Arthuzo: Okay, thank you.

Brian Flores: Can you hear me?

Carlos Eduardo Guimarães: Yes, we can hear you, Brian. Go ahead.

Brian Flores: Okay, perfect. Thank you, Inácio, and Cadu, for the opportunity. I would like to ask a question, maybe a follow-up on the growth, if I may. We have seen a very favorable growth, as you mentioned, but the Basel ratio is dropping a little, it's already at 14. I understand because you're building capital to grow.

When are you going to strike a balance between capital and growth? And Cadu, if you have an update on the size of the portfolio that you consider to be optimum for this year and maybe for next year? And then I'll ask a second question. Thank you.

Carlos Eduardo Guimarães: Okay, thank you for the question, Brian. What we have shown in terms of Basel ratio in Inácio's presentation is a *pro forma* Basel ratio. So the regulatory one is that of BTG that was at 16.5. The Group BTG has a lot of capital to continue growing, and evermore PAN is integrated to BTG. So this *pro forma* Basel ratio of 14.5 is not a concern to us.

What is valid is to look at the Basel ratio of the group. And we are concerned of delivering a very important growth for the company in the next quarters, and this wouldn't be a restriction for us.

Brian Flores: Okay, perfect. In relation to the size of the portfolio, do you believe that it's going to remain at 55, or a bit higher?

Carlos Eduardo Guimarães: Since we are a bank that does not provide guidance, I would say that we are going to continue growing, but I'd rather not estimate numbers, otherwise our lawyer will not be happy. She will reprimand us.

Brian Flores: And I would like to have a follow-up on the credit card. Could you provide some information on how much of this portfolio would generate interest to you?

Carlos Eduardo Guimarães: Yeah, sure. At present, approximately 15%. However, we have some strategies in order to increase the portfolio with interest rates with the card. So one of the strategies is to have more penetration of interest considering this combo. They are a very important product in order to increase engagement with our clients.



Brian Flores: Okay, perfect.

Antonio Ruelle: Good morning, everyone. Congratulations on the results. I have two questions on my side. The first one you have already mentioned about competition. Could you also talk about competition in the payroll loan?

And the second question is related to the capital. I would like to understand the synergy with BTG. What do you see as opportunity in terms of costs, regulatory related costs or operational costs when you look at the relationship you have with the BTG?

Carlos Eduardo Guimarães: Okay, thank you. First in relation to competition of payroll loans, just like what we mentioned about vehicles, competition, it's a very fierce competition. We've known the product for a while, and we can have a good performance even within this competitive environment.

I believe that recently, as we have been discussing with different banks, including the Central Bank, there are some non-ideal practices that are being implemented by some of the institutions, especially the new institutions. And we have been trying to combat those actions. So it's a very competitive product, it's very important for us, and we have some practices out of the regulatory levels, and we are trying to fight against.

In relation to BTG synergy, there are many opportunities. There are the opportunities of integrating teams, there are the opportunities of exchanging ideas, knowledge, sharing knowledge, and this is something that we've been doing a lot. And there is also an opportunity of funding. And BTG has been providing ever more growing volumes of funding, more than PAN would be able to get from the market.

So we see very important opportunities and also the opportunity to use the capital in the bank and the capital offered can be used by our bank. And BTG provides us with the strength to continue growing in terms of funding. We are also allowed to grow in terms of capital and also providing the knowledge so that we can be ever better.

Antônio Ruelle: Very clear, just to follow-up, if I may. As for OPEX, I understand what you said about the capital ideas and funding, but when we look at operating costs, is there anything else or do you think that everything that is important has already been mentioned?

Carlos Eduardo Guimarães: Yes, we have already discussed many issues, but we still believe that there are items that can also be developed. So it's a discussion that we have nearly every week in order to capture synergies, quality synergies, and we have been discussing this quite a lot.



Part of the synergy has already been acquired, but we still believe there is some room to improve in the future.

Antônio Ruelle: OK, thank you.

Operator: If you wish to ask a question, raise your hand on the Zoom platform. Use the Raise Hand option.

Pedro Leduc: Thank you for the follow-up. It's more related to a discussion that we have been talking about the payroll loan that has the fund in FGTS, and we understand that PAN operates using those products. So could you tell us how you're getting prepared to see this product in the future in terms of timing, funding, and etc.?

Carlos Eduardo Guimarães: Thank you, Leduc. I believe that we cannot control the timing, of course, but I would say that in the beginning of the fourth quarter is something that can happen. We think there is a great potential, so these are areas that can grow a lot, the private payroll loan, and in the past, it used to be a tailor-made product which was not very scalable.

But when we standardized the system as we did with the public payroll loans, so this is a product that is good for everyone, for the client, for the economy that is going to have positive aspects in terms of credit. It's good for everyone. So we are very enthusiastic. We are knowledgeable about the systems that are going to be used in the product. And the product is a combination of what is already used in INSS, FGTS and that was also used in the *Auxílio Brasil*. These are products that we know a lot about.

So we say that we are very knowledgeable of all those fields, and we are helping develop this product and we have a lot of expectations about this product.

Pedro Leduc: Thank you.

Operator: If there are no further questions, I would like to turn the floor over to Mr. Guimarães for his final remarks.

Carlos Eduardo Guimarães: Thank you very much for attending our call in the discussion of another result of our Banco PAN, and I hope to see you next quarter. Have a good afternoon.

Operator: Banco PAN's conference call is now closed. We would like to thank you for your participation and have a nice day.