

# TRANSCRIÇÃO

Banco Pan EN 1Q24

14 de maio de 2024

## **PARTICIPANTES**

Vozes femininas identificadas: Tradutora

Carlos Eduardo Pereira Guimarães

Eric Ito

Flavio Yoshida

Inácio Caminha

Olavo Arthuzo

Pedro Leduc

## **TEMPO DE GRAVAÇÃO**

33 minutos e 26 segundos

## **MODALIDADE DE TRANSCRIÇÃO**

Padrão

## **LEGENDA**

... → pausa ou interrupção.

(inint) [hh:mm:ss] → palavra ou trecho ininteligível.

(palavra) [hh:mm:ss] → incerteza da palavra transcrita / ouvida.

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(INÍCIO)

[00:00:01]

Tradutora: Good morning, ladies, and gentlemen. Welcome to the conference call of Banco Pan to discuss the results relating to Q1 2024. The audio and slides of this conference call are being broadcast simultaneously on the internet from the company's IR site and from the webcast platform. You will also be able to download the presentation. We inform you that all participants will be connected in listen only mode during the company's presentation. Later we will begin the Q&A session when further instructions will be given. We inform you that any forecasts relating to future events are subject to risks and uncertainties. Therefore, such expectations may not materialize, or results may be different from those expected. These forecasts are based on opinions at the time they're made, and the company undertakes no obligation to update them. Together with us Mr. Carlos Eduardo Guimarães, CEO, and Mr. Inácio Caminha, head of IR and Funding. I now turn the floor over to Mr. Guimarães to begin his presentation.

Carlos Eduardo Pereira Guimarães: Good morning to all and welcome to this presentation of results to disclose the results of Banco Pan. First, I would like to apologize for the delay, we had some technical issues. On page two you see the highlights of the quarter. We had an increase in the credit highlights because of a reduction in credit assignments. Delinquency was also lower, and we have a conservative stance in relation to credit. Our margins are robust and the B2C origination continues to grow. We are continuing to evolve to provide the best possible experience to our clients. Now moving on to page three, at the end of the quarter we had 29 million

customers, half of which also have credit, a part of our credit portfolio. Our portfolio is 46.1 million, 17% growth in this quarter. We had a net income of 217 million, 11% vis-a-vis Q4 2023, and our ROE was 12.2%. Now I turn the floor over to Inácio.

Inácio Caminha: On slide five, we are going to talk a little bit about engagement. On the left-hand side, 29 million clients and engagement are our major objective, our top objective for 2024 and 2025. As this will allow us to improve our indicators, we will have more primary customers and we will continue to grow whilst remaining profitable. Cards are extremely important for this. We have the build your credit strategies so customers can have more and more credit with us as they perform well. And this is a strategy that we are going to continue in Q2. Our app also has evolved, we have launched some products, moto equity, we also have the INSS accounting, and we have more options for fixed income and CDBs to increase our deposit base. In terms of activation, they have remained more or less flat. We expect this to improve. In terms of Pix keys, there has been a slight increase. In terms of transaction volume, we have seen a stronger increase. On the next slide, in terms of origination, we saw record origination in terms of vehicles and payroll loans. In terms of vehicles, we are the leaders for motorcycles, whether new or used. Our market share is 35%. In light used vehicles we are close to 10% in terms of market share, and both portfolios have a very good profitability and delinquency is very controlled. We had 4.8 billion in the quarter. In terms of payroll loans, there was a readjustment in the minimum wage and seasonally in Q1, we see greater volumes. We're working with a bit of a squeeze on profitability. This is because of the curve of futures for two years. And in terms, we have also

increased B2C, especially when with self-service on the application or WhatsApp. This is evolving quite well. We had 3 billion and 600 million in terms of origination of pay row loans in addition to the 700 million we bought from all the banks. In terms of FGTS, we originated 1 billion with a good profitability and we are seeing a growth there, a 100 million in Q4 and we made 300 million this quarter. This is a very important line for us to create more primacy and to increase the profitability of the bank. In total, we totaled 10 billion and 400 million in terms of origination this quarter. In terms of the credit portfolio, 46.1 billion, a very strong growth, 10% in the quarter, 18% in the year. This was driven by the origination, which was record and our new assignment strategy, we have been talking about it and in 2024, we are going to assign less credit relative to last year, in Q4 we had assigned 3.3 billion, and in Q1 we reduced that to 2.3 billion. So, vehicles 24.5 billion, nearly 40% growth in the year. Payroll FTGS 19 billion at 10% growth in the quarter. The credit card portfolio hasn't increased that much, but it should improve, and the personal loans are beginning to improve. And speaking about delinquency, we see a stability in terms of the mix of the portfolio. There was an improvement in delinquency rates, it's now 6.9 as we expected, and this includes all the vintages of cards and vehicles. We were able to control the delinquency and the portfolio has grown. When we look at 15 to 90, in this ratio, we see an increase in Q1. There is a seasonality there, but then went back to the ratios of December. We are very confident in the pricing of these vintages. In terms of clients with credit, this is extremely important in terms of monetization and engagement. We have 15 million clients, and we also want to increase not only the number of clients, but the share of wallet as well. This is at today 16%, but we have plenty of opportunity to expand the credit portfolio, cross-selling and

upselling even without growing the client base, although we do want to grow the client base as a whole. In terms of services, the fees are extremely important for our results. Credit is the main one, the main driver of revenues, but also services contribute a lot, and we continue to grow the contribution of services. We expected less from the marketplace. In Q4, we have Black Friday, but the other lines have increased their share. Credits and insurance have to do with the origination of vehicles, there is a very strong correlation, they track the origination of vehicles and in cards also, we want an increase going forward as clients begin to use cards more and we are charging fees from certain cards. And then in terms of cards on slide 11, we started very conservatively, but we see the figure of 200 thousand cards issued in the quarter, whereas the revenue is not growing so much, remains flat, but the revenues are growing. Extremely important products for engagement and we have been improving the experience of clients and we are going to be able to bring in more clients to use our cards. In terms of insurance, it tracks the origination of vehicles 245 million premium with 3.6 million clients with policies. And in terms of financial results, our NIM was smaller because of the smaller assignment this quarter. But if we exclude the assignments and we consider the cost of credit and the discounts, we see an improvement in the margin, which is the dark blue line here. It went from 8.7 in Q4 2023 to 9% in Q1 2024. When we look at the quarterly results, we see that the financial margin was 2 billion reais. We have a new breakdown here and we have the caring of the portfolio has been growing, not only in percentage, but also nominally and we also see the contribution of the assignments, which has been contributing to this quarter as well. And this is in line with our new strategy of assignments. In terms of net expenses of PDD, when we combine it with the discounts, this remained flat in the

quarter. It's much more a way for us to deal with customers and any discounts we may give to receive the credits that we are owed. In terms of expenses, we see the impact of our efficiency agenda, especially in general administrative and personnel expenses, and we have been able to manage our costs very actively. And finally, on the right-hand side, in terms of profit 217 million with an ROE of 2.2. There is the impact of PIS and COFINS 88 million. And we have adhered to self-regulation, we believe this is a very good option for us. In the next few quarters, there's going to be less assignment of credits and we expect better results than we had in 2023 and this should be sustained throughout 2024. And then equity and capital, because the portfolio grew in a more accelerated manner as a ratio is 14.6, a bit lower than in Q4 2023. And now we are going to open for the Q&A session.

Tradutora: We will now begin the Q&A session for investors and analysts. To ask a question, please, press \*1 or use the chat on your screen. Please hold while we pull the questions. Our first question comes from Mr. Pedro Leduc from Itaú BBA.

Pedro Leduc: Thank you. Congratulations for the results. The question has to do with the evolution of EBITDA. You also have payroll loans, and I would like to understand the profitability in the origination, and you are more efficient in terms of origination. What is the net profitability of the payroll loans?

Carlos Eduardo Pereira Guimarães: Hello. Thank you for your questions. First, having to do with the portfolio, there was no seasonality. We were expecting this kind of growth, and we expect this growth to continue throughout the years. This has to do with a strong origination and a

decrease in the assignments. We made 700 million into, and we bought payroll loans at the state level. We made this purchase, and we should continue to make these purchases in the next few quarters. So, there's nothing new in this quarter relative to what we expect for the next few quarters in terms of origination. Probably a bit less in terms of assigning credit portfolios. And then, the payroll loan is a very important operation for us. It has always been a very important product, but it has a lower profitability now because of the ceiling of the cap. More than 80% of our origination comes from the INSS department and there has been a reduction in the ceiling for this product. And additionally, the curve of future interests for two years, and that allows us to price our payroll loans operations, this curve has been increasing. So, the profitability of the payroll loans has been decreasing. We have been trying to be more efficient in terms of squeezing the margin, especially through managing costs in B2B by managing the commissions and in B2C by using less people and more self-contracting on the part of customers and by optimizing marketing and performance expenses so that we can originate these operations at a lower cost.

Pedro Leduc: Thank you, Cadu.

Tradutora: Our next question comes from Mr. Olavo Arthuzo from UBS.

Olavo Arthuzo: Good morning. Thank you for taking my questions. This is a follow up that has to do with the growth in the portfolio in terms of Pix Finance. So, I would like to understand the share of Pix. How do you see Pix Finance within the bank? And then, could you tell us what the share is for B2B, B2C origination and finally, about your projections for 2026?



Carlos Eduardo Pereira Guimarães: Thank you, Olavo, for your questions. First in relation to Pix, our share of Pix, according to our controls is 1.5%. And as Inácio said before, one of the major challenges for us in the next 12 to 24 months is to increase engagement with our clients, and this is to increase transactionality, but also the penetration of products we want to grow from 1.5 in the next few months. In terms of Pix Finance and credit products relating to transactionality within the checking account and within two products that are very transactionality in nature we also have adjacent products such as installments for credit cards, installments for Pix, personal loan with and without collateral. We have a personal loan collateralized with motorbikes, and we have a great share in that segment, it's above 35%. So, in terms of transactionality, the card is extremely important, but we also have all the products which help us better serve our clients and Pix Finance is one of them. We recently launched this product, and we want to escalate that. The second question, the share of payroll loans in terms of B2B and B2C. So B2C is 35 and 40%, and we want to grow the values without necessarily hurting the B2B. We want to increase the share of B2C and by increasing B2C rather than reducing the share of B2B. And in terms of ROE we give no guidance for the future, but what we expect is substantial growth in the next few years.

Tradutora: Mr. Yoshida from Bank of America.

Flavio Yoshida: Good morning. Thank you for taking my question. I have two. One is about revenue and growth. When we look at the industry, we see that in credit cards it's necessary not only to increase the client base, but also to increase the engagement. What do you think about growth in credit cards, especially if we compare that to the beginning of 2023? I see you are

emitting, you're issuing more cards, but the card portfolio is going down. And the other question has to do with operational expenses. How important do you think these expenses are important for profitability? Are the expenses continuing to grow or are they under control? Can you give us a little bit more color about that?

Carlos Eduardo Pereira Guimarães: Thank you so much, Flavio. As regards the card, we totally agree with you. It's an important tool to engage with clients and to attract clients' principality. But in the last few years, in terms of delinquency and defaulting, we suffered a bit. So, what we are doing is we are studying new models, new products to allow us to grow again in 2024. So, if we look back six months, one year, we have been reducing the portfolio slightly. But going forward, we think it's a very important tool to increase engagement. And this is one of our objectives. We are going therefore to increase our product portfolio, but in a cautious manner and we want to increase the profitability and the return. So, we have been studying this matter very carefully. As regards the expenses, what we expect for this year is expenses that are reasonably flat in comparison to last year's, and it's a larger portfolio. We always look at expenses very carefully, we make investments as necessary to deliver on our targets, but for this year, we should see figures that are close to the figures of last year, maybe like with an adjustment for inflation.

Flavio Yoshida: Thank you very much.

Tradutora: Our next question comes from Mr. Ito from Bradesco BBI.

Eric Ito: Good morning, Cadu, Inácio. Thank you for taking my question. I have two. First opex, we saw an improvement this quarter, but I have a question about one line origination expenses which dropped 10% quarter a

quarter despite the increase in origination. So, what are the main components of this line specifically on origination? The portfolio has grown so how has that happened? And then what can we expect in terms of provisions for this year? You're going to grow more strongly, you have a greater share of vehicles. What can we expect in terms of NPL? Maybe your growth in the base could mitigate against this effect and what would it mean in terms of PDD?

Carlos Eduardo Pereira Guimarães: Thank you for your questions, Eric. In terms of origination, when we compare Q1 to Q4 last year, Q4 last year was relatively inflated because in Q3 we had a large operation and expenses dropped in Q4. So, when we compare Q1 with Q4, we are not comparing two things on the same basis. But as I said before, payroll loans have a reasonable origination cost, but when the ceiling drops, one of the tools for us to make adjustments, in terms of B2B origination, is to reduce commissions. So going forward, the commissions for payroll loans are going to be reduced. They are going down already, and this is going to have an impact on our origination cost. So going forward, I think origination costs tend to go down because of the squeezed margins on payroll loans and the commission is reasonably high, but this is going to go down. The ceiling has gone down, future interest rates have gone up. So, this is how we adjust for that. And then in terms of NPL, we believe that the NPL will go down marginally throughout the next few quarters and this in a relative manner. In absolute numbers, the portfolio has grown and will continue to grow substantially, so this affects the absolute value of PDD. But in relative terms, I think we are going to see the same levels, maybe with a small reduction.

Tradutora: The next question is from Mr. Pedro Leduc from Itaú BBA.

Pedro Leduc: Thank you for taking my follow up. In relation to funding deposits, we see a difference between credit at site and futures. So how do you see what is happening in the deposit base and the cost in terms of percentage of the CDI? Thank you.

Carlos Eduardo Pereira Guimarães: Thank you, Leduc. In terms of funding and in connection with what we said before in the presentation, our main challenges for the next 12 to 24 months is to increase engagement with our clients. Site deposits and funding in the app is something that we want to increase very substantially soon. Today, these are reasonably small amounts, 1.5 billion for time deposit and site deposits in the retail branch. But this is a very important investment for us to move to a higher level in the next few quarters. And this is in terms of funding for retail, but for funding for the bank as a whole, we are increasingly integrated into BTG. Oftentimes BTG provides funding to the bank and therefore the spread for funding is smaller. BTG has a franchise in terms of funding at good prices and oftentimes we take money within the group, and we avoid pain spread to the market. So, this is funding for wholesale, but the trend is that the cost of funding, the spread over CDI, should go down. It has been going down and it'll go down even more because we are going to grow in terms of funding at the retail level, and BTG is going to continue to develop its ability to fund and to source funds at better prices.

Tradutora: Ladies and gentlemen, to ask a question, please press \*1 or use the chat on the screen. Since there are no further questions, I would like to pass the floor over to Mr. Carlos Eduardo for his final remarks.

Carlos Eduardo Pereira Guimarães: Thank you very much for attending. Once again, we apologize for the delay, and we expect to see you in our next conference call. Thank you very much and have a lovely afternoon.

Tradutora: Banco Pan's conference call is now ended. Thank you all for participating and have a nice day.

[00:33:25]