

# *Earnings Release*

3Q18

Banco  
**PAN**

**São Paulo, November 5, 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 September 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 the accounting practices adopted in Brazil.

## HIGHLIGHTS

- ✓ **Digital Transformation**
  - ✓ **PAN reached an average of 10.2% of paperless payroll loans origination through its points of services in the quarter**, against 2.3% in the previous quarter, advancing in its strategy of reaching 100% by the end of 2019;
  - ✓ **Release of PAN Cartões app update**, which had more than **40 thousand downloads in the 1<sup>st</sup> month**;
  - ✓ **New account opening process through PAN Investimentos app**, which had more than **260 thousand downloads** since its initial release;
  - ✓ **22% share of credit recovery through digital channels**;
  - ✓ **Website redesign**, with **3.7 million access** in the quarter, **fostering cross sell and improving clients self-servicing experience**.
- ✓ **Average monthly retail origination of R\$1,428 million in 3Q18, conquering 144 thousand new clients**;
- ✓ **Total Credit Portfolio ended 3Q18 at R\$19.7 billion** versus a balance of R\$19.4 billion at the end of 2Q18 and R\$18.8 billion in 3Q17, highlighting payroll and vehicle financing portfolios increase of 15% and 13% respectively in 12 months;
- ✓ **Income before taxes of R\$321 million in 9M18, increasing 157% against 9M17**, and Net Income of R\$ 148 million in 9M18 versus R\$ 158 million in 9M17;
- ✓ **ROAE of 5.2% p.y. in 9M18 and Adjusted ROAE (unaudited) of 14.4% p.y.**;
- ✓ **ROAE of 4.9% p.y. in 3Q18 and Adjusted ROAE (unaudited) of 13.5% p.y.**;
- ✓ **Shareholders' Equity ended the quarter at R\$4,047 million and Basel Ratio of 14.0%**.



## MAIN INDICATORS

R\$ MM	3Q18	2Q18	3Q17	Δ 3Q18 / 2Q18	Δ 3Q18 / 3Q17
Retail Origination	4.283	4.069	3.745	5%	14%
Credit Assignments without Recourse	1.148	1.159	1.619	-1%	-29%
Total Credit Portfolio	19,704	19.397	18.799	2%	5%
Total Assets	27.736	26.679	26.993	4%	3%
Funding	20.680	19.146	19.229	8%	8%
Shareholders' Equity	4.047	4.016	3.522	1%	15%
Interest Margin	822	898	867	-8%	-5%
Interest Margin (% p.y.)	15.4%	17.6%	16.8%	-2.2 p.p.	-1.4 p.p.
Net Income	49.1	42.2	111.3	16%	-56%
Basel Ratio	14.0%	13.7%	12.2%	0.3 p.p.	1.8 p.p.
Common Equity	11.9%	11.7%	9.0%	0.2 p.p.	2.9 p.p.
Tier II	2.1%	2.0%	3.2%	0.1 p.p.	-1.1 p.p.

## ECONOMIC ENVIRONMENT

Total outstanding credit ended September at R\$ 3.2 trillion, 0.4% up over August. In the annual comparison, the outstanding credit increased 3.9%, against 3.4% in the previous month. The recent credit market report reinforces the view of an ongoing recovery in the credit market, led by the non-earmarked segment, which registered an annual increase of 4.9% in September in real terms. The total outstanding non-earmarked segment for households rose 9.2% in 12 months, with a highlight in the payroll deducted and vehicle financing markets offset by the reduction in the balance of credit cards. The balance of non-earmarked corporate credit increased by 10.3% year-over-year.

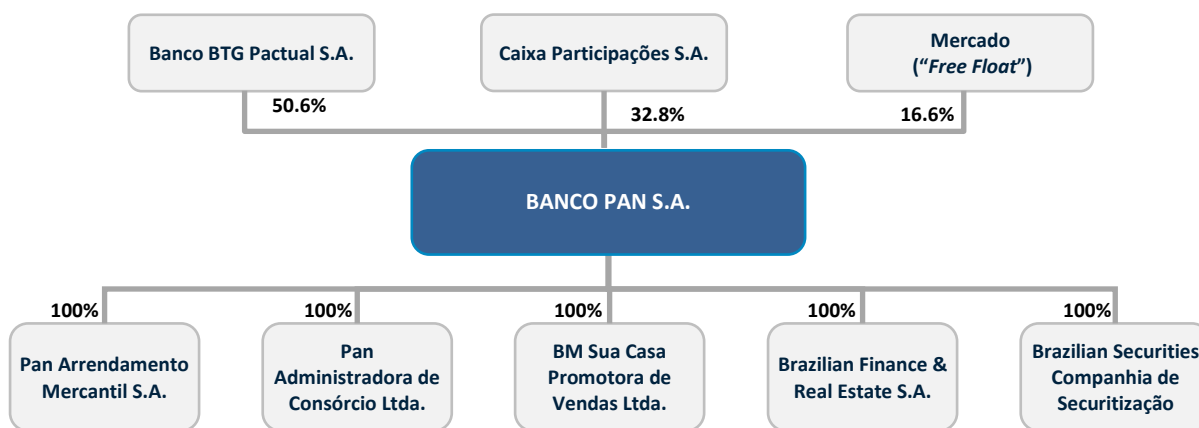
Recent activity indicators show that the industrial and service sectors have recovered from the immediate losses occasioned by the truck drivers' strike in the second quarter but have since failed to make significant progress. Despite the end of the impact of the truckers' stoppage on inflation (measured by the IPCA), other sources of pressure, such as strong inflation in fuel prices (driven by high international oil prices) and the exchange rate depreciation observed until September, led to strong inflation readings in the third quarter. The September IPCA came in at 0.48% over the previous month, bringing 12-month inflation to 4.53% p.y. (compared to 4.39% in the quarter ended in June). In the year, the indicator accumulated a high of 3.34% p.y.. Meanwhile, the index remains comfortably below the government's target of keeping inflation at 4.5% for the year.

With regard to the labor market, according to the CAGED (formal employment flow published by the Ministry of Labor), 137 thousand formal jobs were created in September, registering the largest creation of formal jobs for the month since 2013.

In relation to unemployment, IBGE [Brazilian Geography and Statistics Institute] informed, in its release of continuous PNAD [National Domicile Sample Survey] that the unemployment rate reached 11.9% in the quarter ended in September, compared to 12.4% in the quarter ended in June. Although the unemployment rate is still at high levels, modest signs of job creation indicate a bullish trend.

## Subsidiaries

Since 2011, PAN is jointly controlled by BTG Pactual and Caixa Participações S.A. (“CaixaPar”), fully owned subsidiary of Caixa Econômica Federal (together “CAIXA Conglomerate”) through a Shareholders’ Agreement, valid until February 2027, despite the difference in the number of shares.



## BANK STRUCTURE

PAN is a major medium bank in Brazil with focus on retail (class C and D, public sector employees and civil servants and Social Security pensioners), offering payroll-deductible loans (loans and credit card), financing of used vehicles, financing of new motorcycles, credit cards and insurance.

The Bank constantly invests in technology, supported by a high skilled team working in the agile methodology and has advanced in the omnichannel strategy for credit origination regardless of physical limitations which, aligned with its credit expertise, allows the capture of scalability and productivity gains in its own stores and partners.

PAN gathers a unique combination of: (i) strong controlling and complementary shareholders; (ii) capital and funding availability; (iii) potential synergies with CAIXA; (iv) strong presence in the segments in which it operates; and (v) digital platforms that enable leveraging its growth at low cost in the front and back office.

With 2,227 employees, PAN has 60 Points of Service 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).

PAN closed 3Q18 with 664 correspondent banks originating payroll-deductible loans, and 6,669 authorized multi-brand vehicle dealers originating vehicle financing.

The Bank conquered 144 thousand new clients and ended September managing a portfolio of 4.4 million clients. In order to improve client service and reduce costs, the Bank has focused on increasing self-service alternatives as, for example, the institutional website, which registered 3.7 million access in the quarter. Additionally, PAN’s relationship base of a relationship with more than 20 million clients highlights its strong cross-selling potential.

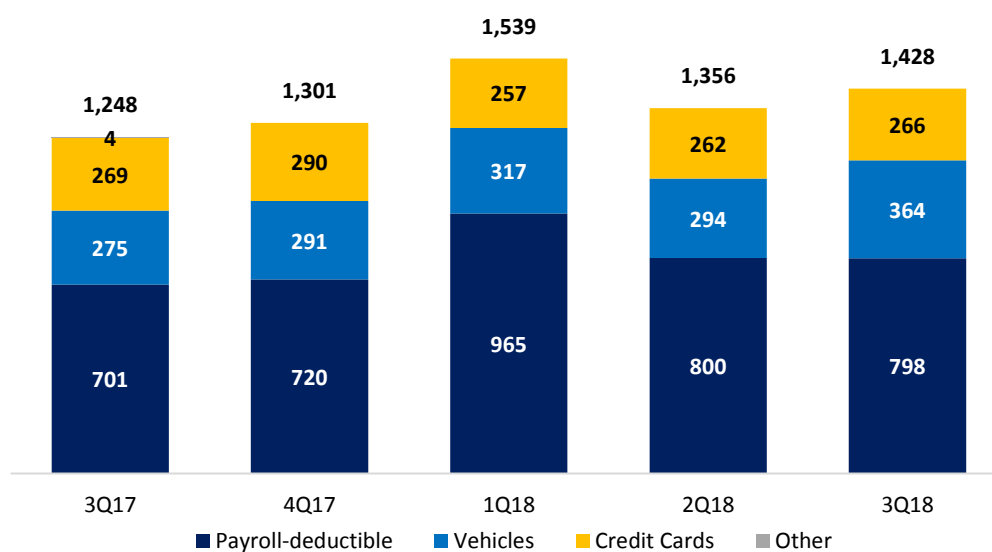
## Asset Origination - Retail

In 3Q18, PAN originated a monthly average of R\$1,428 million in new credit, against R\$1,356 million in 2Q18 and R\$1,248 million in 3Q17. This growth was driven by vehicle's origination volumes, which increased by 24% in the quarter.

Regarding credit, PAN is reinforcing its client priority strategy, better addressing the customers' needs, choosing the most suitable combination among the client, proposals and rates. For this purpose, non-structured data and Machine Learning models are being used to improve credit decisions, in addition to the proximity to different *startups*, to be always connected with the latest market trends.

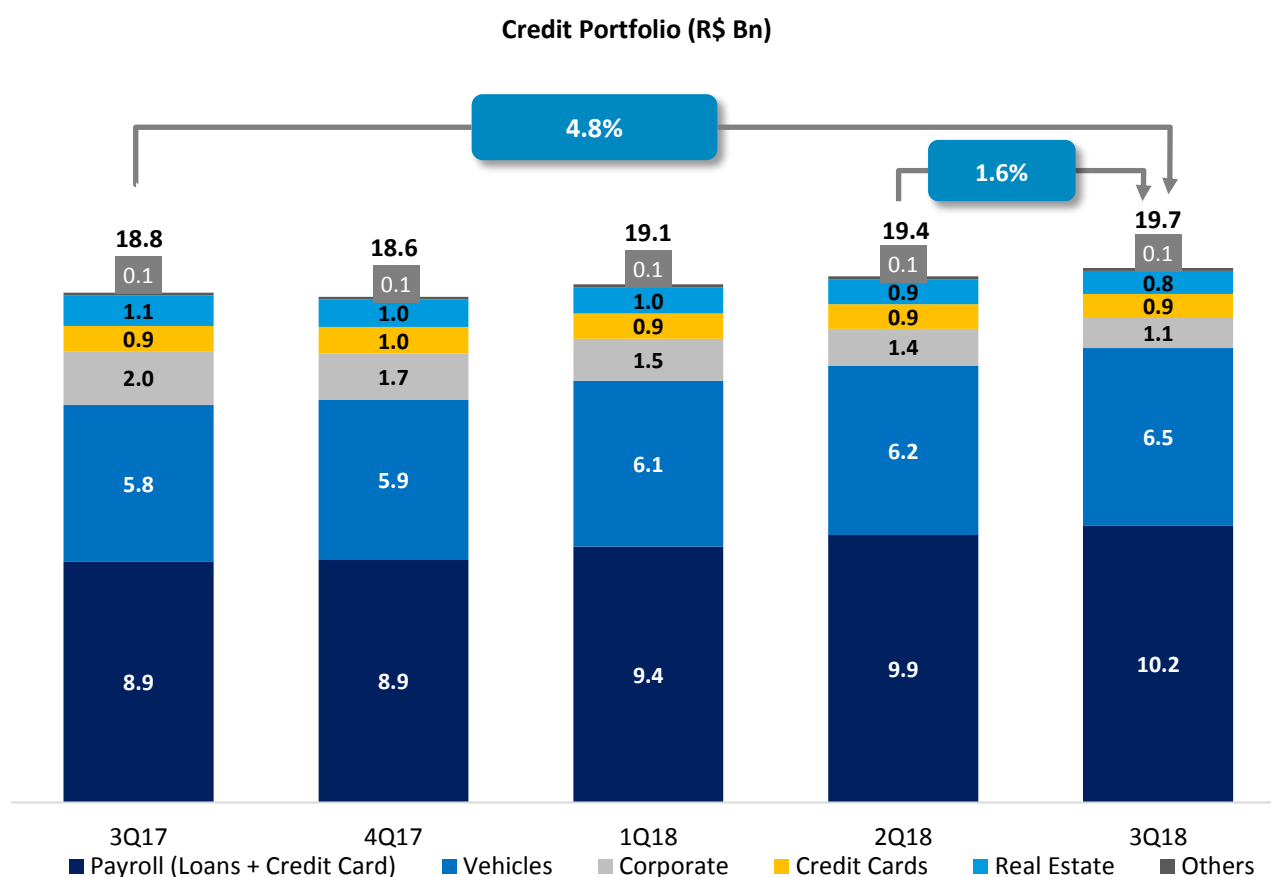
**Average Monthly Origination of Retail Products (R\$ MM)**

Products	3Q18	2Q18	3Q17	$\Delta$ 3Q18 / 2Q18	$\Delta$ 3Q18 / 3Q17
Payroll-deductible	798	800	701	-	14%
Vehicles	364	294	275	24%	32%
Credit Cards	266	262	269	1%	-1
Others	-	-	4	-	-
<b>Total</b>	<b>1,428</b>	<b>1,356</b>	<b>1,248</b>	<b>5%</b>	<b>14%</b>



## Credit Portfolio

The balance of Credit Portfolio, which includes the Retail and Corporate portfolios, ended 3Q18 at R\$19,704 million, up 2% from R\$19,397 million in 2Q18, and increasing 5% over R\$18,799 million in 3Q17. In 12 months, the total portfolio advanced 4.8% driven by the payroll loans portfolio, which rose 15%, and vehicle portfolio, with a 13% increase, while the Corporate and Real Estate Credit portfolios, both in run off, fell by 44% and 25% respectively in twelve months.



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

R\$ MM	3Q18	Share %	2Q18	Share %	3Q17	Share %	Δ 3Q18/2Q18	Δ 3Q18/3Q17
Payroll-deductible loans (Loans + Cards)	10,212	52%	9,858	51%	8,871	47%	4%	15%
Vehicles	6,543	33%	6,243	32%	5,779	31%	5%	13%
Corporate and Sureties	1,114	6%	1,367	7%	1,992	11%	-19%	-44%
Real Estate	849	4%	923	5%	1,136	6%	-8%	-25%
Credit Cards	885	4%	900	5%	928	5%	-2%	-5%
Others	102	1%	106	1%	93	-	-4%	10%
<b>Total</b>	<b>19,704</b>	<b>100%</b>	<b>19,397</b>	<b>100%</b>	<b>18,799</b>	<b>100%</b>	<b>2%</b>	<b>5%</b>

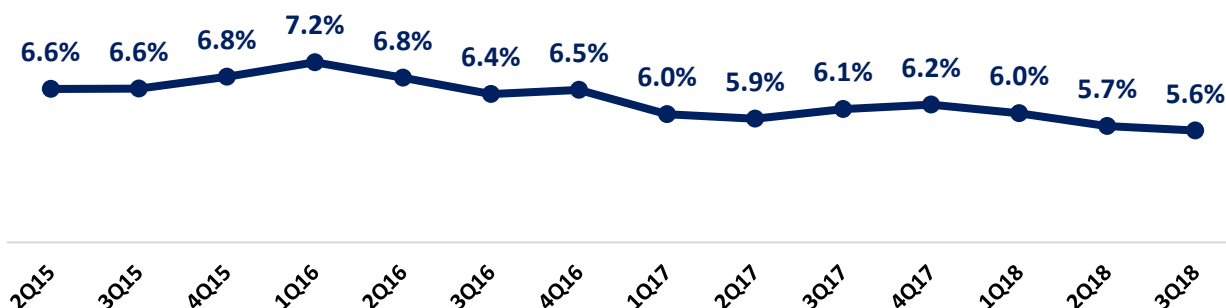
The table below shows the total credit portfolio by maturity as of September 30, 2018:

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)	330	455	645	1,158	6,247	8,834
Vehicles	544	581	815	1,361	3,241	6,543
Corporate and Sureties	335	122	84	127	445	1,114
Payroll-deductible Credit Cards	1,351	7	3	5	11	1,377
Real Estate	500	187	123	68	7	885
Credit Cards	260	37	30	58	464	849
Others	9	9	14	21	49	102
<b>Total</b>	<b>3,329</b>	<b>1,398</b>	<b>1,714</b>	<b>2,798</b>	<b>10,464</b>	<b>19,704</b>
<b>Share (%)</b>	<b>17%</b>	<b>7%</b>	<b>9%</b>	<b>14%</b>	<b>53%</b>	<b>100%</b>

### 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, which continued to record growth in recent quarters.

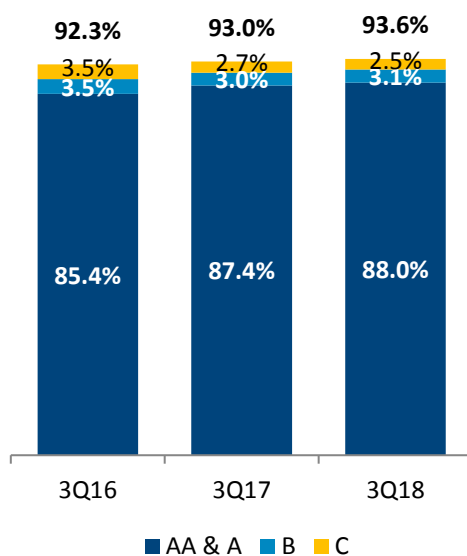
**Non-Performing Retail Loans 90 Days Overdue (%)**



The ratings of Banco PAN's retail credit portfolio are shown below, as recorded on the balance sheet by risk rating, pursuant to Resolution 2682 of the National Monetary Council ("CMN"):

R\$ MM	3Q18	Share %	2Q18	Share %	3Q17	Share %	Δ 3Q18/2Q18	Δ 3Q18/3Q17
"AA" to "C"	17,136	94%	16,520	93%	15,212	93%	4%	13%
"D" to "H"	1,177	6%	1,184	7%	1,152	7%	-1%	2%
<b>Total</b>	<b>18,313</b>	<b>100%</b>	<b>17,704</b>	<b>100%</b>	<b>16,364</b>	<b>100%</b>	<b>3%</b>	<b>12%</b>

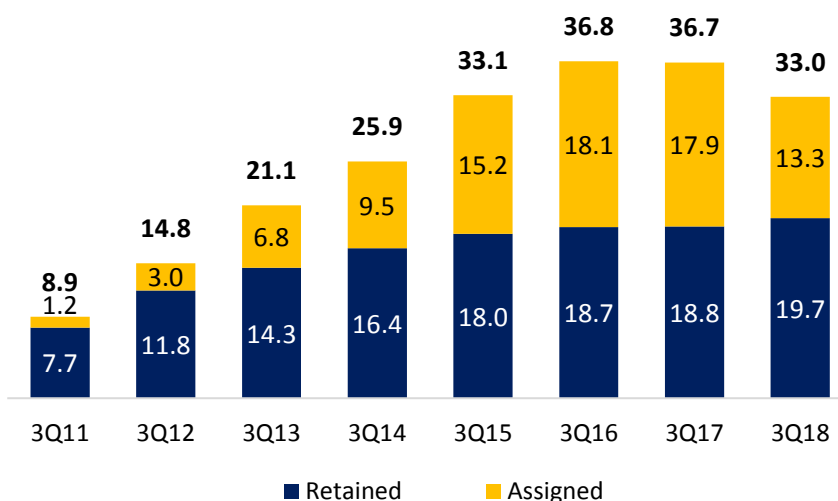
### % of Credit rated between AA and C (CMN Resolution 2682)



### Originated Credit Portfolio

In addition to retaining credits in its portfolio, PAN's strategy includes the assignment of credits without recourse, which amounted to R\$1,148 million in 3Q18. The Originated Credit Portfolio balance, which takes into account both credits retained in PAN's balance sheet and the balance of the portfolios assigned to Caixa, ended the quarter at R\$33.0 billion.

### Originated Credit Portfolio Evolution (R\$ Bn)





## Products

### Payroll-Deductible Loans (Loans and Credit Cards)

In the payroll-deductible loans segment, PAN's strategy is to continue to be a major player with focus on federal partnership, ranking among the top 5 largest originators on the market of INSS beneficiary and pensioners.

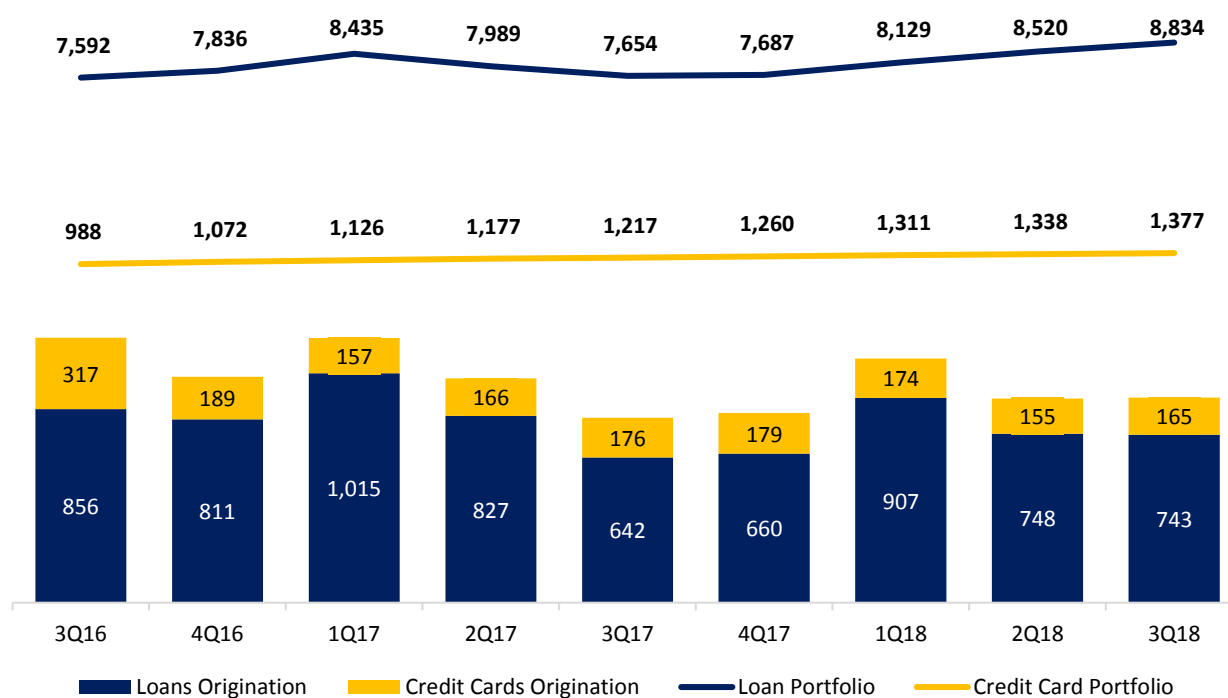
Last quarter, PAN launched an innovative app that allows clients to borrow payroll loans paperless. This paperless technology improves the efficiency and profitability, resulting in cost savings, improving antifraud detection (facial biometrics and geolocation of final clients), and greater speed in contracting, resulting in enhanced experience for all involved parties.

In 3Q18, the origination through digital channels in PAN's own points of service reached an average of 10.2% of the total payroll loans origination, versus 2.3% in the previous quarter.

In 3Q18, PAN granted R\$2,230 million in loans to civil servants and INSS beneficiaries, against R\$2,244 million in 2Q18, and R\$ 1,927 million originated in 3Q17. In the payroll-deductible loan segment, PAN originated R\$165 million in 3Q18, versus R\$155 million in 2Q18 and R\$176 million in 3Q17.

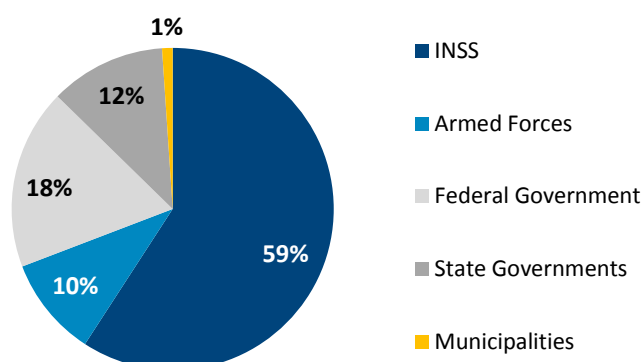
The payroll-deductible loan portfolio ended the quarter at R\$8,834 million, 4% up from R\$8,520 million in 2Q18 and 15% up from R\$7,654 million in the end of 3Q17. The payroll-deductible credit card portfolio also increased, closing the quarter at R\$1,377 million, 3% more than the R\$1,338 million recorded in the previous quarter and 13% up from the balance of R\$1,217 million in the end of 3Q17.

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



The concentration in partnerships with federal institutions is very important for PAN, accounting for 87% of the origination in 3Q18.

**Quarterly Origination by Partnership (%)**



### Vehicle Financing

The Bank has 6,669 authorized multi-brand vehicle dealers with a high level of fragmentation in vehicle financing origination. Operations are focused on used cars financing (from 4 to 8 years of use) and new motorcycles financing, capturing the benefits of the Bank's expertise in credit and collection to optimize the risk/return ratio.

PAN is a leader in the motorcycle segment, excluding captive finance companies. The Bank's focus in this specific niche guarantees an excellent performance to lend to young low-income individuals, by capturing gains based on its long credit background, experience and knowledge.

In 3Q18, PAN originated R\$1,091 million in new loans, including light vehicles and motorcycles, against R\$882 million in 2Q18 and R\$825 million originated in 3Q17.

Light vehicles origination amounted to R\$853 million in 3Q18, against R\$669 million originated in 2Q18, and R\$660 million in 3Q17, while motorcycle financing came to R\$238 million in 3Q18, against R\$213 million in 2Q18 and R\$164 million in 3Q17.

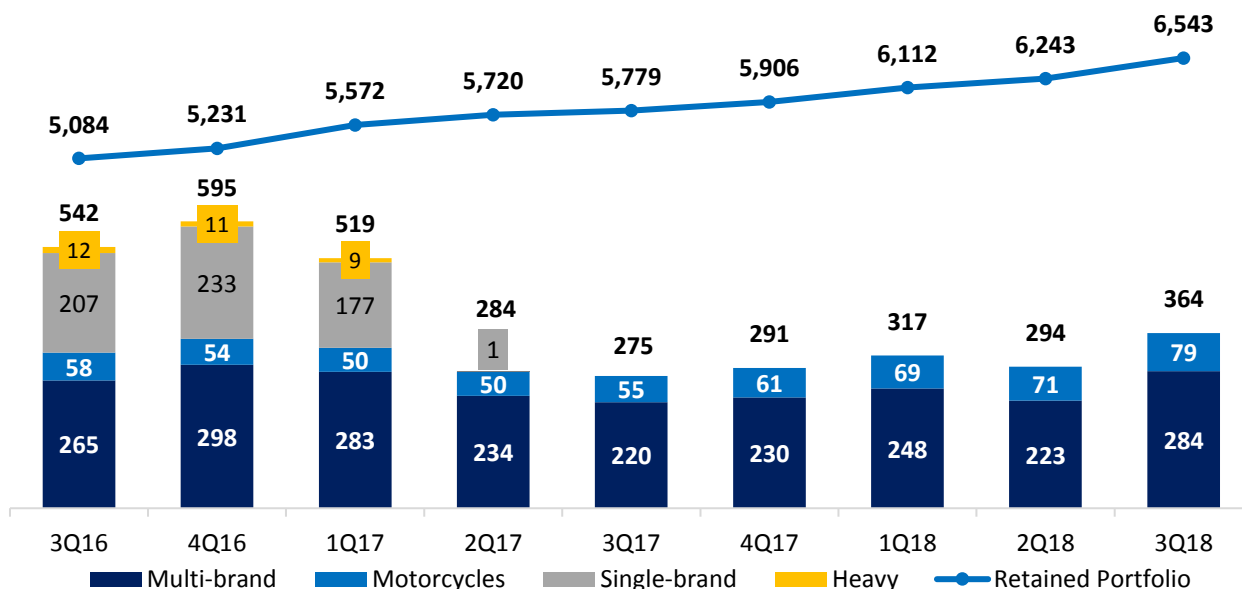
The table below shows more details on origination in this segment:

3Q18	Light Vehicles	Motorcycles
Origination (R\$MM)	853	238
Market Share	5.3%	20.4%
Ranking	6th	2nd
Avg. Maturity (months)	46	40
% Down Payment	40.6%	25.1%

The vehicle credit portfolio closed the second quarter at R\$6,543 million, an increase of 5% against R\$6,243 million in 2Q18 and up by 13% against R\$5,779 million in the end of 3Q17.

As part of its digital transformation agenda, PAN has developed a simulator that allows the pre-analysis of credit based on just a few pieces of information, as well as automatic payment in case of approval, increasing agility and providing a better experience for its commercial partners and end customers.

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



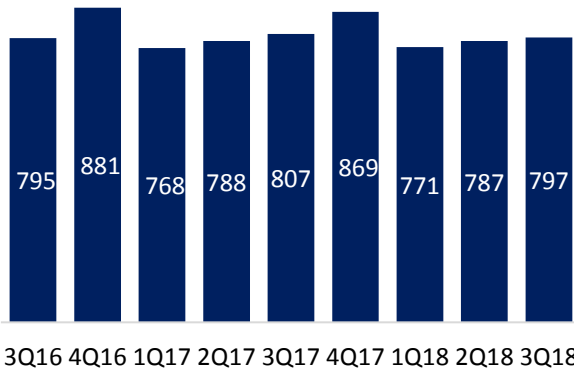
### Credit Cards

The credit card origination strategy is focused on co-branded partnerships and digital channels. For example, PAN released a new version of the Credit Cards app this quarter, which had more than 40 thousand downloads in the first month.

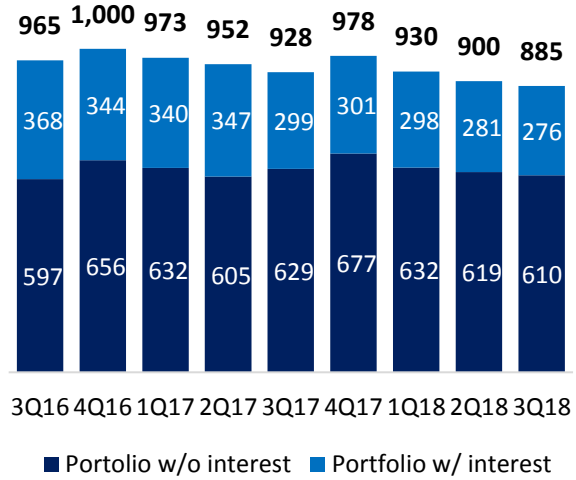
Credit card transactions totaled R\$797 million in 3Q18, up from R\$787 million in 2Q18 and in line with the R\$807 million recorded in 3Q17.

The credit card portfolio showed a slight decline, ending the quarter with a balance of R\$885 million, against R\$900 million in 2Q18 and R\$928 million in 3Q17.

Trasactions Volume (R\$ MM)



Credit Portfolio (R\$ MM)

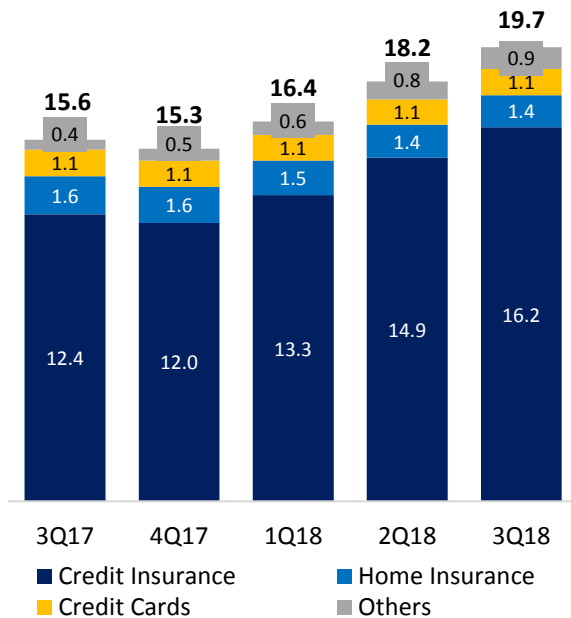


**Insurance**

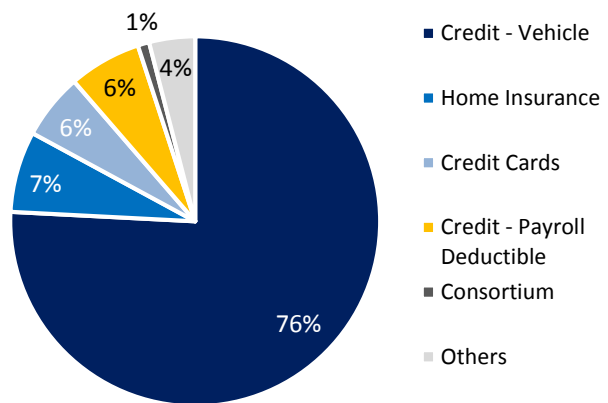
PAN originated R\$59 million in insurance premiums in 3Q18, higher than in the previous quarter.

Premiums originated in the quarter included R\$48.6 million from credit insurance, R\$4.2 million from home insurance, R\$3.4 million from credit card insurance and R\$2.8 million from other insurance products.

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



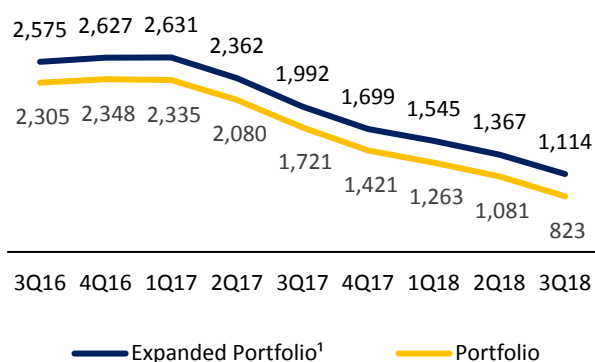
3Q18 Origination by Product (%)



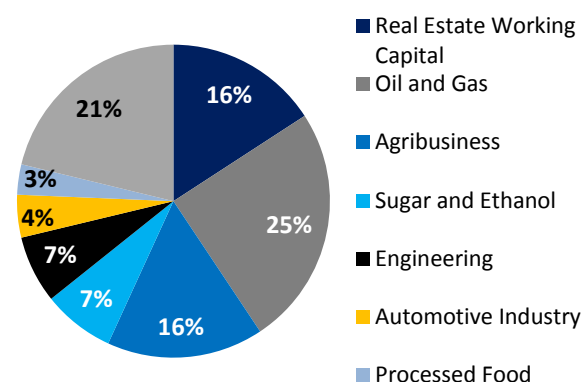
### Corporate Loans (run off)

The Corporate Credit portfolio, including guarantees, ended the quarter at R\$1,114 million, down from R\$1,347 million in the end of 2Q18, and the balance of R\$1,992 million in 3Q17. This portfolio has appropriate risk diversification and high segmentation across industries and economic groups, as well as substantial guarantees.

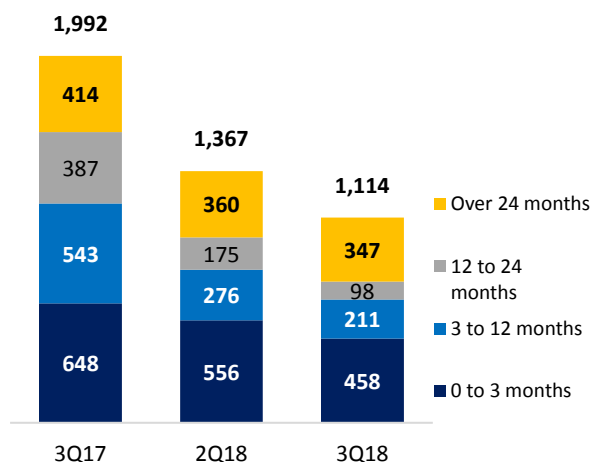
**Portfolio Evolution (R\$ MM)**



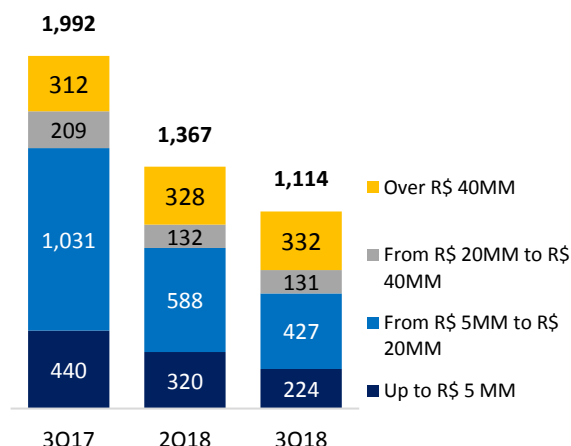
**Portfolio by Industry (%)**



**Portfolio Maturity (R\$ MM)**



**Portfolio by Ticket (R\$ MM)**



### Real Estate Credit (run off)

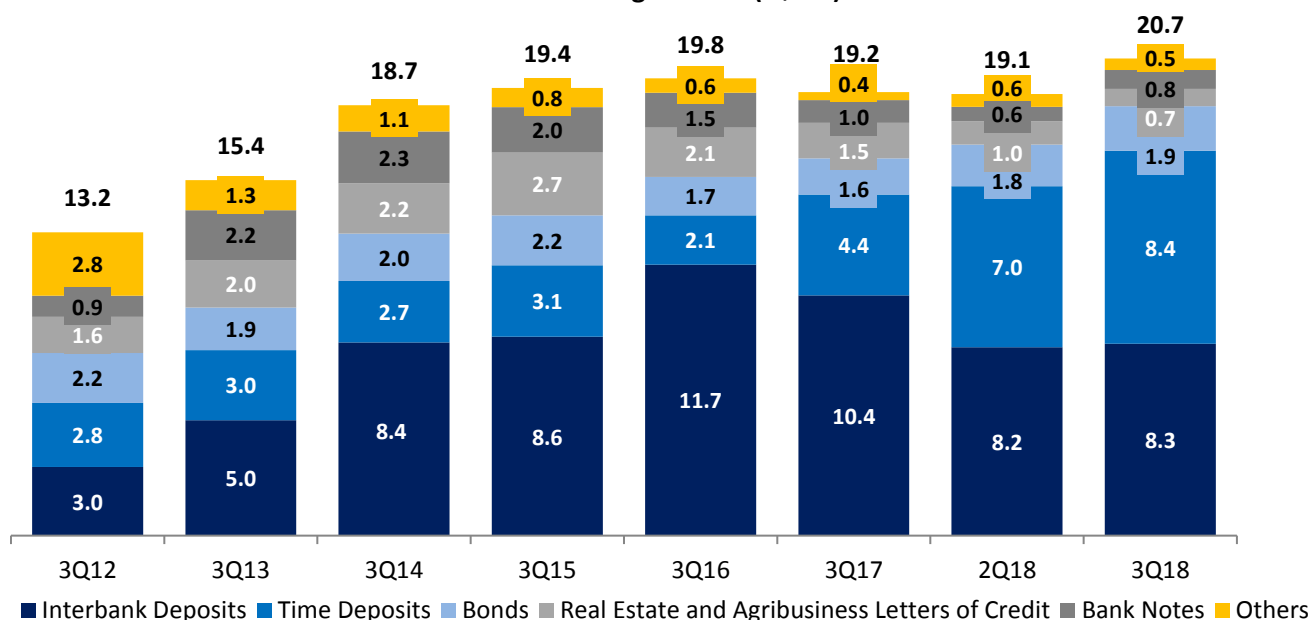
Real estate credit portfolio granted to individuals totaled R\$571 million at the end of 3Q18, against R\$597 million at the end of 2Q18 and R\$693 million at the end of 3Q17. Credit portfolio granted to developers came to R\$277 million at the end of 3Q18, down from R\$326 million at the end of 2Q18 and R\$442 million at the end of 3Q17.

## Funding

Our funding balance reached R\$20.7 billion at the end of September 2018, 8.0% up from R\$19.1 billion in June 2018 and 8% above the balance of R\$19.2 billion in September 2017. The main funding sources were (i) time deposits representing R\$8.4 billion, or 41% of the total; (ii) interbank deposits amounting to R\$8.3 billion, or 40% of the total; (iii) bonds issued abroad totaling R\$1.9 billion, or 9% of the total; (iv) bank notes equivalent to R\$815 million, or 4% of the total; (v) real estate and agribusiness letters of credit (LCI and LCA) amounting to R\$749 million, or 4% of the total; (vi) other funding sources amounting to R\$500 million, or 2% of the total.

As part of its digital transformation agenda, PAN launched a new account opening process through the app PAN Investimentos, which has had more than 260 thousand downloads since its initial release. This app has been significantly increasing the number of accounts and investments.

Evolution of Funding Sources (R\$ Bn)



Funding Sources R\$ MM	3Q18	Share %	2Q18	Share %	3Q17	Share %	Δ 3Q18/ 2Q18	Δ 3Q18/ 3Q17
Interbank Deposits	8,312	40%	8,163	43%	10,407	54%	2%	-20%
Time Deposits	8,373	41%	6,986	36%	4,380	23%	20%	91%
Bonds	1,932	9%	1,807	9%	1,568	8%	7%	23%
LCI and LCA	749	4%	1,002	5%	1,541	8%	-25%	-51%
Bank Notes	815	4%	628	3%	975	5%	30%	-16%
Others	500	2%	560	3%	365	2%	-11%	40%
<b>Total</b>	<b>20,680</b>	<b>100%</b>	<b>19,146</b>	<b>100%</b>	<b>19,229</b>	<b>100%</b>	<b>8%</b>	<b>8%</b>

In accordance with Article 8 of Central Bank Circular 3068/01, PAN declares that it has 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 15.4% p.y. in 3Q18, down from 17.6% p.y. in 2Q18 and 16.8% p.y. in 3Q17 due to the lower results from credit assignments.



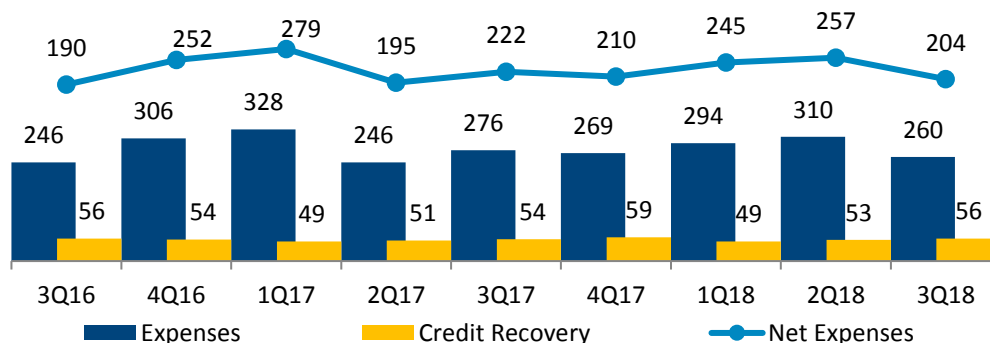
	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18
<b>Managerial Net Interest Margin (R\$ MM)</b>								
<b>Income from Financial Intermediation Before ALL</b>				<b>838</b>	<b>906</b>	<b>874</b>	<b>-7%</b>	<b>-4%</b>
(+) Exchange Rate Variation				(16)	(8)	(7)	-101%	-124%
<b>1. Managerial Net Interest Margin</b>				<b>822</b>	<b>898</b>	<b>867</b>	<b>-8%</b>	<b>-5%</b>
<b>2. Interest-Earning Assets Average</b>				<b>22,567</b>	<b>21,717</b>	<b>21,866</b>	<b>4%</b>	<b>3%</b>
- Loan Portfolio Average				19,262	18,965	18,868	2%	2%
- Securities and Derivatives Average				1,926	1,874	2,342	3%	-18%
- Interbank Investments Average				1,380	878	656	57%	110%
<b>(1/2) Managerial Net Interest Margin (% p.y.)</b>				<b>15.4%</b>	<b>17.6%</b>	<b>16.8%</b>	<b>-2.2 p.p.</b>	<b>-1.4 p.p.</b>

### Allowance for Loan Losses and Credit Recovery

In 3Q18, the allowance for loan losses totaled R\$260 million, versus R\$310 million in 2Q18 and R\$276 million in 3Q17. The collection of credit previously written-off came to R\$56 million in the quarter, versus R\$53 million in 2Q18 and R\$54 million in 3Q17. Thus, the net allowance for loan losses totaled R\$204 million, versus R\$257 million in 2Q18 and R\$222 million in 3Q17.

Regarding collections, PAN has been working to optimize its operations by increasing the range of conditions offered to clients to settle their debts and counting on use of analytics to define the best discount, channel and product to be offered to its clients. PAN’s digital positioning in collection is also gaining prominence, currently accounting for over 22% in self-service platforms, bringing more dynamism and customization to negotiations, as well as saving costs.

### Allowance for Loan Losses and Credit Recovery (R\$ MM)



### Costs and Expenses

Personnel and administrative expenses totaled R\$276 million in 3Q18, practically in line with the R\$278 million recorded in 2Q18 and R\$275 million in 3Q17.

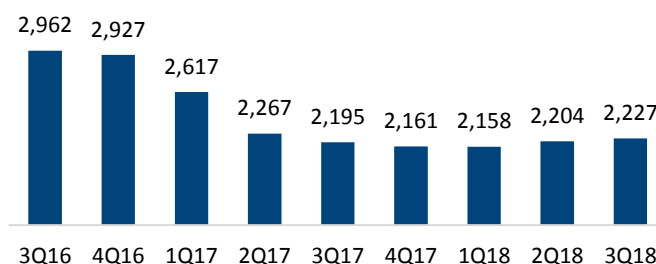
Credit origination expenses stood at R\$196 million at the end of the quarter, down from R\$198 million in 2Q18 and R\$234 million in 3Q17.

PAN reduced its total expenses in 12%, representing a saving of R\$ 189 million, in the comparison of the 9M18 and 9M17.

Expenses (R\$ MM)	3Q18	2Q18	3Q17	Δ 3Q18 / 2Q18	Δ 3Q18 / 3Q17
Personnel expenses	107	104	101	2%	6%
Administrative expenses	169	174	174	-3%	-3%
<b>1. Subtotal I</b>	<b>276</b>	<b>278</b>	<b>275</b>	<b>-1%</b>	<b>-</b>
Upfront Commission Expenses	82	85	97	-4%	-16%
Deferred Commissions and Origination Expenses	114	113	137	1%	-17%
<b>2. Subtotal II - Origination</b>	<b>196</b>	<b>198</b>	<b>234</b>	<b>-1%</b>	<b>-16%</b>
<b>3. Total (I + II)</b>	<b>472</b>	<b>476</b>	<b>509</b>	<b>-1%</b>	<b>-7%</b>

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

### Number of Employees





## Income Statement

PAN posted an income before taxes of R\$102.8 million in 3Q18 versus R\$ 100.8 million in 2Q18 and of R\$ 22.3 million in 3Q17. In 9M18, the income before taxes reached R\$ 320.9 million, versus R\$ 124.9 million in 9M17, an increase of 157%.

The net income for the 3Q18 advanced to R\$49.1 million in 3Q18, versus a net income of R\$42.2 million in 2Q18 and R\$111.3 million in 3Q17. In 9M18, the accumulated net income reached R\$147.9 million, against the R\$157.7 million in 9M17.

Income Statement (R\$ MM)	3Q18	2Q18	3Q17	$\Delta$ 3Q18 / 2Q18	$\Delta$ 3Q18 / 3Q17
<b>Managerial Net Interest Margin</b>	<b>822</b>	<b>898</b>	<b>867</b>	<b>-8%</b>	<b>-5%</b>
Allowance for Loan Losses	(260)	(310)	(276)	-16%	-6%
<b>Gross Profit from Financial Intermediation</b>	<b>563</b>	<b>588</b>	<b>590</b>	<b>-4%</b>	<b>-5%</b>
Personnel and Administrative Expenses	(276)	(278)	(275)	-1%	-
Origination Expenses	(196)	(198)	(234)	-1%	-16%
Tax Expenses	(42)	(40)	(44)	4%	-4%
Other	54	29	(15)	83%	-
<b>Income before Taxes</b>	<b>103</b>	<b>101</b>	<b>22</b>	<b>2%</b>	<b>360%</b>
Income Tax and Social Contribution	(54)	(59)	89	8%	-
<b>Net Income</b>	<b>49.1</b>	<b>42.2</b>	<b>111.3</b>	<b>16%</b>	<b>-56%</b>

The annualized return on average equity reached 4.9% p.y. this quarter and 5.2% p.y. in 9M18, while the adjusted (unaudited) return was 13.5% and 14.4%, respectively. The adjustment consists in the adequacy of two remaining legacies: (i) the excess of financial expenses of pre-fixed Time Deposits issued between 2005 and 2008 (average duration in 2023), compared to what PAN currently pays for the same term in the market and (ii) the excess of deferred tax assets related to losses arising from the accounting inconsistencies found in 2010.

R\$ MM - Unaudited	9M18	3Q18	2Q18	1Q18
<b>Net Income</b>	<b>147.9</b>	<b>49.1</b>	<b>42.2</b>	<b>56.6</b>
Excess of financial expenses (net of taxes)	116.8	41.8	39.1	35.9
<b>Adjusted Net Income</b>	<b>264.7</b>	<b>91.0</b>	<b>81.3</b>	<b>92.5</b>
<b>Average Equity</b>	<b>3,801.5</b>	<b>4,031.8</b>	<b>4,003.3</b>	<b>3,773.0</b>
Excess of DTA from Losses	1,347.0	1,330.7	1,335.3	1,351.6
<b>Adjusted Average Equity</b>	<b>2,454.5</b>	<b>2,701.1</b>	<b>2,668.0</b>	<b>2,421.5</b>
<b>ROAE (p.y.)</b>	<b>5.2%</b>	<b>4.9%</b>	<b>4.2%</b>	<b>6.0%</b>
<b>Adjusted ROAE (p.y.)</b>	<b>14.4%</b>	<b>13.5%</b>	<b>12.2%</b>	<b>15.3%</b>

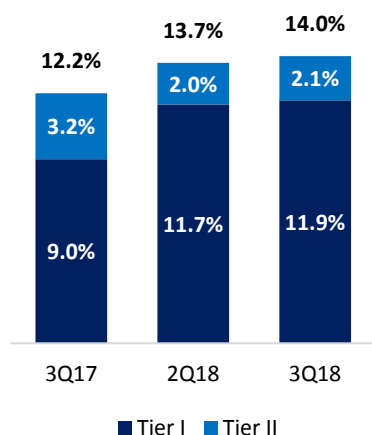
## Shareholders' Equity and Capital

### Shareholders' Equity

PAN's Consolidated Shareholders' Equity amounted to R\$4,047 million at the end of September 2018, versus R\$4,016 million in July 2018 and R\$3,552 million in September 2017.

## Basel Ratio and Operating Margin

After applying all Basel III rules, the Prudential Conglomerate's Basel Ratio ended 3Q18 at 14.0% (with 11.9% in Tier I Common Equity), versus 13.7% (with 11.7% in Tier I Common Equity) in 2Q18 and 12.2% (with 9% in Tier I Common Equity) in 3Q17. The Prudential Conglomerate's Operating Margin for the third quarter was R\$611.4 million.



R\$ MM	3Q17	2Q18	3Q18
<b>Reference Shareholders' Equity</b>	<b>2,393</b>	<b>2,438</b>	<b>2,526</b>
Common Equity Tier I	1,763	2,076	2,140
Tier II	630	362	386
Required Reference Shareholders' Equity	2,060	1,870	1,893
<b>RWA</b>	<b>19,620</b>	<b>17,808</b>	<b>18,032</b>

## Ratings

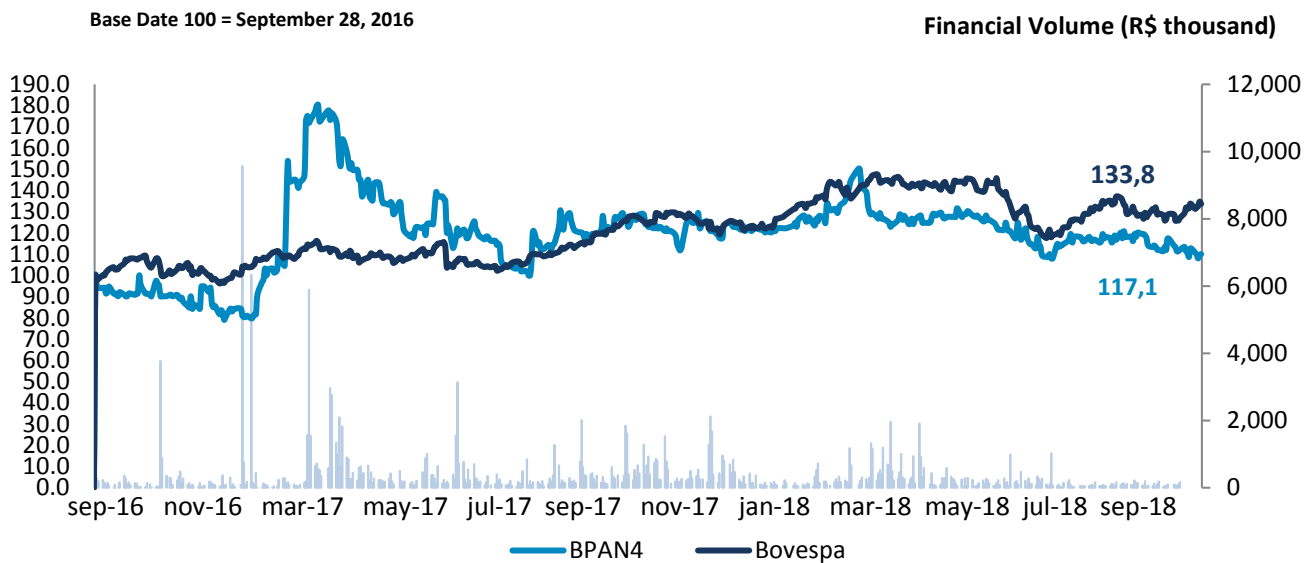
PAN's long-term corporate ratings are presented below:

Rating Agency	Global Scale (LT)	National Scale (LT)	Outlook
Fitch Ratings	B+	A (br)	Stable
Standard & Poor's	B+	brAA-	Negative
Riskbank	Low Rik for Medium Term 2   9.47		

## Stock Performance

PAN's shares ended September at R\$1.59, versus R\$1.70 at the end of 2Q18. The maximum price in the period was R\$1.79 per share, while the minimum price was R\$1.59 per share.

Traded volume totaled R\$7.81 million in 2Q18, with a daily average of R\$74.2 thousand. On September 28, 2018, PAN's market cap was R\$1.8 billion, equivalent to 45% of the book value.



Source: Reuters

## Exhibits

### BALANCE SHEET AS OF SEPTEMBER 30, 2018 AND JUNE 31, 2018

(In thousands of Brazilian reais - R\$)

	BANK		CONSOLIDATED	
	Sep/18	Jun/18	Sep/18	Jun/18
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>	<b>12,202,305</b>	<b>12,067,423</b>	<b>12,269,519</b>	<b>12,138,742</b>
Cash	4,762	6,096	7,578	8,347
Interbank investments	1,681,153	1,078,240	1,681,153	1,078,240
Securities and derivatives financial instruments	266,443	477,279	272,994	480,898
Interbank accounts	33,471	43,108	33,471	43,108
Lending operations	7,591,467	7,556,377	7,591,467	7,556,377
Lending operations - private sector	8,445,691	8,454,256	8,445,691	8,454,256
(Allowance for loan losses)	(854,224)	(897,879)	(854,224)	(897,879)
Leasing operations	-	-	-	-
Leasing operations	-	-	98	144
(Allowance for doubtful lease receivables)	-	-	(98)	(144)
Other receivables	2,350,256	2,606,900	2,367,704	2,661,908
(Allowance for loan losses)	(134,494)	(78,987)	(104,866)	(79,571)
Other assets	409,247	378,410	420,018	389,435
<b>LONG-TERM RECEIVABLES</b>	<b>14,726,030</b>	<b>13,828,268</b>	<b>15,269,280</b>	<b>14,354,707</b>
Interbank investments	-	-	-	-
Securities and derivatives financial instruments	1,381,021	1,240,889	1,624,537	1,473,009
Lending operations	9,781,216	9,452,061	9,781,216	9,452,061
Lending operations - Private Sector	10,098,391	9,781,336	10,098,391	9,781,336
(Allowance for loan losses)	(317,175)	(329,275)	(317,175)	(329,275)
Other receivables	3,501,227	3,047,721	3,799,202	3,357,797
(Allowance for loan losses)	(22,098)	(18,349)	(22,098)	(17,765)
Other assets	84,664	87,597	86,423	89,605
<b>PERMANENT ASSETS</b>	<b>1,201,882</b>	<b>1,175,701</b>	<b>197,656</b>	<b>185,856</b>
<b>TOTAL ASSETS</b>	<b>28,130,217</b>	<b>27,071,392</b>	<b>27,736,455</b>	<b>26,679,305</b>
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>	<b>15,003,894</b>	<b>14,761,581</b>	<b>14,775,638</b>	<b>14,499,779</b>
Deposits	11,058,241	10,284,324	10,807,180	10,007,063
Demand deposits	21,770	21,599	21,710	21,562
Interbank deposits	8,460,739	8,363,384	8,211,059	8,114,843
Time deposits	2,575,732	1,899,341	2,574,411	1,870,658
Money market funding	160,729	797,710	160,729	797,710
Funds from acceptance and issuance of securities	840,707	840,055	840,780	840,130
Interbank accounts	888,644	780,211	888,644	780,211
Interbranch accounts	184	588	184	588
Derivatives Financial Instruments	83,286	105,578	83,286	105,578
Other liabilities	1,972,103	1,953,115	1,994,835	1,968,499
<b>LONG-TERM LIABILITIES</b>	<b>9,079,114</b>	<b>8,293,390</b>	<b>8,913,608</b>	<b>8,163,105</b>
Deposits	6,203,887	5,439,340	5,899,352	5,163,088
Interbank deposits	101,033	48,134	101,033	48,134
Time deposits	6,102,854	5,391,206	5,798,319	5,114,954
Money market funding	105,820	106,160	96,613	98,458
Funds from acceptance and issuance of securities	539,523	611,460	543,475	615,428
Derivatives financial instruments	42,717	45,996	42,717	45,996
Other Liabilities	2,187,167	2,090,434	2,331,451	2,240,135
Deferred Income	27	43	27	43
<b>SHAREHOLDERS' EQUITY</b>	<b>4,047,182</b>	<b>4,016,378</b>	<b>4,047,182</b>	<b>4,016,378</b>
Capital	3,653,410	3,653,409	3,653,410	3,653,409
Income Reserve	108,495	108,495	108,495	108,495
Adjustments to equity valuation	(12,084)	(12,978)	(12,084)	(12,978)
Retained earnings (loss)	90,039	60,130	90,039	60,130
<b>TOTAL LIABILITIES</b>	<b>28,130,217</b>	<b>27,071,392</b>	<b>27,736,455</b>	<b>26,679,305</b>

<b>INCOME STATEMENT FOR THE QUARTERS ENDED ON SEPTEMBER 30 AND JUNE 31, 2018</b>				
<i>(In thousands of Brazilian reais - R\$)</i>				
	<b>BANK</b>		<b>CONSOLIDATED</b>	
	<b>3Q18</b>	<b>2Q18</b>	<b>3Q18</b>	<b>2Q18</b>
<b>REVENUE FROM FINANCIAL INTERMEDIATION</b>	<b>1,366,736</b>	<b>1,515,363</b>	<b>1,383,033</b>	<b>1,528,633</b>
Lending operations	1,256,760	1,225,997	1,259,061	1,228,531
Securities transactions	48,784	40,031	62,780	50,767
Derivative transactions	57,329	239,989	57,329	239,989
Foreign exchange transactions	3,863	9,346	3,863	9,346
<b>EXPENSES ON FINANCIAL INTERMEDIATION</b>	<b>(813,389)</b>	<b>(940,930)</b>	<b>(804,424)</b>	<b>(932,772)</b>
Funding operations	(553,683)	(631,245)	(544,764)	(623,027)
Allowance for loan losses	(259,706)	(309,685)	(259,660)	(309,745)
<b>GROSS PROFIT FROM FINANCIAL INTERMEDIATION</b>	<b>553,347</b>	<b>574,433</b>	<b>578,609</b>	<b>595,861</b>
<b>OTHER OPERATING INCOME (EXPENSES)</b>	<b>(451,125)</b>	<b>(477,775)</b>	<b>(469,355)</b>	<b>(493,225)</b>
Income from services rendered	87,431	82,100	95,169	89,682
Equity in subsidiaries	13,238	11,063	-	-
Personnel Expenses	(104,207)	(104,178)	(106,744)	(104,516)
Other Administrative Expenses	(356,228)	(362,693)	(364,944)	(371,834)
Tax Expenses	(39,201)	(37,216)	(42,020)	(40,246)
Other Operating Income	81,563	55,578	94,303	61,148
Other Operating Expenses	(133,721)	(122,429)	(145,119)	(127,459)
<b>INCOME FROM OPERATIONS</b>	<b>102,222</b>	<b>96,658</b>	<b>109,254</b>	<b>102,636</b>
<b>NON OPERATING EXPENSES</b>	<b>(6,477)</b>	<b>(1,979)</b>	<b>(6,461)</b>	<b>(1,864)</b>
<b>INCOME BEFORE TAXES</b>	<b>95,745</b>	<b>94,679</b>	<b>102,793</b>	<b>100,772</b>
<b>INCOME AND SOCIAL CONTRIBUTION TAXES</b>	<b>(46,619)</b>	<b>(52,466)</b>	<b>(53,667)</b>	<b>(58,559)</b>
Provision for Income tax	(2,984)	(719)	(4,754)	(4,192)
Provision for Social Contribution tax	(2,641)	(755)	(3,377)	(2,221)
Deferred tax credits	(40,994)	(50,992)	(45,536)	(52,146)
<b>NET INCOME</b>	<b>49,126</b>	<b>42,213</b>	<b>49,126</b>	<b>42,213</b>