Operator:

Good morning, ladies and gentlemen and welcome to Banco Pan's conference call to discuss the 4Q16 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 Engage-X 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:

Thank you. Good morning everyone. I would like to thank you all for joining our conference call of Banco Pan and its subsidiaries for the results of 4Q16.

Beginning with highlights on page three, we see that Pan maintained the strong retail credit origination, averaging R$1.8 billion, pretty much in line with last quarter. The annual average grew 9% over 2015.

Our credit portfolio reached R$19.2 billion, even assigning R$2.9 billion in the quarter, growing thus 3%. The retail credit rated between AA and C improved, reaching 92.4% of this portfolio. Corporate loans ended the quarter at R$3.2 billion, interrupting the falls of the previous quarters.

Our managerial net interest margin was 16.6% in the quarter, above the last two quarters. And this quarter Pan posted a net income of R$197,000 improving over the previous one, impacted mainly by the high volume of credit assignments. We will see further that the effect of commissions impacted the accumulated result of the year.

Our equity stood at R$3.4 billion and our Basel ratio at 13.3%.

On the next slide, we have the NIM breakdown. It increased 17% in the quarter to R$882 million, improving because of the greater volume of credit assignments, resulting in a NIM of 16.6%. In the year, we also saw a growing NIM, equivalent to 13.2% over the 12.4% in 2015.

On the next slide, we have the net results breakdown. Analyzing the 4Q, we start with the interest margin and then we go to the provisions, which totaled R$306 million, increasing mainly due to construction and development loans, which is the phase out portfolio. In the year, we observe the same behavior.

The gross results of financial intermediation presented a significant improvement, growing 14% in the quarter and 9% in the year. The reductions in operating revenues are associated with provisions for contingencies to strength our balance sheet.

In administrative expenses, we see a nominal maintenance both in the quarter and in the year, which represented a reduction in real terms. And the Bank's strong origination performance, mainly on payroll, has short-term impact on the origination expenses, which explains a large part of the results of this year.

In the operating results, we had an improvement in the quarter, which led to a net income of R$197.000. In the year, we accumulated a net loss of R$237 million because of the commissions' effect and also because of the re-enforcement for contingencies. In the quarters, we see a positive trend.

On the next page, we have the quarterly evolution of retail origination. The concession was stable at R$5.5 billion in this quarter, representing a monthly average of R$1.8 billion and when we compare it to the 4Q15, there is a strong increase of 27%.

Payroll remains at a strong level, with significant participation of social security beneficiaries, totaling R$811 million per month. Vehicles performed better and reached R$595 million per month in this quarter.

In credit cards, we see that institutional grew 11% and the payroll card reduced as expected because there were no new agreements and the origination stabilized at a lower level. To get to the total, we have the other products – real estate and personnel credit in smaller volumes.

On page seven, we present the credit portfolio breakdown. On the first table, we see that payroll loans continued to grow nominally, accounting for 41% of the retained portfolio with R$7.8 billion, then we have vehicle portfolio, which increased to R$5.2 billion and, third, corporate loans at R$3.2 billion.

Payroll credit card reached R$1.1 billion, up 9% in the quarter, and the other products account for 10% of the portfolio. The retained loan portfolio rose 2.6% in the quarter, closing at R$19.2 billion, as you can see in the lower left chart, even assigning those R$2.9 billion without recourse.

Next we present the evolution of the originated portfolio that reached R$38.3 billion, which considers, in addition to that retained portfolio, the entire portfolio that we have originated and assigned without recourse in 2011. The portfolio as a whole grew 14% in twelve months, showing the strong origination capacity of Pan.

Moving on to slide eight, we have the quality of the retained portfolio, our 90 days NPL stood at 7.2% and the phase out movement of the construction and development portfolio impacted this indicator. Without it, it would be 6.8%.

In the lower left chart, we observe the evolution of the net expenses provision, which grew because of those construction and development loans, and also because of corporate loans, but those have a good diversification and good guarantees, given us the comfort to go through the process of delay, provisioning and recovery.

Looking to the chart next to it, we see the evolution of AA to C ratings of the retail portfolio that reflects our credit policy with frauds screening, payment capacity, analysis and etc.

On page nine, we present the Bank's cost and expenses segregating the expenses related to the credit origination. Personnel and administrative totaled R$292 million in the quarter and R$1.15 billion in the year Nominally stable, but with improvements in real terms if considered the inflation in the period.

In the left lower chart, we show that the personnel adjustments being made and one way of demonstrating the efficiency gains we have achieved – it is in the lower right chart, which shows how personnel and administrative expenses have been in relation to the originated portfolio, which is moving at a faster pace.

On the origination expenses, we see the combined effects of not only accounting rule and the higher volume of new payroll loans, which were slightly lower in the quarter, but had a significant growth in the year.

Moving on to slide ten, we present the evolution of payroll loans. We granted R$2.4 billion of new loans in the quarter, even assigning a portion of the origination, the portfolio reaches R$7.8 billion.

Looking at the production, social security beneficiaries represented 56% and we have 77% if we add federal government and also armed forces. And the remaining share has a great degree of diversification.

On slide 11, we have the information on vehicle loans. As we can see in the top figure, origination increased again in the quarter, the portfolio also grew due to the mix of credit assignment. The bottom left table shows some information on the origination broken down by segments, stating both in terms of relevance in light and motorcycle segments as well as on the percentage of down payment.

It is important to highlight here that profitability is the main focus of our operation and not market share individually. The bottom right table shows the high diversification degree of our origination with low concentration by group, where the ten largest groups account for only 9% of our origination.

On page 12, we see the corporate loans portfolio, the total at R$3.2 billion and without construction and developments loans at R$2.6 billion. In the pie chart, we can see the high diversification of the portfolio by industry, with 27% representing more than 30 segments.

On page 13, we give more details of this portfolio to show the diversification and also the short duration – in 78% of it, we have economic groups with the balance below R$20 million and 60% of it matures in the coming twelve months.

On page 14, we show the evolution of credit cards segregated between institutional and the payroll card. Volume-wise we see seasonality in the institutional card increasing in the quarter and in the payroll we made a good volume, as there were no new agreements.

In the year, there was a 14% increase in overall volumes, driven by the payroll card, and we see this effect in the credit portfolio on the right chart.

On slide 15, we have the insurance premiums originated by Pan, which expanded this quarter, reaching R$54 million. This movement is related to the increase in vehicle origination, which generates 70% of payments through credit insurance, as we can see in the right chart.

The funding shown on page 16, closed the quarter at R$19.8 billion, varying little compared to last quarter.

And on the last slide, we show our capital – our Basel ratio stood at 13.3%, with 9.5% Tier I, with a greater impact of the increase on the credit portfolio.

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

Operator:

This concludes our question-and-answer session. Since there seem 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:

Ladies and gentlemen, this concludes Banco Pan's conference call. You may now disconnect and have a good day. Thank you.