

Operator:

Good morning, ladies and gentlemen and welcome to Banco Pan's conference call to discuss the fourth quarter of 2017 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 everyone. Welcome to the conference call for the disclosure of the results of Banco Pan and its subsidiaries in the fourth quarter of 2017. Starting with the highlights on page 3. We see that PAN recorded a net income of R\$ 55 million, taking the annual result to a net income of R\$ 213 million.

The loan portfolio ended the quarter at 18.6 billion, with a slight decline in 12 months, with Retail portfolio increasing and corporate reducing, in line with the Bank's strategy. In the retail origination, considering our strategic repositioning, we originated a monthly average of R\$ 1.3 billion, lead by the Payroll loans which amounted an average of R\$ 720 million per month.

Our annual Net Interest Margin was 17.5% in the quarter and 16.6% in 2017, above the 13.6% in 2016. We ended the quarter with a Consolidated Shareholders' Equity of R\$ 3.6 billion, and the Basel Ratio advanced to 13.3%. As mentioned on our last call, we sold our interest in Stone and announced an R\$ 400 million capital increase.

This capitalization will take the shareholders equity to R\$ 4 billion and we are on the final steps, only waiting for the Brazil Central Bank's approval. Along with that, the renewal of the Shareholders' Agreement, valid for another 9 years, demonstrate the commitment and support coming from our controlling shareholders in the execution of our Business Plan.

Our net interest margin moved forward 22%, totaling R\$ 3.6 billion in 2017, reflecting the good spreads of our operations. The credit provisions has remained stable in R\$ 1.1 billion in the annual comparison, showing the strong credit granting process. As a result, the Gross Income from Financial Intermediation presented an important expansion of 35% in 2017.

Regarding the Administrative and personnel expenses we can see a nominal decrease of 3% in the annual comparison, with an even higher decrease in real terms. The slight increase on origination expenses are related to the final adjustments to the accounting rule of commissions, that we'll see further on.

The income before tax presented a considerable improvement in the quarterly and annual comparison, registering a net income of R\$ 55 million in this quarter and an accumulated Net Income of 213 million in 2017. In the next slide, we present an overview of our main business lines.

During 2017 we took some strategic decisions, discontinuing some business lines and focusing in segments that we are strong, with a highly dedicated and capable commercial team, and a sound Market position. Regarding Payroll-Deductible, we operate with both, loans and credit cards, to public servants and INSS pensioners (mostly federal).

In vehicles, we decided to focus in the origination through multibrand dealers, financing vehicles mostly up to 7-8 years of use. We also finance motorcycles, with a specific and profitable credit profile. We also operate with credit cards and Insurance, which represents a smaller portion of our portfolio.

As a consequence of our strategic repositioning, the Corporate, Real Estate and Personal Credit portfolios are in run-off, with a dedicated team to smoothly manage this process. We operate granting credits all over Brazil, with a great concentration in the South-east and South regions, counting on more than 6 thousand multi-brand vehicle dealers and almost a thousand brokers originating Payroll loans.

We ended 2017 with 4.3 million active clients, 2.2 million credit cards and 2.1 Thousand employees. On page 6 we present the details of our retail origination, in line with the strategic repositioning mentioned.

We have granted 3.9 billion in retail credits in 4Q17, representing a monthly average of 1.3 billion. During 2017, the monthly average origination was R\$ 1.4 billion, and, more important than the volume is the spreads, that have been contributing to the good performance of our interest margin.

In 2017, the payroll loans had an average origination of R\$ 842 million per month, with a significant participation of INSS pensioners. In vehicle financing, the average was R\$ 342 million. In credit cards, the transaction average was R\$ 269 million per month.

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\$ 8.9 billion, then we see the Vehicle portfolio with R\$ 5.9 billion and, next, comes the declining Corporate portfolio with R\$ 1.7 billion and the Real Estate portfolio with 1 billion. The Credit Card remained stable at R\$ 1 billion.

In the lower left chart we see that the retained credit portfolio has presented a slight decrease, mainly due to the decrease of the Corporate Loans and Real Estate portfolios. The originated portfolio, which adds up the portfolio assigned to Caixa, ended the quarter at R\$ 35.6 billion.

On page 8, we show the quality of the retail portfolio. From the chart, we notice that our 90 days NPL ratio has remained relatively stable when compared to the last quarter, presenting a slight improvement in the annual comparison. 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\$ 272 million in 4Q17 and R\$ 1.1 billion in 2017, presenting a reduction in nominal and real terms. In the bottom left chart we show the decrease in the number of employees, with a substantial reduction in 2017, generating lay-off's costs. From 2018 on, we expect to capture the effect of these adjustments and we'll continue to seek efficiency gains going through a digital transformation at the bank.

On the origination expenses we notice the final adjustment related to Central Bank accounting rule of commissions upfront and a decline on the differed commissions. 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\$ 720 million per month, totaling 2.2 billion in new credits, approximately 90% from loans and 10% from credit cards.

Regarding the credit portfolio, the balance of loans closed the 4Q17 at R\$ 7.7 billion because of the credit assignments. Along with credit cards, the portfolio reaches R\$ 9 billion, 48% of PAN's total credit portfolio.

Analyzing the origination breakdown, we can see an important concentration on federal risk, responding to 87% of the 2017 origination, the INSS represented 60%, showing the quality of our origination. The origination in states and municipalities has been reduced over the years and are carried out with a strong analysis of its financial situation.

On slide 11 we present more details about the vehicle segment. As we can see in the graph, the monthly average origination presented a slight increase in the 4Q17, to R\$ 291 million, totaling R\$ 873 million in this quarter. The vehicle increased, ending the year at R\$ 6 billion.

The top right table brings some information about our origination in these segments, as the origination volume, average tenor and the high down payment ratio, confirming the good quality on credit concession. It is worth mentioning that the profitability is the main focus of our operation.

On page 12, we show the evolution of credit cards and insurance. The credit cards portfolio ended the quarter at R\$ 978 million and in insurance, we originated a monthly average of R\$ 15 million in premiums in the last quarter.

The funding, shown on slide 13, closed the quarter at R\$ 17.9 billion, with an increase of Time Deposits from market investors and a reduction in the Interbank Deposits from Shareholder. Besides that, our Digital platform keeps growing, contributing to the diversification of our funding.

On slide 14 we have the information about capital. In 2017 our Basel ratio rose slightly to 13.3%, with 9.8% of the Tier I capital. Considering the R\$ 400 million Capital Increase December's capital would have been 15.6%, bringing comfort to the implementation of Basel III.

In the next slide, we have a summary of our institution. 2017 has been an important year for us and we want to summarize why we are a unique and attractive bank. We have strong and committed shareholders', which gives us support in the execution of our business plan. Our executives and team have a lot of experience and contribute significantly to our success.

We are very well recognized and positioned in the markets that we operate and where we have become a relevant player, both in payroll deductible and vehicle financing, our main products. One of our main strengths, especially regarding the relationship with our brokers, is our ability to rapidly adapt given our agile structure and we have been implementing a digital transformation aiming to provide a better experience to our clients, gaining agility and reducing costs.

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

Operator:

Ladies and Gentleman, we will now begin the Q&A session. If you would like to ask a question, please dial *1. If at any point your question has been answered, you may remove your question from the queue by pressing the # key.

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:

Once again, thank you all for the presence and 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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