

Operator:

Good morning, ladies and gentlemen and welcome to Banco Pan's conference call to discuss the first quarter of 2018 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: ri8.bancopan.com.br 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 first quarter of 2018.

Starting with the highlights on page 3 we see that PAN recorded a net income of R\$ 56.6 million fifth quarter in a roll of positive results. The loan portfolio ended the quarter at 19.1 billion, with a slight increase in the quarterly comparison due to the increase in retail credit origination, which presented a monthly average of R\$ 1.5 billion in new credits.

Our Net Interest Margin has remained in a great level, ending the quarter at 18.1%. We ended the quarter with a Consolidated Shareholders' Equity of R\$ 4.0 billion, and the Basel Ratio advanced to 14.2%.

Our net interest margin moved forward, totaling R\$ 905 million in this first quarter. The credit provisions totaled R\$ 294 million, registering a decrease in the annual comparison. As a result, the Gross Income from Financial Intermediation ended the quarter at R\$ 611 million.

Regarding the Administrative and personnel expenses we can see a nominal decrease of 7% over the 4Q17 and a decrease of 14% over the 1Q17, with an even higher decrease in real terms. The slight increase on origination expenses are related to the higher volume of credits originated in this quarter.

The income before tax closed the quarter at R\$ 117 million and we get to an income of R\$ 57 million, in line with the net income of R\$ 55 million reported the last quarter. In the next slide, we present an overview of our main business lines and some of our numbers.

Regarding Payroll-Deductible, we operate with both, loans and credit cards, to public servants and INSS pensioners and retirees (mostly federal).

In vehicles, we focus in the origination through multibrand dealers, financing vehicles mostly between 4 and 8 years of usage. 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 of our business, but they represent as an important for business. As a consequence of our strategic repositioning, the Corporate, Real Estate and Personal Credit portfolios are still 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 8 hundred brokers originating Payroll loans. We ended the quarter with 4.4 million active clients, 2.2 million credit cards issued and 2.1 thousand employees.

The next slide is very important for us it shows how we are prepared to accomplish our Digital transformation. We have more than 150 people exclusively involved in this process. We have initiatives in Payroll and vehicle financing to improve the experience to our clients and commercial partners, CRM to enhance our cross-selling, collection with dynamic self-service channel to improve the credit recovery, also account opening and a good platform to manage investments and a great transformation of our credit card platform.

This is a very important agenda which will help us to enhance our positioning in the segments that we present. Some versions are already running and some other will be launched during the next months, bringing agility, cost efficiency and a better experience to our clients and commercial partners. Today we are launching our new web: with a more convenient browsing, a better design and totally responsive.

On page 7 we present the details of our retail origination. We have granted 4.6 billion in retail credits in 1Q18, representing a monthly average of 1.5 billion and, more important than the volume is the maintenance of our spreads, that have been contributing to the good performance of our interest margin.

In payroll loans, we had an average origination of R\$ 965 million per month, with a significant participation. In vehicle financing, the average was of R\$ 317 million per month. In credit cards, the transaction average was R\$ 260 million per month.

On page 8, we show the composition of the credit portfolio. In the first table, we see that payroll loans remains as the largest portfolio, with R\$ 9.4 billion. Then we see the Vehicle portfolio with R\$ 6.1 billion and next, comes the declining Corporate portfolio with R\$ 1.5 billion and the Real Estate portfolio with 1 billion.

The Credit Card portfolio remained stable at R\$ 930 million. In the lower left chart we see that the retained credit portfolio has presented a slight increase, mainly due to the increase in Payroll and Vehicle Portfolios. The originated portfolio, which adds up the portfolio assigned to Caixa, ended the quarter at R\$ 34.9 billion.

On page 9, we present the 90 days NPL of the retail portfolio... which presented a slight decrease over the last quarter and has presented a good performance in the last 12 months.

On page 10, we present a breakdown of the bank's costs and expenses, segregating those related to the origination. Personnel and administrative expenses totaled R\$ 251 million in 1Q18, 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 the last 12 months, generating lay-off's costs. In 2018, these effects will be lower and we'll continue to seek efficiency gains going through the digital transformation that I've mentioned.

On the origination expenses we notice a slight increase in the quarterly comparison due to the increase in the volume of credits originated over the quarter. In the next slide we show the evolution of payroll-deductible credit, both loan and credit card.

In the quarter, Pan originated a total of R\$ 965 million per month, totaling 2.9 billion in new credits, approximately 94% from loans and 6% from credit cards. Regarding the credit portfolio, the balance of loans closed the 1Q18 at R\$ 8.1 billion. Along with credit cards, the portfolio reaches R\$ 9.4 billion, 49% of our total credit portfolio.

Analyzing the origination breakdown, we can see an important concentration on federal risk, responding to 87% of the quarterly origination... the INSS represented 64%, and has remained in this level over the quarters. The origination in states and municipalities has been reduced over the years and are carried out with a strong analysis of their financial situation.

On slide 12 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 1Q18, to R\$ 317 million. The vehicle portfolio increased, ending the quarter at R\$ 6.1 billion. The top right table brings some information about our origination in this segment, as the origination volume, average tenor and the high down payment, confirming the good quality on credit concession.

On page 13, we show the evolution of credit cards and insurance. The credit cards portfolio ended the quarter at R\$ 930 million and in insurance, we originated a monthly average of R\$ 16 million in premiums in the quarter.

The funding, shown on slide 14, closed the quarter at R\$ 17.9 billion, with an increase of Time Deposits from market investor. Besides that, our Digital platform keeps growing, contributing to the diversification of our funding.

On slide 15 we have the information about capital. Our Basel ratio rose to 14.2%, with 11.4% of Tier I capital, considering the capital increase and full Basel III implementation.

2018 started with good results and we want to summarize why we are an 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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