

Financial statements

4Q17

Banco
PAN

(A free translation of the original in Portuguese)

Management Report

4Q17

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DEAR STOCKHOLDERS,

The Management of Banco Pan S.A. ("PAN", "Bank", or "Company") and its subsidiaries present to you the Management Report and the related financial statements for the year ended December 31, 2017, together with the independent auditor's report. The information presented is in conformity with Law 4,595/64 (National Financial System Law) and Law 6,404/76 (Brazilian Corporate Law), with the Standards of the National Monetary Council (CMN), Brazilian Central Bank (BACEN), and Brazilian Securities Commission (CVM), as well as with other statutory rules.

ECONOMIC ENVIRONMENT

The industrial production in December advanced by 2.8% in the monthly comparison, registering an increase of 4.3% in the year. After a sharp retraction in the last few years, the industrial production increased in all 2017 quarters and was, on average, 2.5% above the 2016 levels. Despite the fact that the growth achieved in December is unlikely to be reflected in the next few months, this indicator a small and consistent recovery in the economy.

Regarding demand, the retail sales exceeded expectations and registered a good performance in November, achieving a monthly advance of 0.7% in a restricted concept, in comparison with the advance of 25% in an amplified concept (including sales of vehicles and construction materials) for the period. Both these results were impacted by the sales made during the "Black Friday" period.

Inflation, as measured by the Amplified Consumer Price Index (IPCA), presented a variation of 0.4% in December, attaining 2.95% in 2017 (2016 - 6.29%). This was the first time that the IPCA at the end of the year was below the inferior limit (3%) of the targeted inflation (4.5%).

According to the General Register of Employed and Unemployed Individuals (CAGED), the labor market suffered a net loss of 328.5 thousand registered job positions in December. There usually is a sharp decrease in job positions in December due to temporary contracts ending in that month. However, the net balance of formal job positions advanced, with a positive result in December (65.4 thousand) in comparison with November (23.3 thousand), the strongest result since the beginning of 2014.

The unemployment rate in 4Q 2017, according to the Brazilian Institute of Geography and Statistics (IBGE), was 11.8%. The disclosure details for December were positive, with a decrease in informal employment being compensated by an increase in the formal segment, in addition to the average income and total salaries maintaining a tendency to increase.

The credit market also registered a good performance in December, mainly in the free fund segment, which presented an advance in the concession of credit to legal entities, which decrease in interest rates and defaults in these operations. The concession of credit to individuals remained stable in the period, with a decrease in interest rates and defaults. In the accumulated for the year, credit concessions with free funds to legal entities decreased 4.0% in real terms in relation to 2016. Concessions to individuals presented an effective increase of 5.3% in the annual comparison.

In line with the current monetary flexibilization cycle, market interest rates, decreased, and at the same time for both individuals and corporate customers. The credit/GDP ratio for Brazil increased in 2017 after declining in the last two years.

OPERATIONAL AND COMMERCIAL AGREEMENTS

Since 2011, when Caixa Econômica Federal ("Caixa") (Federal Savings and Loans Bank), through its fully owned subsidiary Caixa Participações S.A., and Banco BTG Pactual S.A. ("BTG Pactual"), executed the PAN Stockholder Agreement, the controlling stockholders and the Company executed Operational and Commercial Cooperation Agreements to reaffirm their commitment to a strategic partnership. Among the established measures, with a direct impact on PAN's capital structure and liquidity, we highlight the following: (i) Caixa's commitment to acquiring credits from the Company without co-obligation, and (ii) liquidity reinforcement through interbank deposit agreements or similar operations. These are long-term agreements that can be amended, which allow PAN to have funding alternatives with a competitive cost.

BANK'S STRUCTURE

With 2,161 employees, PAN and its subsidiaries have 60 exclusive PAN Service Stations in Brazil's major cities, distributed geographically according to the GDP of each region.

At the end of 2017, PAN had 865 bank correspondents originating payroll loans, as well as 6,142 multi - brand partner stores originating vehicle credits.

At the closing of the quarter, the Bank had 4.3 million active customers and 2.2 million credit cards issued.

MAIN RESULTS

Origination of Credit Portfolio and Retail

During the 4Q17, PAN originated a monthly average of R\$ 1,301 million, an increase of 4% in relation to 3Q17 (R\$ 1,248 million).

In comparison with 2016, there was a decrease due to the redirectioning strategy that PAN adopted, focusing its credit activities in payroll-deductibles (loans and credit card), vehicle financing in multi-brand stores, and credit cards. The monthly average of origination in 2017 was R\$ 1,476 million (2016 - average R\$ 1,719 million).

The Credit Portfolio balance, which includes Retail and Company portfolios, totaled R\$ 18,645 million at the end of 4Q17, a decrease in relation to the balance of R\$ 18,799 million in 3Q and to R\$ 19,196 million in 4Q16. These reductions were mainly influenced by the retraction of the balance of the Company and Real Estate portfolio, which are in "run off", in addition to the credit concessions that are part of PAN's strategy.

During 4Q17, PAN assigned credits without co-obligation amounting to R\$ 1,312 million, totalling R\$ 7,738 million of credits granted during 2017. The Originated Credit Portfolio balance, which takes into consideration both credits retained in PAN's balance sheet and the accumulated balance of the portfolios assigned to Caixa, amounted to R\$35.6 billion at the end of the year.

Payroll-deductibles (Loan and Credit Card)

In the annual comparison, Pan originated R\$ 10,109 million in payroll-deductible credits (Loans and Credit Card) in 2017 (2016 - R\$ 10,245 million).

Regarding loans, in the quarterly comparison, R\$ 1,980 million was granted to public servants and beneficiaries of the National Institute of Social Security (INSS) in 4Q17, an increase of R\$ 1,927 million in comparison with 3Q17, but a decrease of R\$ 2,434 million in comparison with 4Q16.

Regarding credit cards, R\$ 179 million was originated in transactions during 4Q17, compared to R\$ 176 million in 3Q17 and R\$ 189 million in 4Q16.

The payroll-deductible loan portfolio ended 2017 with a balance of R\$ 7,687 million, virtually stable in relation to the balance of R\$ 7,654 million in 3Q17 and with a slight decrease of 2% in comparison with the balance of R\$ 7,836 million at the end of 2016, due to the credit concessions without co-obligation made during the year. The payroll-deductible credit card portfolio ended 2017 with a balance of R\$ 1,260 million, an increase of 4% when compared with the balance of R\$ 1,217 million of the previous quarter and an increase in relation to the balance of R\$ 1,072 million at the end of 2016.

Financing of Vehicles

The Bank can count on 6,142 multi-brand partner stores, with a high degree of pulverization in the origination of vehicle financing. Since the first quarter of 2017, PAN has changed its position in this segment, no longer offering vehicle financing at single brand dealers. As a result, PAN originated R\$ 4,108 million in new vehicle financing in 2017, in comparison with R\$ 6,541 million in 2016. In the quarterly comparison, R\$ 873 million in new financing was originated during 4Q17, in comparison with R\$ 825 million in 3Q17 and R\$ 1,786 million in 4Q16.

The vehicle financing portfolio totaled R\$ 5,906 million at the end of the year, presenting an increase of 2% in relation to R\$ 5,779 million in 3Q17 and 13% in relation to R\$ 5,231 million in 4Q16.

Institutional Credit Cards

During 4Q17, credit card transactions totaled R\$ 869 million, presenting a slight increase in comparison with R\$ 807 million in 3Q17 and a small decrease in comparison with R\$ 881 million in 4Q16. The card portfolio registered a minor increase in 4Q17, totaling R\$ 978 million (3Q17 - R\$ 928 million).

Insurance

PAN originated R\$ 46 million in insurance premiums during 4Q17, therefore maintaining the premium origination volume in relation to the previous quarter. In 2017, the amounts originated from premiums totaled R\$ 198 million, 7% above the R\$ 185 million in 2016.

The premiums which originated in the quarter included: R\$ 36.2 million in credit protection insurance, R\$ 4.7 million in housing project insurance; R\$ 3.4 million in card insurance; and R\$ 1.6 million in other insurance.

Consortium

Consortium sales amounted to R\$ 125 million in 4Q17, compare to R\$ 166 million in 3Q17 and R\$ 80 million in 4Q16. In 2017, accumulated consortiums sales amounted to R\$ 395 million (2016 - R\$ 866 million).

Corporate Loans

As a result of the strategic decision to discontinue this business line, the expanded corporate credit portfolio closed the quarter with a balance of R\$1,699 million, a decrease from R\$1,992 million at September 30, 2017 and R\$ 2,627 million at December 31, 2016.

This portfolio presents an adequate risk diversification, with a high pulverization between sectors and economic groups, as well as possessing a high level of guarantees. The ten largest customers represented only 3% of the total balance of PAN's credit portfolio at the end of the year.

Real Estate Credit

Because this business line was discontinued, there was a reduction in this portfolio. The balance of credits granted to individuals totaled R\$ 662 million at the end of 2017 (3Q17 and 4Q16 - R\$ 693 million and R\$ 774 million, respectively). The balance of credits granted to legal entities totaled R\$ 354 million at the end of 2017 (3Q17 and 4Q16 - R\$ 442 million and R\$ 563 million, respectively).

Funding

The balance of funding at the end of 2017 totaled R\$ 17.9 billion, a decrease of 7.0% when compared to R\$ 19.2 billion recorded at end of September 2017 and decrease of 10% when compared to R\$ 19.8 billion recorded in December 2016. The major sources of funding activities include: (i) interbank deposits totaling R\$ 8.7 billion, or 49% of the total; (ii) time deposits amounting to R\$ 4.9 billion, or 27% of the total; (iii) bonds issued abroad totaling R\$1.6 billion, or 9% of the total; (iv) real estate and agribusiness letters of credit amounting to R\$1.4 billion, or 8% of the total; (iv) financial notes totaling R\$ 984 million, or 6% of the total; (v) other funding sources amounting to R\$ 244 million, or 1% of the total.

In accordance with Article 8 of BACEN Circular Letter 3,068/01, PAN declares that it has the financial capacity and the intention to hold to maturity all the securities classified as "held to maturity" in its financial statements.

Results

Management Net Financial Margin - NIM

The management net financial margin was 17.5% p.a. in 4Q17, compared to 16.8% p.a. in 3Q17 and 18.7% p.a. in 4Q16. In 2017, the margin was 16.6% p.a. (2016 - 13.6% p.a.).

Expenses with Allowances for Loan Losses and Recovery of Credits

In 4Q17, the expenses with the allowances for loan losses totaled R\$ 269 million, whereas the recovery of credits previously written-off amounted to R\$ 59 million. Therefore, the net expense with the allowances for loan losses totaled R\$ 210 million, compared to R\$ 222 million in 3Q17 and

R\$ 252 million in 4Q16. In 2017, the net expense with the allowances for loan losses totaled R\$ 906 million, virtually stable compared with R\$ 890 million recorded in 2016.

Costs and Expenses

Personnel and administrative expenses totaled R\$ 272 million in 4Q17, practically stable in comparison with R\$ 275 million recorded in the previous quarter, but 7% down from R\$ 292 million in 4Q16, mainly due to a 10% reduction in personnel expenses. In 2017, personnel and administrative expenses totaled R\$ 1,117 million, compared to R\$ 1,147 million in 2016.

Credit origination expenses totaled R\$ 207 million in the quarter, a reduction from R\$ 234 million in 3Q17 and R\$ 239 million in 4Q16. In 2017, credit origination expenses totaled R\$ 985 million, compared to R\$ 902 million in 2016, mainly due to the final adjustments related to origination commissions in order to comply with Resolution 3,738/14.

Net Result

For 4Q17, PAN registered a profit of R\$ 54.9 million, with retained earnings of R\$ 212.6 million at the end of the year, thereby reversing the loss of R\$ 237.2 million in 2016.

The major factors underlying the good results for the most recent quarters were: (i) maintenance of robust financial margins, impacted by the decrease in the Special System for Settlement and Custody (SELIC) rate; (ii) a controlled allowance for losses on credits; and (iii) continued cost reductions.

Also in 4Q, PAN sold its investment in Stone Pagamentos S.A. For R\$ 229 million and realized provisions for contingencies so as to reinforce its equity.

Equity and capital

PAN's consolidated equity totaled R\$ 3,556 million in December 2017, considering the provision for interest on capital of R\$ 69.8 million (September 2017 - R\$ 3,522 million; December 2016 - R\$ 3,412 million).

The Prudencial Conglomerate Basel Index at the end of 2017 was 13.3%, of which 9.8% for Principal Capital, in comparison with 12.2%, with 9% for Principal Capital, registered at the end of 3Q17, and with 13.2%, with 9.4% for Principal Capital, registered at the end of 2016. The Prudencial Conglomerate Operating Margin in 4Q17 was R\$ 470 million.

If the capital increase was considered, as defined in the Subsequent Events, PAN's proforma Basel Index for 4Q17 would be 15.6%.

EVENTS AFTER THE REPORTING PERIOD

According to the Notice to Stockholders published on January 26, 2018, the Company's capital increase was fully subscribed and paid up, totaling R\$ 400,000,001.04 (four hundred million and one reais and four cents), through the subscription for 212,765,958 registered, book-entry shares with no par value, of which 122,530,888 were common shares and 90,235,070 preferred shares.

On that date, the Company's Board of Directors had a meeting in order to approve the capital increase. The Company will subsequently submit it for approval of the Brazilian Central Bank, in accordance with the applicable regulations.

INDEPENDENT AUDITORS

As from the first quarter of 2011, PricewaterhouseCoopers Auditores Independentes ("PwC") started to audit the Bank's quarterly information and financial statements. Pursuant to the terms of CVM Instruction 381, PwC was not contracted or provided any other services to PAN in the year other than those related to the external audit. This policy complies with principles that preserve the auditor's independence, in accordance with internationally accepted criteria, according to which the auditor should not audit its own work, nor exercise managerial functions for its client, nor promote client's interests.

ACKNOWLEDGMENTS

We thank our employees for their efforts and engagement in the execution of PAN's business strategy and also thank our customers, investors, and partners, who honor us with their continuous support and trust.

São Paulo, February 7, 2018

ASSETS	Note	Bank		Consolidated		LIABILITIES AND EQUITY	Note	Bank		Consolidated	
		12/31/2017	12/31/2016	12/31/2017	12/31/2016			12/31/2017	12/31/2016		
CURRENT ASSETS		11,850,630	12,726,831	11,973,625	12,942,074	CURRENT LIABILITIES		15,334,491	17,841,758	15,100,675	18,358,720
Cash and cash equivalents	5	6,536	7,424	10,748	19,521	Deposits	16.a	9,572,581	12,089,046	9,314,782	12,067,954
Short-term interbank investments	6.a	1,032,983	1,638,795	1,032,983	966,835	Demand deposits		25,543	60,015	25,439	54,762
Investments in the open market		1,017,242	891,796	1,017,242	891,796	Interbank deposits		8,938,498	11,736,273	8,697,973	11,736,273
Investments in interbank deposits		15,741	746,999	15,741	75,039	Term deposits		608,540	292,758	591,370	276,919
Marketable securities and derivative financial instruments	7	342,998	692,063	366,369	719,629	Funds obtained in the open market	16.b	1,493,292	1,927,684	1,493,292	1,927,684
Own portfolio	7.a	163,421	47,809	186,752	61,361	Own portfolio		976,236	1,222,172	976,236	1,222,172
Linked to repurchase commitments	7.a	164,612	626,015	164,612	626,015	Third-party portfolio		517,056	705,512	517,056	705,512
Derivative financial instruments	7.c	14,232	18,239	14,232	18,239	Funds from acceptance and issuance of securities	16.c	1,547,841	1,569,596	1,547,944	2,031,748
Subject to guarantees	7.a	733	-	773	14,014	Funds from real estate securities, mortgages, letters of credit and similar securities		1,547,841	1,569,596	1,547,944	2,031,748
Interbank investments		26,484	17,875	26,484	17,875	Interbank investments	17	851,219	804,868	851,219	804,868
Payments and receipts to be settled		-	20	-	20	Receipts of payments to be settled		654,035	649,072	654,035	649,072
Credits - Deposits at Brazilian Central Bank		1,299	1,299	1,299	1,299	Local correspondents		197,184	155,796	197,184	155,796
Local correspondents		25,185	16,556	25,185	16,556	Interdependent operations		4,509	6,785	4,509	6,785
Credit operations	8	7,582,563	7,382,991	7,582,563	7,911,474	Resources of third parties in transit		4,509	6,785	4,509	6,785
Private sector credit operations		8,414,167	8,112,020	8,414,167	8,784,513	Borrowings	18.a	-	-	-	2,038
(Allowance for losses)	8.c	(831,604)	(729,029)	(831,604)	(873,039)	Foreign	7.c	-	-	-	2,038
Leasing operations	8	-	-	176	913	Derivative financial instruments		73,129	33,996	73,129	33,996
Leasing operations receivable		-	-	222	1,541	Derivative financial instruments		73,129	33,996	73,129	33,996
(Allowance for lease losses)	8.c	-	-	(46)	(628)	Other obligations		1,791,920	1,409,783	1,815,800	1,483,647
Other credits		2,488,355	2,795,413	2,572,085	2,909,912	Levy and collection of taxes and similar charges		6,761	15,016	6,761	15,142
Foreign exchange portfolio	9.a	68,169	172,569	68,169	172,569	Foreign exchange portfolio	9.a	-	650	-	650
Income receivable		7,134	4,150	1,935	1,728	Social and statutory		162,262	42,086	162,530	42,760
Negotiation and intermediation of securities		2,700	2,535	2,700	3,119	Taxes and social security	21.a	38,310	51,580	51,342	74,195
Real estate receivables	10	-	-	9,852	13,031	Negotiation and intermediation of securities		2,464	1,399	5,923	33,390
Securities and credits receivable	8 and 11	844,269	812,757	844,269	831,970	Subordinated debts	19	93,275	88,113	93,275	88,113
(Allowance for other doubtful accounts)	8.c	(71,467)	(58,028)	(71,467)	(58,747)	Sundry	21.b	1,488,848	1,210,939	1,495,969	1,229,397
Sundry	11	1,637,550	1,861,430	1,716,627	1,946,242						
Other assets		370,711	192,270	382,217	395,915						
Other assets	12.a	399,874	149,054	410,837	364,717						
(Provision for impairment)	12.a	(66,897)	(39,567)	(68,244)	(53,356)						
Prepaid expenses	12.b	37,734	82,783	39,624	84,554						

ASSETS	Note	Bank		Consolidated		LIABILITIES AND EQUITY	Note	Bank		Consolidated	
		12/31/2017	12/31/2016	12/31/2017	12/31/2016			12/31/2017	12/31/2016		
LONG-TERM RECEIVABLES		13,150,611	12,838,174	13,676,959	14,289,255	LONG-TERM LIABILITIES		7,262,854	5,334,705	7,177,733	5,733,900
Interbank investments	6.a	-	9,289	-	5,548	Deposits	16.a	4,562,264	2,459,843	4,340,771	2,266,580
Investments in interbank deposits		-	9,289	-	5,548	Interbank deposits		32,175	29,428	32,175	29,428
Marketable securities and derivative financial instruments	7	1,272,078	1,315,505	1,520,139	1,718,980	Term deposits		4,530,089	2,430,415	4,308,596	2,237,152
Own portfolio	7.a	101,629	331,442	347,523	596,369	Funds obtained in the open market	16.b	106,022	100,338	98,195	96,940
Linked to repurchase commitments	7.a	906,822	693,232	906,822	693,232	Own portfolio		106,022	100,338	98,195	96,940
Derivative financial instruments	7.c	157,135	159,600	157,135	143,134	Funds from acceptance and issuance of securities	16.c	697,500	773,399	701,611	1,123,960
Linked to the Brazilian Central Bank	7.a	-	-	-	51,151	Funds from real estate securities, mortgages, letters of credit and similar securities		697,500	773,399	701,611	1,123,960
Subject to guarantees	7.a	106,492	131,231	108,659	235,094	Borrowings	18.a	-	-	-	132,063
Credit operations	8	8,806,221	8,368,030	8,806,221	8,942,131	Foreign		-	-	-	132,063
Private sector credit operations		9,107,530	8,622,186	9,107,530	9,226,475	Derivative financial instruments	7.c	129,514	111,738	129,514	111,738
(Allowance for losses)	8.c	(301,309)	(254,156)	(301,309)	(284,344)	Derivative financial instruments		129,514	111,738	129,514	111,738
Leasing operations	8	-	-	-	157	Other obligations		1,767,554	1,889,387	1,907,642	2,002,619
Leasing operations receivable		-	-	-	187	Taxes and social security	21.a	-	-	80,459	82,062
(Allowance for lease losses)	8.c	-	-	-	(30)	Subordinated debts	19	1,681,720	1,663,233	1,681,720	1,663,233
Other credits		2,952,046	2,877,701	3,227,909	3,350,692	Sundry	21.b	85,834	226,154	145,463	257,324
Negotiation and intermediation of securities		-	-	-	480						
Specific claims		-	-	809	848						
Real estate receivables	10	-	-	4,155	14,368						
Securities and credits receivable	8 and 11	72,550	25,614	72,550	65,493						
(Allowance for other doubtful accounts)	8.c	(16,956)	(5,646)	(16,956)	(7,135)	RESULTS OF FUTURE PERIODS		92	794	92	794
Sundry	11	2,896,452	2,857,733	3,167,351	3,276,638	Results of future periods		92	794	92	794
Other assets		120,266	267,649	122,690	271,747						
Prepaid expenses	12.b	120,266	267,649	122,690	271,747						
PERMANENT ASSETS		1,152,020	1,024,414	183,740	274,247	EQUITY		3,555,824	3,412,162	3,555,824	3,412,162
Investments		978,525	941,987	379	48,988	Capital:	22	3,460,732	3,460,732	3,460,732	3,460,732
Investments in subsidiaries and associates	13.a	978,146	941,608	-	48,609	Domiciled in the country		3,065,825	3,051,660	3,065,825	3,051,660
Other investments	13.b	379	379	379	379	Domiciled abroad		394,907	409,072	394,907	409,072
Property and equipment in use	14	27,690	37,834	27,690	37,838	Revenue reserves		108,495	-	108,495	-
Other property and equipment in use		69,211	71,546	69,249	71,585	Carrying value adjustments		(13,403)	(14,259)	(13,403)	(14,259)
(Accumulated depreciation)		(41,521)	(33,712)	(41,559)	(33,747)	Accumulated deficit		-	(34,311)	-	(34,311)
Intangible assets	15	145,805	44,593	155,671	187,421						
Intangible assets		359,582	113,192	381,430	367,731						
(Accumulated amortization)		(213,777)	(68,599)	(225,759)	(180,310)						
TOTAL ASSETS		26,153,261	26,589,419	25,834,324	27,505,576	TOTAL LIABILITIES AND EQUITY		26,153,261	26,589,419	25,834,324	27,505,576

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



BANCO PAN S.A. AND SUBSIDIARIES

**STATEMENTS OF OPERATIONS
FOR THE SECOND SIX-MONTHS OF 2017 AND THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

(All amounts in thousands of reais - R\$, unless otherwise stated)

(A free translation of the original in Portuguese)

	note	Bank			Consolidated	
		Second six-months of	12/31/2017	12/31/2016	12/31/2017	12/31/2016
		2017				
INCOME FROM FINANCIAL INTERMEDIATION		3,469,745	7,718,405	6,320,820	7,780,348	6,555,504
Income from credit operations	8.g	3,547,247	7,703,911	6,639,841	7,779,351	6,922,869
Result from leasing operations	8.g	-	-	-	947	2,354
Result from operations with securities	7.h	106,394	290,822	470,917	287,158	463,431
Result with derivative financial instruments	7.g	(186,660)	(294,869)	(788,693)	(305,649)	(831,905)
Result of foreign exchange operations	9.b	2,764	18,541	(1,245)	18,541	(1,245)
EXPENSES ON FINANCIAL INTERMEDIATION		(1,580,989)	(3,450,702)	(3,363,320)	(3,524,913)	(3,589,504)
Funding operations	16.d	(1,035,273)	(2,393,933)	(2,377,690)	(2,403,592)	(2,487,319)
Borrowing and onlending operations	18.b	-	-	-	(1,509)	16,243
Allowance for losses	8.c	(545,716)	(1,056,769)	(985,630)	(1,119,812)	(1,118,428)
GROSS RESULT ON FINANCIAL INTERMEDIATION		1,888,756	4,267,703	2,957,500	4,255,435	2,966,000
OTHER OPERATING INCOME (EXPENSES)		(1,903,421)	(4,140,470)	(3,298,020)	(4,154,444)	(3,349,910)
Income from services rendered	23	175,880	377,557	456,865	403,236	489,405
Equity in the results of investees	13.a	13,952	(56,223)	(61,377)	(2,993)	33,157
Personnel expenses	24	(216,084)	(458,037)	(392,041)	(463,572)	(508,815)
Other administrative expenses	25	(863,864)	(2,041,176)	(2,121,623)	(2,086,040)	(2,072,541)
Tax expenses	26	(80,084)	(202,248)	(189,696)	(220,000)	(235,121)
Other operating income	27.a	121,191	218,327	168,971	262,646	204,991
Other operating expenses	27.b	(1,054,412)	(1,978,670)	(1,159,119)	(2,047,721)	(1,260,986)
OPERATING RESULT		(14,665)	127,233	(340,520)	100,991	(383,910)
NON-OPERATING RESULT	28	158,230	153,924	(59,606)	152,303	(66,498)
RESULT BEFORE TAXATION ON THE RESULT AND PARTICIPATIONS		143,565	281,157	(400,126)	253,294	(450,408)
PROVISION FOR INCOME TAX AND SOCIAL CONTRIBUTION	32.a	22,578	(68,551)	162,888	(40,688)	213,168
Income tax		104	(665)	(5,673)	(1,379)	23,128
Social contribution		(345)	(1,377)	(4,376)	(557)	(7,190)
Deferred tax		22,819	(66,509)	172,937	(38,752)	197,230
PARTICIPATION OF MINORITY STOCKHOLDERS		-	-	-	-	2
PROFIT (LOSS) FOR THE PERIOD/YEAR		166,143	212,606	(237,238)	212,606	(237,238)
INTEREST ON CAPITAL	22.c	(69,800)	(69,800)	-	(69,800)	-
EARNINGS/LOSS PER OUTSTANDING SHARE - R\$ (Represented by 929,040,163 shares at 12/31/2017 and 12/31/2016)		0.18	0.23	(0.26)		

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



BANCO PAN S.A. AND SUBSIDIARIES

**STATEMENTS OF VALUE ADDED
FOR THE SECOND SIX-MONTHS OF 2017 AND THE YEARS ENDED December 31, 2017 AND 2016**
(All amounts in thousands of reais - R\$)

(A free translation of the original in Portuguese)

	Bank			Consolidated	
	Second six-months of		12/31/2016	12/31/2016	
	2017	12/31/2017		12/31/2017	12/31/2016
REVENUE	1,986,200	4,823,703	4,275,511	4,809,714	4,307,637
Financial intermediation	3,469,745	7,718,405	6,320,820	7,780,348	6,555,504
Services rendered	175,880	377,557	456,865	403,236	489,405
Allowance for losses	(545,716)	(1,056,769)	(985,630)	(1,119,812)	(1,118,428)
Other operating income (expenses)	(1,113,709)	(2,215,490)	(1,516,544)	(2,254,058)	(1,618,844)
EXPENSES ON FINANCIAL INTERMEDIATION	(1,035,273)	(2,393,933)	(2,377,690)	(2,405,101)	(2,471,076)
INPUTS ACQUIRED FROM THIRD PARTIES	(547,970)	(1,405,356)	(1,565,012)	(1,430,962)	(1,459,783)
Materials, energy, and other	(1,399)	(3,193)	(2,382)	(3,201)	(3,841)
Third-party services	(186,072)	(290,230)	(253,220)	(310,408)	(282,561)
Commissions paid to correspondent banks	(360,499)	(1,111,933)	(1,309,410)	(1,117,353)	(1,173,382)
GROSS VALUE ADDED	402,957	1,024,414	332,810	973,651	376,778
DEPRECIATION AND AMORTIZATION	(27,258)	(50,919)	(47,535)	(57,432)	(64,627)
NET VALUE ADDED PRODUCED BY THE ENTITY	375,699	973,495	285,275	916,219	312,151
VALUE ADDED RECEIVED IN TRANSFER	13,952	(56,223)	(61,377)	(2,993)	33,157
Equity in the results of investees	13,952	(56,223)	(61,377)	(2,993)	33,157
TOTAL VALUE ADDED TO BE DISTRIBUTED	389,651	917,272	223,898	913,226	345,308
DISTRIBUTION OF VALUE ADDED	389,651	917,272	223,898	913,226	345,308
Personnel	184,189	396,992	332,726	401,760	429,733
Direct remuneration	141,544	302,138	258,564	305,770	328,656
Benefits	31,179	66,246	51,819	67,010	71,222
Government Severance Indemnity Fund (FGTS)	9,579	25,325	19,740	25,667	27,084
Others	1,887	3,283	2,603	3,313	2,771
Taxes and contributions	86,136	332,608	86,212	323,373	101,487
Federal	77,917	314,967	64,913	299,415	60,375
State	3	10	3	10	7
Municipal	8,216	17,631	21,296	23,948	41,105
Remuneration of third party capital	22,983	44,866	42,198	45,287	51,328
Rent	22,983	44,866	42,198	45,287	51,328
Remuneration of own capital	96,343	142,806	(237,238)	142,806	(237,240)
Retained earnings/loss	166,143	212,606	(237,238)	212,606	(237,238)
Provisioned interest on capital	(69,800)	(69,800)	-	(69,800)	-
Participation of minority stockholders	-	-	-	-	(2)

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



BANCO PAN S.A.

**STATEMENT OF CHANGES IN PARENT COMPANY EQUITY
FOR THE SECOND SIX-MONTHS OF 2017 AND THE YEARS ENDED DECEMBER 31, 2017 AND 2016**
(All amounts in thousands of reais - R\$)

(A free translation of the original in Portuguese)

	Revenue reserves				Carrying value adjustments	Retained earnings/ accumulated deficit	Total
	Capital	Capital reserve	Legal	For integrity of equity			
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 DECEMBER 31, 2016	3,460,732	-	-	-	(14,259)	(34,311)	3,412,162
Capital increase (Note 22a)	400,000	-	-	-	-	-	400,000
Unpaid capital (Note 22a)	(400,000)	-	-	-	-	-	(400,000)
Carrying value adjustment	-	-	-	-	856	-	856
Profit for the year	-	-	-	-	-	212,606	212,606
Allocation:							
Legal reserve (Note 22.b)	-	-	8,915	-	-	(8,915)	-
Transfer from retained earnings to revenue reserve (Note 22.b)	-	-	-	99,580	-	(99,580)	-
Provisioned interest on capital (Note 22.c)	-	-	-	-	-	(69,800)	(69,800)
AT DECEMBER 31, 2017	3,460,732	-	8,915	99,580	(13,403)	-	3,555,824
AT JUNE 30, 2017	3,460,732	-	-	-	(12,674)	12,152	3,460,210
Capital increase (Note 22a)	400,000	-	-	-	-	-	400,000
Unpaid capital (Note 22a)	(400,000)	-	-	-	-	-	(400,000)
Carrying value adjustment	-	-	-	-	(729)	-	(729)
Profit for the second six-months	-	-	-	-	-	166,143	166,143
Allocation:							
Legal reserve (Note 22.b)	-	-	8,915	-	-	(8,915)	-
Transfer from retained earnings to revenue reserve (Note 22.b)	-	-	-	99,580	-	(99,580)	-
Provisioned interest on capital (Note 22.c)	-	-	-	-	-	(69,800)	(69,800)
AT DECEMBER 31, 2017	3,460,732	-	8,915	99,580	(13,403)	-	3,555,824

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



BANCO PAN S.A. AND SUBSIDIARIES

**STATEMENTS OF CASH FLOWS
FOR THE SECOND SIX-MONTHS OF 2017 AND THE YEARS ENDED DECEMBER 31, 2017 AND 2016**
(All amounts in thousands of reais - R\$)

(A free translation of the original in Portuguese)

	Bank			Consolidated	
	Second six-months of 2017	12/31/2017	12/31/2016	12/31/2017	12/31/2016
CASH FLOWS FROM OPERATING ACTIVITIES:					
PROFIT (LOSS) FOR THE PERIOD	166,143	212,606	(237,238)	212,606	(237,238)
Adjustments that do not affect cash flow:					
Depreciation and amortization	15,293	32,108	35,890	32,379	39,574
Amortization of goodwill	11,965	18,811	11,645	25,053	25,053
Constitution of provision for contingencies	345,079	479,377	259,926	514,398	323,173
Reversal of provision devaluation of assets not for own use	(10,957)	(14,557)	(2,408)	(17,003)	(6,173)
Loss on the sale of assets not for own use	8,353	5,960	44,616	8,688	48,864
Impairment loss	27,780	38,083	18,444	39,422	24,853
Equity in results of investees	(13,952)	56,223	61,377	2,993	(33,157)
Gain on sale of investment	(183,384)	(183,384)	-	(183,384)	-
Allowance for losses	545,716	1,056,769	985,630	1,119,812	1,118,428
Income tax and social contribution - deferred	(22,819)	66,509	(172,937)	38,752	(197,230)
Adjusted profit	889,217	1,768,505	1,004,945	1,793,716	1,106,147
Changes in assets and liabilities:					
Decrease (increase) in interbank investments	(808,543)	770,814	(289,830)	95,112	(136,182)
Decrease (increase) in securities	420,635	386,605	(154,209)	562,951	(128,265)
Decrease in derivative financial instruments	57,696	63,381	622,237	46,915	652,024
Decrease (increase) in interbank investments	(18,673)	37,742	56,492	37,742	56,492
Decrease (increase) in credit operations	218,646	(1,694,532)	(2,959,264)	(654,991)	(2,790,620)
Decrease in leasing operations	-	-	-	894	6,425
Decrease (increase) in other receivables	664,930	166,426	(187,766)	422,080	(205,879)
Decrease (increase) in other assets	(14,238)	(184,932)	(34,471)	7,296	(143,535)
(Decrease) increase in deposits	(1,579,050)	(414,044)	2,327,353	(678,981)	2,237,423
(Decrease)/increase in funds obtained in the open market	488,335	(428,708)	384,050	(433,137)	386,906
(Decrease) increase in acceptances and issue of securities	(196,405)	520,734	550,201	(287,775)	304,197
Decrease in other liabilities	(71,513)	(96,723)	(211,006)	(288,973)	(332,990)
Decrease in interdependent accounts	(5,703)	(2,276)	(22,203)	(2,276)	(22,203)
Decrease in result of future periods	(296)	(702)	(771)	(702)	(771)
NET CASH PROVIDED BY OPERATING ACTIVITIES	45,038	892,280	1,085,758	619,871	989,169
CASH FLOW FROM INVESTING ACTIVITIES:					
Disposal of assets not for own use	64,845	128,344	77,284	128,915	103,568
Investments sold	229,000	229,000	17,289	229,000	-
Investments purchased	(100,000)	(250,000)	(92,360)	-	(12,359)
Purchases of property and equipment	(1,305)	(1,938)	(21,875)	(1,938)	(6,660)
Increase in intangible assets	(13,051)	(37,935)	(17,461)	(18,381)	(17,853)
Dividends and interest on capital received	5,601	5,601	-	-	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	185,090	73,072	(37,122)	337,596	66,696
CASH FLOWS FROM FINANCING ACTIVITIES:					
Decrease in financial notes	(48,700)	(447,399)	(528,010)	(447,399)	(528,010)
Decrease in subordinated debts	(61,601)	(122,350)	(285,279)	(122,350)	(285,279)
Decrease in agrifinancial letters of credit	(51,464)	(170,979)	(624,622)	(170,979)	(624,622)
Provisioned interest on capital	(69,800)	(69,800)	-	(69,800)	-
Changes in minority interests	-	-	-	-	(19)
NET CASH USED IN FINANCING ACTIVITIES	(231,565)	(810,528)	(1,437,911)	(810,528)	(1,437,930)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,437)	154,824	(389,275)	146,939	(382,065)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD (NOTE 5)	163,685	7,424	396,699	19,521	401,586
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD (NOTE 5)	162,248	162,248	7,424	166,460	19,521
ADDITIONAL INFORMATION ON CASH FLOWS					
Interest paid	(1,368,249)	(3,088,457)	(2,953,514)	(3,097,099)	(3,063,797)
Interest received	3,477,553	7,756,809	6,578,875	7,824,811	6,681,138
Transfer of assets not for own use	(3,110)	(8,574)	(45,682)	(8,633)	(45,862)
Unrealized gains/losses on securities available for sale	(1,111)	1,515	8,581	1,515	8,581

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



1) OPERATIONS

Banco Pan S.A. ("Bank", "PAN" or "Institution") is a corporation authorized to operate as a multi-service bank. It operates, directly and indirectly, via its subsidiaries in the payroll-deductible loans and credit cards vehicle financing, institutional credit card, and vehicle and real estate consortium markets. In addition, the Bank has a portfolio of "run off" financing for companies, construction financing for developers and builders; real estate financing for individuals; consumer credit, financing for purchases of machinery and equipment, foreign exchange transactions, acquisition of real estate receivables, and vehicle and other asset leasing operations. 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 income 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 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.

The Bank's shareholding structure at 12/31/2017 was as follows:

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
Market	8	-	179,246,347	45.49	179,246,355	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 the recording of transactions, associated with the standards and instructions established by BACEN, and the 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. Consequently, in preparing its financial statements, the Bank adopted, where applicable, 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;
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;
9. CPC33 (R1) - Employee Benefits - ratified by CMN Resolution 4,424/15;
10. CPC 04 (R1) - Intangible Assets - ratified by CMN Resolution 4,534/16;
11. CPC 27 - Property and Equipment - ratified by CMN Resolution 4,535/16; and
12. CPC 02 (R2) - Effects of Changes in Foreign Exchange Rates and Conversion of Financial Statements - ratified by CMN Resolution 4,524/16.

The parent company and consolidated financial statements for the year ended 12/31/2017 were authorized for issue by the Board of Directors and Executive Board on 2/7/2018.

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

Direct subsidiaries	Total equity interest %	
	12/31/2017	12/31/2016
Pan Arrendamento Mercantil S.A.	100.00	100.00
Brazilian Finance & Real Estate S.A.	100.00	100.00
Brazilian Securities Companhia de Securitização	100.00	100.00
Pan Administradora de Consórcio Ltda.	100.00	100.00
BM Sua Casa Promotora de Vendas Ltda.	100.00	100.00
Brazilian Mortgages Companhia Hipotecária. (1)	-	100.00
Panserv Prestadora de Serviços Ltda. (2)	-	-

(1) Company merged into Banco PAN S.A. on 6/28/2017 (approved by BACEN on 11/16/2017); and

(2) Company merged into Banco PAN S.A. on 12/20/2016 (approved by BACEN on 6/28/2017).

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 values of derivative financial instruments and their respective hedged items are determined based on available market information, mainly the prices and rates released by the Brazilian Commodities, Futures and Stock Exchange - B3 S.A. 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 B3 S.A., were 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 B3 S.A. 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 registered at B3 S.A. 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 B3 S.A., 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 described below:

- 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:

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 12/31/2017, the amount recorded in expenses relating to 2/3 of the commissions on origination was R\$ (432,980) (12/31/2016 - 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) Property and equipment:

Property and equipment 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.

Property and equipment acquired as from January 1, 2017 are stated in conformity with Resolution 4,535/16.

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.

The intangible assets acquired as from January 1, 2017 are stated in conformity Resolution 4,534/16.

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:

- 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.
- 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 property and equipment 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.



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)	Eliminations (8)	Total
Current	11,874,858	4,908	60,284	21,026	32,368	(19,819)	11,973,625
Long-term receivables	13,345,609	60,157	167,609	198,585	135,662	(230,663)	13,676,959
Permanent assets	801,114	232	1,821	3,329	-	(622,756)	183,740
Total at 12/31/2017	26,021,581	65,297	229,714	222,940	168,030	(873,238)	25,834,324
Total at 12/31/2016	27,569,097	54,052	398,187	215,151	164,437	(895,348)	27,505,576

Liabilities	Financial (1)(2)	Consortium (3)	Securitization (4)	Sales promoter (5)(6)	Other (7)	Eliminations (8)	Total
Current	15,091,262	9,516	12,629	3,575	1,636	(17,943)	15,100,675
Long-term liabilities	7,374,404	10,713	6,213	12,970	2,753	(229,320)	7,177,733
Results of future periods	92	-	-	-	-	-	92
Equity	3,555,824	45,068	210,872	206,395	163,641	(625,976)	3,555,824
Total at 12/31/2017	26,021,581	65,297	229,714	222,940	168,030	(873,238)	25,834,324
Total at 12/31/2016	27,569,097	54,052	398,187	215,151	164,437	(895,348)	27,505,576

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b) Consolidated statement of operations:

Statement of operations	Financial (1)(2)	Consortium (3)	Securitization (4)	Sales promoter (5)(6)	Other (7)	Eliminations (8)	Total
- Income from financial intermediation	7,754,356	3,892	3,627	22,847	19,226	(23,600)	7,780,348
- Expenses on financial intermediation	(3,547,161)	-	(1,352)	-	-	23,600	(3,524,913)
Gross result on financial intermediation	4,207,195	3,892	2,275	22,847	19,226	-	4,255,435
- Other operating income (expenses)	(4,129,449)	(48)	(5,969)	(14,025)	(1,960)	-	(4,151,451)
- Equity in the results of investees	14,255	-	-	-	-	(17,248)	(2,993)
- Non-operating income/expenses	152,613	-	(406)	-	96	-	152,303
- Income tax and social contribution	(32,008)	(1,289)	1,394	(2,882)	(5,903)	-	(40,688)
Profit for 2017	212,606	2,555	(2,706)	5,940	11,459	(17,248)	212,606
Loss for 2016	(237,238)	(3,939)	(2,342)	(7,901)	10,912	3,270	(237,238)

(1) Represented by Banco PAN S.A., Pan Arrendamento Mercantil S.A., and Brazilian Mortgages Companhia Hipotecária.

(2) Brazilian Mortgages Companhia Hipotecária was merged into Banco Pan on 6/28/2017 (approved by BACEN on 11/16/2017).

(3) Represented by Pan 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 (approved by BACEN on 6/28/2017).

(7) Represented by Brazilian Finance & Real Estate S.A.

(8) Eliminations between companies in different segments.

5) CASH AND CASH EQUIVALENTS

	Bank		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Funds in local currency	234	290	4,447	12,387
Funds in foreign currency	6,302	7,134	6,301	7,134
Total available funds (cash)	6,536	7,424	10,748	19,521
Short-term interbank investments (1)	155,712	-	155,712	-
Total	162,248	7,424	166,460	19,521

(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	12/31/2017	12/31/2016
Money market investments:							
Own portfolio position							
Financial Treasury Bills (LFT)	695	-	-	-	-	695	-
National Treasury Notes (NTN)	504,069	-	-	-	-	504,069	162,615
Subtotal	504,764	-	-	-	-	504,764	162,615
Third-party portfolio position							
National Treasury Notes (NTN)	512,478	-	-	-	-	512,478	729,181
Subtotal	512,478	-	-	-	-	512,478	729,181
Interbank deposits	7,260	-	6,536	1,945	-	15,741	756,288
Total at 12/31/2017	1,024,502	-	6,536	1,945	-	1,032,983	-
Total at 12/31/2016	6,641	950,038	118,004	564,112	9,289	-	1,648,084

Consolidated	Up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	More than 360 days	12/31/2017	12/31/2016
Money market investments:							
Own portfolio position							
Financial Treasury Bills (LFT)	695	-	-	-	-	695	-
National Treasury Notes (NTN)	504,069	-	-	-	-	504,069	162,615
Subtotal	504,764	-	-	-	-	504,764	162,615
Third-party portfolio position							
National Treasury Notes (NTN)	512,478	-	-	-	-	512,478	729,181
Subtotal	512,478	-	-	-	-	512,478	729,181
Interbank deposits	7,260	-	6,536	1,945	-	15,741	80,587
Total at 12/31/2017	1,024,502	-	6,536	1,945	-	1,032,983	-
Total at 12/31/2016	-	913,705	838	52,292	5,548	-	972,383

b) Income from interbank investments:

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

	Bank		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Income from investments in purchase and sale agreements:				
Own portfolio position	27,856	30,529	27,856	30,529
Third-party portfolio position	36,969	101,741	36,969	101,741
Short position	1,957	15,402	1,957	15,402
Subtotal	66,782	147,672	66,782	147,672
Income from interbank deposits	45,753	86,889	9,900	13,493
Total (Note 7h)	112,535	234,561	76,682	161,165

7) MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

a) Composition of portfolio:

The portfolio of marketable securities and derivative financial instruments at 12/31/2017 and 12/31/2016, by type of paper, was comprised as follows:

	Bank		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Own portfolio:	265,050	379,251	534,275	657,730
Bank Deposit Certificates (CDB)	-	-	403	2,411
Mortgage-backed securities (CRI)	-	-	268,823	266,011
Financial Treasury Bills (LFT)	87,599	196,015	87,598	206,045
National Treasury Bills (LTN)	106,436	140,080	106,436	140,080
National Treasury Notes (NTN)	70,673	42,822	70,673	42,822
Social Development Fund (FDS)	342	334	342	334
Quotas in investment funds	-	-	-	27
Subject to repurchase agreements:	1,071,434	1,319,247	1,071,434	1,319,247
Financial Treasury Bills (LFT)	686,262	361,592	686,262	361,592
National Treasury Bills (LTN)	191,773	782,181	191,773	782,181
National Treasury Notes (NTN)	193,399	175,474	193,399	175,474
Linked to BACEN:	-	-	-	51,151
Financial Treasury Bills (LFT) (1)	-	-	-	51,151
Subject to guarantees:	107,225	131,231	109,432	249,108
Financial Treasury Bills (LFT)	107,225	92,742	107,226	133,847
National Treasury Notes (NTN)	-	38,489	-	38,489
Mortgage-backed securities (CRI)	-	-	-	62,192
Bank Deposit Certificates (CDB)	-	-	2,206	14,480
Quotas in fixed income funds	-	-	-	100
Total marketable securities	1,443,709	1,829,729	1,715,141	2,277,236
Derivative financial instruments:	171,367	177,839	171,367	161,373
Difference receivable on swaps	171,366	177,839	171,366	161,373
Options	1	-	1	-
Total	1,615,076	2,007,568	1,886,508	2,438,609

(1) Resulting from the capital increase of Pan Arrendamento Mercantil, as approved by BACEN on 1/25/2017 for the base date of 12/31/2016 (Note 13a).



b) Analysis by category and term (Bank and Consolidated):

Bank	12/31/2017								12/31/2016	
	No stated maturity	Up 12 months	1 to 3 years	3 to 5 years	More than 5 years	Net book value (1)(2)(3)	Adjusted cost	Mark-to-market adjustment	Net book value (1)(2)(3)	Mark-to-market adjustment
Trading securities										
Financial Treasury Bills (LFT)	-	-	251	27,235	-	27,486	27,463	23	46,340	(28)
National Treasury Bills (LTN)	-	4,894	16,714	-	-	21,608	21,041	567	25,409	123
National Treasury Notes (NTN)	-	-	-	-	1,663	1,663	1,662	1	-	-
Total trading securities	-	4,894	16,965	27,235	1,663	50,757	50,166	591	71,749	95
Available-for-sale securities										
Financial Treasury Bills (LFT)	-	733	401,886	435,619	15,362	853,600	853,334	266	604,009	(798)
National Treasury Notes (NTN)	-	-	-	-	40	40	40	-	-	-
Total available-for-sale securities	-	733	401,886	435,619	15,402	853,640	853,374	266	604,009	(798)
Securities held to maturity										
National Treasury Bills (LTN)	-	99,932	176,669	-	-	276,601	276,601	-	896,852	-
National Treasury Notes (NTN)	-	222,865	30,299	9,205	-	262,369	262,369	-	256,785	-
Social Development Fund (FDS)	342	-	-	-	-	342	342	-	334	-
Total securities held to maturity	342	322,797	206,968	9,205	-	539,312	539,312	-	1,153,971	-
Total	342	328,424	625,819	472,059	17,065	1,443,709	1,442,852	857	1,829,729	(703)

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Consolidated	12/31/2017								12/31/2016	
	No stated maturity	Up 12 months	1 to 3 years	3 to 5 years	More than 5 years	Net book value (1)(2)(3)	Adjusted cost	Mark-to-market adjustment	Net book value (1)(2)(3)	Mark-to-market adjustment
Trading securities:										
Financial Treasury Bills (LFTs)	-	-	251	27,235	-	27,486	27,463	23	46,340	(28)
National Treasury Bills (LTN)	-	4,894	16,714	-	-	21,608	21,041	567	25,409	123
National Treasury Notes (NTN)	-	-	-	-	1,663	1,663	1,662	1	-	-
Total trading securities	-	4,894	16,965	27,235	1,663	50,757	50,166	591	71,749	95
Available-for-sale securities:										
Financial Treasury Bills (LFT)	-	733	401,886	435,619	15,362	853,600	853,334	266	706,294	(943)
National Treasury Notes (NTN)	-	-	-	-	40	40	40	-	-	-
Bank Deposit Certificates (CDB)	-	39	2,570	-	-	2,609	2,609	-	16,892	-
Quotas in investment funds	-	-	-	-	-	-	-	-	127	-
Mortgage-backed securities (CRI)	-	23,332	245,491	-	-	268,823	289,352	(20,529)	328,203	(20,835)
Total available-for-sale securities	-	24,104	649,947	435,619	15,402	1,125,072	1,145,335	(20,263)	1,051,516	(21,778)
Securities held to maturity:										
National Treasury Bills (LTN)	-	99,932	176,669	-	-	276,601	276,601	-	896,852	-
National Treasury Notes (NTN)	-	222,865	30,299	9,205	-	262,369	262,369	-	256,785	-
Social Development Fund (FDS)	342	-	-	-	-	342	342	-	334	-
Total securities held to maturity	342	322,797	206,968	9,205	-	539,312	539,312	-	1,153,971	-
Total	342	351,795	873,880	472,059	17,065	1,715,141	1,734,813	(19,672)	2,277,236	(21,683)

(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 Commodities, Futures and Stock Exchange ("B3 S.A."). 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\$ 15,565 (12/31/2016 - higher by R\$ 10,722).

In compliance with the provisions of Article 8 of BACEN Circular 3,068/2001, 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.

(3) When establishing deadlines, the maturities of the securities were considered, regardless of their accounting classification.

c) Derivative financial instruments:

Bank	12/31/2017				12/31/2016			
	Notional value	Carrying amount	Adjusted cost	Mark-to-market	Notional value	Carrying amount	Adjusted cost	Mark-to-market
Asset position:	18,090,441	171,367	162,086	9,281	2,947,467	177,839	182,473	(4,634)
Swaps	5,700,441	171,366	161,886	9,480	2,947,467	177,839	182,473	(4,634)
Options to be exercised	12,390,000	1	200	(199)	-	-	-	-
Liability position:	18,085,441	(202,643)	(133,359)	(69,284)	2,947,467	(145,734)	(63,867)	(81,867)
Swaps	5,700,441	(202,642)	(133,309)	(69,333)	2,947,467	(145,734)	(63,867)	(81,867)
Options issued	12,385,000	(1)	(50)	49	-	-	-	-
Subtotal - net position	-	(31,276)	28,727	(60,003)	-	32,105	118,606	(86,501)
Futures	-	240	240	-	-	1,135	1,135	-
Asset position	13,604,787	2,700	2,700	-	6,907,243	2,535	2,535	-
Liability position	13,604,787	(2,460)	(2,460)	-	6,907,243	(1,400)	(1,400)	-
Total		(31,036)	28,967	(60,003)		33,240	119,741	(86,501)

Consolidated	12/31/2017				12/31/2016			
	Notional value	Carrying amount	Adjusted cost	Mark-to-market	Notional value	Carrying amount	Adjusted cost	Mark-to-market
Asset position:	18,090,441	171,367	162,086	9,281	2,809,883	161,373	169,659	(8,286)
Swaps	5,700,441	171,366	161,886	9,480	2,809,883	161,373	169,659	(8,286)
Options to be exercised	12,390,000	1	200	(199)	-	-	-	-
Liability position:	18,085,441	(202,643)	(133,359)	(69,284)	2,809,883	(145,734)	(64,185)	(81,549)
Swaps	5,700,441	(202,642)	(133,309)	(69,333)	2,809,883	(145,734)	(64,185)	(81,549)
Options issued	12,385,000	(1)	(50)	49	-	-	-	-
Subtotal - net position	-	(31,276)	28,727	(60,003)	-	15,639	105,474	(89,835)
Futures	-	240	240	-	-	1,135	1,135	-
Asset position	13,604,787	2,700	2,700	-	6,907,243	2,535	2,535	-
Liability position	13,604,787	(2,460)	(2,460)	-	6,907,243	(1,400)	(1,400)	-
Total		(31,036)	28,967	(60,003)		16,774	106,609	(89,835)

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	12/31/2017	12/31/2016
Swaps	524,331	20,638	821,728	373,739	3,960,005	5,700,441	2,947,467
U.S. dollar x CDI	-	-	49,532	47,819	1,016,126	1,113,477	1,167,106
CDI x U.S. dollar	-	-	-	-	1,705	1,705	32,056
CDI x fixed rate	524,331	-	772,196	325,920	2,942,174	4,564,621	1,433,477
Fixed rate x U.S. dollar	-	20,638	-	-	-	20,638	35,260
Libor x CDI	-	-	-	-	-	-	62,214
CDI x Libor	-	-	-	-	-	-	137,584
Libor x U.S. dollar	-	-	-	-	-	-	79,770
Options	24,775,000	-	-	-	-	24,775,000	-
Purchase of put options	12,390,000	-	-	-	-	12,390,000	-
Sale of put options	12,385,000	-	-	-	-	12,385,000	-
Futures	1,447,141	38,879	962,096	1,936,232	9,220,439	13,604,787	6,907,243
DDI	9,919	9,866	29,484	34,192	143,692	227,153	274,849
DI	1,434,741	-	932,612	1,902,040	9,076,747	13,346,140	6,611,095
U.S. dollar	2,481	29,013	-	-	-	31,494	21,299
Total	26,746,472	59,517	1,783,824	2,309,971	13,180,444	44,080,228	9,854,710

Consolidated	Up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	More than 360 days	12/31/2017	12/31/2016
Swaps	524,331	20,638	821,728	373,739	3,960,005	5,700,441	2,809,883
U.S. dollar x CDI	-	-	49,532	47,819	1,016,126	1,113,477	1,167,106
CDI x U.S. dollar	-	-	-	-	1,705	1,705	32,056
CDI x fixed rate	524,331	-	772,196	325,920	2,942,174	4,564,621	1,433,477
Fixed rate x U.S. dollar	-	20,638	-	-	-	20,638	35,260
Libor x CDI	-	-	-	-	-	-	62,214
Libor x U.S. dollar	-	-	-	-	-	-	79,770
Options	24,775,000	-	-	-	-	24,775,000	-
Purchase of put options	12,390,000	-	-	-	-	12,390,000	-
Sale of put options	12,385,000	-	-	-	-	12,385,000	-
Futures	1,447,141	38,879	962,096	1,936,232	9,220,439	13,604,787	6,907,243
DDI	9,919	9,866	29,484	34,192	143,692	227,153	274,849
DI	1,434,741	-	932,612	1,902,040	9,076,747	13,346,140	6,611,095
U.S. dollar	2,481	29,013	-	-	-	31,494	21,299
Total	26,746,472	59,517	1,783,824	2,309,971	13,180,444	44,080,228	9,717,126

e) Place of negotiation and counterparties:

Notional value	Bank		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Central System for Custody and Financial Settlement of Securities (CETIP) (over the counter)	5,700,441	2,947,467	5,700,441	2,809,883
B3 S.A.	38,379,787	6,907,243	38,379,787	6,907,243
Total	44,080,228	9,854,710	44,080,228	9,717,126

Counterparties: At 12/31/2017, they were distributed as follows in the Bank and Consolidated: B3 S.A. 87.07% (85.26%), Financial Institutions 12.88% (14.72%), and other 0.05% (0.02%).

f) Hedge Accounting - market value

	Bank		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Financial Instruments				
Asset position	2,460,546	2,158,530	2,460,546	2,289,204
Swaps - U.S. dollar (1)	1,766,600	1,805,442	1,766,600	1,805,442
Futures DDI B3 S.A. - U.S. Dollar (1) (4)	-	-	-	66,144
Swaps - U.S. dollar (1) (4)	-	-	-	64,530
Futures DI1 B3 S.A. - Fixed rate - Brazilian reais (2)	693,946	353,088	693,946	353,088
Liability position	(9,189,705)	(3,700,766)	(9,189,705)	(3,700,766)
Swaps - fixed rate - Brazilian reais (3)	(1,161,696)	(1,760,994)	(1,161,696)	(1,760,994)
Futures DI1 B3 S.A. - Fixed rate - Brazilian reais (3)	(8,028,009)	(1,939,772)	(8,028,009)	(1,939,772)
Hedged item				
Asset position	6,936,653	3,137,864	6,936,653	3,137,864
Credit operations (3)	6,936,653	3,137,864	6,936,653	3,137,864
Liability position	(2,269,978)	(1,924,936)	(2,269,978)	(2,059,037)
Subordinated debt abroad	(1,585,191)	(1,576,844)	(1,585,191)	(1,576,844)
Funds raised abroad (1) (4)	-	-	-	(134,101)
Time deposit certificates (2)	(684,787)	(348,092)	(684,787)	(348,092)

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

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

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

(4) Loan repaid in advance to the Inter American Development Bank (IADB) on 8/15/2017, amounting to R\$ 66,625 (USD 20,000) and on 11/1/2017, amounting to R\$ 65,949 (USD 20,000).

g) Result with derivative financial instruments:

	Bank			Consolidated		
	12/31/2017			12/31/2017		
	Income	Expense	Net	Income	Expense	Net
Swaps	582,456	(682,086)	(99,630)	582,155	(692,565)	(110,410)
Options	2,826	(4,264)	(1,438)	2,826	(4,264)	(1,438)
Futures	1,311,509	(1,505,310)	(193,801)	1,311,509	(1,505,310)	(193,801)
Total at 12/31/2017	1,896,791	(2,191,660)	(294,869)	1,896,490	(2,202,139)	(305,649)
Total at 12/31/2016	2,299,355	(3,088,048)	(788,693)	2,256,616	(3,088,521)	(831,905)

h) Result from operations with securities:

	Bank		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Fixed income securities	178,287	236,356	210,476	302,266
Short-term interbank investments (Note 6b)	112,535	234,561	76,682	161,165
Total	290,822	470,917	287,158	463,431

8) CREDIT OPERATIONS

a) Composition of the portfolio by type of operation:

	Bank				Consolidated			
	12/31/2017		12/31/2016		12/31/2017		12/31/2016	
	Amount	%	Amount	%	Amount	%	Amount	%
Consumer financing (1)	5,904,742	32.15	5,228,802	29.74	5,904,742	32.15	5,228,802	27.64
Payroll-linked loans (1)	6,978,491	37.99	7,060,546	40.16	6,978,491	37.99	7,060,546	37.32
Working capital	846,915	4.61	1,467,984	8.35	846,915	4.61	1,467,984	7.76
Export financing	328,497	1.79	524,382	2.98	328,497	1.79	524,382	2.77
Housing financing (2)	355,679	1.93	1,756	0.01	355,679	1.93	535,014	2.83
Financing provided to credit card holders (3)	1,561,446	8.51	1,416,649	8.06	1,561,446	8.51	1,416,649	7.49
Loans with real estate guarantees (2)	527,441	2.87	-	-	527,441	2.87	621,450	3.29
Credits linked to the assignment of loans (4)	159,643	0.87	350,438	1.99	159,643	0.87	350,438	1.85
Financing of real estate developments (2)	73,371	0.41	-	-	73,371	0.41	122,074	0.65
Personal credit (1)	1,384	0.01	14,489	0.08	1,384	0.01	14,489	0.08
Renegotiated loans	97,601	0.52	78,373	0.46	97,601	0.52	78,373	0.41
Leasing operations (5)	-	-	-	-	222	-	1,728	0.01
Bank overdrafts	547,716	2.98	425,514	2.42	547,716	2.98	425,514	2.25
Total credit operations	17,382,926	94.64	16,568,933	94.25	17,383,148	94.64	17,847,443	94.35
Other receivables (6)	916,819	4.99	838,371	4.77	916,819	4.99	897,463	4.74
Advances on foreign exchange contracts and income receivable (7)	67,143	0.37	172,740	0.98	67,143	0.37	172,740	0.91
Total	18,366,888	100.00	17,580,044	100.00	18,367,110	100.00	18,917,646	100.00
(+/-) Adjustment to market value (1)	138,771	-	165,273	-	138,771	-	165,273	-
Credit portfolio adjusted to market value	18,505,659	-	17,745,317	-	18,505,881	-	19,082,919	-

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

(2) On 6/28/2017 Brazilian Mortgages was merged, increasing the own portfolio balance by R\$ 1,190,886. There was no impact on the Consolidated.

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

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

(5) Recorded at present value.

(6) Credit card receivables and credit instruments receivable with loan characteristics.

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



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 12/31/2017	Total at 12/31/2016
Falling due	-	1,016,339	419,147	380,613	179,744	104,681	72,463	56,635	283,340	2,512,962	2,276,283
01 to 30	-	43,290	18,484	16,289	8,457	5,872	3,113	2,459	14,027	111,991	112,177
31 to 60	-	42,142	18,520	16,116	8,327	5,167	3,129	2,437	13,307	109,145	110,518
61 to 90	-	40,747	16,788	17,983	7,929	4,074	4,135	2,235	11,859	105,750	129,920
91 to 180	-	108,785	49,184	44,660	21,845	13,444	8,984	6,860	33,155	286,917	318,401
181 to 365	-	187,292	82,878	76,115	36,975	22,422	13,632	11,986	56,093	487,393	507,265
Up to 365	-	594,083	233,293	209,450	96,211	53,702	39,470	30,658	154,899	1,411,766	1,098,002
Past due	-	67,793	59,247	62,876	120,220	195,792	190,317	64,976	375,117	1,136,338	965,240
01 to 14	-	60,614	5,142	8,941	5,516	2,106	10,865	1,112	5,111	99,407	94,301
15 to 30	-	7,179	49,174	10,789	19,056	2,440	1,803	1,368	8,938	100,747	92,455
31 to 60	-	-	4,931	37,440	50,770	8,376	3,331	2,858	14,780	122,486	121,400
61 to 90	-	-	-	4,150	32,235	8,465	3,542	2,942	26,108	77,442	147,821
91 to 180	-	-	-	1,556	5,289	48,007	99,553	31,843	52,011	238,259	216,948
181 to 365	-	-	-	0	402	16,027	3,427	6,818	240,466	267,140	292,315
Up to 365	-	-	-	0	6,952	110,371	67,796	18,035	27,703	230,857	-
Subtotal	-	1,084,132	478,394	443,489	299,964	300,473	262,780	121,611	658,457	3,649,300	3,241,523
Allowance required	-	5,421	4,784	13,305	29,997	90,142	131,390	85,128	658,457	1,018,624	892,153

Days	Risk Levels										
	Normal course of operations										
	AA	A	B	C	D	E	F	G	H	Total at 12/31/2017	Total at 12/31/2016
Falling due	-	13,504,977	506,090	283,648	235,701	71,679	67,735	16,937	30,821	14,717,588	14,338,521
01 to 30	-	1,856,937	26,378	30,208	82,291	9,404	29,083	411	3,675	2,038,387	1,859,174
31 to 60	-	536,870	22,398	11,243	14,112	43,821	10,638	238	1,270	640,590	585,096
61 to 90	-	471,648	31,426	7,398	2,634	436	881	157	945	515,525	504,156
91 to 180	-	1,247,829	86,127	50,394	70,374	3,063	14,528	483	1,884	1,474,682	1,459,618
181 to 365	-	2,020,627	132,317	84,825	31,024	6,823	1,862	691	1,921	2,280,090	2,380,679
Up to 365	-	7,371,066	207,444	99,580	35,266	8,132	10,743	14,957	21,126	7,768,314	7,549,798
Subtotal	-	13,504,977	506,090	283,648	235,701	71,679	67,735	16,937	30,821	14,717,588	14,338,521
Allowance required	-	67,525	5,061	8,509	23,570	21,503	33,868	11,855	30,821	202,712	154,706
Total (1)	-	14,589,109	984,484	727,137	535,665	372,152	330,515	138,548	689,278	18,366,888	17,580,044
Total allowance	-	72,946	9,845	21,814	53,567	111,645	165,258	96,983	689,278	1,221,336	1,046,859

Days	Consolidated										
	Risk Levels										
	Abnormal course of operations										
	AA	A	B	C	D	E	F	G	H	Total at 12/31/2017	Total at 12/31/2016
Falling due	-	1,016,339	419,147	380,617	179,785	104,740	72,463	56,635	283,340	2,513,066	2,634,215
01 to 30	-	43,290	18,484	16,291	8,462	5,875	3,113	2,459	14,027	112,001	118,055
31 to 60	-	42,142	18,520	16,118	8,333	5,172	3,129	2,437	13,307	109,158	116,640
61 to 90	-	40,747	16,788	17,983	7,959	4,079	4,135	2,235	11,859	105,785	135,941
91 to 180	-	108,785	49,184	44,660	21,845	13,459	8,984	6,860	33,155	286,932	335,778
181 to 365	-	187,292	82,878	76,115	36,975	22,453	13,632	11,986	56,093	487,424	539,414
Up to 365	-	594,083	233,293	209,450	96,211	53,702	39,470	30,658	154,899	1,411,766	1,388,387
Past due	-	67,793	59,247	62,881	120,232	195,813	190,317	64,995	375,119	1,136,397	1,243,912
01 to 14	-	60,614	5,142	8,944	5,516	2,111	10,865	1,112	5,111	99,415	130,883
15 to 30	-	7,179	49,174	10,789	19,056	2,440	1,803	1,368	8,938	100,747	114,163
31 to 60	-	-	4,931	37,442	50,776	8,381	3,331	2,858	14,780	122,499	197,784
61 to 90	-	-	-	4,150	32,241	8,470	3,542	2,942	26,108	77,453	148,997
91 to 180	-	-	-	1,556	5,289	48,013	99,553	31,862	52,011	238,284	292,502
181 to 365	-	-	-	-	402	16,027	3,427	6,818	240,468	267,142	359,583
Over 365	-	-	-	-	6,952	110,371	67,796	18,035	27,703	230,857	-
Subtotal	-	1,084,132	478,394	443,498	300,017	300,553	262,780	121,630	658,459	3,649,463	3,878,127
Allowance required	-	5,421	4,784	13,305	30,003	90,166	131,390	85,141	658,459	1,018,669	1,051,222

Days	Risk Levels										
	Normal course of operations										
	AA	A	B	C	D	E	F	G	H	Total at 12/31/2017	Total at 12/31/2016
Falling due	-	13,505,036	506,090	283,648	235,701	71,679	67,735	16,937	30,821	14,717,647	15,039,519
01 to 30	-	1,856,951	26,378	30,208	82,291	9,404	29,083	411	3,675	2,038,401	1,911,502
31 to 60	-	536,883	22,398	11,243	14,112	43,821	10,638	238	1,270	640,603	610,479
61 to 90	-	471,652	31,426	7,398	2,634	436	881	157	945	515,529	543,898
91 to 180	-	1,247,838	86,127	50,394	70,374	3,063	14,528	483	1,884	1,474,691	1,578,459
181 to 365	-	2,020,646	132,317	84,825	31,024	6,823	1,862	691	1,921	2,280,109	2,491,413
Up to 365	-	7,371,066	207,444	99,580	35,266	8,132	10,743	14,957	21,126	7,768,314	7,903,768
Subtotal	-	13,505,036	506,090	283,648	235,701	71,679	67,735	16,937	30,821	14,717,647	15,039,519
Allowance required	-	67,525	5,061	8,509	23,570	21,503	33,868	11,855	30,821	202,712	172,701
Total (1)	-	14,589,168	984,484	727,146	535,718	372,232	330,515	138,567	689,280	18,367,110	18,917,646
Total allowance	-	72,946	9,845	21,814	53,573	111,669	165,258	96,996	689,280	1,221,381	1,223,923

(1) Not including the market value adjustment (Note 8a).



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

	Bank		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Opening balance	1,071,651	954,613	1,248,715	1,070,436
- Balance resulting from the merger (2)	209,422	-	-	-
- Allowance constituted	1,056,769	985,630	1,119,812	1,118,428
- Write off against allowance	(1,071,804)	(868,592)	(1,102,443)	(940,149)
Closing balance	1,266,038	1,071,651	1,266,084	1,248,715
- Credit recoveries (1) (3)	259,963	200,789	271,959	228,680
- Effect on results (4)	(797,070)	(784,841)	(848,117)	(889,748)

(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) Brazilian Mortgages was merged into Banco PAN on 6/28/2017.

(3) In the year ended 12/31/2017, credits previously written-off against the allowance, totaling R\$ 271,959, were recovered (credits of R\$ 259,963 in the Bank, R\$ 510 referring to lease operations, R\$ 6,755 in Brazilian Finance, and R\$ 4,731 of recovery of real estate credits in Brazilian Mortgages).

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



d) Classification by area of economic activity:

Area of economic activity	Bank				Consolidated			
	12/31/2017		12/31/2016		12/31/2017		12/31/2016	
	Amount	%	Amount	%	Amount	%	Amount	%
Individuals	15,924,109	86.71	14,568,685	82.87	15,924,109	86.71	15,341,467	81.10
Agribusiness	240,085	1.31	498,061	2.83	240,085	1.31	498,061	2.63
Sugar and ethanol	118,589	0.65	182,903	1.04	118,589	0.65	182,903	0.97
Agribusiness and animal protein	121,496	0.66	315,158	1.79	121,496	0.66	315,158	1.66
Commercial	385,709	2.11	586,445	3.34	385,709	2.11	586,544	3.10
Wholesale and retail	385,709	2.11	586,445	3.34	385,709	2.11	586,544	3.10
Basic industries	191,814	1.03	283,179	1.61	191,814	1.03	283,469	1.50
Auto parts	12,072	0.06	16,382	0.09	12,072	0.06	16,382	0.09
Chemical industry	9,380	0.05	23,103	0.13	9,380	0.05	23,103	0.12
Other industries	84,821	0.46	147,288	0.84	84,821	0.46	147,578	0.78
Paper and pulp	64,942	0.35	68,522	0.39	64,942	0.35	68,522	0.36
Textiles	20,599	0.11	27,884	0.16	20,599	0.11	27,884	0.15
Services	1,625,171	8.84	1,643,674	9.35	1,625,393	8.84	2,208,105	11.67
Construction and real-estate development	906,967	4.94	803,443	4.57	906,967	4.94	1,366,635	7.22
Financial	141,823	0.77	137,020	0.78	141,823	0.77	137,020	0.71
Vehicle rental	18,591	0.11	22,003	0.13	18,591	0.11	22,003	0.12
Media, IT and Telecom	4,792	0.03	2,327	0.01	4,792	0.03	2,327	0.01
Other services	411,091	2.22	480,411	2.73	411,313	2.22	481,650	2.55
Health, security and education	5,750	0.02	35,435	0.21	5,750	0.02	35,435	0.19
Transportation and logistics	98,995	0.54	139,360	0.79	98,995	0.54	139,360	0.74
Utilities	37,162	0.21	23,675	0.13	37,162	0.21	23,675	0.13
Total (1)	18,366,888	100.00	17,580,044	100.00	18,367,110	100.00	18,917,646	100.00

(1) Not including the market value adjustment (Note 8a).

e) Concentration of credit operations:

Largest borrowers	Bank				Consolidated			
	12/31/2017		12/31/2016		12/31/2017		12/31/2016	
	Amount	%	Amount	%	Amount	%	Amount	%
10 largest borrowers	400,087	2.18	405,678	2.31	400,087	2.18	434,910	2.30
50 next largest borrowers	874,191	4.76	909,449	5.17	874,191	4.76	1,042,311	5.51
100 next largest borrowers	682,770	3.72	889,182	5.06	682,770	3.72	1,026,921	5.43
Other borrowers	16,409,840	89.34	15,375,735	87.46	16,410,062	89.34	16,413,504	86.76
Total	18,366,888	100.00	17,580,044	100.00	18,367,110	100.00	18,917,646	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 12/31/2017 and 12/31/2016, credits were assigned to financial institutions as presented below:

	Bank					
	12/31/2017			12/31/2016		
	Assignment amount	Present value	Result (1)	Assignment amount	Present value	Result (1)
Consumer financing	922,651	592,687	329,964	4,816,223	4,492,214	324,009
Payroll-linked loans	9,848,957	7,145,059	2,703,898	6,941,601	5,177,993	1,763,608
Housing financing	-	-	-	6,149	6,097	52
Loan with real estate guarantees	-	-	-	230,030	214,049	15,981
Total	10,771,608	7,737,746	3,033,862	11,994,003	9,890,353	2,103,650

	Consolidated					
	12/31/2017			12/31/2016		
	Assignment amount	Present value	Result (1)	Assignment amount	Present value	Result (1)
Consumer financing	922,651	592,687	329,964	4,816,223	4,492,214	324,009
Payroll-linked loans	9,848,957	7,145,059	2,703,898	6,941,601	5,177,993	1,763,608
Housing financing	-	-	-	6,149	5,916	233
Loan with real estate guarantees	-	-	-	230,030	184,761	45,269
Total	10,771,608	7,737,746	3,033,862	11,994,003	9,860,884	2,133,119

(1) Recorded in income from credit operations.

II. Transactions with substantial retention of risks and benefits:

Assignment after CMN Resolution 3,533/08

The responsibilities for loans assigned with substantial retention of risks and benefits amounted to R\$ 159,643, in Banco PAN and Consolidated (R\$ 350,438 at 12/31/2016), calculated at present value using the agreed contract rates. Obligations in the amount of R\$ 204,360 (R\$ 414,116 at 12/31/2016) were assumed for these credits (Note 21b).

g) Income from credit and leasing operations:

	Bank		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Profit on credit assignments (Note 8f)	3,033,862	2,103,650	3,033,862	2,133,119
Consumer financing	1,452,798	1,303,622	1,452,798	1,303,622
Payroll-linked loans	1,839,792	1,610,922	1,839,792	1,610,922
Credit cards	691,541	593,124	691,541	593,124
Adjustment to market value - Retail Portfolio (1)	(26,502)	165,273	(26,502)	165,273
Export financing	112,640	259,076	112,640	259,076
Working capital/overdraft accounts	269,803	346,772	269,803	346,772
Recovery of credits written-off as losses (2)	259,963	200,789	271,959	228,680
Personal credit	2,166	41,267	2,166	41,267
Renegotiated loans	17,616	13,842	17,616	13,842
Housing loans	14,048	364	33,170	81,078
Income from real estate developments	1,377	-	4,459	13,809
Income from loans with real estate guarantees	34,301	-	76,051	132,978
Leasing, net of expenses (3)	-	-	437	521
Other	506	1,140	506	1,140
Total	7,703,911	6,639,841	7,780,298	6,925,223

(1) Marked-to-market of accounting hedge on the retail credits: payroll-linked loans; vehicles 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	12/31/2017	12/31/2016
Assets - Other receivables		
Exchange purchases pending settlement	57,474	164,620
Income receivable	10,695	7,949
Total assets	68,169	172,569
Liabilities - Other liabilities		
Liabilities for exchange purchases	56,448	165,441
Advances on foreign exchange contracts	(56,448)	(164,791)
Total liabilities	-	650

b) Result on foreign exchange transactions:

Bank and Consolidated	12/31/2017	12/31/2016
Income from export financing	123,521	185,982
Foreign exchange variations	(104,980)	(187,227)
Total	18,541	(1,245)

10) REAL ESTATE RECEIVABLES

Consolidated	Final maturity	Charges	% interest p.a.	12/31/2017	12/31/2016
Tranches 95 and 96 (1)	9/8/2027	Referential Rate (TR)	8.65	4,010	4,997
Real estate credit note (CC)	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	9,997	22,402
Total				14,007	27,399

(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 were only acquired when they presented 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	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Deferred tax assets (Note 32b)	2,900,329	2,875,973	3,151,336	3,292,108
Amounts receivable from credit assignments	916,550	1,128,806	916,550	1,128,806
Securities and credits receivable (1)	916,819	838,371	916,819	897,463
Judicial and tax deposits	246,994	236,543	280,307	266,922
Taxes and contributions to be offset	198,490	201,784	250,160	255,616
Amounts receivable from payroll-linked loans (2)	106,841	100,109	106,841	100,109
Amounts receivable from affiliates	42,304	45,307	39,691	36,730
Advances for payments	11,558	10,724	12,249	11,427
Residual benefit of securitized transactions (3)	-	-	11,215	2,927
Salary and other advances	1,291	1,531	1,352	1,592
Other	109,645	118,386	114,277	126,643
Total	5,450,821	5,557,534	5,800,797	6,120,343

- (1) Includes: (i) amounts receivable related to payment transactions made with credit cards amounting to R\$ 676,792 (R\$ 655,540 at 12/31/2016). The accounting for this asset was modified by BACEN Circular Letter 3,828/17; and (ii) securities receivable with credit concession characteristics, amounting to R\$ 240,027 (R\$ 182,831 in the Bank and R\$ 241,923 in Consolidated at 12/31/2016).
- (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 31, 2017 amounted to R\$ 43,084 (R\$ 21,583 at 12/31/2016); and (ii) allowance for other receivables without credit characteristics of R\$ 1,618 (R\$ 2,945 at 12/31/2016) (Note 8c).
- (3) Refers to operations originating from Brazilian Securities Companhia de Securitização.

12) OTHER ASSETS

a) Assets not for own use and other:

	Residual value							
	Bank				Consolidated			
	Cost	Provision for losses	12/31/2017	12/31/2016	Cost	Provision for losses	12/31/2017	12/31/2016
Vehicles	18,331	(93)	18,238	18,369	18,363	(973)	17,390	17,387
Vehicles under special regime	19,535	(15,261)	4,274	5,276	20,533	(15,261)	5,272	6,763
Property (1)	346,333	(47,253)	299,080	85,202	356,266	(47,720)	308,546	281,777
Properties under special regime (1)	15,362	(4,290)	11,072	-	15,362	(4,290)	11,072	4,794
Total assets not for own use	399,561	(66,897)	332,664	108,847	410,524	(68,244)	342,280	310,721
Other items	313	-	313	640	313	-	313	640
Total other assets	399,874	(66,897)	332,977	109,487	410,837	(68,244)	342,593	311,361

- (1) The significant increase in this account is attributable to the merger of Brazilian Mortgages on 6/28/2017, resulting in the amount of R\$ 197,862, net of a provision for loss.

b) Prepaid expenses:

	Bank		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Commissions paid to correspondent banks	144,902	337,465	148,072	341,582
Expenses for issuance of securities abroad	3,415	4,933	3,415	4,933
Other	9,683	8,034	10,827	9,786
Total	158,000	350,432	162,314	356,301



13) INVESTMENTS

a) Subsidiaries:

Companies	Share 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			12/31/2017	12/31/2016	12/31/2017	12/31/2016
Pan Arrendamento Mercantil S.A. (2)(3)(4)	356,736	350,907	11	-	-	100.00	(4,483)	350,907	105,254	(4,483)	(7,039)
Pan Administradora de Consórcio (2)(5)	42,388	45,067	-	-	48,168	100.00	2,555	45,067	42,633	2,555	(3,939)
Brazilian Securities Companhia de Securitização (6)(7)	174,201	210,871	77,865	-	-	100.00	(2,706)	212,473	216,029	(2,706)	(2,342)
Brazilian Finance & Real Estate S.A. (2)	107,662	160,422	0.2	0.5	-	100.00	11,459	160,422	151,922	11,459	10,912
BM Sua Casa Promotora de Vendas Ltda. (2)(6)	179,864	206,395	-	-	179,864	100.00	5,940	209,277	205,858	5,940	7,997
Stone Pagamentos S.A. (7)(8)(9)	-	-	-	-	-	-	(2,993)	-	48,609	(2,993)	33,157
Brazilian Mortgages Companhia Hipotecária (10)	-	-	-	-	-	-	(65,995)	-	171,303	(65,995)	(84,225)
Panserv Prestadora de Serviços Ltda. (11)	-	-	-	-	-	-	-	-	-	-	(15,898)
Total								978,146	941,608	(56,223)	(61,377)

- (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 12/31/2017 were audited by the same independent auditor as that of Banco PAN.
- (3) On October 31, 2016, Banco Pan increased capital by R\$ 100,000 (50% of which subscribed on the date of the event and the remaining 50% on 2/13/2017); was approved by BACEN on 1/25/2017.
- (4) On 6/8/2017, Banco Pan increased capital by R\$ 200,000 (50% of which subscribed on the date of the event and the remaining 50% on 7/20/2017); was approved by BACEN on 7/14/2017.
- (5) On 10/31/2016, the Bank effected a capital increase amounting to R\$ 30,000.
- (6) The carrying amounts of the related investments include goodwill on acquisition, net of amortization, amounting to R\$ 4,483 - BM Sua Casa Promotora de Vendas Ltda. R\$ 2,881 and Brazilian Securities Companhia de Securitização R\$ 1,602.
- (7) Company audited by other independent auditors.
- (8) 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.
- (9) In October 2017, Banco PAN sold its entire investment in Stone Pagamentos S.A. for R\$ 229,000 (Note 33h).
- (10) Company merged into Banco PAN on June 28, 2017 and approved by BACEN on November 16, 2017.
- (11) Company merged into Banco PAN on 12/20/2016 and approved by BACEN on June 28, 2017.

b) Other Investments:

Investments held in the Interbank Payment Chamber (CIP).

14) PROPERTY AND EQUIPMENT

a) Property and equipment comprise the following:

Bank	Annual depreciation rate	Cost	Depreciation	Residual value	
				12/31/2017	12/31/2016
Facilities, furniture and equipment in use	10%	43,805	(23,840)	19,965	27,301
Security and communications systems	10%	1,467	(660)	807	912
Data processing systems	20%	23,939	(17,021)	6,918	9,621
Total at 12/31/2017		69,211	(41,521)	27,690	-
Total at 12/31/2016		71,546	(33,712)	-	37,834

Consolidated	Annual depreciation rate	Cost	Depreciation	Residual value	
				12/31/2017	12/31/2016
Facilities, furniture and equipment in use	10%	43,843	(23,878)	19,965	27,305
Security and communications systems	10%	1,467	(660)	807	912
Data processing systems	20%	23,939	(17,021)	6,918	9,621
Total at 12/31/2017		69,249	(41,559)	27,690	-
Total at 12/31/2016		71,585	(33,747)	-	37,838

b) Changes in property and equipment by category:

Bank	Facilities, furniture and equipment in use	Security and communications systems	Data processing systems	Total
At 12/31/2016	27,301	912	9,621	37,834
Purchases	393	42	1,503	1,938
Reductions	(2,118)	-	-	(2,118)
Depreciation	(5,611)	(147)	(4,206)	(9,964)
At 12/31/2017	19,965	807	6,918	27,690

Consolidated	Facilities, furniture and equipment in use	Security and communications systems	Data processing systems	Total
At 12/31/2016	27,305	912	9,621	37,838
Purchases	393	42	1,503	1,938
Reductions	(2,118)	-	-	(2,118)
Depreciation	(5,615)	(147)	(4,206)	(9,968)
At 12/31/2017	19,965	807	6,918	27,690

15) INTANGIBLE ASSETS

a) The amortization of goodwill for the year ended 12/31/2017 totaled R\$ 18,811 in the bank and R\$ 25,053 in the Consolidated (Note 27b).

b) Intangible assets comprise the following:

Bank	Amortization rate	Cost	Amortization	Residual value	
				12/31/2017	12/31/2016
Expenses with software development	20% to 50%	130,068	(89,457)	40,611	44,593
Goodwill	10%	229,514	(124,320)	105,194	-
Total at 12/31/2017		359,582	(213,777)	145,805	-
Total at 12/31/2016		113,192	(68,599)	-	44,593

Consolidated	Amortization rate	Cost	Amortization	Residual value	
				12/31/2017	12/31/2016
Expenses with software development	20% to 50%	130,898	(90,054)	40,844	47,541
Goodwill	10%	250,532	(135,705)	114,827	139,880
Total at 12/31/2017		381,430	(225,759)	155,671	-
Total at 12/31/2016		367,731	(180,310)	-	187,421

c) Change in intangible assets by category:

Bank	Expenses with software development	Goodwill	Total
At 12/31/2016	44,593	-	44,593
Balance resulting from the merger (1)	2,005	118,582	120,587
Additions	18,219	-	18,219
Reductions	(2,062)	-	(2,062)
Amortization	(22,144)	(13,388)	(35,532)
At 12/31/2017	40,611	105,194	145,805

(1) Brazilian Mortgages was merged into Banco PAN on June 28, 2017.

Consolidated	Expenses with software development	Goodwill	Total
At 12/31/2016	47,541	139,880	187,421
Additions	18,381	-	18,381
Reductions	(2,667)	-	(2,667)
Amortization	(22,411)	(25,053)	(47,464)
At 12/31/2017	40,844	114,827	155,671

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	12/31/2017	12/31/2016
Demand deposits (1)	25,543	-	-	-	-	25,543	60,015
Interbank deposits	8,276,104	400,922	44,174	217,298	32,175	8,970,673	11,765,701
Term deposits (2)	70,345	164,354	100,244	273,597	4,530,089	5,138,629	2,723,173
Total at 12/31/2017	8,371,992	565,276	144,418	490,895	4,562,264	14,134,845	-
Total at 12/31/2016	11,777,785	42,249	64,181	204,831	2,459,843	-	14,548,889

Consolidated	Up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	More than 360	12/31/2017	12/31/2016
Demand deposits (1)	25,439	-	-	-	-	25,439	54,762
Interbank deposits	8,276,104	369,474	44,174	8,221	32,175	8,730,148	11,765,701
Term deposits (2)	70,345	164,354	100,244	256,427	4,308,596	4,899,966	2,514,071
Total at 12/31/2017	8,371,888	533,828	144,418	264,648	4,340,771	13,655,553	-
Total at 12/31/2016	11,772,532	42,249	64,181	188,992	2,266,580	-	14,334,534

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

(2) Hedge accounting transactions (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	12/31/2017	12/31/2016
Own Portfolio	976,236	-	-	-	106,022	1,082,258	1,322,510
National Treasury Bills (LTN)	201,059	-	-	-	-	201,059	789,143
Financial Treasury Bills (LFT)	579,011	-	-	-	106,022	685,033	361,338
National Treasury Notes (NTN)	196,166	-	-	-	-	196,166	172,029
Third-party portfolio	517,056	-	-	-	-	517,056	705,512
National Treasury Notes (NTN)	517,056	-	-	-	-	517,056	705,512
Total at 12/31/2017	1,493,292	-	-	-	106,022	1,599,314	-
Total at 12/31/2016	1,927,684	-	-	-	100,338	-	2,028,022

Consolidated	Up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	More than 360 days	12/31/2017	12/31/2016
Own Portfolio	976,236	-	-	-	98,195	1,074,431	1,319,112
National Treasury Bills (LTN)	201,059	-	-	-	-	201,059	789,143
Financial Treasury Bills (LFT)	579,011	-	-	-	98,195	677,206	357,940
National Treasury Notes (NTN)	196,166	-	-	-	-	196,166	172,029
Third-party portfolio	517,056	-	-	-	-	517,056	705,512
National Treasury Notes (NTN)	517,056	-	-	-	-	517,056	705,512
Total at 12/31/2017	1,493,292	-	-	-	98,195	1,591,487	-
Total at 12/31/2016	1,927,684	-	-	-	96,940	-	2,024,624

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	12/31/2017	12/31/2016
Marketable securities - local							
Financial Bills (LF)	6,941	285,201	190,159	134,030	196,262	812,593	1,170,627
Agribusiness letters of credit (LCA)	19,427	3,752	271	276	79,905	103,631	256,377
Real estate letters of credit (LCI)	92,205	250,692	190,311	374,576	421,333	1,329,117	915,991
Total at 12/31/2017	118,573	539,645	380,741	508,882	697,500	2,245,341	-
Total at 12/31/2016	462,669	252,890	318,308	535,729	773,399	-	2,342,995

Consolidated	Up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	More than 360 days	12/31/2017	12/31/2016
Marketable securities - local							
Mortgage-backed securities (CRI)	10	18	25	50	4,111	4,214	7,613
Financial Bills (LF)	6,941	285,201	190,159	134,030	196,262	812,593	1,170,627
Agribusiness letters of credit (LCA)	19,427	3,752	271	276	79,905	103,631	256,377
Real estate letters of credit (LCI)	92,205	250,692	190,311	374,576	421,333	1,329,117	1,721,091
Total at 12/31/2017	118,583	539,663	380,766	508,932	701,611	2,249,555	-
Total at 12/31/2016	558,526	311,291	383,848	778,083	1,123,960	-	3,155,708

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

	Bank		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Interbank deposits	1,201,229	1,563,108	1,191,234	1,563,096
Term deposits	629,582	425,847	610,191	402,049
Financial bills	104,665	215,390	104,665	215,390
Foreign exchange variations	22,337	(316,837)	22,337	(316,837)
Securities issued abroad and subordinated debt	140,244	139,521	140,244	139,521
Real estate letters of credit - LCI	99,652	99,225	138,729	231,756
Purchase and sale commitments	141,167	303,029	140,625	302,397
Agribusiness letters of credit (LCA)	18,324	56,036	18,324	56,036
Funds raised abroad - subordinated debt (1)	(14,343)	(155,334)	(14,343)	(155,334)
Contributions to the Deposit Guarantee Fund (FGC)	7,833	5,137	8,344	6,677
Credits assigned with retention of risk	43,243	42,568	43,242	42,568
Total	2,393,933	2,377,690	2,403,592	2,487,319

(1) The amount R\$ 86,455 at the base date of 12/31/2016 was reclassified from other income to expenses on investments abroad.

17) INTERBANK ACCOUNTS

	Bank and Consolidated	
	12/31/2017	12/31/2016
Receipts and payments pending settlement (1)	654,035	649,072
Local correspondents (2)	197,184	155,796
Total	851,219	804,868

- (1) On 6/19/2017, in its Circular Letter 3,828/17, BACEN modified the accounting and disclosure of credit card payment transactions (prior to this date, these amounts were disclosed, "Other Sundry Obligations") (Note 21b)).
- (2) Refer to the receipt of installments related to contracts assigned to be transferred to the assignees, updated at the agreed contractual rates, and represented by direct consumer credit, payroll-deductible credit, and real estate credit.

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	12/31/2017	12/31/2016
Foreign (1)(2)(3)	-	-	-	-	-	-	134,101
Total at 12/31/2017	-	-	-	-	-	-	-
Total at 12/31/2016	-	-	-	2,038	132,063	-	134,101

- (1) Operation of Brazilian Securities with Interamerican Development Bank (BID).
- (2) Hedge accounting transaction (Note 7f).
- (3) Loan repaid in advance to the Inter American Development Bank (IADB) on 8/15/2017, amounting to R\$ 66,625 (USD 20,000) and on 11/1/2017, amounting to R\$ 65,949 (USD 20,000).

b) Result on borrowings:

Borrowings	Consolidated	
	12/31/2017	12/31/2016
Foreign (1)	(1,509)	16,243
Total	(1,509)	16,243

(1) The foreign exchange variations represented an income of R\$ 1,660 at 12/31/2017 (expense of R\$ 26,019 at 12/31/2016).

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 the operation	Currency	Remuneration	Bank and Consolidated	
					12/31/2017	12/31/2016
Foreign (1):						
2020	10	US\$ 456,792	US\$	8.50% p.a.	1,585,191	1,576,844
Local:						
2018 (2)	06	R\$ 10,000	R\$	100% of CDI rate + 1.35% p.a.	19,152	17,190
2019 (3)	06	R\$ 100,000	R\$	100% of IPCA rate + 5.60% p.a.	169,895	156,631
2019 (4)	05	R\$ 500	R\$	111% of CDI	757	681
Total					1,774,995	1,751,346

(1) The mark-to-market adjustment of the subordinated debts was accounted for in the result of operations of funds obtained in the market, which represented an income of R\$ 14,343 in the year ended 12/31/2017 (income of R\$ 68,879 in the year ended 12/31/2016). This operation has a market risk hedge (Note 7f).

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

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

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

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 respect 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 respect 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.

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.

I- Provisions segregated by nature:

	Bank		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Civil	281,191	206,726	294,968	222,741
Labor claims	358,731	174,230	381,513	188,330
Tax	931	323	23,178	11,538
Total (Note 21b)	640,853	381,279	699,659	422,609

II- Change in provisions:

Bank	Civil	Labor	Tax	Total
At 12/31/2016	206,726	174,230	323	381,279
Balance resulting from the merger (1)	4,167	510	206	4,883
Reductions	(119,254)	(105,179)	(253)	(224,686)
Constituted, net of amounts reversed	189,552	289,170	655	479,377
At 12/31/2017	281,191	358,731	931	640,853

(1) Brazilian Mortgages was merged into Banco PAN on June 28, 2017.

Consolidated	Civil	Labor	Tax	Total
At 12/31/2016	222,741	188,330	11,538	422,609
Reductions	(125,223)	(111,841)	(284)	(237,348)
Constituted, net of amounts reversed	197,450	305,024	11,924	514,398
At 12/31/2017	294,968	381,513	23,178	699,659

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 (RFB), 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 proceeding is at the Administrative Board of Tax Appeals, awaiting the final judgment of the Voluntary Appeal of the Bank.

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 proceedings are 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 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 municipality filed a tax foreclosure and the company filed an action for annulment against the municipality of São Paulo, which had a partial favorable outcome in the lower court. Currently, the company awaits judgment of request for clarification of decision.

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 fines, 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 fines, amounts to R\$ 3,320. Both proceedings are at the Administrative Board of Tax Appeals. In the first process, PAN is awaiting the disclosure of the appellate decision that partially accepted the Voluntary Appeal, in order to file an appeal to the higher courts of the Administrative Board of Tax Appeals. The second process is awaiting the judgment on the Company's Voluntary Appeal.

During 4Q16, Banco PAN S.A. received a tax assessment notice regarding an alleged lack of payment of social security contributions for the amounts distributed as profit sharing of Banco PAN's employees from January to October 2012, amounting to R\$ 3,099. The matter is awaiting judgment on the administrative challenge by the Brazilian Federal Revenue Service (RFB) Trial Panel.

In 4Q17, the RFB issued three tax assessment notices against Banco PAN S.A. and, as a result, tax credits were constituted in respect of: (i) social security, mainly as regards the profit sharing of employees distributed in 2013; (ii) Withholding Income Tax (IRRF), as regards an alleged capital gain on the acquisition of an ownership interest abroad in 2013; and (iii) income tax and social contribution related to 2012. The total claimed in these proceedings, plus fines and interest on arrears, amounts to R\$ 111,446. Due to the presentation of the administrative appeal, the proceedings are currently awaiting judgment by the Brazilian Federal Revenue Service (RFB) Trial Panel.

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

21) OTHER LIABILITIES

a) Tax and social security:

	Bank		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Social Contribution on Revenues (COFINS)	10,550	18,112	11,674	18,938
Withholding tax at source on payments to third parties	5,977	6,593	6,061	6,739
Taxes and contributions on salaries	13,335	14,993	13,483	15,589
Government Social Integration Program (PIS)	1,714	2,943	1,910	3,085
Service tax (ISS)	1,287	2,076	1,330	2,141
Withholding tax on fixed-income securities	3,405	1,382	3,405	1,382
Taxes and contributions on income	2,042	5,481	9,256	21,081
Provision for deferred income tax (Note 32e)	-	-	84,682	87,302
Total	38,310	51,580	131,801	156,257

b) Sundry obligations:

	Bank		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Assignment with co-obligation - Payroll (1)	204,360	414,116	204,360	414,116
Provision for contingent liabilities (Note 20)	640,853	381,279	699,659	422,609
Provision for payments to be effected	538,115	489,878	538,886	492,834
Collections	121,936	77,260	122,177	77,501
Amounts payable to affiliates	16,544	21,446	15,250	20,190
Credit card transactions (2)	18,980	27,069	18,980	27,069
Specific consortium amounts	-	-	7,831	4,080
Provision for letters of guarantee (Note 8c)	-	264	-	264
Other	33,894	25,781	34,289	28,058
Total	1,574,682	1,437,093	1,641,432	1,486,721

(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).

(2) On the effectiveness of BACEN Circular Letter 3,828/17, which altered the accounting for credit card operations (payment arrangements), a portion of the balance presented herein was reclassified to Interbank Accounts (Note 17); for comparison purposes, the balance at 12/31/2016 was also reclassified.

22) EQUITY

a) Composition of capital in number of shares:

At 12/31/2017 and 12/31/2016, 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:

	12/31/2017	12/31/2016
Common	535,029,747	535,029,747
Preferred	394,010,416	394,010,416
Total	929,040,163	929,040,163

On 11/6/2017, PAN's Board of Directors approved the increase in the Company's capital amounting to R\$ 400,000,001.04 (four hundred million and one Reais and four cents), which was within the authorized limit, through the issue of new registered, book-entry shares with no par value, in the same proportion of the existing common and preferred shares.

The purpose of the capital increase was to: (i) support the development of the Company's activities; and (ii) reinforce the Company's capital structure, strengthening the commitment of the controlling stockholders, BTG Pactual and CaixaPar, to support the Company in the execution of its business plan.

Note 33i discloses other related information.

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 could opt 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 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.

c) 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.

The calculation of the provision for interest on capital for the year ended 12/31/2017 is as follows.

	12/31/2017	% (1)
Profit	212,606	
Prior-year accumulated deficit	(34,311)	
Result before the legal reserve	178,295	
(-) Legal reserve	(8,915)	
Calculation basis	169,380	
Interest on capital (gross) provisioned	69,800	41.2%
Withholding income tax on interest on capital	(10,470)	
Interest on capital (net) provisioned	59,330	35.0%

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

23) INCOME FROM SERVICES RENDERED

	Bank		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Loan operations	175,179	266,783	175,236	266,885
Credit cards	122,070	120,831	122,070	120,831
Business intermediation	69,857	59,254	69,857	61,002
Collection services	114	805	114	805
Consortium plan management	-	-	24,188	24,764
Other	10,337	9,192	11,771	15,118
Total	377,557	456,865	403,236	489,405

24) PERSONNEL EXPENSES

	Bank		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Payroll	282,650	242,454	284,510	303,764
Social charges	86,370	79,055	87,479	106,166
Benefits	66,246	51,819	67,010	71,222
Fees (Note 29b)	19,488	16,110	21,260	24,892
Other	3,283	2,603	3,313	2,771
Total	458,037	392,041	463,572	508,815

25) OTHER ADMINISTRATIVE EXPENSES

	Bank		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Commissions paid to correspondent banks	1,111,933	1,309,410	1,117,353	1,173,382
Third-party services	290,230	253,220	310,408	282,561
Financial system services	158,311	145,107	161,707	153,169
Data processing	171,698	137,816	172,512	140,334
Rentals	44,866	42,198	45,287	51,328
Communications	44,125	47,141	44,325	49,576
Depreciation and amortization	32,108	35,890	32,379	39,574
Advertising, promotions and publicity	22,425	16,807	23,538	19,777
Expenses for search and seizure of assets	39,422	28,767	39,534	28,767
Maintenance and repair of assets	4,966	3,452	4,976	4,904
Travel	4,177	4,431	4,197	6,111
Transportation	5,605	4,661	5,633	5,033
Fees and charges	5,732	3,617	8,749	7,603
Consumption materials	746	590	746	703
Other	104,832	88,516	114,696	109,719
Total	2,041,176	2,121,623	2,086,040	2,072,541

26) TAX EXPENSES

	Bank		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Social contribution on revenues (COFINS)	155,676	141,720	162,257	162,465
Social Integration Program (PIS)	25,297	23,030	26,495	27,161
Services tax (ISS)	16,712	21,227	17,316	29,383
Taxes and charges	4,563	3,719	13,932	16,112
Total	202,248	189,696	220,000	235,121

27) OTHER OPERATING INCOME AND EXPENSES

a) Other operating income:

	Bank		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Recovery of charges and expenses	133,701	95,993	137,273	100,027
Monetary/foreign exchange variation gains (1)	59,067	46,705	77,785	54,296
Residual benefit in securitized transactions	-	-	5,099	3,975
Reversal of provisions	10,425	3,413	14,823	19,511
Other	15,134	22,860	27,666	27,182
Total	218,327	168,971	262,646	204,991

(1) The amount R\$ 86,455 at the base date of 12/31/2016 was reclassified from other income to expenses on investments abroad.

b) Other operating expenses:

	Bank		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Assignment of loans	1,264,077	505,108	1,268,734	505,108
Provisions	479,591	263,233	533,659	345,974
Loss on loan/financing operations and frauds	58,415	62,992	58,484	63,514
Monetary/foreign exchange variation losses	58,510	207,082	58,513	207,178
Discounts granted	18,306	29,132	18,316	29,725
Amortization of goodwill (Note 15a)	18,811	11,645	25,053	25,053
Liens	18,674	23,811	18,715	23,851
Other	62,286	56,116	66,247	60,583
Total	1,978,670	1,159,119	2,047,721	1,260,986

28) NON-OPERATING RESULT

	Bank		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Result on sale of other assets	(5,960)	(44,616)	(8,688)	(48,864)
Reversal/devaluation of provision for other assets	14,557	2,408	17,003	6,173
Impairment of non-financial assets	(38,083)	(18,444)	(39,422)	(24,853)
Result on disposal of investment (1)	183,384	-	183,384	-
Other	26	1,046	26	1,046
Total	153,924	(59,606)	152,303	(66,498)

(1) In October 2017, Banco PAN sold its entire investment in Stone Pagamentos S.A. (Note 33h).

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			
		12/31/2017	12/31/2016	12/31/2017	12/31/2016
		Assets (liabilities)	Assets (liabilities)	Income (expenses)	Income (expenses)
Short-term interbank investments (a)					
Banco BTG Pactual S.A.	1/2/2018	85,704	-	6,132	5,327
Brazilian Mortgages Cia Hipotecária	-	-	609,913	-	65,328
Caixa Econômica Federal	-	-	-	3,836	5,647
Pan Arrendamento Mercantil S.A.	-	-	65,787	778	8,068
Total		85,704	675,700	10,746	84,370
Loan assignment (b)					
Caixa Econômica Federal	11/8/2025	916,550	1,128,806	-	-
Total		916,550	1,128,806	-	-
Other credits					
Banco BTG Pactual S.A.(c)	12/29/2017	-	-	1,269	-
Caixa Econômica Federal	No term	33,886	30,053	-	-
Pan Seguros S.A.	No term	5,783	6,583	-	-
Panamericana Adm. e Corret. de Seg.de Prev. Privada Ltda.	No term	22	13	-	-
Brazilian Mortgages Companhia Hipotecária	No term	-	4,774	-	-
Brazilian Securities Companhia de Securitização (d)(e)	No term	3,522	2,390	-	-
Pan Administradora de Consórcio Ltda.(e)	No term	129	73	-	-
Brazilian Finance & Real Estate S.A. (e)(f)	No term	4,562	4,069	-	-
Stone Pagamentos S.A.	No term	-	78	-	-
Total		47,904	48,033	1,269	-

	Maximum term	Bank			
		12/31/2017	12/31/2016	12/31/2017	12/31/2016
		Assets (liabilities)	Assets (liabilities)	Income (expenses)	Income (expenses)
Demand deposits (g)					
Pan Seguros S.A.	No term	(324)	(340)	-	-
Panamericana Adm. e Corret. de Seg.de Prev. Privada Ltda.	No term	(8)	(154)	-	-
Pan Administradora de Consórcio Ltda.	No term	(32)	(17)	-	-
Pan Arrendamento Mercantil S.A.	No term	(54)	(12)	-	-
BM sua Casa Promotora de Vendas Ltda.	No term	(5)	(2)	-	-
Brazilian Finance & Real Estate S.A.	No term	(5)	(1)	-	-
Brazilian Mortgages Cia Hipotecária	No term	-	(5,199)	-	-
Brazilian Securities Companhia de Securitização	No term	(8)	(21)	-	-
Key management personnel	No term	(62)	(1)	-	-
Total		(498)	(5,747)	-	-
Interbank deposits (h)					
Banco BTG Pactual S.A.	1/2/2018	(400,058)	(435,077)	(79,069)	(66,077)
Caixa Econômica Federal	1/31/2018	(8,118,981)	(11,231,214)	(1,094,817)	(1,484,658)
Brazilian Mortgages Companhia Hipotecária	-	-	-	-	(11)
Pan Arrendamento Mercantil S.A.	11/30/2018	(240,526)	-	(9,995)	-
Total		(8,759,565)	(11,666,291)	(1,183,881)	(1,550,746)
Time deposits (i)					
Panamericana Adm. e Corret. de Seg.de Prev. Privada Ltda.	12/14/2020	(23,099)	(29,815)	(3,402)	(3,003)
Pan Administradora de Consórcio Ltda.	12/14/2020	(36,478)	(33,402)	(3,351)	(1,204)
Panserv Prestadora de Serviços Ltda.	-	-	-	-	(3,671)
Brazilian Securities Companhia de Securitização	12/11/2020	(111,562)	(91,347)	(8,786)	(9,781)
Brazilian Finance & Real Estate S.A.	12/11/2020	(82,273)	(80,487)	(6,772)	(8,448)
BM sua Casa Promotora de Vendas Ltda.	12/4/2020	(8,350)	(3,866)	(483)	(694)
Banco BTG Pactual S.A.	12/22/2021	(27,171)	-	(532)	(13)
Key management personnel	5/27/2019	(2,751)	-	(119)	-
Total		(291,684)	(238,917)	(23,445)	(26,814)
Liabilities for purchase and sale commitments					
Banco BTG Pactual S.A.	-	-	(527,189)	(35,653)	(72,806)
Caixa Econômica Federal	1/2/2018	(900,119)	-	(1,328)	(477)
Pan Administradora de Consórcio Ltda.	8/31/2021	(7,827)	(3,399)	(541)	(631)
Total		(907,946)	(530,588)	(37,522)	(73,914)
Funds from real estate and agribusiness letters of credit and financial bills (j)					
Banco BTG Pactual S.A.	8/11/2020	(49,336)	(113,606)	(7,235)	(28,106)
Brazilian Securities Companhia de Securitização	5/14/2022	-	-	(1,061)	-
Key management personnel	5/14/2022	(34,924)	(35,875)	(3,390)	(4,292)
Total		(84,260)	(149,481)	(11,686)	(32,398)
Derivative financial instruments (k)					
Brazilian Securities Companhia de Securitização	6/1/2020	-	16,465	10,780	43,212
Banco BTG Pactual S.A.	6/1/2020	(50,739)	13,399	(105,768)	(280,326)
Total		(50,739)	29,864	94,988	(237,114)
Other obligations					
Pan Seguros S.A.	No term	(15,250)	(19,927)	-	-
Brazilian Mortgages Companhia Hipotecária	No term	-	(1,318)	-	-
Brazilian Finance & Real Estate S.A.	No term	(993)	(35)	-	-
Brazilian Securities Companhia de Securitização	10/31/2017	(301)	(71)	-	-
Total		(16,544)	(21,351)	-	-
Income from services rendered (l)					
Pan Seguros S.A.	-	-	-	63,417	58,081
Pan Administradora de Consórcio Ltda.	-	-	-	598	286
Total		-	-	64,015	58,367

	Bank				
	Maximum term	12/31/2017	12/31/2016	12/31/2017	12/31/2016
		Assets (liabilities)	Assets (liabilities)	Income (expenses)	Income (expenses)
Personnel expenses					
Brazilian Mortgages Companhia Hipotecária	-	-	-	-	(266)
Pan Seguros S.A.	-	-	-	(289)	(231)
Total				(289)	(497)
Other administrative expenses					
Panserv Prestadora de Serviços Ltda.	-	-	-	-	(151,557)
Pan Seguros S.A.	-	-	-	(16,287)	(4,178)
Banco BTG Pactual S.A.	-	-	-	(1,685)	(271)
BTG Pactual Corretora	-	-	-	(115)	(115)
Tecban S.A.	-	-	-	(1,490)	(1,383)
Interbank Payment Chamber	-	-	-	(23,217)	(8,778)
Total				(42,794)	(166,282)
Income from tax credit assignments					
Banco BTG Pactual S.A. (c)	-	-	-	102,500	-
Total				102,500	
Income from loan assignments					
Caixa Econômica Federal	-	-	-	2,859,668	2,095,079
Total				2,859,668	2,095,079

- (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) On 8/29/2017, in compliance with Provisional Measure (MP) 783/17, the Bank executed an onerous assignment contract with BTG Pactual S.A. regarding unrecognized income tax and social contribution losses amounting to R\$ 410,000. The transaction was carried out in the amount of R\$ 102,500, which was accounted for at the time of the assignment.
 (d) Results from the credit assignment, amounting to R\$ 1,136, and from receivables related to assets not for own use, amounting to R\$ 127. At 12/31/2016, the credit assignment totaled R\$ 2,390.
 (e) Balance accrued related to dividends to be paid up to 12/31/2018, of which: R\$ 3,219 relates to Brazilian Finance & Real Estate S.A., R\$ 2,260 to Brazilian Securities Companhia de Securitização, and R\$ 121 to Pan Administradora de Consórcio Ltda.
 (f) Balance provisioned of R\$ 1,343, related to the remaining balance of the capital decrease of Brazilian Finance & Real Estate S.A., according to the Extraordinary General Meeting held on 9/18/2013.
 (g) Refer to the outstanding balances of current accounts of affiliates held at the Bank.
 (h) Refer to the funding through interbank deposits with rates equivalent to those of the CDI.
 (i) Refer to the funding through time deposits effected at the Bank.
 (j) 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.
 (k) Refer to swaps.
 (l) Refers to the commissions paid to the Bank for insurance intermediation and the commissions paid to the correspondent for business intermediation.

	Maximum term	Consolidated			
		12/31/2017	12/31/2016	12/31/2017	12/31/2016
		Assets (liabilities)	Assets (liabilities)	Income (expenses)	Income (expenses)
Available funds (a)					
Caixa Econômica Federal	No term	1,155	10,320	-	-
Total		1,155	10,320	-	-
Short-term interbank investments (b)					
Banco BTG Pactual S.A.	1/2/2018	85,704	-	6,132	5,327
Caixa Econômica Federal	-	-	-	3,836	5,647
Total		85,704	-	9,968	10,974
Loan assignment (c)					
Caixa Econômica Federal	11/8/2025	916,550	1,128,806	-	-
Total		916,550	1,128,806	-	-
Other credits					
Caixa Econômica Federal	No term	33,886	30,053	-	-
Pan Seguros S.A.	No term	5,783	6,583	-	-
Panamericana Adm. e Corret. de Seg.de Prev. Privada Ltda.	No term	22	13	-	-
Banco BTG Pactual S.A. (d)	12/29/2017	-	-	1,269	-
Stone Pagamentos S.A.	No term	-	78	-	-
Total		39,691	36,727	1,269	-
Demand deposits (e)					
Pan Seguros S.A.	No term	(324)	(340)	-	-
Panamericana Adm. e Corret. de Seg.de Prev. Privada Ltda.	No term	(8)	(154)	-	-
Key management personnel	No term	(62)	(1)	-	-
Total		(394)	(495)	-	-
Interbank deposits (f)					
Banco BTG Pactual S.A.	1/2/2018	(400,058)	(435,077)	(79,069)	(66,077)
Caixa Econômica Federal	1/31/2018	(8,118,981)	(11,231,214)	(1,094,817)	(1,484,658)
Total		(8,519,039)	(11,666,291)	(1,173,886)	(1,550,735)
Time deposits (g)					
Panamericana Adm. e Corret. de Seg.de Prev. Privada Ltda.	12/14/2020	(23,099)	(29,815)	(3,402)	(3,003)
Banco BTG Pactual S.A.	12/22/2021	(27,171)	-	(532)	(13)
Key management personnel	5/27/2019	(2,751)	-	(119)	-
Total		(53,021)	(29,815)	(4,053)	(3,016)
Liabilities for purchase and sale commitments					
Banco BTG Pactual S.A.	-	-	(527,189)	(35,653)	(72,086)
Caixa Econômica Federal	1/2/2018	(900,119)	-	(1,328)	(477)
Total		(900,119)	(527,189)	(36,981)	(72,563)
Funds from real estate and agribusiness letters of credit and financial bills (h)					
Banco BTG Pactual S.A.	8/11/2020	(49,336)	(161,299)	(7,235)	(37,080)
Key management personnel	5/14/2020	(34,924)	(37,845)	(3,390)	(4,525)
Total		(84,260)	(199,144)	(10,625)	(41,605)
Derivative financial instruments (i)					
Banco BTG Pactual S.A.	6/1/2020	(50,739)	13,399	(105,768)	(280,326)
Total		(50,739)	13,399	(105,768)	(280,326)
Other obligations					
Pan Seguros S.A.	No term	(15,250)	(19,927)	-	-
Total		(15,250)	(19,927)	-	-
Income from services rendered (j)					
Pan Seguros S.A.	-	-	-	63,417	58,081
Total		-	-	63,417	58,081

	Consolidated				
	Maximum term	12/31/2017	12/31/2016	12/31/2017	12/31/2016
		Assets (liabilities)	Assets (liabilities)	Income (expenses)	Income (expenses)
Personnel expenses					
Pan Seguros S.A.	-	-	(292)	(395)	
Total	-	-	(292)	(395)	
Other administrative expenses					
Pan Seguros S.A.	-	-	(16,287)	(4,178)	
Banco BTG Pactual S.A.	-	-	(1,702)	(271)	
BTG Pactual Corretora	-	-	(115)	(115)	
Tecban S.A.	-	-	(1,490)	(1,383)	
Interbank Payment Chamber	-	-	(23,217)	(8,778)	
Total	-	-	(42,811)	(14,725)	
Income from tax credit assignments					
Banco BTG Pactual S.A. (d)	-	-	102,500	-	
Total	-	-	102,500	-	
Income from loan assignments					
Caixa Econômica Federal	-	-	2,859,668	2,104,548	
Total	-	-	2,859,668	2,104,548	

- (a) Refer to current accounts of Brazilian Securities Companhia de Securitização, BM sua Casa Promotora de Vendas Ltda., and Brazilian Mortgages Companhia Hipotecária.
- (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) On 8/29/2017, in compliance with Provisional Measure (MP) 783/17, the Bank executed an onerous assignment contract with BTG Pactual S.A. regarding unrecognized income tax and social contribution losses amounting to R\$ 410,000. The transaction was carried out in the amount of R\$ 102,500, which was accounted for at the time of the assignment.
- (e) Refer to the outstanding balances of current accounts of affiliates held at the Bank.
- (f) Refer to the funding through interbank deposits with rates equivalent to those of the CDI.
- (g) Refer to the funding through time deposits effected at the Bank.
- (h) 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.
- (i) Refer to swaps.
- (j) Refer to the commission paid to the Bank for insurance intermediation.

b) Key management remuneration:

At the Extraordinary General Meetings held on April 28, 2017 and November 24, 2017, the maximum global amount of key management remuneration of the Pan Conglomerate for 2017 was established at R\$ 28,400 (R\$ 60,000 in 2016).

Short-term benefits provided to management (1)

	Bank		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Expenses with fees (Note 24)	19,488	16,110	21,260	24,892
Social security contributions (INSS)	4,385	3,625	4,784	5,601
Total	23,873	19,735	26,044	30,493

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

PAN does not provide long-term benefits 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.

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 index	12/31/2017	12/31/2016
Tier I reference equity	1,784,926	1,908,118
Core capital	1,784,926	1,908,118
Tier II reference equity	631,294	779,430
Reference equity for comparison with risk-weighted assets (RWA)	2,416,220	2,687,548
Reference equity	2,416,220	2,687,548
- Credit risk	15,583,707	18,697,144
- Market risk	195,002	329,776
- Operating risk	2,359,044	1,285,684
Risk-weighted assets (RWA)	18,137,752	20,312,604
Basel index	13.32%	13.23%
Tier I	9.84%	9.39%
Tier II	3.48%	3.84%



- **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:

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 12/31/2017

Risk factors	Trading and Banking Portfolio exposures subject to variation:	SCENARIOS(*)		
		(1)Probable	(2)Possible	(3)Remote
Interest rates	Fixed interest rates	(901)	(186,606)	(378,531)
Coupon - other interest rates	Coupon rates of interest rates	(288)	(74,370)	(141,006)
Coupon - price index	Coupon rates of price indexes	(190)	(19,965)	(38,265)
Foreign currency	Foreign exchange rates	(63)	(1,584)	(3,168)
Foreign exchange coupon	Foreign exchange coupon rates	(8)	(544)	(1,097)
Total at 12/31/2017		(1,450)	(283,069)	(562,067)
Total at 12/31/2016		(2,956)	(611,346)	(1,180,727)

(*) Amounts gross of taxes.

The sensitivity analysis was effected based on the market data for the last day in December 2017, 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: 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 12/31/2017 and 12/31/2016 are presented below:

Assets - U.S. dollar	12/31/2017	12/31/2016
Credit operations (ACC/CCE)	140,212	286,653
Other receivables	-	9,782
Total assets	140,212	296,435

Liabilities - U.S. dollar	12/31/2017	12/31/2016
Subordinated debts	1,585,191	1,576,844
Foreign borrowings	-	134,101
Total liabilities	1,585,191	1,710,945

At 12/31/2017 and 12/31/2016, the position of the derivative financial instruments, in foreign currency, was as follows:

	Notional value		Market value	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Purchased position - U.S. Dollar				
Swaps	1,113,478	1,309,090	1,766,600	1,946,661
DDI	65,606	59,898	65,606	59,898
Total	1,179,084	1,368,988	1,832,206	2,006,559
Sold position - U.S. dollar				
Swaps	22,343	147,086	22,802	125,744
DDI	151,990	214,951	151,900	214,951
DOL	29,053	21,299	29,053	21,299
Total	203,386	383,336	203,755	361,994

- **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 transactions 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 Bank, 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.

The operating risk management structure is comprised of the Conglomerate's different areas and committees that participate in the operating and legal risk management process, with their respective roles and responsibilities, and comply with the segregation of duties. These areas and committees seek synergy, efficiency, process efficacy and effectiveness, besides respecting risk limits and appetite defined by the Conglomerate's management.

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 "Risk Management Report".

- **Market value**

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

Consolidated	12/31/2017			12/31/2016		
	Net book value	Market value	Unrealized profit (loss)	Net book value	Market value	Unrealized profit (loss)
Marketable securities	1,715,141	1,730,706	15,565	2,277,236	2,287,958	10,722
- Adjustment of trading securities	50,757	50,757	-	71,749	71,749	-
- Adjustment of available-for-sale securities	1,125,072	1,125,072	-	1,051,516	1,051,516	-
- Adjustment of securities held to maturity	539,312	554,877	15,565	1,153,971	1,164,693	10,722
Loan and leasing operations	18,505,881	18,866,656	360,775	19,082,919	21,668,429	2,585,510
Interbank deposits	8,730,148	8,731,510	(1,362)	11,765,701	11,767,088	(1,387)
Term deposits	4,899,966	6,464,406	(1,564,440)	2,514,071	3,864,495	(1,350,424)
Funds from issuance of securities	2,249,555	2,249,020	535	3,155,708	3,061,879	93,829
Borrowings	-	-	-	134,101	134,101	-
Subordinated debts	1,774,995	1,781,134	(6,139)	1,751,346	1,750,758	588
Unrealized profit (loss) with no tax effects			(1,195,066)			1,338,838

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 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 to the existing assets and liabilities at the balance sheet date.

31) EMPLOYEE BENEFITS

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 12/31/2017, the benefit expenses amounted to R\$ 66,246 and R\$ 67,010 in the Bank and in the Consolidated, respectively (R\$ 51,819 and R\$ 71,222 in the Bank and in the Consolidated, respectively, in the year ended 12/31/2016).

32) INCOME TAX AND SOCIAL CONTRIBUTION

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

	Bank		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Profit (loss) before income tax and social contribution	281,157	(400,126)	253,294	(450,408)
Effective rate (1) / (2)	45%	45%	-	-
Total income tax and social contribution (charge) credit at the effective rate	(229,021)	180,057	(224,626)	202,968
Effect on tax calculation:				
Equity in the results of investees	(25,300)	(27,620)	(1,347)	14,921
Assignment of tax credit (3)	102,500	-	102,500	-
Other amounts	(19,229)	10,451	(19,715)	(4,721)
Income tax and social contribution credit (charge) in the period	(68,551)	162,888	(40,688)	213,168

- (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, originating 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.
(3) On 8/29/2017, in compliance with Provisional Measure (MP) 783/17, the Bank executed an onerous assignment contract with BTG Pactual S.A. regarding unrecognized assets on income tax and social contribution losses amounting to R\$ 410,000. The transaction was carried out in the amount of R\$ 102,500, which was accounted for at the time of the assignment.

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

	Bank			
	At 12/31/2016	Constitution	Amount realized	At 12/31/2017
Allowance for losses	1,155,405	614,322	(775,628)	994,099
Provision for civil contingencies	93,027	179,600	(148,399)	124,228
Provision for labor contingencies	78,404	126,613	(52,819)	152,198
Provision for tax contingencies	129	1,549	(1,305)	373
Provision for loss on assets not for own use	13,538	33,706	(32,734)	14,510
Mark-to-market adjustment of derivatives	20,401	38,606	(45,707)	13,300
Other provisions	243,559	232,213	(144,480)	331,292
Total deferred tax assets on temporary differences	1,604,463	1,226,609	(1,201,072)	1,630,000
Income tax and social contribution losses	1,271,510	-	(1,181)	1,270,329
Deferred tax assets, net of deferred tax liabilities (Note 11)	2,875,973	1,226,609	(1,202,253)	2,900,329

	Consolidated			
	At 12/31/2016	Constitution	Amount realized	At 12/31/2017
Allowance for losses	1,286,221	642,339	(919,822)	1,008,738
Provision for civil contingencies	99,173	187,164	(156,827)	129,510
Provision for labor contingencies	83,455	133,145	(56,312)	160,288
Provision for tax contingencies	4,603	6,708	(2,040)	9,271
Provision for loss on assets not for own use	18,060	33,860	(37,014)	14,906
Mark-to-market adjustment of derivatives	46,564	48,033	(72,535)	22,062
Other provisions	263,199	236,002	(166,476)	332,725
Total deferred tax assets on temporary differences	1,801,275	1,287,251	(1,411,026)	1,677,500
Income tax and social contribution losses	1,490,833	10,030	(27,027)	1,473,836
Total deferred tax assets (Note 11)	3,292,108	1,297,281	(1,438,053)	3,151,336
Deferred tax liabilities (Note 32(e))	(87,302)	(4,054)	6,674	(84,682)
Deferred tax assets, net of deferred tax liabilities	3,204,806	1,293,227	(1,431,379)	3,066,654

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 12/31/2017, 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 2/7/2018.

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	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
2017	-	891,695	-	1,618	-	893,313
2018	709,781	627,329	5,242	89,307	715,023	716,636
2019	484,304	69,366	1,766	75,917	486,070	145,283
2020	394,909	4	5,128	100,944	400,037	100,948
2021	296	-	46,915	109,832	47,211	109,832
2022	4,217	2,114	107,023	132,779	111,240	134,893
2023	10,122	5,074	165,648	170,321	175,770	175,395
2024	10,122	5,074	187,255	189,578	197,377	194,652
2025	8,890	3,807	215,567	219,233	224,457	223,040
2026	5,196	-	272,501	181,981	277,697	181,981
2027	2,163	-	263,284	-	265,447	-
Total	1,630,000	1,604,463	1,270,329	1,271,510	2,900,329	2,875,973

	Consolidated					
	Temporary differences		Income tax and social contribution losses		Total	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
2017	-	915,887	-	4,293	-	920,180
2018	726,753	655,545	5,951	96,006	732,704	751,551
2019	491,831	93,370	5,908	91,733	497,739	185,103
2020	396,917	24,072	20,419	117,600	417,336	141,672
2021	2,614	23,394	65,430	136,758	68,044	160,152
2022	5,051	11,272	127,186	159,029	132,237	170,301
2023	10,956	31,134	186,983	195,161	197,939	226,295
2024	10,956	21,553	210,918	212,782	221,874	234,335
2025	9,724	7,002	240,913	243,798	250,637	250,800
2026	6,030	18,046	296,665	194,268	302,695	212,314
2027	16,668	-	274,450	-	291,118	-
Total	1,677,500	1,801,275	1,434,823	1,451,428	3,112,323	3,252,703

At 12/31/2017, the present value of deferred tax assets, calculated based on the Bank's average funding rate, totaled R\$ 1,841,141 in the Bank and R\$ 1,948,850 in Consolidated (R\$ 1,732,267 in the Bank and R\$ 1,965,541 in Consolidated at 12/31/2016).

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\$ 39,013 (R\$ 39,405 at 12/31/2016), are not subject to the generation of profits based on a technical study.



d) Unrecorded deferred tax assets:

At 12/31/2017, deferred tax assets of R\$ 92,158 in the Bank and Consolidated (12/31/2016 - R\$ 456,602) were not recorded in respect of tax losses of approximately R\$ 230,396 (R\$ 1,141,506 at 12/31/2016 in the Bank and Consolidated), since they did not meet all of the conditions established by BACEN.

e) Deferred tax liabilities:

Consolidated	At 12/31/2016	Constitution	Amount realized	At 12/31/2017
Mark-to-market adjustment of derivative financial instruments	(4,495)	(4,054)	2,277	(6,272)
Foreign exchange variations	(3,089)	-	3,089	-
Excess depreciation	(79,718)	-	1,308	(78,410)
Total (Note 21a - 32b)	(87,302)	(4,054)	6,674	(84,682)

33) OTHER INFORMATION

- a) Guarantees and sureties granted totaled R\$ 277,580 at 12/31/2017 (R\$ 278,756 at 12/31/2016).
- b) 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.
- c) At 12/31/2017 and 12/31/2016, the Bank and its subsidiaries did not have lease agreements for own acquisitions.
- 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 430/96). For defaults on contracts prior to this date, the previously existing rules continue to be applicable.
- g) The year 2016 was an important year for the Bank in the vehicle segment because it 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.



- h) On 10/31/2017, Banco PAN concluded the sale of the Company's investment in Stone Pagamentos S.A. ("Stone") on the execution of a Purchase and Sale Agreement and Other Covenants with DLP Pagamentos Brasil S.A. ("DLP"). The Company sold to DLP 480,311 common shares, which corresponded to 10.10% of Stone's share capital, for R\$ 229,000.
- i) The increase in the Bank's capital amounting to R\$ 400,000,001.04 (four hundred millions and one Reais and four cents) was approved within the authorized limit and without requiring discussion at the General Meeting of Stockholders, with the issue of 212,765,958 new registered, book-entry shares with no par value, in the proportion of the existing shares, of which 122,530,888 are common shares and 90,235,070 are preferred shares, with an issue price of R\$ 1.88 per common or preferred share, for private subscription by the Company's stockholders ("Capital Increase").

The issue price described above was determined in accordance with Article 170, paragraph 1, item III of Law 6,404/76 (Brazilian Corporate Law), taking into consideration the average quotations of the Company's preferred shares in the trading sessions carried out in the 90 days immediately preceding the summons to the meeting of the Company's Board of Directors that approved the capital increase, that is, between 8/2/2017, exclusive, and 10/31/2017, inclusive. The shares issued due to the capital increase must be paid in cash using local currency.

The total amount of the issue will be destined as follows: (i) 10% of the issue of common shares will be allocated to the Company's share capital, whereas the remaining 90% will be allocated to the capital reserve; (ii) the full amount of the issue of preferred shares will be allocated to the capital account.

The stockholder Caixa Participações S.A. - CAIXAPAR ("CaixaPar") will assign to the stockholders Banco BTG Pactual S.A. ("BTG Pactual") all its rights concerning the subscription of common and preferred shares, including, but not being limited to, the right to the surpluses and eventual excess surpluses, in the proportion that it owns, and BTG Pactual is authorized to assign this right to its affiliates ("Assignment of Rights - CaixaPar").

The stockholder BTG Pactual will guarantee the full subscription of the shares related to its own capital participation to the CaixaPar Assignment of Rights, as well as to all surpluses and excess surpluses that become necessary in order that the total amount of the issue can be fully subscribed and paid up ("BTG Full Subscription Guarantee"). This guarantee will be effected through the direct subscription or the assignment of subscription rights to any of its affiliates.

Despite the above, BTG Pactual will give priority to the other stockholders in the subscription of the total surpluses.

Because of the BTG Full Subscription Guarantee, balance of shares remaining in respect of the Capital increase will not be traded in stock markets. In addition, the capital increase will be fully approved by the Board of Directors.

The controlling stockholders agreed that (i) CaixaPar will have the right to acquire from BTG Pactual 50% of the Bank's shares subscribed and paid up by BTG Pactual in relation to the Capital Increase; and (ii) BTG Pactual will have the right to sell to CaixaPar 50% of the Bank's shares that are subscribed and paid up in relation to the Capital Increase.

After the capital increase is concluded, the Company's capital will amount to R\$ 3,653,409,620.70 (three billion, six hundred and fifty-three million, four hundred and nine thousand, six hundred and twenty Reais and seventy cents), represented by 1,141,806,121 shares, of which 657,560,635 are common shares and 484,245,486 are preferred shares, all registered, book-entry shares with no par value. The balance of R\$ 207,322,263.26 (two hundred and seven million, three hundred and twenty two thousand, and two hundred and sixty three Reais and twenty six cents), will be transferred to the capital reserve.



Approval of capital increase

The Board of Directors will hold another meeting on a timely basis to approve the capital increase, without considering a partial approval, because of the BTG Full Subscription Guarantee to subscribe up to the totality of the shares related to the capital increase. After the Company's Board of Directors approves the capital increase, it will be submitted for the approval of the Brazilian Central Bank, in accordance with the applicable regulations.

The new shares issued will be credited and included in the stockholders' positions in up to three business days after BACEN approves the capital increase.

If BACEN does not approve the capital increase, Banco PAN will return the amount that the Company's stockholders paid to date, without monetary adjustment, in up to five business days after a final and unappealable administrative decision.



Declaration of the Board of Directors

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 12/31/2017.



São Paulo, February 19, 2018

BOARD OF DIRECTORS

Gregório Moreira Franco
CRC 1SP219426/O-2
ACCOUNTANT

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Banco Pan S.A.
Parent company and consolidated
financial statements at
December 31, 2017
and independent auditor's report





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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, 2017 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, 2017 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 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, 2017, and the Bank's financial performance and cash flows, 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.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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.



We planned and performed our audit for 2017 taking into consideration that the operations of the Bank and its subsidiaries remain substantially the same in relation to the prior year. In this context, the key audit matters as well as our audit approach have remained substantially aligned with those of the prior year.

Why it is a key audit matter	How the matter was addressed in the audit
Allowance for losses (Note 3f and 8)	
<p>Banco Pan S.A. and its subsidiaries operate mainly in the retail market, as disclosed in Note 1. Management continues to apply judgment to determine the assumptions and criteria used when establishing the allowance for losses.</p> <p>The process established considers the standards and instructions determined by the National Monetary Council (CMN) and Brazilian Central Bank (BACEN), in association with management's judgment and assumptions utilized to determine the credit risk. We focused on this area in our audit because of these aspects.</p>	<p>We obtained an understanding of the design and controls related to the calculation of the allowance for losses that deal with the integrity of the database; processing, accounting of provisions, and the disclosure in the explanatory notes.</p> <p>We tested the reconciliation of the book balances with the analytical position. In addition, on a test basis, we recalculated the allowance for losses considering the established policy, which includes, among other aspects, considerations regarding the levels of risk and delay of operations according to the applicable standards.</p> <p>We consider that the assumptions and criteria that management adopted are reasonable and consistent with the information disclosed in the accompanying financial statements.</p>

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

As part of our audit procedures, and with the support of our information systems specialists, we obtained an understanding of the design and tested the relevant general information technology and security controls, related to the processes of



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large volume of transactions on a daily basis, in addition to a number of other processes for the management of accesses and information security.

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.

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

We also tested the automated or technology-dependent controls, the access restrictions, and the segregation of duties related to the processes that are relevant to the preparation of the financial statements.

The result of our procedures provided us with reasonable audit evidence in respect of the information technology environment related to the process of preparation of the financial statements.

Tax credits (Notes 3n and 32b)

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

We continued to focus on this area in our audit because utilizing different assumptions for the projection of taxable profit could significantly affect the period and estimated amounts for the realization of tax credits, and could also not be in compliance with National Monetary Council and Brazilian Central Bank requirements for the recording and maintenance of these assets in the financial statements.

We obtained an understanding of the process for the calculation and recording of tax credits in accordance with the tax and accounting standards, 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 future taxable profit for the realization of tax credits.

We compared the assumptions utilized by the Bank and its subsidiaries to project 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 consistency of these realization estimates.

We consider that the assumptions and criteria that management adopted are reasonable regarding the accounting, maintenance, and realization of the tax credit.



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Other matters

Statements of value added

The parent company and consolidated statements of value added for the year ended December 31, 2017, prepared under the responsibility of the Bank's management and presented as supplementary information for purposes of the Brazilian Central Bank, were submitted to audit procedures executed in conjunction with the audit of the Bank's financial statements. The presentation of this statement 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 of the Brazilian Accounting Pronouncements Committee (CPC) - "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 our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have realized, 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 the Brazilian Central Bank 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 Bank's ability to continue as a going concern, disclosing, as applicable, matters related to operational continuity and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease its 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.



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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 could 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 relevant uncertainty exists related to events or conditions that could cast significant doubt on the ability of the Bank to continue as a going concern. 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 may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the parent company and consolidated financial statements, including the disclosures, and whether these 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 controls that we identify during our audit.



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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.

Of the matters that were the object of communications 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 were therefore the key audit matters. We describe these matters in our auditor's report unless legislations or regulations preclude 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 7, 2018

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

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