# Earnings Release

2Q18

Banco PAN

**São Paulo, August 6, 2018** – Pursuant to legal provisions, Banco PAN S.A. (“PAN”, “Bank”, “Banco PAN” or “Company”) and its subsidiaries announce their results for the quarter ended on June 30, 2018, accompanied by the Independent Auditor’s Report. The Bank’s operating and financial information, except when otherwise stated, is presented based on consolidated figures and in Brazilian reais, pursuant to Brazilian Corporate Law and Brazilian Accounting Practices.

## HIGHLIGHTS

- ✓ **Net Income of R$42.2 million in 2Q18**, versus Net Income of R$56.6 million in 1Q18 and R$42.8 million in 2Q17;
- ✓ **Net Income of R$ 99 million in 1H18,** versus Net Income of R$46 million in 1H17;
- ✓ **The Total Credit Portfolio ended 2Q18 at R$19.4 billion** versus R$19.1 billion in 1Q18 and R$19.5 billion in 2Q17;
- ✓ **Average monthly retail origination of R$1,356 million in 2Q18**;
- ✓ **Managerial Net Interest Margin of 17.6% p.y. in 2Q18**, versus 18.1% p.y. in 1Q18 and 17.0% p.y. in 2Q17;
- ✓ **Reduction of R$ 152 million, 14%, in total expenses in the 1H18 versus 1H17;**
- ✓ Funding through time deposits doubled in 12 months, **totaling R$ 7.0 billion**; and
- ✓ **Shareholders' Equity ended the quarter at R$4,016 million and the Basel Ratio stood at 13.7%**.

| Main Indicators (R$ MM) | 2Q18 | 1Q18 | 2Q17 | Δ 2Q18 / 1Q18 | Δ 2Q18 / 2Q17 |
|---|---|---|---|---|---|
| **Retail Origination** | **4,069** | **4,618** | **4,381** | **-12%** | **-7%** |
| **Assignments without Recourse** | **1,159** | **1,624** | **2,218** | **-29%** | **-48%** |
| **Total Credit Portfolio** | **19,397** | **19,101** | **19,491** | **2%** | **-** |
| **Total Assets** | **26,679** | **25,812** | **27,240** | **3%** | **-2%** |
| **Funding** | **19,146** | **17,924** | **20,201** | **7%** | **-5%** |
| **Shareholders’ Equity** | **4,016** | **3,990** | **3,460** | **1%** | **16%** |
| **Interest Margin** | **898** | **905** | **890** | **-1%** | **1%** |
| **Net Income** | **42.2** | **56.6** | **42.8** | **-25%** | **-1%** |
| **Interest Margin (% p.y.)** | **17.6%** | **18.1%** | **17.0%** | **-0.5 p.p.** | **0.6 p.p.** |
| **Basel Ratio** | **13.7%** | **14.2%** | **11.6%** | **-0.5 p.p.** | **2.1 p.p.** |
| Common Equity Tier I | 11.7% | 11.4% | 8.5% | 0.3 p.p. | 3.2 p.p. |
| Tier II | 2.0% | 2.8% | 3.1% | -0.8 p.p. | -1.1 p.p. |

## ECONOMIC ENVIRONMENT

Influenced by the truckers strike, industrial production in May fell by 10.9% on a monthly comparison, occasioning a decrease of 6.6% in the annual comparison. On the demand side, restricted retail sales contracted in May, registering a 0.6% decline over April. In extended retail (which includes sales of vehicles and construction materials) the contraction was even higher, decreasing 4.9%.

In the credit market, while the outstanding credit is still gradually advancing, ending June on R$ 3.1 trillion, the perspectives of the ongoing recovery of credit supply are still unclear. Indicators for families' financial health, which are at comfortable levels following a long period of deleveraging, have worsened at the margin. For non-financial corporations, credit supply has been lagging behind the household segment but shows some incipient signs of recovery. However, the worsening of financial conditions at the margin, with higher interest rates and a weaker Real (BRL), may pose renewed headwinds, as higher financing costs may dampen demand for new credit.

The temporary price shock caused by the truckers strike brought June IPCA inflation to 1.26%. This was the first time since January 2016 that the index stays above 1%. This increase contributed to the acceleration of the 12-month accumulated inflation, which ended June on 4.39% (against 2.86% in the same period last year). The annual inflation ended June on 2.6%.

As for the job market, according to CAGED (a general registry of employed and unemployed workers published by the Ministry of Labor) June was the first month of 2018 in which the dismissals have overcome the hiring in the formal market, resulting in a net destruction of 661 formal job positions. Despite this negative scenario in June, 392.4 thousand new jobs was created in the first semester of 2018. As also stated by CAGED, contracts under the new labor reform (part-time positions and intermittent work) are still growing. In June 2,688 new part-time positions and 988 intermittent work positions was created.

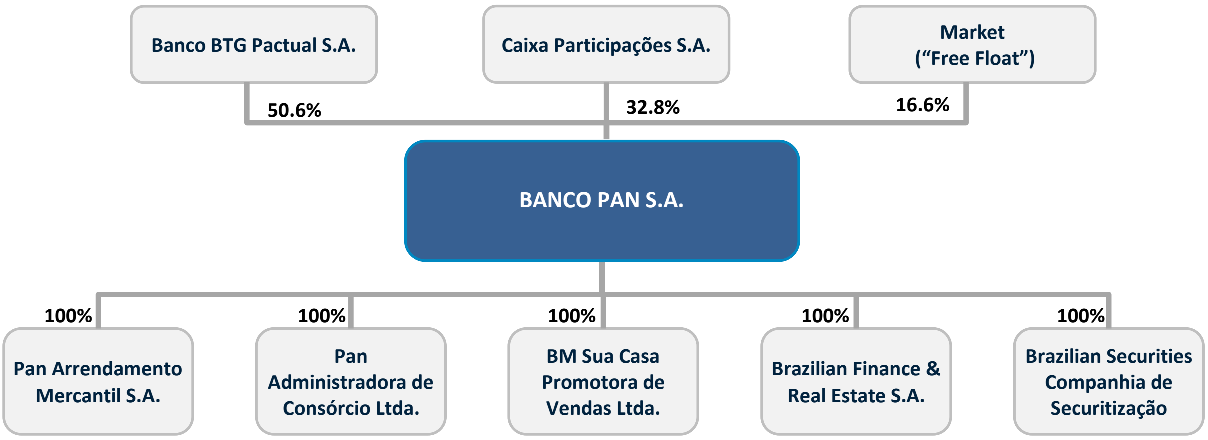
Regarding of unemployment, the IBGE (the Brazilian Institute of Geography and Statistics) posted in its May PNAD release that unemployment quarterly rates stands at 12.7%, remaining stable when compared to the previous quarter, but decrease when compared to the same quarter last year, when the rate was 13.3%. There was a drop of 1.1% in the formal job market in this quarter, while the informal job market presented an increase of 2.9% in the quarter, registering an increase of 5.7% in the annual comparison.

## OPERATIONAL AND COMMERCIAL AGREEMENTS

Since 2011, when Caixa Participações S.A. ("CaixaPar"), a fully owned subsidiary of Caixa Econômica Federal ("CAIXA"), jointly "CAIXA Conglomerate", and Banco BTG Pactual S.A. ("BTG Pactual") signed PAN Shareholders' Agreement, the controlling shareholders and the Company entered into Operational and Commercial Cooperation Agreements to reaffirm their commitment to a strategic partnership. The following measures have a direct influence on PAN's capital and liquidity structure: (i) Caixa's commitment to acquire the Company's loans without recourse and (ii) the strengthening of liquidity through an interbank deposit agreement or similar operations. These are long-term agreements, which are expected to be adjusted and provide the Bank with funding alternatives at a competitive cost.

## Subsidiaries

PAN's organizational chart as of June 30, 2018 is shown below. Despite the difference in the number of shares, BTG Pactual and CAIXA Conglomerate equally control the Bank:




## DISTRIBUTION NETWORK

PAN is a medium retail bank in Brazil with focus in classes C and D individuals, public servants, retirees and INSS pensioners, offering payroll deductible loans and credit cards, used vehicle loans, new motorcycle financing, institutional credit cards and insurance.

PAN has a unique composition of: (i) strong and complementary shareholders; (ii) available funding and capital; strong presence on market segments that operates; (iv) digital platforms that will faster growth with a low cost in front and back office.

With 2,204 employees, PAN has 60 branches in Brazil's major cities, geographically distributed in accordance with each region's GDP (Southeast: 31, Northeast: 12, South: 9, Midwest: 5 and North: 3). It is worth mentioning that PAN is increasingly expanding its technology and digital transformation team, which represented 10% of its staff at the end of the second quarter of 2018.

PAN closed 2Q18 with 728 correspondent banks originating payroll loans and 6,271 authorized multi-brand vehicle dealers.

The Bank ended the quarter with 4.4 million active clients and 2.2 million credit cards issued and, to improve the quality of customer support, the Bank intends to amplify the self-attendance services. In addition to these numbers, PAN foresee a strong cross-selling potential from the historical of more than 20 million clients who have acquired PAN products at some point.

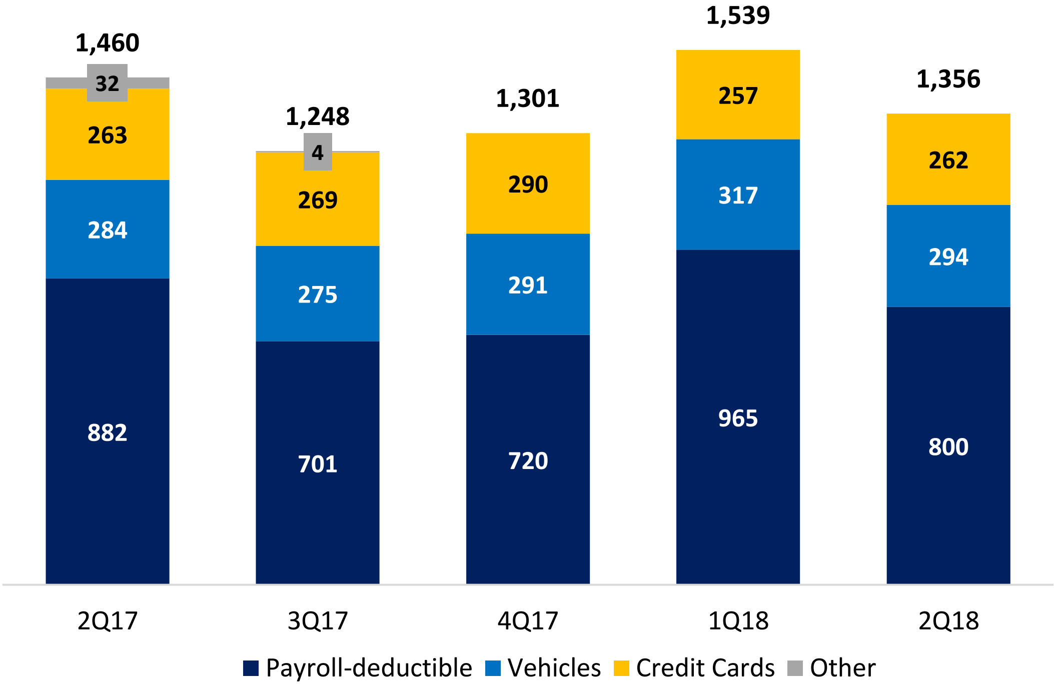
## Asset Origination - Retail

In 2Q18, PAN originated a monthly average of R$1,356 million in new credit, versus R$1,539 million in 1Q18 and R$1,460 million in 2Q17. The quarter-on-quarter reduction was mainly due to the seasonal increase in the first quarter, when the wages and benefits of employees of important partners usually increase.

In credit, the PAN is reinforcing its strategy of prioritizing the client to meet their needs, regardless of approval or not, but rather evaluating the best combination of client, proposal and rate, while remaining profitable. For this, unstructured data have been increasingly used and Machine Learning models to improve the credit decision, in addition to the proximity to different startups to be always connected with what has more new market.

**Average Monthly Origination of Retail Products (R$ MM)**

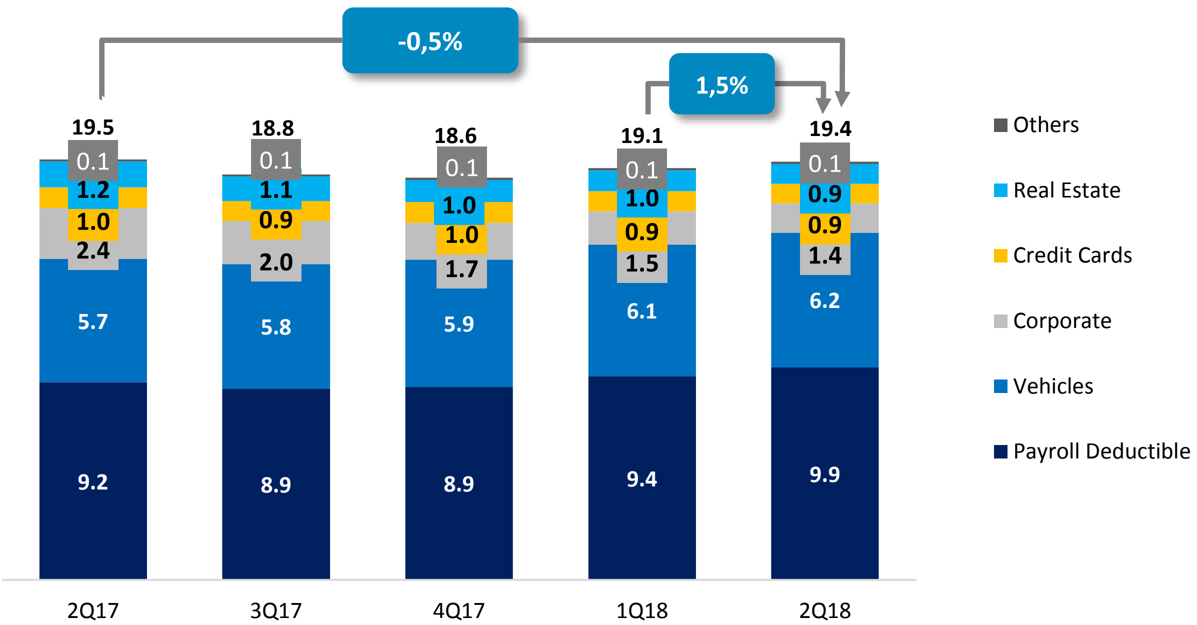
| Products | 2Q18 | 1Q18 | 2Q17 | Δ 2Q18/ 1Q18 | Δ 2Q18/ 2Q17 |
|---|---|---|---|---|---|
| Payroll-deductible | 800 | 965 | 882 | -17% | -9% |
| Vehicles | 294 | 317 | 284 | -7% | 3% |
| Credit Cards | 262 | 257 | 263 | 2% | - |
| Others | - | - | 32 | - | - |
| **Total** | **1,356** | **1,539** | **1,460** | **-12%** | **-7%** |



## Credit Portfolio

The Total Credit Portfolio, which includes the Retail and Corporate portfolios, ended 2Q18 at R$19,397 million, up 1.5% from R$19,101 million in 1Q18 and virtually in line with the R$19,491 million recorded in 2Q17. Despite the annual stability, the Payroll-Deductible portfolio increased 8%, the Vehicle portfolio grew 9% where as the Corporate Credit portfolio, in run off, decreased 42%.

**Credit Portfolio (R$ Bi)**




The table below gives a breakdown of the Credit Portfolio by segment:

| R$ MM | 2Q18 | Part. % | 1Q18 | Part. % | 2Q17 | Part. % | Δ 2Q18/ 1Q18 | Δ 2Q18/ 2Q17 |
|---|---|---|---|---|---|---|---|---|
| Payroll Deductible (Loans + Credit Cards) | 9,858 | 51% | 9,441 | 49% | 9,166 | 47% | 4% | 8% |
| Vehicle Financing | 6,243 | 32% | 6,112 | 32% | 5,720 | 29% | 2% | 9% |
| Corporate Loans & Guarantees | 1,367 | 7% | 1,545 | 8% | 2,362 | 12% | -12% | -42% |
| Real Estate | 923 | 5% | 968 | 5% | 1,205 | 6% | -5% | -23% |
| Credit Cards | 900 | 5% | 930 | 5% | 952 | 5% | -3% | -5% |
| Others | 106 | 1% | 106 | 1% | 85 | 1% | 1% | 25% |
| **Credit Portfolio** | **19,397** | **100%** | **19,101** | **100%** | **19,491** | **100%** | **2%** | **-** |

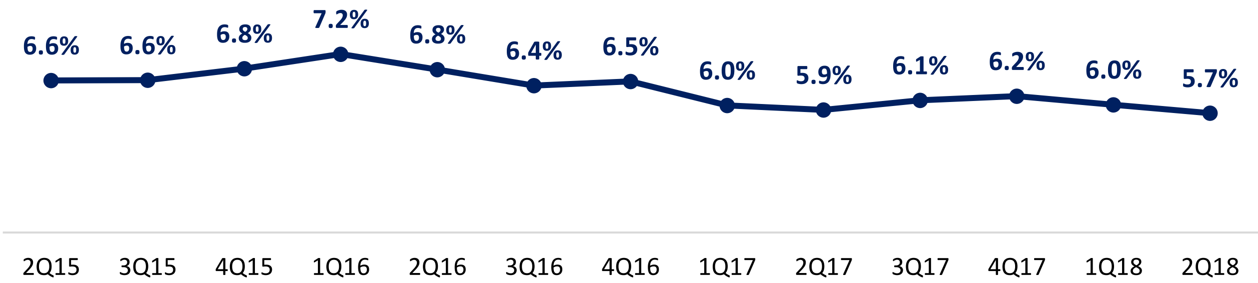
The table below shows the total loan portfolio by maturity on June 30, 2018:

| R$ MM | Up to 30 days | From 31 to 90 days | From 91 to 180 days | From 181 to 360 days | Over 360 days | Total |
|---|---|---|---|---|---|---|
| Payroll-deductible (Loans) | 321 | 447 | 634 | 1,134 | 5,984 | 8,520 |
| Vehicle Financing | 536 | 549 | 776 | 1,315 | 3,067 | 6,243 |
| Corporate Loans & Guarantees | 476 | 81 | 97 | 179 | 534 | 1,367 |
| Payroll-deductible Credit Cards | 1,314 | 4 | 4 | 5 | 11 | 1,338 |
| Real Estate | 287 | 39 | 52 | 57 | 488 | 923 |
| Institutional Credit Cards | 511 | 187 | 124 | 71 | 8 | 900 |
| Others | 9 | 9 | 13 | 22 | 52 | 106 |
| **Total** | **3,454** | **1,316** | **1,700** | **2,783** | **10,144** | **19,397** |
| **Share (%)** | **18%** | **7%** | **9%** | **14%** | **52%** | **100%** |

**Retail Credit Portfolio**

The chart below presents the evolution of non-performing retail loans more than 90 days overdue, considering the outstanding balance of contracts.

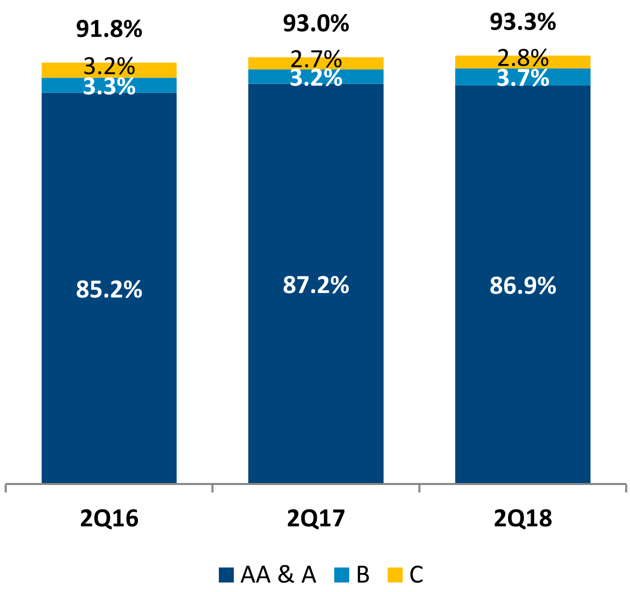
**Non-Performing Retail Loans More than 90 Days Overdue (%)**




The ratings of Banco PAN's retail credit portfolio are shown below, recorded on the balance sheet by risk rating, pursuant to Resolution 2,682 of the National Monetary Council ("CMN"):

| Risk Rating (R$ MM) | 2Q18 | Share % | 1Q18 | Share % | 2Q17 | Share % | Δ 2Q18/ 1Q18 | Δ2Q18/ 2Q17 |
|---|---|---|---|---|---|---|---|---|
| "AA" to "C" | 16,520 | 93% | 16,049 | 93% | 15,473 | 93% | 3% | 7% |
| "D" to "H" | 1,184 | 7% | 1,170 | 7% | 1,166 | 7% | 1% | 2% |
| **Total** | **17,704** | **100%** | **17,219** | **100%** | **16,639** | **100%** | **3%** | **6%** |

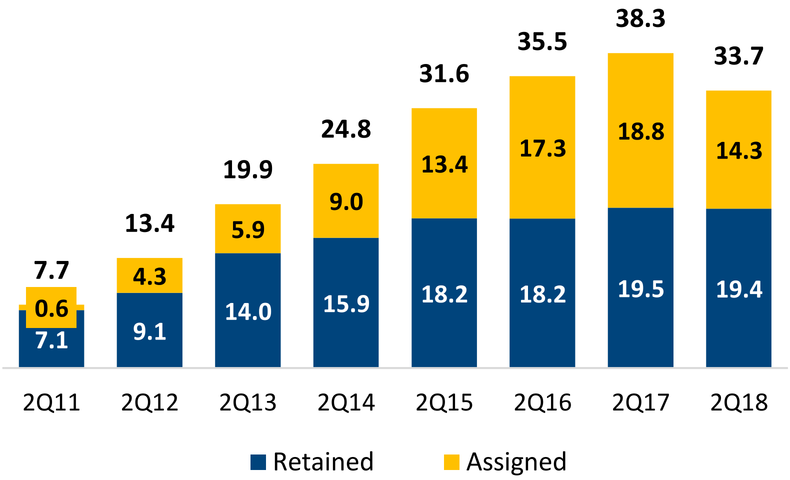
% of Credit rated between AA and C (CMN Resolution 2,682)




**Originated Credit Portfolio**

In addition to retaining credits in its portfolio, PAN's strategy also includes the assignment of credits without recourse, which amounted to R$1,159 million in 2Q18. The Originated Credit Portfolio balance, which takes into account both credit in PAN's balance sheet and the balance of the portfolios assigned to Caixa, ended the quarter at R$33.7 billion.

**Originated Credit Portfolio Evolution (R$ Bi)**



## Products

**Payroll-Deductible Loans and Credit Cards**

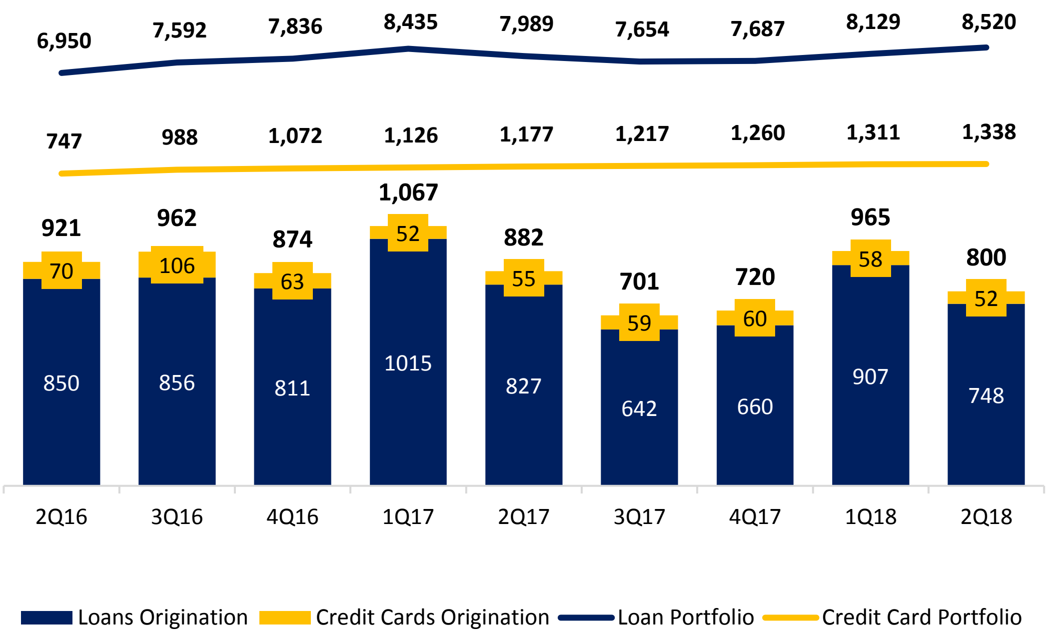
In this segment, PAN's strategy is to maintain its position as a relevant player with focus on Federal Servants, remaining as a Top 5 player in the INSS pensioners' market.

In this quarter, PAN launched an innovative app that allows loan origination, 100% paperless, through both, the commercial partners, our main sales channel, and branches. This digital origination makes the operation more cost efficient, improving security (facial biometrics and clients' geolocation), and agility in approval and payment.

In 2Q18, PAN granted R$2,244 million in loans to civil servants and INSS pensioners compared to R$2,721 million originated in 1Q18, and R$2,480 million originated in 2Q17. In the payroll-deductible loan segment, PAN originated R$155 million in transactions in 2Q18, versus R$174 million in 1Q18 and R$166 million in 2Q17. The reduction in the quarter was associated with the seasonal rise in the first quarter, when the wages and benefits of employees usually increase.

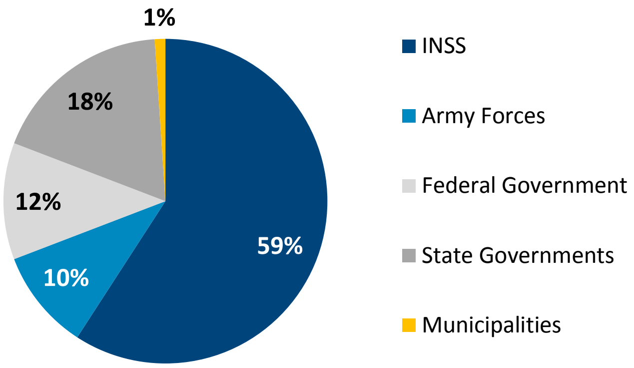
The payroll-deductible loan portfolio closed the second quarter at R$8,520 million, 5% up from R$8,129 million at the close of 1Q18 and 7% up from R$7,989 million at the end of 2Q17. The payroll-deductible credit card portfolio also increased, closing the quarter at R$1,338 million, 2% more than the R$1,311 million recorded in the previous quarter and 14% up from R$1,177 million at the end of 2Q17.

**Portfolio Evolution and Average Monthly Origination (R$ MM)**




Origination on Federal Codes accounts for a massive 81% of the total quarter volume.

2Q18 Origination by Codes (%)




**Vehicle Financing**

The Bank has 6,271 authorized multi-brand vehicle dealers with a high level of fragmentation in vehicle financing origination. PAN focus its origination on used vehicles (from 4 to 8 years of usage) and new motorcycles financing, capturing the benefits from its expertise in credit and collection, optimizing the risk x return of these operations and taking advantage from the great relationship with its commercial partners.

PAN is the market leader in motorcycle financing, excluding Captive Finance Companies. Benefiting from its credit knowledge and long-term experience, PAN's strategy of concentrating its operation in a specific niche has resulted in an excellent performance among low-income young adults.

In 2Q18, PAN originated R$882 million in new financing, including vehicles and motorcycles, versus R$952 million in 1Q18 and R$853 million in 2Q17.

Light vehicle financing amounted to R$669 million in 2Q18, versus R$745 million in 1Q18 and R$701 million in 2Q17, while motorcycle financing came to R$213 million in 2Q18, versus R$207 million in 1Q18 and R$149 million in 2Q17.

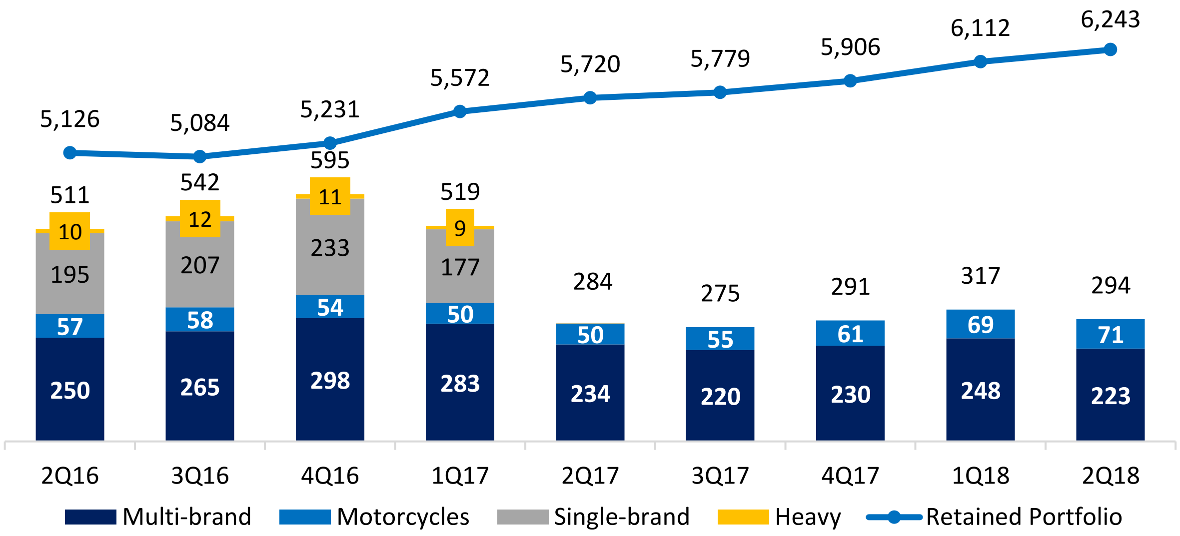
The chart below shows more details on origination in this segment:

| 2Q18 | Light Vehicles | Motorcycles |
|---|---|---|
| Origination (R$MM) | 669 | 213 |
| Market Share | 5% | 21% |
| Ranking | 6th | 2nd |
| Avg. Maturity (months) | 46 | 40 |
| % Down Payment | 41% | 25% |

The vehicle financing portfolio closed the second quarter at R$6,243 million, 2% up from R$6,112 million in March 2018 and 9% up from R$5,720 million in June 2017.

As part of its digital transformation, PAN has launched a contracting platform that allows the pre-analysis of credit based on just a few data, as well as automatic payment in case of approval, increasing agility and providing a better experience for our commercial partners and final customers.

**Vehicle Portfolio Evolution and Average Monthly Origination (R$ MM)**



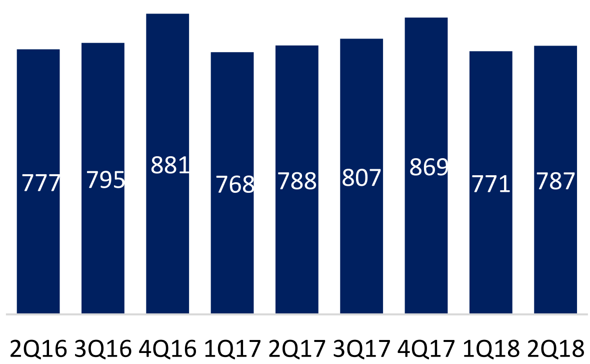

**Institutional Credit Cards**

The strategy for institutional cards is to expand the origination through co-branded partnerships and digital channels. In addition, PAN intends to maximize the cross sell through investments in CRM (Customer Relationship Management).

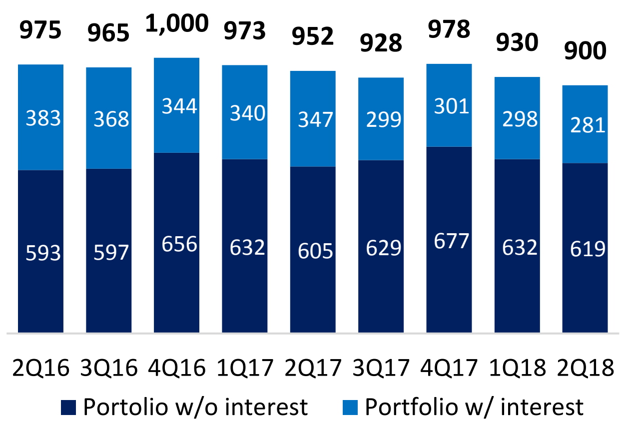
Credit card transactions totaled R$787 million in 2Q18, up from R$771 million in 1Q18 and in line with the R$788 million recorded in 2Q17.

The credit card portfolio showed a slight decline, ending the quarter with a balance of R$900 million, versus R$930 million in 1Q18 and R$952 million in 2Q17.

**Transaction Volume (R$ MM)**



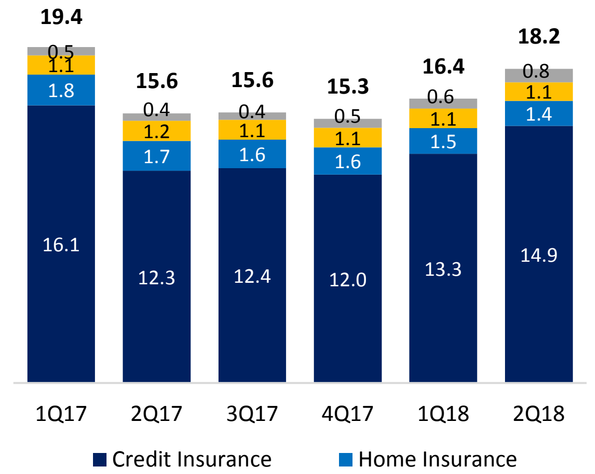

**Credit Portfolio (R$ MM)**



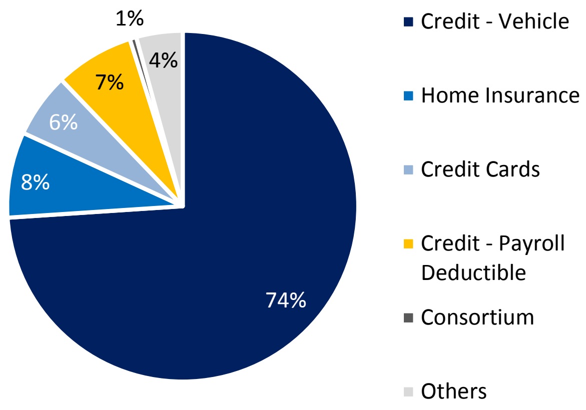
## Insurance

PAN originated R$54 million in insurance premiums in 2Q18, more than in the previous quarter. Premiums originated in the quarter included R$44.6 million from credit insurance, R$4.3 million from home insurance, R$3.2 million from credit card insurance and R$2.3 million from other insurance products.

**Average Monthly Premiums Originated by PAN (R$ MM)**




**2Q18 Origination by Product (%)**

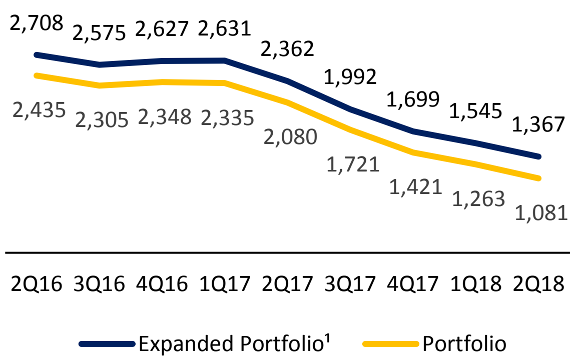



## Corporate Loans (run off)

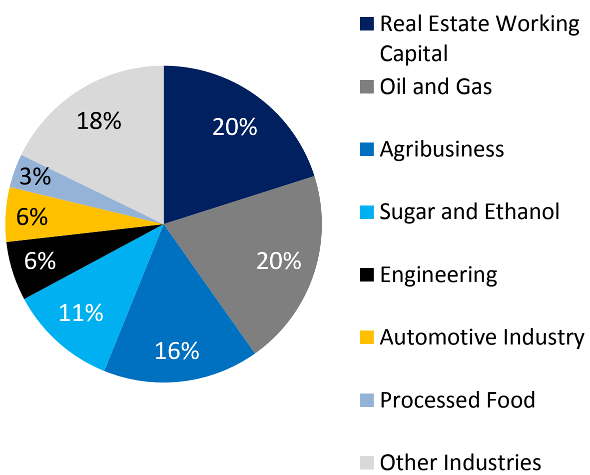
The corporate credit portfolio, including guarantees, closed the quarter at R$1,367 million, down from R$1,545 million on March 31, 2018 and R$2,362 million on June 30, 2017.

This portfolio has appropriate risk diversification and high segmentation across industries and economic groups, as well as substantial guarantees.

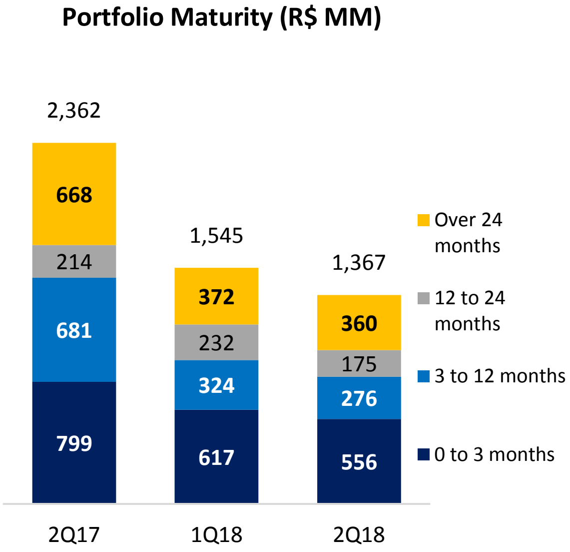
**Corporate Loan Portfolio Evolution (R$ MM)**

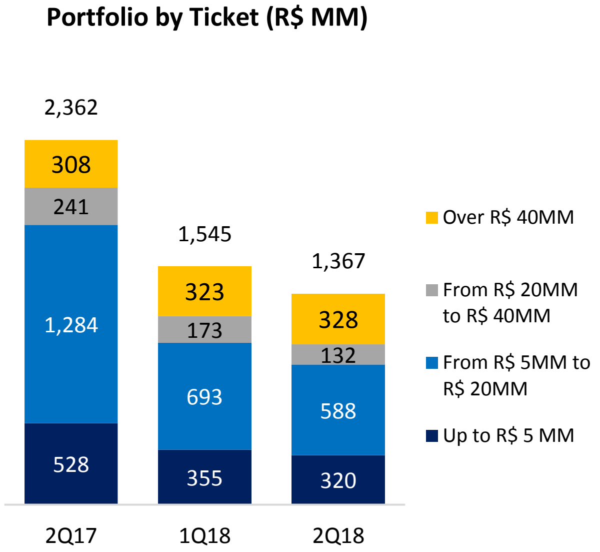



**Portfolio by Industry (%)**




[1]Including guarantees issued



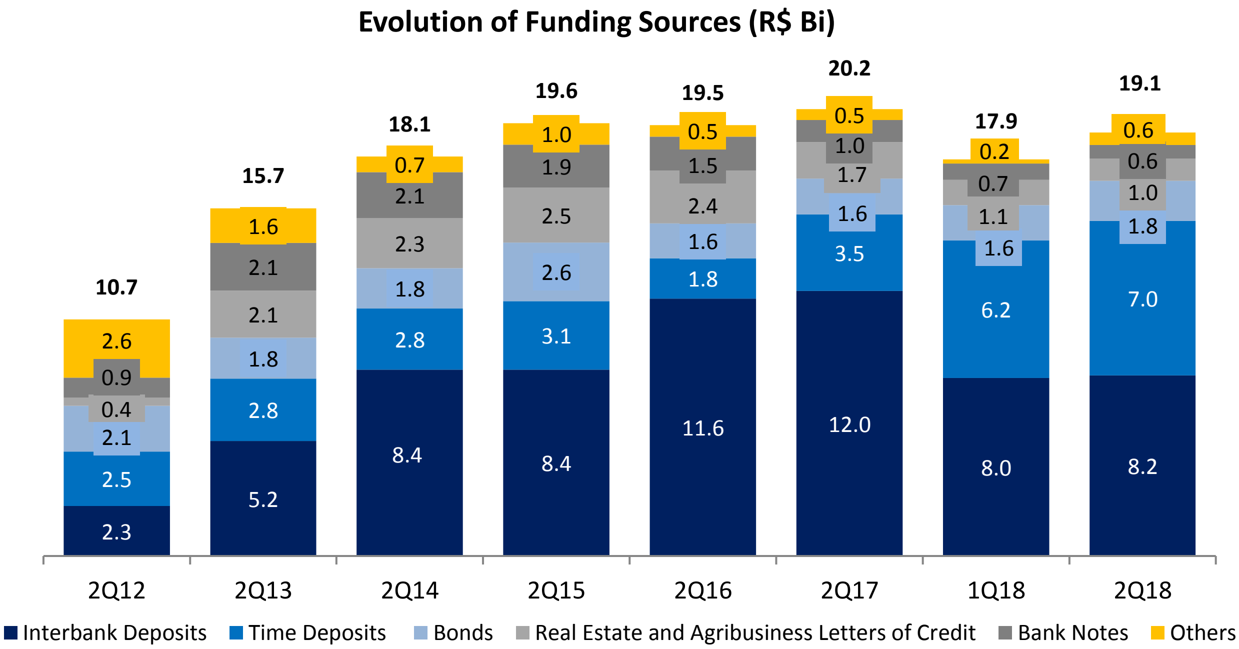




**Real Estate Credit (run off)**

Real estate credit granted to individuals totaled R$597 million at the end of 2Q18, versus R$631 million at the end of 1Q18 and R$716 million at the end of 2Q17. Credit granted to companies came to R$326 million at the end of 2Q18, down from R$337 million at the end of 1Q18 and R$490 million at the end of 2Q17.

## Funding

Our funding balance reached R$19.1 billion at the end of June 2018, 7.0% up from R$17.9 billion in March 2018 and 5% down from R$20.2 billion in June 2017. The main funding sources were (i) interbank deposits totaling R$8.2 billion, or 43% of the total; (ii) time deposits amounting to R$7 billion, or 36% of the total; (iii) bonds issued abroad totaling R$1.8 billion, or 9% of the total; (iv) real estate and agribusiness letters of credit (LCI and LCA) amounting to R$1 billion, or 5% of the total; (v) bank notes totaling R$628 million, or 3% of the total; (vi) other funding sources amounting to R$560 million, or 3% of the total.



As part of its digital transformation efforts, PAN launched a new version of the PAN Investimentos app that allows clients to simulate returns of different investment. This app has been significantly increasing the number of accounts and investments.

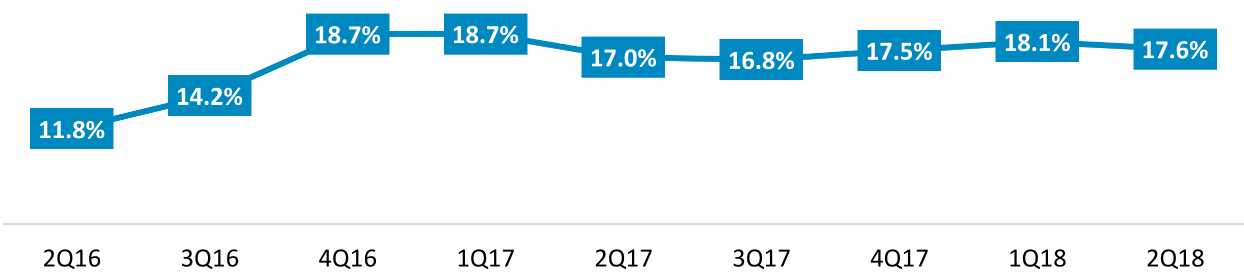
| Funding Sources (R$ MM) | 2Q18 | Share % | 1Q18 | Share % | 2Q17 | Share % | Δ 2Q18 / 1Q18 | Δ 2Q18/ 2Q17 |
|---|---|---|---|---|---|---|---|---|
| Interbank Deposits | 8,163 | 43% | 8,049 | 45% | 11,981 | 60% | 1% | -32% |
| Time Deposits | 6,986 | 36% | 6,216 | 35% | 3,454 | 17% | 12% | 102% |
| Bonds | 1,807 | 9% | 1,599 | 9% | 1,623 | 8% | 13% | 11% |
| LCI and LCA | 1,002 | 5% | 1,138 | 6% | 1,661 | 8% | -12% | -40% |
| Financial Bills | 628 | 3% | 744 | 4% | 991 | 5% | -16% | -37% |
| Others | 560 | 3% | 178 | 1% | 491 | 2% | 215% | -14% |
| **Total** | **19,146** | **100%** | **17,924** | **100%** | **20,201** | **100%** | **7%** | **-5%** |

In accordance with Article 8 of Central Bank Circular 3068/01, PAN declares that it has the financial capacity and the intention to hold to maturity those securities classified under “held-to-maturity securities” in its financial statements.

## Results

### Managerial Net Interest Margin – NIM

The managerial net interest margin was 17.6% p.y. in 2Q18, down from 18.1% p.y. in 1Q18 and up from 17.0% p.y. in 2Q17.



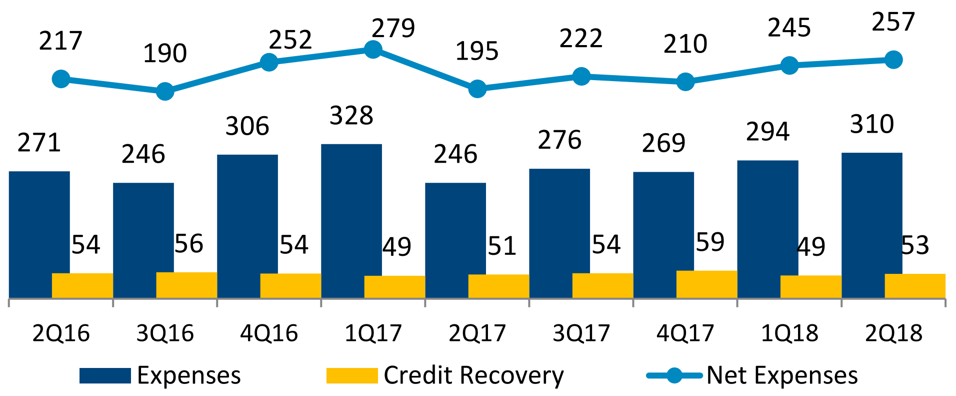

| Managerial Net Interest Margin (R$ MM) | 2Q18 | 1Q18 | 2Q17 | Δ 2Q18/ 1Q18 | Δ 2Q18/ 2Q17 |
|---|---|---|---|---|---|
| **Income from Financial Intermediation Before ALL** | **906** | **913** | **903** | **-1%** | **-** |
| (+) Exchange Rate Variation | (8) | (8) | (13) | 1% | 38% |
| **1. Managerial Net Interest Margin** | **898** | **905** | **890** | **-1%** | **1%** |
| **2. Average Interest-Earning Assets** | **21,717** | **21,288** | **22,239** | **2%** | **-2%** |
| - Average Loan Portfolio | 18,965 | 18,593 | 19,525 | 2% | -3% |
| - Average Securities and Derivatives | 1.874 | 1.840 | 2.530 | 2% | -26% |
| - Average Interbank Investments | 878 | 855 | 184 | 3% | 378% |
| **(1/2) Managerial Net Interest Margin (% p.y.)** | **17.6%** | **18.1%** | **17.0%** | **-0.5 p.p.** | **0.6 p.p.** |

**Allowance for Loan Losses and Credit Collection**

In 2Q18, the allowance for loan losses totaled R$310 million, versus R$294 million in 1Q18 and R$246 million in 2Q17. The collection of credit previously written-off came to R$53 million in the quarter, versus R$49 million in 1Q18 and R$54 million in 2Q17. Thus, the allowance for loan losses less credit collection totaled R$257 million, versus R$245 million in 1Q18 and R$192 million in 2Q17.

In collection, PAN has been optimizing its performance, expanding the possibilities for client debt payment, counting with analytics to better define: the discounts to clients, the most appropriate channel to approach them and the adequate product to offer them. PAN's digital positioning in collection is also gaining prominence. In 2Q18, around 20% was recovered through digital platforms, including self-service, bringing more dynamism and customization to negotiations.

**Allowance for Loan Losses and Credit Collection (R$ MM)**




**Costs and Expenses**

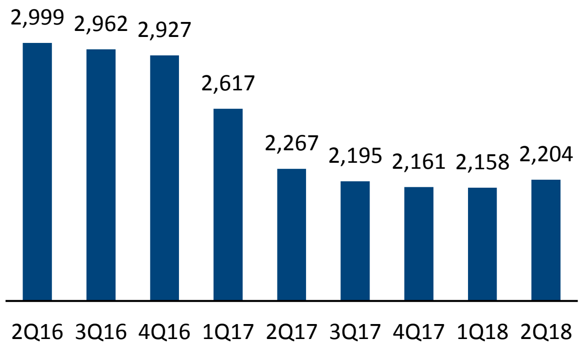
Personnel and administrative expenses totaled R$278 million in 2Q18, up from R$250 million in 1Q18, but in line with the R$278 million recorded in 2Q17. Credit origination expenses stood at R$198 million at the end of the quarter, down from R$236 million in 1Q18 and R$244 million in 2Q17, mainly driven by different origination volumes in each quarter.

Comparing the first half of 2018 and 2017, PAN presented an R$ 152 million reduction in total expenses, a 14% fall resulting from its focus on origination, structure reduction and efficiency gains.

| Expenses (R$ MM) | 2Q18 | 1Q18 | 2Q17 | Δ 2Q18/ 1Q18 | Δ 2Q18/ 2Q17 |
|---|---|---|---|---|---|
| Personnel expenses | 104 | 101 | 113 | 3% | -8% |
| Administrative expenses | 174 | 149 | 164 | 17% | 6% |
| **1. Subtotal I** | **278** | **250** | **278** | **11%** | **-** |
| Upfront Commission Expenses | 85 | 117 | 101 | -27% | -16% |
| Deferred Commissions and Origination Expenses | 113 | 119 | 143 | -5% | -21% |
| **2. Subtotal II - Origination** | **198** | **236** | **244** | **-16%** | **-19%** |
| **3. Total (I + II)** | **476** | **486** | **521** | **-2%** | **-9%** |

As part of its constant pursuit of efficiency gains, PAN has been optimizing its cost structure and constantly investing in technology.

**Number of Employees**




**Income Statement**

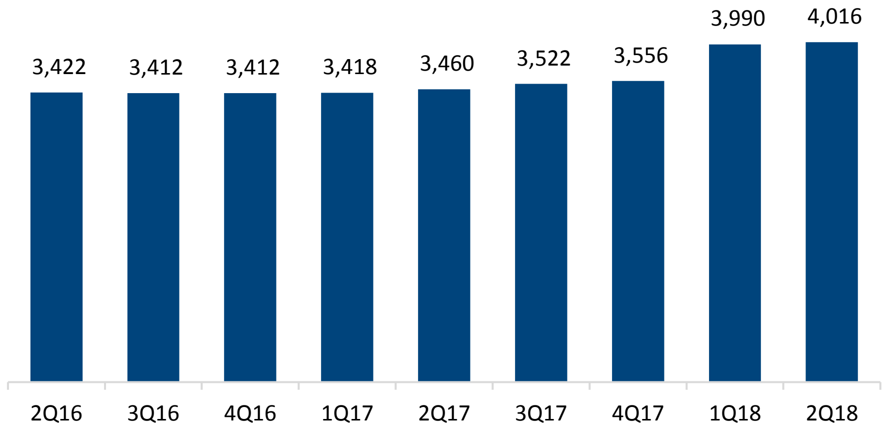
PAN posted net income of R$42.2 million in 2Q18, versus net income of R$56.6 million in 1Q18 and R$42.8 million in 2Q17,showing recurring positive results.

| Income Statement (R$ MM) | 2Q18 | 1Q18 | 2Q17 | Δ 2Q18/ 1Q18 | Δ 2Q18/ 2Q17 |
|---|---|---|---|---|---|
| **Managerial Net Interest Margin** | **898** | **905** | **890** | **-1%** | **1%** |
| Allowance for Loan Losses | (310) | (294) | (246) | -5% | -26% |
| **Gross Profit from Financial Intermediation** | **588** | **611** | **644** | **-4%** | **-9%** |
| Personnel and Administrative Expenses | (278) | (250) | (278) | -11% | - |
| Origination Expenses | (198) | (236) | (244) | 16% | 19% |
| Tax Expenses | (40) | (45) | (64) | 11% | 37% |
| Other | 29 | 39 | 22 | -24% | 35% |
| **Income before Taxes** | **101** | **117** | **80** | **-14%** | **25%** |
| Income Tax and Social Contribution | (59) | (61) | (38) | 4% | -54% |
| **Net Income** | **42,2** | **56,6** | **42,8** | **-25%** | **-1%** |

## Shareholders’ Equity and Capital

**Shareholders’ Equity**

PAN’s Consolidated Shareholders’ Equity amounted to R$4,016 million at the end of June 2018, versus R$3,990 million in March 2018 and R$3,460 million in June 2017.




**Basel Ratio and Operating Margin**

After applying all Basel III rules, the Prudential Conglomerate’s Basel Ratio ended 2Q18 at 13.7% (with 11.7% in Tier I Common Equity), versus 14.2% (with 11.4% in Tier I Common Equity) on March 31, 2018 and 11.6% (with 8.5% in Tier I Common Equity) on June 30, 2017. The Prudential Conglomerate’s Operating Margin for the second quarter was R$537.7 million.

| R$ MM | 2Q18 | 1Q18 | 2Q17 |
|---|---|---|---|
| **1. Reference Shareholders’ Equity** | **2,438** | **2,545** | **2,323** |
| Common Equity Tier I | 2,076 | 2,033 | 1,693 |
| Tier II | 361 | 513 | 630 |
| **2. Required Reference Shareholders’ Equity** | **1,870** | **1,880** | **2,101** |
| Risk-weighted Assets | 1,608 | 1,610 | 1,886 |
| Exchange Variation Risk | 4 | 3 | 1 |
| Interest (Fixed) | 8 | 16 | 27 |
| Interest (Price Index) | 0 | 1 | 0 |
| Operational Risk | 250 | 250 | 186 |
| **Basel Ratio** | **13.7%** | **14.2%** | **11.6%** |
| **Common Equity Tier I** | **11.7%** | **11.4%** | **8.5%** |
| **Tier II** | **2.0%** | **2.8%** | **2,323** |

## Ratings

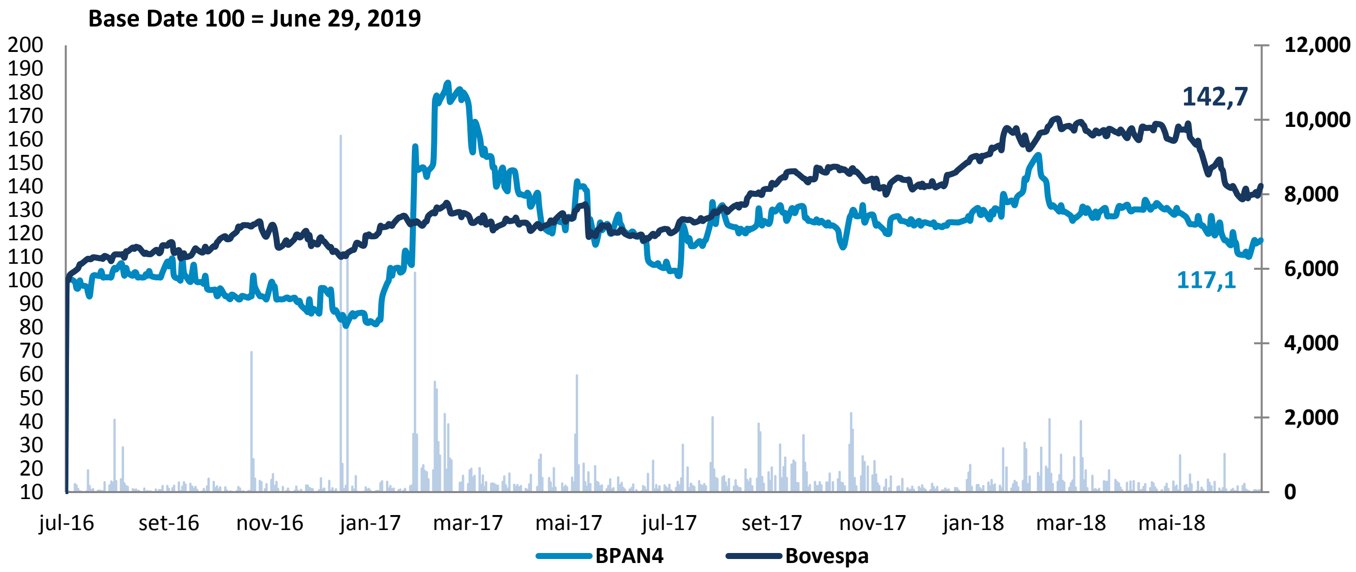
PAN's long-term ratings are presented below:

| Rating Agency | Global Scale (LT) | National Scale (LT) | Outlook |
|---|---|---|---|
| Fitch Ratings | B+ | A (bra) | Stable |
| Standard & Poor's | B+ | brAA- | Negative |
| Moody's | B1 | Baa2.br | Stable |
| Riskbank | Low Risk for Medium Term 2 \| 9.47 | | |

## Stock Performance

PAN's shares ended July at R$1.70, versus R$1.91 at the end of 2Q18. The maximum price in the period was R$1.95 per share, while the minimum price was R$1.60 per share.

Traded volume totaled R$10.7 million in 2Q18, with a daily average of R$93,800. On June 29, 2018, PAN's market cap was R$1.9 billion.




Source: Reuters

## Exhibits

| BALANCE SHEET AS OF JUNE 31,2018 AND MARCH 31, 2018 | | | | |
|---|---|---|---|---|
| *(In thousands of Brazilian reais - R$)* | BANK | | CONSOLIDATED | |
| **ASSETS** | **Jun/18** | **Mar/18** | **Jun/18** | **Mar/18** |
| **CURRENT ASSETS** | **12,067,423** | **11,193,059** | **12,138,742** | **11,278,619** |
| Cash | 6,096 | 3,355 | 8,347 | 4,971 |
| Interbank investments | 1,078,240 | 677,202 | 1,078,240 | 677,202 |
| Securities and derivatives financial instruments | 477,279 | 421,990 | 480,898 | 445,240 |
| Interbank accounts | 43,108 | 43,181 | 43,108 | 43,181 |
| Lending operations | 7,556,377 | 7,648,260 | 7,556,377 | 7,648,260 |
| Lending operations - private sector | 8,454,256 | 8,525,163 | 8,454,256 | 8,525,163 |
| (Allowance for loan losses) | (897,879) | (876,903) | (897,879) | (876,903) |
| Leasing operations | - | - | - | 81 |
| Leasing operations | - | - | 144 | 165 |
| (Allowance for doubtful lease receivables) | - | - | (144) | (84) |
| Other receivables | 2,527,913 | 2,121,249 | 2,582,337 | 2,169,882 |
| (Allowance for loan losses) | (78,987) | (84,577) | (79,571) | (84,577) |
| Other assets | 378,410 | 362,399 | 389,435 | 374,379 |
| **LONG-TERM RECEIVABLES** | **13,828,268** | **13,803,622** | **14,354,707** | **14,353,117** |
| Interbank investments | - | - | - | - |
| Securities and derivatives financial instruments | 1,240,889 | 1,101,858 | 1,473,009 | 1,348,116 |
| Lending operations | 9,452,061 | 9,192,127 | 9,452,061 | 9,192,127 |
| Lending operations - Private Sector | 9,781,336 | 9,508,155 | 9,781,336 | 9,508,155 |
| (Allowance for loan losses) | (329,275) | (316,028) | (329,275) | (316,028) |
| Leasing operations | - | - | - | - |
| Leasing operations | - | - | - | - |
| (Allowance for doubtful lease receivables) | - | - | - | - |
| Other receivables | 3,047,721 | 3,433,045 | 3,340,032 | 3,734,030 |
| (Allowance for loan losses) | (18,349) | (17,090) | (17,765) | (17,090) |
| Other assets | 87,597 | 93,682 | 89,605 | 95,934 |
| **PERMANENT ASSETS** | **1,175,701** | **1,157,967** | **185,856** | **180,222** |
| **TOTAL ASSETS** | **27,071,392** | **26,154,648** | **26,679,305** | **25,811,958** |

| LIABILITIES | Jun/18 | Mar/18 | Jun/18 | Mar/18 |
|---|---|---|---|---|
| **CURRENT LIABILITIES** | **14,761,581** | **14,468,948** | **14,499,779** | **14,224,063** |
| Deposits | 10,284,324 | 9,640,840 | 10,007,063 | 9,377,733 |
| Demand deposits | 21,599 | 27,821 | 21,562 | 27,779 |
| Interbank deposits | 8,363,384 | 8,270,511 | 8,114,843 | 8,028,086 |
| Time deposits | 1,899,341 | 1,342,508 | 1,870,658 | 1,321,868 |
| Money market funding | 797,710 | 961,495 | 797,710 | 961,495 |
| Funds from acceptance and issuance of securities | 840,055 | 1,155,755 | 840,130 | 1,155,834 |
| Interbank accounts | 780,211 | 915,666 | 780,211 | 915,666 |
| Interbranch accounts | 588 | 1,594 | 588 | 1,594 |
| Derivatives Financial Instruments | 105,578 | 103,593 | 105,578 | 103,593 |
| Other liabilities | 1,953,115 | 1,690,005 | 1,968,499 | 1,708,148 |
| **LONG-TERM LIABILITIES** | **8,293,390** | **7,695,425** | **8,163,105** | **7,597,620** |
| Deposits | 5,439,340 | 5,151,863 | 5,163,088 | 4,915,597 |
| Interbank deposits | 48,134 | 21,073 | 48,134 | 21,073 |
| Time deposits | 5,391,206 | 5,130,790 | 5,114,954 | 4,894,524 |
| Money market funding | 106,160 | 106,662 | 98,458 | 99,012 |
| Funds from acceptance and issuance of securities | 611,460 | 550,764 | 615,428 | 554,765 |
| Derivatives financial instruments | 45,996 | 132,083 | 45,996 | 132,083 |
| Other Liabilities | 2,090,434 | 1,754,053 | 2,240,135 | 1,896,163 |
| Deferred Income | 43 | 65 | 43 | 65 |
| **SHAREHOLDERS' EQUITY** | **4,016,378** | **3,990,210** | **4,016,378** | **3,990,210** |
| Capital | 3,653,409 | 3,460,732 | 3,653,409 | 3,460,732 |
| Capital Increase | - | 400,000 | - | 400,000 |
| Income Reserve | 108,495 | 108,495 | 108,495 | 108,495 |
| Adjustments to equity valuation | (12,978) | (13,447) | (12,978) | (13,447) |
| Retained earnings (loss) | 60,130 | 34,430 | 60,130 | 34,430 |
| **TOTAL LIABILITIES** | **27,071,392** | **26,154,648** | **26,679,305** | **25,811,958** |

| INCOME STATEMENT FOR THE QUARTERS ENDED ON JUNE, 31 AND MARCH 31, 2018 | | | | |
|---|---|---|---|---|
| *(In thousands of Brazilian reais - R$)* | BANK | | CONSOLIDATED | |
| | 2Q18 | 1Q18 | 2Q18 | 1Q18 |
| **REVENUE FROM FINANCIAL INTERMEDIATION** | **1,515,363** | **1,308,818** | **1,528,633** | **1,322,852** |
| Lending operations | 1,225,997 | 1,366,620 | 1,228,531 | 1,368,954 |
| Securities transactions | 40,031 | 38,987 | 50,767 | 50,687 |
| Derivative transactions | 239,989 | (98,590) | 239,989 | (98,590) |
| Foreign exchange transactions | 9,346 | 1,801 | 9,346 | 1,801 |
| **EXPENSES ON FINANCIAL INTERMEDIATION** | **(940,930)** | **(711,920)** | **(932,772)** | **(704,103)** |
| Funding operations | (631,245) | (418,097) | (623,027) | (410,239) |
| Allowance for loan losses | (309,685) | (293,823) | (309,745) | (293,864) |
| **GROSS PROFIT FROM FINANCIAL INTERMEDIATION** | **574,433** | **596,898** | **595,861** | **618,749** |
| **OTHER OPERATING INCOME (EXPENSES)** | **(477,775)** | **(481,127)** | **(493,225)** | **(498,468)** |
| Income from services rendered | 82,100 | 82,857 | 89,682 | 89,333 |
| Equity in subsidiaries | 11,063 | 9,175 | - | - |
| Personnel Expenses | (104,178) | (101,015) | (104,516) | (101,446) |
| Other Administrative Expenses | (362,693) | (376,759) | (371,834) | (385,082) |
| Tax Expenses | (37,216) | (42,157) | (40,246) | (45,363) |
| Other Operating Income | 55,578 | 42,662 | 61,148 | 46,929 |
| Other Operating Expenses | (122,429) | (95,890) | (127,459) | (102,839) |
| **INCOME FROM OPERATIONS** | **96,658** | **115,771** | **102,636** | **120,281** |
| **NON OPERATING EXPENSES** | **(1,979)** | **(3,139)** | **(1,864)** | **(2,920)** |
| **INCOME BEFORE TAXES** | **94,679** | **112,632** | **100,772** | **117,361** |
| **INCOME AND SOCIAL CONTRIBUTION TAXES** | **(52,466)** | **(56,081)** | **(58,559)** | **(60,810)** |
| Provision for Income tax | (719) | (2,792) | (4,192) | (5,508) |
| Provision for Social Contribution tax | (755) | (2,531) | (2,221) | (3,572) |
| Deferred tax credits | (50,992) | (50,758) | (52,146) | (51,730) |
| **NET INCOME** | **42,213** | **56,551** | **42,213** | **56,551** |