

Operator:

Good morning, ladies and gentlemen and welcome to Banco Pan's conference call to discuss the 3Q17 results.

This event is also being broadcasted simultaneously on the internet, both audio and slide show, which can be accessed on the companies' IR website: 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:

Good morning. Welcome to the conference call for the disclosure of the results of Banco Pan and its subsidiaries in the third quarter of 2017.

Starting with the highlights on page 3. We see that PAN recorded a net income of R\$ 111 million, taking nine months result to a net income of R\$ 158 million. The loan portfolio ended the quarter in 18.8 billion, stable on the 12 months, with Retail portfolio increasing and Corporate reducing, in line with the Bank's strategy.

In the origination of retail, already considering the strategic repositioning, we originated a monthly average of R\$ 1.3 billion, lead by the Payroll loans which amounted for an average of R\$ 642 million per month.

Our annual Net Interest Margin was 16.8% in the quarter, in line with the last quarter and above the 14% of the 3Q16. We ended the quarter with a Consolidated Shareholders' Equity of R\$ 3.5 billion, and the Basel Ratio advanced to 12.2%.

As subsequent events, last week we announced the sale of our interest in Stone for R\$ 229 million, capturing a good opportunity, and yesterday we announced a Capital Increase of R\$ 400 million, which will reinforce our Capital and demonstrate the commitment and support coming from our controlling shareholders. And the Board of Directors has nominated Mr. Luiz Francisco Monteiro as new CEO for Banco PAN.

In the next slide, we have the composition of interest margin. The net interest margin was R\$ 867 million in the quarter, generating an annualized NIM of 16.8%, maintaining a strong level even with a lower volume of credits assignments in this quarter. The

Selic decline combined with a higher level of “active” interest rates have contributed to this result.

In the next slide we present our results, we see that loan provisions have increased a little bit, reflecting specific situations, remaining under control, which led us to a gross income of R\$ 590 million, an increase of 17% in 12 months.

On Operating Expenses, we did some provisions to strengthen our balance. On Administrative and personnel expenses, we notice the effects of a tough cost control, and we'll see more further on and we also reduced the origination expenses.

Our Income from Operations totaled R\$ 21 million and we had a profit of R\$ 111 million in the quarter. Considering the year's accumulated result, we have reached a Net Income of 158 million.

On page 6 we have the retail origination details. Here we can see the reflex of the strategic repositioning adopted by PAN in relation to some of its products, such as the decision to discontinue the origination on new vehicle dealers.

We granted R\$ 3.8 billion in retail credit in 3Q17, representing a monthly average of R\$ 1.3 billion. The payroll loans had an average origination of R\$ 642 million per month, with a significant participation of INSS.

In vehicles, we generated R\$ 275 million per month. In credit cards, R\$ 269 million were transacted during the 3Q17 on institutional cards, and R\$ 59 million in the payroll cards.

On page 7, we show the composition of the credit portfolio. In the first table, we see that payroll loans remains as the largest portfolio, with R\$ 7.7 billion. . Then we see the Vehicle portfolio with R\$ 5.8 billion ... And, next, comes the declining Corporate portfolio with R\$ 2.4 billion.

The Payroll Credit Card remained stable at R\$ 1.2 billion, with an increase in 12 months, and the other products account for 9% of the portfolio. In the lower left chart we see that the retained credit portfolio has remained stable during the year, with an increase of the Retail Portfolio. In the quarter the contraction is mainly related to the decrease of the Corporate Loans. The originated portfolio, which adds up the portfolio assigned to Caixa, ended the quarter at R\$ 36.7 billion.

On slide 8 we show the quality of the retained portfolio. In the first chart, we notice that our 90 days NPL ratio has remained relatively stable in the last quarters, reflecting our conservative credit policies.

In the lower left chart, we see the evolution of net provisioning expenses, which, besides the slight increase in this quarter, remains under control. Regarding the credit collection, we keep reaching good results with some low cost initiatives.

Looking the lower right chart, we see the evolution of the AA-C ratings of the retail portfolio, totaling 93%, highly concentrated between AA and A. On page 9, we present a breakdown of the bank's costs and expenses, segregating expenses related to the origination.

Personnel and administrative expenses totaled R\$ 275 million in this quarter reducing 7% on the year, with a significant influence of the 20% contraction in personnel expenses in the past 12 months... Reflecting PAN's strong efficiency control.

The bottom left chart reflects this evolution, showing the decrease in the number of employees over the last quarters, as well as the bottom right chart which shows the evolution of personnel and administrative expenses in relation to the originated portfolio.

The reduction in origination expenses in the quarterly comparison is mainly related to the lower percentage of commission and the origination volume in this quarter. In the next slide we show the evolution of payroll-deducted credit, both loan and credit card.

In the quarter, Pan originated a total of R\$ 2.1 billion. As we assign part of the origination, the portfolio closed at R \$ 7.7 billion. Along with credit cards, the portfolio reaches R\$ 9 billion, 47% of PAN's total credit portfolio.

Analyzing the origination breakdown, the INSS represented 62%. When we include federal government and the army forces, the federal risk responds to 91% of this production. In the rest, we have a great diversification.

On slide 11 we have information about the vehicle segment. In the graph above, we see the origination, which is in line with our strategic goals, focusing on multi-brand car dealers and motorcycles, with R\$ 825 million in the quarter.

The table below shows some information about our origination in these segments, for example, the high downpayment ratio. The Bank's repositioning has increase significantly the vehicle financing spreads.

On page 12, we see the corporate loans portfolio, which is running off. We closed the quarter at R\$ 2.4 billion, maintaining an appropriate risk diversification with high pulverization of the portfolio among different economic industries and groups, besides its considerable level of guarantees. The 10 largest clients jointly accounted for only 3% of PAN's total portfolio by the end of September.

On page 13, we show the evolution of credit cards and insurance. In the credit cards, the portfolio ended the quarter at R\$ 928 million, which R\$ 299 million are with interest.

And in insurance, we originated R\$ 47 million in premiums, the same volume as the last quarter. Funding, shown on slide 14, closed the quarter at R\$ 19.2 billion... showing an increase of markets investors on time deposits. Our Digital platform keeps growing.

In the last slide we have the information about capital. Our Basel ratio rose 0.6 percentage points to 12.2%, with 9.0% of the Tier I capital. Considering the R\$ 400 million Capital Increase announced yesterday September's capital would go to 14.4%, bringing comfort to the implementation of Basel III, and demonstrating the commitment and support from our controlling shareholders.

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:

With that, we conclude the presentation and open the line for questions. Again, thank you for your presence. Have a good day and see you on the next quarter.

Operator:

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

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