

# *Earnings Results*

Banco  
**PAN**

4Q18

A photograph of three business professionals in an office setting. A man in a white shirt and glasses is pointing at a laptop held by a woman in a dark suit. Another person is partially visible in the background. The scene is brightly lit, likely from a window.

# *Disclaimer*

This presentation may include statements representing expectations about future events or results of Banco PAN. These statements are based upon projections and analyses which reflect present views and/or expectations of the Management of the Bank with regards to its performance and to the future of its business.

Risks and uncertainties related to the bank's businesses, to the competitive and market environment, to the macro-economical conditions and other factors described in "Risk Factors" in the Reference Form, filed with the Comissão de Valores Mobiliários, may cause effective results to differ materially from such plans, objectives, expectations, projections and intentions.

# Strategy – Full Digital Bank

## Implementations:

- Origination without physical barrier (**scalability**)
- **Omnichannel** plataforma
- **Paperless** formalization
- Signature with **facial biometrics (pioneer)**
- **Open API** for partners
- New service channel

## Benefits:

- **Productivity** Increase
- **Cost reduction**
- **Loyalty of partners**
- **Fraud reduction**
- **Reduction of default rate (NPL)**
- **Self-service** increased



## Digital origination by 2019 (year end)

(*paperless + facial biometrics*):

- **100% for Vehicles**
- **100% for payroll at our points of service**
- **30% for brokes**

+ than 300 dedicated people





# Strategy - Full Digital Bank

## Opportunity

- Concentrated market
- Connected population
- Unsatisfied customers: high fees and low credit limit
- Unbanked population with low penetration of financial services

## Value propositions for customers

- Current account and credit card without fees
- Credit platform and full service
- Assertiveness for credit limit with competitive rates

## Competitive Advantage

- Capital e funding available
- Experience in credit in diferente economic cycles
- Strong presence in core markets
- Large customer base (4.3mm) and monthly flow of new customers (80k)

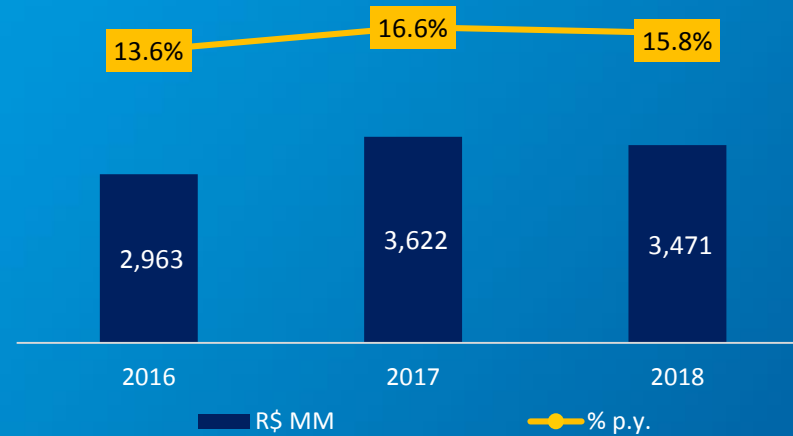
## Highlights

- ✓ Income before taxes of **R\$456.9 million in 2018**, up **80%** from R\$253.3 million in 2017;
- ✓ **Net income of R\$73.6 million in 4Q18**, versus net income of R\$49.1 million in 3Q18 and R\$54.9 million in 4Q17;
- ✓ **Net income of R\$221.5 million in 2018**, versus net income of R\$212.6 million in 2017;
- ✓ **Managerial net interest margin** of **15.5% p.y. in 4Q18** and **15.8% p.y. in 2018**;
- ✓ **Adjusted ROE** of **17.3% p.y. in 4Q18** and **15.5% p.y. in 2018**;
- ✓ The Credit Portfolio ended 2018 at **R\$20.6 billion**, moving up **4%** over the previous quarter and **10%** over the previous year;
- ✓ **Monthly average retail origination of R\$1,489 million in 4Q18**, up **4%** in the quarter and up **15%** in the year;
- ✓ Shareholders' equity ended the year at R\$4,096 million and the Basel Ratio at **14.1%**.

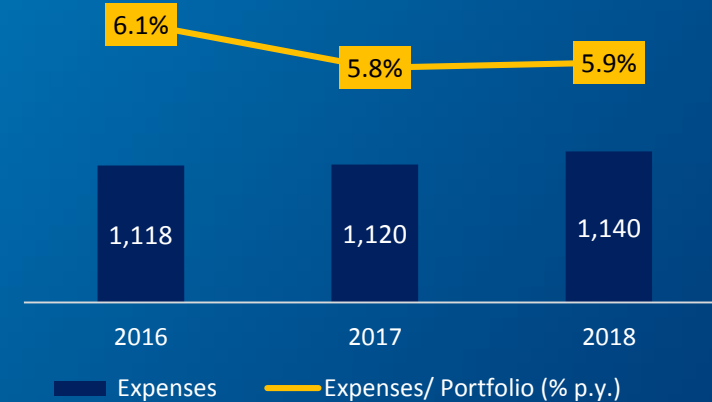
# Results

Strong interest margin and increase in income from operations

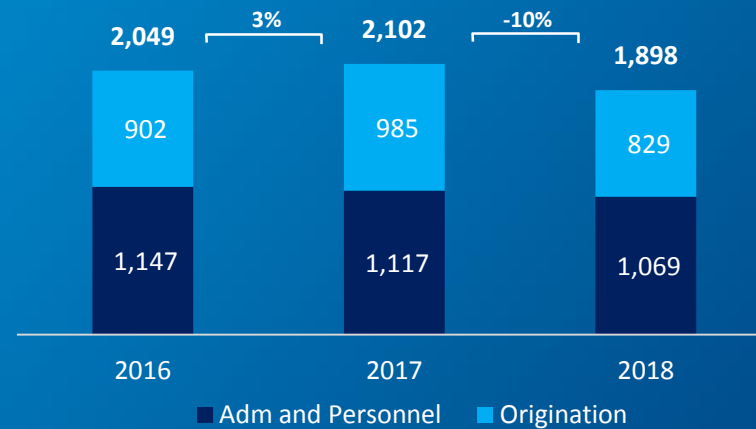
### Net Interest Margin



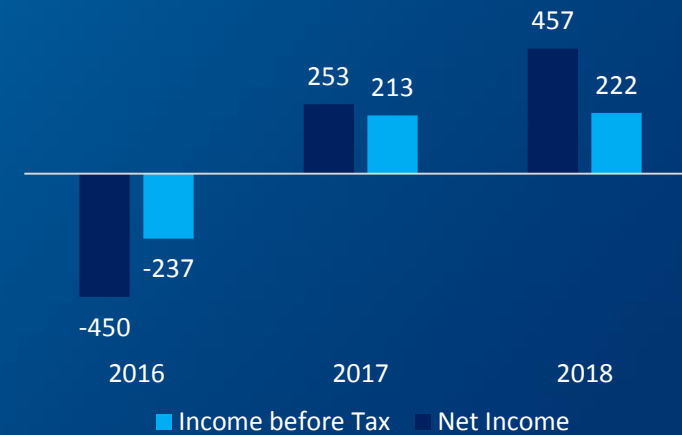
### Credit Provisions



### Expenses



### Results



# Return

## ROAE and Adjusted ROAE (unaudited)

<b>R\$ MM</b>	<b>2017</b>	<b>2018</b>
Net Income	212.6	221.5
Excess of Financial expenses (net of taxes)	100.2	161.9
DTA Sale Result	(102.5)	-
<b>Adjusted Net Income</b>	<b>210.5</b>	<b>383.4</b>
Average Shareholder's Equity	3,484.0	3,825.9
Excess of DTA related to losses	1,377.7	1,347.1
<b>Adjusted Average Shareholder's Equity</b>	<b>2,106.3</b>	<b>2,478.8</b>
<b>ROAE (p.y.)</b>	<b>6.1%</b>	<b>5.8%</b>
<b>ROAE Adjusted (p.y.)</b>	<b>10.0%</b>	<b>15.5%</b>

ROAE (unaudited) adjusted by 2 legacies:

(i) withdraw the excess of financial expenses from fixed rate time deposits issued between 2005 and 2008 (average maturity by 2023), compared to what PAN pays for the same term in the market; and

(ii) exclude from shareholder's equity the excess of deferred tax assets related to losses compared to banking sector average arising from the accounting inconsistencies found in 2010 and result from DTA sale in 2017.

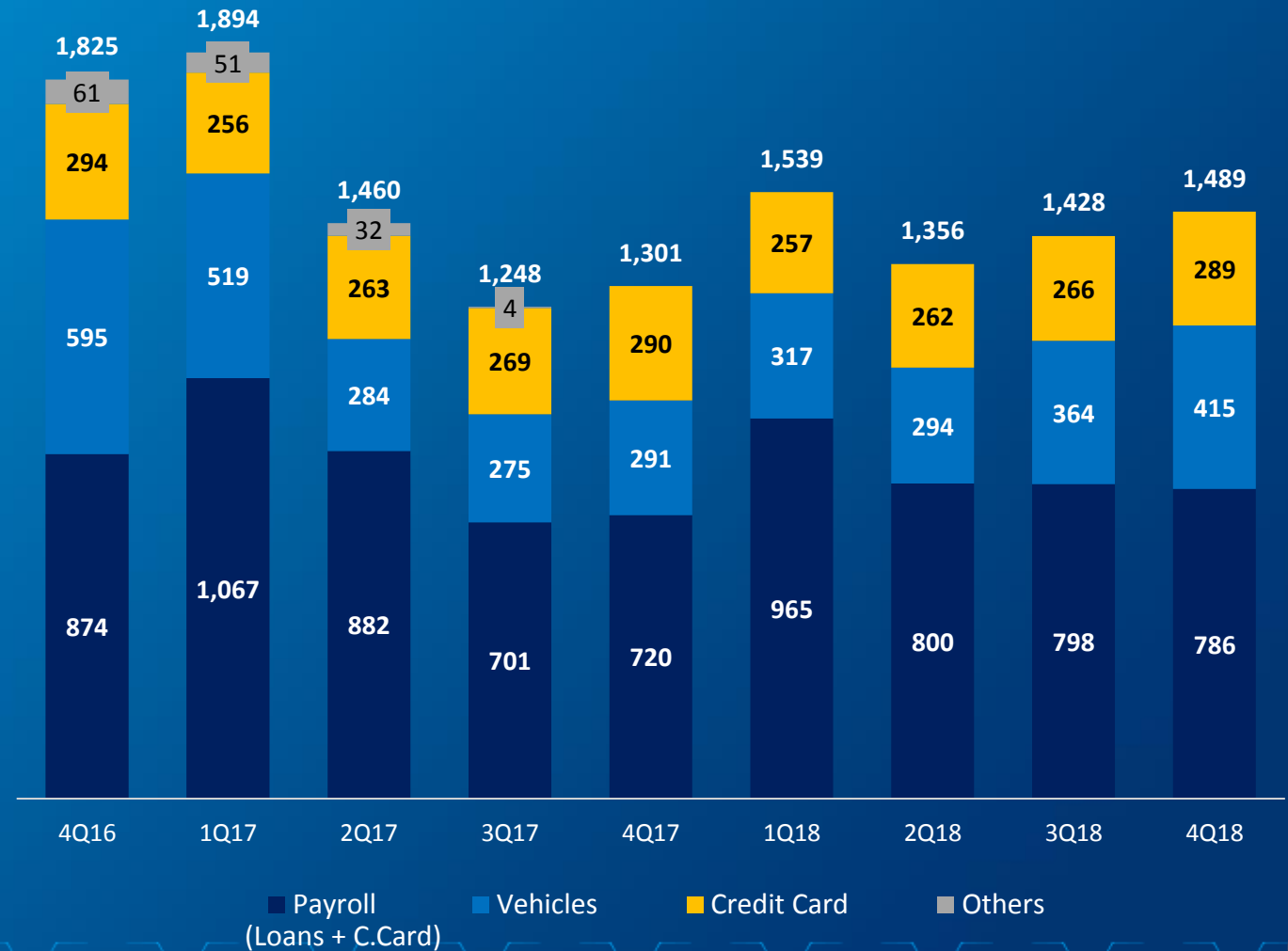




## Strategic Positioning

## Retail Credit

Monthly origination average (R\$ MM)



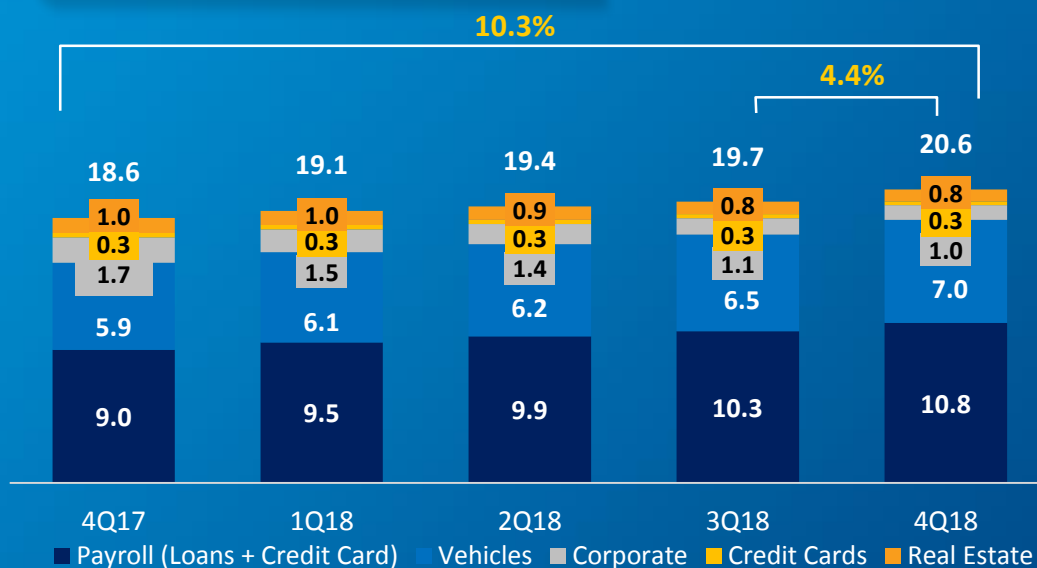


# Credit

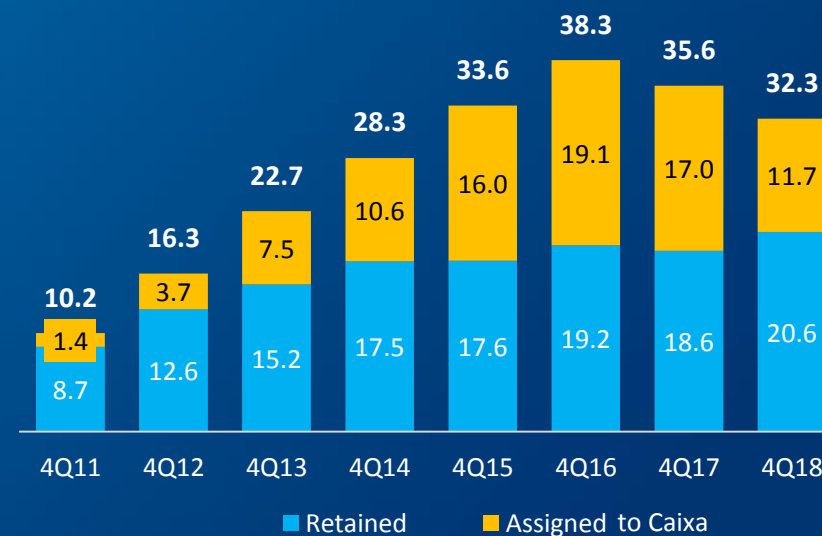
## Portfolio

R\$ MM	4Q18	Part. %	3Q18	Part. %	4Q17	Part. %	Δ 4Q18/ 3Q18	Δ 4Q18/ 4Q17
Payroll Deductible (Loans + Credit Card)	10,824	53%	10,212	52%	9,009	48%	5%	20%
Vehicle Financing	6,980	34%	6,543	33%	5,906	32%	7%	18%
Corporate Loans	995	5%	1,114	6%	1,699	9%	-11%	-41%
Credit Cards	877	5%	832	4%	916	5%	5%	-4%
Real Estate	802	1%	849	4%	1,016	5%	-6%	-21%
Others	97	-	102	1%	99	1%	-5%	-2%
<b>On Balance Credit Portfolio</b>	<b>20,574</b>	<b>100%</b>	<b>19,704</b>	<b>100%</b>	<b>18,645</b>	<b>100%</b>	<b>4%</b>	<b>10%</b>

On Balance Portfolio (R\$ Bi)



Originated Portfolio (On + Off Balance) (R\$ Bi)



# Retail Credit

## *quality*



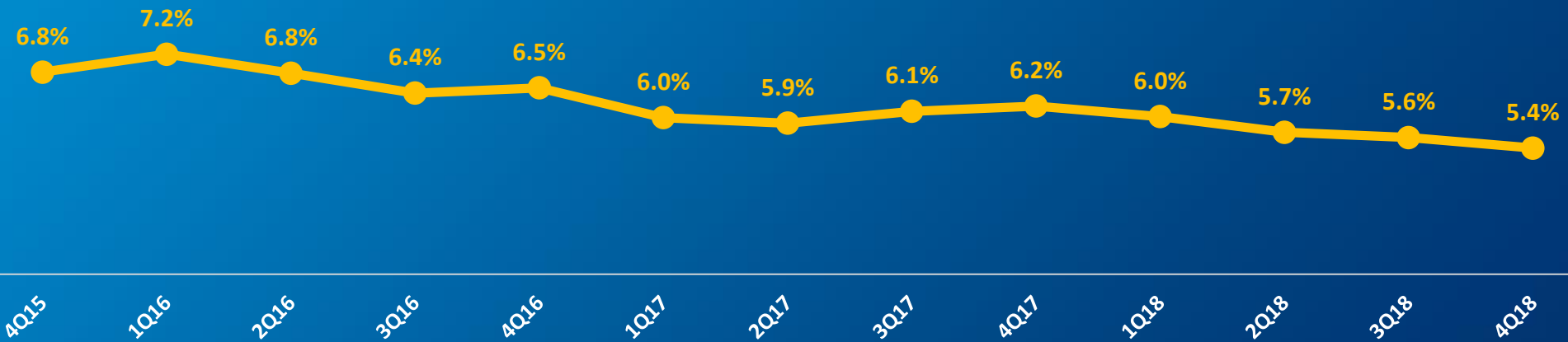
Machine Learning models

Unstructured Data

Intensive use of analytics

Collection increased through digital channels (more than 20% share)

### 90 days NPL (%)



# Payroll-Deductible: Loans and Credit Cards

Origination focusing on federal risk

## Overview

Operations exclusively with public employees and INSS retirees and pensioners (**market top 5**)

Average ticket of R\$ 6.0k

Duration of **35 months**

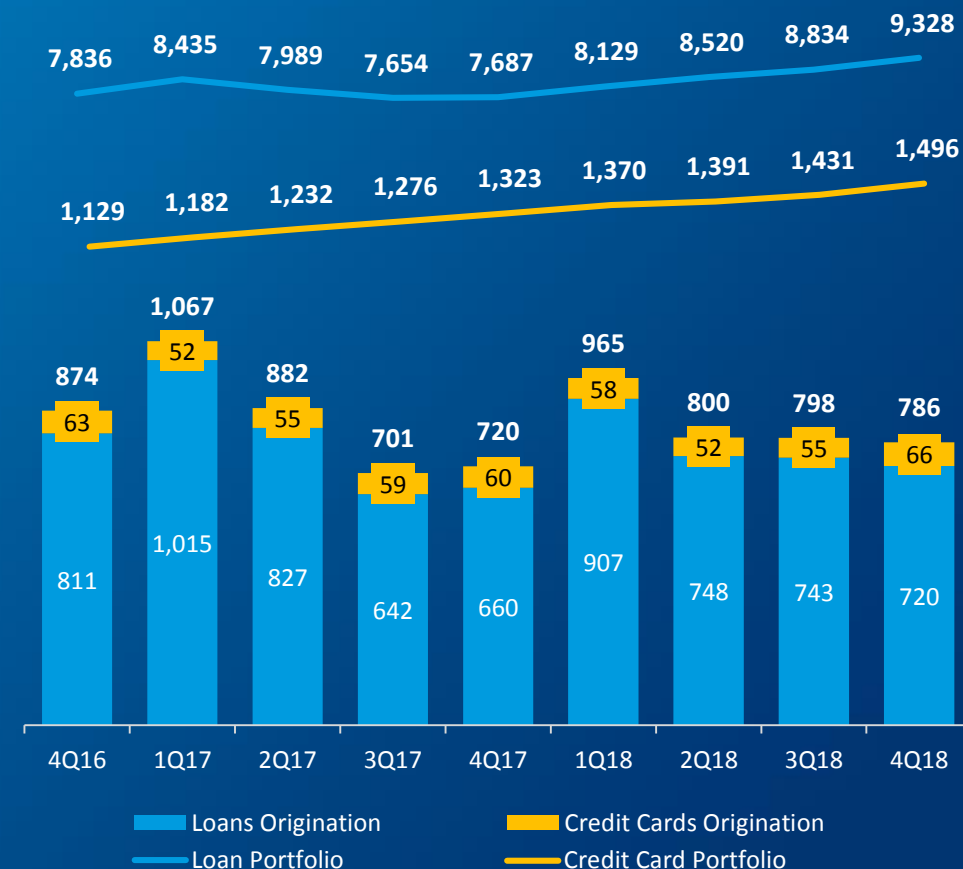
## Origination by segment (Loans and Credit Cards)

	2018	2017	2016
<b>Federal</b>	<b>88%</b>	<b>88%</b>	<b>74%</b>
INSS	62%	62%	52%
SIAPE	16%	15%	12%
Armed Forces	10%	11%	10%
<b>States</b>	<b>11%</b>	<b>11%</b>	<b>22%</b>
<b>Municipalities</b>	<b>1%</b>	<b>1%</b>	<b>4%</b>
<b>Total</b>	<b>9,486</b>	<b>9,433</b>	<b>9,360</b>

**Digital Origination (own points of service): 15%**

## Evolution of portfolio and monthly avg. origination

(R\$ MM)





# Vehicle

## Financing



### Overview

Credit and collection expertise

Present in **7,176** multi brand vehicle dealers

Average ticket of **R\$ 24.3k**

**Digital: 40%** increase in sales team productivity in 6 months

Duration of **18 months**

Average LTV of **62%**



### Information on Origination

	Light		Motorcycles	
	4Q18	4Q17	4Q18	4Q17
Origination (R\$ MM)	995	691	249	162
Average tenor (month)	46	46	40	40
Downpayment	40%	38%	25%	22%



### Evolution of portfolio and monthly avg. origination

(R\$ MM)



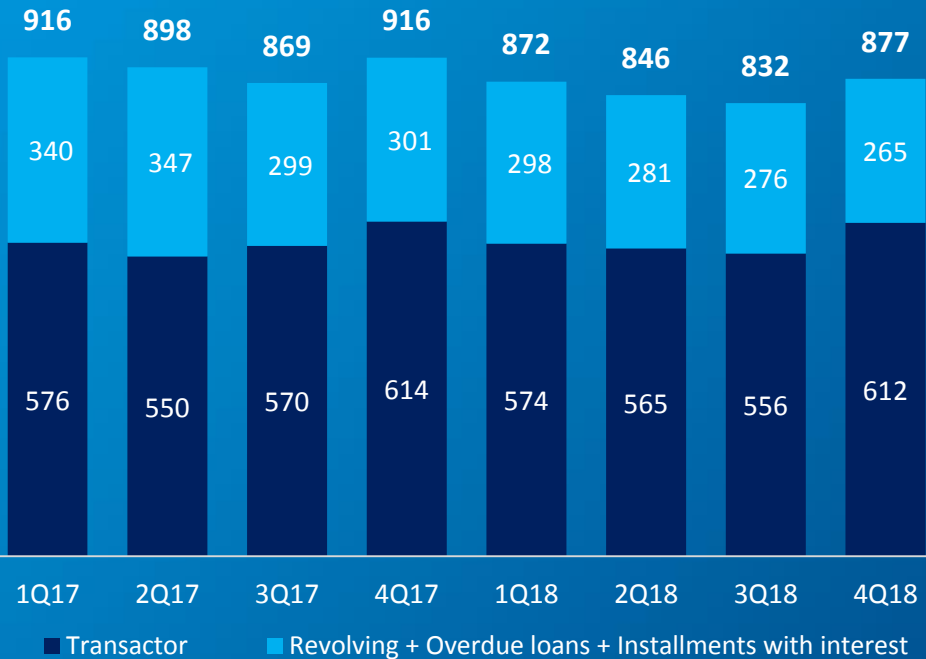
1<sup>st</sup> on motorcycling financing origination volumes excluding captive financial companies

# Credit Cards



## Credit Card Portfolio

(R\$ MM)



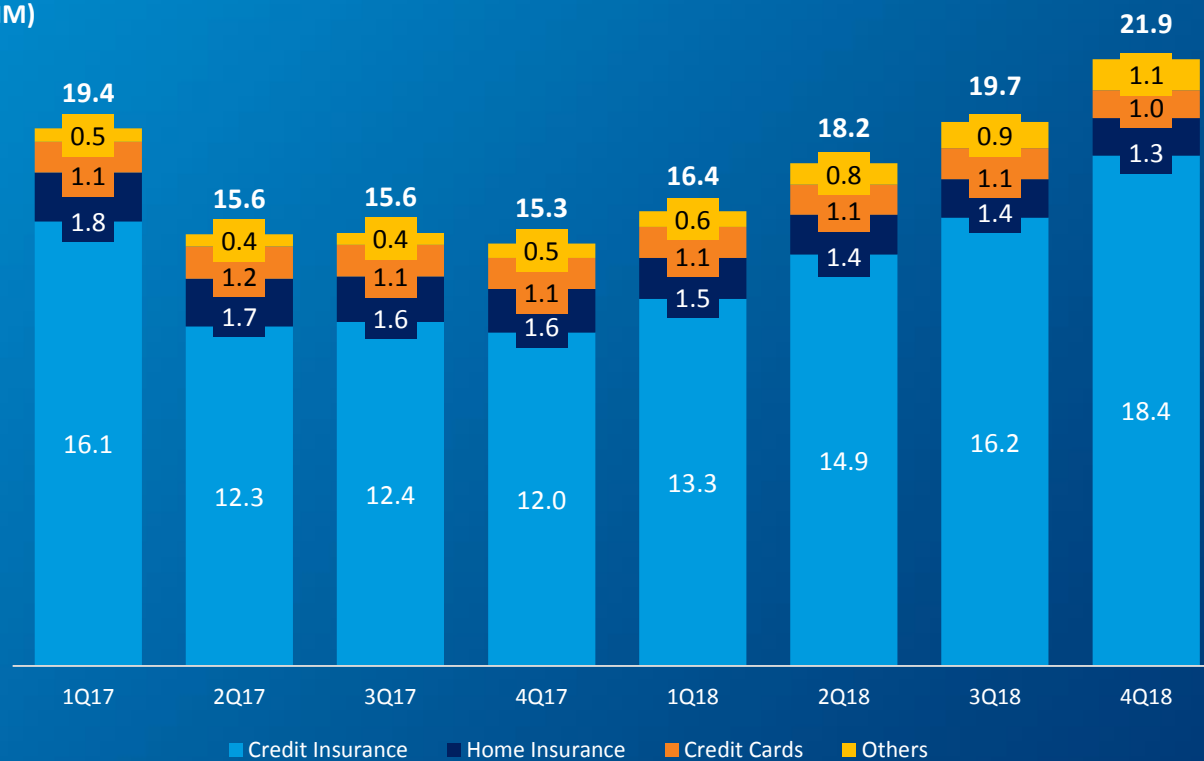
## Highlights

- ✓ Launch of the exclusive App of Cards:  
+ **122 Thousand download** in 4 months  
**22% of costumers** actively using APP
- ✓ Launch of cashback and virtual redemption on rewards program
- ✓ Annual **96% increase in the issuance of digital invoices** (40% of invoices issued)

# Insurance



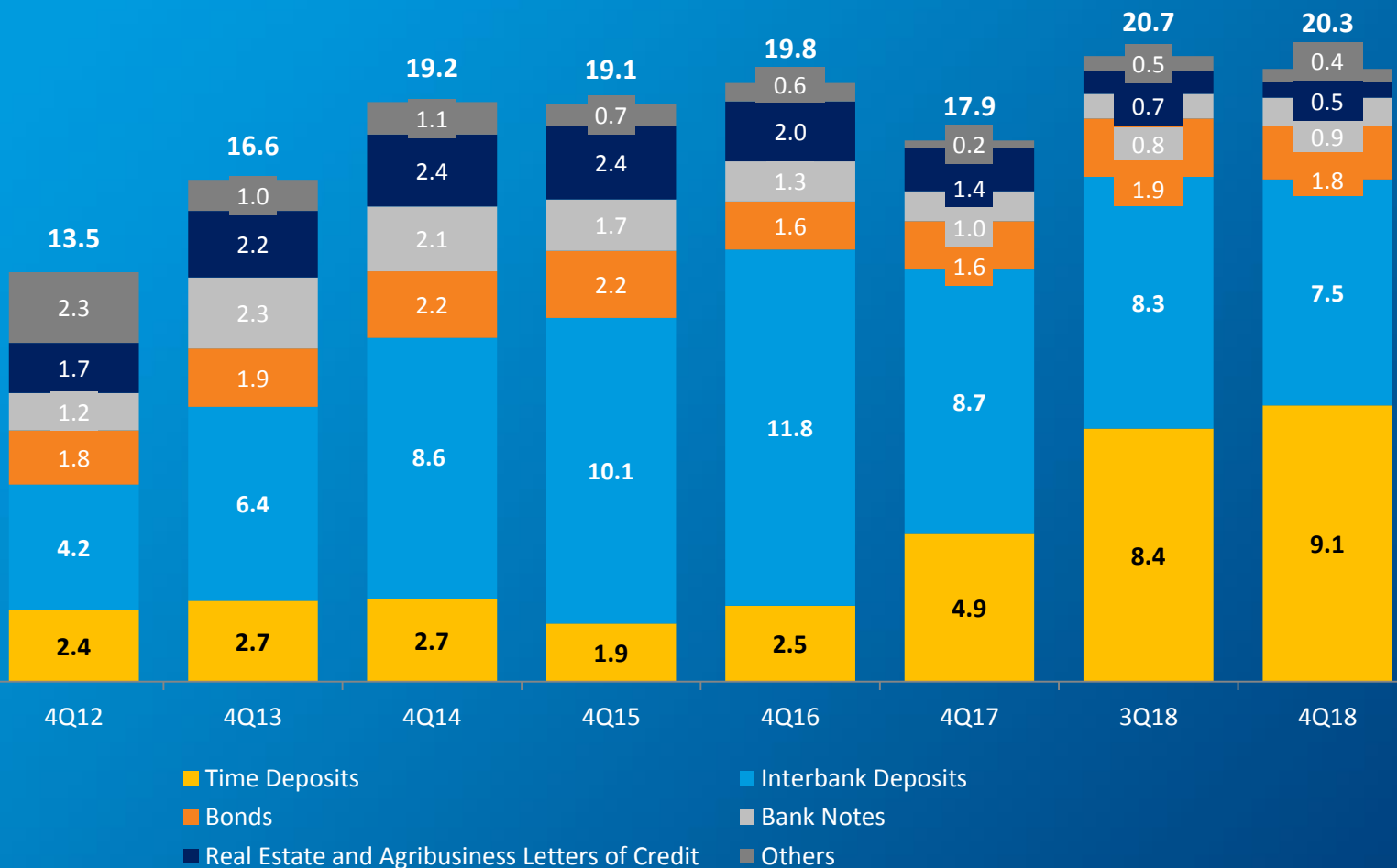
Monthly Avg. Insurance  
Premium originated by PAN  
(R\$ MM)



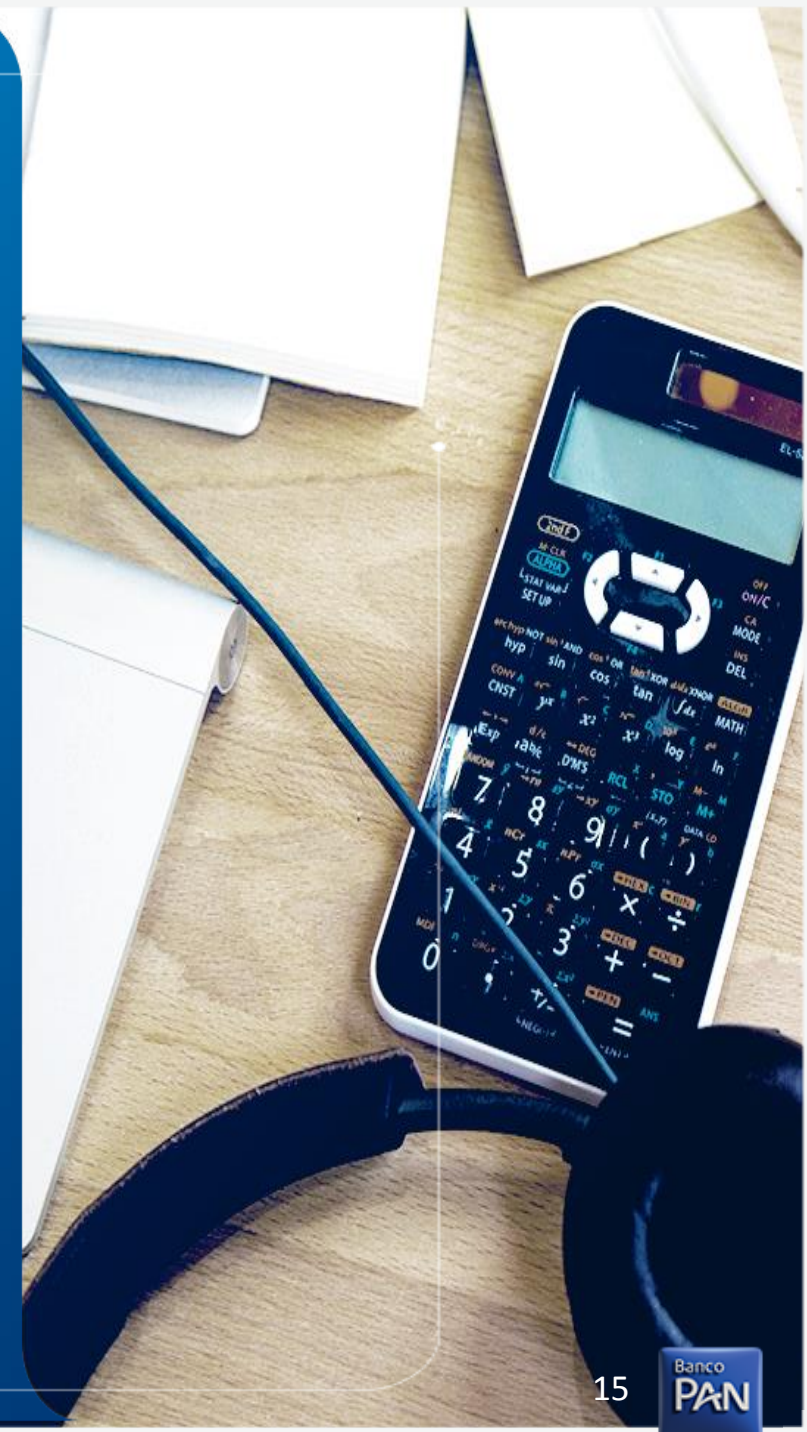


# Funding

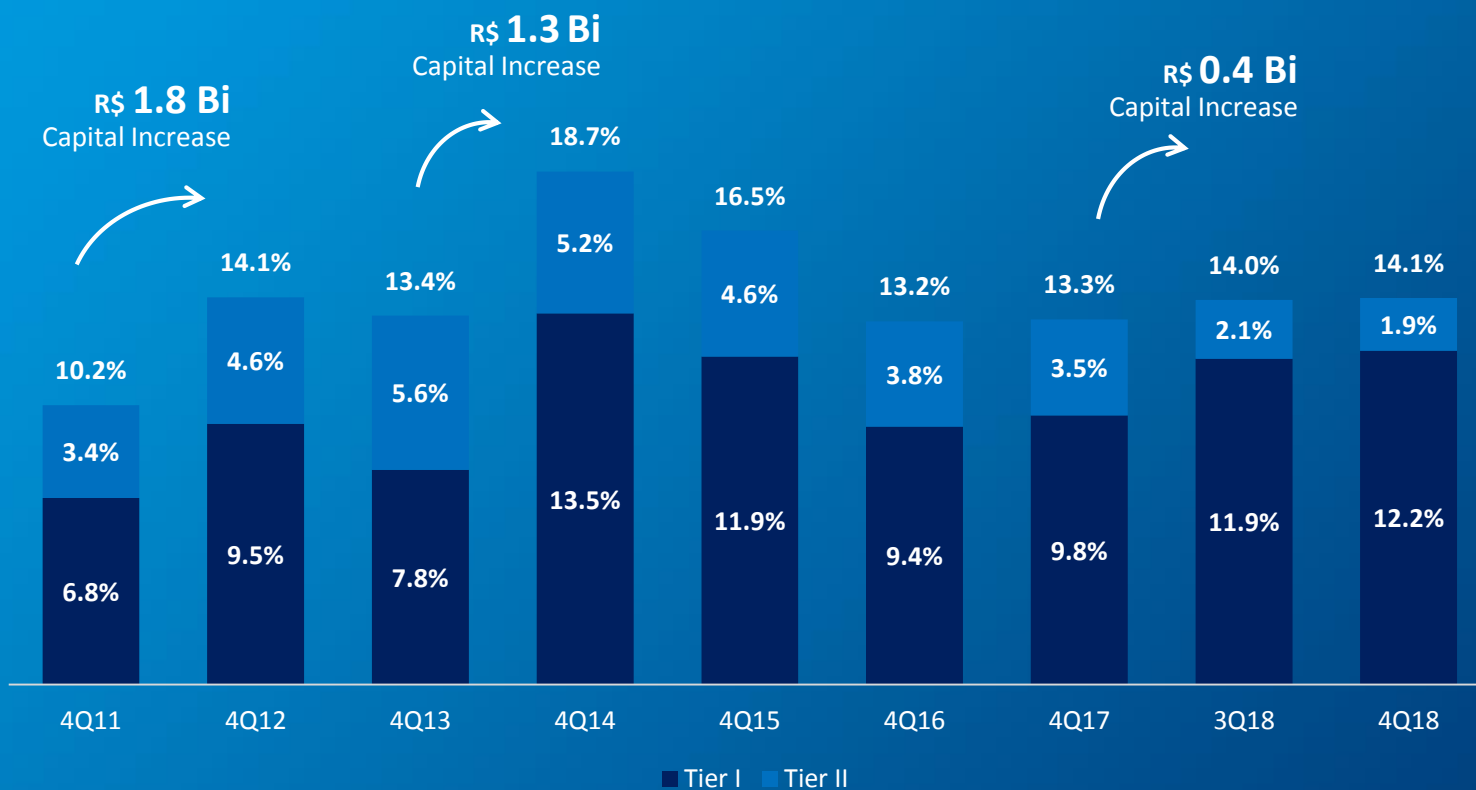
(R\$ Bi)



✓ TD balance reached R\$ 9.1 billion, 87% increase in 12 months



# Capital Ratio



R\$ MM	4Q17	3Q18	4Q18
<b>Reference Shareholders' Equity</b>	<b>2,416</b>	<b>2,526</b>	<b>2,632</b>
Tier I	1,785	2,140	2,274
Tier II	631	386	358
Required Reference Shareholders' Equity	1,904	1,893	1,963
<b>RWA</b>	<b>18,138</b>	<b>18,032</b>	<b>18,695</b>

**IR Contacts:**

(55 11) 3264-5343 | [ri@grupopan.com](mailto:ri@grupopan.com)  
[www.bancopan.com.br/ir](http://www.bancopan.com.br/ir)

Banco  
**PAN**