

# PAN

## Earnings Release – 2Q16

August 01, 2016



*Índice de  
Ações com Tag Along  
Diferenciado* **ITAG**

*Índice de  
Ações com Governança  
Corporativa Diferenciada* **IGC**

**São Paulo, August 01, 2016** – Banco Pan S.A. (“Pan”, “Bank” or “Company”) and its subsidiaries, pursuant to legal provisions, hereby releases its results for the quarter ended June 30, 2016, accompanied by the Independent Auditor’s Report. The Bank’s operating and financial information, except when otherwise stated, is reported based on consolidated figures and in Brazilian reais, pursuant to Brazilian Corporate Law and the Accounting Practices adopted in Brazil.

## Highlights

- ✓ **Retail credit origination monthly average of R\$1,747 million in 2Q16**, 18% up from the monthly average of R\$1,486 million in 1Q16 and 5% higher than the monthly average of R\$1,661 million in 2Q15;
- ✓ **Corporate Loan Portfolio**, including Guarantees Issued, **ended 2Q16 at R\$3,359 million**, compared to R\$3,741 million in 1Q16 and R\$4,416 million in 2Q15;
- ✓ **Credit Portfolio with Retained Results ended 2Q16 at R\$18.2 billion**, compared to R\$17.5 billion in 1Q16 and R\$18.2 billion in 2Q15;
- ✓ **Managerial Net Interest Margin of 11.8% in 2Q16**, compared to 11.6% in 1Q16 and a margin of 16.0% in 2Q15;
- ✓ **Net Losses of R\$128.4 million in 2Q16**, compared to Net Losses of R\$96.1 million in 1Q16 and Net Income of R\$3.6 million in 2Q15; and
- ✓ **Consolidated Shareholders’ Equity of R\$3,422 million and Basel Ratio of 14.0%** at the end of 2Q16, with **Common Equity Tier I of 10.0%**.

## Main Indicators

Main Indicators (R\$MM)	2Q16	1Q16	2Q15	Δ2Q16/ 1Q16	Δ2Q16/ 2Q15
Credit Portfolio with Retained Result	18,180	17,454	18,204	4%	0%
Total Assets	27,035	27,445	26,074	-1%	4%
Total Funding	19,479	19,281	19,573	1%	0%
<b>Net Income</b>	<b>(128.4)</b>	<b>(96.1)</b>	<b>3.6</b>	<b>-34%</b>	<b>-</b>
<b>Shareholders' Equity</b>	<b>3,422</b>	<b>3,550</b>	<b>3,561</b>	<b>-4%</b>	<b>-4%</b>
<b>Basel Index</b>	<b>14.0%</b>	<b>14.5%</b>	<b>16.5%</b>	<b>-0.5 p.p.</b>	<b>-2.5 p.p.</b>

## Economic Environment

Regarding economic activity, industrial production remained stable in May compared to the previous month (seasonally adjusted), after an increase of 0.1% in April. In the annual comparison, industrial production fell by 7.8% in May, adding up to 9.8% over the year. The seasonally adjusted results show, for the first time in four years, that there has not been negative growth for three consecutive months, so that the quarterly moving average registered in May shows the first positive variation in nineteen months with growth of 0.6%.

As for demand, data related to the retail and the service sectors continued to indicate a deterioration. The poor performance of the retail and the services sector suggests that job market and credit market conditions are still posing a challenge to short-term sustainable recovery, despite the improvement in confidence indicators.

As for inflation, the IPCA-15 consumer price index recorded a 0.35% variation in June, slowing down in relation to the variation in the same period of 2015, maintaining the downward trend in the 12-month inflation figure, which was 8.84% in June.

Unemployment measured by the PNAD (National Household Sample Survey) increased to 11.2% in May, compared to 8.1% in the same period in 2015. Working population indicators are still deteriorating, recording a decline of 1.4% in the year, although at a slower pace if compared to the decline of 1.7% recorded in April. Average income indicators decreased by 2.7% year-over-year, compared to 3.3% in April. Regarding formal employment, the Ministry of Labor's official employment registry (Caged) showed a net reduction of 72,600 jobs in May. Excluding seasonal effects, the result is equivalent to a net reduction of 97,600 jobs, with the highest decline in the service sector.

As for the credit market, a further deceleration was recorded in May, with an increase of only 2% in twelve months. In real terms, loan operations decreased by 6.7% in the annual comparison, reinforcing the signs of moderation in lending volumes. The default rate for non-earmarked credit operations is increasing year-over-year, but remained stable in the monthly comparison. The seasonally adjusted average household default rate remained stable, closing May at 6.3%. In sum, the credit indicators for May continue to reinforce the signs of deceleration in lending volumes, interest rate increases and maintenance of high default rates, in line with the deterioration of economic activity indicators, especially those related to the job market.

Regarding the tax situation, the federal government's primary balance was, once again, a deficit of R\$15.5 billion, reversing the surplus registered in April. As for the consolidated tax result, the primary balance recorded in May was a deficit of R\$18.1 billion. In the last twelve months, the primary deficit increased to 2.5% of GDP, compared to a 2.3% deficit in April.

### Subsidiaries

Below are the companies controlled by Pan in June 30, 2016.



\*Intragroup reorganization pending approval from the Brazilian Central Bank

### Operational and Commercial Agreements

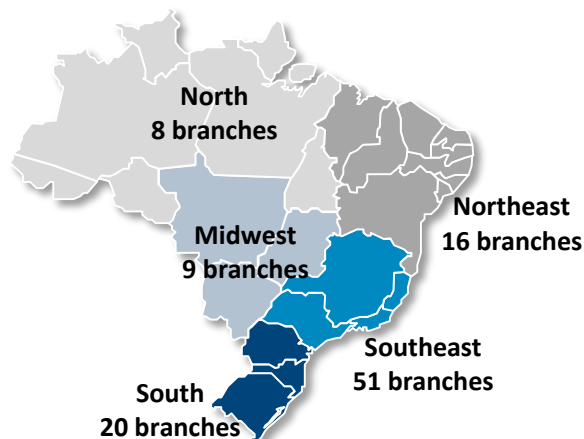
Since 2011, after the establishment of the controlling block by Caixa Econômica Federal (“Caixa”) and Banco BTG Pactual S.A. (“BTG Pactual”), Operational and Commercial Cooperation Agreements were signed between the controlling shareholders and the Company to reaffirm their commitment to a strategic partnership. Among the measures with a direct influence on Pan’s capital structure and liquidity, it is worth mentioning in particular: (i) Caixa’s commitment to acquire the Company’s loans without recourse whenever Pan plans to assign them; and (ii) the strengthening of liquidity through interbank deposits from both controlling shareholders, BTG Pactual and Caixa. These are long-term agreements that are expected to be adjusted and will provide Pan with funding alternatives at a competitive cost.

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

### Distribution Network

With 2,999 employees, the Bank has 104 exclusive branches in the major cities of Brazil, geographically distributed according to each region’s GDP.

The Bank is also actively present in 10,155 authorized vehicle dealers and resellers, has 1,163 correspondent banks originating payroll-deductible loans and 1,070 real estate brokers generating loans.



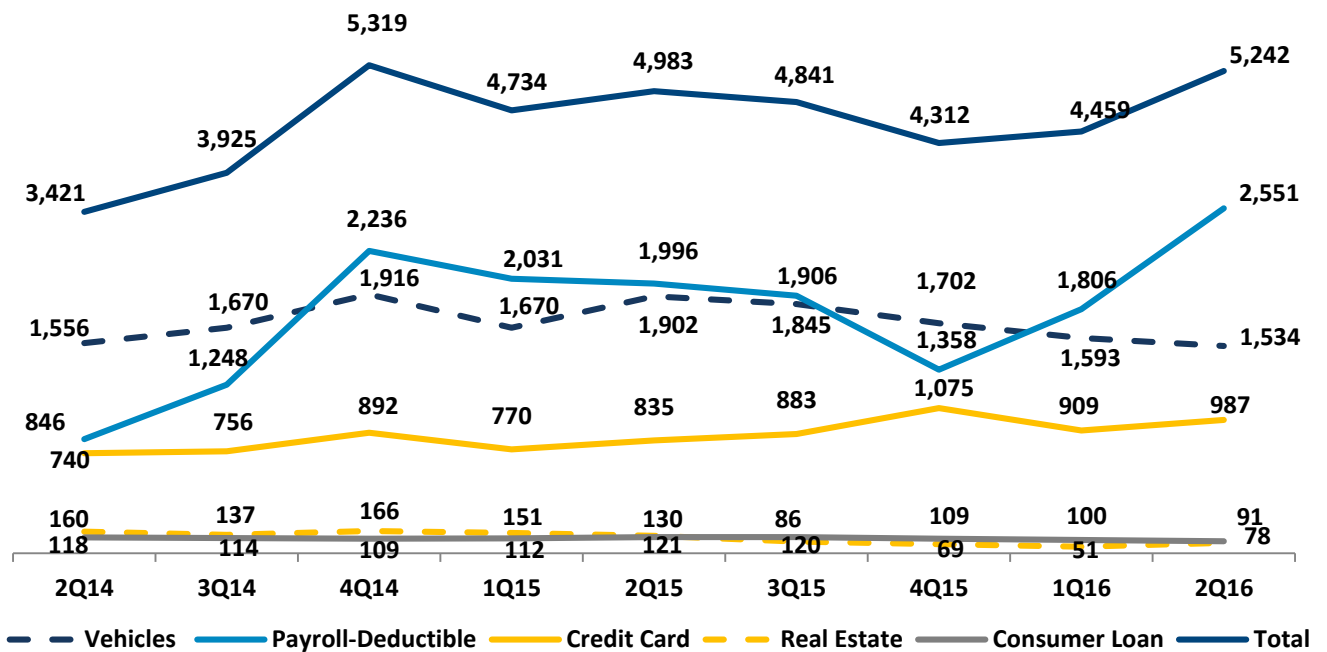
### Retail Origination

Despite the retail slowdown within a broader picture of slower economic activity in Brazil and higher domestic interest rates, Pan reached a monthly average credit origination of R\$1,747 million in 2Q16, due to strong performance of payroll-deductible loans. Therefore, the average monthly origination in 2Q16 grew by 18% compared to the monthly average of R\$1,486 million in 1Q16 and by 5% compared to the monthly average of R\$1,661 million in 2Q15.

**Retail Asset Origination Monthly Average (R\$ MM)**

Products	2Q16	1Q16	2Q15	Δ 2Q16/ 1Q16	Δ 2Q16/ 2Q15
Payroll-Deductible	850	602	665	41%	28%
Vehicles	511	531	634	-4%	-19%
Credit Cards	329	303	278	9%	18%
Real Estate	26	17	43	54%	-40%
Consumer Loan	30	33	40	-9%	-25%
<b>Total</b>	<b>1,747</b>	<b>1,486</b>	<b>1,661</b>	<b>18%</b>	<b>5%</b>

**Quarterly Retail Asset Origination (R\$ MM)**



Products

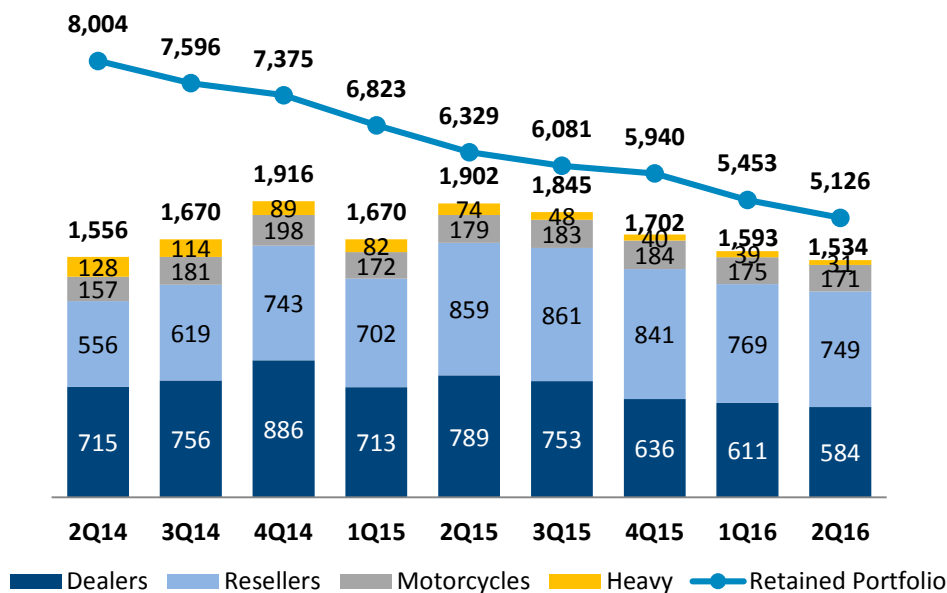
Vehicle Financing

The Bank is actively present in 10,155 new and used vehicle dealers and resellers, with a high degree of loan origination fragmentation, whereby the 10 largest groups of dealers and resellers account for only 11% of total origination.

Despite the sector’s slowdown and the more conservative criteria on credit concessions, Pan disbursed R\$1,534 million in new vehicle financing in 2Q16, 4% lower than the R\$1,593 million originated in 1Q16 and 19% lower than the R\$1,902 million originated in 2Q15.

The credit portfolio continued to decline due to the credit assignments without recourse, ending the quarter at R\$5,126 million, contributing to the diversification of the Bank’s Portfolio.

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

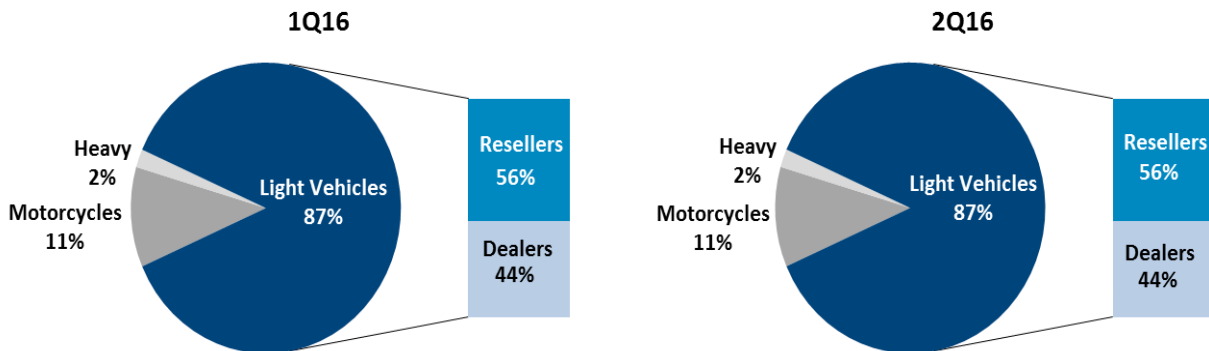


Light vehicle financing registered a total of R\$444 million in 2Q16, a reduction of the monthly average, with R\$460 million in the previous quarter and of R\$549 million in 2Q15. The origins segregation guarantees portfolio diversification, in line with the Bank’s strategy, with 56% of light vehicles originated through Resellers and 44% through Dealers in 2Q16, which came stable compared to the previous quarter.

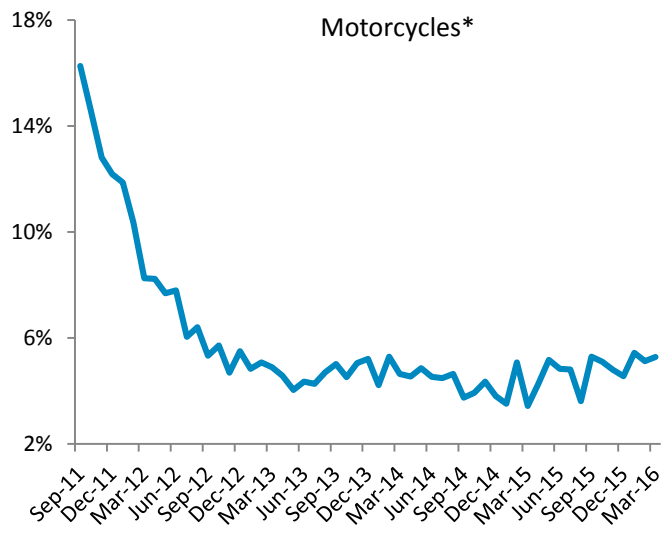
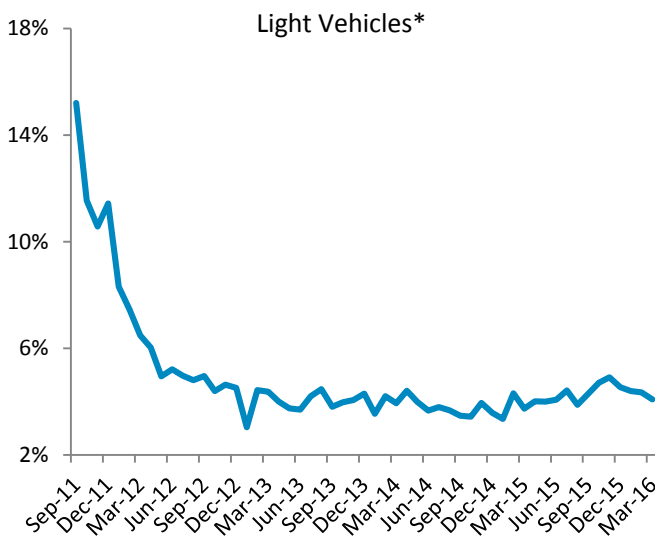
Motorcycle financing presented a monthly average of R\$57 million in 2Q16, slightly lower than the averages of R\$58 million in 1Q16 and R\$60 million in 2Q15.

Accompanying the market trajectory, the heavy vehicle segment recorded a monthly average origination of R\$10 million in 2Q16, a decline in compared to the average of R\$13 million in the previous quarter and the average of R\$25 million in 2Q15.

**% in New Vehicle Financing**



Pan’s Management has been continuously fine-tuning the Bank’s credit approval models, systems and processes, generating a substantial improvement in the quality of the originated portfolios, as demonstrated by their quality indicators since the second half of 2011.



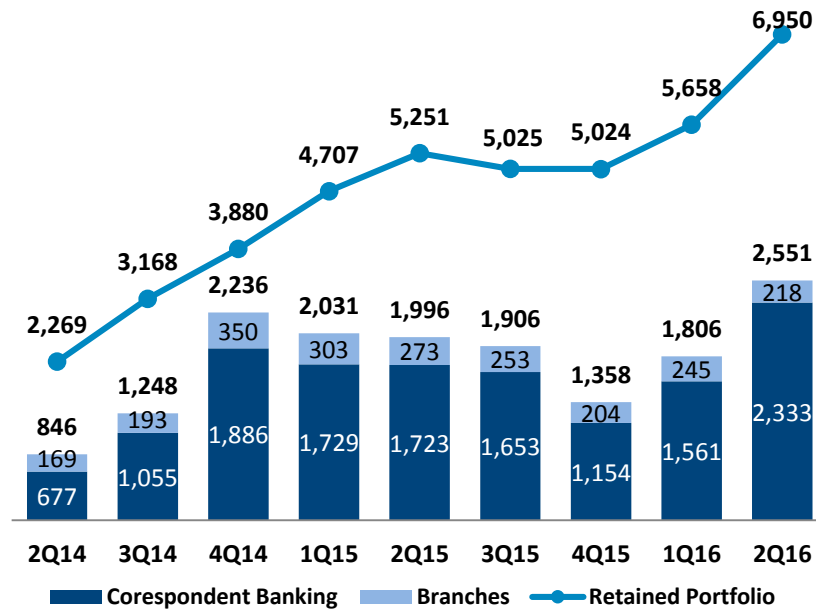
\*% of non performing loans over 30 days 3 months after concession.

**Payroll-Deductible and Consumer Loans**

In 2Q16, Pan disbursed R\$2,551 million in new payroll-deductible loans for public servants and social security beneficiaries, 41% over the R\$1,806 million originated in the previous quarter, taking advantage of the market recovery, especially in social security beneficiaries. In the annual comparison, it was observed an 28% increase in relation to the R\$1,996 million originated in 2Q15.

The payroll-deductible credit portfolio has significantly evolved, reaching R\$6,950 million and contributing to the diversification of the Bank’s Portfolio.

Evolution of Payroll-Deductible Loan Portfolio and Origination by sales channel (R\$ MM)



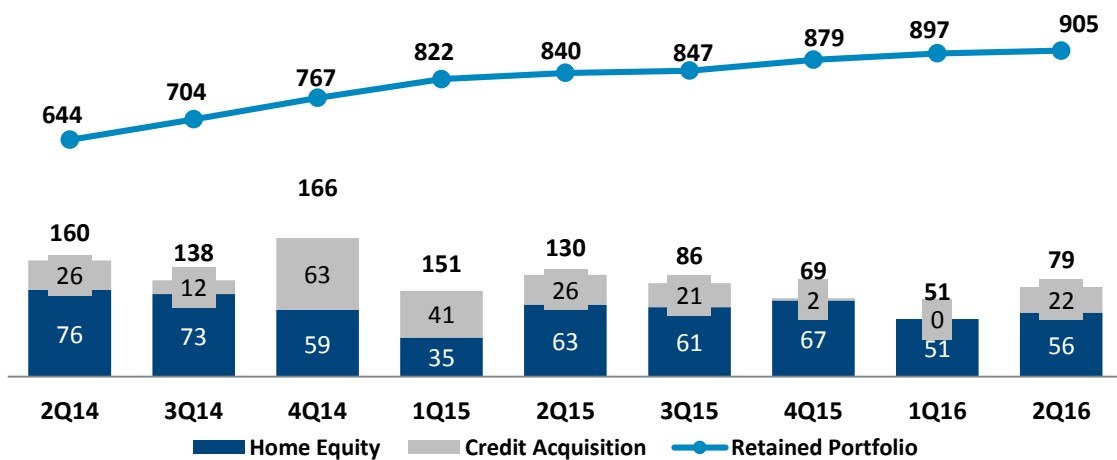
Consumer loans accounted for R\$91 million of new loan disbursements during 2Q16, compared to R\$100 million disbursed in 1Q16 and R\$121 million in 2Q15.

**Real Estate Loans**

Real estate loan origination totaled R\$79 million in 2Q16, allocated as follows: (i) R\$56 million to individuals in Home Equity (Crédito Fácil) and (ii) R\$22 million in loans acquired by Brazilian Securities Companhia de Securitização (“Brazilian Securities”) for securitization purposes.

Therefore, the real estate loan portfolio ended 2Q16 at R\$905 million, remaining stable in comparison to the R\$897 million portfolio at the end of last quarter.

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



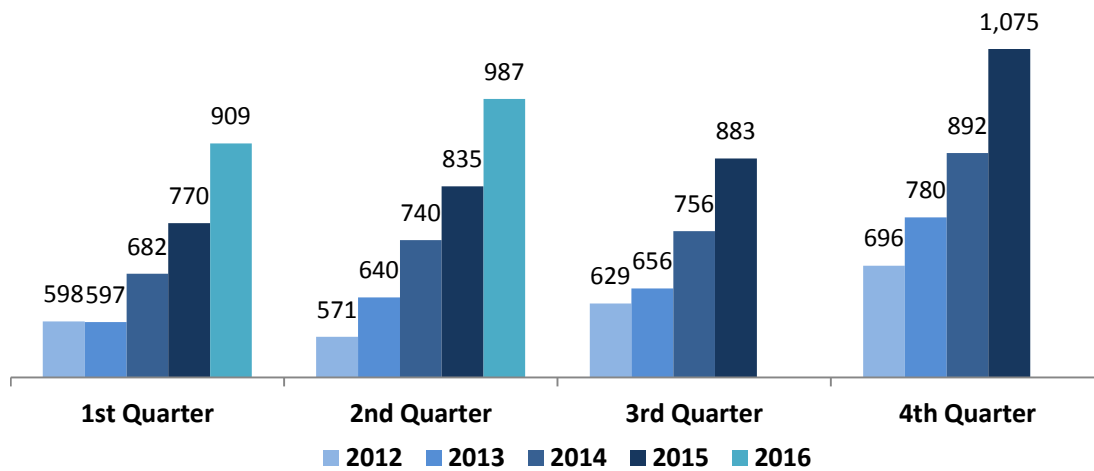


**Credit Cards – Payroll and Conventional Cards**

Pan closed 2Q16 with a base of 1.9 million credit cards. The transaction volume totaled R\$987 million, 9% higher than the R\$909 million registered in the previous quarter and 18% higher than the R\$835 million registered in the 2Q15, with an increase of payroll cards transactions.

On June 30, 2016, Banco Pan was awarded with the 2015 Global Service Quality Performance Award by Visa, in the “Chargeback Effectiveness Fraud” and “Chargeback Effectiveness Non Fraud” categories, as recognition of the quality in the handling of transactions not recognized by cardholders, in fraudulent or not fraudulent operations.

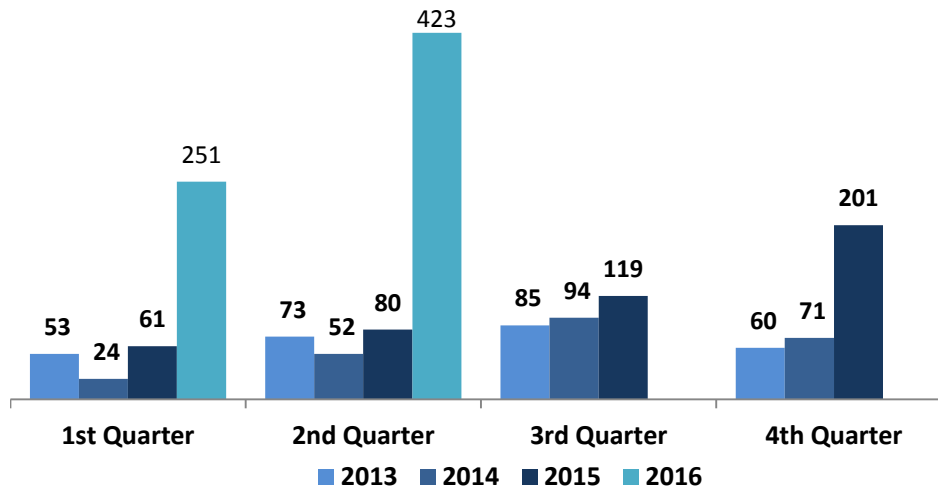
**Transaction Volume (R\$ MM)**



**Consortium**

Consortium sales have been a highlight and reached the amount of R\$423 million in 2Q16, higher than the R\$251 million registered in the last quarter and the R\$80 million registered in 2Q15.

**Consortium Total Income (R\$ MM)**

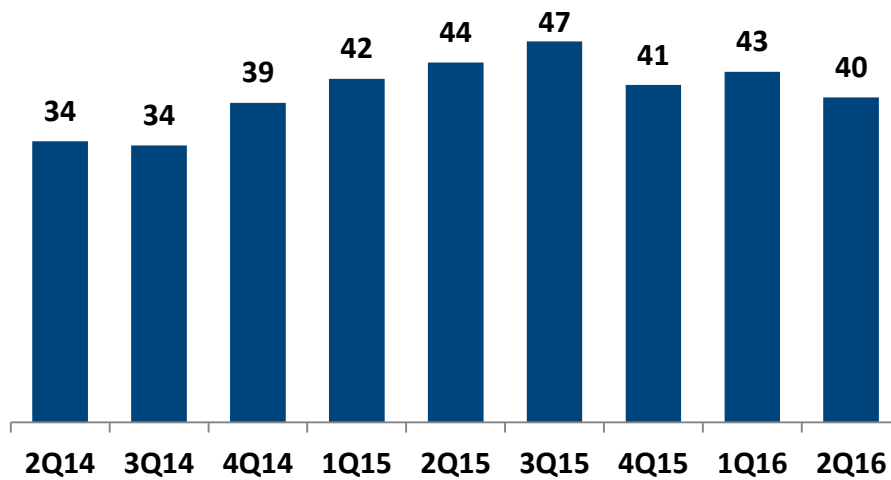


**Insurance**

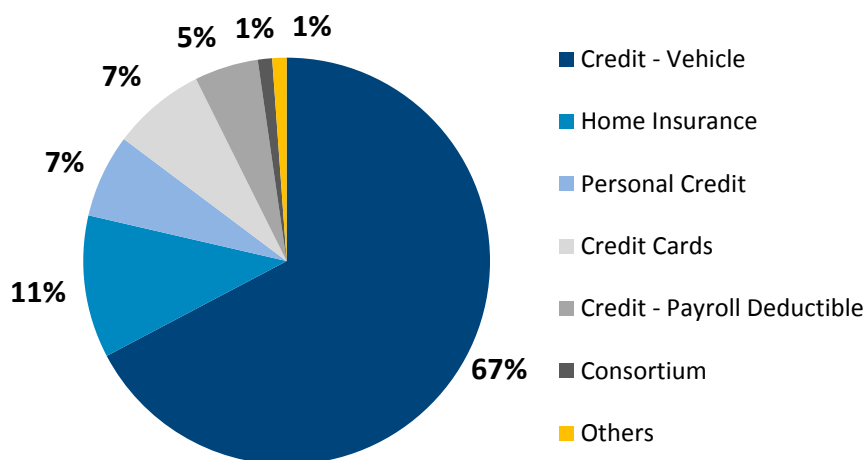
Based on the operational distribution agreement signed with Pan Seguros S.A., valid until December/2034, Pan originated R\$40 million in insurance premiums in 2Q16, lower than the R\$43 million and R\$44 million originated in the 1Q16 and 2Q15, respectively, largely influenced by the movement of vehicle financing origination.

Among the premiums originated in 2Q16, there are: R\$32 million in credit insurance, R\$4.5 million in home insurance, R\$3 million in credit card insurance and R\$450 thousands in other products.

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



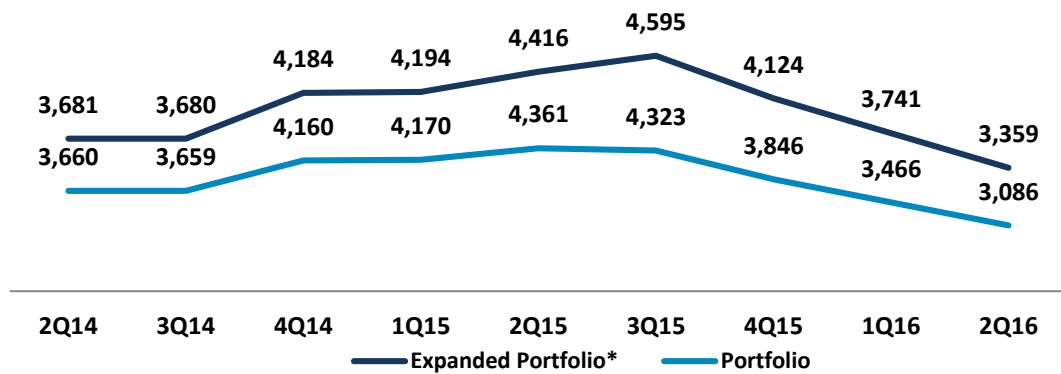
**Insurance Premium by Product (%)**



**Corporate Loans**

Pan’s Expanded Corporate Loan Portfolio, including R\$273 million in Guarantees Issued, reached a total amount of R\$3,359 million in 2Q16, compared to the R\$3,741 million portfolio in the last quarter and R\$4,416 million portfolio in 2Q15, reflecting the current economic environment. In June 2016, this portfolio had an amount of R\$82 million in ACC (foreign exchange contract advances) operations in US dollar.

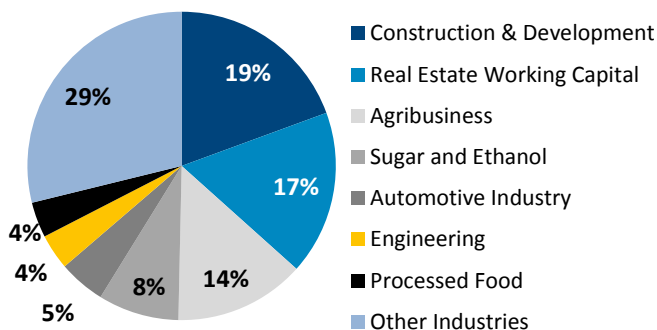
**Corporate Loan Portfolio Evolution (R\$ MM)**



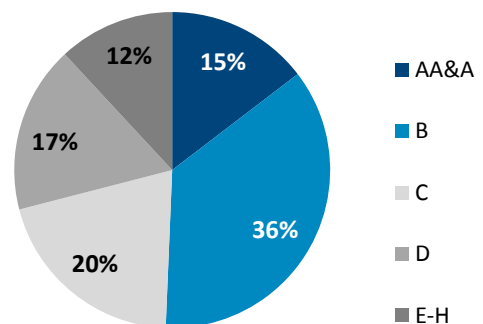
\*Including Guarantees Issued

The bank operates with a risk control policy, which consists of maintaining a diversified loan portfolio by industries and by economic groups, in addition of maintaining a good level of guarantees. The 10 largest clients jointly account for just 4% of Pan's total portfolio in 2Q16.

**Corporate Loan Portfolio by Industry (%)**



**Corporate Loan Portfolio by Rating (%)**

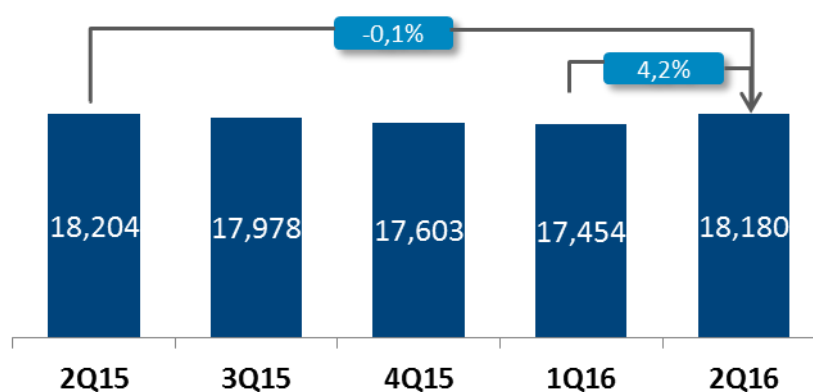


## Credit Portfolio

The Credit Portfolio with Retained Results, which includes retail and corporate loans, ended 2Q16 at R\$18,180 million, 4% higher than the R\$17,454 million portfolio in 1Q16 and practically stable compared to the R\$18,204 million portfolio reported in 2Q15.

During 2Q16, credit assignments without recourse (including vehicle and payroll loans) totaled R\$2,081 million, contributing to portfolio diversification.

Credit Portfolio with Retained Results (R\$ MM)



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

Type of Loans (R\$ MM)	2Q16	Part. %	1Q16	Part. %	2Q15	Part. %	$\Delta 2Q16 / 1Q16$	$\Delta 2Q16 / 2Q15$
Payroll Deductible Loans <sup>1</sup>	6,950	38%	5,658	32%	5,251	29%	23%	32%
Vehicle Financing	5,126	28%	5,452	31%	6,329	35%	-6%	-19%
Corporate	3,086	17%	3,466	20%	4,361	24%	-11%	-29%
Credit Cards	1,130	6%	985	6%	656	4%	15%	72%
Real Estate	905	5%	897	5%	840	5%	1%	8%
Guarantees Issued	273	2%	275	2%	55	0%	-1%	396%
Others	710	4%	720	4%	712	4%	-1%	0%
<b>Total</b>	<b>18,180</b>	<b>100%</b>	<b>17,454</b>	<b>100%</b>	<b>18,204</b>	<b>100%</b>	<b>4%</b>	<b>0%</b>

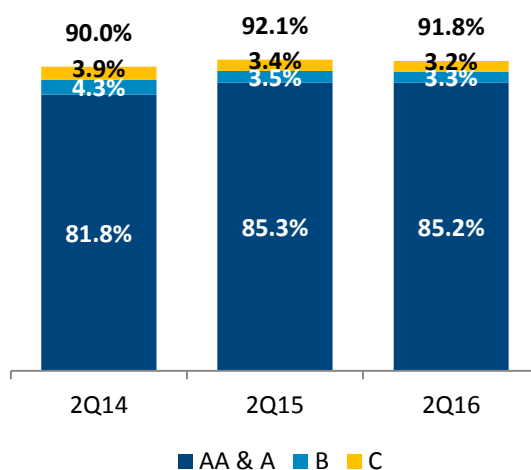
<sup>1</sup> Includes credits assigned with the retention of risks and benefits, pursuant to Central Bank Resolution 3,533/08.

**Retail Credit Portfolio**

Below the ratings of Banco Pan's Retail Credit Portfolio are shown, recorded on the balance sheet by risk category, pursuant to Resolution 2,682 of the Brazilian Monetary Council (CMN):

Category of Risk (R\$ MM)	2Q16	Part. %	1Q16	Part. %	2Q15	Part. %	Δ 2Q16 / 1Q16	Δ 2Q16 / 2Q15
"AA" to "C"	13,600	92%	12,526	91%	12,721	92%	9%	7%
"D" to "H"	1,221	8%	1,187	9%	1,091	8%	3%	12%
<b>Total</b>	<b>14,821</b>	<b>100%</b>	<b>13,713</b>	<b>100%</b>	<b>13,813</b>	<b>100%</b>	<b>8%</b>	<b>7%</b>

**% of Retail Credits rated from AA to C (Resolution 2,682 of CMN)**



The table below presents the total loan portfolio by maturity on June 30, 2016:

Maturity Per Type of Credit Operation (R\$ MM)	Up to 30 days	From 31 to 90 days	From 91 to 180 days	From 181 to 360 days	More than 360 days	Total
Payroll-Deductible Loans <sup>2</sup>	249	387	552	994	4,766	6,950
Vehicle Financing	450	348	515	977	2,836	5,126
Corporate	652	443	542	548	901	3,086
Credit Cards	1,014	53	22	20	21	1,130
Real Estate	27	30	43	79	727	905
Guarantees Issued	25	6	0	6	236	273
Others	391	128	88	52	52	710
<b>Total</b>	<b>2,808</b>	<b>1,395</b>	<b>1,761</b>	<b>2,677</b>	<b>9,539</b>	<b>18,180</b>
<b>Mat. Part. (%)</b>	<b>15%</b>	<b>8%</b>	<b>10%</b>	<b>15%</b>	<b>52%</b>	<b>100%</b>

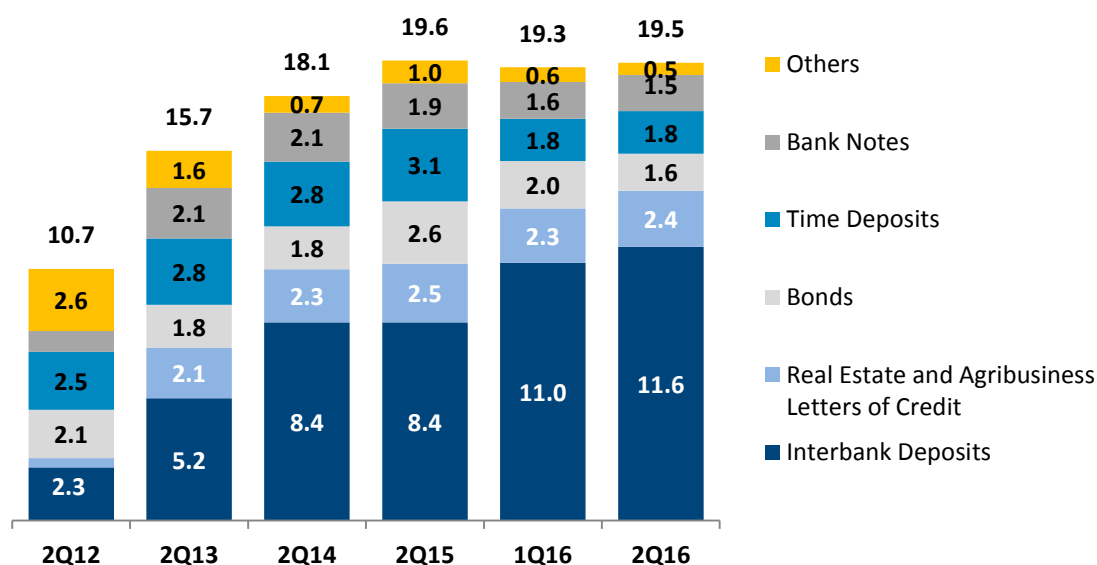
<sup>2</sup> Includes credits assigned with the retention of risks and benefits, pursuant to Central Bank Resolution 3,533/08.

## Funding

The funding volume closed June 2016 at R\$19.5 billion, close to the R\$19.3 billion recorded at the end of March and the R\$19.6 billion recorded in June 2015. The main funding sources were: (i) time deposits and interbank deposits, which amounted to R\$13.5 billion, 69% of the total; (ii) real estate and agribusiness letters of credit totaling R\$2.4 billion, 12% of the total; (iii) bonds issued abroad, totaling R\$1.6 billion, 8% of the total; (iv) bank notes totaling R\$1.5 billion, 8% of the total; and (v) other funding sources, corresponding to R\$526 million, 3% of the total. During this quarter, the Bank made a partial repurchase of the subordinated Bond maturing in April 2020 in the amount of US\$43.2 million.

Funding Sources (R\$ MM)	2Q16	Part. %	1Q16	Part. %	2Q15	Part. %	Δ 2Q16 / 1Q16	Δ 2Q16 / 2Q15
Interbank Deposits	11,642	60%	10,958	57%	8,426	43%	6%	38%
Time Deposits	1,814	9%	1,787	9%	3,093	16%	2%	-41%
Real Estate and Agribusiness Letters of Credit	2,382	12%	2,314	12%	2,497	13%	3%	-5%
Bonds	1,582	8%	2,027	11%	2,647	14%	-22%	-40%
Bank Notes	1,533	8%	1,565	8%	1,936	10%	-2%	-21%
Others	526	3%	630	3%	974	5%	-17%	-46%
<b>Total</b>	<b>19,479</b>	<b>100%</b>	<b>19,281</b>	<b>100%</b>	<b>19,573</b>	<b>100%</b>	<b>1%</b>	<b>0%</b>

Funding Sources (R\$ Billion)



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

## Results

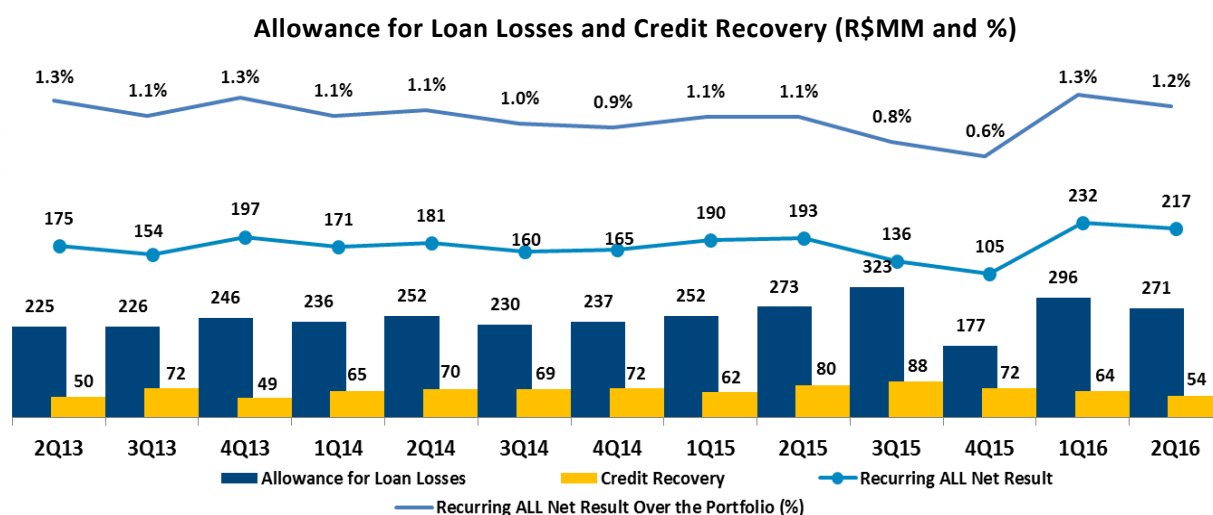
### Managerial Net Interest Margin – NIM

In 2Q16, Pan’s managerial net interest margin stood at 11.8% compared to 11.6% registered in 1Q16 and 16% registered in 2Q15.

Managerial Net Interest Margin (R\$ MM)	2Q16	1Q16	2Q15	Δ 2Q16/ 1Q16	Δ 2Q16/ 2Q15
<b>Gross Income from Financial Intermediation</b>	<b>405</b>	<b>309</b>	<b>647</b>	<b>31%</b>	<b>-37%</b>
(+) Allowance for Loan Losses	271	296	273	-9%	-1%
<b>Income from Financial Intermediation Before ALL</b>	<b>675</b>	<b>605</b>	<b>921</b>	<b>12%</b>	<b>-27%</b>
(+) Exchange Rate Variation	(48)	1	(109)	n/a	56%
<b>1. Managerial Net Interest Margin</b>	<b>628</b>	<b>606</b>	<b>812</b>	<b>4%</b>	<b>-23%</b>
(-) Credit Assignments Results	198	187	332	6%	-40%
<b>2. Managerial Net Interest Margin w/o Assignments</b>	<b>429</b>	<b>420</b>	<b>480</b>	<b>2%</b>	<b>-11%</b>
<b>Average Interest-Earning Assets</b>	<b>22,131</b>	<b>21,883</b>	<b>21,519</b>	<b>1%</b>	<b>3%</b>
- Average Loan Portfolio	17,543	17,253	17,996	2%	-3%
- Average Securities and Derivatives	2,653	2,795	2,315	-5%	15%
- Average Interbank Investments	1,935	1,835	1,208	5%	60%
<b>(1/3) Manag. Net Interest Margin (% a.a.)</b>	<b>11.8%</b>	<b>11.6%</b>	<b>16.0%</b>	<b>0.2 p.p.</b>	<b>-4.2 p.p.</b>
(2/3) Manag. Net Interest Margin w/o Assign. (% a.a)	8.0%	7.9%	9.2%	0.1 p.p.	-1.2 p.p.

### Costs and Expenses

In 2Q16, the allowance for loan losses came to R\$271 million, while the recovery of credit previously written-off against the allowance for loan losses reached R\$54 million. Thus, the net expense of the allowance for loan losses in 2Q16 totaled R\$217 million.



Personnel and administrative expenses (Subtotal I) totaled R\$276 million in 2Q16, down 3% compared to the R\$285 million registered in 1Q16 and in 2Q15, with a great influence from the reduction in personnel expenses.

The credit origination expenses (Subtotal II) totaled R\$225 million at the end of the quarter, compared to the R\$180 million recorded in 1Q16 and the R\$162 million at the end of 2Q15. This increase relates to the expansion of the payroll-deductible loan origination, which generates expenses concentrated in the beginning of the operation, offset by interest throughout the operation.

G&A Expenses (R\$ MM)	2Q16	1Q16	2Q15	Δ 2Q16/ 1Q16	Δ 2Q16 / 2Q15
Personnel expenses	115	138	133	-17%	-14%
Administrative expenses	162	147	153	10%	6%
<b>1. Subtotal I</b>	<b>276</b>	<b>285</b>	<b>285</b>	<b>-3%</b>	<b>-3%</b>
Comission Expenses – BACEN Circular 3,738	83	54	35	53%	134%
Deferred Comissions and other origination expenses	143	126	127	13%	13%
<b>2. Subtotal II – Credit Origination</b>	<b>225</b>	<b>180</b>	<b>162</b>	<b>25%</b>	<b>39%</b>
<b>3. Total (I + II)</b>	<b>502</b>	<b>465</b>	<b>447</b>	<b>8%</b>	<b>12%</b>

#### Income Statement

Pan posted net losses of R\$128.4 million in 2Q16, versus a net loss of R\$96.1 million in 1Q16 and net income of R\$3.6 million in 2Q15.

The quarterly results are impacted by the volume and mix of credits assigned without recourse in each period. Credit assignments without recourse (including vehicle, payroll and real estate loans) totaled R\$2,081 million in 2Q16. Additionally, the origination volume and the accounting rule of commission expenses impacted the result.

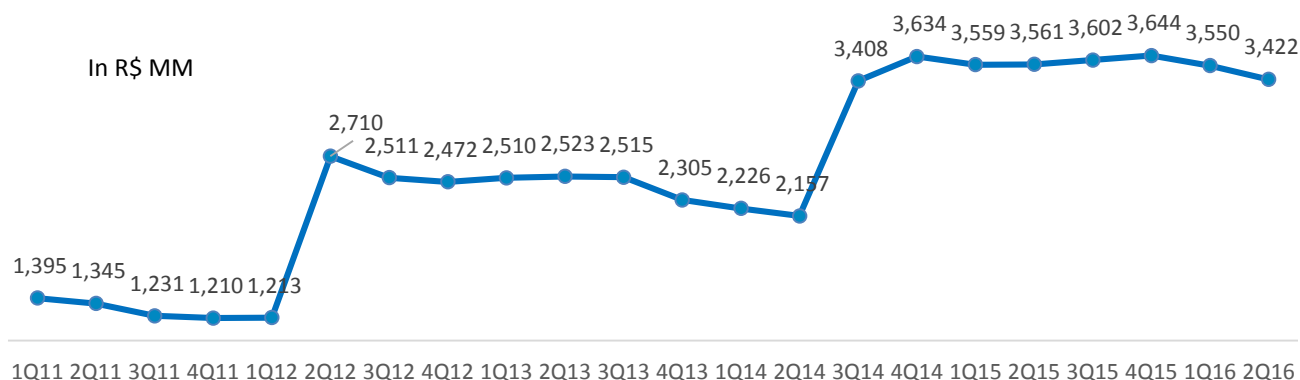
P&L Statement (R\$ MM)	2Q16	1Q16	2Q15	Δ 2Q16/ 1Q16	Δ 2Q16 / 2Q15
<b>Net Interest Margin w/o Credit Assignments</b>	<b>429</b>	<b>420</b>	<b>480</b>	<b>2%</b>	<b>-11%</b>
Result from Credit Assignments	198	187	332	6%	-40%
<b>Net Interest Margin</b>	<b>628</b>	<b>606</b>	<b>812</b>	<b>4%</b>	<b>-23%</b>
Allowance for Loan Losses	(271)	(296)	(273)	9%	1%
<b>Gross Profit from Financial Intermediation (Adjusted)</b>	<b>357</b>	<b>310</b>	<b>538</b>	<b>15%</b>	<b>-34%</b>
Other Operating Revenues (Expenses)	(11)	50	2	-121%	-
Administrative and Personnel Expenses	(502)	(465)	(447)	-8%	-12%
Tax Expenses	(50)	(52)	(67)	3%	25%
<b>Income from Operations</b>	<b>(206)</b>	<b>(157)</b>	<b>26</b>	<b>-31%</b>	<b>-</b>
Non Operating Expenses	(17)	(13)	(14)	-31%	-22%
Income and Social Contribution Taxes	95	74	(8)	28%	-
<b>(Loss)/Net Income</b>	<b>(128.4)</b>	<b>(96.1)</b>	<b>3.6</b>	<b>-34%</b>	<b>-</b>



## Shareholders' Equity and Capital

### Shareholders' Equity

Pan's Consolidated Shareholders' Equity totaled R\$3,422 million in June 2016, compared to R\$3,550 million in March 2016 and R\$3,561 million in June 2015.

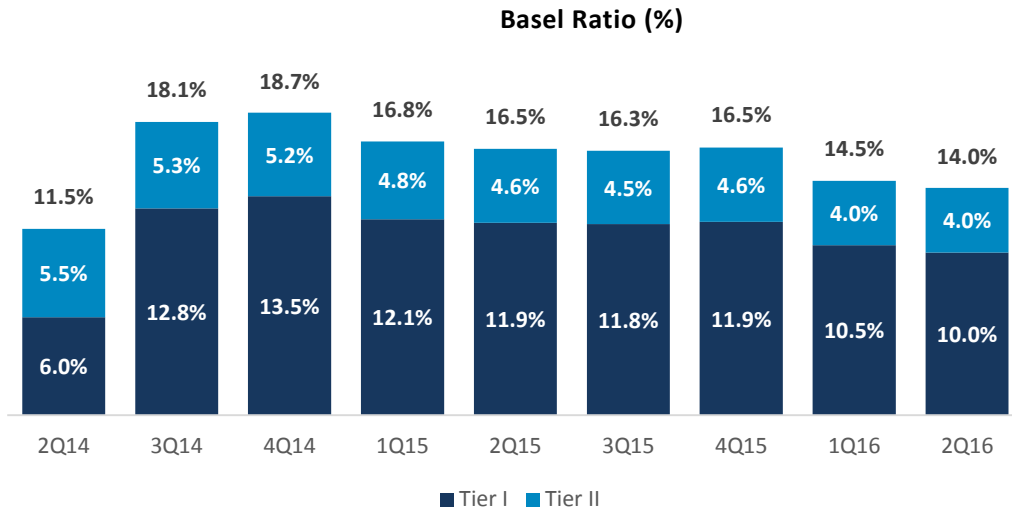


### Basel Ratio and Operating Margin

The Prudential Conglomerate's Basel Ratio stood at 14.0% at the end of 2Q16 (10.0% for Tier I Common Equity), versus 14.5% in 1Q16 (10.5% for Tier I Common Equity) and 16.5% (11.9% for Tier I Common Equity) in 2Q15. The Prudential Conglomerate's Operating Margin came to R\$619 million in 2Q16.

As of January 2016, the Capital Requirement was altered from 11% to 9.875%, totaling 10.5% when considering capital conservation of 0.625%. The Tier I Capital requirement came to 6%, 4.5% for CET1.

R\$ MM	2Q16	1Q16	2Q15
<b>1. Reference Shareholder's Equity (PR)</b>	<b>2,759</b>	<b>2,920</b>	<b>3,290</b>
Common Equity Tier I	1,982	2,116	2,376
Tier II	777	804	914
<b>2. Required Reference Shareholders' Equity</b>	<b>2,118</b>	<b>2,118</b>	<b>2,197</b>
Risk Weighted Assets	1,890	1,892	2,039
Exchange Variation Risk	2	4	13
Interest (Pre-fixed)	59	99	40
Operational Risk	123	123	78
<b>Basel Ratio ( 1 / ( 2 / 11% ) )</b>	<b>14.0%</b>	<b>14.5%</b>	<b>16.5%</b>
<b>Tier I</b>	<b>10.0%</b>	<b>10.5%</b>	<b>11.9%</b>
<b>Tier II</b>	<b>4.0%</b>	<b>4.0%</b>	<b>4.6%</b>
<b>3. Banking Positioning Risk – RBAN</b>	<b>65</b>	<b>81</b>	<b>47</b>
<b>Operating Margin ( 1 - 2 - 3 )</b>	<b>619</b>	<b>721</b>	<b>1,046</b>



**Ratings**

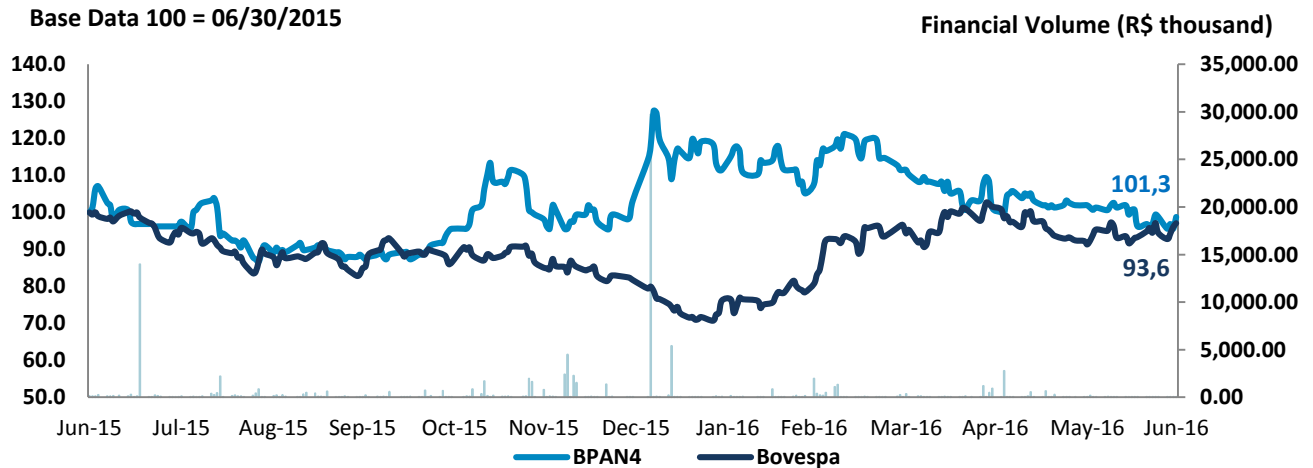
Pan’s long term ratings are presented below:

Long Term	Global Scale	National Scale	Perspective
Fitch Ratings	BB-	A+ (bra)	Negative
Standard & Poors’s	B+	brBBB-	Negative
Moody’s	B1	Baa2.br	Stable
Riskbank	Low Risk for Medium Term		

**Stock Performance**

Pan’s shares (BPAN4) closed 2Q16 at R\$1.55, down 11% over the R\$1.75 recorded at the end of the previous quarter, with respective highs and lows of R\$1.73 and R\$1.50.

The traded volume totaled R\$8.6 million in 2Q16, with a daily average of R\$136 thousand. On June 30, 2016, Pan’s market cap was R\$1.44 billion.



Source: Reuters

## Attachments

**BALANCE SHEET AS OF JUNE 30 AND MARCH 31, 2016**

(In thousands of Brazilian reais - R\$)

ASSETS	BANK		CONSOLIDATED	
	Jun/16	Mar/16	Jun/16	Mar/16
<b>CURRENT ASSETS</b>	<b>10,806,575</b>	<b>11,886,812</b>	<b>11,215,560</b>	<b>12,325,866</b>
Cash	13,201	43,767	20,465	51,838
Interbank investments	1,775,612	2,870,025	1,339,355	2,425,351
Securities and derivatives financial instruments	192,429	360,417	257,737	429,380
Interbank accounts	46,134	47,624	46,134	47,624
Interbranch accounts	-	-	-	-
Lending operations	6,480,417	6,192,071	6,993,006	6,789,134
Lending operations - private sector	7,160,820	6,840,986	7,772,919	7,558,772
(Allowance for loan losses)	(680,403)	(648,915)	(779,913)	(769,638)
Leasing operations	-	-	2,701	4,388
Leasing operations	-	-	3,774	5,535
(Allowance for doubtful lease receivables)	-	-	(1,073)	(1,147)
Other receivables	2,136,719	2,228,607	2,217,388	2,274,795
(Allowance for loan losses)	(40,516)	(67,389)	(41,131)	(68,006)
Other assets	202,579	211,690	379,905	371,362
<b>LONG-TERM RECEIVABLES</b>	<b>13,902,554</b>	<b>13,259,970</b>	<b>15,549,757</b>	<b>14,850,576</b>
Interbank investments	109,369	105,102	51,572	54,471
Securities and derivatives financial instruments	1,932,360	1,968,883	2,284,365	2,333,809
Lending operations	8,175,977	7,584,077	9,036,321	8,380,532
Lending operations - Private Sector	8,455,546	7,846,582	9,386,635	8,671,161
(Allowance for loan losses)	(279,569)	(262,505)	(350,314)	(290,629)
Leasing operations	-	-	432	836
Leasing operations	-	-	511	867
(Allowance for doubtful lease receivables)	-	-	(79)	(31)
Other receivables	3,374,462	3,302,786	3,862,211	3,780,908
(Allowance for loan losses)	(23,434)	(20,866)	(23,434)	(20,866)
Other assets	333,820	319,988	338,290	320,886
<b>PERMANENT ASSETS</b>	<b>964,964</b>	<b>998,825</b>	<b>269,795</b>	<b>268,568</b>
<b>TOTAL ASSETS</b>	<b>25,674,093</b>	<b>26,145,607</b>	<b>27,035,112</b>	<b>27,445,010</b>
<b>LIABILITIES</b>	<b>Jun/16</b>	<b>Mar/16</b>	<b>Jun/16</b>	<b>Mar/16</b>
<b>CURRENT LIABILITIES</b>	<b>17,742,221</b>	<b>17,899,016</b>	<b>18,602,450</b>	<b>18,693,562</b>
Deposits	11,937,651	11,321,942	11,937,224	11,320,959
Demand deposits	46,753	50,913	46,326	50,591
Interbank deposits	11,609,181	10,922,784	11,609,181	10,922,531
Time deposits	281,717	348,245	281,717	347,837
Money market funding	2,116,291	2,598,881	2,116,291	2,598,881
Funds from acceptance and issuance of securities	1,925,436	1,974,442	2,720,156	2,676,623
Interbank accounts	109,343	88,904	109,343	88,904
Interbranch accounts	10,858	17,592	10,858	17,592
Loan Liabilities	-	-	385	189
Derivatives Financial Instruments	8,065	161,676	8,065	161,676
Other liabilities	1,634,577	1,735,579	1,700,128	1,828,738
<b>LONG-TERM LIABILITIES</b>	<b>4,508,940</b>	<b>4,695,183</b>	<b>5,009,713</b>	<b>5,200,022</b>
Deposits	1,729,468	1,639,028	1,565,307	1,474,922
Interbank deposits	32,543	35,868	32,543	35,868
Time deposits	1,696,925	1,603,160	1,532,764	1,439,054
Money market funding	97,005	101,099	92,337	95,525
Funds from acceptance and issuance of securities	677,298	640,060	1,052,904	1,064,570
Loan Liabilities	-	-	125,224	142,356
Derivatives financial instruments	181,261	127,084	181,261	122,256
Other Liabilities	1,823,908	2,187,912	1,992,680	2,300,393
Deferred Income	1,027	1,366	1,027	1,366
<b>MINORITY INTEREST</b>	<b>-</b>	<b>-</b>	<b>17</b>	<b>18</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>3,421,905</b>	<b>3,550,042</b>	<b>3,421,905</b>	<b>3,550,042</b>
Capital	3,460,732	3,460,732	3,460,732	3,460,732
Capital Reserve	195,208	195,208	195,208	195,208
Income Reserve	7,719	7,719	7,719	7,719
Adjustments to equity valuation	(17,286)	(17,515)	(17,286)	(17,515)
Retained earnings (loss)	(224,468)	(96,102)	(224,468)	(96,102)
<b>TOTAL LIABILITIES</b>	<b>25,674,093</b>	<b>26,145,607</b>	<b>27,035,112</b>	<b>27,445,010</b>

<b>INCOME STATEMENT FOR THE QUARTERS ENDED ON JUNE 30 AND MARCH 31, 2016</b>				
<i>(In thousands of Brazilian reais - R\$)</i>				
	<b>BANK</b>		<b>CONSOLIDATED</b>	
	<b>2Q16</b>	<b>1Q16</b>	<b>2Q16</b>	<b>1Q16</b>
<b>REVENUE FROM FINANCIAL INTERMEDIATION</b>	<b>1,103,157</b>	<b>1,111,729</b>	<b>1,140,618</b>	<b>1,176,243</b>
Lending operations	1,118,068	1,173,210	1,179,491	1,255,162
Results from Credit Assignments	186,698	186,475	186,699	186,655
Securities transactions	123,777	124,107	122,839	127,036
Derivative transactions	(321,342)	(364,170)	(344,367)	(384,717)
Foreign exchange transactions	(4,044)	(7,893)	(4,044)	(7,893)
<b>EXPENSES ON FINANCIAL INTERMEDIATION</b>	<b>(692,705)</b>	<b>(807,532)</b>	<b>(731,653)</b>	<b>(867,223)</b>
Funding operations	(447,749)	(553,581)	(477,971)	(581,497)
Borrowings and onlendings	-	-	16,891	10,305
Allowance for loan losses	(244,956)	(253,951)	(270,573)	(296,031)
<b>GROSS PROFIT FROM FINANCIAL INTERMEDIATION</b>	<b>410,452</b>	<b>304,197</b>	<b>408,965</b>	<b>309,020</b>
<b>OTHER OPERATING INCOME (EXPENSES)</b>	<b>(596,057)</b>	<b>(448,956)</b>	<b>(614,737)</b>	<b>(465,724)</b>
Income from services rendered	109,251	112,026	120,029	120,261
Equity in subsidiaries	(40,689)	(21,309)	-	-
Income from insurance premiums	-	-	-	-
Retained claims expenses	-	-	-	-
Personnel Expenses	(73,782)	(85,800)	(114,502)	(138,315)
Other Administrative Expenses	(403,334)	(351,126)	(387,343)	(326,703)
Tax Expenses	(37,966)	(38,944)	(50,369)	(52,136)
Other Operating Income	41,132	123,187	48,538	129,574
Other Operating Expenses	(190,669)	(186,990)	(231,090)	(198,405)
<b>INCOME FROM OPERATIONS</b>	<b>(185,605)</b>	<b>(144,759)</b>	<b>(205,772)</b>	<b>(156,704)</b>
<b>NON OPERATING EXPENSES</b>	<b>(16,215)</b>	<b>(14,027)</b>	<b>(17,467)</b>	<b>(13,287)</b>
<b>INCOME BEFORE TAXES</b>	<b>(201,820)</b>	<b>(158,786)</b>	<b>(223,239)</b>	<b>(169,991)</b>
<b>INCOME AND SOCIAL CONTRIBUTION TAXES</b>	<b>73,454</b>	<b>62,684</b>	<b>94,872</b>	<b>73,888</b>
Provision for Income tax	(32)	(3,871)	11,452	(174)
Provision for Social Contribution tax	(100)	(2,374)	(1,969)	(1,501)
Deferred tax credits	73,586	68,929	85,389	75,563
<b>MINORITY INTEREST</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>
<b>(LOSS)/ NET INCOME</b>	<b>(128,366)</b>	<b>(96,102)</b>	<b>(128,366)</b>	<b>(96,102)</b>

*Este relatório pode incluir declarações que representem expectativas sobre eventos ou resultados futuros do Pan. Essas declarações estão baseadas em projeções e análises que refletem as visões atuais e/ou expectativas da administração do Banco com respeito à sua performance e ao futuro dos seus negócios.*

*Riscos e incertezas relacionados aos negócios do banco, ao ambiente concorrencial e mercadológico, às condições macroeconômicas e outros fatores descritos em "Fatores de Risco" no Formulário de Referência, arquivado na Comissão de Valores Mobiliários, podem fazer com que os resultados efetivos diferenciem-se de modo relevante de tais planos, objetivos, expectativas, projeções e intenções.*