Operator:

Good morning, ladies and gentlemen and welcome to Banco Pan's conference call to discuss the 1Q16 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, 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 participating in this conference call of Banco Pan and its subsidiaries for the 1Q16 results.

Beginning with the highlights, on page, 3 we notice that despite the seasonality of the 1Q, Pan kept advancing on its growth strategy. The monthly retail credit origination average during 1Q16 was R$1.5 billion, 3% higher than last quarter. The corporate loan book with guarantees ended the quarter at R$3.7 billion, contracting over last quarter following the scenario.

Our credit portfolio stood at R$17.5 billion at the end of the quarter because of the R$2.2 billion in credit assignment that we made without recourse in the quarter. You will see that the mix has changed in our books and now payroll loans is the largest portfolio. Our managerial net interest margin was 11.6% in the quarter and we have maintained this level. This quarter, Pan posted a negative result of R$96.1 million and we will explore that on the coming slides.

Our equity stood at R$3.55 billion and our Basil ratio stood 14.5% with 10.5% core capital. Because of the negative impact of the IS3 implementation schedule, mainly related here to 0.6% reduction from macro credential adjustments and 0.6% reduction related to decay.

On next slide, we have the net interest margin and the net results breakdown. On the first table, we can see that the managerial net interest margin was R$606 million or 11.6%. The results from credit assignments have increased due to the decrease in interest rate futures. On the other hand, as we have been hedging these portfolios for the assignment at the time of the origination, on this quarter, we had a negative impact on derivatives, which affected the overall NIM.

On the second table, we have the expenses and it has increased on 1Q, related to the economic scenario and also to the Bank's conservatism, mainly coming from SMEs. We will have more detail later on.

The administrative expenses have been impacted by the change in accounting rules for commissions in 2016, distorting not only the annual but also the quarterly comparison. Personal expenses remained stable QoQ, but tend to come down as a result of some internal changes that we have gone through. Following the presentation we will have more detail regarding both expenses, who presented an operational loss of R$167 million in 1Q. And as a result, we ended the quarter with a negative result of R$96 million.

On the next page, we have the quarterly retail origination and a table showing the average monthly origination by product. We granted R$4.5 billion in retail credit this quarter, representing a monthly average of R$1.5 billion, 3% higher than the previous quarter and 6% lower compared to 1Q15.

And here we notice some movement. On payroll, for example, 1Q16 has been influenced by the increase in tenor that happened at the end of 2014 and on to 1Q15 the entire market faced the decrease of origination in volumes. But then in 1Q16, we resumed production reaching 33% growth in the quarter.

On vehicle loans, besides the seasonality of 1Q, the market is facing a challenging scenario. In credit cards, we also has seasonality in this period, but with an annual growth of 18%, supported by the payroll cards transaction. On real estate, the home equity origination also reflects 1Q seasonality, but we had figure of this specific product, compared to 1Q15. And consumer loans remain stable.

On page 6, we present the credit portfolio breakdown. On the first table, we see that the strong origination in 1Q, the credit assignment mix, but that payroll now represents 32% of the unbalanced portfolio. Vehicle financing follows with a 31% share and in third place come SMEs that cover loan portfolio with 22% including guarantees issued. Among these three products, only payroll loans grew on both annual and quarterly comparisons. The other products that we have account for 15% of the portfolio, with a more relevant improvement on credit cards, due to payroll loans credit cards.

The credit portfolio ended 1Q at R$17.5 billion, as we see in the lower left chart, we assigned R$2.2 billion in credits without records, generating some annual and quarterly decreases.

Our solid origination on the other hand allows us to choose if we want to grow or maintain the portfolio, and then we can adjust this by doing the credit assignments, addressing the credit exposure that we want to have here in the Bank.

Besides the economic scenario, we see in the lower right chart that the portfolio quality has remained in a good level, due to the consolidation and improvement on our credit modeling for retail.

On page seven we present the Bank's costs and expenses, segregating expenses related to credit origination. Personal and administrative expenses totaled R$285 million in 1Q. Personal expenses remained stable comparing to previous quarter. We have made some changes in the 1Q that should bring improvements in the coming quarters for this line.

As for the administrative expenses, the annual increase is linked to a few different sources, such as collecting expenses, IT and also marketing. And we have an ongoing project here in the Bank targeting in terms of efficiency.

On the origination expenses, we see the effect of the Central Bank's accounting rule, that stated a higher percentage for 2016. In general, it went from 2% upfront expense to 4%, reducing the amount deferred.

In the chart below we observe the net ALL expense and because of the scenario it has increased driven by SMI's provisions. And here the guarantees that we have reduced the actual losses after executing the collateral. Looking at the credit recovery, we noticed that the Bank has been reaching good results, but always the 1Q is seasonally weak.

On slide eight we have information on vehicle loans. As we can see in the top figure, we have maintained the balance origination between bidders and resellers. The bottom left table shows the high diversification degree of our origination, with low concentration by economic groups, for example, the ten largest groups accounted for only 12% of our origination.

The bottom chart shows the evolution of the quarterly origination, and the line shows the portfolio's evolution. In this quarter we granted R$1.6 billion in new loans and the portfolio has been decreasing due to the credit assignment.

This quarter we have launched a new origination platform of vehicle financing. We concluded a test period and now our sales team is being trained. This will improve our processes, making it simpler to operate and to originate new loans.

On page nine we bring two charts with the evolution of the delinquency per vintage in vehicle financing, showing the improvement in light vehicles in the left and also motorcycles in the right one. And here we clearly see that the positive effects of all the enhancements and changes in the credit modeling since 2011.

On next slide we present the evolution of payroll loan. Pan granted R$1.8 billion in new loans, an increase of 33% over the previous quarter. The payroll deductible credit portfolio has evolved positively during the 1Q reaching R$5.6 billion and contributing to the diversification of the Bank's portfolio.

Looking at the portfolio breakdown we see the INSS, the pension years, as the biggest individual segment, 36%.

On page 11 we see the cover loans portfolio. We became more conservative this quarter and noticed a weak demand from our clients, so the portfolio ended up reducing R$23.7 billion in this quarter.

In the bottom felt chart we can see the high diversification of portfolio by industry and the others group get more than 30 different segments.

By economic growth, we have an average ticket of around R$10 million and on the right side we see the high quality of the originated portfolio with 76% of loans, rated between AA and C, with an adequate level of guarantees.

On page 12 we see that Pan granted R$51 million in home equity during this quarter, reflecting a seasonal reduction over last quarter, but increasing annually, coming from this R$35 million to R$51 million. The portfolio continued to grow, closing the quarter at R$897 million.

On page 13 we show the transaction volume of our credit card business, this product is increasing consistently, recording a transaction volume of R$909 million in this quarter, increasing 18% over the same quarter of 2015 and this result was influenced by payroll on card, which has doubled in volume over the past 12 months.

On page 14 we have insurance premiums originated by fund, which increased annually and also quarterly, reaching R$43 million and we see that credit insurance remained as the main product with insurance on vehicle segment, accounting for 70% of new premiums.

On page 15 we show the evolution of consortium sales. This product presented a very good volume in the quarter, recording R$251 million with the strong demand this is a product which is key on our strategy to increase the Bank's service fee.

In funding, on page 16, remained stable around R$19 billion in the last quarter, following the maintenance of our assets.

With this we conclude the 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 the presence. Have a nice day and see you next quarter. Bye.

Operator:

This concludes Banco Pan's conference call. You may now disconnect and have a good day.