

### Operator:

Good morning, ladies and gentlemen and welcome to Banco Pan's conference call to discuss the 2Q16 results.

This event is also being broadcasted simultaneously on the internet, both audio and slide show, which can be accessed on the Company's IR website: www.bancopan.com.br/ir, 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. Please note this conference is being recorded.

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:

Good morning. I would like to thank you for participating in this conference call of Banco Pan and its companies for the 2Q16 results.

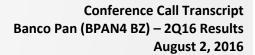
Beginning with the highlights on page three, we will see that the strong marketing retail credit origination average during the 2Q was R\$1.7 billion, 18% higher than the last quarter, driven by payroll loans.

The corporate loan book with guarantee ended the quarter at R\$3.4 billion, contracting over the last quarter due to market conditions. Our credit portfolio increased 4% in the quarter, closing at R\$18.2 billion, even considering the R\$2.1 billion in credit assignment.

Our managerial net interest margin was 11.8% in the quarter, in line with last quarter. This quarter funds posted a negative result of R\$128 million, and we will explore more the main drivers on the coming slide. Our equity stood at R\$3.4 billion, and our Basel ratio stood at 14%, with 10% core capital.

On the next slide we have the breakdown of the net interest margin and the net results. On the first table we can see that the managerial net interest margin was R\$628 million, or 11.8%. On the second table we go to the ALL expenses that reduced in the 2Q, mainly related to corporate loans, although retail already performed better.

On the operating revenues and expenses we made additional legal provisions resulting in more expenses, but strengthening our balance. The variation that we had in administrative expenses is strongly associated with the growth origination of payroll deductible loans, which generated higher expenses at time of origination, and we will





see in more detail in the next slide. Personnel expenses reduced, and we also have more details on that.

So, we presented an operational loss of R\$206 million in this quarter, and as a result we ended the quarter with a negative result of R\$128 million.

Moving forward to the next page, we have the quarterly retail origination and a table showing the average monthly origination by product. We granted R\$5.2 billion in retail credit in the quarter, representing a monthly average of R\$1.7 billion, 18% higher than the previous quarter, and 5% increase on a year basis.

Here we have some movement. Payroll boosted the total, as you can see in the chart, mainly through the INSS pensioneers, in total it reached an average of R\$850 million. Vehicles have been following the market movement, but it is still with a solid figure.

The credit card origination took advantage of the additional release of margins for the federal employees in the quarter, boosting the payroll. In terms of real estate credit, the home equity performed a little better nominally speaking, and consumer loans were a bit below.

On page six we present the credit portfolio breakdown. On the first table, we see that due to the strong origination in the 2Q and the credit assignment mix, payroll loans now represent 38% of the on balance portfolio; vehicle financing followed with a 28% share; and in third comes corporate loans with 19% including guarantees.

Among the three products, just payroll increased in both year and quarter. The other products account for 15% of the portfolio with a more relevant improvement on credit cards due to payroll loans credit card.

The portfolio ended the 2Q at R\$18.2 billion as we see in the lower left chart, increasing 4% in the quarter. And here our solid credit origination allowed us to manage our portfolio, adjusting the credit exposure through the credit assignment.

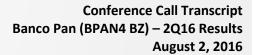
We see in the lower right chart that portfolio quality has remained in a good level due to our conservatism and improvement on our credit model.

On page seven we present the Bank's costs and expenses, segregating those related to origination. Personnel and administrative totaled R\$276 million this quarter. In personnel we see the reflection of the movements made in the bank, and in the administrative side we had more expenses with systems and also collections.

On the origination expenses, we see the effect of the growth of payroll origination. Here it is important to note that the short-term is heavier in terms of expenditures, but the operation generates less expenses in the future and also then we had the interest revenue as well.

In the chart below we observe the net ALL expenses. We observed an improvement in these expenses, with a greater relevance in corporate operations, although retail has also shown a positive movement.

Looking at the recovery, we noted the reduction, but this is related to not-having an irrelevant corporate recovery in the quarter.





On slide eight, we have information on the vehicle loans. As we can see on the top figure, we have maintained the origination breakdown, not only between products, but also by origin – between dealers and resellers.

The bottom left table shows the high diversification degree of our origination, with low concentration by economic group, for example, we have the ten largest groups accounting for only 11% of our origination.

The bottom chart shows the evolution of the quarterly origination, and the line shows the portfolio evolution. We granted R\$1.5 billion in this quarter, and the portfolio has been reducing due to the credit assignment that we have mentioned.

On page nine, we bring two charts with the evolution of the delinquency per vintage of vehicle financing, showing the improvement in light vehicles on the left, and also motorcycles on the right, still running much below past figures. And both charts show how the complete review in our credit model has worked out since 2011.

On the next slide, we present the evolution of payroll loans. We granted R\$2.5 billion in new loans, a 41% increase over last quarter, driven by pensioners and INSS. The payroll portfolio has evolved very strongly, reaching R\$6.9 billion. And looking at the breakdown, we see that the pensioners are the biggest individual segment, with 38% of our portfolio.

On page 11, we have the corporate loans portfolio. As a consequence of the scenario and lower demand from our clients, this portfolio reduced to R\$3.4 billion in this quarter. In the lower left chart, we have the diversification by industry, where the other group aggregates more than 30 segments. And also, when we look at the average ticket, we have around R\$10 million, which is also really diversifying in terms of economic group.

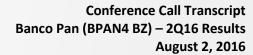
On the right side, we have the high quality of the portfolio, with 71% of loans rated between AA and C with an adequate level of guarantees.

On page 12, we see that Pan granted R\$79 million in real estate loans during this quarter, with a slight increase when we are looking at the home equity and also with a recovery in credit acquisition. The portfolio grew closing at R\$905 million.

On page 13, we show the transaction volume evolution of our credit card business. This product is increasing consistently, recording a transaction of R\$987 million in this quarter, an 18% increase over the same quarter of 2015. And here, this result was influenced by the contribution of payroll cards, which has doubled in volume over the last 12 months.

As for insurance on page 14, we presented a slight decrease in this quarter, reaching R\$40 million, following the movement in vehicle origination, which is the main source of premiums. As we can see, it represents 67% of our origination in terms of sources.

On page 15, we show the evolution of the consortium sales. This product presented a very good volume in the quarter, reaching R\$423 million in sales. And the breakdown between products here, we have 96% coming from real estate quotas. This has been the primary segment. Also, this product is important to increase our service revenues in general.





The funding shown on page 16 closed the quarter at R\$19.5 billion, almost on the same level of previous quarters. This quarter, we repurchased US\$43 million out of the US\$500 million subordinate bonds.

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

# Operator:

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

## Inácio Caminha:

Well, thank you again for your presence. Have a nice day and see you in the next quarter. Thank you.

### **Operator:**

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

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