

**Operator:**

Good morning, ladies and gentlemen, and welcome to Banco Pan's conference call to discuss the 1Q19 results.

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

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

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

Now, I will turn the conference over to Mr. Inácio Caminha, Investor Relations Superintendent, who will begin the presentation. Mr. Inácio Caminha, you may begin your conference.

**Inácio Caminha:**

Thank you, good morning to you all. Welcome to our 1Q19 earnings call. Let us begin the call talking about our digital strategy on payroll, vehicle loans and some improvements we had in 1Q.

We advanced in the omnichannel origination strategy, without physical barriers. On payroll loans, we launched an innovative platform that allows clients to hire loans through a paperless method, signing the loan with facial biometrics. This technology saves costs, enhances security, gives agility, improves efficiency and profitability thus creating an outstanding experience to everyone involved. This platform is available to all the brokers that operate with us. It is also available in all our points of service.

Regarding vehicle financing, we started to expand the origination of used vehicles through single-brand dealers. In addition, we also launched an exclusive app that allows credit reanalysis based on just a few information. As well as the online completion and tracking of all the credit proposals, increasing agility and providing a better experience for all commercial partners and clients.

So, these and other initiatives foster the increase in our productivity, cost fraud, delinquency reduction and also improve the engagement of all partners and clients.

In addition to our current products, we also will expand other sorts of products in 2019, becoming full digital bank. We will offer checking accounts and credit cards without fees and several other credit products and services for low-income individuals. Our purpose here is to change the view of our target audience regarding access to credits in banking services, offering credits at competitive rates, supported by our expertise in credit.

We believe the Brazilian market is in favor of this movement and has many opportunities, starting with a concentrated market, with a connected population and also considering that a large portion of this population suffers with high interest rates and low credit limits, with low penetration of financial services.

In addition to that, the Central Bank has shown a positive agenda to promote a more competitive environment. We already have 4.5 million active clients in an organic monthly flow that reached 130 thousand new clients per month in the 1Q. All that will back the implementation of those new projects.

Moving on to slide five, we present the financial highlights. We achieved a net income R\$96 million in the 1Q, growing 70% in 12 months. The ROE for the 1Q was 9.3%, and the adjusted ROE, which is a fairer way to assess the Bank operating the margin was 21% in the quarter.

Our credit portfolio ended the quarter at R\$21.8 billion, with payroll in vehicle portfolios growing by 24% and 21%, respectively, in 12 months, which generated a monthly average of R\$1.6 billion in new credits. Our NIM remained strong at 15%; at the end of the quarter, at a R\$4.2 billion equity, and 13.8% Basel ratio.

Regarding the quarterly results on slide six, the NIM, as I mentioned, is at 15%, R\$118 million in the quarter, increasing the share of carried revenues and reducing the credit without new results' contribution. Credits provision totaled R\$276 million in the 1Q, remaining stable over 1Q18 and also the last quarter. Here we see reduction to 5.3% of the credit portfolio, showing credit quality improvement.

Total expenses increased, mainly due to increase in payroll loans origination fees, related to higher volumes. Income before tax remained at a strong level reaching R\$127 million in 1Q and a net income R\$96 million, a significant increase, also benefited from a lower and effective tax rate.

On the next slide, we present our ROE. On the accounting base and also the adjusted unaudited ROE. The annualized was 9.3%, improving over both quarters. The adjusted ROE we have presented since last would have reached a net income of R\$147 million, and the adjusted equity of R\$2.8 billion. So, in this way, we get to the 21% for this quarter. These are two simple adjustments of two remaining legacies that properly show the Bank performing in the margin.

On the next page, we have the details of our origination. So, we granted R\$1.6 billion per month, totaling R\$4.8 billion in the quarter, increasing 70% over last quarter. Usually, the 1Q is seasonally stronger in payroll, for that we reached R\$923 million per month in new loans. Vehicle financing had an average of R\$414 million in new credits per months, stable when compared to the last quarter, but increasing 31% in 12 months. In credit cards, we had R\$252 million in transactions per month in the quarter.

On page nine, we show the composition of the credit portfolio. In the first chart, we see that Payroll Deductible remains as the largest portfolio, reaching R\$11.8 billion, increasing 24% in the last 12 months. Then we see Vehicle financing, with R\$7.4 billion, advancing 21% year over year.

Then we have the decline in Corporate Loans and Real Estate portfolios, with R\$930 million and R\$737 million at the end of the quarter. The Credit Card portfolio ended the quarter at R\$834 million and with all that the Balance Portfolio went up 6% over the last quarter, and increased 14% year over year, totaling the R\$22 billion debt received.

The originated portfolio, which adds up the portfolio assigned to Caixa, ended the quarter at R\$32.1 billion, and we tend to see an increase in the retained portfolio and a reduction of the assigned portfolio moving forward.

On page ten, we present the retail portfolio 90 days NPL, which improved over last quarter, reaching 5.3%, the lowest level since 2011.

Here regarding credits, we have been reinforcing our strategy of focusing on our clients' needs. So, we have been expanding the use of machine learning models to improve credit decision.

With these analyses, we can access more than 1,000 variables, considering structured and non-structured data, bringing the best credit alternatives to our clients. And also, agility and efficiency to our operations.

We also have been using digital platforms for collection, so in this 1Q, we recovered R\$137 million through digital platforms, representing more than 20% over our collections, bringing more dynamism and customization to negotiations, as well as saving costs.

In payroll, moving on to slide eleven, our strategy is to keep being a relevant player, focused on federal loans. We are figuring among the top five originators in the Social Security Program.

So, this quarter, we originated R\$923 million per month, totaling R\$2.8 billion in new credits. Out of those, 93% relate to loans and 7% to credit cards. Looking at the origination breakdown, we see an important share on federal risks, responding to 89% this 1Q, and the Social Security (INSS) alone represents 65%.

The portfolio ended at R\$11.8 billion, representing 55% of the total portfolio of the Bank. And in line with this digital strategy, the facial biometric allows the hiring of payroll loans 100% paperless, so in this way, the digital process makes the operation more efficient, safe and profitable.

We have expanded the solution throughout Brazil in April. And the digital formalization has achieved 80% of the eligible loans at our points of services. And 25% of payroll loans originated by the brokers. For that, we held eleven events throughout Brazil, reaching more than four thousand brokers to explain the platform, and the feedback was great.

On slide twelve, we present more details about the vehicle segment. Here, again, the focus on the operation is financing used cars, mostly between four and eight years of usage, and new motorcycles. So, in these two markets, we captured the benefit of our credit and collection expertise to optimize the risk/return ratio, also benefiting from the excellent relationship with our business partners.

We operate through multibrand dealers and, as I mentioned, we started, again, to operate with single-brand dealers only focused on used cars. In line with the digital transformation, we have developed an exclusive app with the simulator that allows credit pre-analysis based on just a few bits of information, bringing a lot of agility and a better experience for our commercial partners and clients.

These and other investments in technology have allowed a significant increase in productivity of our sales team, which has already advanced about 42% between June 2018 and March 2019. In motorcycle financing, we are the market leader, excluding a capture financing company.

And, again, we benefit from the credit knowledge we have, the long-term experience in this market, resulting in an excellent performance among low-income young adults. As I mentioned, the monthly origination average was R\$414 million in the quarter. And the portfolio increased, reaching R\$7.4 billion.

On page 13, we show the evolution of credit cards. We have been improving credit cards origination by issuing credit cards without fees. As a result, the issuances increased 24% on a year basis, compared to the 1Q18, leveraged, here, by a more efficient cross-sell through analytics and CRM analysis.

We intend to expand the origination through digital partnerships, so, marketplaces. This quarter, we launched an important co-branded digital card partnership with Méliuz, which is a local leader in the cashback market. Our strategy also contemplates capturing proposals directly from our website. So, in this sense, we made some relevant improvements on the website to facilitate the self-hiring process.

We have also invested in the improvement of our credit card app, expanding self-service, financial control features and expense monitoring. Since its launch, in 3Q18, we have had more than 350 thousand downloads. The portfolio ended the quarter at R\$834 million.

On page 14, we show the evolution of insurances. Here, we originated a monthly average of R\$22 million in premiums in the quarter, following the increase we have in vehicle financing origination, pretty much stable over last quarter.

The funding balance shown on slide 15 increased to R\$21.5 billion in March. Time deposits increased 66% in the last 12 months, reaching R\$10.3 billion. This expansion contributes to the diversification of our funding and also reflects the strong distribution we have through direct clients, and also through distribution platforms. It is also important to mention that, since 1Q17, we have increased the share of market funding, from 40% to 67% of total funding at the Bank.

On slide 16, we have information about capital. So, the Basel Ratio stood at 13.8%, with 11.9% being core capital in the 1Q, basically due to the increase of our credit portfolio. I think this quarter's results confirm the assertiveness of our strategy.

We started the new growth cycle, improving our current business with a greater operational efficiency in targeting, also with tailored credit analysis, according to each individual credit profile, and also expanding our credit products portfolio, always focused on our clients' needs and with a view of their requests.

With this, we conclude the presentation and open the line for questions.

**Operator:**

Since there seems to be no further questions, I would like to turn the floor over to Mr. Inácio Caminha for his final remarks.

**Inácio Caminha:**

Thank you, again, for your presence. Have a nice day, and I will see you next quarter.

**Operator:**

This concludes Banco Pan's conference call. You may now disconnect, and have a good day.

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