



**International Conference Call  
Banco Pan (BPAN04)  
4Q22 Earnings Results  
February 8<sup>th</sup>, 2023**

**Operator:** Good afternoon, ladies and gentlemen. At this time we would like to welcome you to the Banco Pan conference call to discuss its fourth quarter 2022 results.

The audio and slides from this conference call are being simultaneously broadcast over the company's IR website [www.bancopan.com.br/ri](http://www.bancopan.com.br/ri). The presentation is also available for download. Please be advised that all participants would be in a listen-only mode during the company presentation and during this we will go on to the Q&A session when further instructions will be provided.

Should any of you require assistance during the conference call, please dial star 0 to reach the operator. Be advised that forecasts of forward-looking statements made herein are subject to risks and uncertainties that may cause expectations not to materialize or differ from what we expect. These forecasts only speak as of the date they are made.

Present with us today are Mr. Carlos Eduardo Guimarães, the CEO of the bank, and Mr. Inácio Caminha, Head of Funding and IR.

I will now turn the floor over to Mr. Guimarães. You may proceed, Sir.

**Carlos Eduardo Guimarães:** Thank you everybody and thank you for your participation in another conference call.

We begin in page #2. Despite the challenging scenario, we have stable profits with diversifying revenue sources, we have had a very conservative origination stance, our credit strategy is growing with 90% of collateralized products, we have boosted the B2C channels while sustaining strong capital base.

During the year we are working with new products in the app with the integration of Mosaico and Mobiauto and the revenue of services.

We go on to slide #3. Our total number of clients grew 39% reaching 23.7 million clients, we ended the year with a credit portfolio of 39 billion and a transaction volume for the quarter of 22.7 billion. Our net income for the quarter has remained stable at R\$191 million with a 1% growth per year.



On page #4 we highlight the outlooks for 2023. We're expecting an expansion and there has been a reduction in delinquency trend throughout 2023, we will continue to be conservative in credit, highly focused on products that are good and with restrictions when it comes to the credit card. We're going to see the diversification of channels increasing the relative share of B2C. We will gain the fishery and continue to seek growth, engagement and monetization as a tripod.

I would now like to give the floor to Inácio, who will give you greater detail in terms of our figures.

**Inácio Caminha:** We go on to slide #6 where you see the evolution of our client base that stands at 23.7 million, we added a million and some new clients during the quarter, and here you see the evolution since the end of 2020 increasing the client base threefold, and this is what motivates us.

We go on to slide #7 to speak about engagement, where we have a very important agenda that we have been pursuing. The bank is unique thing with B2B, B2C channels and we're going to present this vision to you. At the end of the year, 66% of clients were active and improvement observed because of the greater number of products and services we have implemented, the total cross-sell index ended at 2.1, we have 7 million Pix keys registered and the transaction volume of 22.7 billion for the quarter. So this engagement agenda of course depends on transactionality, which will increase during 2023.

A strong origination in the last quarter focused on collateralized products, the payroll loan increasing 6% in the quarter thanks to Auxílio Brasil, we originated 1,300 billion for these payroll loans. Vehicles with 2,7 billion and FGTS loans also very important with practically 1 billion, totaling 9.3 billion for the quarter, an all-time record that we observe in this series.

Now of course this has taken our credit portfolio, on slide 9, to having greater growth, also associated to a lower volume of credit granting, 8% more during the quarter, 9% more for the year, payroll loans and FGTS responsible for 46% of the total, vehicles 17 billion with 43%, which means that in our balance 90% of our credit is collateralized as part of these 39 billion.

We have been harping upon this for some time. Our credit card portfolio at present is more restricted and has moved back somewhat during this quarter.

Now to speak about delinquency rates on slide #10, we were conservative beginning in the fourth quarter of 2021. In 2022 we had a very harsh year, we worked with a very defensive mix reducing the number of credit granting, and we had mentioned during the first quarter that we would remain stable at the levels of that time and in



fact this has materialized. In 2023 we expected a reduction and we ended at 7.1% and 8.3% in terms of the delinquency base.

Now when we speak about clients with credit, on slide #11, we had considerable growth, an acceleration of our pace in the fourth quarter with collateralized products more specifically, and this of course reflects our diversification strategy in terms of products and channels, the diversification is important in these more difficult scenarios, we ended with 12.6 million clients with credits at the bank, with a growth of 30% year on year.

We have a full offer of products available in our app, as well as contracting through other B2C channels using WhatsApp, for example, besides what we complement with our B2B partners.

On slide #12 we show you our fee revenue. We had a significant growth in 2022 totaling 1 billion, and in the year we had a growth of 40%, part of our revenue diversification strategy as mentioned at the beginning and we're going to continue to pursue growth, more diversification and product, enabling our clients to have a more complete journey in insurance.

On slide #13 a significant evolution with premiums, with the launch of new products and a higher penetration of clients. We ended the year with 2.2 million clients with active policies, and in the fourth quarter 170 million were originated through premiums.

Cards on slide #14, I think that the trend becomes very apparent, a change that we made in the fourth quarter, between the third and fourth quarter of 21, we went from 708 million cards issued in the third quarter and ended the fourth quarter of 22 with 137,000 cards sold. It's not only a change in stance being more conservative that show the reduction of issuance, but also a reduction in the limits in existing cards. This has an impact on the size of portfolio, the TPV, the 34.6 billion transacted in the fourth quarter, it is our understanding that credit cards are important for engagement and we do have several features that were enhanced and will continue through 2023.

In slide #15 we offer you some details of our e-commerce through Mosaico. Our marketplaces are very important for this full banking and consumption journey, we reach 1 billion GMV in the fourth quarter, a take rate of 8.7%, generating 98 million in revenues and this is a revenue that is fully integrated in our app in the Mosaico channels and we're enhancing the possibility of selling ever more credit, product and services on these platforms.

On slide #16, Mobiauto is also part of our marketplace environment, we have observed a significant evolution and the contribution that it has had in this construction of financing or funding a car has been fantastic. Mobi is responsible for



5.9% of the funding that we offer. One year before, at the beginning of this joint operation, we stood at 1.4% and this has increased during the year, we have 220,000 cars announced approximately, and more importantly than the vehicles, we have observed growing revenues, almost 15 million revenues coming from Mobiauto for this quarter, and this is a way of contracting vehicle, not only through Mobiauto, but also through our logistic partners, and we stand out in the market because of this, we're able to offer a good experience to the client with 3 pieces of information, and this enables us to have a better relationship with partners and have a better conversion with funding and financing.

To speak about financial highlights on slide 18, we have seen a resumption of our net interest margin, we reach 9.2% coming from 8.2% in the previous quarter. Of course, we consider the margin as a whole as the net cost of credit, we have had a step backwards because of the reduction of issuance. Now this is a business that we will continue to work on, to manage capital and liquidity, it is important for us. When we look at the quarterly results, margins reaching 1.8 billion, 16.9% or 15.2% if we exclude the allowance. In net provision expenses 558 million, important for the portfolio, and we're very comfortable with these levels, we expect a slight retraction in this for the coming year.

In terms of expenses, we had an increase because of origination. If you look at the breakdown of personnel and administrative expenses, there has been a step backward, we have 1 million of net results, stable vis-à-vis other quarters with 11.5% of ROE. In annual results, we show you the vision of our indicators, we have a resilient diversified business with a very strong margin, reaching 7.5 billion during the year compared to 6.6 billion in 2021. There was an important increase in net provision expenses in 2022, we hope to reduce this in 2023.

And in terms of expenses, interesting work that is underway, we're seeking efficiency gains that are greater constantly in administrative expenses, expenses with personnel that seem to be growing less, and along with our channel diversification strategy, we're going to have more revenues with these origination strategies, we had a flat result for the year, 773 million, because of our goodwill and a ROE of 12.2%.

Now to speak about equity and capital, we ended the year at 15.6%, we have a very strong base that will enable us to continue on with our strategy and leverage that banking and consumption strategy.

To conclude the presentation, as part of our ESG agenda, we would like to refer to the main achievements of 2022. We have had a significant evolution, we obtained a CDP rating, a B rate, a very good grade, to enter that level is quite satisfactory, we are also part of the ISE B3 portfolio and we're in the second place in terms of financial



institutions, a very important achievement, and of course, the evolution of our clients in the app thanks to the enhancement in the new journey and the new products and services we have included during the year.

We don't stop here of course, we have new commitments going forward, commitments to continue improving, we have adhered to ambition 2030 of the UN Global Pact and we expect to have strides in terms of women and top management and black people in management positions.

With this we would like to end the presentation and open the floor for your question.

### **Question and Answer Session**

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

Our first question comes from Pedro Leduc, from Itaú BBA.

**Pedro Leduc:** Good morning, everybody, or good afternoon. In truth, we have two questions. First, the growth of your portfolio, we have seen a strong increase this quarter in payroll loan. I would like to understand your mindset when it comes to 2023 when it comes to growth, if we should see more growth that began in the fourth quarter, more reductions, the payroll loan share and which are your outlooks for the growth of FGTS in your budget.

**Carlos Eduardo Guimarães:** Thank you, thank you for your question, Pedro. Regarding the growth of our portfolio, in 2023 we're going to grow the portfolio more than we did in 2022 as mentioned previously focused on the origination of collateralized products, we're working in a highly restrictive way with credit card. Now when it comes to assignment, this is something that we use to work with capital and funding, we of course observe market conditions in different periods, in the last quarter of last year we substantially reduced this assignment of loans because at that precise moment the market conditions were not ideal considering everything that we have to manage at the bank. Now looking forward, we're going to continue on with this assignment analyzing opportunities moment after moment when it comes to this assignment of loans.

In terms of the FGTS loans, another question of yours, we have approximately 15% of the market origination originating 350 to 400 million every month, we have heard some recent noise regarding this product, but we strongly believe that this is a very good product for the client and client doesn't have a discount month after month or



these are people who don't have access to credit and through a FGTS payroll loan they're able to take credit at very accessible prices.

Presently, there is a great deal of noise, once all this noise ends up being dissipated, we do think it will be an important product for the Banco Pan for individual persons in Brazil.

**Pedro Leduc:** Thank you, that was very clear. And of course, the fourth quarter was an important market moment and we understand your hedge at that point. If you allow me a third question referring to the quality of credit and the Social Security credit that does have a certain share in your portfolio, I was surprised with the increase in NPS for 90 days, I would like to know what is happening there and if the pace is appropriate, if you will continue provisioning as you have done so, or if it will have to be higher than what we have seen in previous quarters?

**Carlos Eduardo Guimarães:** I would make a separation, our portfolio has products with credit risk and others with a traditional credit risk, I'm going to leave aside the FGTS and the payroll loans that are not subject to the normal delinquency coming from more difficult market conditions, this is a very small part of the bank. The increase that we had, the strongest increase in delinquency rates in 2022 were in credit cards, and although credit cards are products that are five times less than vehicles, at the end of the year they did have a significant impact on our NPS last year.

As you must have seen in the presentation, our portfolio is 3.6 million, we have been slowing down with this product because what we believe happened in the market as a whole and obviously among those clients that do not belong to the high income bracket was an offer of credit cards, and clients do not have a financial education to know how to use their card. Because of this we had an increase in car delinquency not only in Banco Pan, but in the market as a whole, not only in the high income bracket, in the third quarter of 2021 we began with our adjustments reducing the origination, the number of cards, the limits when issuing the card, and also reducing the limit of cards that had been granted previously.

Now in the fourth quarter the level of delinquency once again arises from the credit card, we have a portfolio of 3.6 million that is dropping, most of this portfolio has been properly provisioned and during the year this impact will have a trend to be reduced, vehicles also increase the delinquency rates throughout 2022, and in 2023 we think delinquency rates will tend to increase with a certain characteristic, we're able to charge for a fee and reprice the risk. In the fourth quarter we increase the production of vehicles, we're comfortable with our vehicle business and we can once again grow even though we expect an increase in the delinquency rates.



The delinquency rate similar to what we had in 2022 with a difference in the price of course.

**Pedro Leduc:** Well, thank you, Cadum thank you very much.

**Operator:** Thank you. Our next question comes from Rafael Frade, from Citibank.

**Rafael Frade:** Hey, good day to all of you, and let's go back to the credit cards. You have underscored that you have become ever more conservative when it comes to credit cards since the end of 2021, and of course you have had stability in the former quarters, and we have already heard an explanation about what happened in the fourth quarter. Now regarding your expenses with origination during the quarter, we would like to understand why your expenses are somewhat higher, they're higher than the growth itself for origination. Thank you.

**Carlos Eduardo Guimarães:** Well, we'll begin with the answer on credit cards. Since the end of the third quarter 2021, we're originating less and reducing the credit card limits. Differently from other products, when you originate a single time and then you have the payments, month after month a credit card has origination and obviously there is this origination and the credit capacity is impacted by the macroeconomic situation of Brazil.

So, what have we done? We're holding back the portfolio, holding back new issuances. Now for those clients who have a credit card with us, the prices will change. It's not a reduction of exposure, we have a reduction of delinquency rates at that precise moment, what we're doing is to reduce exposure, and this is what we have been doing through time. The macro situation of our clients, not only our clients, but other clients as we have followed up in other institutions, has deteriorated through time because of an excess of credit offer, an excess of credit cards being offered, and this happened significantly throughout the year 2022.

What did we do? We were more restrictive with origination and we enhanced the management of the credit cards to reduce exposure, our exposure is lower vis-à-vis last year and we have less delinquency rates compared to last year. This of course means lower exposure for 2023 and 2024. At least this is our reading of the credit card segment.

The second question, origination expenses. Basically, they were higher because we originated more credit interaction in the fourth quarter vis-à-vis the third quarter. The cost is very variable, it's a business that is highly connected to production and our production was not good in the fourth quarter, that is why we had higher origination expenses.

**Rafael Frade:** Oh, thank you very much.



**Operator:** Thank you. Our next question comes from Gustavo Schroden, from Bradesco BBI.

**Gustavo Schroden:** Good afternoon and thank you for taking my question. I have two questions once again. Well, and broad figures of course, what is it that we can expect in terms of NII growth for 2023, if it will be what you have had, above or below? And your expenses in the credit card portfolio and in terms of Opex, simply so that we have a foundation to know what it is that we can expect in your main lines when it comes to growth and evolution.

My second question is somewhat more specific, it refers to the line-item Others. This quarter it seems that we have a difference there, a negative result of 120 million and a positive result of 48 million, and of course this ends up having an impact on the bottom line. At least this is our reading. So, if you could give us more explanation if there is a non-recurrent expense, simply an explanation would be very interesting. Thank you.

**Carlos Eduardo Guimarães:** Let me begin here with the NII. We do expect an increase of NII for 2023, our vehicle origination throughout 2022 had a higher rate for clients, well, not the rate for clients, the gross spread was relatively higher than it was in 2021 basically because we expected to have greater losses as part of that pricing, so the NII in 2023 will be above that of 2022, and the size of our provision we expect to have slightly lower provision expenses vis-à-vis what we had in 2022. We had an increase of 40% year on year in our fees revenue. And when it comes to revenues, we don't expect a significant growth for the team this year, we do want to gain operational leverage, grow and maintain the same costs.

As I mentioned previously, the origination does have some variable expenses and the more we originate, the more this expense will grow, but the other expenses which is where we gain operational leverage, we don't expect to have a substantial growth, we do expect to have a growth of revenue and portfolio as a result of this.

Now to go on to your second question, our Other revenues, well basically in Other revenues the line items are fraud and the recovery of fraud. Throughout the year we have been working towards reducing the expenses with fraud in our business, learning ever more from this, of course we have to be very attentive to fraud with the advancement of digitization with digital banks, we have less cost to service your client. On the other hand however, frauds are scalable and more hazardous than they were in the past, so we're being very cautious with this. Our level of fraud has been reduced and we also have had a greater recovery of previous frauds.

I will give you an example: part of our origination for payroll loans is done through bank correspondence, we have contracts with these correspondence, commercial negotiations where we charge for the reimbursement of fraud and we have been





doing this quite constantly, it's another way of gaining operational efficiency in cost, not the traditional way, but in operations originated by third parties. These two line items explain the difference between the third and fourth quarter. It's not a one-off event, we will continue to gain efficiency in cost we will continue to work on the reduction of fraud going forward. This is part of the bank management.

**Gustavo Schroden:** Thank you, Cadu, thank you very much, that was very clear.

**Operator:** Thank you. Our next question comes from Carlos Daltoso, from Eleven.

**Carlos Daltoso:** Good afternoon, Cadu and Inácio. We have two questions here referring to the outlook for your results. I think we've spoken a length about the credit cards, how they have been reduced through time. Now given the dynamic in the last quarter, which is your dynamic for a reversion, when will we see a greater pace of growth? And when it comes to the tripod of the business, how are you going to work with the monetization of the base? You have a greater penetration of credit per client, you're working with cross-selling. If you could further explore this strategy for the monetization of your base this year.

**Carlos Eduardo Guimarães:** Thank you and thank you for the questions. When it comes to the PDD expenses with credit cards, we expect a significant drop beginning in the second semester of this year. The first three months we'll have a default rate very similar to those of the third quarter. After this, there will be a reduction because we're locking down the size of the portfolio and we're working of course with those clients that are worse, they will get to only 5% of default and in the second quarter we will reduce our expenses with this.

In terms of our growth and pace of growth, we began the digital bank only two years ago, and as everything that begins, there is a learning curve and we have been ever more using our origination to decide what type of client we want to attract, we're always seeking for engagement and amortization. Now having said this and considering the scenario we live in, we have decided to reduce our pace of growth, an important product for engagement are credit cards, and presently we're not comfortable in expanding our credit card portfolio, so we have a two-year learning with a digital bank, a more restrictive credit card that we have at present and because of this we have decided to reduce the level of growth of our business.

Well, we speak about this in-house a great deal, we have a very large client base, we have several potential clients, prospective clients that we could explore, we have to increase engagement, and alongside with this we're working with the transactionality of clients. Now the transaction levels have had a good increase, and another point we would like to explore further is the share of wallet of our clients, approximately 10 or 15% at present, we would like to reach 25% of credit penetration among our clients.



So growth doesn't only mean having new clients, it means to explore the client base that you already have, the clients that are not active will be activated, we're going to launch more products, all of this represents growth and we're optimizing this after our two-year learning period.

**Carlos Daltoso:** Thank you, that was very clear. Thank you very much.

**Operator:** Thank you. Our next question comes from Pedro Leduc, from Itaú BBA.

**Pedro Leduc:** Well, thank you for taking my follow-up question. I have two quick questions. At the end of 2022 you signed an agreement with BTG in terms of what you can sell, R\$10 billion of portfolio in the next 24 months. What would these portfolios be about. Are they overdue portfolios, payroll loan portfolios? That's the first question.

**Carlos Eduardo Guimarães:** Well, we signed an agreement with BTG Pactual, BTG is nothing more than a new player to acquire portfolios and to provide funding to the Banco Pan. These are extended portfolios of FGTS, payroll loans, additional portfolios that have been sold during the last three or four years. BTG is a new player seeking to optimize its capital and funding and they will be able to acquire this portfolio that has interesting profitability for them, and we're going to choose which will be the best option here at Banco Pan. We're always pursuing diversification. And in terms of assignment, it's a diversification of counterparts. Formerly we would work with several counterparts, BTG is now a new counterpart, it's only a possibility, we won't necessarily assign this to BTG, there may be new institutions so that we can make better choices when it comes to these loan assignments.

**Pedro Leduc:** Thank you, thank you, that will be good for both parties. And I would like to know if Banco Pan has any initial comments of which could be a program with the government in terms of indebtedness for the lower income brackets. I know you're participating in this process. What would be good for you? Which is your vision which so far has not been defined in terms of this?

**Carlos Eduardo Guimarães:** We have participated significantly in these discussions through BTG and Banco Pan, especially the discussion on the program Desenrola, which the government would like to set up, this is an excellent program, it makes sense, they're having some problems in making this operational, this would be positive for Banco Pan and for the market as a whole, we're taking into account that there will be more revenue for our clients because of this, a better payment capacity. We're not taking into account this in terms of our day-to-day management, this of course could materialize, but we're not taking this into consideration, a reduction of delinquency rates or having more revenue for these people, and this is a focus of the government to attempt to help within the possibilities this low income bracket audience.



Well, we have quite a bit of connection with this audience, but once again we don't have a full design, we're discussing this at a macro level and there is that will to help with the payment of their due debts or with new credit for this lower income bracket audience of one or two salaries.

So, we do have some clients that are part of this income bracket, we have followed up on this very closely, but we're not too excited that this could enhance our business. If it improves, wonderful, but we're not going to take this into account as part of the bank management.

**Pedro Leduc:** Well, thank you, thank you very much for your comments.

**Operator:** Thank you. We would like to remind you that should you wish to pose a question, please press star one. Please, hold while we poll for questions.

As we have no further questions, we will return the floor to Mr. Guimarães for the closing remarks.

**Carlos Eduardo Guimarães:** Once again, thank you all for your attendance. Should you have any additional doubts, simply call our IR personnel. We are at your entire disposal, and we hope to see you at our next conference call to release results.

**Operator:** The Banco Pan conference ends here. We thank all of you for your attendance, have a good afternoon.