



**International Conference Call
Banco Pan (BPAN04)
3Q23 Earnings Results
November 1st, 2023**

Operator: Good morning, ladies and gentlemen, and welcome to Banco Pan's conference call to discuss the results for third quarter 2023.

The audio and slides of this conference call are being broadcast simultaneously over the Internet on the company's IR website: ri.bancopan.com.br and on the webcast platform. The presentation is also available for download.

We would like to inform you that all participants will be in listen-only mode during the company presentation, and after this we will start the question-and-answer session at which further instructions will be provided. Should any of you require any assistance during the conference, please request the help of an operator by dialing star 0.

Please, be advised that forecast of future events are subject to risks and uncertainties that may cause such expectations not to be realized or differ materially from those anticipated. These forward-looking statements speak only as of the day they are made, and the company undertakes no obligation to update them.

Present with us today are Carlos Eduardo Guimarães, the CEO of Banco Pan, and Mr. Inácio Caminha, Head of Recording, Investors Relation and Funding.

I would now like to turn the floor to Mr. Carlos Eduardo, who will begin the presentation.

You may proceed, Sir.

Carlos Eduardo Guimarães: Good morning, to all of you and welcome to another results presentation of Banco Pan.

We begin with slide 2. We had strong origination level with a resumption of our payroll volume. Now we continue to have a conservative strategy in credit origination focusing on products with a good spread. In collateralized, we had a drop of 18% in delinquency rate, especially because of the most recent origination harvest. We also had significant evolution in customer experience and brand repositioning.



We go on to slide number 3. We ended the quarter with 26.9 million clients, more than half have credit exposure with us. Our credit portfolio closed R\$39.2 billion with a significant annual growth compared to the previous quarter. We reached 198 million in net income, 4% higher than in the previous period, and our return on equity closed at 11.5%.

I give the floor to Inácio, who will offer you greater details on our bank.

Inácio Caminha: Well, let's continue on in slide number 5. Here we have the clients, we have 27 million clients, and we continue to expand this base of course, ensuring that our products will grow significantly. We have a new brand positioning and an evolution in our products and panel, and all of this is operating ever better, which enables us to make the most of the customer base, as Mosaico.

On slide number 6, we have some information on engagement, which is very important. We would like to remind you that we are somewhat impacted because of our conservative stance in the credit portfolio that began in the fourth quarter of 2021, and this is an important product to generate engagement with the client. With a better scenario, we will see an expansion of these indicators. In Pix, for example, we have a significant difference, and we see an expansion of clients who are users of Pix keys.

Although it seems to be flat, there is that reduced component of credit card, and of course, we have transactions in debit cards and current accounts, which means that we have already perceived an increase in engagement because of the several initiatives that we have, and we have 2.1 products per active client.

Now to speak a bit about origination in slide number 7, this was a very strong quarter, we had a growth in vehicle. Since we began with origination, the expectation is that this will advance, and this has been driven significantly by motorcycles. We have 3% share in new motorcycles, we returned to the volume of the release of LOAS, which began in September. It is important to highlight our very strong presence in this market, and at this moment of change, we were the bank with the highest share of LOAS in this resumption, with importance in the market.

We want to [unintelligible], and in terms of products, we continue to be somewhat small, but we would like to grow, and we believe that this will be supported by the evolution that we have done with our credit lines. In the quarter, we totaled R\$7.5 billion of credits disbursed in vehicles, in payroll loan and 100 million in personal loans.

To speak about our portfolio, in the next slide, we had a 3% growth in the quarter, totaling 39.2 billion. Of course, the strongest origination in the quarter contributed to this, we had a somewhat lower volume in the portfolio of. 2.7 billion, and of the 39



billion portfolio, we have 20 million in vehicle, with 26% growth in the year, payroll loan and FGTS 16 million with the growth of 4% in the year, credit cards 2.2 billion, this is a very important resource, 41% growth, personal loan with a small nominal value, but we have had a move-forward of the portfolio as a whole with a very good portfolio in terms of risk.

In slide number 9, you see our retail delinquency with an improvement in our indicators. In credit cards, this represents 16% plus personal loan, the part of vehicles payroll loan and FGTS adding up to 24%, showing you what we call a very defensive mix.

From 15 to 90, 9.1%, 7.9% from over 90, and this is what we have observed in the behavior of our products and our pricing. And to speak about pricing, we have a net margin that is quite sound, we hope that this will continue to evolve further in 2024 with an improvement in the scenario and with the assertive pricing of the new harvest of vehicles. With a reduction of a ceiling, there has been an impact, but we're able to offset it in other lines through our results.

In slide number 10, we show you the evolution of the clients with credit. We have always said we want to grow with engagement and of course credit is important, not only for engagement, but also monetization. We ended with 13.6 million clients, and we will continue to extend this, also expand the share of wallet. We have an ever-growing pace of credit in our clients in the market.

On slide number 11, our fee revenue with an expansion to 297 million driven by the increase in vehicles. Now this is an important complement for our bank results, and we hope that this growth will continue on. In the fourth quarter, we have the traditional enthusiasm because of Black Friday, and we're quite enthusiastic with all of these movements.

In cards, on slide number 12, we observe our conservative stance as you can see in credit cards. Now despite this, we have had important evolutions in the product and in customer experience, and we have launched new credit cards that are aligned with our rebranding. We have 2 new cards, one is called Atmosfera, the other one is Estelar (stellar). We believe that this will have very positive results, enhancing engagement with our clients going forward. We had 83,000 new cards issued in the quarter, and in terms of total volume 3.4 billion with 55 million in revenues.

Now let's think about insurance, on slide 13. An expansion with a greater number of clients, 2.6 million clients who have some type of product contracted with us. And in terms of engagement, we foresee a positive impact for this product. We had 191 million in premiums issued for this quarter.



Let's speak about our marketplace beginning with Mosaico, on slide 14. Now the digital market has undergone some changes this year, we have expanded the reach of our experience, we had a GMV of 721 million with the take rate of 6.5%. An important step to better position the bank in this scenario is that for Black Friday, we're going to launch a checkout on our platform. This doubtlessly will be a significant change in experience that will become more fluid. We will begin with a larger retailers, extend it and this more fluid client journey will enhance engagement and expanding the take rates that we obtain in these transactions.

We have also launched the web version of the Pan Shopping, enabling clients to have more options of access. We have 12 million visitors per month, this enables us to sell more products and work with cross-sell with everything that we have in the bank.

On Slide 15, we refer to Mobiauto, that complements the experience of clients in this full platform. We launched a new app for the search of vehicle; another way of showing the power that we have in the vehicle funding market. This has become very popular; we have 8.200 active store owners working with us through Mobiauto. Of course, within the scope of vehicles, we have almost 20,000 new funding that go through Mobiauto, represents 6.4% of all of the funding we do, and this figure is growing. We have 280.000 vehicles announced and revenues at around R\$20 million for the quarter.

Now let's think about our financial highlights, and we go on to slide number 17. We have a net interest margin that continues to be a very sound level, and we have an outlook of growth because of the pricing of our new harvest, our new products. They total 3% in general.

Now let's look at more results, on slide 18. Margin as a whole before the cost of credit, it had an extension to 18.3%, even with less allocation because of the profile of our portfolio that has a positive impact on the bank's margin, we got to 1.9 billion in revenue.

Now when we speak about expenses, we have observed a behavior within what we have priced, 4.7% of expenses vis-à-vis the portfolio, totaling 445 million. Now regarding expenses, we were expecting an increase, because of the expenses with origination the resumption of LOAS and with the resumption of B-2-C, there's still a significant part of B-2-B that does have an initial cost in terms of commission. With all of this, we end the quarter with 198 million of profitability, with an ROE of 11.5% annualized for the quarter.

Now to conclude the slide here, our capital and equity on slide 19, we ended the quarter with 15.8% of Basel, all of CT1, a comfortable level for us to address our growth strategy at the bank.



I would now like to return the floor to Cadu for his closing remarks.

Carlos Eduardo Guimarães: Well, on slide 20, we will speak about some messages simply to conclude the presentation. We're going to continue to grow our origination with an increase of participation of B-2-C, there will be a relevant growth in our credit portfolio, very similar to what we have at present, we will have a slight decrease in the delinquency levels because of our conservative stance and the constant evolution of our credit modules. We should have a return in the higher margins of the recent product harvests. We will continue extremely focused on engagement levels and transactionality leveraged by the integration of products and channels and the positioning of our brands. We want to be ever more international.

With this, we would like to conclude the presentation and we open up the floor for questions and answers.

Question and Answer Session

We will now begin the question-and-answer session for investors and analysts. Should you wish to pose a question, please press * 1. If your question has been answered, you can withdraw from the queue by pressing * 2. Please, hold while we poll for questions.

Our first question comes from Pedro Leduc, from Itaú BBA. You may proceed, Pedro.

Pedro Leduc: Good morning and thank you for taking my question. When I look at the evolution of NIM and you have a consolidated financial margin, I think it is very good and it increases because profitability has been very important in the last quarter. Cadu, perhaps you can help us understand what it is that led to this enhancement; is origination, something in the portfolio? And if we can continue to observe this level of profitability in coming quarters?

Carlos Eduardo Guimarães: Well, thank you for the question. Now we had a somewhat different mix this quarter vis-à-vis our assignment. Part of the assignment had a different portfolio, a portfolio with a longer term, and this enabled us to have better profitability in the quarter.

Now as mentioned by Inácio in his presentation, our net margin [unintelligible] has maintained a very high level for some time, 12 to 13%, and we expect this going forward. For the coming years, I mentioned formally, we're expecting an evolution of our profitability because the recent harvest of origination has been enhanced and there's tougher credit cycle that we underwent in 2022 and 2023. All of this has been digested as part of our balance, and for the coming year, we expect to have a better default level.



When we bring all of this together, what do we expect? We expect better results for 2024 of growth in our portfolio and margins with levels similar to the levels that we have at present of around 13 or 14%.

Pedro Leduc: Well, in the comments you said you expected a robust growth in the portfolio, origination increases, but the volumes assigned perhaps will remain at a certain level.

Carlos Eduardo Guimarães: Well, our plan is the one we have now in assignment, level more or less at the level that we did in this last quarter, and the growth in origination, especially in vehicles and payroll loans, we're going to have a resumption. In the credit card, we haven't stopped working with the credit card, we had a reduction during the last two years, but we're ready to come back in a conservative fashion because although the credit card for our target audience, first, is not a business with high profitability, it has a very narrow margin. However, it is an important source for client engagement.

Beginning in the fourth quarter, we intend to work with more card origination with a lower average limit in a conservative fashion, seeking greater engagement with our clients.

Pedro Leduc: Excellent. Thank you very much and I wish you success.

Operator: Our next question comes from Flávio Yoshida, from Bank of America. You may proceed, Flávio.

Flávio Yoshida: Good morning, Cadu. Good morning, Inácio. Congratulations for your results. My question refers to the portfolio growth. In this quarter, we see an enhancement in origination vis-à-vis the second quarter, but below the first quarter of this year and the last quarter of 2022, and a credit assignment that has decreased. Now, origination continues to improve in the coming quarters, or do you think that it will remain at the level it is now? And what do you think about the volumes assigned or allocated? Thank you.

Carlos Eduardo Guimarães: Thank you for the question, Flávio. Now, regarding origination, in the third quarter we had origination very close to that of the first quarter of this year, and the average of the year 2022, R\$7.5 billion. But when we look forward, we foresee the possibility of growth in the production of vehicles. When I think about vehicles, they are both used and new vehicles, such as our business. There's room for growth, and there's room for growth in the payroll loan. Going forward, we will have a quarterly origination based on 7.5 billion upwards with a trend that is growing.



As I mentioned before, the level of assignment should be very close to what we achieved now in the third quarter, which is lower than it was in previous quarters. Now if we add these two effects, we expect a growth as a consequence of these effects, a significant growth of our portfolio throughout the year 2024.

Flávio Yoshida: Thank you. And simply a follow-up in vehicle origination, which in fact was quite strong. So, do you have greater appetite, or will it be competition with smaller players?

Carlos Eduardo Guimarães: I would say that the appetite is larger and greater assertiveness in this segment. We're comfortable with our modeling, with our credit policy, with our positioning, with the store owners, we have several instruments to increase loyalty with the store owners, we have Mobiauto, we also offer credit to store owners to have a turnover of their inventory. Everything that we have built in past years at present is excellent for vehicle financing.

As Inácio mentioned, in terms of new motorcycles, we have 32%, in terms of origination, we're by far the best, we also have 28% among used motorcycles, we're in the first or second position, we have 9% in vehicles, and in the coming quarters we hope to further increase our origination. This is a segment that we know well, we have been working with it for some time, and we're quite enthusiastic with the recent evolution not only in terms of credit modeling, but the experience with the product. We need very few calculations so that in 10 seconds we can tell the client if he or she is approved or not.

This has helped us get to where we are and to know that we have room for growth.

Flávio Yoshida: Thank you very much.

Operator: Ladies and gentlemen, we would like to remind you that should you wish to pose a question, please press * 1. To withdraw your question simply press *2.

Please, hold while we poll for questions.

Our next question is from Olavo Arthuzo, from UBS. You may proceed, Olavo.

Olavo Arthuzo: Good morning, Cadu. Good morning, Inácio, and good morning, team. Thank you for taking my questions. We have two questions at our end. The first is to explore the vehicle origination. I think that during your speech it wasn't made very clear which is the focus you have. I would like to gain a better understanding of origination in motorcycles, we're still at 40%, far from the historical average that we had of 20%.



So, the first question: what can we expect going forward regarding that mix of vehicles? And if you could also include your outlook what has happened with vehicle dealers. What is happening with them?

Carlos Eduardo Guimarães: Well, thank you for the question, Olavo. Regarding the mix between our origination of vehicles, it was close to 25% and 75% in the past, and the margin was 40% motorcycles and 15% vehicles, and this is what we expect to maintain this mix going forward. We have a very strong positioning in motorcycles, we always have. I have been in the bank for 11 years; we've always been first or second in terms of market share for motorbikes. We're very comfortable with this level and the eventual growth of financing in motorcycles.

We have a very good positioning at dealers that has been built during the years, a highly qualified product, and assertiveness, and prices, and sound credit. It gives us the comfort to continue on with this level. We don't believe there will be a change of mix between light vehicles and motorcycles going forward. Obviously, when you reach 32% of market share in motorbikes and 9% in light vehicles, we have more room for growth than light vehicles vis-à-vis that of motorcycles. But in motorcycles, there is room for growth because of our excellent historic positioning.

Olavo Arthuzo: Thank you. Thank you very much, Cadu. If you allow me another question, and I would like to hear your opinion, Cadu, about the credit cards. You have just launched Atmosfera and Estelar, what is it that we can expect in terms of strategy with these new cards? If you could speak about the client profile, the benefits that you will be offering, and how do they compare with other cards that you already have?

Carlos Eduardo Guimarães: Thank you. Thank you for the question. As I remarked, credit cards are a very important tool for client engagement, clients use them day after day, and we need to come back assertively to this business, and it is in this point of time that we find ourselves now.

As our clients have mid or lower income levels, and as I mentioned formerly, we would like to add part of the public of the B bracket in this new rebranding, and cards have a very tight margin, we have to be very assertive in credit. And in terms of financing as part of the credit card, you can pay in installment, especially for the one paid in installments, we don't believe very much in this product, the client can fully understand this, and regardless the discussion on the end of the credit, the moving credit, we're betting on a product that has no moving credit and help the client to understand the installments that have to be paid.

We will have a fixed parcel and a certain number of parcels, and this will help the client fully understand his or her finance. So, basically these two cards, Atmosfera is for a somewhat lower income bracket, then Estelar for much higher revenue levels.



And in both cards, we're going to explore the issue of build-your-credit. The credit will have a certain limit, and we will set forth rules so that the client can enhance the credit limit through time. We believe that this is a very good strategy, it will help the client to achieve higher limits basically by further using the bank, and of course, there will be several benefits offered through the card, benefit at the movie theaters with significant discounts in all of the theater rooms, Kinoplex, Cinemark throughout Brazil, a 50% discount in cinema tickets, 50% discount in drinks and popcorns. For a couple that goes once or twice a month to the movies, of course, this is a very, very good benefit for the client.

Now, beside the card, we're also quite enthusiastic with what we have created in the current account. I am a great user of our current account app and the card app, and I dare to say that in the market it's very difficult for anybody to have a better experience with Pix compared to what we have in the bank, and this is what we want to offer to our clients; a financial benefit and the time benefit, which also translates into money, of course, cash.

We're quite happy with the integration of products and channels that we have built and the credit card, of course, is an important tool to bring together this strategy. When we look at our figures, part of the lack of evolution of engagement doubtlessly is due to the strong reduction that we had in credit cards in the last two years. And now is the time for a resumption, a very cautious resumption because the credit card business, regardless of the changes that are being forecast for the future, tends to be a volatile business for our audience, of course, because you can divide the credit card business into several semi businesses, but with assertiveness in credit and without having parcels or installments, it's difficult to balance the credit card business.

Olavo Arthuzo: Well, thank you simply to make it clearer, you spoke about Estelar card as for the higher income bracket. Could you give us some figures of the bracket you're referring to?

Carlos Eduardo Guimarães: R\$4,000 to 5,000 per month and upwards.

Olavo Arthuzo: Thank you. Thank you, Cadu, for your answers.

Operator: Our next question comes from the webcast, from Anai Rios, from Santander Ban?

"I would like to gain an understanding of your expectations for the growth of portfolio and if there's a goal in terms of mix. Additionally, which initiatives are you undertaking to increase the B-2-C origination?"



Carlos Eduardo Guimarães: Well, thank you for the question, Ana. When it comes to the mix going forward, what we expect is maintaining the mix we have at present where vehicles represent 50% of our portfolio. The growth will come mainly through two pillars: an increase in origination, especially of vehicles and payroll loan, a reduction of assignment compared with what we did in the past; and the growth strategy for origination in B-2-C in FGTS, 65% of our origination is B-2-C, 35% B-2-B. And in payroll loans, 30% is B-2-C, and 70% B-2-B.

But we have built through time, and the application of course is not fundamental component in our growth strategy for B-2-C, is to add products in the app so that we can increase the B-2-C in a scalable fashion. Recently, we added two products, semi product of payable loan, we have portability, we have loans and much more. All of these products are now part of the app, and this is the most scalable sales tool. With the integration of products and channels and the enhancement in our application, we expect to grow the B-2-C origination at the bank.

Operator: Our next question comes from Eric Ito, from Bradesco Bank. You may proceed, Eric.

Eric Ito: Good morning, everybody. Good morning, Inácio, Cadu and Rafa. Thank you for taking my question. We have two questions. The first, I would like to explore the following: you will have stronger origination in the coming quarters, perhaps stronger than this quarter, we also have assignment with lower spreads. Now this quarter, for example, we have the commissions for origination maintaining the bottom line more stable. When can we expect a more significant expansion of the ROE? And which are the levels of enhancement that you expect? What is behind this?

My second question, I would like to explore the payroll loan market with lower rates or aggressive tactics in the market. What are you expecting in this market?

Carlos Eduardo Guimarães: Well, thank you for your questions, Eric. First of all, regarding the commission, this was a quarter with a higher origination. In B-2-B originations, we pay high commission, and the rest of the commission is paid throughout the existence of the contract. Now, this commission is higher, commission is due to a higher origination of payroll loans this quarter.

In terms of new entrant in the payroll loan, we have been speaking about this for some time already. The businesses that we work with, payroll loans, vehicle, FGTS and cards, these are very, very competitive businesses. We now have a new market entrant, and we have to be prepared, we are to continue to compete in a highly competitive environment. We're enthusiastic with what we have been building and what we will build in terms of differentials going forward to work and to have success in the mega competitive environment.



We will have one, two or three more competitors in FGTS, we have a new one every day, and despite this, we continue to be the highest originator of FGTS in Brazil. This is part of our business to work in competitive environment. We respect the competition, we respect new entrants, we carry out a great deal of surveys to always be updated and at the forefront of this highly competitive environment.

Eric Ito: Thank you, Cadu. If you allow me a follow-up in origination of payroll loans. Are you thinking of decreasing the share and working more with a digital card to eliminate the pressure of commissions perhaps?

Carlos Eduardo Guimarães: Well, in truth, the alteration of B-2-B is a profitable operation, there is an accounting issue that initially it brings us a loss, we have the commission, we still don't have the interest rate, but in the long term it is a profitable operation. We're not going to decrease the B-2-B in absolute terms, we're going to increase the B-2-C so that the mix between B-2-B and B-2-C will be similar to what we have in FGTS; 40 for B-2-B, 60% for B-2-C.

And as we have funding and capital to address this is growth, we would like to change the mix and not reduce the production of B-2-B, it's a profitable business we are fond.

Eric Ito: Thank you. Thank you, Cadu.

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

Should you wish to pose a question, please press * 1. To withdraw your question from the queue, press * 2. Please, hold.

As we have no further questions, we will now end the question-and-answer session. I will return the floor to Mr. Carlos Eduardo Guimarães for the closing remarks.

Cadu, you may proceed.

Carlos Eduardo Guimarães: Oh, simply a minute. It seems we have a new question that we're checking up on.

Operator: Our next question comes from Brian Flores, from Citibank. You may proceed, Brian.

Brian Flores: Good day to everybody and thank you for taking my question. You were ready to leave the call. Which is the pace of growth of commissions? We see that in the interannual comparison, there was an acceleration and you're close to 9 billion. So, which is the pace that we should observe going forward? Will it be in the



low digits or the higher digits? And which of the drivers of this growth? Thank you very much.

Carlos Eduardo Guimarães: Well, thank you for the question, Brian. Now, this commissions come from the production of B-2-B, and the B-2-B commission was a function of the margin that we have in the payroll loan business. I'll give you an example. Given the reductions of margins that we saw recently, it means less cost of funding, there was a reduction in the ceiling of payroll loans and a reduction of funding for two years. So, our main adjustment variable in B-2-B to balance out the profitability of the business is to reduce the commission paid to the bank correspondent.

Presently – and this is not what appears in the figures, but – presently, in what we are producing at present, we are at one of the lowest historic levels in the payment of commissions to bank correspondents because of the tighter margin. We are at very low margin now.

How does this appear in our balance? Part of the commission is paid head on, this hasn't changed, but what we pay throughout time has been reduced. Now looking forward, if we continue on with the presently scenario, we expect a reduction in the line-item payment of commissions because of the lower levels vis-à-vis last year.

Brian Flores: Well, thank you. Thank you very much.

Operator: As we have no further questions, at this point, we will end the question-and-answer session. I will now return the floor to Carlos Eduardo for the closing remarks.

Carlos Eduardo Guimarães: Thank you very much to all for your attendance. We hope to see you again in three months.

Operator: The Banco Pan conference call ends here. We would like to thank all of you for your attendance, have a good day and thank you for using Chorus Call.

