

# PAN

## Earnings Release

### 4Q16

**São Paulo, February 06, 2017** – Banco Pan S.A. (“Pan”, “Bank” or “Company”) and its subsidiaries, pursuant to legal provisions, hereby releases its results for the quarter ended December 31, 2016, accompanied by the Independent Auditor’s Report. The Bank’s operating and financial information, except when otherwise stated, is reported based on consolidated figures and in Brazilian reais, pursuant to Brazilian Corporate Law and the Accounting Practices adopted in Brazil.

### Highlights

- ✓ **Retail credit origination monthly average of R\$1,825 million in 4Q16**, and R\$1,719 million in 2016;
- ✓ **The Credit Portfolio ended 2016 at R\$19.2 billion**;
- ✓ **The credits rated between “AA” and “C”, according to the BACEN Resolution nº 2,682, represented 92.4% of the Retail Credit Portfolio in 4Q16**;
- ✓ **The Corporate Loan Portfolio, including Guarantees Issued, ended 2016 at R\$3,190 million**;
- ✓ **The Managerial Net Interest Margin was 16.6% in 4Q16**, and 13.2% in 2016;
- ✓ **Net Income of R\$196.8 thousand in 4Q16**, and a **Consolidated Net Loss of R\$237.2 million in 2016**, compared to the Net Income of R\$8.1 million in 2015; and
- ✓ **Shareholders’ Equity ended 2016 at R\$3,412 million and Basel Ratio came to 13.3%**.

Main Indicators (R\$ MM)	2016	2015	4Q16	3Q16	Δ 2016 / 2015	Δ 4Q16 / 3Q16
<b>Total Retail Credit Origination</b>	<b>20,631</b>	<b>18,870</b>	<b>5,474</b>	<b>5,455</b>	<b>9%</b>	<b>0%</b>
<b>Assignments without Recourse</b>	<b>9,861</b>	<b>10,488</b>	<b>2,891</b>	<b>2,647</b>	<b>-6%</b>	<b>9%</b>
<b>Total Credit Portfolio</b>	<b>19,196</b>	<b>17,603</b>	<b>19,196</b>	<b>18,716</b>	<b>9%</b>	<b>3%</b>
Retail Portfolio	16,006	13,479	16,006	15,541	19%	3%
Corporate Portfolio	3,190	4,124	3,190	3,175	-23%	-
<b>Total Assets</b>	<b>27,506</b>	<b>26,097</b>	<b>27,506</b>	<b>27,896</b>	<b>5%</b>	<b>-1%</b>
<b>Funding</b>	<b>19,790</b>	<b>19,104</b>	<b>19,790</b>	<b>19,820</b>	<b>4%</b>	<b>-</b>
<b>Shareholders’ Equity</b>	<b>3,412</b>	<b>3,644</b>	<b>3,412</b>	<b>3,412</b>	<b>-6%</b>	<b>-</b>
<b>Interest Margin</b>	<b>2,868</b>	<b>2,634</b>	<b>882</b>	<b>751</b>	<b>9%</b>	<b>17%</b>
<b>Net Results</b>	<b>(237)</b>	<b>8</b>	<b>0.2</b>	<b>(13)</b>	<b>-</b>	<b>-</b>
<b>Net Interest Margin (%)</b>	<b>13.2%</b>	<b>12.4%</b>	<b>16.6%</b>	<b>13.9%</b>	<b>0.8 p.p.</b>	<b>2.7 p.p.</b>
<b>Basel Ratio</b>	<b>13.3%</b>	<b>16.5%</b>	<b>13.3%</b>	<b>13.4%</b>	<b>-3.2 p.p.</b>	<b>-0.1 p.p.</b>
Common Equity Tier I	9.5%	11.9%	9.5%	9.6%	-2.4 p.p.	-0.1 p.p.
Tier II	3.8%	4.6%	3.8%	3.8%	-0.8 p.p.	-



## Economic Environment

After decreasing 1.2% in October, industrial production increased by 0.2% in November, still below market expectations. Overall, the industrial production performance remains poor, with great uncertainty around stabilization.

As for demand, the Monthly Retail Survey showed an increase of 2.0% in November in restricted retail, 3.5% lower compared to the same period last year, and extended retail (including vehicles and construction materials sales) showed an increase of 0.6%. Both results were influenced by sales in the “Black Friday” period.

Inflation ended 2016 at 6.29%, compared to 10.67% recorded in 2015, within the target range and following a downward trend towards the center of the target. The preview of the January inflation, measured by the IPCA-15 consumer price index recorded a 0.31% monthly variation, well below the 0.92% variation recorded in the same period last year.

Regarding the job market, December is a bad month for job creation historically, as there are fewer hires and more dismissals, but it is worth mentioning that the recorded net reduction of 462,400 jobs represents a better result if compared to December 2014 and 2015 (-555,500 and -596,200, respectively). The economy has lost 1.37 million jobs in 2016, equivalent to 3.5% of the formal employment market in December 2015.

Unemployment measured by the PNAD (National Household Sample Survey) increased to 11.9% in the quarter ended in November, 2.9% higher compared to the same period in 2015. Excluding seasonal effects, the unemployment rate also showed an increase, from 12.0% in the quarter ended in October to 12.3% in November. Despite the rise in unemployment, we observed a monthly increase of 0.2% in the working population, the first increase in 16 months in the monthly comparison, led by the informal sector. Average income and actual wage bill indicators also managed to rise 0.5% and 0.6% in the month, respectively, although in both cases they continue to reach results below the same period of the last year. Despite this welcome reaction from employment and income indicators at the margin, the underutilization of the work force in Brazil remains great, and today's result still cannot be seen as a reversal of the negative trend of job market indicators.

As for the credit market, a decelerated increase of credit concessions in nominal terms of 2.3% in the annual comparison was recorded, compared to 2.0% in October. The default rate for non-earmarked credit operations showed a slight decline and the average household default rate remained practically unchanged (6.1%). Despite the decline in interest rates and spreads charged to non-financial institutions, the credit market is still in the process of deterioration.

The trade balance registered a surplus of US\$4.4 billion in December. Exports totaled US\$15.9 billion while imports reached US\$11.5 billion. In the year, trade balance reached US\$47.68 billion. The current account deficit reached US\$878 million in November, totaling a deficit of US\$20.3 billion in the year.

In terms of the tax situation, the federal government's primary balance recorded a deficit of R\$39.1 billion in November. Among the highlights, we noticed a deterioration of all debt indicators, with gross debt exceeding 70% of GDP for the first time since the beginning of the historical series (2006).

## Operational and Commercial Agreements

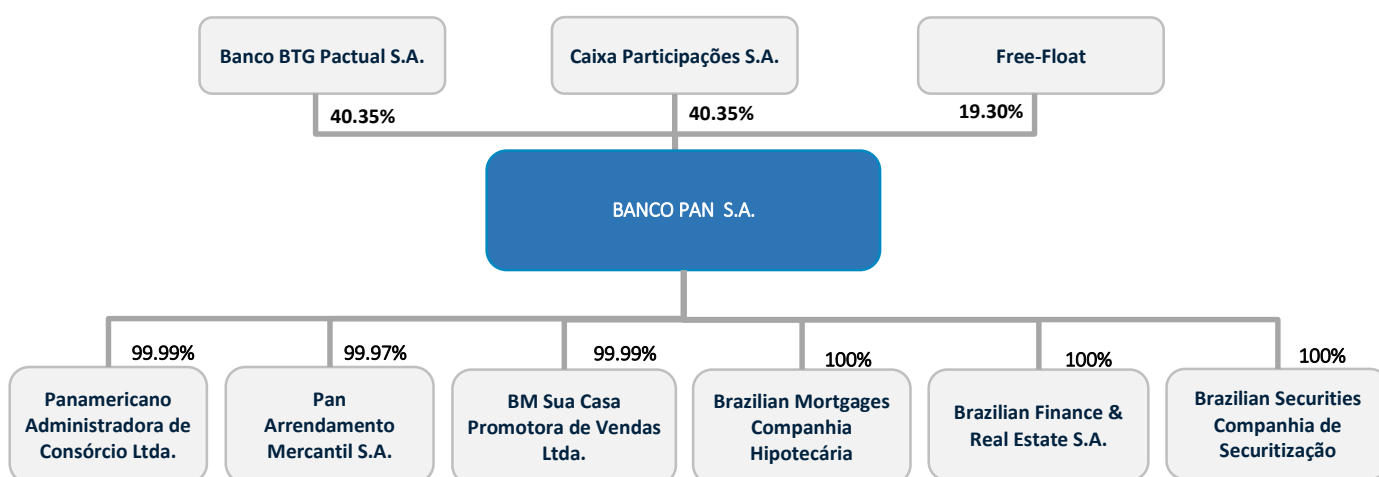
Since 2011, after the execution of the Shareholders Agreement by Caixa Econômica Federal (“Caixa”), though its fully owned subsidiary Caixa Participações S.A., and Banco BTG Pactual S.A. (“BTG Pactual”) establishing the controlling block, Operational and Commercial Cooperation Agreements were signed between the controlling shareholders and the Company to reaffirm their commitment to a strategic partnership. Among the measures

with a direct influence on Pan’s capital structure and liquidity, it is worth mentioning in particular: (i) Caixa’s commitment to acquire the Company’s loans without recourse whenever Pan plans to assign them; and (ii) the strengthening of liquidity through interbank deposits from both controlling shareholders, BTG Pactual and Caixa. These are long-term agreements, with update forecast, and provide Pan with funding alternatives at a competitive cost.

In addition, Pan has maintained a cooperation agreement with Caixa for the structuring, distribution and sale of products and services, and all of these agreements demonstrate not only these shareholders’ strong and continuing support for the Company, but also the complementarity and alignment of interests among all three institutions.

### Subsidiaries

Below are the companies controlled by Pan in December 31, 2016.



### Distribution Network

With 2,927 employees, the Bank and its subsidiaries have 101 exclusive branches in the major cities of Brazil, geographically distributed according to each region’s GDP.

The Bank is also actively present in 10,446 authorized vehicle dealers and resellers, has 1,025 correspondent banks originating payroll-deductible loans and 765 real estate brokers generating loans.



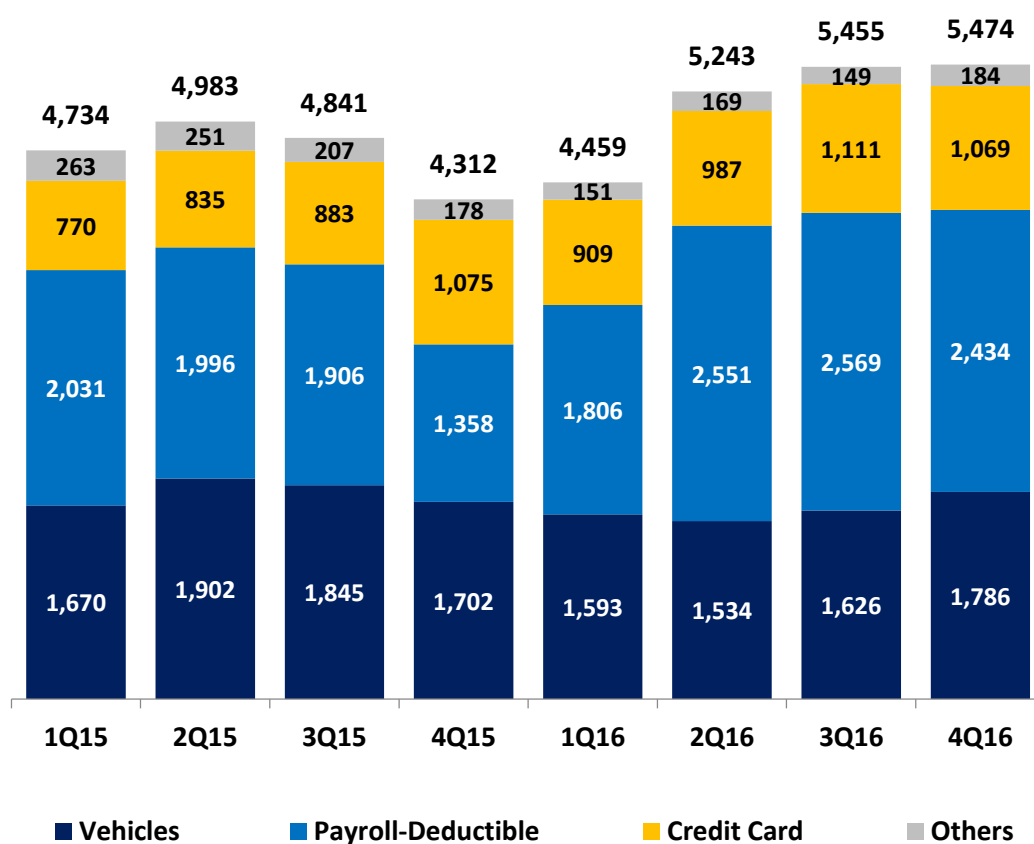
### Retail Origination

Despite the current environment, Pan reached a monthly average retail credit origination of R\$1,719 million in 2016, 9% higher than the monthly average of R\$1,573 million in 2015. In 4Q16, Pan registered a monthly average of R\$1,825 million, higher than the monthly average of R\$1,818 million in 3Q16, driven by the vehicle financing volume.

Retail Asset Origination Monthly Average (R\$ MM)

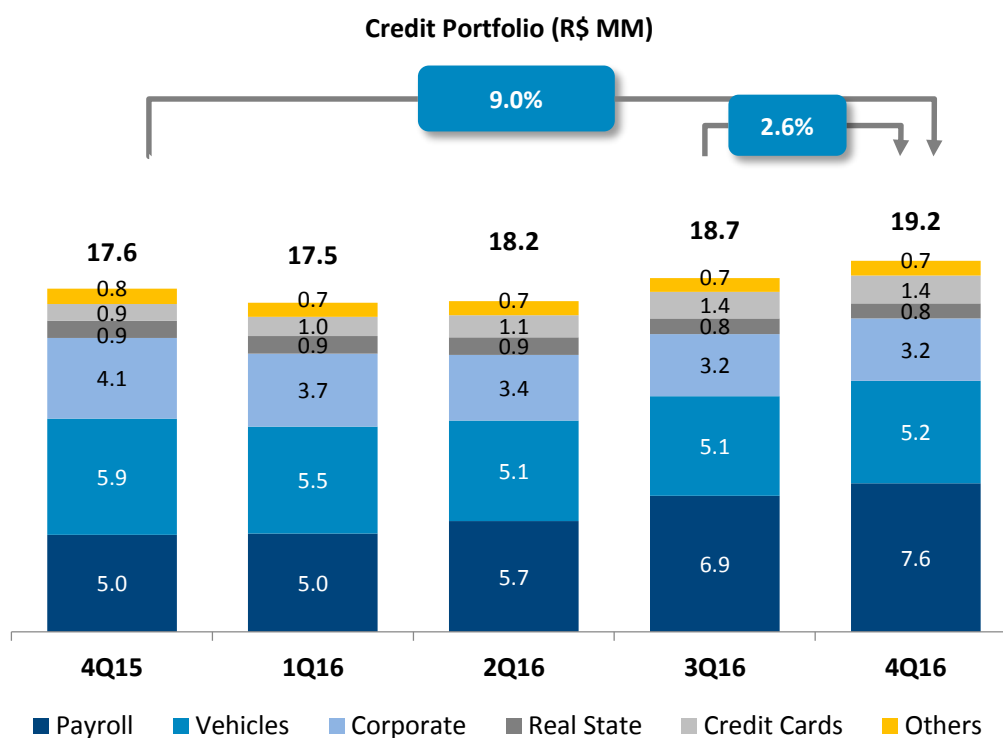
Products	2016	2015	4Q16	3Q16	Δ 2016/ 2015	Δ 4Q16/ 3Q16
<b>Payroll-Deductible</b>	<b>780</b>	<b>608</b>	<b>811</b>	<b>856</b>	<b>28%</b>	<b>-5%</b>
<b>Vehicles</b>	<b>545</b>	<b>593</b>	<b>595</b>	<b>542</b>	<b>-8%</b>	<b>10%</b>
<b>Credit Cards</b>	<b>340</b>	<b>297</b>	<b>356</b>	<b>370</b>	<b>14%</b>	<b>-4%</b>
Conventional	266	262	294	265	2%	11%
Payroll-Deductible	74	35	63	105	109%	-41%
<b>Others</b>	<b>55</b>	<b>75</b>	<b>61</b>	<b>50</b>	<b>-26%</b>	<b>24%</b>
<b>Total</b>	<b>1,719</b>	<b>1,573</b>	<b>1,825</b>	<b>1,818</b>	<b>9%</b>	<b>0.3%</b>

Quarterly Retail Asset Origination (R\$ MM)



### Credit Portfolio

The Credit Portfolio, which includes retail and corporate loans, ended 4Q16 at R\$19,196 million, 3% higher than the R\$18,716 million portfolio in 3Q16 and 9% higher than the R\$17,603 million portfolio reported in 4Q15, with increase of payroll loans, which have a lower credit risk.



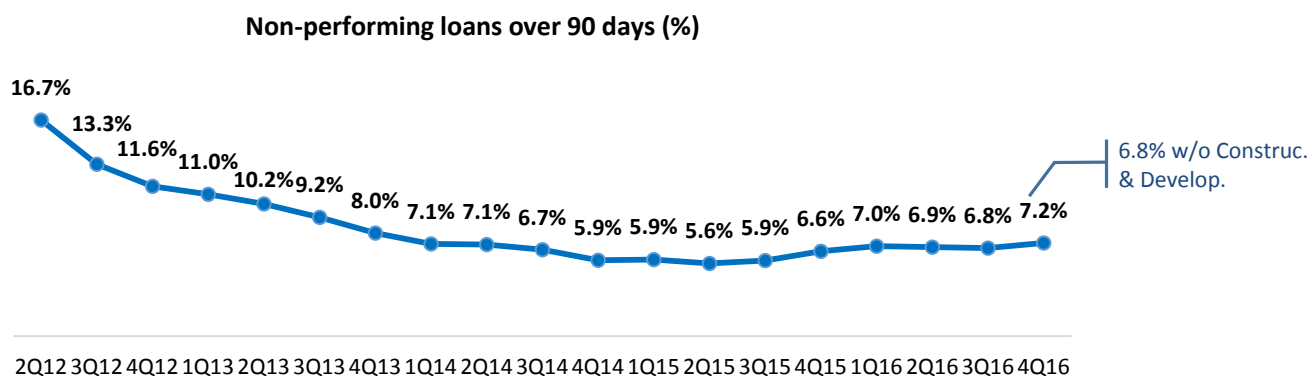
The table below gives a breakdown of the Credit Portfolio by operational segment:

Type of Loan (R\$ MM)	4Q16	Part. %	3Q16	Part. %	4Q15	Part. %	Δ 4Q16/ 3Q16	Δ 4Q16/ 4Q15
Payroll Deductible Loans	7,836	41%	7,592	41%	5,024	29%	3%	56%
Vehicle Financing	5,231	27%	5,084	27%	5,940	34%	3%	-12%
Corporate and Guarantees	3,190	16%	3,175	17%	4,124	23%	-	-23%
Payroll Deductible Credit Cards	1,072	6%	988	5%	508	3%	9%	111%
Real Estate	774	4%	804	4%	879	5%	-4%	-12%
Conventional Credit Cards	344	2%	368	2%	345	2%	-6%	-
Others	748	4%	705	4%	783	4%	6%	-4%
<b>Credit Portfolio</b>	<b>19,196</b>	<b>100%</b>	<b>18,716</b>	<b>100%</b>	<b>17,603</b>	<b>100%</b>	<b>3%</b>	<b>9%</b>

The table below presents the total loan portfolio by maturity on December 31, 2016:

Maturity Per Type of Credit Operation (R\$ MM)	Up to 30 days	From 31 to 90 days	From 91 to 180 days	From 181 to 360 days	More than 360 days	Total
Payroll Deductible Loans	280	428	602	1,092	5,434	7,836
Vehicle Financing	535	524	691	1,128	2,353	5,231
Corporate and Guarantees	677	261	481	682	1,089	3,190
Payroll Deductible Credit Cards	1,047	7	2	4	12	1,072
Real Estate	27	26	38	71	613	774
Conventional Credit Cards	293	14	15	13	8	344
Others	415	153	92	54	35	748
<b>Total</b>	<b>3,273</b>	<b>1,413</b>	<b>1,921</b>	<b>3,045</b>	<b>9,545</b>	<b>19,196</b>
<b>Part (%)</b>	<b>17%</b>	<b>7%</b>	<b>10%</b>	<b>16%</b>	<b>50%</b>	<b>100%</b>

The chart below presents Pan's non-performing loans over 90 days, considering the balance of contracts, which shows a positive trend in 2016. Excluding the Construction & Development operations, the indicator below would be 6.8% on 4Q16.

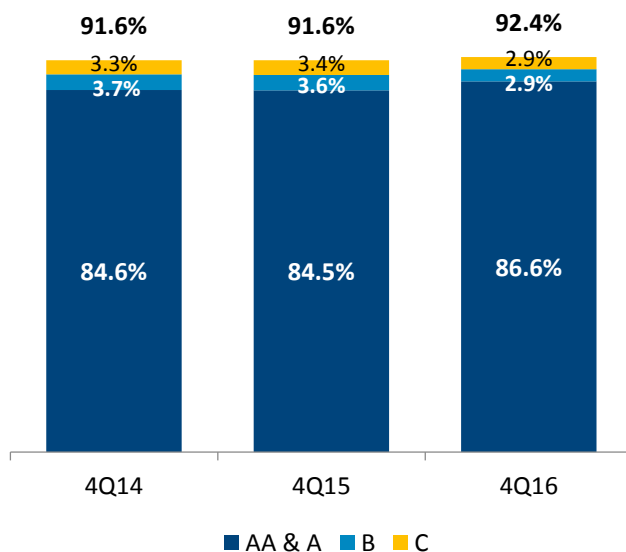


### Retail Credit Portfolio

The ratings of Banco Pan's Retail Credit Portfolio are shown below, recorded on the balance sheet by risk category, pursuant to Resolution nº 2,682 of the National Monetary Council ("CMN"):

Category of Risk (R\$ MM)	4Q16	Part. %	3Q16	Part. %	4Q15	Part. %	Δ 4Q16/ 3Q16	Δ 4Q16/ 4Q15
"AA" to "C"	14,785	92%	14,343	92%	12,348	92%	3%	20%
"D" to "H"	1,221	8%	1,198	8%	1,131	8%	2%	8%
<b>Total</b>	<b>16,006</b>	<b>100%</b>	<b>15,541</b>	<b>100%</b>	<b>13,479</b>	<b>100%</b>	<b>3%</b>	<b>19%</b>

% of Retail Credits rated from AA to C (CMN Res. 2,682)

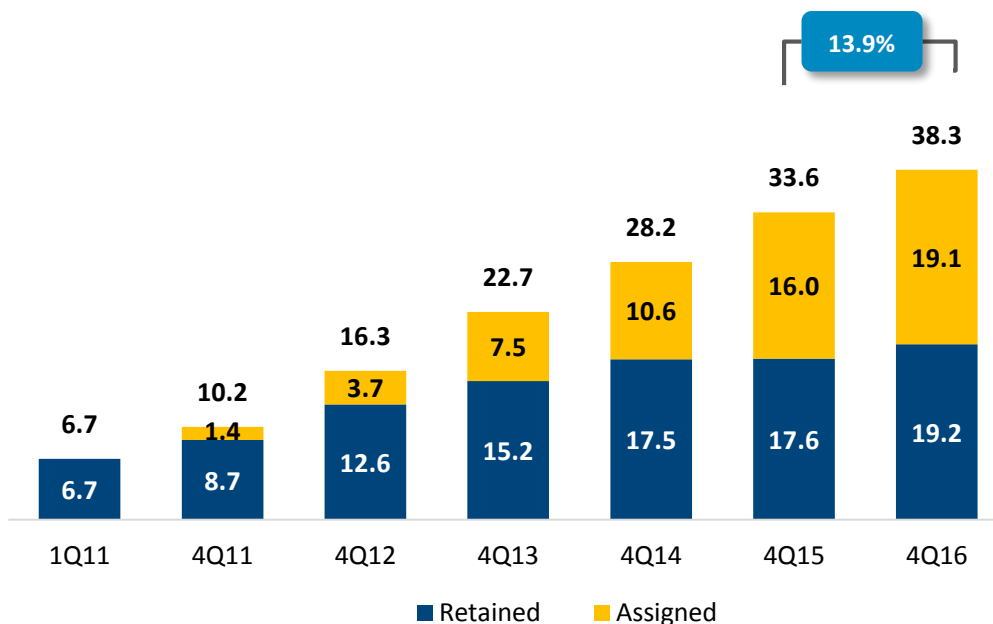


### Originated Credit Portfolio

Pan has as a strategy of originating credits to its own portfolio and to assign credits without recourse. During 4Q16, credit assignments without recourse totaled R\$2,891 million including vehicles, payroll and real estate loans.

Thus, to demonstrate its ability to originate loans and obtain results from such assignments, below is presented the evolution of the originated portfolio, which considers the on balance portfolio and the assigned portfolio.

Evolution of the Originated Credit Portfolio (R\$ Bi)





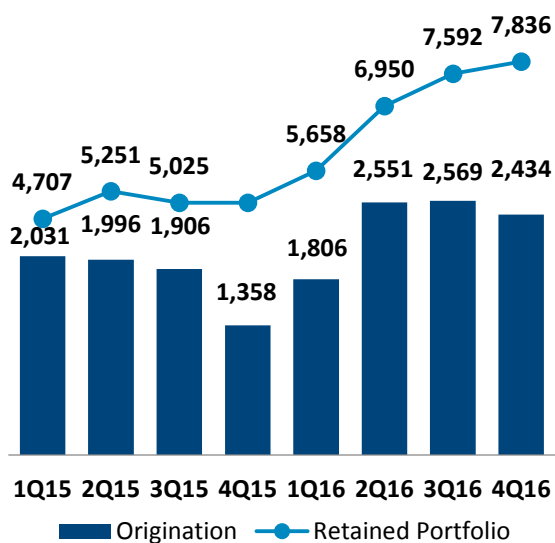
### Products

#### Payroll-Deductible Loans

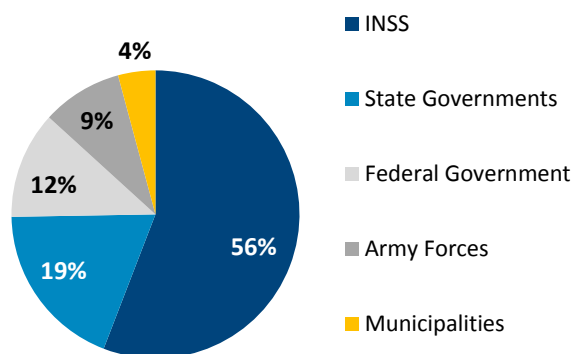
In 4Q16, Pan disbursed R\$2,434 million in new payroll-deductible loans for public servants and social security beneficiaries, down 5% compared to the R\$2,569 million originated in the previous quarter, but growing 79% in relation to the R\$1,358 million originated in 4Q15.

The payroll-deductible credit portfolio has significantly evolved, reaching R\$7,836 million in 4Q16 and contributing to the diversification of the Bank's Portfolio.

Evolution of Portfolio and Origination (R\$ MM)



Quarter Origination By Segment(%)



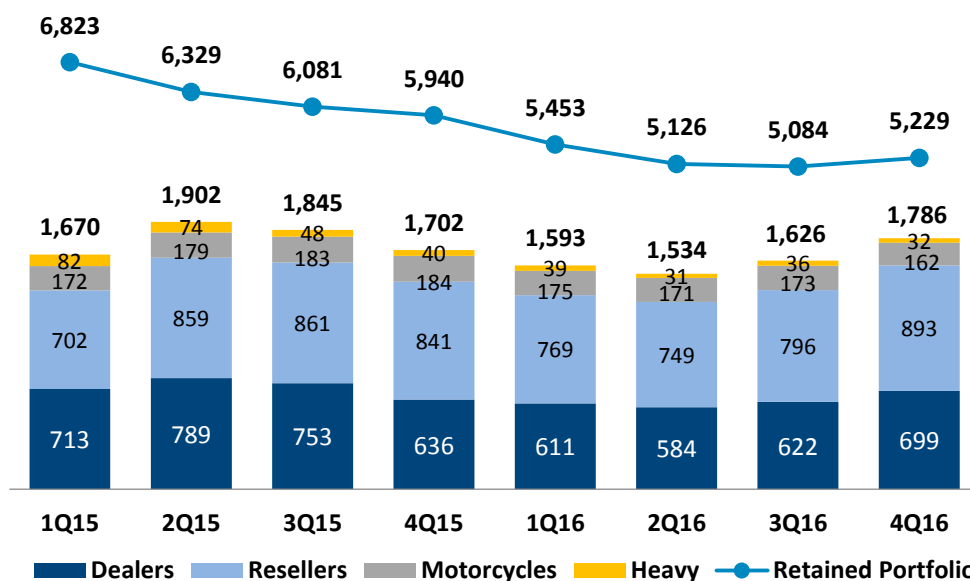
#### Vehicle Financing

The Bank is actively present in 10,446 new and used vehicle dealers and resellers, with a high degree of loan origination fragmentation, whereby the 10 largest groups of dealers and resellers account for only 9% of total origination.

2016 was an important year for Pan's vehicle segment, as the bank launched a new platform and, since June, all the vehicle operation is being carried out in a single system that provides more agility, quality and safety in the process for the entire commercial team, partners and internal areas. This was an important step for the Bank to increase its participation in the vehicle market.

Despite the sector's slowdown and the constant conservative criteria on credit concessions, Pan disbursed R\$1,786 million in new vehicle financing in 4Q16, 10% higher than the R\$1,626 million originated in 3Q16 and 5% higher than the R\$1,702 million originated in 4Q15. Despite the growth registered in the last couple quarters of the year, vehicle financing reached R\$6,541 million in 2016, a decrease of 8% compared to R\$7,118 million in 2015. The credit portfolio ended the quarter at R\$5,229 million.

Evolution of Vehicle Portfolio and Origination Breakdown (R\$ MM)



Light vehicle financing registered a total of R\$1,592 million in 4Q16, 12% higher than the R\$1,418 million of the previous quarter and 8% higher than the R\$1,477 million in 4Q15. The origins segregation guarantees portfolio diversification, in line with the Bank's strategy, with 56% of light vehicles originated through Resellers and 44% through Dealers in 4Q16.

Motorcycle financing presented an origination of R\$162 million in 4Q16, lower than the R\$173 million originated in 3Q16 and R\$184 million originated in 4Q15.

Accompanying the market trajectory and Pan's conservatism, the heavy vehicle segment recorded an origination of R\$32 million in 4Q16, compared to R\$36 million in 3Q16 and R\$40 million in 4Q15.

Below is presented additional information about the origination of the quarter, highlighting the conservatism and Pan's market position:

4Q16	Light New	Light Used	Motorcycles	Heavy
<b>Origination (R\$MM)</b>	424	1.167	162	32
<b>Market Share</b>	12.6%*	9.2%	22.5%	4.4%
<b>Ranking</b>	9º	5º	2º	5º
<b>Average Rate (p.m.)</b>	1.59%	1.93%	2.52%	2.34%
<b>Average Tenor (month)</b>	46	45	40	44
<b>Downpayment</b>	37.9%	41.6%	23.1%	44.3%

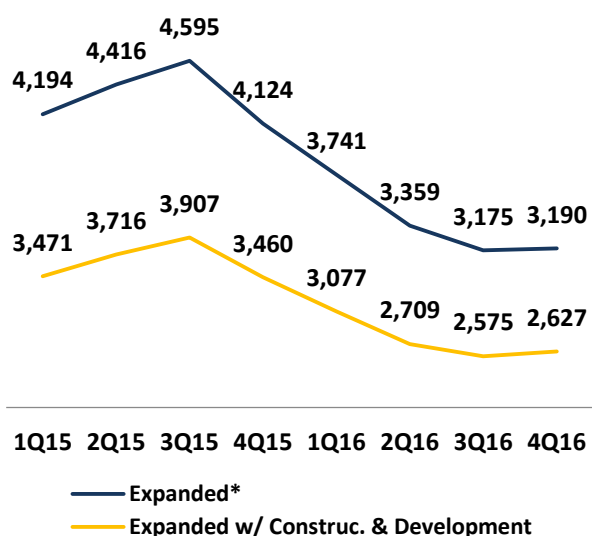
\* Without automakers banks

### Corporate Loans

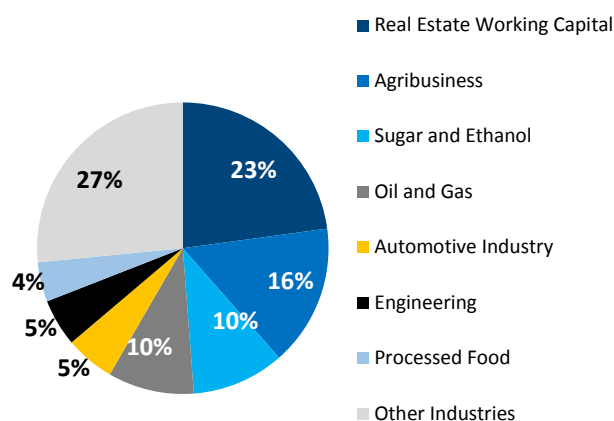
Reflecting the current economic environment, Pan's Expanded Corporate Loan Portfolio, including R\$279 million in Guarantees Issued, reached a total amount of R\$3,190 million at the end of 2016, compared to the R\$4,124 million portfolio in 2015. In December 2016, this portfolio had an amount of R\$168 million in ACC (foreign exchange contract advances) operations in US dollar.

The Bank operates with a risk control policy, which consists of maintaining a diversified loan portfolio by industries and by economic groups, in addition of maintaining a good level of guarantees. The 10 largest clients jointly account for just 4% of Pan's total portfolio in 4Q16.

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

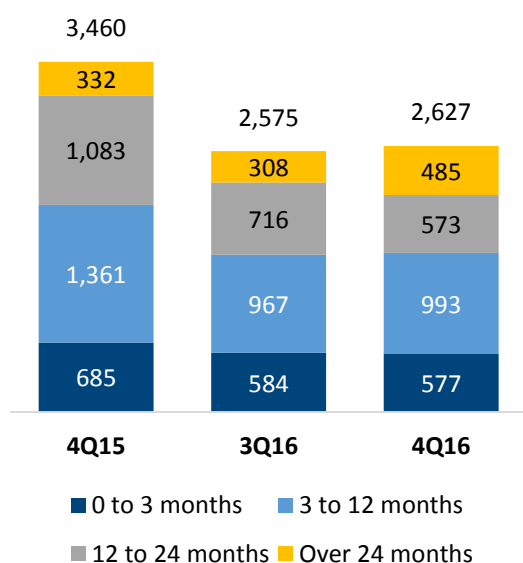


**Corporate Loan Portfolio<sup>1</sup> by Industry (%)**

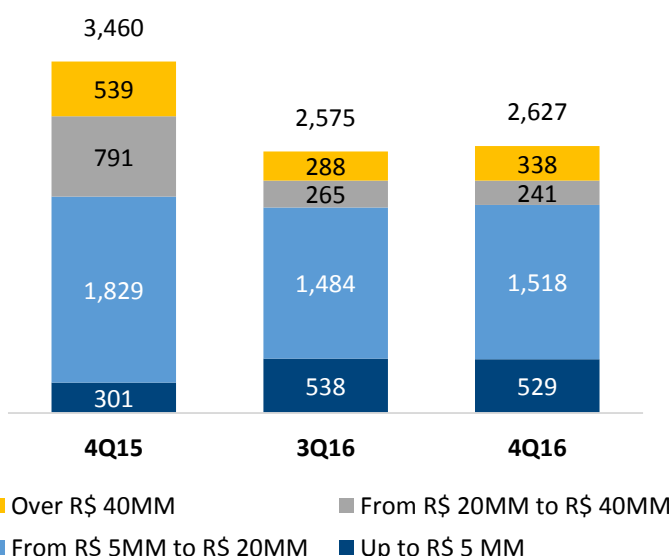


\*Including Guarantees Issued

**Maturity of the Portfolio<sup>1</sup> (R\$ MM)**



**Portfolio<sup>1</sup> by ticket (R\$ MM)**



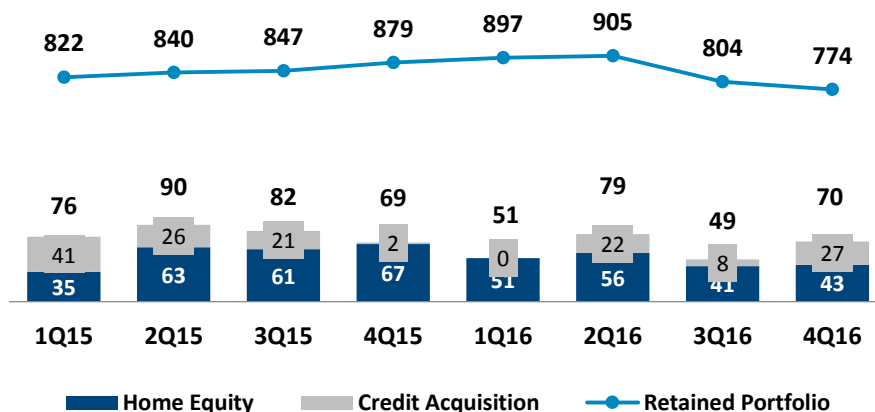
<sup>1</sup> without loans for Construction & Development

### Real Estate Loans

Real estate loan origination totaled R\$70 million in 4Q16, allocated as follows: (i) R\$43 million to individuals in Home Equity (Crédito Fácil) and (ii) R\$27 million in loans acquired by Brazilian Securities Companhia de Securitização (“Brazilian Securities”) for securitization.

In 2016, due to demand and conservatism, Pan originated R\$248.7 million in real estate loans compared to R\$316.5 million in 2015. The real estate loan portfolio ended 2016 at R\$774 million, a reduction of 12% compared to the R\$879 million at the end of 2015.

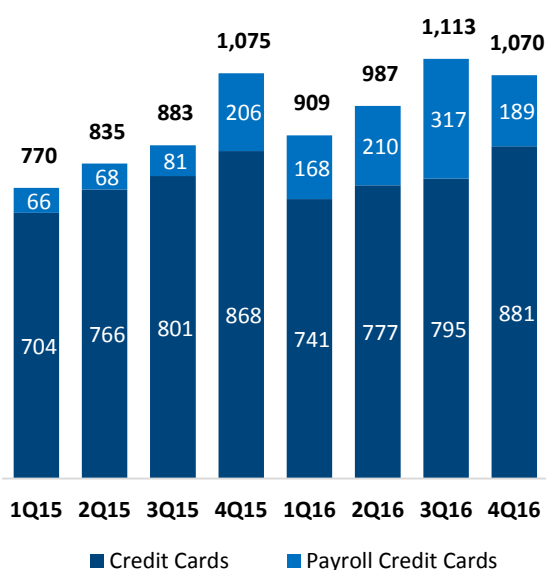
Evolution of Real Estate Origination by Product and total Portfolio (R\$ MM)



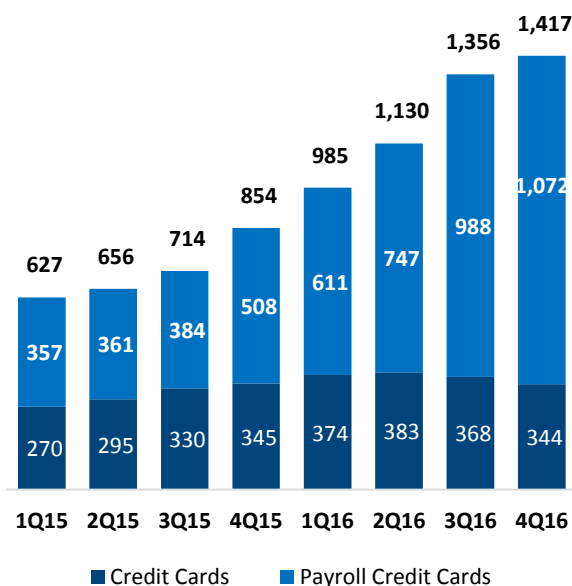
### Credit Cards – Payroll and Conventional Cards

Pan closed 2016 with a base of 2.0 million credit cards. The transaction volume totaled R\$1.1 billion, in line with the previous quarter. In 2016, the transaction volume registered R\$4,079 million, 14% higher than the R\$3,562 million in 2015.

Transaction Volume (R\$ MM)



Transaction Volume (R\$ MM)



### Consumer Loans

Consumer loans accounted for R\$114 million of new loan disbursements during 4Q16, compared to R\$100 million disbursed in 3Q16 and R\$109 million in 4Q15. In the annual comparison, consumer loans registered a reduction of 13%.

### Consortium

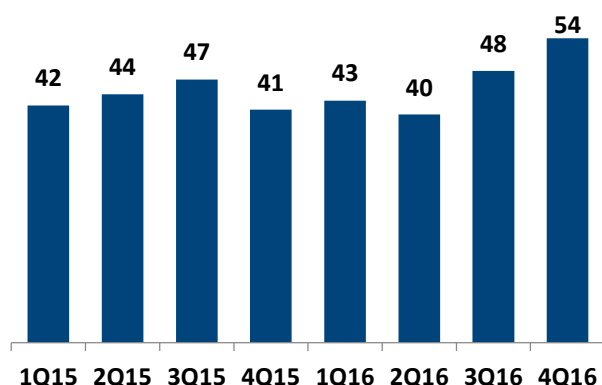
Consortium sales registered R\$80 million in 4Q16, compared to the R\$111 million registered in the previous quarter and R\$201 million in 4Q15. In 2016, consortium sales totaled R\$866 million, compared to R\$462 million in 2015.

### Insurance

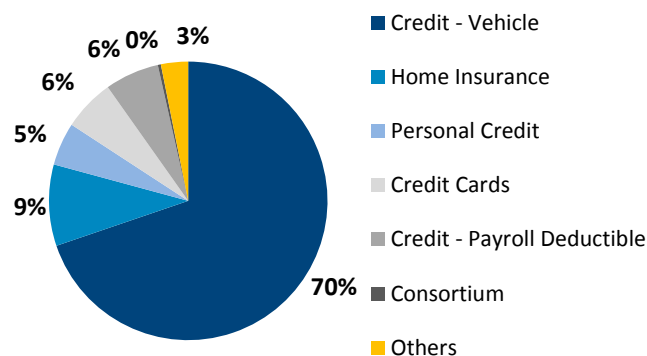
Based on the operational distribution agreement signed with Pan Seguros S.A., valid until December/2034, Pan originated R\$54 million in insurance premiums in 4Q16, 12% higher than the R\$48 million originated in 3Q16 and 31% higher than the R\$41 million originated in 4Q15, largely influenced by the volume of vehicle financing origination. In 2016, Pan originated R\$185 million in insurance premiums, compared to R\$174 million in 2015.

Among the premiums originated in 4Q16 are: R\$43.9 million in credit insurance, R\$5.1 million in home insurance, R\$3.2 million in credit card insurance and R\$1.7 thousands in other products.

**Insurance Premiums originated by Pan (R\$ MM)**



**Insurance Premium by Product (%)**



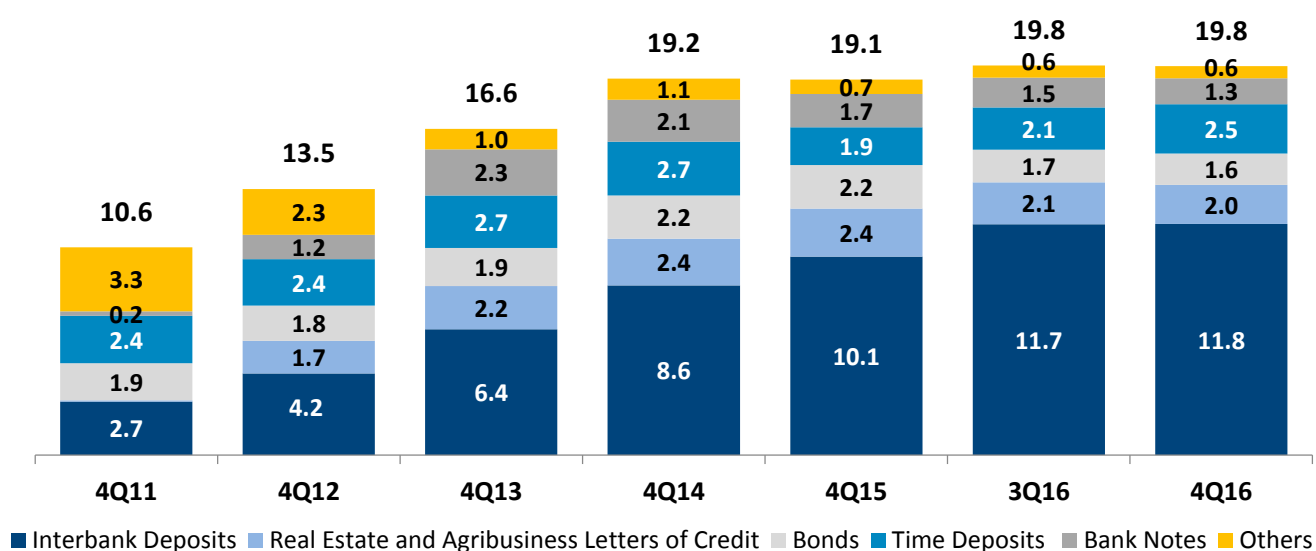
### Funding

The funding volume closed December 2016 at R\$19.8 billion, in line with the balance recorded at the end of September and 4% higher than the R\$19.1 billion recorded in December 2015. The main funding sources were: (i) interbank deposits, which amounted to R\$11.8 billion, 59% of the total; (ii) time deposits which amounted to R\$2.5 billion, 13% of the total; (iii) real estate and agribusiness letters of credit (LCI and LCA) totaling R\$2.0 billion, 10% of the total; (iv) bonds issued abroad, totaling R\$1.6 billion, 8% of the total; (v) bank notes totaling R\$1.3 billion, 7% of the total; and (vi) other funding sources, corresponding to R\$611 million, 3% of the total.

In accordance with Article 8 of BACEN No. 3,068/01, Pan declares that it has the financial capacity and the intention of holding to maturity those securities classified under “held-to-maturity securities” in its financial statements.

Funding Sources (R\$ MM)	4Q16	Part. %	3Q16	Part. %	4Q15	Part. %	Δ 4Q16/3Q16	Δ 4Q16/4Q15
Interbank Deposits	11,766	59%	11,742	59%	10,097	53%	-	17%
Time Deposits	2,514	13%	2,139	11%	1,927	10%	18%	30%
LCI and LCA	1,977	10%	2,142	11%	2,440	13%	-8%	-19%
Bonds	1,594	8%	1,662	8%	2,218	12%	-4%	-28%
Bank Notes	1,328	7%	1,518	8%	1,695	9%	-13%	-22%
Others	611	3%	617	3%	726	4%	-1%	-16%
<b>Total</b>	<b>19,790</b>	<b>100%</b>	<b>19,820</b>	<b>100%</b>	<b>19,104</b>	<b>100%</b>	<b>-0.2%</b>	<b>4%</b>

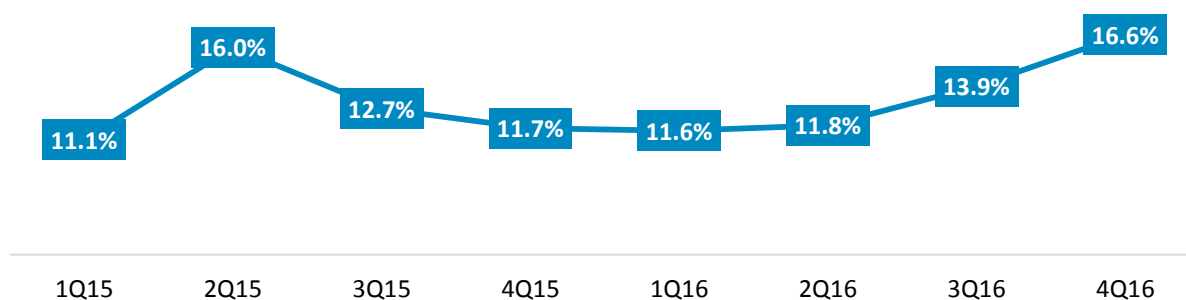
Evolution of Funding Sources (R\$ Bi)



## Results

### Managerial Net Interest Margin – NIM

In 4Q16, managerial net interest margin stood at 16.6% compared to 13.9% registered in 3Q16 and 11.7% registered in 4Q15. In 2016, the margin stood at 13.2%, an improvement compared to 12.4% in 2015.

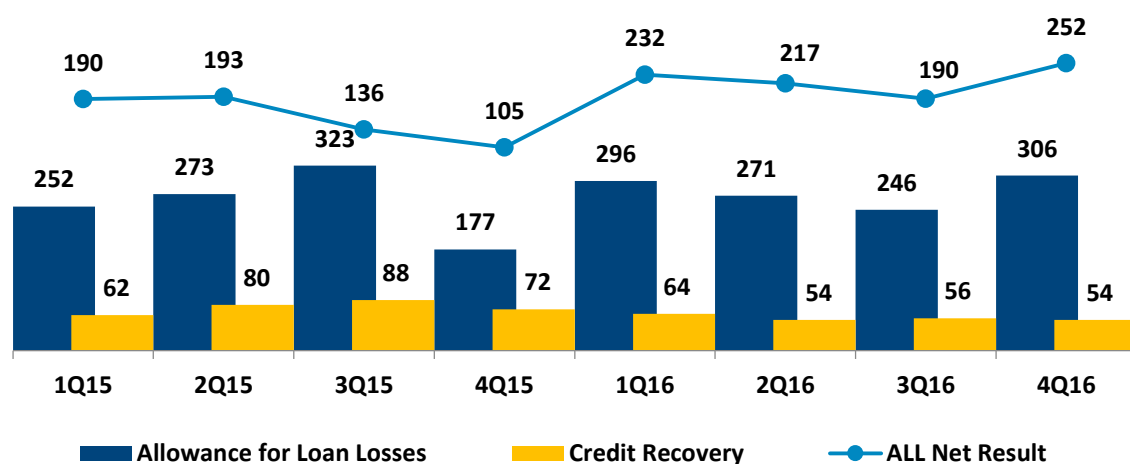


Managerial Net Interest Margin (R\$ MM)	2016	2015	4Q16	3Q16	Δ 2016/ 2015	Δ 4Q16/ 3Q16
<b>Income from Financial Intermediation Before ALL</b>	<b>2,945</b>	<b>2,918</b>	<b>897</b>	<b>767</b>	<b>1%</b>	<b>17%</b>
(+) Exchange Rate Variation	(77)	(284)	(15)	(15)	-73%	-
<b>1. Managerial Net Interest Margin</b>	<b>2,868</b>	<b>2,634</b>	<b>882</b>	<b>751</b>	<b>9%</b>	<b>17%</b>
<b>2. Average Interest-Earning Assets</b>	<b>21,799</b>	<b>21,300</b>	<b>22,475</b>	<b>22,688</b>	<b>2%</b>	<b>-1%</b>
- Average Loan Portfolio	18,085	17,502	18,681	18,176	3%	3%
- Average Securities and Derivatives	2,633	2,725	2,681	2,343	-3%	14%
- Average Interbank Investments	1,081	1,074	1,113	2,169	1%	-49%
<b>(1/2) Manag. Net Interest Margin (% p.a.)</b>	<b>13.2%</b>	<b>12.4%</b>	<b>16.6%</b>	<b>13.9%</b>	<b>0.8 p.p.</b>	<b>2.7 p.p.</b>

### Allowance for Loan Losses and Credit Recovery

In 4Q16, the allowance for loan losses totaled R\$306 million, while the recovery of credit previously written-off was R\$54 million. Thus, the net expense for loan losses in the quarter totaled R\$252 million. In 2016, allowance for net loan losses reached R\$890 million compared to R\$723 million in 2015, with an important contribution of provisioning reinforcement for Construction and Development loans, which represent less than 3% of the bank's portfolio.

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



### Costs and Expenses

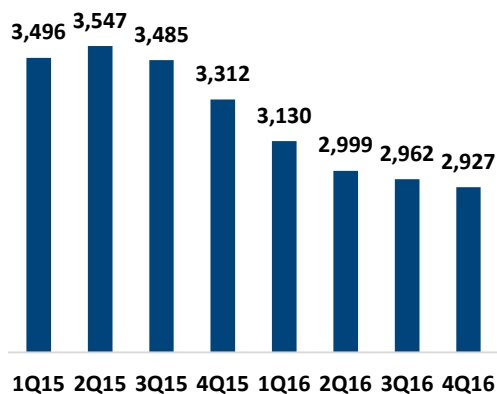
Personnel and administrative expenses (Subtotal I) totaled R\$292 million in 4Q16, slightly lower than the R\$295 million registered in 3Q16. In 2016, these expenses totaled R\$1,147 million, remaining practically stable compared to the expenses of R\$1,142 million in 2015, presenting a reduction in real terms.

Credit origination expenses (Subtotal II) totaled R\$239 million at the end of the quarter, down 6% compared to the R\$256 million recorded in 3Q16. In the annual comparison, these expenses increased from R\$625 million in 2015 to R\$902 million in 2016, mainly related to the change in the accounting rules of these expenses, as well as to the increase of the credit origination volume.

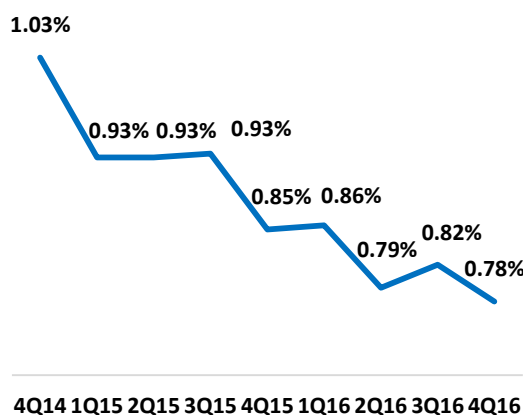
G&A Expenses (R\$ MM)	2016	2015	4Q16	3Q16	Δ 2016/ 2015	Δ 4Q16/ 3Q16
Personnel expenses	509	529	130	126	-4%	3%
Administrative expenses	638	614	162	169	4%	-4%
<b>1. Subtotal I</b>	<b>1,147</b>	<b>1,142</b>	<b>292</b>	<b>295</b>	<b>-</b>	<b>-1%</b>
Comission Expenses – BACEN Circular 3,738	331	125	92	95	164%	-2%
Deferred Comissions and other origination expenses	571	499	147	161	14%	-9%
<b>2. Subtotal II - Credit Origination</b>	<b>902</b>	<b>625</b>	<b>239</b>	<b>256</b>	<b>44%</b>	<b>-6%</b>
<b>3. Total (I + II)</b>	<b>2,049</b>	<b>1,767</b>	<b>531</b>	<b>550</b>	<b>16%</b>	<b>-4%</b>

Given the constant search for efficiency improvement, Pan is optimizing its cost structure, as evidenced by the evolution of the number of employees and also by the ratio that considers Subtotal I expenses over the Originated Credit Portfolio that grows at a faster pace.

### Evolution of the Number of Employees



### Subtotal I / Originated Credit Portfolio



### Income Statement

Pan posted a net income of R\$196.8 thousand in 4Q16, versus a net loss of R\$13.0 million in 3Q16. In 2016, the accumulated net loss was R\$237.2 million, versus the net income of R\$8.0 million recorded in 2015, largely impacted by the accounting rule for commission expenses on credit origination.

Along with the influences mentioned before, the results are impacted by the volume and mix of credits assigned without recourse in each period. Credit assignments without recourse (including vehicle, payroll and real estate loans) totaled R\$2,891 million in 4Q16, compared to R\$2,647 in 3Q16, and R\$9,861 million in 2016, compared to R\$10,488 million in the previous year.

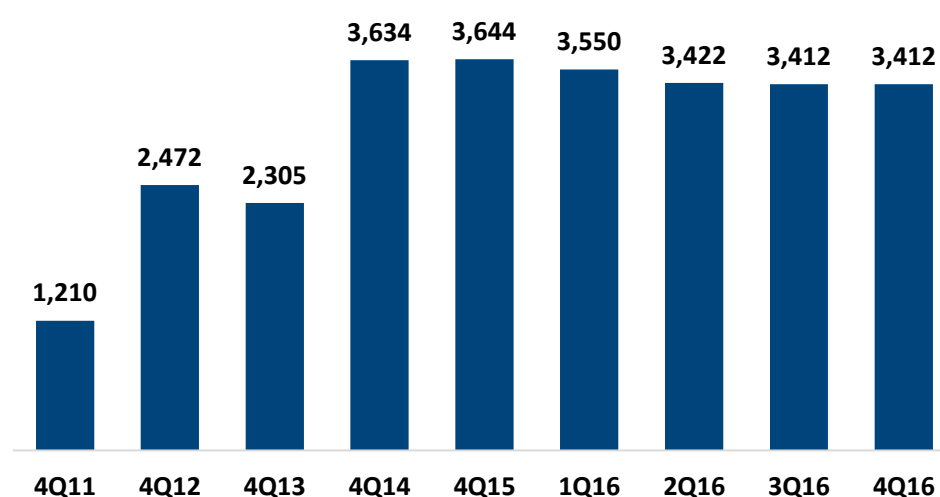


P&L Statement (R\$ MM)	2016	2015	4Q16	3Q16	Δ 2016/ 2015	Δ 4Q16/ 3Q16
<b>Net Interest Margin</b>	<b>2,868</b>	<b>2,634</b>	<b>882</b>	<b>751</b>	<b>9%</b>	<b>17%</b>
Allowance for Loan Losses	(1,118)	(1,025)	(306)	(246)	-9%	-24%
<b>Gross Profit from Financial Intermediation (Adjusted)</b>	<b>1,749</b>	<b>1,609</b>	<b>576</b>	<b>505</b>	<b>9%</b>	<b>14%</b>
Other Operating Revenues (Expenses)	150	277	43	68	-46%	-36%
Administrative and Personnel Expenses	(1,147)	(1,142)	(292)	(295)	-	1%
Origination Expenses	(902)	(625)	(239)	(256)	-44%	6%
Tax Expenses	(235)	(244)	(66)	(67)	4%	1%
<b>Income from Operations</b>	<b>(384)</b>	<b>(124)</b>	<b>22</b>	<b>(44)</b>	<b>-</b>	<b>-</b>
Non Operating Expenses	(66)	(74)	(22)	(14)	11%	-54%
Income and Social Contribution Taxes	213	207	0	45	3%	-
<b>(Loss)/Net Income</b>	<b>(237)</b>	<b>8</b>	<b>0.2</b>	<b>(13)</b>	<b>-</b>	<b>-</b>

## Shareholders' Equity and Capital

### Shareholders' Equity

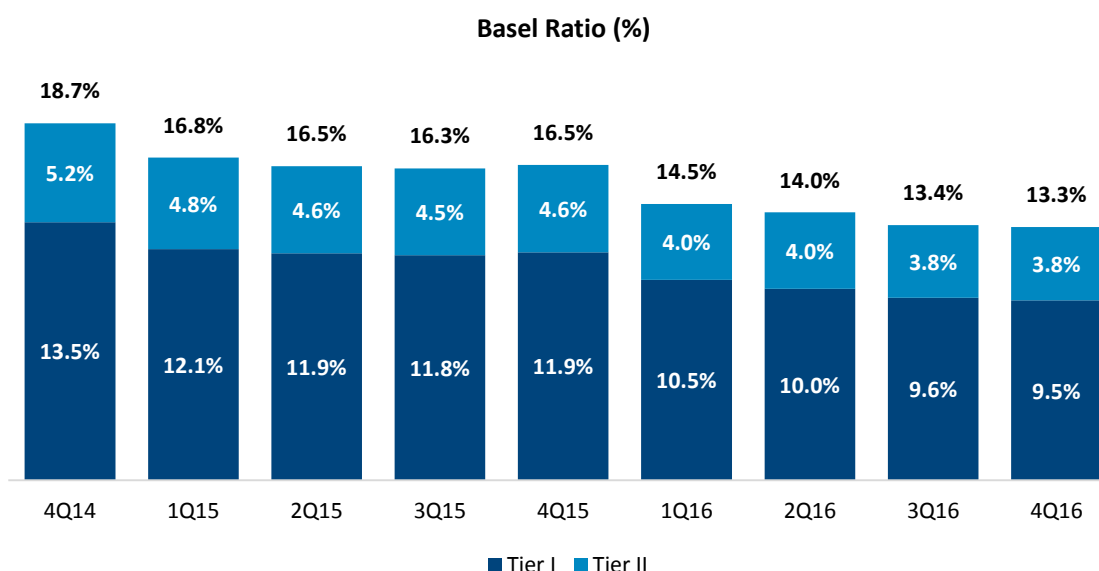
Pan's Consolidated Shareholders' Equity totaled R\$3,412 million in December 2016, compared to R\$3,412 million in September 2016 and R\$3,644 million in December 2015.



### Basel Ratio and Operating Margin

The Prudential Conglomerate's Basel Ratio stood at 13.3% at the end of 4Q16 (9.5% for Tier I Common Equity), versus 13.4% in 3Q16 (9.6% for Tier I Common Equity) and 16.5% (11.9% for Tier I Common Equity) in 4Q15. The Prudential Conglomerate's Operating Margin totaled R\$487 million in 4Q16.

R\$ MM	4Q16	3Q16	4Q15
<b>1. Reference Shareholder's Equity (PR)</b>	<b>2,690</b>	<b>2,709</b>	<b>3,320</b>
Common Equity Tier I	1,910	1,931	2,401
Tier II	779	778	920
<b>2. Required Reference Shareholders' Equity</b>	<b>2,129</b>	<b>2,121</b>	<b>2,211</b>
Risk Weighted Assets	1,960	1,943	2,069
Exchange Variation Risk	17	10	19
Interest (Pre-fixed)	17	33	17
Operational Risk	135	135	107
<b>Basel Ratio ( 1 / ( 2 / 11% ) )</b>	<b>13.3%</b>	<b>13.4%</b>	<b>16.5%</b>
<b>Common Equity Tier I</b>	<b>9.5%</b>	<b>9.6%</b>	<b>11.9%</b>
<b>Tier II</b>	<b>3.8%</b>	<b>3.8%</b>	<b>4.6%</b>



## Ratings

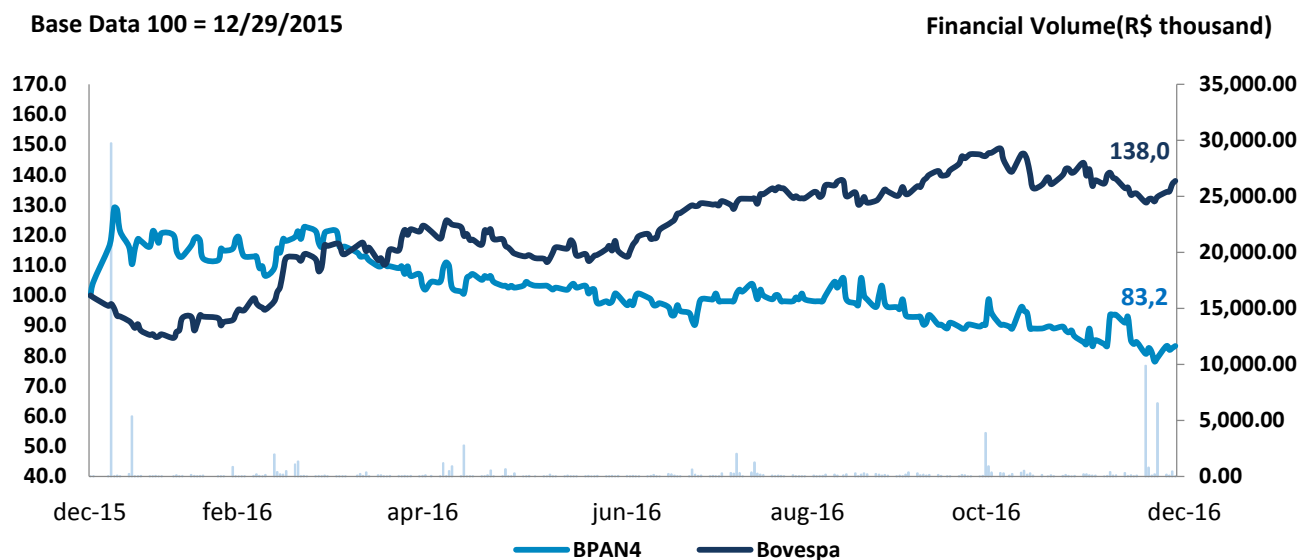
Pan's long term ratings are presented below:

Rating Agency	Global Scale (LT)	National Scale (LT)	Outlook
Fitch Ratings	BB-	A+ (bra)	Negative/Stable
Standard & Poor's	B+	brBBB-	Negative
Moody's	B1	Baa2.br	Stable
Riskbank	Low Risk for Medium Term 2 (-)   9,94		

### Stock Performance

Pan's shares (BPAN4) ended December at R\$1.29, down 10% over the R\$1.44 recorded at the end of 3Q16, with respective highs and lows of R\$1.57 and R\$1.18.

The traded volume totaled R\$29.4 million in 4Q16, with a daily average of R\$483 thousand. On December 30, 2016, Pan's market cap was R\$1.2 billion.



Source: Reuters

### Attachments

<b>BALANCE SHEET AS OF DECEMBER 31, 2016 AND DECEMBER 31, 2015</b>				
<i>(In thousands of Brazilian reais - R\$)</i>				
	<b>BANK</b>		<b>CONSOLIDATED</b>	
<b>ASSETS</b>	<b>Dec/16</b>	<b>Dec/15</b>	<b>Dec/16</b>	<b>Dec/15</b>
<b>CURRENT ASSETS</b>	<b>12,726,831</b>	<b>10,794,892</b>	<b>12,942,074</b>	<b>11,374,915</b>
Cash	7,424	43,156	19,521	48,043
Interbank investments	1,638,795	1,626,065	966,835	1,168,723
Securities and derivatives financial instruments	692,063	219,766	719,629	287,390
Interbank accounts	17,875	21,357	17,875	21,357
Lending operations	7,382,991	6,135,018	7,911,474	6,821,182
Lending operations - private sector	8,112,020	6,725,520	8,784,513	7,494,684
(Allowance for loan losses)	(729,029)	(590,502)	(873,039)	(673,502)
Leasing operations	-	-	913	3,632
Leasing operations	-	-	1,541	5,444
(Allowance for doubtful lease receivables)	-	-	(628)	(1,812)
Other receivables	2,853,441	2,392,749	2,968,659	2,537,828
(Allowance for loan losses)	(58,028)	(62,063)	(58,747)	(62,298)
Other assets	192,270	418,844	395,915	549,058
<b>LONG-TERM RECEIVABLES</b>	<b>12,838,174</b>	<b>12,983,265</b>	<b>14,289,255</b>	<b>14,444,834</b>
Interbank investments	9,289	85,732	5,548	21,021
Securities and derivatives financial instruments	1,315,505	2,139,409	1,718,980	2,540,071
Lending operations	8,368,030	7,642,370	8,942,131	8,360,231
Lending operations - Private Sector	8,622,186	7,914,310	9,226,475	8,662,534
(Allowance for loan losses)	(254,156)	(271,940)	(284,344)	(302,303)
Leasing operations	-	-	157	3,863
Leasing operations	-	-	187	4,275
(Allowance for doubtful lease receivables)	-	-	(30)	(412)
Other receivables	2,883,347	2,994,830	3,357,827	3,397,797
(Allowance for loan losses)	(5,646)	(15,832)	(7,135)	(15,832)
Other assets	267,649	136,756	271,747	137,683
<b>PERMANENT ASSETS</b>	<b>1,024,414</b>	<b>1,024,265</b>	<b>274,247</b>	<b>277,343</b>
<b>TOTAL ASSETS</b>	<b>26,589,419</b>	<b>24,802,422</b>	<b>27,505,576</b>	<b>26,097,092</b>
<b>LIABILITIES</b>	<b>Dec/16</b>	<b>Dec/15</b>	<b>Dec/16</b>	<b>Dec/15</b>
<b>CURRENT LIABILITIES</b>	<b>17,843,025</b>	<b>15,928,257</b>	<b>18,359,987</b>	<b>16,589,051</b>
Deposits	12,089,046	10,613,117	12,067,954	10,610,077
Demand deposits	60,015	75,647	54,762	73,247
Interbank deposits	11,736,273	10,060,290	11,736,273	10,060,044
Time deposits	292,758	477,180	276,919	476,786
Money market funding	1,927,684	1,543,421	1,927,684	1,543,420
Funds from acceptance and issuance of securities	1,569,596	2,114,167	2,031,748	2,705,900
Interbank accounts	155,796	102,786	155,796	102,786
Interbranch accounts	6,785	28,988	6,785	28,988
Loan Liabilities	-	-	2,038	1,096
Derivatives Financial Instruments	33,996	3,393	33,996	3,393
Other liabilities	2,060,122	1,522,385	2,133,986	1,593,391
<b>LONG-TERM LIABILITIES</b>	<b>5,333,438</b>	<b>5,228,803</b>	<b>5,732,633</b>	<b>5,862,660</b>
Deposits	2,459,843	1,608,419	2,266,580	1,487,034
Interbank deposits	29,428	36,803	29,428	36,803
Time deposits	2,430,415	1,571,616	2,237,152	1,450,231
Money market funding	100,338	100,551	96,940	94,298
Funds from acceptance and issuance of securities	773,399	831,259	1,123,960	1,298,243
Loan Liabilities	-	-	132,063	153,634
Derivatives financial instruments	111,738	26,358	111,738	13,037
Other Liabilities	1,888,120	2,662,216	2,001,352	2,816,414
Deferred Income	794	1,565	794	1,565
<b>MINORITY INTEREST</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>3,412,162</b>	<b>3,643,797</b>	<b>3,412,162</b>	<b>3,643,797</b>
Capital	3,460,732	3,460,732	3,460,732	3,460,732
Capital Reserve	-	195,208	-	195,208
Income Reserve	-	7,719	-	7,719
Adjustments to equity valuation	(14,259)	(19,862)	(14,259)	(19,862)
Retained earnings (loss)	(34,311)	-	(34,311)	-
<b>TOTAL LIABILITIES</b>	<b>26,589,419</b>	<b>24,802,422</b>	<b>27,505,576</b>	<b>26,097,092</b>

<b>INCOME STATEMENT FOR THE QUARTERS ENDED ON DECEMBER 31, 2016 AND DECEMBER 31, 2015</b>				
<i>(In thousands of Brazilian reais - R\$)</i>				
	<b>BANK</b>		<b>CONSOLIDATED</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>REVENUE FROM FINANCIAL INTERMEDIATION</b>	<b>5,282,864</b>	<b>6,375,396</b>	<b>5,517,548</b>	<b>6,716,827</b>
Lending operations	4,536,191	4,469,522	4,792,104	4,761,236
Results from Credit Assignments	1,065,694	645,880	1,095,163	651,355
Securities transactions	470,917	363,077	463,431	386,636
Derivative transactions	(788,693)	713,142	(831,905)	733,825
Foreign exchange transactions	(1,245)	183,775	(1,245)	183,775
<b>EXPENSES ON FINANCIAL INTERMEDIATION</b>	<b>(3,449,775)</b>	<b>(4,579,878)</b>	<b>(3,675,959)</b>	<b>(4,823,575)</b>
Funding operations	(2,464,145)	(3,630,621)	(2,573,774)	(3,755,337)
Borrowings and onlendings	-	-	16,243	(43,340)
Allowance for loan losses	(985,630)	(949,257)	(1,118,428)	(1,024,898)
<b>GROSS PROFIT FROM FINANCIAL INTERMEDIATION</b>	<b>1,833,089</b>	<b>1,795,518</b>	<b>1,841,589</b>	<b>1,893,252</b>
<b>OTHER OPERATING INCOME (EXPENSES)</b>	<b>(2,173,609)</b>	<b>(1,897,020)</b>	<b>(2,225,499)</b>	<b>(2,017,669)</b>
Income from services rendered	456,865	450,606	489,405	480,926
Equity in subsidiaries	(61,377)	(39,073)	33,157	-
Personnel Expenses	(392,041)	(303,245)	(508,815)	(528,521)
Other Administrative Expenses	(1,588,775)	(1,368,590)	(1,539,693)	(1,238,476)
Tax Expenses	(189,696)	(184,022)	(235,121)	(243,759)
Other Operating Income	255,426	216,237	-	250,715
Other Operating Expenses	(654,011)	(668,933)	(755,878)	(738,554)
<b>INCOME FROM OPERATIONS</b>	<b>(340,520)</b>	<b>(101,502)</b>	<b>(383,910)</b>	<b>(124,417)</b>
<b>NON OPERATING EXPENSES</b>	<b>(59,606)</b>	<b>(54,462)</b>	<b>(66,498)</b>	<b>(74,422)</b>
<b>INCOME BEFORE TAXES</b>	<b>(400,126)</b>	<b>(155,964)</b>	<b>(450,408)</b>	<b>(198,839)</b>
<b>INCOME AND SOCIAL CONTRIBUTION TAXES</b>	<b>162,888</b>	<b>164,016</b>	<b>213,168</b>	<b>206,888</b>
Provision for Income tax	(5,673)	(618)	23,128	9,661
Provision for Social Contribution tax	(4,376)	(741)	(7,190)	(2,397)
Deferred tax credits	172,937	165,375	197,230	199,624
<b>MINORITY INTEREST</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>2</b>
<b>(LOSS)/ NET INCOME</b>	<b>(237,238)</b>	<b>8,052</b>	<b>(237,238)</b>	<b>8,052</b>

*This report may include statements that represent expectations on Banco Pan's future events or results and are based on projections and analysis that reflect the Bank's Management current views and/or expectations regarding its performance and the future of its business.*

*Risks and uncertainties related to the Bank's businesses, competitors and market, macroeconomic conditions and other factors described in "Risk Factors" in the Reference Form, filed at the Brazilian Securities and Exchange Commission, could cause results to differ materially from those plans, objectives, expectations, projections and intentions.*

PAN