**Operator:**

Good morning, ladies and gentlemen, and welcome to Banco Pan's Conference Call to discuss the 1Q17 Results. This conference is also being broadcasted simultaneously on the internet, both audio and slide show, which can be accessed on the company's IR website, which is www.bancopan.com.br/ir and Engage-X platform with the respective presentation.

We would like to inform you that all participants will be in a listen-only mode during the company's presentation. After the Company's remarks are completed, there will be a question-and-answer session. At this time, further instructions will be given. Should any participant need assistance during the 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 materially 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 would like to turn the conference over to Mr. Inacio Caminha, Investor Relations Superintendent, who will begin the presentation. Mr. Inacio Caminha, you may begin your conference.

**Inacio Caminha:**

Thank you, good morning to you all. I would like to thank you for participating in this conference call of Banco Pan and its subsidiaries for the 1Q17 results. Beginning with the highlights on page three, you will see that Pan maintained a strong retail credit origination averaging R$1.9 billion growing 4% over last quarter and 27% over 1Q16.

Our credit portfolio reached R$20.1 billion even with portfolio assignments in the amount of R$2.6 billion growing then 5% in the quarter. Retail credits rated between AA and C improved reaching 93.3% of this portfolio.

The corporate loan portfolio with guarantees ended the quarter at R$3.2 billion. Our annualized managerial net interest margin was 18.7% in the quarter. And in this quarter, Pan posted a net income of R$3.7 million. The quarter ended with a consolidated equity of R$3.4 billion.

In this quarter we decided to discontinue the origination of vehicle financing in dealers, due to lower margins and also because of smaller scale, we also discontinued heavy vehicles financing and the home equity products. The securitization operations are still active with Brazilian Securities.

On the next slide, we have the NIM breakdown. It increased 10% in the quarter to R$983 million improving due to the mix of credit assignments which totaled R$2.6 billion in this quarter, also due to the greater retained credit portfolio and to the drop in the SELIC rate resulting in that annualized NIM of 18.7%.

On the next slide, we have net results breakdown. Analyzing the first quarter, we start with the interest margin and below we have the credit provisions which totaled R$328 million increasing here mainly due to corporate and construction and development loans which is a phase out portfolio this -- the last one.

The gross results of financial intermediation presented a significant improvement, growing 11% in the quarter more than doubling in the year due to the volume and to the mix of the credit assignments. I think the payroll loans portfolio has higher spreads than the vehicle one. In the administrative expenses we can see nominal maintenance, both in the quarter which represents a stronger reduction in real terms, and this reduction in real terms also occurred in the year.

Another thing here that the bank's strong origination performance in payroll loans and the conclusion of the transition on the accounting rules for this type of origination expenses explain the increase in these expenses in the quarter. Thus, operating results stood at R$18 million with a net income of R$3.7 million in the quarter.

On the next page, we have the quarterly evolution of the retail origination in a table showing the monthly average of credits originated by products. We have granted R$5.7 billion in retail credit in this 1Q, representing a monthly average of R$1.9 billion which was 4% more than last quarter and 20% higher than in the 1Q16.

The payroll remained at a strong level with the significant share of INSS totaling R$615 million per month. The origination of vehicles already showed a small reduction due to the changes that I've mentioned, reaching a level of R$520 million per month. In credit cards, the volume of transactions totaled R$308 million in this quarter. And these smaller products complement the monthly volume of R$1.9 billion.

Moving on to page seven, we present the credit portfolio's breakdown. In the first table, we see that payroll loans continue to grow nominally, accounting for 42% of the retained portfolio, with R$8.4 billion. Then we have the vehicle portfolio, which increased to 5.6 billion. In third, we see the corporate loans, which remained stable at R$3.2 billion.

The payroll credit card reached R$1.1 billion and the other products account for 9% of the portfolio. The retained portfolio rose 5% in the quarter, 15% in the year, closing at R$20.1 billion, as shown in the lower left chart. Even with the assignment of R$2.6 billion without recourse.

On the right side, we present the evolution of the originated portfolio that reached R$39.5 billion, which considered in addition to the retained portfolio, the entire portfolio that we have originated and assigned without recourse. The portfolio as a whole increased 15% in 12 months.

On slide eight. We have the quality of the retained portfolio. Our 90 days NPL stood at 7.5% in the phase out movement of the Construction and Development portfolio impacted this indicator. Without it, it would have been 6.6%. Another way of seeing this improvement is to look at the NPL for retail. That continues to fall and represents 85% of the banks total portfolio.

In the lower left chart, we observe the evolution of the net expenses provisions, which increased because Construction and Development loans and also Corporate loans were strengthened in terms of provision, and these -- the Corporate loans presents good diversification and good guarantees, giving the comfort to go through the process of delayed provisioning and recovery.

Looking at the chart next to it, we see the evolution of the AA to C ratings of the retail portfolio that reflects the results of our credit policy. On page nine, we present the bank's cost and expenses, segregating the expenses related to credit origination. Personnel and administrative expenses totaled R$293 million in the quarter, nominally stable, but the improvements in real terms if we consider the inflation in the period. And also all the layoff costs related to the personnel adjustments done in the 1Q17 as we can see in the lower left chart.

The lower right chart shows the result of the efficiency improvements we have achieved here at the bank showing the evolution of the personnel and administrative expenses in relation to the originated portfolio. On the origination expenses we see the combined effect of the stricter accounting rule in 2017. Now that the transition phase has ended and also the higher volume of new payroll loans which presented an increase in the quarter and also in the last 12 months comparison.

On the next slide, then we present the evolution of the payroll loans. Pan granted R$3 billion in new loans in this quarter and assigned -- even assigning a portion of the origination, the portfolio reached R$8.4 billion. Here we had the impact of the increase in minimum wages which enabled us to increase our origination with the additional margins.

Analyzing the production, the INSS represented 65%. And if we include the federal government and armed forces, we reach to 87%. The remaining share has a high degree of diversification.

On slide 11, we have information on vehicle loans. As we can see in this top chart, the origination we treated for reasons that I have already mentioned. And the portfolio increased due to the mix of the loans assignment. The bottom left table show -- show some information on the origination by segment. It's important to highlight here that profitability is the main focus of our operations and not market share which will lead us to target light used and motorcycles from now on.

The bottom right table shows the high diversification degree of our origination with low concentration, whereas, the 10 largest groups, for instance, account for only 8% of our origination.

On page 12, we see that corporate loan portfolio remained stable, both in total at R$3.2 billion, and also without the Construction and Development loans, at R$2.6 billion. In the pie chart, we can see that the high diversification of the portfolio by industry is present with 25%, representing more than 30 segments.

And also related to corporate loans, on next slide 13, we have more details on this portfolio, showing the diversification and the short duration. 80% of it is related to economic groups with balance below R$20 million and 62% of it matures in the next 12 months.

On page 14, we show the evolution of credit cards, segregating between the institutional and the payroll credit card. The seasonality of the first quarter has a strong impact in the institutional cards, and the total volume of transactions totaled R$925 million in the quarter. The portfolio reached R$1.5 billion, highlighting the payroll credit card.

On page 15, we have the data from insurance premiums originated by Pan, which advanced in the quarter due to the greater penetration in the vehicle credit insurance, reaching a total of R$58 million. As we can see in the right chart, the vehicle credit insurance responds to 72% of total origination.

The funding, shown on page 16, closed the quarter at R$20.8 billion, growing 5% over the last quarter and 8% over the 1Q16. Today is an important day for us, because we are launching a new app called PAN Investimentos, enabling new clients to open investment accounts with us in a very straightforward way, 100% online to make investments at very attractive rates.

On the last slide, we show our capital. Our Basel index stood at 11.3%, with 8.1% Tier 1. The greater impacts for the reduction were the phasing of Basel III and also the subordinate bond decaying. But we have a comfortable position to manage our capital through the operational agreements that we have which allows us to assign credits without recourse and this is part of the bank's day to day operations.

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

**Operator:**

This will conclude the question-and-answer session. I would like to turn the floor back over to Mr. Inacio Caminha for his final remarks.

**Inacio Caminha:**

Thank you again for your presence. Have a good day, and see you next quarter.

**Operator:**

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