



Financial Statements

At year-end 2016

ASSETS	Note	Bank		Consolidated		LIABILITIES AND EQUITY	Note	Bank		Consolidated	
		31/12/2016	31/12/2015	31/12/2016	31/12/2015			31/12/2016	31/12/2015		
CURRENT ASSETS		12.726.831	10.794.488	12.942.074	11.369.818	CURRENT LIABILITIES		17.843.025	15.928.257	18.359.987	16.589.051
Available funds	5	7.424	43.156	19.521	48.043	Deposits	16.a	12.089.046	10.613.117	12.067.954	10.610.077
Interbank investments	6.a	1.638.795	1.626.065	966.835	1.168.723	Demand deposits		60.015	75.647	54.762	73.247
Applications in the open market		891.796	1.084.203	891.796	1.084.203	Interbank deposits		11.736.273	10.060.290	11.736.273	10.060.044
Investments in interbank deposits		746.999	541.862	75.039	84.520	Term deposits		292.758	477.180	276.919	476.786
Marketable securities and derivative financial instruments	7	692.063	219.766	719.629	287.390	Funds obtained in the open market	16.b	1.927.684	1.543.421	1.927.684	1.543.420
Own portfolio	7.a	47.809	81.691	71.871	144.005	Own portfolio		1.222.172	1.121.672	1.222.172	1.121.671
Linked to repurchase commitments	7.a	626.015	63.296	626.015	63.296	Third-party portfolio		705.512	152.179	705.512	152.179
Derivative financial instruments	7.c	18.239	62.769	18.239	62.769	Free movement portfolio		-	269.570	-	269.570
Subject to guarantees	7.a	-	12.010	3.504	17.320	Funds from acceptance and issuance of securities	16.c	1.569.596	2.114.167	2.031.748	2.705.900
Interbank investments		17.875	21.357	17.875	21.357	Funds from real estate securities, mortgages, letters of credit and similar securities		1.569.596	2.114.167	2.031.748	2.705.900
Payments and receipts to be settled		20	-	20	-	Interbank accounts		155.796	102.786	155.796	102.786
Credits - Deposits at Brazilian Central Bank		1.299	2.959	1.299	2.959	Local correspondents	17	155.796	102.786	155.796	102.786
Local correspondents		16.556	18.398	16.556	18.398	Interdependent operations		6.785	28.988	6.785	28.988
Loan operations	8	7.382.991	6.134.614	7.911.474	6.814.562	Resources of third parties in transit		6.785	28.988	6.785	28.988
Private sector credit operations		8.112.020	6.725.116	8.784.513	7.488.064	Borrowings	18.a	-	-	2.038	1.096
(Assurance for doubtful accounts)	8.c	(729.029)	(590.502)	(873.039)	(673.502)	Foreign		-	-	2.038	1.096
Leasing operations	8	-	-	913	6.132	Derivative financial instruments	7.c	33.996	3.393	33.996	3.393
Leasing operations receivable		-	-	1.541	7.944	Derivative financial instruments		33.996	3.393	33.996	3.393
(Assurance for lease losses)	8.c	-	-	(628)	(1.812)	Other liabilities		2.060.122	1.522.385	2.133.986	1.593.391
Other credits		2.795.413	2.330.686	2.909.912	2.474.553	Collection of taxes and similar charges		15.016	10.714	15.142	11.040
Foreign exchange portfolio	9.a	172.569	245.201	172.569	245.201	Foreign exchange portfolio	9.a	650	6	650	6
Income receivable		4.150	5.323	1.728	1.485	Social and statutory		42.086	42.286	42.760	45.053
Negotiation and intermediation of securities		2.535	4.169	3.119	5.233	Tax and social security contributions	21.a	51.580	35.499	74.195	59.203
Real estate receivables	10	-	-	13.031	7.218	Negotiation and intermediation of securities		1.399	10.153	33.390	45.341
Securities and credits receivable	8 and 11	812.757	842.258	831.970	855.013	Subordinated debts	19	88.113	250.782	88.113	250.782
(Assurance for other doubtful accounts)	8.c	(58.028)	(59.357)	(58.747)	(59.593)	Sundry obligations	21.b	1.861.278	1.172.945	1.879.736	1.181.966
Other	11	1.861.430	1.293.092	1.946.242	1.419.996						
Other assets		192.270	418.844	395.915	549.058						
Other assets	12.a	149.054	140.922	364.717	281.697						
(Provision for impairment)	12.a	(39.567)	(34.134)	(53.356)	(45.923)						
Prepaid expenses	12.b	82.783	312.056	84.554	313.284						

ASSETS	Note	Bank		Consolidated		LIABILITIES AND EQUITY	Note	Bank		Consolidated	
		31/12/2016	31/12/2015	31/12/2016	31/12/2015			31/12/2016	31/12/2015		
LONG-TERM RECEIVABLES		12.838.174	12.983.669	14.289.255	14.449.931	LONG-TERM LIABILITIES		5.333.438	5.228.803	5.732.633	5.862.660
Interbank investments	6.a	9.289	85.732	5.548	21.021	Deposits	16.a	2.459.843	1.608.419	2.266.580	1.487.034
Investments in interbank deposits		9.289	85.732	5.548	21.021	Interbank deposits		29.428	36.803	29.428	36.803
Marketable securities and derivative financial instruments	7	1.315.505	2.139.409	1.718.980	2.540.071	Term deposits		2.430.415	1.571.616	2.237.152	1.450.231
Own portfolio	7.a	331.442	262.759	648.051	589.496	Funds obtained in the open market	16.b	100.338	100.551	96.940	94.298
Linked to repurchase commitments	7.a	693.232	1.211.406	693.232	1.211.406	Own portfolio		100.338	100.551	96.940	94.298
Derivative financial instruments	7.c	159.600	621.324	143.134	621.324	Funds from acceptance and issuance of securities	16.c	773.399	831.259	1.123.960	1.298.243
Linked to the BACEN	7.a	-	-	51.151	-	Funds from real estate securities, mortgages, letters of credit and similar securities		773.399	831.259	1.123.960	1.298.243
Subject to guarantees	7.a	131.231	43.920	183.412	117.845	Borrowings	18.a	-	-	132.063	153.634
Loan operations	8	8.368.030	7.642.774	8.942.131	8.366.851	Foreign		-	-	132.063	153.634
Private sector credit operations		8.622.186	7.914.714	9.226.475	8.669.154	Derivative financial instruments	7.c	111.738	26.358	111.738	13.037
(Allowance for doubtful accounts)	8.c	(254.156)	(271.940)	(284.344)	(302.303)	Derivative financial instruments		111.738	26.358	111.738	13.037
Leasing operations	8	-	-	157	1.363	Other liabilities		1.888.120	2.662.216	2.001.352	2.816.414
Leasing operations receivable		-	-	187	1.775	Tax and social security contributions	21.a	-	-	82.062	93.799
(Allowance for lease losses)	8.c	-	-	(30)	(412)	Subordinated debts	19	1.663.233	2.107.153	1.663.233	2.107.153
Other credits		2.877.701	2.978.998	3.350.692	3.382.942	Sundry obligations	21.b	224.887	555.063	256.057	615.462
Negotiation and intermediation of securities		-	-	480	-						
Specific claims		-	-	848	1.444						
Real estate receivables	10	-	-	14.368	32.561						
Securities and credits receivable	8 and 11	25.614	100.479	65.493	101.456						
(Allowance for other doubtful accounts)	8.c	(5.646)	(15.832)	(7.135)	(15.832)						
Other	11	2.857.733	2.894.351	3.276.638	3.263.313						
Other assets		267.649	136.756	271.747	137.683						
Prepaid expenses	12.b	267.649	136.756	271.747	137.683						
PERMANENT ASSETS		1.024.414	1.024.265	274.247	277.343						
Investments		941.987	937.500	48.988	3.471						
Participations in subsidiaries	13.a	941.608	934.029	48.609	-	EQUITY	22	3.412.162	3.643.797	3.412.162	3.643.797
Other investments	13.b	379	3.471	379	3.471	Capital:		3.460.732	3.460.732	3.460.732	3.460.732
Assets in use	14	37.834	30.912	37.838	50.128	Domiciled in the country		3.051.660	3.080.704	3.051.660	3.080.704
Other fixed assets in use		71.546	51.731	71.585	81.088	Domiciled abroad		409.072	380.028	409.072	380.028
(Accumulated depreciation)		(33.712)	(20.819)	(33.747)	(30.960)	Capital reserve		-	195.208	-	195.208
Intangible assets	15.b	44.593	55.853	187.421	223.744	Revenue reserves		-	7.719	-	7.719
Intangible assets		113.192	99.067	367.731	353.220	Carrying value adjustments		(14.259)	(19.862)	(14.259)	(19.862)
(Accumulated amortization)		(68.599)	(43.214)	(180.310)	(129.476)	Accumulated deficit		(34.311)	-	(34.311)	-
TOTAL ASSETS		26.589.419	24.802.422	27.505.576	26.097.092	TOTAL LIABILITIES AND EQUITY		26.589.419	24.802.422	27.505.576	26.097.092

The accompanying notes are an integral part of the financial statements.



BANCO PAN S.A. AND SUBSIDIARIES

**STATEMENT OF OPERATIONS
FOR THE SECOND HALF OF 2016 AND THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

(All amounts in thousands of reais - R\$, except share data)

(A free translation of the original in Portuguese)

	note	Bank			Consolidated	
		Second half of 2016	12/31/2016	31/12/2015	31/12/2016	31/12/2015
		<u>3.732.713</u>	<u>6.322.065</u>	<u>7.173.993</u>	<u>6.556.749</u>	<u>7.515.424</u>
INCOME FROM FINANCIAL INTERMEDIATION						
Income from credit operations	8.g	3.612.861	6.639.841	6.097.774	6.922.869	6.385.682
Result of leasing operations	8.g	-	-	-	2.354	9.281
Results from operations with securities	7.h	223.033	470.917	363.077	463.431	386.636
Result with derivative financial instruments	7.g	(103.181)	(788.693)	713.142	(831.905)	733.825
		<u>(1.938.846)</u>	<u>(3.451.020)</u>	<u>(4.396.103)</u>	<u>(3.677.204)</u>	<u>(4.636.533)</u>
EXPENSES OF FINANCIAL INTERMEDIATION						
Funds obtained in the market	16.d	(1.462.815)	(2.464.145)	(3.630.621)	(2.573.774)	(3.755.337)
Borrowing and onlending operations	18.b	-	-	-	16.243	(40.073)
Result of foreign exchange operations	9.b	10.692	(1.245)	183.775	(1.245)	183.775
Allowance for losses	8.c	(486.723)	(985.630)	(949.257)	(1.118.428)	(1.024.898)
		<u>1.793.867</u>	<u>2.871.045</u>	<u>2.777.890</u>	<u>2.879.545</u>	<u>2.878.891</u>
GROSS RESULT OF FINANCIAL INTERMEDIATION						
		<u>1.804.023</u>	<u>(3.211.565)</u>	<u>(2.879.392)</u>	<u>(3.263.455)</u>	<u>(3.003.307)</u>
OTHER OPERATING INCOME (EXPENSES)						
Revenue from services rendered	23	235.588	456.865	450.606	489.405	480.926
Equity in the results of investees	13.a	621	(61.377)	(39.073)	33.157	-
Personnel expenses	24	(232.459)	(392.041)	(303.245)	(508.815)	(528.521)
Other administrative expenses	25	(1.197.460)	(2.121.623)	(1.878.587)	(2.072.541)	(1.748.473)
Tax expenses	26	(112.786)	(189.696)	(184.022)	(235.121)	(243.759)
Other operating income	27.a	91.107	255.426	216.237	291.446	250.715
Other operating expenses	27.b	(588.634)	(1.159.119)	(1.141.308)	(1.260.986)	(1.214.195)
		<u>(10.156)</u>	<u>(340.520)</u>	<u>(101.502)</u>	<u>(383.910)</u>	<u>(124.416)</u>
OPERATING RESULT						
		<u>(29.364)</u>	<u>(59.606)</u>	<u>(54.462)</u>	<u>(66.498)</u>	<u>(74.422)</u>
NON-OPERATING RESULT	28					
		<u>(39.520)</u>	<u>(400.126)</u>	<u>(155.964)</u>	<u>(450.408)</u>	<u>(198.838)</u>
RESULT BEFORE TAXATION ON THE RESULT AND PARTICIPATIONS						
		<u>(39.520)</u>	<u>(400.126)</u>	<u>(155.964)</u>	<u>(450.408)</u>	<u>(198.838)</u>
INCOME TAX AND SOCIAL CONTRIBUTION	32.a					
		<u>26.750</u>	<u>162.888</u>	<u>164.016</u>	<u>213.168</u>	<u>206.888</u>
Income tax		(1.770)	(5.673)	(618)	23.128	9.661
Social contribution		(1.902)	(4.376)	(741)	(7.190)	(2.397)
Deferred tax assets		30.422	172.937	165.375	197.230	199.624
PARTICIPATION OF MINORITY STOCKHOLDERS						
		-	-	-	2	2
NET LOSS/PROFIT						
		<u>(12.770)</u>	<u>(237.238)</u>	<u>8.052</u>	<u>(237.238)</u>	<u>8.052</u>
INTEREST ON CAPITAL						
		-	-	(3.152)	-	(3.152)
NET LOSS / EARNINGS PER OUTSTANDING SHARE – IN REAIS (Represented by 929,040,163 shares at 12/31/2016 and 12/31/2015)						
		<u>(0,01)</u>	<u>(0,26)</u>	<u>0,01</u>		

The accompanying notes are an integral part of the financial statements.



BANCO PAN S.A. AND SUBSIDIARIES

**STATEMENT OF VALUE ADDED
FOR THE SECOND HALF OF 2016 AND THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

(All amounts in thousands of reais - R\$)

(A free translation of the original in Portuguese)

	Bank			Consolidated	
	Second half of 2016	12/31/2016	31/12/2015	12/31/2016	31/12/2015
REVENUE	2.701.142	4.363.211	5.274.059	4.415.198	5.489.468
Financial intermediation	3.732.713	6.322.065	7.173.993	6.556.749	7.515.424
Services rendered	235.588	456.865	450.606	489.405	480.926
Allowance for losses	(486.723)	(985.630)	(949.257)	(1.118.428)	(1.024.898)
Other operating income (expenses)	(780.436)	(1.430.089)	(1.401.283)	(1.512.528)	(1.481.984)
EXPENSES ON FINANCIAL INTERMEDIATION	(1.452.123)	(2.465.390)	(3.446.846)	(2.558.776)	(3.611.635)
INPUTS ACQUIRED FROM THIRD PARTIES	(896.100)	(1.565.011)	(1.383.595)	(1.464.761)	(1.195.706)
Materials, energy and other	(1.414)	(2.382)	(1.896)	(3.841)	(3.701)
Third-party services	(108.576)	(195.853)	(149.911)	(228.483)	(190.092)
Commissions paid to correspondent banks	(786.111)	(1.366.777)	(1.231.788)	(1.232.438)	(1.001.913)
GROSS VALUE ADDED	352.919	332.810	443.618	391.661	682.127
DEPRECIATION AND AMORTIZATION	(24.290)	(47.535)	(36.839)	(64.627)	(54.618)
NET VALUE ADDED PRODUCED BY THE ENTITY	328.629	285.275	406.779	327.034	627.509
VALUE ADDED RECEIVED IN TRANSFER	621	(61.377)	(39.073)	33.157	-
Equity in the results of investees	621	(61.377)	(39.073)	33.157	-
TOTAL VALUE ADDED TO BE DISTRIBUTED	329.250	223.898	367.706	360.191	627.509
DISTRIBUTION OF VALUE ADDED	329.250	223.898	367.706	345.308	624.242
Staff	197.410	332.725	264.288	429.733	454.317
Direct remuneration	151.332	258.564	213.020	328.656	355.317
Benefits	33.517	51.819	34.942	71.222	71.156
Government Severance Indemnity Fund (FGTS)	11.078	19.740	13.130	27.084	24.339
Other	1.484	2.603	3.196	2.771	3.505
Taxes, fees and contributions	121.132	86.213	60.736	101.487	113.033
Federal	110.135	64.913	38.880	60.375	67.496
State	2	3	1	7	13
Municipal	10.994	21.296	21.855	41.105	45.524
Remuneration of third party capital	23.478	42.198	34.630	51.328	48.842
Rentals	23.478	42.198	34.630	51.328	48.842
Remuneration of own capital	(12.770)	(237.238)	8.052	(237.240)	8.050
Retained loss/earnings	(12.770)	(237.238)	4.900	(237.238)	4.900
Interest on capital provisioned	-	-	3.152	-	3.152
Participation of minority stockholders	-	-	-	(2)	(2)

The accompanying notes are an integral part of the financial statements.



BANCO PAN S.A.

**STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND HALF OF 2016 AND THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

(All amounts in thousands of reais - R\$)

(A free translation of the original in Portuguese)

	<u>Revenue reserves</u>						<u>Total</u>
	<u>Capital</u>	<u>Capital reserve</u>	<u>Legal</u>	<u>For integrity of equity</u>	<u>Carrying value adjustments</u>	<u>Accumulated deficit</u>	
AT DECEMBER 31, 2014	3.460.732	195.208	232	2.587	(24.273)	-	3.634.486
Carrying value adjustment	-	-	-	-	4.411	-	4.411
Net profit for the year	-	-	-	-	-	8.052	8.052
Allocation:							
Legal reserve (Note 22b)	-	-	403	-	-	(403)	-
Transfer from retained earnings to revenue reserve (Note 22b)	-	-	-	4.497	-	(4.497)	-
Interest on capital provisioned (Note 22c)	-	-	-	-	-	(3.152)	(3.152)
AT DECEMBER 31, 2015	3.460.732	195.208	635	7.084	(19.862)	-	3.643.797
AT DECEMBER 31, 2015	3.460.732	195.208	635	7.084	(19.862)	-	3.643.797
Carrying value adjustment	-	-	-	-	5.603	-	5.603
Loss for the year	-	-	-	-	-	(237.238)	(237.238)
Absorption of loss (Note 22b)	-	(195.208)	(635)	(7.084)	-	202.927	-
AT DECEMBER 31, 2016	3.460.732	-	-	-	(14.259)	(34.311)	3.412.162
AT JUNE 30, 2016	3.460.732	195.208	635	7.084	(17.286)	(224.468)	3.421.905
Carrying value adjustment	-	-	-	-	3.027	-	3.027
Loss for the period	-	-	-	-	-	(12.770)	(12.770)
Absorption of loss (Note 22b)	-	(195.208)	(635)	(7.084)	-	202.927	-
AT DECEMBER 31, 2016	3.460.732	-	-	-	(14.259)	(34.311)	3.412.162

The accompanying notes are an integral part of the financial statements.



BANCO PAN S.A. AND SUBSIDIARIES

**STATEMENT OF CASH FLOWS
FOR THE SECOND HALF OF 2016 AND THE YEARS ENDED DECEMBER 31, 2016 AND 2015**
(All amounts in thousands of reais - R\$)

(A free translation of the original in Portuguese)

	Bank			Consolidated	
	Second half of 2016	31/12/2016	31/12/2015	31/12/2016	31/12/2015
CASH FLOWS FROM OPERATING ACTIVITIES:					
NET LOSS/PROFIT	(12.770)	(237.238)	8.052	(237.238)	8.052
Adjustments that do not affect cash flow:					
Depreciation and amortization	18.467	35.890	25.194	39.574	29.565
Amortization of goodwill	5.823	11.645	11.645	25.053	25.053
Constitution of provision for contingencies	146.884	259.926	135.385	323.173	148.345
Reversal for devaluation of assets not for own use	(518)	(2.408)	(7.063)	(6.173)	(14.305)
Disposal of assets not for own use	15.445	44.616	59.590	48.864	75.254
Impairment loss	14.714	18.444	4.386	24.853	15.991
Equity in results of investees	(621)	61.377	39.073	(33.157)	-
Allowance for losses	486.723	985.630	949.257	1.118.428	1.024.898
Income tax and social contribution - deferred	(30.422)	(172.937)	(165.375)	(197.230)	(199.624)
Adjusted profit	643.725	1.004.945	1.060.144	1.106.147	1.113.229
Changes in assets and liabilities:					
(Increase) in interbank investments	(183.101)	(289.830)	(469.694)	(136.182)	(138.664)
Decrease/(increase) in marketable securities	94.028	(154.209)	268.089	(128.265)	134.599
(Increase)/decrease in derivative financial instruments	(20.723)	622.237	(351.436)	652.024	(334.630)
Decrease in interbank accounts	74.713	56.492	22.237	56.492	22.237
(Increase) in credit operations	(1.581.350)	(2.959.264)	(723.098)	(2.790.620)	(830.948)
Decrease in leasing operations		-	-	6.425	27.427
(Increase) in other receivables	(192.735)	(187.766)	(384.967)	(205.879)	(233.416)
Decrease/(increase) in other assets	6.391	(34.471)	(17.691)	(143.535)	(139.779)
Increase in deposits	881.769	2.327.353	576.978	2.237.423	622.587
(Decrease)/increase in funds obtained in the open market	(185.274)	384.050	456.616	386.906	461.678
Increase in funds from acceptances and issues of securities	216.904	550.201	836.013	304.197	697.469
Increase/(decrease) in other liabilities	404.206	(211.006)	759.801	(332.990)	645.416
Increase (decrease) in interdependent accounts	(4.073)	(22.203)	24.947	(22.203)	24.947
Decrease in result of future periods	(232)	(771)	(40)	(771)	(40)
NET CASH PROVIDED BY OPERATING ACTIVITIES	154.248	1.085.758	2.057.899	989.169	2.072.112
CASH FLOWS FROM INVESTMENT ACTIVITIES:					
Disposal of assets not for own use	48.232	77.284	64.249	103.568	86.651
Disposal of investments	17.289	17.289	38.393	-	-
Increase in investments	(80.000)	(92.360)	(6.483)	(12.359)	(2.676)
Acquisition of fixed assets in use	(20.587)	(21.875)	(6.614)	(6.660)	(8.573)
Acquisition of intangible assets	(6.979)	(17.461)	(38.433)	(17.853)	(40.318)
Dividends and interest on capital received	-	-	4.088	-	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(42.045)	(37.122)	55.200	66.696	35.084
CASH FLOWS FROM FINANCING ACTIVITIES:					
(Decrease) in financial securities	(303.231)	(528.010)	(694.002)	(528.010)	(694.002)
(Reduction) in obligations for marketable securities abroad	-	-	(1.041.293)	-	(1,041.293)
(Reduction) in subordinated debts	(61.337)	(285.279)	(148.378)	(285.279)	(148.378)
Redemption of agrusiness letters of credit	(173.411)	(624.622)	(126.082)	(624.622)	(126.082)
Interest on capital provisioned/paid	-	-	(3.152)	-	(3.152)
Variation in minority interests	-	-	-	(19)	(1)
NET CASH USED IN FINANCING ACTIVITIES	(537.979)	(1,437.911)	(2,012.907)	(1,437.930)	(2,012.908)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(425.776)	(389.275)	100.192	(382.065)	94.288
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE SIX-MONTH PERIOD/YEAR	433.200	396.699	296.507	401.586	307.298
CASH AND CASH EQUIVALENTS AT THE END OF THE SIX-MONTH PERIOD/YEAR (Note 2)	7.424	7.424	396.699	19.521	401.586
ADDITIONAL INFORMATION ON CASH FLOWS					
Interest paid	(1.511.893)	(2.953.514)	(2.519.473)	(3.063.797)	(2.559.295)
Interest received	3.582.424	6.578.875	6.051.230	6.681.138	5.389.735
Transfer of assets not for own use	(16.182)	(45.682)	(46.560)	(45.862)	(34.604)
Unrealized losses on securities available for sale	10.035	14.123	6.556	14.123	(10.348)

The accompanying notes are an integral part of the financial statements.



NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

1) OPERATIONS

Banco Pan S.A. (the "Bank", "PAN" or "Institution") is a corporation authorized to operate as a multi-service bank, directly or indirectly, through its subsidiaries, in the following markets: consumer financing; personal credit; credit card; payroll-linked loans; financing for the purchase of vehicles, machinery and equipment; foreign exchange; financing for companies; construction financing for developers and builders; real estate financing for individuals; acquisition of real estate receivables and issue of mortgage-backed securities ("CRI"), issue of Agribusiness Receivable Certificates ("CRA"), leasing of vehicles and other assets; as well as consortium purchase plans for vehicles and real estate. The benefits of services rendered between the Group companies and the costs of operational and administrative structures are absorbed, jointly or individually, by these companies.

As an alternative strategy to raising funds in the market and as an integral part of the business plan, the Bank realizes credit assignments (with the transfer or substantial retention of risks and benefits) of its portfolio to other financial institutions. In the assignment of loans with the substantial transfer of risks and benefits, the results are immediately recognized in the revenue and expenses of these operations and the related risk assets are decreased, thereby ensuring that capital is adequately maintained (Note 3g). These results are recorded in the parent company financial statements under "Income from financial intermediation".

Through a stockholders' agreement, the Bank is jointly controlled by Banco BTG Pactual S.A. and Caixa Econômica Federal (Federal Savings and Loans Bank), through its wholly-owned subsidiary Caixa Participações S.A. Presented below is the Bank's current shareholding structure:

Stockholders	Common	%	Preferred	%	Total	%
Banco BTG Pactual S.A.	272,865,193	51.00	102,031,711	25.90	374,896,904	40.35
Caixa Participações S.A.	262,164,546	49.00	112,732,358	28.61	374,896,904	40.35
Board of Directors	3	-	4	-	7	-
Market	5	-	179,246,343	45.49	179,246,348	19.30
Total	535,029,747	100.00	394,010,416	100.00	929,040,163	100.00

2) PRESENTATION OF THE FINANCIAL STATEMENTS

The parent company financial statements of Banco PAN are presented together with the financial statements of the Bank and its subsidiaries ("Consolidated"), and have been prepared in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN), observing the provisions of Law 4,595/64 (National Financial System Law) and Law 6,404/76 (Brazilian Corporation Law) and the changes introduced by Laws 11,638/07 and 11,941/09, for recording the transactions, as well as the standards and instructions established by BACEN, Resolutions of the National Monetary Council (CMN), and the Brazilian Securities Commission (CVM), where applicable.

The Brazilian Accounting Pronouncements Committee (CPC) has issued pronouncements, as part of the convergence process with international accounting standards, approved by CVM, but not all of these have been ratified by BACEN. Accordingly, in preparing its financial statements, where applicable, the Bank adopted the following pronouncements that have already been ratified by BACEN:

1. CPC 01 (R1) - Impairment of Assets - ratified by CMN Resolution 3,566/08;
2. CPC 03 (R2) - Statement of Cash Flows - ratified by CMN Resolution 3,604/08;
3. CPC 05 - Related-party Disclosures - ratified by CMN Resolution 3,750/09;



NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

4. CPC 25 - Provisions, Contingent Liabilities and Contingent Assets - ratified by CMN Resolution 3,823/09;
5. CPC 24 - Events After the Reporting Period - ratified by CMN Resolution 3,973/11;
6. CPC 10 (R1) - Share-based Payment - ratified by CMN Resolution 3,989/11;
7. CPC 23 - Accounting Policies, Changes in Estimates and Correction of Errors - ratified by CMN Resolution 4,007/11;
8. Basic Conceptual Pronouncement (R1) - Conceptual Framework for Financial Reporting - ratified by CMN Resolution 4,144/12; and
9. CPC33 (R1) - Employee Benefits - ratified by CMN Resolution 4,424/15.

During 2016, the Brazilian Central Bank (BACEN) approved the Technical Pronouncements (CPCs) mentioned below, to be effective as from 1/1/2017:

10. CPC 04 - Intangible Assets - ratified by CMN Resolution 4,534/16;
11. CPC 27 - Property and Equipment - ratified by CMN Resolution 4,535/16;

The parent company and consolidated financial statements for the year ended 12/31/2016 was authorized for issue by the Board of Directors and Executive Board on 2/6/2017.

The subsidiaries included in the consolidation and the corresponding equity interest of the parent company are as follows:

Direct subsidiaries	Total equity interest %	
	12/31/2016	12/31/2015
Pan Arrendamento Mercantil S.A.	100.00	99.97
Brazilian Finance & Real Estate S.A.	100.00	100.00
Brazilian Securities Companhia de Securitização.	100.00	100.00
Brazilian Mortgages Companhia Hipotecária.	100.00	100.00
Panamericano Administradora de Consórcio Ltda.	100.00	99.99
BM Sua Casa Promotora de Vendas Ltda.	100.00	99.99
Panserv Prestadora de Serviços Ltda. (1)	-	99.99

(1) Company merged into Banco Pan S.A. on 12/20/2016 (awaiting BACEN's approval).

3) SIGNIFICANT ACCOUNTING PRACTICES

a) Cash and cash equivalents and functional and presentation currency:

Cash and cash equivalents comprise cash in local and foreign currencies, investments in the money market, interbank deposits, bank certificates of deposit and fixed-income funds, with maturities at the original investment date equal to or less than 90 days and which present an immaterial risk of change in fair value, which are utilized by the Bank to manage its short-term commitments.

The parent company and consolidated financial statements are presented in reais, which is the Bank's functional currency.

b) Determination of the results of operations:

Income and expenses are recorded on the accrual basis of accounting, and are prorated when resulting from financial transactions. Financial income and expenses are calculated based on the exponential method, except when resulting from foreign transactions or discounted notes, which are calculated on the straight-line method. Transactions with floating rates or indexed to foreign currencies are adjusted up to the balance sheet date at agreed-upon rates.

c) Interbank investments:

Interbank investments are presented at cost plus related earnings up to the balance sheet date.

d) Marketable securities:

Marketable securities are recorded at the investment amount plus income earned through the balance sheet date, based on the yield rate and maturity, adjusted to fair value, where applicable. They are classified in the following categories:

- Trading securities - securities acquired for the purpose of being actively and frequently traded are adjusted to fair value, with the increase or decrease arising from this adjustment reflected in the result for the period;
- Available-for-sale securities - securities that cannot be classified as trading securities or held-to-maturity securities are adjusted to fair value, with the increase or decrease arising from this adjustment reflected in a separate account in equity, net of tax effects. Unrealized gains and losses are recognized in the results for the period when effectively realized; and
- Held-to-maturity securities - securities which the Bank intends and has the necessary means to hold in its portfolio to maturity, which are stated at cost, plus related earnings with a corresponding entry to the result for the period.

e) Derivative financial instruments:

The derivative financial instruments consist of futures, swaps and forwards. These financial instruments are classified, on the date the transaction is contracted, considering management's intention to use them or not as hedging instruments. The appreciations or depreciation in value are recognized in the income or expense accounts of the corresponding financial instruments, in accordance with BACEN Circular 3,082/02 and Circular Letter 3,026/02.

Operations with derivative financial instruments are valued at market value, accounting for the appreciation or depreciation in the results. The gains or losses on derivative financial instruments considered as a market risk hedge, whether realized or unrealized, are also recorded in the result for the period.

The Bank uses derivative financial instruments mainly to hedge against unfavorable variations in the fair value of the positions assumed.

The fair value of derivative financial instruments and their respective hedged items is determined based on available market information, mainly the prices and rates released by the São Paulo Commodities, Futures and Stock Exchange (BM&FBOVESPA). Where applicable, mathematical models of rate interpolations for interim periods and rate extrapolations for longer periods are utilized.

Future cash flows, discounted to present value by future interest curves, obtained based on information released by BM&FBOVESPA, are utilized to measure the fair value of swaps.

The marking to market of futures contracts, such as interest contracts (1-day DI), foreign exchange contracts (DOL) and foreign exchange coupons (DDI), is determined based on the market price in a unique price (PU) format, which is released daily by BM&FBOVESPA. Based on this price, the daily adjustments are recorded in assets or liabilities and appropriated daily to the results as income or expenses.

Derivative financial instrument transactions (futures, forwards and swaps) are in the custody of BM&FBOVESPA or at the Organized Counter for Assets and Derivatives (CETIP S.A.). The differences receivable and payable are recorded in the respective derivative financial instrument balance sheet accounts, with a corresponding entry to results from derivative financial instruments in the statement of operations, and the nominal amounts of these transactions are recorded in memorandum accounts.

The foreign currency forwards with no physical delivery, i.e. non-deliverable forwards (NDF), are traded in the over-the-counter (OTC) market and consist of contracts for the purchase or sale of

foreign currency at a future date and at a pre-established exchange rate. Financial settlement occurs based on the difference between the contracted exchange rate and the spot rate at the time of settlement. Future interest rate curves, obtained based on information released by BM&FBOVESPA, are used to price the NDFs.

The balances of assets and liabilities and the results are shown in Notes 7c and 7g.

f) Credit operations:

Operations of loan and leasing, advances on foreign exchange contracts and other credits with credit concession characteristics are classified based on management's opinion as to their risk level, considering the economic scenario, past experience, and specific and global risks related to the operation, debtors and guarantors, in compliance with the parameters and guidelines established by CMN Resolution 2,682/99, which requires a periodic portfolio analysis and the classification of risk into nine levels, where AA represents the minimum risk and H the maximum risk. Additionally, the length of delay in settlement defined in this Resolution and a double count for transactions with an unexpired term exceeding 36 months are also taken into consideration when rating customer risk.

Income from credit operations past due for more than 60 days, regardless of the risk level, is only recognized when realized. Operations classified in level H remain at this level for six months, after which they are written-off against the existing allowance and controlled in a memorandum account and no longer presented in the Bank's balance sheet.

Renegotiated transactions remain, at least, at the same rating at which they were classified prior to the renegotiation. Renegotiated loan operations that had already been written-off against the allowance and that were recorded in memorandum accounts are classified in level H, and any gains resulting from the renegotiation are recognized as income only when effectively received. When there is a significant amortization of a credit operation or when relevant new facts justify a change in risk level, the operation can be reclassified to a lower risk category.

The allowance for losses is determined at an amount which is sufficient to cover probable losses and considers CMN and BACEN rules and instructions, as well as the assessments carried out by management in determining credit risk.

The allowance for loan losses related to loan assignments with co-obligation is calculated based on the same guidelines established by BACEN for unassigned loan operations.

g) Transactions for the sale or transfer of financial assets:

From January 1, 2012, as determined by CMN Resolution 3,533/08, transactions for the sale or transfer of financial assets are classified and recorded as follows:

- The following procedures are observed for recording the sale or transfer of financial assets classified in the category of transactions with a substantial transfer of risks and benefits:
In transactions involving the disposal of assets, the financial asset which is being sold or transferred is written-off from the account in which the original transaction was recorded. The gain or loss determined in the transaction is separately appropriated to the result for the period.

In transactions involving the purchase of assets, the financial asset acquired is recorded at the amount paid, based on the nature of the original transaction.

- The following procedures are observed for recording the sale or transfer of financial assets classified in the category of transactions with substantial retention of risks and benefits:



NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

In transactions for the disposal of assets, the financial asset, which is the object of the sale or transfer, remains recorded in assets at the full amount. The amounts received as a result of the transaction are recorded in assets, with a corresponding entry in liabilities for the obligation assumed, and the income and expenses are appropriated separately to the result for the period over the remaining term of the transaction; and

In transactions for the purchase of assets, the amounts paid are recorded in assets as a right receivable and the income is appropriated to the result for the period over the remaining term of the transaction.

h) Assets not for own use:

These assets mainly comprise repossessed assets or assets received in lieu of payment, which are available for sale, and which are adjusted through the constitution of a valuation allowance, where applicable, calculated based on the historical losses on the sale of the repossessed assets.

i) Prepaid expenses:

Prepaid expenses relate to funds applied in advance payments, whose related benefits or services will occur or be provided in future periods. These expenses are appropriated to the result of the period in which the future benefits are generated. This group mainly consists of commissions paid to correspondent banks and expenses on securities issued abroad.

As from January 2, 2015, PAN adopted the accounting registration criteria for the remuneration of correspondent banks, determined by BACEN Circular 3,693/13 with subsequent amendments introduced by BACEN Circular 3,738/14.

In the year ended 12/31/2016, the amount recorded in expenses relating to 2/3 of the commissions at the time of origination was R\$ 304,727.

j) Other current assets and long-term receivables:

These assets are stated at cost plus related income and monetary and exchange variations, less the corresponding provision for adjustment to realizable value, where applicable.

k) Investments:

Investments in subsidiaries and associates are accounted for on the equity method. Other investments are stated at cost of acquisition, less the corresponding provision for loss and impairment, where applicable.

l) Fixed assets:

Fixed assets correspond to the rights acquired over physical assets for maintaining the business or which are exercised for this purpose, including those arising from transactions which transfer the risks, rewards and control over the assets to the Bank. The assets mainly consist of properties, installations and leasehold improvements, furniture and equipment in use.

The assets are stated at cost of acquisition less accumulated depreciation and adjusted for impairment, where applicable. Depreciation is calculated on the straight-line method at annual rates which consider the estimated economic useful lives of the assets.

m) Intangible assets:

Intangible assets correspond to the rights acquired over non-physical assets for maintaining the business or which are exercised for this purpose.

The assets are stated at acquisition or formation cost, less accumulated amortization and an adjustment for impairment, where applicable, and mainly comprise goodwill paid for the future profitability of an investment, licenses and expenses on the acquisition and development of software. Intangible assets are amortized on the straight line method over the estimated period of their use.

n) Income tax and social contribution (assets and liabilities):

Deferred tax assets on temporary additions are realized on the utilization and/or reversal of the corresponding provisions in respect of which they were recorded. Deferred tax assets on tax losses are realized as taxable income is generated, up to the limit of 30% of taxable income for the reporting period. These deferred tax assets are recognized based on their expected realization, which is periodically reviewed, considering the technical studies and analyses prepared by management.

The provision for income tax is recorded at 15% of taxable income, plus a 10% surtax. Social contribution on net income is calculated for financial companies at the rate of 20% as from September 2015, and, for the other companies, the rate is 9%.

Provisions for other taxes and social contributions are recorded pursuant to the specific applicable legislation.

o) Impairment of non-financial assets:

Non-financial assets are subject to an annual evaluation of their recoverable values, or more frequently if conditions or circumstances indicate the possibility of loss in value. Any losses identified are recognized in the result for the period when the carrying amount of an asset exceeds its recoverable amount, determined as follows:

- i. potential sales or realization amount less corresponding expenses; or
- ii. value in use calculated based on the cash generating unit.

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows which are largely independent of the cash inflows from other assets or groups of assets.

p) Deposits and funds obtained in the market:

Deposits and funds obtained in the market are stated at the amounts of the liabilities and consider, where applicable, the charges payable up to the balance sheet date, recognized on a daily pro rata basis.

q) Specific accounting policies of the consortium segment:

The management fee is recognized when received from the consortium groups. Commissions on sales of quotas are recorded when the consortium quotas are sold and other income and expenses are recorded monthly on the accrual basis.

The liabilities for unclaimed funds are recorded at the amount to be returned to the members of the discontinued consortium groups, including remuneration equal to that generated by their quotas in the investment funds in which the active groups hold investments.

r) Current and long-term liabilities:

Known or estimated liabilities, charges and risks are presented at monetarily adjusted amounts through the balance sheet date. Liabilities in foreign currency are translated into local currency at the exchange rates in effect on the balance sheet date, as disclosed by BACEN.

s) Contingent assets and liabilities and legal obligations (taxes and social security):

Contingent assets and contingent liabilities and legal obligations (tax and social security) are recognized, measured and disclosed in conformity with CMN Resolution 3,823/09, which approved CPC Accounting Standard 25 - Provisions, Contingent Assets and Contingent Liabilities, the main criteria of which are as follows:

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

- Contingent assets - not recorded in the financial statements, except when there is evidence that their realization is guaranteed.
- Contingent liabilities - recorded in the financial statements when, based on the opinion of the Bank's management and legal advisors, the risk of losing an administrative or legal action is deemed probable, and whenever the amounts involved can be reliably measured. Contingent liabilities classified as possible losses by the legal advisors are disclosed in the notes to the financial statements, when significant, whereas those classified as remote losses require neither provision nor disclosure; and
- Legal obligations (tax and social security) - correspond to amounts related to lawsuits challenging the legality and constitutionality of certain taxes and contributions, which, regardless of the likelihood of success, are recognized at the full amount in the financial statements.

t) Residual benefit in securitized transactions:

The benefit corresponds to the residual balance, net of any guarantees provided, of the separate equity of the securitized transactions which, in accordance with Law 9,514/97, will be reintegrated to the common equity of the securitization company when the lien is released and the related mortgage-backed securities are settled.

u) Earnings per share:

Earnings per share are calculated based on the number of outstanding shares at the balance sheet date.

v) Use of accounting estimates:

The preparation of financial statements requires management to make estimates and assumptions, to the best of its judgment, that affect the reported amounts of certain financial or non-financial assets and liabilities, income and expenses, and other transactions, such as: (i) deferred tax assets; (ii) depreciation rates of fixed assets and amortization of intangible assets; (iii) provisions necessary to absorb the potential risks arising from contingent liabilities; (iv) provision for loss on assets not for own use; (v) allowance for loan and lease losses; (vi) impairment of non-financial assets, and (vii) estimated fair value of specific financial instruments. The actual settlement amounts of these financial or non-financial assets and liabilities could differ from these estimates.

w) Events after the reporting period:

Events which have occurred between the reporting date of the financial statements and the date of its approval by management are divided into:

- i) events that require adjustment, related to conditions existing at the reporting date of the financial statements; and
- ii) events that do not require adjustment, related to conditions which did not exist at the reporting date of the financial statements.



NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

4) BALANCE SHEET AND STATEMENT OF OPERATIONS BY BUSINESS SEGMENT

a) Consolidated Balance Sheet:

Assets	Financial (1)(2)	Consortium (3)	Securitization (4)	Sales promoter (5)(6)	Other (7)(8)	Eliminations (9)	Total
Current	12,839,568	1,888	123,667	14,626	32,222	(69,897)	12,942,074
Long-term receivables	13,851,293	52,051	271,696	196,470	132,215	(214,470)	14,289,255
Fixed assets	878,236	113	2,824	4,055	-	(610,981)	274,247
Total at 12/31/2016	27,569,097	54,052	398,187	215,151	164,437	(895,348)	27,505,576
Total at 12/31/2015	25,994,196	36,610	400,737	279,645	153,355	(767,451)	26,097,092

Liabilities	Financial (1)(2)	Consortium (3)	Securitization (4)	Sales promoter (5)(6)	Other (7)(8)	Eliminations (9)	Total
Current	18,385,987	3,883	27,675	5,096	7,243	(69,897)	18,359,987
Long-term liabilities	5,770,154	7,536	156,433	7,708	5,272	(214,470)	5,732,633
Deferred income	794	-	-	-	-	-	794
Equity	3,412,162	42,633	214,079	202,347	151,922	(610,981)	3,412,162
Total at 12/31/2016	27,569,097	54,052	398,187	215,151	164,437	(895,348)	27,505,576
Total at 12/31/2015	25,994,196	36,610	400,737	279,645	153,355	(767,451)	26,097,092



NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

b) Consolidated statement of operations:

Statement of operations	Financial (1)(2)	Consortium (3)	Securitization (4)	Sales promoter (5)(6)	Other (7)(8)	Eliminations (9)	Total
- Income from financial intermediation	6,536,663	1,835	(8,797)	33,962	17,694	(24,608)	6,556,749
- Expenses on financial intermediation	(3,718,055)	-	16,243	-	-	24,608	(3,677,204)
Gross result of financial intermediation	2,818,608	1,835	7,446	33,962	17,694	-	2,879,545
- Other operating income (expenses)	(3,230,670)	(7,758)	(11,179)	(45,700)	(1,305)	-	(3,296,612)
- Equity in the results of investees	29,888	-	-	-	-	3,270	33,157
- Non-operating income/expenses	(65,853)	-	70	(716)	-	-	(66,498)
- Income tax and social contribution	210,787	1,984	1,321	4,553	(5,477)	-	213,168
- Minority stockholders	2	-	-	-	-	-	2
Net result at 12/31/2016	(237,238)	(3,939)	(2,342)	(7,901)	10,912	3,270	(237,238)
Net result at 12/31/2015	(12,187)	(511)	(7,318)	6,385	(40,828)	62,511	8,052

- (1) Represented by Banco Pan S.A., Pan Arrendamento Mercantil S.A., and Brazilian Mortgages Companhia Hipotecária.
- (2) BMSR II Participações S.A. was split-off at September 30, 2015.
- (3) Represented by Panamericano Administradora de Consórcio Ltda.
- (4) Represented by Brazilian Securities Companhia de Securitização.
- (5) Represented by Panserv Prestadora de Serviços Ltda. and BM Sua Casa Promotora de Vendas Ltda.
- (6) Panserv Prestadora de Serviços Ltda. was merged into Banco Pan on 12/20/2016.
- (7) Represented by Brazilian Finance & Real Estate S.A. and Pan Holding S.A.
- (8) Pan Holding S.A. was split-off at September 30, 2015.
- (9) Eliminations between companies in different segments.



NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

5) CASH AND CASH EQUIVALENTS

	Bank		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Funds in local currency	290	12,171	12,387	17,058
Funds in foreign currency	7,134	30,985	7,134	30,985
Total available funds (cash)	7,424	43,156	19,521	48,043
Short-term interbank investments (1)	-	353,543	-	353,543
Total	7,424	396,699	19,521	401,586

(1) Includes transactions with maturities at the original investment date equal to or less than 90 days and which present an immaterial risk of change in fair value.

6) INTERBANK INVESTMENTS

a) Composition and maturities:

Bank	Up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	More than 360 days	12/31/2016	12/31/2015
Money market investments:							
Own portfolio position							
National Treasury Bills (LTN)	-	-	-	-	-	-	18,000
National Treasury Notes (NTN)	-	162,615	-	-	-	162,615	640,289
Subtotal	-	162,615	-	-	-	162,615	658,289
Third-party portfolio position							
National Treasury Notes (NTN)	-	729,181	-	-	-	729,181	156,047
Subtotal	-	729,181	-	-	-	729,181	156,047
Short position							
National Treasury Notes (NTN)	-	-	-	-	-	-	269,867
Subtotal	-	-	-	-	-	-	269,867
Interbank deposits	6,641	58,242	118,004	564,112	9,289	756,288	627,594
Total at 12/31/2016	6,641	950,038	118,004	564,112	9,289	1,648,084	-
Total at 12/31/2015	32,158	1,102,432	49,284	442,191	85,732	-	1,711,797

Consolidated	Up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	More than 360 days	12/31/2016	12/31/2015
Money market investments:							
Own portfolio position							
National Treasury Bills (LTN)	-	-	-	-	-	-	18,000
National Treasury Notes (NTN)	-	162,615	-	-	-	162,615	640,289
Subtotal	-	162,615	-	-	-	162,615	658,289
Third-party portfolio position							
National Treasury Notes (NTN)	-	729,181	-	-	-	729,181	156,047
Subtotal	-	729,181	-	-	-	729,181	156,047
Short position							
National Treasury Notes (NTN)	-	-	-	-	-	-	269,867
Subtotal	-	-	-	-	-	-	269,867
Interbank deposits	-	21,909	838	52,292	5,548	80,587	105,541
Total at 12/31/2016	-	913,705	838	52,292	5,548	972,383	-
Total at 12/31/2015	18,427	1,086,109	4,120	60,067	21,021	-	1,189,744

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

b) Income from interbank investments:

This income is classified in the statement of operations as results from operations with securities:

	Bank		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Income from investments in purchase and sale agreements:				
Own portfolio position	30,529	28,144	30,529	28,144
Third-party portfolio position	101,741	61,185	101,741	61,185
Short position	15,402	27,688	15,402	27,688
Subtotal	147,672	117,017	147,672	117,017
Income from interbank deposits	86,889	45,486	13,493	11,300
Total (Note 7h)	234,561	162,503	161,165	128,317

7) MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

a) Composition of portfolio:

The portfolio of marketable securities and derivative financial instruments at 12/31/2016 and 12/31/2015, by type of paper, was comprised as follows:

	Bank		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Own portfolio:	379,251	344,450	719,922	733,501
Bank Deposit Certificates (CDB)	-	-	2,411	1,938
Mortgage-backed securities (CRI)	-	-	328,203	347,403
Financial Treasury Bills (LFT)	196,015	177,483	206,045	217,066
National Treasury Bills (LTN)	140,080	64,654	140,080	64,654
National Treasury Notes (NTN)	42,822	101,996	42,822	101,996
Quotas in investment funds	-	-	27	27
Social Development Fund (FDS)	334	317	334	317
Other	-	-	-	100
Subject to repurchase agreements:	1,319,247	1,274,702	1,319,247	1,274,702
Financial Treasury Bills (LFT)	361,592	100,590	361,592	100,590
National Treasury Bills (LTN)	782,181	726,020	782,181	726,020
National Treasury Notes (NTN)	175,474	448,092	175,474	448,092
Linked to the BACEN:	-	-	51,151	-
Financial Treasury Bills (LFT) (1)	-	-	51,151	-
Subject to guarantees:	131,231	55,930	186,916	135,165
Financial Treasury Bills (LFT)	92,742	16,810	133,847	80,129
National Treasury Notes (NTN)	38,489	39,120	38,489	39,120
Bank Deposit Certificates (CDB)	-	-	14,480	12,784
Quotas in fixed income funds	-	-	100	3,132
Total marketable securities	1,829,729	1,675,082	2,277,236	2,143,368
Derivative financial instruments:	177,839	684,093	161,373	684,093
Difference receivable on swaps	177,839	684,093	161,373	684,093
Total	2,007,568	2,359,175	2,438,609	2,827,461

(1) Amount linked to the BACEN, resulted from the capital increase of Pan Arrendamento Mercantil, as approved by BACEN on 1/25/2017 (Note 13a).



NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

b) Analysis of marketable securities by category and term (Bank and consolidated)

Bank	12/31/2016							12/31/2015		
	No stated maturity	Up to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Carrying amount (1) (2)	Adjusted cost	Mark-to-market adjustment	Carrying amount (1) (2)	Mark-to-market adjustment
Trading securities										
Financial Treasury Bills (LFT)	-	-	-	46,340	-	46,340	46,368	(28)	3,703	1
National Treasury Bills (LTN)	-	21,053	4,356	-	-	25,409	25,286	123	-	-
National Treasury Notes (NTN)	-	-	-	-	-	-	-	-	1,509	10
Total trading securities	-	21,053	4,356	46,340	-	71,749	71,654	95	5,212	11
Available-for-sale securities										
Financial Treasury Bills (LFT)	-	-	-	559,756	44,253	604,009	604,807	(798)	291,180	38
National Treasury Notes (NTN)	-	-	-	-	-	-	-	-	189,179	(1,633)
Total available-for-sale securities	-	-	-	559,756	44,253	604,009	604,807	(798)	480,359	(1,595)
Securities held to maturity (3)										
National Treasury Bills (LTN)	-	652,437	244,415	-	-	896,852	896,852	-	790,674	-
National Treasury Notes (NTN)	-	-	247,838	-	8,947	256,785	256,785	-	398,520	-
Social Development Fund (FDS)	334	-	-	-	-	334	334	-	317	-
Total securities held to maturity	334	652,437	492,253	-	8,947	1,153,971	1,153,971	-	1,189,511	-
Total	334	673,490	496,609	606,096	53,200	1,829,729	1,830,432	(703)	1,675,082	(1,584)



NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

Consolidated	12/31/2016								12/31/2015	
	No stated maturity	Up to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Carrying amount (1)(2)	Adjusted cost	Mark-to-market adjustment	Net book value (1) (2)	Mark-to-market adjustment
Trading securities:										
Financial Treasury Bills (LFTs)	-	-	-	46,340	-	46,340	46,368	(28)	3,703	1
National Treasury Bills (LTN)	-	21,053	4,356	-	-	25,409	25,286	123	-	-
National Treasury Notes (NTN)	-	-	-	-	-	-	-	-	1,509	10
Quotas in investment funds	-	-	-	-	-	-	-	-	27	-
Total trading securities	-	21,053	4,356	46,340	-	71,749	71,654	95	5,239	11
Available-for-sale securities:										
Financial Treasury Bills (LFT)	-	-	-	654,837	51,457	706,294	707,237	(943)	394,082	39
National Treasury Notes (NTN)	-	-	-	-	-	-	-	-	189,179	(1,633)
Bank Deposit Certificates (CDB)	-	3,403	1,907	11,582	-	16,892	16,892	-	14,722	-
Quotas in investment funds	-	127	-	-	-	127	127	-	3,132	-
Mortgage-backed securities (CRI)	-	24,036	60,209	52,814	191,144	328,203	349,038	(20,835)	347,403	(28,765)
Total available-for-sale securities	-	27,566	62,116	719,233	242,601	1,051,516	1,073,294	(21,778)	948,518	(30,359)
Securities held to maturity (3):										
National Treasury Bills (LTN)	-	652,437	244,415	-	-	896,852	896,852	-	790,674	-
National Treasury Notes (NTN)	-	-	247,838	-	8,947	256,785	256,785	-	398,520	-
Social Development Fund (FDS)	334	-	-	-	-	334	334	-	317	-
Other	-	-	-	-	-	-	-	-	100	-
Total securities held to maturity	334	652,437	492,253	-	8,947	1,153,971	1,153,971	-	1,189,611	-
Total	334	701,056	558,725	765,573	251,548	2,277,236	2,298,919	(21,683)	2,143,368	(30,348)

- (1) The fair value of securities was determined based on prices and rates prevailing at the balance sheet dates, released by the Brazilian Association of Financial and Capital Market Institutions (ANBIMA) and the São Paulo Commodities, Futures and Stock Exchange (BM&FBOVESPA). In the case of the mortgage-backed securities, the fair value was determined using internal models and data based on observable market parameters.
- (2) This column presents the carrying amount subsequent to the mark-to-market adjustment, in accordance with item (1), except for the securities classified as held to maturity, whose market value was higher than the adjusted cost by R\$ 10,723 (December 31, 2015 - lower by R\$ 45,332).
- (3) In compliance with the provisions of Article 8 of BACEN Circular 3,068/01, Banco PAN declares that it has both the financial ability and the intention to hold to maturity the securities classified in the 'securities held to maturity' category.



NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

c) Derivative financial instruments:

Bank	12/31/2016				12/31/2015			
	Notional value	Carrying amount	Adjusted cost	Mark-to-market	Notional value	Carrying amount	Adjusted cost	Mark-to-market
Asset position:	2,947,467	177,839	182,473	(4,634)	2,834,742	684,093	684,292	(199)
Swap	2,947,467	177,839	182,473	(4,634)	2,822,272	684,093	684,292	(199)
Currency forwards	-	-	-	-	12,470	-	-	-
Liability position:	2,947,467	(145,734)	(63,867)	(81,867)	2,834,742	(29,751)	(20,647)	(9,104)
Swap	2,947,467	(145,734)	(63,867)	(81,867)	2,822,272	(29,127)	(20,397)	(8,730)
Currency forwards	-	-	-	-	12,470	(624)	(250)	(374)
Subtotal - net position	-	32,105	118,606	(86,501)	-	654,342	663,645	(9,303)
Futures	-	1,135	1,135	-	-	(5,984)	(5,984)	-
Asset position	6,907,243	2,535	2,535	-	6,649,854	4,169	4,169	-
Liability position	6,907,243	(1,400)	(1,400)	-	6,649,854	(10,153)	(10,153)	-
Total		33,240	119,741	(86,501)		648,358	657,661	(9,303)

Consolidated	12/31/2016				12/31/2015			
	Notional value	Carrying amount	Adjusted cost	Mark-to-market	Notional value	Carrying amount	Adjusted cost	Mark-to-market
Asset position:	2,809,883	161,373	169,659	(8,286)	2,697,158	684,093	684,307	(214)
Swap	2,809,883	161,373	169,659	(8,286)	2,684,688	684,093	684,307	(214)
Currency forwards	-	-	-	-	12,470	-	-	-
Liability position:	2,809,883	(145,734)	(64,185)	(81,549)	2,697,158	(16,430)	(5,233)	(11,197)
Swap	2,809,883	(145,734)	(64,185)	(81,549)	2,684,688	(15,806)	(4,983)	(10,823)
Currency forwards	-	-	-	-	12,470	(624)	(250)	(374)
Subtotal - net position	-	15,639	105,474	(89,835)	-	667,663	679,074	(11,411)
Futures	-	1,135	1,135	-	-	(5,984)	(5,984)	-
Asset position	6,907,243	2,535	2,535	-	6,649,854	4,169	4,169	-
Liability position	6,907,243	(1,400)	(1,400)	-	6,649,854	(10,153)	(10,153)	-
Total		16,774	106,609	(89,835)		661,679	673,090	(11,411)

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

d) Composition by maturity (notional value):

Bank	Up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	More than 360 days	12/31/2016	12/31/2015
Swap	-	20,960	70,890	686,708	2,168,909	2,947,467	2,822,272
U.S. dollar x CDI	-	-	51,362	49,337	1,066,407	1,167,106	1,050,324
CDI x U.S. dollar	-	-	19,528	12,528	-	32,056	87,114
CDI x fixed rate	-	-	-	610,543	822,934	1,433,477	1,441,011
Fixed rate x U.S. dollar	-	20,960	-	14,300	-	35,260	44,025
Libor x CDI	-	-	-	-	62,214	62,214	-
CDI x Libor	-	-	-	-	137,584	137,584	137,584
Libor x CDI	-	-	-	-	-	-	62,214
Libor x U.S. dollar	-	-	-	-	79,770	79,770	-
Currency forwards	-	-	-	-	-	-	12,470
Fixed rate x U.S. dollar	-	-	-	-	-	-	12,470
Futures	588,165	756,118	296,901	793,787	4,472,272	6,907,243	6,649,854
DDI	1,628	24,286	58,004	70,351	120,580	274,849	638,358
DI	584,907	712,163	238,897	723,436	4,351,692	6,611,095	5,853,890
U.S. dollar	1,630	19,669	-	-	-	21,299	157,606
Total	588,165	777,078	367,791	1,480,495	6,641,181	9,854,710	9,484,596

Consolidated	Up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	More than 360 days	12/31/2016	12/31/2015
Swap	-	20,960	70,890	686,708	2,031,325	2,809,883	2,684,688
U.S. dollar x CDI	-	-	51,362	49,337	1,066,407	1,167,106	1,050,324
CDI x U.S. dollar	-	-	19,528	12,528	-	32,056	87,114
CDI x fixed rate	-	-	-	610,543	822,934	1,433,477	1,441,011
Fixed rate x U.S. dollar	-	20,960	-	14,300	-	35,260	44,025
Libor x CDI	-	-	-	-	62,214	62,214	62,214
Libor x U.S. dollar	-	-	-	-	79,770	79,770	-
Currency forwards	-	-	-	-	-	-	12,470
Fixed rate x U.S. dollar	-	-	-	-	-	-	12,470
Futures	588,165	756,118	296,901	793,787	4,472,272	6,907,243	6,649,854
DDI	1,628	24,286	58,004	70,351	120,580	274,849	638,358
DI	584,907	712,163	238,897	723,436	4,351,692	6,611,095	5,853,890
U.S. dollar	1,630	19,669	-	-	-	21,299	157,606
Total	588,165	777,078	367,791	1,480,495	6,503,597	9,717,126	9,347,012

e) Place of negotiation and counterparties:

Notional value	Bank		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Central System for Custody and Financial Settlement of Securities (CETIP) (over the counter)	2,947,467	2,834,742	2,809,883	2,697,158
BM&FBOVESPA	6,907,243	6,649,854	6,907,243	6,649,854
Total	9,854,710	9,484,596	9,717,126	9,347,012

Counterparties: At 12/31/2016, they were as follows: BM&F 70.09%, Financial Institutions 27.73% and other 2.18%.

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

f) Hedge Accounting - market value

	Bank		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Financial Instruments				
Asset position	2,158,530	2,497,447	2,289,204	2,579,697
Swap - U.S. Dollar (1)	1,805,442	2,497,447	1,805,442	2,497,447
Futures DDI BM&F - U.S. Dollar (2)	-	-	66,144	-
Swap - U.S. Dollar (2)	-	-	64,530	82,250
DI1 BM&F Futures - fixed rate - Brazilian reais (3)	353,088	-	353,088	-
Liability position	(3,700,766)	-	(3,700,766)	-
Swap - fixed rate - Brazilian reais (4)	(1,760,994)	-	(1,760,994)	-
DI1 BM&F Futures - fixed rate - Brazilian reais (4)	(1,939,772)	-	(1,939,772)	-
Hedged item				
Asset position	3,137,864	-	3,137,864	-
Credit operations (4)	3,137,864	-	3,137,864	-
Liability position	(1,924,936)	(2,203,182)	(2,059,037)	(2,279,703)
Subordinated debt abroad (1)	(1,576,844)	(2,203,182)	(1,576,844)	(2,203,182)
Funds raised abroad (2)	-	-	(134,101)	(76,521)
Time deposit certificates (3)	(348,092)	-	(348,092)	-

(1) On June 23, 2016, Bonds, corresponding to 8.64% of the debt, were settled in advance in the amount of US\$ 43,208, and, consequently, the proportional write-off of the derivative instrument was realized and designated as hedge accounting.

(2) Used as protection of the loan operation abroad with the Inter-American Development Bank (IDB).

(3) Used as protection against the fixed risk of long-term deposit certificates.

(4) This hedged item includes the following retail credit operations: payroll-linked loans; vehicles and personal credit.

g) Result with derivative financial instruments:

	Bank			Consolidated		
	12/31/2016			12/31/2016		
	Revenue	Expense	Net	Revenue	Expense	Net
Swap	875,929	(1,436,867)	(560,938)	833,190	(1,437,340)	(604,150)
Currency forwards	4,535	(1,562)	2,973	4,535	(1,562)	2,973
Options	1,904	(2,826)	(922)	1,904	(2,826)	(922)
Futures	1,416,987	(1,646,793)	(229,806)	1,416,987	(1,646,793)	(229,806)
Total at 12/31/2016	2,299,355	(3,088,048)	(788,693)	2,256,616	(3,088,521)	(831,905)
Total at 12/31/2015	3,950,951	(3,237,809)	713,142	4,064,459	(3,330,634)	733,825

h) Result with securities:

	Bank		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Fixed income securities	236,356	200,574	302,266	258,319
Short-term interbank investments (Note 6b)	234,561	162,503	161,165	128,317
Total	470,917	363,077	463,431	386,636



NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

8) CREDIT OPERATIONS

a) Composition of the portfolio by type of operation:

	Bank				Consolidated			
	12/31/2016		12/31/2015		12/31/2016		12/31/2015	
	Amount	%	Amount	%	Amount	%	Amount	%
Consumer financing (1)	5,228,802	29.74	5,929,863	37.57	5,228,802	27.64	5,929,863	34.23
Payroll-linked loans (1)	7,060,546	40.16	4,491,946	28.46	7,060,546	37.32	4,491,946	25.93
Working capital	1,467,984	8.35	1,965,511	12.45	1,467,984	7.76	1,965,511	11.34
Export financing	524,382	2.98	740,102	4.69	524,382	2.77	740,102	4.27
Housing financing	1,756	0.01	11,266	0.07	535,014	2.83	627,108	3.62
Financing provided to credit card holders (2)	1,416,649	8.06	853,919	5.41	1,416,649	7.49	853,919	4.93
Loans with real estate guarantees	-	-	-	-	621,450	3.29	720,063	4.16
Credits linked to the assignment of loans (3)	350,438	1.99	419,142	2.66	350,438	1.85	419,142	2.42
Financing of real estate developments	-	-	-	-	122,074	0.65	181,482	1.05
Personal credit (1)	14,489	0.08	48,249	0.31	14,489	0.08	48,249	0.28
Renegotiated loans	78,373	0.46	67,027	0.42	78,373	0.41	67,027	0.39
Leasing operations (4)	-	-	-	-	1,728	0.01	9,719	0.06
Bank overdrafts	425,514	2.42	112,788	0.71	425,514	2.24	112,788	0.65
Other	-	-	17	-	-	-	18	-
Total credit operations	16,568,933	94.25	14,639,830	92.75	17,847,443	94.34	16,166,937	93.31
Other receivables (5)	838,371	4.77	942,737	5.97	897,463	4.74	956,469	5.52
Advances on foreign exchange contracts and income receivable (6)	172,740	0.98	202,360	1.28	172,740	0.92	202,360	1.17
Total	17,580,044	100.00	15,784,927	100.00	18,917,646	100.00	17,325,766	100.00
(+/-) Adjustment to market value (1)	165,273	-	-	-	165,273	-	-	-
Credit portfolio adjusted to market value	17,745,317	-	15,784,927	-	19,082,919	-	17,325,766	-

(1) Credit portfolio including hedge accounting transactions (Note 7f).

(2) Financing provided to Visa and MasterCard credit card holders.

(3) Payroll-linked loan operations assigned with substantial retention of risks and benefits of the financial assets involved in the transactions (Note 8f).

(4) Recorded at present value.

(5) Refer to credit card receivables and securities receivable with credit concession characteristics.

(6) Advances on foreign exchange contracts are classified as a reduction of "Other Liabilities" (Note 9).

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

b) Analysis of the portfolio by risk levels and maturity:

Days	Bank										
	Risk Levels										
	Abnormal course of operations										
	AA	A	B	C	D	E	F	G	H	Total at 12/31/2016	Total at 12/31/2015
Falling due	-	746,333	334,809	376,126	309,217	95,677	92,459	63,079	258,583	2,276,283	2,429,056
01 to 30	-	37,036	16,482	19,730	10,530	5,490	4,761	3,420	14,728	112,177	100,085
31 to 60	-	35,025	16,636	20,630	10,272	5,444	4,676	3,357	14,478	110,518	96,666
61 to 90	-	33,596	17,340	18,267	34,006	4,854	5,650	3,050	13,157	129,920	110,110
91 to 180	-	87,287	43,049	60,861	57,795	13,330	12,029	8,409	35,641	318,401	271,043
181 to 365	-	150,587	91,314	86,367	64,075	21,233	21,185	15,460	57,044	507,265	498,335
Over 365	-	402,802	149,988	170,271	132,539	45,326	44,158	29,383	123,535	1,098,002	1,352,817
Past due	-	56,352	47,955	69,616	218,168	110,010	74,417	61,336	327,386	965,240	733,704
01 to 14	-	50,678	5,254	15,124	9,392	2,713	3,099	1,555	6,486	94,301	131,225
15 to 30	-	5,674	39,692	8,652	4,393	20,601	2,004	1,997	9,442	92,455	88,277
31 to 60	-	-	3,009	41,864	43,308	8,400	5,016	4,063	15,740	121,400	94,754
61 to 90	-	-	-	2,832	113,262	6,368	5,209	3,997	16,153	147,821	72,357
91 to 180	-	-	-	1,144	30,731	48,927	40,434	35,174	60,538	216,948	175,393
181 to 365	-	-	-	-	17,082	23,001	18,655	14,550	219,027	292,315	171,698
Subtotal	-	802,685	382,764	445,742	527,385	205,687	166,876	124,415	585,969	3,241,523	3,162,760
Allowance required	-	4,013	3,828	13,372	52,738	61,706	83,438	87,089	585,969	892,153	783,637

Days	Risk Levels										
	Normal course of operations										
	AA	A	B	C	D	E	F	G	H	Total at 12/31/2016	Total at 12/31/2015
Falling due	-	12,693,667	1,039,570	350,785	169,255	33,432	11,961	8,231	31,620	14,338,521	12,622,167
01 to 30	-	1,764,894	43,617	25,037	9,818	1,149	817	375	13,467	1,859,174	1,378,372
31 to 60	-	488,550	43,377	18,032	33,256	661	195	127	898	585,096	521,016
61 to 90	-	443,283	31,303	18,594	7,709	639	1,806	119	703	504,156	480,596
91 to 180	-	1,170,904	158,898	70,190	35,141	22,702	324	233	1,226	1,459,618	1,409,616
181 to 365	-	1,905,057	327,734	87,370	33,683	2,488	8,020	6,286	10,041	2,380,679	2,170,191
Over 365	-	6,920,979	434,641	131,562	49,648	5,793	799	1,091	5,285	7,549,798	6,662,376
Subtotal	-	12,693,667	1,039,570	350,785	169,255	33,432	11,961	8,231	31,620	14,338,521	12,622,167
Allowance required	-	63,469	10,395	10,524	16,926	10,030	5,980	5,762	31,620	154,706	153,994
Total (1)	-	13,496,352	1,422,334	796,527	696,640	239,119	178,837	132,646	617,589	17,580,044	15,784,927
Total allowance	-	67,482	14,223	23,896	69,664	71,736	89,418	92,851	617,589	1,046,859	937,631



NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

Days	Consolidated										
	Risk Levels										
	Abnormal course of operations										
	AA	A	B	C	D	E	F	G	H	Total at 12/31/2016	Total at 12/31/2015
Falling due	-	915,901	406,372	440,867	330,743	109,554	97,336	66,037	267,405	2,634,215	2,722,440
01 to 30	-	39,862	17,604	20,690	10,869	5,714	4,852	3,491	14,973	118,055	104,613
31 to 60	-	38,013	17,768	21,634	10,623	5,675	4,774	3,431	14,722	116,640	101,113
61 to 90	-	36,536	18,457	19,249	34,350	5,082	5,744	3,124	13,399	135,941	114,468
91 to 180	-	95,817	46,308	63,729	58,798	13,998	12,306	8,625	36,197	335,778	286,586
181 to 365	-	166,511	97,419	91,712	65,944	22,463	21,670	15,767	57,928	539,414	521,187
Over 365	-	539,162	208,816	223,853	150,159	56,622	47,990	31,599	130,186	1,388,387	1,594,473
Past due	-	59,714	56,132	105,821	225,782	181,252	131,885	97,140	386,186	1,243,912	1,006,229
01 to 14	-	53,646	6,030	15,863	13,049	2,839	3,156	29,739	6,561	130,883	199,370
15 to 30	-	6,068	46,233	8,922	7,494	20,637	2,025	9,266	13,518	114,163	120,783
31 to 60	-	-	3,869	76,324	43,584	25,406	28,588	4,112	15,901	197,784	162,439
61 to 90	-	-	-	3,363	113,466	6,523	5,280	4,048	16,317	148,997	104,410
91 to 180	-	-	-	1,349	31,107	89,740	74,016	35,319	60,971	292,502	245,547
181 to 365	-	-	-	-	17,082	36,107	18,820	14,656	272,918	359,583	173,680
Subtotal	-	975,615	462,504	546,688	556,525	290,806	229,221	163,177	653,591	3,878,127	3,728,669
Allowance required	-	4,878	4,625	16,400	55,652	87,242	114,611	114,223	653,591	1,051,222	881,696

Days	Risk Levels										
	Normal course of operations										
	AA	A	B	C	D	E	F	G	H	Total at 12/31/2016	Total at 12/31/2015
Falling due	-	13,100,379	1,129,792	477,803	236,969	38,239	14,020	9,765	32,552	15,039,519	13,597,097
01 to 30	-	1,772,010	43,872	69,627	9,851	1,445	820	376	13,501	1,911,502	1,434,497
31 to 60	-	495,515	53,783	25,928	33,289	669	198	128	969	610,479	566,553
61 to 90	-	459,593	46,277	25,515	7,742	646	1,809	1,580	736	543,898	524,563
91 to 180	-	1,190,866	201,094	70,641	86,639	25,513	2,145	236	1,325	1,578,459	1,535,718
181 to 365	-	1,957,771	331,900	137,248	37,540	2,528	8,037	6,291	10,098	2,491,413	2,357,854
Over 365	-	7,224,624	452,866	148,844	61,908	7,438	1,011	1,154	5,923	7,903,768	7,177,912
Subtotal	-	13,100,379	1,129,792	477,803	236,969	38,239	14,020	9,765	32,552	15,039,519	13,597,097
Allowance required	-	65,502	11,298	14,335	23,697	11,472	7,009	6,836	32,552	172,701	171,758
Total (1)	-	14,075,994	1,592,296	1,024,491	793,494	329,045	243,241	172,942	686,143	18,917,646	17,325,766
Total allowance	-	70,380	15,923	30,735	79,349	98,714	121,620	121,059	686,143	1,223,923	1,053,454

(1) Excluding mark-to-market amounting to R\$ 165,273 (Note 8a).

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

c) Change in the allowance for losses(1):

	Bank		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
At the beginning of the year	954,613	842,259	1,070,436	959,818
- Allowance constituted	985,630	949,257	1,118,428	1,024,898
- Write off against allowance	(868,592)	(836,903)	(940,149)	(914,280)
At the end of the year	1,071,651	954,613	1,248,715	1,070,436
- Credit recoveries (2)	200,789	259,249	228,680	302,334
- Effect on results (3)	(784,841)	(690,008)	(889,748)	(722,564)

(1) Includes: (i) other receivables with characteristics of credit operations; (ii) foreign exchange transactions; (iii) other receivables without characteristics of credit operations (Note 11); and (iv) receivables assigned with substantial retention of risks and benefits (Note 21b).

(2) In the year ended 12/31/2016, credits previously written-off against the allowance, totaling R\$ 228,680, were recovered (credits of R\$ 200,789 in the Bank, R\$ 2,958 referring to lease operations and R\$ 24,933 of real estate credits).

(3) Expense of allowance constituted less income from credits recovered.



NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

d) Classification by area of economic activity:

Area of economic activity	Bank				Consolidated			
	12/31/2016		12/31/2015		12/31/2016		12/31/2015	
	Amount	%	Amount	%	Amount	%	Amount	%
Individuals	14,568,685	82.87	12,100,600	76.66	15,341,467	81.08	12,971,002	74.87
Agribusiness	498,061	2.83	676,591	4.28	498,061	2.63	676,591	3.91
Sugar and ethanol	182,903	1.04	252,963	1.60	182,903	0.97	252,963	1.46
Agribusiness and animal protein	315,158	1.79	423,628	2.68	315,158	1.66	423,628	2.45
Commercial	586,445	3.34	706,584	4.48	586,544	3.11	707,341	4.08
Wholesale and retail	586,445	3.34	706,584	4.48	586,544	3.11	707,341	4.08
Basic industries	283,179	1.61	445,576	2.82	283,469	1.51	446,065	2.57
Auto parts	16,382	0.09	11,814	0.07	16,382	0.09	11,814	0.07
Chemical industry	23,103	0.13	49,269	0.31	23,103	0.13	49,269	0.28
Other industries	147,288	0.84	308,810	1.96	147,578	0.78	309,299	1.79
Paper and pulp	68,522	0.39	65,280	0.41	68,522	0.36	65,280	0.38
Textiles	27,884	0.16	10,403	0.07	27,884	0.15	10,403	0.06
Services	1,643,674	9.35	1,855,576	11.76	2,208,105	11.67	2,524,767	14.57
Construction and real-estate development	803,443	4.57	886,401	5.62	1,366,635	7.22	1,550,243	8.95
Financial	137,020	0.78	113,421	0.72	137,020	0.71	113,421	0.65
Vehicle rental	22,003	0.13	31,621	0.20	22,003	0.12	31,621	0.18
Media, IT and Telecom	2,327	0.01	18,647	0.12	2,327	0.01	18,647	0.11
Other services	480,411	2.73	609,792	3.86	481,650	2.55	615,140	3.55
Health, security and education	35,435	0.21	4,636	0.03	35,435	0.19	4,636	0.03
Transportation and logistics	139,360	0.79	177,374	1.12	139,360	0.74	177,374	1.02
Utilities	23,675	0.13	13,684	0.09	23,675	0.13	13,685	0.08
Total (1)	17,580,044	100.00	15,784,927	100.00	18,917,646	100.00	17,325,766	100.00

(1) Excluding mark-to-market amounting to R\$ 165,273 (Note 8a).

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

e) Concentration of credit operations:

Largest borrowers	Bank				Consolidated			
	12/31/2016		12/31/2015		12/31/2016		12/31/2015	
	Amount	%	Amount	%	Amount	%	Amount	%
10 largest borrowers	405,678	2.31	465,059	2.95	434,910	2.31	545,855	3.15
50 next largest borrowers	909,449	5.17	1,039,428	6.58	1,042,311	5.51	1,392,001	8.03
100 next largest borrowers	889,182	5.06	1,099,030	6.96	1,026,921	5.43	1,361,446	7.86
Other borrowers	15,375,735	87.46	13,181,410	83.51	16,413,504	86.75	14,026,464	80.96
Total	17,580,044	100.00	15,784,927	100.00	18,917,646	100.00	17,325,766	100.00

f) Transactions for the sale or transfer of financial assets:

I. Transactions with substantial transfer of risks and benefits:

In the years ended 12/31/2016 and 12/31/2015, credits were assigned to financial institutions as presented below:

	Bank					
	12/31/2016			12/31/2015		
	Assignment amount	Present value	Result (1)	Assignment amount	Present value	Result (1)
Consumer financing	4,816,223	4,492,214	324,009	5,706,863	5,296,568	410,295
Payroll-linked loans	6,941,601	5,177,993	1,763,608	6,241,440	5,025,384	1,216,056
Housing financing	6,149	6,097	52	170,341	168,463	1,878
Real estate development financing	-	-	-	2,853	2,830	23
Loans with real estate guarantees	230,030	214,049	15,981	-	-	-
Total	11,994,003	9,890,353	2,103,650	12,121,497	10,493,245	1,628,252

	Consolidated					
	12/31/2016			12/31/2015		
	Assignment amount	Present value	Result (1)	Assignment amount	Present value	Result (1)
Consumer financing	4,816,223	4,492,214	324,009	5,706,863	5,296,568	410,295
Payroll-linked loans	6,941,601	5,177,993	1,763,608	6,241,440	5,025,384	1,216,056
Housing financing	6,149	5,916	233	170,341	163,052	7,289
Real estate development financing	-	-	-	2,853	2,766	87
Loans with real estate guarantees	230,030	184,761	45,269	-	-	-
Total	11,994,003	9,860,884	2,133,119	12,121,497	10,487,770	1,633,727

(1) Recorded in income from credit operations.

II. Transactions with substantial retention of risks and benefits:

Assignments after CMN Resolution 3,533/08

The responsibilities for loans assigned with substantial retention of risks and benefits amounted to R\$ 350,438, in Banco PAN and Consolidated (R\$ 419,142 at 12/31/2015), calculated at present value using the agreed contract rates. Obligations in the amount of R\$ 414,116 (R\$ 489,692 at 12/31/2015) were assumed for these credits.

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

g) Income on credit operations:

	Bank		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Profit on credit assignments (Note 8f)	2,103,650	1,628,252	2,133,119	1,633,727
Consumer financing (1)	1,366,885	1,460,885	1,366,885	1,460,885
Payroll-linked loans (1)	1,712,913	1,185,966	1,712,913	1,185,966
Credit cards	593,124	438,772	593,124	438,777
Export financing	259,076	680,353	259,076	680,353
Working capital/overdraft accounts	346,772	404,492	346,772	404,492
Recovery of credits written-off as losses (2)	200,789	259,249	228,680	302,334
Personal credit (1)	41,286	27,688	41,286	27,688
Renegotiated loans	13,842	7,981	13,842	7,976
Housing loans	364	1,811	81,078	91,954
Income from real estate developments	-	-	13,809	28,005
Income from loans with real estate guarantees	-	-	132,978	127,995
Leasing, net of expenses (3)	-	-	521	2,486
Other	1,140	2,325	1,140	2,325
Total	6,639,841	6,097,774	6,925,223	6,394,963

(1) Marked-to-market of accounting hedge over the retail credits: payroll-linked loans; vehicle financing and personal credit.

(2) In the Consolidated, this balance includes loan and leasing operations.

(3) Does not include recovery of lease receivables written-off as losses.

9) FOREIGN EXCHANGE PORTFOLIO

a) Balance sheet accounts:

Bank and Consolidated	12/31/2016	12/31/2015
Assets - Other receivables		
Foreign exchange purchases pending settlement	164,620	233,525
Income receivable	7,949	11,676
Total assets	172,569	245,201
Liabilities - Other liabilities		
Liabilities for exchange purchases	165,441	190,690
Advances on foreign exchange contracts	(164,791)	(190,684)
Total liabilities	650	6

b) Result on foreign exchange transactions:

Bank and Consolidated	12/31/2016	12/31/2015
Income from export financing	185,982	759,326
Foreign exchange variations	(187,227)	(575,551)
Total	(1,245)	183,775

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

10) REAL ESTATE RECEIVABLES

These receivables comprise portfolios of housing loans acquired by Brazilian Securities, which could be utilized as guarantees for the future issuance of mortgage-backed securities (CRIs).

Consolidated	Final maturity	Charges	% interest p.a.	12/31/2016	12/31/2015
Tranches 95 and 96 (1)	9/8/2027	Referential Rate (TR)	8.65	4,997	6,182
Real estate credit note (CCI)	1/22/2044	National Civil Construction Index (INCC)/General Market Price index (IGPM) /Savings Account/Interbank Deposit Certificate (CDI) and with no monetary restatement	0 to 20.05	22,402	33,597
Total				27,399	39,779

(1) These tranches were securitized.

Credit quality:

The contracts include a clause which places a lien on the financed property.

The assets are considered to be of good quality, since they are only acquired when they present characteristics, such as: guarantees, payment history or other factors, which demonstrate a high probability of realization, to enable their securitization.

11) OTHER CREDITS

	Bank		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Deferred tax assets (Note 32b)	2,875,973	2,686,160	3,292,108	3,061,285
Amounts receivable from credit assignments	1,128,806	921,297	1,128,806	921,297
Securities and credits receivable (1)	838,371	942,737	897,463	956,469
Judicial and tax deposits	236,543	205,857	266,922	243,404
Taxes and contributions to be offset	201,784	204,598	255,616	276,376
Amounts receivable from payroll-linked loans (2)	100,109	62,814	100,109	62,814
Amounts receivable from affiliates	45,307	37,257	36,730	30,607
Advances for payments	10,724	5,849	11,427	6,603
Residual benefit of securitized transactions (3)	-	-	2,927	8,433
Salary and other advances	1,531	908	1,592	1,526
Other	118,386	62,703	126,643	70,964
Total	5,557,534	5,130,180	6,120,343	5,639,778

(1) Refer to credit card receivables and securities receivable with credit concession characteristics.

(2) Refer mainly to: (i) amounts received and not yet transferred to the Bank by State and Municipal governments, whose transfers are being negotiated by the Bank, which constitutes a full allowance for losses and for transfers in arrears for more than 180 days, the balance of which at December 30, 2016 amounted to R\$ 21,583 (R\$ 13,710 at December 31, 2015); and (ii) allowance for other receivables without credit characteristics of R\$ 2,945 (R\$ 2,706 at December 31, 2015).

(3) Refers to operations originating from Brazilian Securities Companhia de Securitização.

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

12) OTHER ASSETS

a) Assets not for own use and other:

	Residual value							
	Bank				Consolidated			
	Cost	Provisions for losses	12/31/2016	12/31/2015	Cost	Provisions for losses	12/31/2016	12/31/2015
Vehicles	22,469	(4,100)	18,369	26,925	22,508	(5,121)	17,387	26,355
Vehicles under special regime	26,118	(20,842)	5,276	3,995	27,606	(20,843)	6,763	5,191
Property	99,827	(14,625)	85,202	73,196	309,169	(27,392)	281,777	199,971
Properties under special regime	-	-	-	-	4,794	-	4,794	1,585
Total assets not for own use	148,414	(39,567)	108,847	104,116	364,077	(53,356)	310,721	233,102
Other items	640	-	640	2,672	640	-	640	2,672
Total other assets	149,054	(39,567)	109,487	106,788	364,717	(53,356)	311,361	235,774

b) Prepaid expenses:

	Bank		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Commissions paid to correspondent banks	337,465	439,368	341,582	439,444
Expenses for issuance of securities abroad	4,933	6,451	4,933	6,481
Other	8,034	2,993	9,786	5,042
Total	350,432	448,812	356,301	450,967



NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

13) INVESTMENTS

a) Subsidiaries:

Companies	Capital	Adjusted equity	Number of shares/ quotas held (in thousands)			Participation in capital	Adjusted result	Balance of Investments		Equity accounting adjustment (1) Year ended	
			Common	Preferred	Units			12/31/2016	12/31/2015	12/31/2016	12/31/2015
Pan Arrendamento Mercantil S.A. (2)(3)	106,735	105,254	11	-	-	100.00	(7,039)	105,254	62,429	(7,039)	(5,454)
Panamericano Administradora de Consórcio (2)(4)(5)	42,388	42,633	-	-	48,168	100.00	(3,939)	42,633	16,572	(3,939)	(130)
Pan Holding S.A.(6)	-	-	-	-	-	-	-	-	-	-	(43,388)
Brazilian Securities Companhia de Securitização (8)	174,201	214,079	77,865	-	-	100.00	(2,342)	216,029	214,690	(2,342)	19,753
Brazilian Finance & Real Estate S.A. (2)(7)	107,662	151,922	239	478	-	100.00	10,912	151,922	143,321	10,912	2,774
Brazilian Mortgages Companhia Hipotecária (2)(7)	236,631	111,748	748	748	-	100.00	(84,225)	171,303	266,202	(84,225)	(5,956)
BM Sua Casa Promotora de Vendas Ltda. (2)(7)	179,864	202,347	-	-	179,264	100.00	7,997	205,858	197,629	7,997	(5,972)
Stone Pagamentos S.A. (8)(9)(10)	491,792	481,276	480	-	-	10.10	33,157	48,609	-	33,157	-
Panserv Prestadora de Serviços Ltda. (11)	-	-	-	-	-	-	(15,898)	-	33,186	(15,898)	(700)
Total								941,608	934,029	(61,377)	(39,073)

- (1) Considers results determined by the companies subsequent to acquisition and includes equity variations in the investees not derived from results, as well as adjustments arising from the equalization of accounting principles, where applicable.
- (2) Companies whose financial statements for the year ended 12/31/2016 were audited by the same independent auditor as that of Banco PAN.
- (3) On 10/31/2016, Banco Pan had a capital increase of R\$ 100,000 (50%, of which, R\$ 50,000, was subscribed at the date of the event, and the remaining 50% conditional on the approval of BACEN, which occurred on 1/25/2017). Banco Pan has up to one year effect the capitalization.
- (4) On November 5, 2015, the Bank acquired 2,958 quotas (21.01%) of Panamericano Administradora de Consórcio from Pan Arrendamento Mercantil and, accordingly, the Bank became the direct owner of 99.99% of the company.
- (5) On 10/31/2016, the Bank had a capital increase amounting to R\$ 30,000.
- (6) Company split off at September 30, 2015.
- (7) Companies directly controlled by the Bank as from September 30, 2015; previously these companies were directly controlled by Pan Holding S.A. The carrying amounts of the related investments include goodwill on acquisition, net of amortization, which amounts to R\$ 65,017 (Brazilian Mortgages Companhia Hipotecária R\$ 59,556, BM Sua Casa Promotora de Vendas Ltda. R\$ 3,511 and Brazilian Securities Companhia de Securitização R\$ 1,950).
- (8) Company audited by other independent auditors.
- (9) On June 27, 2016, the Bank had a capital subscription of R\$ 12,360.
- (10) As from August 2016, Banco PAN reclassified the investment of Stone to associated because it began to exercise significant influence, and therefore started to utilize the equity method of accounting.
- (11) Company merged into Banco PAN on 12/20/2016 (awaiting BACEN's approval).

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

b) Other Investments:

	Bank and Consolidated	
	12/31/2016	12/31/2015
Stone Pagamentos S.A. (1)	-	3,092
Interbank Payment Chamber	379	379
Total	379	3,471

(1) As from August 1, 2016 Banco PAN started to recognize the investment under the Equity Method of Accounting (Note 13a).

14) FIXED ASSETS

a) Fixed assets comprise the following:

Fixed assets are stated at cost of acquisition, less depreciation, which is calculated on the straight-line method at annual rates which take into consideration the economic useful lives of the assets

Bank	Annual rate	Cost	Depreciation	Residual value	
				12/31/2016	12/31/2015
Facilities, furniture and equipment in use	10%	47,642	(20,341)	27,301	17,340
Security and communications systems	10%	1,424	(512)	912	1,032
Data processing systems	20%	22,444	(12,823)	9,621	12,329
Transportation systems	20%	36	(36)	-	211
Total at 12/31/2016		71,546	(33,712)	37,834	-
Total at 12/31/2015		51,731	(20,819)	-	30,912

Consolidated	Annual rate	Cost	Depreciation	Residual value	
				12/31/2016	12/31/2015
Facilities, furniture and equipment in use	10%	47,680	(20,376)	27,304	36,433
Security and communications systems	10%	1,425	(513)	912	1,033
Data processing systems	20%	22,444	(12,822)	9,622	12,451
Transportation systems	20%	36	(36)	-	211
Total at 12/31/2016		71,585	(33,747)	37,838	-
Total at 12/31/2015		81,088	(30,960)	-	50,128

b) Changes in property and equipment by category:

Bank	Facilities, furniture and equipment in use	Security and communications systems	Data processing systems	Transportation systems	Total
At 12/31/2015	17,340	1,032	12,329	211	30,912
Purchases	19,639	24	2,385	-	22,048
Disposals (i)	(5,813)	(4)	(682)	(174)	(6,673)
Depreciation	(3,865)	(140)	(4,411)	(37)	(8,453)
At 12/31/2016	27,301	912	9,621	-	37,834

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

Consolidated	Facilities, furniture and equipment in use	Security and communications systems	Data processing systems	Transportation systems	Total
At 12/31/2015	36,433	1,033	12,451	211	50,128
Purchases	4,517	24	2,295	-	6,836
Disposals (i)	(6,530)	(4)	(682)	(174)	(7,390)
Depreciation	(7,116)	(141)	(4,442)	(37)	(11,736)
At 12/31/2016	27,304	912	9,622	-	37,838

(1) During the year ended 12/31/2016, amounts written-off from fixed assets due to impairment, in accordance with CMN Resolution 3,566/08, amounted to R\$ 6,277 in the Bank and Consolidated.

15) INTANGIBLE ASSETS

a) Goodwill:

Goodwill on the acquisition of investments amounted to R\$ 116,449 (Consolidated - R\$ 250,532), based on the related expected future profitability, and is being amortized on the straight-line basis over a ten-year period or upon realization. This goodwill is recorded in the parent company financial statements under investments and in the consolidated financial statements under intangible assets.

The amortization of goodwill for the year ended 12/31/2016 totaled R\$ 11,645 in the parent company and R\$ 25,053 in the Consolidated.

b) Intangible assets acquired comprise the following:

Bank	Amortization rate	Cost	Amortization	Residual value	
				12/31/2016	12/31/2015
Expenses with software development	20% to 50%	113,192	(68,599)	44,593	55,853
Total at 12/31/2016		113,192	(68,599)	44,593	-
Total at 12/31/2015		99,067	(43,214)	-	55,853

Consolidated	Amortization rate	Cost	Amortization	Residual value	
				12/31/2016	12/31/2015
Expenses with software development	20% to 50%	117,199	(69,658)	47,541	58,811
Goodwill (Note 15a)	10%	250,532	(110,652)	139,880	164,933
Total at 12/31/2016		367,731	(180,310)	187,421	-
Total at 12/31/2015		353,220	(129,476)	-	223,744

c) Change in intangible assets by category:

Bank	Expenses with software development
At 12/31/2015	55,853
Additions	18,272
Disposals (i)	(2,095)
Amortization	(27,437)
At 12/31/2016	44,593

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

Consolidated	Expenses with software development	Goodwill (Note 15a)	Total
At 12/31/2015	58,811	164,933	223,744
Additions	18,663	-	18,663
Disposals (i)	(2,095)	-	(2,095)
Amortization	(27,838)	(25,053)	(52,891)
At 12/31/2016	47,541	139,880	187,421

(1) During the year ended 12/31/2016, amounts written-off from intangible assets due to impairment, in accordance with CMN Resolution 3,566/08, amounted to R\$ 1,284 in the Company and Consolidated.

16) DEPOSITS, FUNDS OBTAINED IN THE OPEN MARKET AND FUNDS FROM ACCEPTANCE AND ISSUANCE OF SECURITIES

a) Deposits:

Bank	Up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	More than 360 days	12/31/2016	12/31/2015
Demand deposits (1)	60,015	-	-	-	-	60,015	75,647
Interbank deposits	11,666,291	36,558	5,820	27,604	29,428	11,765,701	10,097,093
Term deposits (2)	51,479	5,691	58,361	177,227	2,430,415	2,723,173	2,048,796
Total at 12/31/2016	11,777,785	42,249	64,181	204,831	2,459,843	14,548,889	-
Total at 12/31/2015	10,130,698	238,582	98,672	145,165	1,608,419	-	12,221,536

Consolidated	Up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	More than 360 days	12/31/2016	12/31/2015
Demand deposits (1)	54,762	-	-	-	-	54,762	73,247
Interbank deposits	11,666,291	36,558	5,820	27,604	29,428	11,765,701	10,096,847
Term deposits (2)	51,479	5,691	58,361	161,388	2,237,152	2,514,071	1,927,017
Total at 12/31/2016	11,772,532	42,249	64,181	188,992	2,266,580	14,334,534	-
Total at 12/31/2015	10,128,298	238,582	98,278	144,919	1,487,034	-	12,097,111

(1) Classified as from 1 to 30 days, without considering average historical turnover.

(2) Hedge accounting transaction (Note 7f).

b) Funds obtained in the open market:

Bank	Up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	More than 360 days	12/31/2016	12/31/2015
Own Portfolio	1,222,172	-	-	-	100,338	1,322,510	1,222,223
National Treasury Bills (LTN)	789,143	-	-	-	-	789,143	685,340
Financial Treasury Bills (LFT)	261,000	-	-	-	100,338	361,338	100,551
National Treasury Notes (NTN)	172,029	-	-	-	-	172,029	436,332
Third-party portfolio	705,512	-	-	-	-	705,512	152,179
National Treasury Notes (NTN)	705,512	-	-	-	-	705,512	152,179
Free Movement Portfolio	-	-	-	-	-	-	269,570
National Treasury Notes (NTN)	-	-	-	-	-	-	269,570
Total at 12/31/2016	1,927,684	-	-	-	100,338	2,028,022	-
Total at 12/31/2015	1,273,851	269,570	-	-	100,551	-	1,643,972

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

Consolidated	Up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	More than 360 days	12/31/2016	12/31/2015
Own Portfolio	1,222,172	-	-	-	96,940	1,319,112	1,215,969
National Treasury Bills (LTN)	789,143	-	-	-	-	789,143	685,340
Financial Treasury Bills (LFT)	261,000	-	-	-	96,940	357,940	94,298
National Treasury Notes (NTN)	172,029	-	-	-	-	172,029	436,331
Third-party portfolio	705,512	-	-	-	-	705,512	152,179
National Treasury Notes (NTN)	705,512	-	-	-	-	705,512	152,179
Free Movement Portfolio	-	-	-	-	-	-	269,570
National Treasury Notes (NTN)	-	-	-	-	-	-	269,570
Total at 12/31/2016	1,927,684	-	-	-	96,940	2,024,624	-
Total at 12/31/2015	1,273,851	269,570	-	-	94,298	-	1,637,718

c) Funds from acceptance and issuance of securities:

Bank	Up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	More than 360 days	12/31/2016	12/31/2015
Marketable securities - local							
Financial Bills (LF)	365,265	84,689	71,352	84,434	564,887	1,170,627	1,555,272
Agribusiness letters of credit (LCA)	28,328	33,602	69,439	14,013	110,995	256,377	825,064
Real estate letters of credit (LCI)	69,076	134,599	177,517	437,282	97,517	915,991	565,090
Total at 12/31/2016	462,669	252,890	318,308	535,729	773,399	2,342,995	-
Total at 12/31/2015	152,927	773,492	490,422	697,326	831,259	-	2,945,426

Consolidated	Up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	More than 360 days	12/31/2016	12/31/2015
Marketable securities - local							
Mortgage-backed securities (CRI)	153	133	197	347	6,783	7,613	8,633
Financial Bills (LF)	365,265	84,689	71,352	84,434	564,887	1,170,627	1,555,272
Agribusiness letters of credit (LCA)	28,328	33,602	69,439	14,013	110,995	256,377	825,064
Real estate letters of credit (LCI)	164,780	192,867	242,860	679,289	441,295	1,721,091	1,615,174
Total at 12/31/2016	558,526	311,291	383,848	778,083	1,123,960	3,155,708	-
Total at 12/31/2015	175,075	915,674	603,373	1,011,778	1,298,243	-	4,004,143

d) Expenses on deposits, funds obtained in the open market, funds from the issuance of securities and subordinated debt:

	Bank		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Interbank deposits	1,563,108	1,103,722	1,563,096	1,103,339
Term deposits	425,847	503,265	402,049	488,971
Financial bills	215,390	283,832	215,390	283,832
Foreign exchange variations	(316,837)	828,454	(316,837)	828,454
Securities issued abroad and subordinated debt	139,521	215,585	139,521	215,585
Real estate letters of credit - LCI	99,225	62,688	231,756	201,725
Purchase and sale commitments	303,029	224,850	302,397	223,793
Agribusiness letters of credit (LCA)	56,036	112,023	56,036	111,740
Funds raised abroad - subordinated debt and marketable securities	(68,879)	218,021	(68,879)	218,021
Contributions to the Deposit Guarantee Fund (FGC)	5,137	7,094	6,677	8,790
Credits assigned with retention of risk	42,568	71,087	42,568	71,087
Total	2,464,145	3,630,621	2,573,774	3,755,337

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

17) INTERBANK ACCOUNTS - LOCAL CORRESPONDENTS

The accounts refer to the receipt of portions of contracts assigned and of assets repossessed relating to contracts assigned to be transferred to the assignees, updated at the rates agreed in the contracts.

The accounts are represented by consumer financing, personal credit, payroll-linked loans, and real-estate financing, which, at 12/31/2016, amounted to R\$ 155,796 (R\$ 102,786 at 12/31/2015).

18) BORROWINGS

a) Balance sheet accounts:

Consolidated	1 to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	More than 360 days	12/31/2016	12/31/2015
Abroad (1)(2)	-	-	-	2,038	132,063	134,101	154,730
Total at 12/31/2016	-	-	-	2,038	132,063	134,101	-
Total at 12/31/2015	1,096	-	-	-	153,634	-	154,730

(1) Operation of Brazilian Securities with Interamerican Development Bank (BID).

(2) Hedge accounting transaction (Note 7f).

b) Result on borrowings:

Borrowings	Consolidated	
	12/31/2016	12/31/2015
Local (1)	-	(14,485)
Foreign (2)(3)	16,243	(25,588)
Total	16,243	(40,073)

(1) Bank Credit Note (CCB) settled on December 4, 2015 with Credit Suisse.

(2) At 12/31/2015, the amount of R\$ (3,267) was reclassified to "Other operating expenses".

(3) The foreign exchange variations represented income of R\$ 26,019 at 12/31/2016 (expense of R\$ (25,846) at 12/31/2015).

19) SUBORDINATED DEBTS

Presented below is the composition of the tranches and balances restated to the balance sheet dates:

Maturity	Original term in years	Amount of Operation	Currency	Remuneration	Bank and Consolidated	
					12/31/2016	12/31/2015
Foreign (1)(2):						
2020	10	US\$ 456,792	US\$	8.50% p.a.	1,576,844	2,203,182
Local:						
2018 (3)	06	R\$ 10,000	R\$	100% of CDI rate + 1.35% p.a.	17,190	14,876
2019 (4)	06	R\$ 100,000	R\$	100% of IPCA rate + 5.60% p.a.	156,631	139,288
2019 (5)	05	R\$ 500	R\$	111% of CDI	681	589
Total					1,751,346	2,357,935

(1) The mark-to-market adjustment of the subordinated debts was accounted for in the result of operations of funds obtained in the market, the amount of which represented an income of R\$ 68,879 in the year ended 12/31/2016 (expense of R\$ (207,498) in the year ended 12/31/2015). This operation has a market risk hedge (Note 7f).

(2) On June 23, 2016, the Bonds were paid in advance, corresponding to 8.64% of the debt in the amount of US\$ 43,208.

(3) Subordinated Financial Bills issued on May 22, 2012, maturing on May 22, 2018.

(4) Subordinated Financial Bills issued on June 5, 2013, maturing on April 5, 2019.

(5) Subordinated Financial Bills issued on October 13, 2014, maturing on October 14, 2019.



NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

20) CONTINGENT LIABILITIES AND LEGAL OBLIGATIONS (TAX AND SOCIAL SECURITY)

Provisions classified as probable losses:

The Bank is a party to labor, civil and tax lawsuits arising in the normal course of its business. The corresponding provisions are constituted for processes, whenever losses are deemed probable, based on the opinion of the legal advisors, the type and complexity of the lawsuits and recent court sentences. The provision recorded is sufficient to cover the risk of loss arising from these lawsuits.

Labor claims

The claims have been brought by former employees and service providers, designed to obtain the payment of labor amounts in general, arising from the requested classification of service providers as bank employees, and, in particular, overtime, based on the interpretation of Article 224 of the Consolidation of Labor Laws (CLT), or ancillary responsibility in lawsuits involving service providers.

The claims are managed individually through a computerized system and the provisions are constituted case by case, based on the criteria described above. Provisions are constituted for the full amount in the case of lawsuits with an unfavorable court decision.

Civil

These processes comprise payables for condemnatory actions relating to damages, protests of bills and notes, returned checks, inclusion of debtor names in the credit restriction register and the restitution of amounts.

The processes are managed individually through a computerized system and the provisions are constituted case by case when there is a likelihood of probable loss, considering the opinion of the legal advisors, the nature and complexity of the lawsuits and recent court decisions.

The related amounts are fully provided in the case of lawsuits with unfavorable court decisions. For calculating the value at risk in the other actions, the historical loss index of the processes concluded in the prior twelve months is applied to the amounts claimed.

I- Provisions segregated by nature:

	Bank		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Civil	206,726	141,534	222,741	153,638
Labor claims	174,230	98,623	188,330	132,741
Tax	323	3,635	11,538	17,317
Total (Note 21b)	381,279	243,792	422,609	303,696

II- Change in provisions:

Days	Civil	Labor	Tax	Total
At 12/31/2015	141,534	98,623	3,635	243,792
Balance resulting from the merger	361	50,331	-	50,692
Reductions	(96,254)	(76,872)	(5)	(173,131)
Constituted, net of amounts reversed	161,085	102,148	(3,307)	259,926
At 12/31/2016	206,726	174,230	323	381,279



NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

Consolidated	Civil	Labor	Tax	Total
At 12/31/2015	153,638	132,741	17,317	303,696
Reductions	(101,579)	(102,669)	(12)	(204,260)
Constituted, net of amounts reversed	170,682	158,258	(5,767)	323,173
At 12/31/2016	222,741	188,330	11,538	422,609

There are no other significant administrative actions in progress for non-compliance with National Financial System rules or that could require the payment of fines, which could have a material effect on the financial position of the Bank or its subsidiaries.

III- Contingent liabilities classified as possible losses:

In the third quarter 2012, a tax assessment notice was issued against Pan Arrendamento Mercantil S.A. by the Brazilian Federal Revenue Service, through which the tax authority assessed income tax and social contribution on net income allegedly owed for the tax years 2007 and 2008, totaling R\$ 19,167, including fines and arrears interest. The process is awaiting the result of the diligence required by the Board of Tax Appeals prior to the judgment of the Voluntary Appeal of the company.

In the final quarter of 2012, three tax assessment notices were issued against Banco Pan S.A. by the Brazilian Federal Revenue Service, through which the tax authority assessed income tax and social contribution on net income allegedly owed for the tax years 2007 and 2008, totaling R\$ 170,477, including fines and arrears interest. The process is at the Board of Tax Appeals, awaiting the final judgment of the Voluntary Appeal of the company.

In the final quarter of 2013, tax assessment notices were issued against Pan Arrendamento Mercantil S.A. by the São Paulo municipal tax authority for Service Tax (ISS) payable on the guaranteed residual value (VRG) charged by the company in lease transactions during the period from 2008 to 2012, totaling R\$ 43,656 (not restated), including fines and arrears interest. The objection and appeals filed by the company with the Municipal Board of Taxes of São Paulo were finally and irrevocably considered as being without merit. The Company has entered with an annulment action against the Municipality of São Paulo and is awaiting judgement.

In the first quarter of 2015, two tax assessment notices were issued against Banco Pan S.A., relating to the fiscal year 2010, one of which was issued for income tax and social contribution payable due to the disallowance of unsupported operating expenses, adjustments of net income for the year, and unauthorized eliminations, the non-restated principal of which, plus fine, amounts to R\$ 6,077. The other assessment notice was issued based on the unacceptability of having certain swap-related expenses deducted from the Social Integration Program (PIS) and Social Contribution on Revenues (COFINS) calculation bases, the non-restated principal of which, plus fine, amounts to R\$ 3,320. These processes are being analyzed at the administrative level. The processes are at the Board of Tax Appeals, awaiting the final judgment of the Voluntary Appeal of the company.

In the second quarter of 2016, two tax assessment notices were issued against Banco Pan S.A. by the São Paulo municipal tax authority for Service Tax (ISS) payable on fees arising from collection services, in the period from November 2011 to October 2012, whose updated amount of principal, fine and interest totaled R\$ 8,650. The process is at the Municipal Board of Taxes awaiting the conclusion of the period for the filing of appeals because of the decision establishing the termination of the tax assessment notice.

Management, based on the opinion of its legal advisors, classified the likelihood of loss on these processes as possible.

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

21) OTHER LIABILITIES

a) Tax and social security:

	Bank		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Social contribution on revenues (COFINS)	18,112	12,426	18,938	15,118
Withholding tax at source on payments to third parties	6,593	6,969	6,739	7,315
Taxes and contributions on salaries	14,993	8,703	15,589	15,429
Government social integration program (PIS)	2,943	2,019	3,085	2,559
Service tax (ISS)	2,076	2,066	2,141	3,044
Withholding tax on fixed-income securities	1,382	1,896	1,382	2,075
Taxes and contributions on income	5,481	1,420	21,081	13,664
Provision for deferred income tax (Note 32e)	-	-	87,302	93,798
Total	51,580	35,499	156,257	153,002

b) Sundry obligations:

	Bank		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Assignment with co-obligation - Payroll (1)	413,853	489,692	413,853	489,692
Credit card operations	665,762	664,694	665,762	664,709
Provision for contingent liabilities (Note 20)	381,279	243,792	422,609	303,696
Provision for payments to be effected	489,878	209,437	492,834	225,313
Collections	77,260	51,281	77,501	51,521
Amounts payable to affiliates	21,446	34,505	20,190	14,759
Specific consortium amounts	-	-	4,080	7,366
Provision for letters of guarantee (Note 8c)	264	566	264	566
Other	36,423	34,041	38,700	39,806
Total	2,086,165	1,728,008	2,135,793	1,797,428

(1) Refers to the obligations assumed for credit assignment operations, with the substantial retention of risks and benefits, prior to CMN Resolution 3,533/08, and pledges (Note 8f).

22) EQUITY

a) Composition of capital in number of shares:

At 12/31/2016 and 12/31/2015, fully subscribed and paid-up capital totaled R\$ 3,460,732 and comprised nominative registered shares, with no par value, as presented in the table below:

	12/31/2016	12/31/2015
Common	535,029,747	535,029,747
Preferred	394,010,416	394,010,416
Total	929,040,163	929,040,163

b) Revenue reserves:

Legal reserve - pursuant to its Bylaws, the Bank should appropriate 5% of net income, after the deduction of accumulated losses and the income tax provision, to the legal reserve, the balance of which should not exceed 20% of the Bank's paid-up capital. However, in accordance with Article 193, paragraph 1, of Corporation Law 6,404/76, the Bank may choose not to appropriate a portion of its net income to the legal reserve in the year in which the balance of this reserve plus the capital reserves exceeds 30% of capital.

Reserve for integrity of equity - the purpose of the reserve is to ensure that there are sufficient funds to meet the Bank's regulatory and operational capital requirements. The reserve can be converted into capital by a decision of the Board of Directors. Observing the limit of authorized capital, the reserve could be

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

formed, in accordance with the Board of Directors' proposal, with up to 100% of the net income remaining after the annual appropriations, but may not exceed the amount of the Bank's capital.

In 2016, the legal reserve, reserve for integrity of equity, and capital reserve were fully utilized to absorb the loss for the year.

c) Dividends and interest on capital:

Stockholders are entitled to a minimum dividend calculated based on 35% of annual net income, adjusted pursuant to the Bylaws and Article 202 of Law 6,404/76.

At the Meeting of the Board of Directors held on February 1, 2016, the members approved the payment of interest on capital for 2015 amounting to R\$ 3,152, ratified at the Annual General Meeting deliberating on management's accounts for that year, comprised as follows: R\$ 0.003392520 gross per share (R\$ 0.002881753 net of the 15% withholding income tax). The calculation of the interest on capital for the year ended December 31, 2015 can be presented as follows.

	12/31/2015	% (1)
Profit	8,052	
(-) Legal reserve	(403)	
Calculation basis	7,649	
Interest on capital (gross) provisioned	3,152	41.2%
Withholding income tax on interest on capital	(472)	
Interest on capital (net) provisioned	2,677	35.0%

(1) Percentage of interest on capital on the calculation basis.

23) INCOME FROM SERVICES RENDERED

	Bank		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Loan operations	266,783	289,516	266,885	289,674
Income from credit cards	120,831	105,108	120,831	105,108
Income from commissions/brokerage	59,254	49,251	61,002	49,533
Income from collection services	805	1,570	805	1,570
Consortium plan management	-	-	24,764	22,174
Other	9,192	5,161	15,118	12,867
Total	456,865	450,606	489,405	480,926

24) PERSONNEL EXPENSES

	Bank		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Payroll	242,454	196,733	303,764	322,796
Social charges	79,055	52,087	106,166	98,543
Benefits	51,819	34,942	71,222	71,156
Fees (Note 29b)	16,110	16,287	24,892	32,521
Other	2,603	3,196	2,771	3,505
Total	392,041	303,245	508,815	528,521

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

25) OTHER ADMINISTRATIVE EXPENSES

	Bank		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Commissions paid to correspondent banks	1,366,777	1,231,788	1,232,438	1,001,913
Third-party services	195,853	149,911	228,483	190,092
Financial system services	145,107	148,789	153,169	152,407
Data processing	137,816	110,849	140,334	113,518
Rentals	42,198	34,630	51,328	48,842
Communications	47,141	38,030	49,576	43,816
Depreciation and amortization	35,890	25,194	39,574	29,565
Advertising, promotions and publicity	16,807	22,915	19,777	26,773
Expenses for search and seizure of assets	28,767	24,827	28,767	25,058
Maintenance and repair of assets	3,452	2,483	4,904	4,918
Travel	4,431	6,195	6,111	8,739
Transportation	4,661	4,365	5,033	5,077
Fees and charges	3,617	3,807	7,603	8,735
Consumption materials	590	584	703	804
Other	88,516	74,220	104,741	88,216
Total	2,121,623	1,878,587	2,072,541	1,748,473

26) TAX EXPENSES

	Bank		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Social contribution on revenues (COFINS)	141,720	133,966	162,465	162,114
Services tax (ISS)	21,227	21,241	29,383	35,062
Social Integration Program (PIS)	23,030	21,769	27,161	27,519
Taxes and charges	3,719	7,046	16,112	19,064
Total	189,696	184,022	235,121	243,759

27) OTHER OPERATING INCOME AND EXPENSES

a) Other operating income:

	Bank		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Recovery of charges and expenses	95,993	63,275	100,027	71,557
Monetary/foreign exchange variation gains	133,160	116,172	140,751	121,103
Residual benefit in securitized transactions	-	-	3,975	7,564
Reversal of provisions	3,413	9,013	19,511	20,884
Other	22,860	27,777	27,182	29,607
Total	255,426	216,237	291,446	250,715

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

b) Other operating expenses:

	Bank		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Assignment of loans	505,108	472,375	505,108	472,375
Provisions	263,233	139,253	345,974	165,717
Loss on loan/financing operations and frauds	62,992	53,545	63,514	55,003
Monetary/foreign exchange variation losses	207,082	398,000	207,178	399,568
Discounts granted	29,132	27,128	29,725	28,174
Amortization of goodwill	11,645	11,645	25,053	25,053
Liens	23,811	25,476	23,851	25,502
Other	56,116	13,886	60,583	42,803
Total	1,159,119	1,141,308	1,260,986	1,214,195

28) NON-OPERATING RESULT

	Bank		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Result on sale of other assets	(44,616)	(59,590)	(48,864)	(75,254)
Reversal/devaluation of other assets	2,408	7,063	6,173	14,305
Impairment of non-financial assets (1)	(18,444)	(4,386)	(24,853)	(15,991)
Other	1,046	2,451	1,046	2,518
Total	(59,606)	(54,462)	(66,498)	(74,422)

- (1) During the year ended 12/31/2016, amounts written-off from non-financial assets due to impairment amounted to R\$ 15,865 and R\$ 21,139 in the Company and Consolidated, respectively, in accordance with CMN Resolution 3,566/08.

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

29) BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties (direct and indirect) are carried out under conditions and rates which are compatible with the average terms practiced with third parties effective on the contract dates.

a) Balances and transactions with related parties:

	Maximum term	Bank			
		12/31/2016	12/31/2015	12/31/2016	12/31/2015
		Assets (liabilities)	Assets (liabilities)	Income (expenses)	Income (expenses)
Short-term interbank investments (a)					
Banco BTG Pactual S.A.	-	-	-	5,327	13,039
Brazilian Mortgages Cia Hipotecária	12/22/2017	609,913	466,298	65,328	26,853
Caixa Econômica Federal	7/1/2016	-	-	5,647	2,539
Pan Arrendamento Mercantil S.A.	11/1/2018	65,787	55,756	8,068	7,334
Total		675,700	522,054	84,370	49,765
Loan assignment (b)					
Caixa Econômica Federal	-	1,128,806	921,297	-	-
Total		1,128,806	921,297	-	-
Other credits					
Caixa Econômica Federal	No term	30,053	25,376	-	-
Pan Seguros S.A.	No term	6,583	4,583	-	-
Panamericana Adm. e Corret. de Seg.de Prev. Privada Ltda.	No term	13	11	-	-
Brazilian Mortgages Companhia Hipotecária	No term	4,774	3,958	-	-
Pan Arrendamento Mercantil S.A.	No term	-	13	-	-
Panserv Prestadora de Serviços Ltda.	No term	-	432	-	-
BM Sua Casa Promotora de Vendas Ltda.	No term	-	21	-	-
Brazilian Securities Companhia de Securitização (j)	No term	2,390	2,764	-	-
Panamericano Administradora de Consórcio Ltda.	No term	73	1	-	-
Brazilian Finance & Real Estate S.A. (j)	No term	4,069	3,732	-	-
Banco BTG Pactual S.A.	No term	-	456	-	-
Stone Pagamentos S.A.	No term	78	-	-	-
Total		48,033	41,347	-	-
Demand deposits (c)					
Pan Seguros S.A.	No term	(340)	(245)	-	-
Panamericana Adm. e Corret. de Seg.de Prev. Privada Ltda.	No term	(154)	(101)	-	-
Panamericano Administradora de Consórcio Ltda.	No term	(17)	(8)	-	-
Pan Arrendamento Mercantil S.A.	No term	(12)	(88)	-	-
Panserv Prestadora de Serviços Ltda.	No term	-	(5)	-	-
BM Sua Casa Promotora de Vendas Ltda.	No term	(2)	(11)	-	-
Brazilian Finance & Real Estate S.A.	No term	(1)	(10)	-	-
Brazilian Mortgages Cia Hipotecária	No term	(5,199)	(2,273)	-	-
Brazilian Securities Companhia de Securitização	No term	(21)	(5)	-	-
Key management personnel	No term	(1)	(3)	-	-
Total		(5,747)	(2,749)	-	-
Interbank deposits (d)					
Banco BTG Pactual S.A.	1/2/2017	(435,077)	(310,000)	(66,077)	(213,264)
Caixa Econômica Federal	1/26/2017	(11,231,214)	(9,691,077)	(1,484,658)	(857,720)
Brazilian Mortgages Companhia Hipotecária	5/5/2016	-	(246)	(11)	(383)
Total		(11,666,291)	(10,001,323)	(1,550,746)	(1,071,367)



NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

Time deposits (e)					
Panamericana Adm. e Corret. de Seg.de Prev. Privada Ltda.	5/29/2019	(29,815)	(14,569)	(3,003)	(1,948)
Panamericano Administradora de Consórcio Ltda.	6/13/2019	(33,402)	(7,837)	(1,204)	(985)
Panserv Prestadora de Serviços Ltda.	5/23/2019	-	(21,059)	(3,671)	(3,278)
Brazilian Securities Companhia de Securitização	3/18/2019	(91,347)	(37,735)	(9,781)	(1,471)
Brazilian Finance & Real Estate S.A.	6/12/2019	(80,487)	(49,657)	(8,448)	(6,096)
BM Sua Casa Promotora de Vendas Ltda.	6/5/2019	(3,866)	(5,492)	(694)	(709)
BMSR II Participações S.A.	-	-	-	-	(69)
Banco BTG Pactual S.A.	-	(208)	-	(13)	-
Pan Holding S.A.	-	-	-	-	(1,685)
Total		(239,125)	(136,349)	(26,814)	(16,241)
Liabilities for purchase and sale commitments					
Banco BTG Pactual S.A.	1/2/2017	(527,189)	(630,001)	(72,806)	(27,648)
Caixa Econômica Federal	-	-	(901)	(477)	(932)
Panamericano Administradora de Consórcio Ltda.	2/28/2020	(3,399)	(6,254)	(631)	(1,057)
Total		(530,588)	(637,156)	(73,914)	(29,637)
Funds from real estate and agribusiness letters of credit and financial bills (f)					
Banco BTG Pactual S.A.	12/04/2018	(113,606)	(404,366)	(28,106)	(53,392)
Key management personnel	2/04/2021	(35,875)	(30,719)	(4,292)	(3,566)
Brazilian Securities Companhia de Securitização	-	-	-	-	(283)
Total		(149,481)	(435,085)	(32,398)	(57,241)
Derivative financial instruments (g)					
Brazilian Securities Companhia de Securitização	2/15/2022	16,465	(13,321)	43,212	(47,697)
Banco BTG Pactual S.A.	2/15/2022	13,399	351,450	(280,326)	124,447
Total		29,864	338,129	(237,114)	76,750
Other liabilities					
Pan Seguros S.A.	No term	(19,927)	(14,756)	-	-
Panserv Prestadora de Serviços Ltda.	No term	-	(18,354)	-	-
Brazilian Mortgages Companhia Hipotecária	No term	(1,318)	(1,343)	-	-
Brazilian Finance & Real Estate S.A.	No term	(35)	(16)	-	-
Pan Arrendamento Mercantil S.A.	No term	-	(36)	-	-
BM Sua Casa Promotora de Vendas Ltda.	No term	(71)	-	-	-
Total		(21,351)	(34,505)	-	-
Income from services rendered (h)					
Pan Seguros S.A.	-	-	-	58,081	49,252
Panamericano Administradora de Consórcio Ltda.	-	-	-	286	-
Total		-	-	58,367	49,252
Personnel expenses (i)					
Brazilian Mortgages Companhia Hipotecária	-	-	-	(266)	-
Pan Seguros S.A.	-	-	-	(231)	(191)
Total		-	-	(497)	(191)
Other administrative expenses					
Panserv Prestadora de Serviços Ltda.	-	-	-	(151,557)	(245,950)
Pan Seguros S.A.	-	-	-	(4,178)	(2,071)
Banco BTG Pactual S.A.	-	-	-	(271)	(868)
BTG Pactual Corretora	-	-	-	(115)	(108)
Tecban S.A.	-	-	-	(1,362)	(990)
Interbank Payment Chamber	-	-	-	(9,712)	(9,136)
Total		-	-	(167,393)	(259,123)

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

Income from loan assignments					
Caixa Econômica Federal	-	-	-	2,095,079	1,628,252
Total				2,095,079	1,628,252

- (a) Refer to the Bank's applications with rates equivalent to those of the CDI.
(b) Refers to the performance bonus on the assignment of credits without recourse.
(c) Refer to the outstanding balances of current accounts of affiliates held at the Bank.
(d) Refer to the funding through interbank deposits with rates equivalent to those of the CDI.
(e) Refer to the funding through time deposits made at the Bank.
(f) Refer to the capture of funds through agribusiness and real estate letters of credit and financial bills with rates at an average of 97.7% of the CDI.
(g) Refer to swaps.
(h) Refers to the commissions paid to the Bank for insurance intermediation and the commissions paid to the correspondent for business intermediation.
(i) Refer to the portion of expenses with group life insurance that the Bank pays to its employees.
(j) Dividends received amounting to: R\$ 2,389 from Brazilian Finance & Real Estate S.A. and R\$ 1,700 from Brazilian Securities Companhia de Securitização. There is a provisioned balance of R\$ 2,726 originating from Brazilian Finance & Real Estate S.A.

	Maximum term	Consolidated			
		12/31/2016	12/31/2015	12/31/2016	12/31/2015
		Assets (liabilities)	Assets (liabilities)	Income (expenses)	Income (expenses)
Available funds (a)					
Caixa Econômica Federal	No term	10,320	3,318	-	-
Total		10,320	3,318	-	-
Short-term interbank investments (b)					
Banco BTG Pactual S.A.	-	-	-	5,327	13,039
Caixa Econômica Federal	7/1/2016	-	-	5,647	2,539
Total		-	-	10,974	15,578
Loan assignment (c)					
Caixa Econômica Federal	-	1,128,806	921,297	-	-
Total		1,128,806	921,297	-	-
Other credits					
Caixa Econômica Federal	No term	30,053	25,376	-	-
Pan Seguros S.A.	No term	6,583	4,583	-	-
Panamericana Adm. e Corret. de Seg.de Prev. Privada Ltda.	No term	13	11	-	-
Banco BTG Pactual S.A.	No term	-	456	-	-
Total		36,649	30,426	-	-
Demand deposits (d)					
Pan Seguros S.A.	No term	(340)	(245)	-	-
Panamericana Adm. e Corret. de Seg.de Prev. Privada Ltda.	No term	(154)	(101)	-	-
Key management personnel	No term	(1)	(3)	-	-
Total		(495)	(349)	-	-
Interbank deposits (e)					
Banco BTG Pactual S.A.	1/2/2017	(435,077)	(310,000)	(66,077)	(213,264)
Caixa Econômica Federal	1/26/2017	(11,231,214)	(9,691,077)	(1,484,658)	(857,720)
Total		(11,666,291)	(10,001,077)	(1,550,735)	(1,070,984)
Time deposits (f)					
Panamericana Adm. e Corret. de Seg.de Prev. Privada Ltda.	11/23/2018	(29,815)	(14,569)	(3,003)	(1,948)
Banco BTG Pactual S.A.	7/19/2018	(208)	-	(13)	-
Total		(30,023)	(14,569)	(3,016)	(1,948)
Liabilities for purchase and sale commitments					
Banco BTG Pactual S.A.	1/2/2017	(527,189)	(630,001)	(72,086)	(27,648)



NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

Caixa Econômica Federal		-	(901)	(477)	(932)
Total		(527,189)	(630,902)	(72,563)	(28,580)
Funds from real estate and agribusiness letters of credit and financial bills (g)					
Banco BTG Pactual S.A.	8/13/2018	(161,299)	(508,200)	(37,080)	(67,339)
Key management personnel	2/4/2021	(37,845)	(33,409)	(4,525)	(3,681)
Total		(199,144)	(541,609)	(41,605)	(71,020)
Derivative financial instruments (h)					
Banco BTG Pactual S.A.	2/15/2022	13,399	351,450	(280,326)	124,447
Total		13,399	351,450	(280,326)	124,447
Other liabilities					
Pan Seguros S.A.	No term	(19,927)	(14,759)	-	-
Total		(19,927)	(14,759)	-	-
Income from services rendered (i)					
Pan Seguros S.A.		-	-	58,081	49,252
Total		-	-	48,081	49,252
Personnel expenses (j)					
Pan Seguros S.A.		-	-	(395)	(340)
Total		-	-	(395)	(340)
Other administrative expenses					
Pan Seguros S.A.		-	-	(4,178)	(2,071)
Banco BTG Pactual S.A.		-	-	(271)	(868)
BTG Pactual Corretora		-	-	(115)	(108)
Tecban S.A.		-	-	(1,362)	(990)
Interbank Payment Chamber		-	-	(9,712)	(9,136)
Total		-	-	(15,836)	(13,173)
Income from loan assignments					
Caixa Econômica Federal		-	-	2,104,548	1,633,727
Total		-	-	2,104,548	1,633,727

- (a) Refer to current accounts of Brazilian Mortgages Companhia Hipotecária, Brazilian Securities Companhia de Securitização, and BM sua Casa Promotora de Vendas Ltda.
- (b) Refer to the Bank's applications with rates equivalent to those of the CDI.
- (c) Refers to the performance bonus on the assignment of credits without recourse.
- (d) Refer to the outstanding balances of current accounts of affiliates held at the Bank.
- (e) Refer to the funding through interbank deposits with rates equivalent to those of the CDI.
- (f) Refer to the funding through time deposits made at the Bank.
- (g) Refer to the capture of funds through agribusiness and real estate letters of credit and financial bills with rates at an average of 97.7% of the CDI.
- (h) Refer to swaps.
- (i) Refer to the commission paid to the Bank for insurance intermediation.
- (j) Refer to the portion of expenses with group life insurance that the Bank pays to its employees.

b) Key management remuneration:

At the Annual General Meeting, held on April 29, 2016, the maximum amount of key management remuneration for 2016 was established at R\$ 30,000 (R\$ 35,000 in 2015) (expenses with fees). The amount in the PAN Group for 2016 was R\$ 60,000 (R\$ 70,000 in 2015).

Short-term benefits provided to management (1)

	Bank		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Expenses with fees (Note 24)	16,110	16,287	24,892	32,521
Social security contributions (INSS)	3,625	3,665	5,601	7,317
Total	19,735	19,952	30,493	39,838

(1) Recorded in the "Personnel expenses" account.

PAN provides no long-term benefits, related to employment contract rescissions, or share-based remuneration to its key management personnel.

• **Other information**

In accordance with the legislation in force, financial institutions cannot grant loans or advances to the following:

- I. Directors and members of the advisory, administrative, supervisory or similar boards and their respective spouses and relatives up to the second degree.
- II. Individuals or legal entities holding an ownership interest of more than 10%.
- III. Legal entities in which the financial institution itself and any of its directors or managers and their spouses and relatives up to the second degree hold an ownership interest of more than 10%.

30) FINANCIAL INSTRUMENTS

• **Risk management**

The Bank has exposure with assets and liabilities involving derivative financial instruments, which are recorded in balance sheet, income and expenses and memorandum accounts.

The Bank's management is responsible for establishing a risk policy and exposure limits. The control and compliance management area, which is independent of the business and operational areas, is responsible for identifying, assessing, monitoring and reporting compliance with the risk guidelines established by management.

• **Capital management**

The Bank considers that capital management is a strategic process designed to optimize the utilization of available capital, contribute to the achievement of its strategic objectives and comply with the minimum capital limits established by the regulatory authority.

The Bank's capital management framework is compatible with the nature of its operations, the complexity of its products and services and its risk exposure and covers all the companies of the Group's financial conglomerate.

Capital management is a continuous process for (i) monitoring and controlling capital; (ii) assessing the need for capital to face the potential risks to the Institution; and (iii) planning the capital targets and requirements. Capital management is based on the Bank's strategic objectives, business opportunities and the regulatory environment.

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

The Bank manages its capital based on a timely and prospective approach, in line with best practices and in compliance with the recommendations issued by the Basel Committee, through policies and strategies that anticipate the capital that could be required as a result of possible changes in market conditions, and which are reviewed periodically by the Executive Board and Board of Directors.

OPERATING LIMITS - BASEL ACCORD

PAN complies with the minimum capital requirements established by CMN Resolutions 4,192/13 and 4,193/13. Required capital amounts are calculated in accordance with BACEN Circular 3,644/13 for credit risk, BACEN Circulars 3,634/13 to 3,639/13, 3,641/13 and 3,645/13 for market risk, and BACEN Circular 3,640/13 for operating risk.

The calculation of the indicators of Prudential Capital of the Conglomerate were as follows:

Calculation basis - Basel ratio	12/31/2016	12/31/2015
Tier I reference equity	1,908,118	2,400,644
Core capital	1,908,118	2,400,644
Tier II reference equity	779,430	919,813
Reference equity for comparison with risk-weighted assets (RWA)	2,687,548	3,320,457
Reference equity	2,687,548	3,320,457
- Credit risk	18,697,144	18,804,777
- Market risk	329,776	324,085
- Operating risk	1,285,684	971,467
Risk-weighted assets (RWA)	20,312,604	20,100,329
Basel ratio	13.23%	16.52%
Tier I	9.39%	11.94%
Tier II	3.84%	4.58%

- **Credit Risk**

Credit risk is the possibility of the occurrence of losses related to the non-fulfillment by customers or counterparties of their corresponding financial obligations under the agreed terms, the devaluation of a loan agreement as a result of a deterioration in the borrower's risk rating, decreased gains or remuneration, advantages granted in renegotiations and recovery costs.

Management of credit risks involves policies and strategies, operating limits, risk mitigation techniques and procedures for maintaining the credit risk exposure at levels which are considered to be acceptable by the Institution.

- **Market risk**

This risk arises from the possibility of loss due to rate fluctuations and the mismatching of the terms and currencies of the consolidated asset and liability portfolios. These risks are managed daily through methodologies established by best practice guidelines.

The transactions are exposed to the following risk factors: fixed interest rates, interest rates linked to foreign exchange variations and their corresponding spot rates, interest rates linked to price indexes (National Consumer Price Index (INPC), National Civil Construction Index (INCC), Amplified Consumer Price Index (IPCA) and the General Market Price Index (IGPM)), as well as other interest rates (TR), foreign exchange variations (US\$) and share price variations.

The financial instruments are segregated into the following portfolios:

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

Trading portfolio: all transactions conducted with financial instruments, including derivatives, realized with the intention of trading or for hedging other trading portfolio instruments. Transactions held for trading are those intended for resale, for obtaining benefits from effective or expected changes in prices or arbitrage. Banking portfolio: all transactions not classified in the trading portfolio. They consist of structural operations arising from the business lines of the organization and any related hedges.

Sensitivity analysis at 12/31/2016

Risk factors	Trading and Banking Portfolio exposures subject to variation:	SCENARIOS(*)		
		(1) Probable	(2) Possible	(3) Remote
Interest rates	Fixed interest rates	(1,641)	(453,198)	(881,088)
Coupon - other interest rates	Coupon rates of interest rates	(333)	(84,079)	(157,559)
Coupon - price index	Coupon rates of price indexes	(422)	(59,398)	(112,749)
Foreign currency	Foreign exchange rates	(551)	(13,773)	(27,546)
Foreign exchange coupon	Foreign exchange coupon rates	(9)	(898)	(1,785)
Total at 12/31/2016		(2,956)	(611,346)	(1,180,727)
Total at 12/31/2015		(2,186)	(773,335)	(1,570,755)

(*) Amounts gross of taxes.

The sensitivity analysis was effected based on the market data for the last day in December 2016, always considering the adverse impact on the positions for each vertex. The effects do not consider the correlation between the vertices and the risk factors and tax effects.

Scenario 1: a one basis point (0.01%) shock (upward or downward) was applied to the forward interest rate structure in all vertices/terms. For example: a 10% p.a. rate becomes 10.01% p.a. or 9.99% p.a. For foreign currencies and shares, a 1% shock was applied to the effective price.

Scenario 2: a 25% shock (upward or downward) was applied to the rates (application of a 1.25 multiplier). For example: a 10% p.a. rate becomes 12.50% p.a. or 7.50% p.a. For foreign currencies and shares, a 25% shock was applied to the effective price.

Scenario 3: a 50% shock (upward or downward) was applied to the rates (application of a 1.50 multiplier). For example: a 10% p.a. rate becomes 15.00% p.a. or 5.00% p.a. For foreign currencies and shares, a 50% shock was applied to the effective price.

It should be noted that the results of scenarios (2) and (3) refer to simulations which involve significant stress situations, without considering correlation factors among the indexes. They do not reflect possible variations arising from market dynamics, the probability of the occurrence of which is considered to be low, and also, from measures which could be taken by the Institution itself to mitigate any potential risks.

The Bank uses derivative financial instruments for hedging purposes to meet its needs for managing market risks arising from the mismatching of currencies, indexes, portfolio terms and arbitrage.

FOREIGN EXCHANGE EXPOSURE

The assets and liabilities linked to foreign currencies at 12/31/2016 and 12/31/2015 are presented below:

Assets - U.S. dollar	12/31/2016	12/31/2015
Credit operations (ACC/CCE)	286,653	566,486
Other receivables	9,782	22,585
Total assets	296,435	589,071

Liabilities - U.S. dollar	12/31/2016	12/31/2015
Subordinated debts	1,576,844	2,203,182
Foreign borrowings	134,101	154,730
Total liabilities	1,710,945	2,357,912

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

The Bank uses derivative financial instruments for hedging purposes to meet its needs for managing market risks arising from the mismatching of currencies, indexes, portfolio terms and arbitrage.

At 12/31/2016 and 12/31/2015, the position of the derivative financial instruments, in foreign currency, was as follows:

	Notional value		Market value	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Purchased position - U.S. Dollar				
Swap	1,309,090	1,112,537	1,946,661	2,627,538
DDI	59,898	62,964	59,898	62,964
DOL	-	133,012	-	133,012
Total	1,368,988	1,308,513	2,006,559	2,823,514
Sold position - U.S. dollar				
Swap	147,086	131,141	125,744	139,215
DDI	214,951	575,394	214,951	575,394
DOL	21,299	90,860	21,299	90,860
NDF	-	12,470	-	12,987
Total	383,336	809,865	361,994	818,456

- **Liquidity risk**

Liquidity risk is defined as the possibility of the Bank not being able to efficiently honor its expected and unexpected, current and future obligations, including those arising from related guarantees, without affecting its daily operations and without incurring significant losses; and also, the possibility of the Bank not being able to negotiate a specific position at market price, due to the amount being significant in relation to the financial volume usually transacted or because of some market discontinuity.

The liquidity position, mismatching of primary risk factors and the rates and terms of assets and liabilities in the portfolio are constantly monitored.

The Bank maintains adequate liquidity levels, resulting from the quality of its assets and risk controls, in accordance with the Liquidity Risk Management Policy established and the regulatory requirements of the National Monetary Council (CMN Resolutions 2,804/00 and 4,090/12). The results of the gap analyses designed to assess liquidity risk are reported fortnightly to the Treasury Committee.

- **Operating risk**

This risk refers to the possibility of losses occurring as a result of the failure, deficiency or inadequacy of internal processes, people and systems, or external events. This definition includes legal risk, which is the risk related to the inadequacy or deficiencies in contracts entered into by the Institution, as well as any sanctions imposed as a result of non-compliance with legal provisions and indemnities for damages to third parties arising from the activities carried out by the Institution.

In order to comply with the principles of CMN Resolution 2,554/98 and Item III of Article 9 of CMN Resolution 3,380/06, the Group has an independent organizational framework responsible for the management and control of operating risks. The Internal Control, Compliance and Operating Risk area is also responsible for the prevention of money laundering and for Business Continuity activities.

In compliance with the requirements established by BACEN Circular 3,678/13, the information on the risk management process is available for consultation on the website: www.bancopan.com.br/ri Report on Risk Management.



NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

- **Market value**

The net book and market values of the main financial instruments are presented below:

Consolidated	12/31/2016			12/31/2015		
	Net book value	Market value	Unrealized profit (loss)	Net book value	Market value	Unrealized profit (loss)
Marketable securities	2,276,966	2,287,689	10,723	2,143,368	2,098,036	(45,332)
- Adjustment of trading securities	71,479	71,479	-	5,239	5,239	-
- Adjustment of available-for-sale securities	1,051,517	1,051,517	-	948,518	948,518	-
- Adjustment of securities held to maturity	1,153,970	1,164,693	10,723	1,189,611	1,144,279	(45,332)
Loan and leasing operations	19,082,919	21,668,429	2,585,510	17,325,766	18,527,053	1,201,287
Interbank deposits	11,765,701	11,767,088	(1,387)	10,096,847	10,099,971	(3,124)
Term deposits	2,514,071	3,864,495	(1,350,424)	1,927,017	2,612,617	(685,600)
Funds from issuance of securities	3,155,708	3,061,879	(93,829)	4,004,143	4,010,740	(6,597)
Borrowings	134,101	134,101	-	154,730	166,004	(11,274)
Subordinated debts	1,751,346	1,750,758	588	2,357,935	2,352,388	5,547
Unrealized profit with no tax effects			1,151,181			454,907

Determination of the market value of financial instruments:

The market values of marketable securities, subordinated debts and derivative financial instruments are based on market price quotations at the balance sheet date. When these market quotations are not available, the market values are based on pricing models or equivalent instruments;

The market values of the loan and leasing operations are determined by discounting future flows at the rates practiced in the market for equivalent transactions at the balance sheet date.

The market values of time and interbank deposits and borrowings and onlendings are calculated by applying the rates practiced for equivalent instruments at the balance sheet date to the existing assets and liabilities.

31) EMPLOYEE BENEFITS

On May 4, 2015, the National Superintendency of Complementary Pensions (PREVIC) approved the withdrawal of the sponsorship of the Bank for the Benefits Plan V of the Silvio Santos Group, because the Bank had ceased to be part of the same economic group of the companies that comprise the Benefits Plan V, and also because it did not form part of the policies/benefit plan adopted by the institution. In the year ended 12/31/2015, the contribution amounted to R\$ 223 and R\$ 230 in the Bank and in the Consolidated, respectively.

In line with best market practices, PAN offers a number of social benefits to its employees, including: (a) healthcare assistance; (b) dental care assistance; (c) life insurance; (d) meal vouchers; (e) food vouchers. In the year ended 12/31/2016, the related expenses amounted to R\$ 51,819 and R\$ 71,222 in the Bank and in the Consolidated, respectively (R\$ 36,072 and R\$ 69,373 in the Bank and in the Consolidated, respectively, in the year ended 12/31/2015).

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

32) INCOME TAX AND SOCIAL CONTRIBUTION

a) Calculation of income tax and social contribution in the results:

	Bank		Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Loss before income tax and social contribution	(400,126)	(155,964)	(450,408)	(198,838)
Effective rate (1) / (2)	45%	45%	-	-
Total income tax and social contribution credit at the effective rate	180,057	70,184	202,968	89,670
Effect on tax calculation:				
Constitution of CSLL tax credit (2)	-	119,873	-	123,199
Equity in the results of investees	(27,620)	(17,583)	14,921	-
Tax credit adjustment from prior years	-	-	-	(6)
Reclassifications between companies - Goodwill from total spin-off	-	(14,436)	-	(1,210)
Other amounts	10,451	5,978	(4,721)	(4,765)
Income tax and social contribution credit in the year	162,888	164,016	213,168	206,888

(1) In Consolidated, the effective rate is not presented because different rates are used for financial segment and other companies.

(2) Law 13,169/15 was published on October 7, 2015, originated from Provisional Measure 675/15, which increased from 15% to 20% the Social Contribution on Net Income (CSLL) rate charged to financial institutions as from September 1, 2015. The collection is effective up to December 31, 2018, returning to 15% as from 2019.

b) Origin and change in deferred income tax and social contribution assets:

	Bank			
	At 12/31/2015	Constitution	Amount realized	At 12/31/2016
Allowance for losses	1,098,709	475,281	(418,585)	1,155,405
Provision for civil contingencies	63,690	73,060	(43,723)	93,027
Provision for labor contingencies	44,381	71,453	(37,430)	78,404
Provision for tax contingencies	1,597	98	(1,566)	129
Provision for loss on assets not for own use	13,576	118,782	(118,820)	13,538
Mark-to-market adjustment of derivatives	56,341	253,078	(289,018)	20,401
Other provisions	130,315	226,007	(112,763)	243,559
Total deferred tax assets on temporary differences	1,408,609	1,217,759	(1,021,905)	1,604,463
Income tax and social contribution losses	1,277,551	-	(6,041)	1,271,510
Deferred tax assets, net of deferred tax liabilities (Note 11)	2,686,160	1,217,759	(1,027,946)	2,875,973

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

	Consolidated			
	At 12/31/2015	Constitution	Amount realized	At 12/31/2016
Allowance for losses	1,190,930	520,718	(425,427)	1,286,221
Provision for civil contingencies	68,717	77,279	(46,823)	99,173
Provision for labor contingencies	56,311	77,800	(50,656)	83,455
Provision for tax contingencies	7,056	2,469	(4,922)	4,603
Provision for loss on assets not for own use	19,446	121,287	(122,673)	18,060
Mark-to-market adjustment of derivatives	72,449	274,376	(300,261)	46,564
Other provisions	150,165	233,948	(120,914)	263,199
Total deferred tax assets on temporary differences	1,565,074	1,307,877	(1,071,676)	1,801,275
Income tax and social contribution losses	1,496,211	9,292	(14,670)	1,490,833
Total tax assets (Note 11)	3,061,285	1,317,169	(1,089,346)	3,292,108
Deferred tax liabilities (Note 32(e))	(93,798)	(11,707)	18,203	(87,302)
Deferred tax assets, net of deferred tax liabilities	2,967,487	1,305,462	(1,068,143)	3,204,806

c) Expected realization of deferred tax assets in respect of temporary differences and income tax and social contribution losses:

The projected realization of deferred tax assets was based on the study of the current and future scenarios, effected at 12/31/2016, with the main assumptions used in the projections being macroeconomic indicators, production indicators, and cost of funding. This projected realization of deferred tax assets, and of the assumptions adopted, was approved by the Bank's Board of Directors on 2/6/2017.

Deferred income tax and social contribution assets will be realized as the temporary differences are reversed or when they qualify for tax deductibility, or on the offset of the tax losses, a portion of which offset is being discussed at the administrative level, with excellent prospects of success for the Bank.

The estimated realization of these assets is as follows:

	Bank					
	Temporary differences		Income tax and social contribution losses		Total	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
2016		368,589		2,706		371,295
2017	891,695	565,549	1,618	7,450	893,313	572,999
2018	627,329	265,755	89,307	1,733	716,636	267,488
2019	69,366	155,558	75,917	77,218	145,283	232,776
2020	4	36,514	100,944	143,922	100,948	180,436
2021	-	50	109,832	199,861	109,832	199,911
2022	2,114	2,183	132,779	236,938	134,893	239,121
2023	5,074	5,240	170,321	283,446	175,395	288,686
2024	5,074	5,240	189,578	324,268	194,652	329,508
2025	3,807	3,931	219,233	9	223,040	3,940
2026	-	-	181,981	-	181,981	-
Total	1,604,463	1,408,609	1,271,510	1,277,551	2,875,973	2,686,160

NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

	Consolidated					
	Temporary differences		Income tax and social contribution losses		Total	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
2016		384,363		10,397		394,760
2017	915,887	592,849	4,293	20,190	920,180	613,039
2018	655,545	288,168	96,006	16,116	751,551	304,284
2019	93,370	176,972	91,733	92,892	185,103	269,864
2020	24,072	66,724	117,600	156,416	141,672	223,140
2021	23,394	1,257	136,758	217,919	160,152	219,176
2022	11,272	10,883	159,029	250,655	170,301	261,538
2023	31,134	10,312	195,161	297,478	226,295	307,790
2024	21,553	10,312	212,782	338,297	234,335	348,609
2025	7,002	23,234	243,798	13,718	250,800	36,952
2026	18,046	-	194,268	-	212,314	-
Total	1,801,275	1,565,074	1,451,428	1,414,078	3,252,703	2,979,152

At 12/31/2016, the present value of deferred tax assets, calculated based on the Bank's average funding rate, totaled R\$ 1,784,919 in the Bank and R\$ 1,965,541 in Consolidated (R\$ 1,491,591 in the Bank and R\$ 1,640,235 in Consolidated at December 31, 2015).

In accordance with Article 5, paragraph 2 of CVM Resolution 3,059/02, the deferred tax assets which originated from tax losses incurred by excluding the credit from excess depreciation, in the amount of R\$ 39,405 (R\$ 43,069 at December 31, 2015), are not subject to the generation of profits based on a technical study.

d) Unrecorded deferred tax assets:

At 12/31/2016, deferred tax assets of R\$ 456,602 in the Bank and Consolidated were not recorded in respect of tax losses of approximately R\$ 1,141,506 (R\$ 1,130,522 at December 31, 2015 in the Bank and Consolidated), since they did not meet all of the conditions established by BACEN.

e) Deferred tax liabilities:

Consolidated	At 12/31/2015	Constitution	Amount realized	At 12/31/2016
Mark-to-market adjustment of derivative financial instruments	(10,167)	(5,177)	10,849	(4,495)
Exchange variations	-	(6,530)	3,441	(3,089)
Excess depreciation	(83,631)	-	3,913	(79,718)
Total (Note 21a - 32b)	(93,798)	(11,707)	18,203	(87,302)

33) OTHER INFORMATION

- Guarantees and sureties granted totaled R\$ 278,756 at 12/31/2016 (R\$ 277,656 at 12/31/2015).
- The policy of the Bank and its subsidiaries is to contract insurance for its cash, checks received as collateral and assets at amounts which are considered sufficient to cover potential losses.
- At 12/31/2016 and 12/31/2015, the Bank and its subsidiaries did not have lease agreements for own acquisitions.



NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

- d) CMN Resolution 4,036/11 became effective on January 1, 2012 and permits the deferral of the net loss generated by the renegotiation of previously assigned credit operations. The maximum term for deferral is December 31, 2015, or the date of maturity of the renegotiated operations, whichever is earlier, based on the straight-line method. The Resolution has been in effect since January 1, 2012. The Bank did not utilize the option permitted by this Resolution.
- e) Agreements for the Clearing and Settlement of Liabilities - CMN Resolution 3,263/05: the Bank entered into an agreement for the clearing and settlement of liabilities in the ambit of the National Financial System (SFN), in respect of transactions with corporate entities whether or not they were SFN members. This resolution is designed to permit the compensation of credits and debits maintained with the same counterparty, whereby the maturity of the related rights and obligations can be accelerated to the date on which an event of default by either party occurs or in the case of the bankruptcy of the debtor.
- f) On January 20, 2015, Law 13,097 was published, converting Provisional Measure 656/14, which, among other matters, amends the rules on the deduction of losses on receivables for defaults on contracts as from October 8, 2014 (art. 9 of Law 9,430/96); and

For defaults on contracts prior to this date, the /previously existing rules continue to be applicable.

- g) The year of 2016 was an important year for the Bank in the vehicle segment because: the Bank inaugurated a new platform and, since June, all captures of vehicle-related businesses are being made through a single system, thereby providing more agility, quality, and security in the process for the entire commercial team, the partners, and the internal areas. This represented an important step for the Bank to increase its participation in the vehicle market.



NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

Declaration of the Executive Board

In compliance with the determinations of Instruction 480/09, of the Brazilian Securities Commission, the Executive Board of Banco PAN S.A. declares that it has discussed, reviewed and agreed with the parent company and consolidated financial statements for the year ended 12/31/2016.



NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

Declaration of the Executive Board

In compliance with the determinations of Instruction 480/09, of the Brazilian Securities Commission, the Executive Board of Banco PAN S.A. declares that it has discussed, reviewed and agreed with the audit opinion expressed in the parent company and consolidated financial statements for the year ended 12/31/2016.



NOTES TO THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of reais unless otherwise stated

São Paulo, February 6, 2017

BOARD OF DIRECTORS

Gregório Moreira Franco
CRC 1SP219426/O-2
ACCOUNTANT

www.pwc.com.br

(A free translation of the original in Portuguese)

Banco Pan S.A.
***Parent company and consolidated
financial statements at
December 31, 2016
and independent auditor's report***





(A free translation of the original in Portuguese)

Independent auditor's report

To the Board of Directors and Stockholders
Banco Pan S.A.

Opinion

We have audited the accompanying parent company financial statements of Banco Pan S.A. ("Bank"), which comprise the balance sheet as at December 31, 2016 and the statements of operations, changes in equity and cash flows for the six-month period and year then ended, as well as the accompanying consolidated financial statements of Banco Pan S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2016 and the consolidated statements of operations, changes in equity and cash flows for the six-month period and year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the parent company and consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banco Pan S.A. and of Banco Pan S.A. and its subsidiaries as at December 31, 2016, and the parent company financial performance and cash flows for the six-month period and year then ended, as well as the consolidated financial performance and cash flows for the six-month period and year then ended, in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Parent Company and Consolidated Financial Statements section of our report. We are independent of the Bank and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Banco Pan S.A.

Key audit matters

Key audit matters are those that, in our professional judgment, were of most significance in our audit of the parent company and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the parent company and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Why it is a Key Audit Matter

How the matter was addressed in the audit

Allowance for losses (Note 3f and 8)

Banco Pan S.A. and its subsidiaries operate mainly in the retail market, and their main operations are: (i) consumer financing; (ii) payroll-linked loans; (iii) vehicle financing, and (iv) working capital loans, among others, which are frequently ceded to one of their controlling stockholders, without the substantial retention of risks and benefits. Management has to use judgment and a number of considerations in order to establish the allowance for losses.

In this process, the related policy seeks to capture internal and external factors, economic scenarios, the financial position of counterparties, level of default, expected future cash flows, renegotiation policies, estimated recovery and realization of guarantees, and the legal and regulatory standards of the Brazilian Central Bank - National Monetary Council (CMN) Resolution 2682. We focused on this area in our audit because of these aspects.

We analyzed the designs and the controls related to the calculation of the allowance for losses that deal with the integrity of the database and the underlying systems; processing, accounting of provisions, and the disclosure in the explanatory notes.

We tested the reconciliation of book balances with the analytical position. In addition, on a test basis, we recalculated the allowance for losses taking into account the established policy, which includes, among other aspects, certain considerations regarding the levels of risk and delay of operations according to the applicable standards.

We consider that the judgment and criteria adopted by management to determine the allowance for losses are reasonable in their most relevant aspects in the context of the financial statements.

Information technology environment

Banco Pan S.A. and its subsidiaries operate in a business environment where the information technology framework is critical to the development of their operations and to the continuity of their businesses, and which involves the processing of a large volume of transactions on a daily basis, in addition to a number of other processes involved in the management of accesses and information security. In recent years, improvements have been made in the main systems of the Bank and its

As part of our audit procedures, and with the support of our system specialists, we assessed the policies and procedures utilized in the information technology environment.

We considered, among others, the design and tested the operating effectiveness of the information technology and security controls that we considered to be relevant and linked to the management and development of systemic



Banco Pan S.A.

subsidiaries, the purpose of which is to establish a technology framework that is adequate considering the Group's volume of transactions.

Despite the fact that these changes in the technology environment and in their respective internal controls can be observed, the risks related to the information technology processes supporting the transactions in the different legacy systems could occasionally result in incorrect critical information, including the information utilized in the preparation of the financial statements.

We focused on this matter in our audit because of these aspects.

changes, program and database access security, the data processing center's physical security, including the compensating controls, when required.

In addition to the procedures related to the technology controls, we verified the automated and the technology-dependent controls, the compensating controls, the access restrictions, and the segregation of duties related to the applications of the processes that are relevant to the preparation of the financial statements.

Our procedures provided us with reasonable audit evidence related to the information technology environment.

Tax credits (Notes 3n and 32)

Banco Pan S.A. and its subsidiaries have tax credits totaling R\$ 3.2 billion from temporary additions to the Corporate Income Tax (IPRJ) and Social Contribution on Net Income (CSLL) calculation bases as well as from tax losses and negative calculation bases. These credits are recorded based on taxable profit projections regarding the realization of the tax credits in the long term. The projections involve judgment and subjective assumptions, are prepared based on a study of the current and future scenarios, and are reviewed by the Bank's management.

We focused on this area in our audit because utilizing different assumptions to estimate the taxable profit could significantly affect the estimated period for the realization of tax credits, with a resulting accounting impact, and not comply with BACEN's requirements concerning the recording and maintenance of these assets in the financial statements.

We obtained an understanding of the process for the calculation and recording in accordance with the tax and accounting standards related to the tax credits, including the specific requirements of the National Monetary Council and of the Brazilian Central Bank. We also obtained an understanding of the relevant assumptions established by management to estimate the taxable profit for the realization of tax credits.

We compared the assumptions utilized by the Bank and its subsidiaries to estimate the taxable profit with the budget projections approved by the Board of Directors and with the macroeconomic projections disclosed in the market. We also analyzed the historical data in order to confirm the reasonableness of these realization estimates.

We consider that the criteria and assumptions adopted by management to establish the projections of taxable profit for the realization of tax credits are reasonable in their most relevant aspects in the context of the financial statements.



Banco Pan S.A.

Other matters

Statements of Value Added

The parent company and consolidated Statements of Value Added for the year ended December 31, 2016, prepared under the responsibility of the Bank's management and presented as supplementary information for BACEN purposes, were submitted to the audit procedures executed in conjunction with our audit of the Bank's financial statements. The presentation of these Statements of Value Added is required by the Brazilian corporate legislation for listed companies. For the purposes of forming our opinion, we evaluated whether these statements were reconciled with the financial statements and accounting records, as applicable, and if their form and content were in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Value Added". In our opinion, these Statements of Value Added have been properly prepared, in all material respects, in accordance with the criteria established in the Technical Pronouncement, and are consistent with the parent company and consolidated financial statements taken as a whole.

Other information accompanying the parent company and consolidated financial statements and the auditor's report

The Bank's management is responsible for the other information that comprises the Management Report.

Our opinion on the parent company and consolidated financial statements does not cover the Management Report, and we do not express any form of audit conclusion thereon.

In connection with the audit of the parent company and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or with our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the parent company and consolidated financial statements

Management is responsible for the preparation and fair presentation of these parent company and consolidated financial statements in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by BACEN, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company and consolidated financial statements, management is responsible for assessing the ability of the Bank and its subsidiaries to continue as going concerns, disclosing, as applicable, matters related to operational continuity and using the going concern basis of accounting unless management either intends to liquidate the Bank and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Bank and its subsidiaries.



Banco Pan S.A.

Auditor's responsibilities for the audit of the parent company and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the parent company and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Bank and its subsidiaries.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company and its subsidiaries to continue as going concerns. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions could cause the Bank and its subsidiaries to cease to continue as going concerns.
- Evaluate the overall presentation, structure and content of the parent company and consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Banco Pan S.A.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, February 6, 2017

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Carlos Augusto da Silva
Contador CRC 1SP197007/O-2