Operator:

Good morning, ladies and gentlemen and welcome to Banco Pan’s conference call to discuss the 2Q17 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 plataform, 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:

Thank you. Good morning everyone. Welcome to our conference call for the disclosure of our results of the 2Q of Banco Pan’s subsidiary.

Starting with the highlights on page three, we see that loan portfolio increased 7% in 12 month, closing at R$19.5 billion. In the origination of retail, already considering the strategic positioning, we originated a monthly average of R$1.5 billion.

Net provisioning expenses decreased 30% in the quarter to R$195 million. Our annual net interest margin was 17% in the quarter. This was the best operating results in the 1H that we have had since 2011, registering an income from operations of R$108 million.

In this quarter, Pan recorded a net income of R$42.8 million. With that, we ended the quarter with a consolidated shareholders equity of R$3.5 billion and a better ratio to 11.6%.

In the next slide, we have the composition of the interest margin, the net interest margin was R$890 million in the quarter, generating an annualized NIM of 17%. We assigned a lower volume with better spreads, maintaining the NIM at strong levels.

In the next slide, we present our results. We see a relevant deduction in the loan provisions, both in retail, and also in corporate, which led us to a gross income of R$657 million, practically stable in relation to the previous quarter.

In the other lines, we see a significant reduction in administrative and personnel expenses, as well as origination expenses, which led to an increase in income from operations, totaling R$90 million in the quarter.

Comparing the 1H17 with the 1H16, the advance gets stronger. We left from a gross loss of R$393 million in the 1H16 to a gross profit of R$108 million in the 1H17, with the net income getting to R$43 million.

On page six, we have the retail origination details. In this quarter, we see the reflex of our strategic repositioning adopted by us at Banco Pan in relation to some of our products, such as, the decision to discontinue the origination of vehicle financing with the dealers.

We granted R$4.4 billion in retail credit in this quarter, representing a strong monthly average of R$1.5 billion. Payroll loan had an average origination of R$827 million per month, with a significant share of social security's pensioners.

In vehicles, we granted R$284 million per month, and, in credit cards, we had R$263 million in institutional cards in transactions in the 2Q and R$55 million in payroll loan cards. The other smaller products complement the monthly volume of R$1.5 billion.

On page seven, we show the breakdown of our credit portfolio. In the first table we see that payroll loans remains as the largest portfolio, with R$8 billion, then comes vehicle portfolio with R$5.7 billion and, next, the corporate loans with R$2.9 billion.

Payroll credit card increased slightly to R$1.2 billion in the quarter and the other products account for 10% of the portfolio. The retained credit portfolio declined 3.2% in the quarter, but grew 7% in 12 months and ended in the quarter at R$19.5 billion. The credit portfolio originated, adds up the retained portfolio and the portfolio assigned to Caixa ended the quarter at R$38.3 billion, as you can see in the lower right chart.

On slide eight, we show our quality data from the retained portfolio, our over 90 days ratios declined 7.4%, driven by the improvement in retail, which represents about 85% of our portfolio. Excluding the portfolio of construction and development loans, which is a run-off portfolio, this indicator is at 6.8%.

On the lower left chart, we see the evolution of the lower net provisioning expenses, which dropped to R$195 million in the quarter, a 30% decrease, with contributions from corporate and, also, retail, showing the quality of our portfolio and, also, the efficiency of our collection.

Looking at the chart next to it, on the lower right side of the slide, we see the evolution of the ratings between AA and C, our retail portfolio which also showed a good evolution, reflecting the results of our credit policy.

On page nine, we show the breakdown of the Bank's cost and expenses, segregating the expenses related to origination. Personnel and administrative expenses totaled R$278 million in the quarter, a decrease of 5%, with a significant influence of personnel coming from the movement shown in the lower left chart, which contracted 15% in the quarter.

The bottom right chart shows the results of the efficiency improvement we have achieved, showing the evolution of those personnel and administrative expenses in relation to the originated portfolio.

The reduction in the origination expenses in the quarterly comparison is mainly due to the lower percentage of commission and, also, to the lower volume originated.

In the next slide, on slide ten, we show the evolution of the payroll business. We have posted the loan and, also, the credit cards. In the quarter, Pan originated R$2.6 billion in these two products, as we assigned a part of the origination of the loan, the portfolio of the loans closed at R$8 billion and, if we add the credit card portfolio, which is R$1.2 billion, combined portfolio is more than R$9 billion, reaching 47% of the Bank's total portfolio.

Analyzing the production on the slide chart, you see that the INSS represents 58% and then, if we add up federal government and armed forces, we get to 87% in federal risks. In the rest, we have a very pulverized origination.

On slide 11, we have information about the vehicle segment. In the graph above, we have the origination, which is line with our strategic goals, totaling R$853 million in the quarter, the portfolio increased due to the mix of the loans assignments we made in this quarter.

The table below shows some information about our origination in the segment we are still operating, which are light vehicles and motorcycle financing and it is important to emphasize that the profitability is a focus of our operation, even though we have an important market share in those two markets.

On page 12, we see that the portfolio of corporate finance grows this quarter at R$2.9 billion, or R$2.4 billion without the construction and development loans, a volume we consider adequate for the current scenario in Brazil.

In the chart on the right side of the slide, we see the diversification of portfolio by industry, with 22% of others represented by more than 25 sectors.

On page 13, we give more details about our portfolio diversification by ticket and, also, the short duration of our portfolio. 76% of the operations below R$20 million outstanding balance and 63% of the portfolio matures in the next 12 months.

On page 14, we show the evolution of the credit cards and also the insurance. In credit cards, the portfolio ended the quarter at R$952 million and insurance we originated R$47 million in premiums, a decrease that was expected due to our strategic repositioning in vehicle financing. Nevertheless, they correspond to 66% of the premiums originated.

As for funding on the next slide, we close the quarter of R$20.2 billion. During this quarter, we launched our app to open an investment account and we have good expectations about the near future, to bring more clients and more investors.

In the last slide, we have the information of our capital, our Basel ratio rose 0.3 p.p. to 11.6%, with 8.5% of Tier I capital and portfolio assignments are a simple way to manage our capital position.

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

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:

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.