

Financial Statements

4Q19

Management Report

4Q19

TO THE STOCKHOLDERS,

The Management of Banco Pan S.A. ("PAN" or "Bank") and its subsidiaries present herein the Management Report and related financial statements as at and for the year ended December 31, 2019, together with the independent auditor's report. The information meets the requirements in Law 4,595/64 (National Financial System Law) and Law 6,404/76 (Brazilian Corporate Law), and of the National Monetary Council (CMN), Brazilian Central Bank (BACEN), and the Brazilian Securities Commission (CVM), as well as with other statutory rules and regulations.

LAUNCH OF THE DIGITAL ACCOUNT

We are very pleased to announce the launch of the Digital Account focused on classes C, D and E. Through this facility the customer can access his/her complete current account: 100% digital, no maintenance fee, includes a monthly package of transfers free of charge, ATM withdrawals through the *Rede 24 horas* (a network of automatic teller machines), deposit via slips, payments of bills, in addition to several credit products and other services.

Upon opening an account, the customer receives a multiple card (credit and/or debit) with no annual fee permitting access to an emergency limit and personal credit line with customized rates and parameters. Cell phone internet data usage will not be affected by browsing the Bank's app. Discounts are offered by drugstores, supermarkets and virtual stores through agreements with various partners. Customers will also benefit by being able to register their debit card for digital payments through services such as Netflix, Spotify and Uber.

As transparency is one of the main pillars of the digital strategy, we have developed an easily understood credit card statement clearly showing the basis for charges. In addition, we have a team at the ready to answer doubts and present clarifications as to the digital account. These are also available through a chatbot.

Offering access to credit is our main lever to attract, engage and monetize customers. Assertive use of data is an important advantage of the Digital Account, allowing our credit-delivery and pricing models to more precisely customize fees and limits, delivering exactly what the customer needs.

In addition to offering access to credit, the facility will also include, in this first six-months, a planning and finance organization platform which sets goals and objectives through gamification features to stimulate conscious consumption and personal budgeting. During 2020, new credit products will also be launched, as well as insurance offerings, simple investment options and new services, such as topping-up prepaid cell phones and the municipal transport *Bilhete Único (Unified Ticket)*.

The full launch followed a short 'soft launch' encompassing approximately 40 thousand people. The strategy to sign up customers to the digital account is based on six approaches: offerings to the Bank's customer base including active and former customers; presenting to the stream of potential customers requesting credit on a monthly basis; through digital marketing; physical distribution network; new origination partners; and a 'customer introduces customer' program.

The digital account is a natural evolution of our business and will be a significant instrument to optimize cross-selling and upselling opportunities, in incrementing the portfolio of products and increasing customer loyalty. The launch has attracted 4.9 million customers and hundreds of thousands of proposals are being made by the Bank monthly.

ECONOMIC ENVIRONMENT

Pursuant to BACEN's credit report, the National Financial System (SFN) credit operations balance was R\$ 3.5 trillion in December, an increase of 1.6% in the month and 6.5% in the comparison with the previous year, being an increase of 11.7% in personal family credit portfolios and 0.2% in corporate credit.

Personal credit portfolios offered families reached R\$ 1.1 trillion, a growth of 1.9% in the month and 16.6% in twelve months. Highlights were the credit card demand transactions, payroll-deductible loans and vehicle financing. These credit lines for companies closed December with a balance of R\$ 905 billion, an increase of 4.6% in the month and 11.2% over the past 12 years

Inflation in the month of December was +1.15%, as measured by the Amplified Consumer Price Index (IPCA). Accordingly, the index closed the year at 4.31%, being higher than the prior-year inflation of 3.75%. Prices were particularly pressured in the last two-months of the year by increases in prices of protein due to overseas anomalies. These are now affecting core inflation via prices of processed food and food-related services. Although inflated prices of proteins caused the mid-point of the targeted rate in 2019 to be exceeded, a significant increase in 2020 has been averted.

The General Register of Employed and Unemployed (CAGED) reported the creation of 644 thousand formal job posts in 2019, the best result since 2013. Economic data from the last quarter of 2019 indicated an improved economic recovery, and all sectors showed positive indicators for job creation over the last year.

BANK'S STRUCTURE

The Bank is a key player among the Brazilian medium-sized banks and focuses on granting loans to individuals of the C, D, and E social classes, as well as government employees, retirees and pensioners of the National Institute of Social Security (INSS), offering payroll-deductible credit (loan and credit card), financing of used cars and new motorcycles, conventional credit cards and insurance.

The Bank has 2,456 employees and 60 service branches based in Brazil's major cities and is present throughout the country via its light asset structure and digital platforms. It has over 640 correspondent banks offering payroll-deductible loans and more than 11.5 multibrand stores and concessionaries offering vehicle and motorcycle financing.

ORIGINATION OF CREDIT PORTFOLIO AND RETAIL

Over the past few years, we increased the use of analytical solutions, migrating from traditional modeling to more robust techniques, using machine learning and deep profiling tools to improve our credit analysis. Currently, we use 36 credit analysis models of which 22 were developed using artificial intelligence tools.

In applying these models we used more than 1,100 structured and non-structured variables, through interactions with our customers and with the support of our external partners. We evolved from a method that basically consisted of analyzing customer credit backgrounds to models with a more holistic approach to include consumption profile, social and economic data, employment history and customer geolocalization.

Through monthly, weekly and daily monitoring of the models we increased the rate of approval, improved the process of concession and maintenance of limits and further developed the automation of decision-making processes for granting credit and reducing defaults.

During 4Q19, PAN originated a monthly average of R\$ 1,846 million in new credit operations, compared with R\$ 1,777 million in the third quarter of 2019, and R\$ 1,490 million in the fourth quarter of 2018, an increase of 4% in the quarter and of 24% in the year.

In 2019, monthly average origination of new credit was R\$ 1,706 million, an increase of 17% when compared to the monthly average of R\$ 1,453 million in 2018. The annual growth was mainly driven by origination volume of vehicle financing, which grew 32%, in addition to the increase in payroll-deductibles which increased 12% compared to 2018.

The Credit Portfolio (on-balance) totaled R\$ 23,785 million at the end of 4Q19, virtually stable in relation to R\$ 23,550 million in 3Q19, as a result of a higher volume of payroll-deductible credit granted in the quarter. This was an increase of 16% in relation to R\$ 20,574 million in 4Q18.

The core portfolio, which is comprised of payroll-deductible portfolios (loans and credit cards), vehicle financing, and credit cards, grew by 20% over the 12 months. Corporate Credit and Real Estate portfolios, both in runoff phases, decreased by 26% and 38% in the 12-month period, respectively.

In the 4th. quarter, the payroll-deductible portfolio fell by 3% mainly due to the higher volume of assignments. The decrease in this portfolio resulted in slower growth of the credit portfolio, in addition to change in the mix of products/customers, which, together, resulted in a 0.4% change in the index of credits overdue for more than 90 days. The index increased from 5.4% in the 3rd. quarter to 5.9% in the 4th. quarter of 2019. The allowance for doubtful accounts/portfolio remained stable and operational spreads continued to be robust.

In holding credits in its portfolios, the Bank assigns credits without co-obligation to third parties, which totaled R\$ 1,680 million in 4Q19, compared with R\$ 1,097 million assigned in 3Q19. In 2019, credits assigned without obligation totaled R\$ 4,723 million (2018 - R\$ 4,831 million).

The Originated Credit Portfolio balance, which includes both the on-balance portfolio and the balance of portfolios assigned to the controlling shareholders (off-balance portfolio), totaled R\$ 32.2 billion at the quarter-end.

PAYROLL-DEDUCTIBLES (LOAN AND CREDIT CARD)

In 2019 the Bank adopted a new approach to offering payroll-deductible loans launching an innovative platform that allows business partners to contract payroll-deductible loans. The process is entirely paperless and operates with facial recognition signature features. This digital feature provides a more efficient, cost-saving, profitable operation, with enhanced security and faster loan contracting, thus generating a more favorable experience for all parties. Since its launch, in April, digitally formalized loans totaled more than R\$ 2 billion, representing 33% of formalized contracts in December.

The platform, together with market positioning and the relationship with business partners, assures the Bank remains a significant player in Federal agreements, placing it amongst the largest originators in the INSS (social security) beneficiary and pensioner loan market.

In 4Q19, loans to government employees and INSS beneficiaries totaled R\$ 2,508 million, compared to R\$ 2,770 million in 3Q19 (considered normal, taking into account the seasonality of this product) and R\$ 2,160 million in 4Q18, equivalent to a 16% increase in 12 months. Payroll-deductible credit card operations totaled R\$ 232 million in 4Q19, compared with R\$ 222 million in 3Q19 and R\$ 199 million in 4Q18, representing an increase of 13% in the 12 months.

In 2019, payroll-deductible loans granted totaled R\$ 10,392 million and payroll-linked credit cards totaled R\$ 891 million (R\$ 9,356 million and R\$ 696 million, respectively, in 2018), an annual growth of 12% in total payroll-deductible loans generated.

The payroll-deductible loan portfolio at the end of the quarter totaled R\$ 10,684 million, compared to R\$ 11,150 million in 3Q19 and R\$ 9,328 million in 4Q18, a decrease of 4% in the quarter due to the more significant portfolio assignment volume and an increase of 15% in the year. The payroll-deductible credit card portfolio at the end of the quarter totaled R\$ 1,822 million, an increase of 5% when compared with the balance of R\$ 1,732 million of the previous quarter and an increase of 22% in relation to the balance of R\$ 1,496 million at the end of 2018.

FINANCING OF VEHICLES

In the vehicle financing segment, the Bank has also changed its way of doing business. In October, the Bank launched its digital formalization program, which will further support the Bank in its efforts to achieve efficiency gains. Important results have already be noted. At the end of December, the volume of digitally contracted financing and facial recognition signature totaled R\$ 198 million. In addition, the Bank has developed a unique App that allows for financing simulations and a pre-analysis of credit with minimal data, in addition to monitoring

proposals and the issuance of vehicle inspection reports, improving agility in the process and a better experience both for the commercial partner and the final customer.

The Bank also offers financing for used cars (mainly between four to eight years old) and new motorcycles, building on its expertise in credit and collection in order to optimize the risk vs. return ratio. Financing was made through multibrand stores and concessionary partners, thereby broadening the Bank's operational base.

The Bank is the leading institution in the motorcycle financing segment, excluding the auto manufacturer banks. Doing business in this specialty market promotes excellent performance opportunities to work with low-income youngsters, capitalizing on gains from the Bank's long history, experience and knowledge of credit.

In 4Q19, the Bank originated R\$ 1,621 million of new financing, including light vehicles and motorcycles, in comparison to R\$ 1,408 million in 3Q19 and R\$ 1,244 million in 4Q18. This was a result of the new credit approach, implementation of the simulator and new contracting efforts.

Light vehicle originations totaled R\$ 1,272 million in 4Q19 (3Q19 - R\$ 1,109 million; 4Q18 - R\$ 995 million). In the motorcycle segment, originations totaled R\$ 349 million in 4Q19 (3Q19 - R\$ 300 million; 4Q18 - R\$ 249 million).

The vehicle financing portfolio totaled R\$ 8,854 million at the end of the quarter, an increase of 8% in relation to R\$ 8,224 million in 3Q19 and 27% against the R\$ 6,980 million in 4Q18.

PAYMENTS (CREDIT CARDS)

High among the Bank's priorities is the development of our customers' digital journey. In addition to the chatbot and the human-friendly URA (audio response units), which offer convenience and agility in customer service, the Bank redesigned an App, including up-to-date design thinking techniques, to improve customer experience and relationship and the Bank-customer interaction.

The Bank continues to invest heavily to secure new customers, mainly in digital environments. We have (i) implemented improvements to the product contracting process directly through the Bank's website, (ii) increased investments in digital media; and (iii) intensified partnerships to amplify the distribution of credit cards in marketplaces and the issuance of cobranded cards.

As a result of this strategy, 177 thousand new credit cards were issued in the fourth quarter, an impressive level of growth when compared to the 55 thousand credit cards issued in the same period in 2018. During 2019, the Bank issued 505 thousand credit cards (2018 - 223 thousand), leveraging on the increase in sales, significant cross selling opportunities and higher analytics and CRM efficiency. At the end of 2019, approximately two thirds of the Bank's credit card statements were issued digitally, a growth of over 50% in relation to the beginning of the year, which resulted in a cost reduction.

During 4Q19, credit card transactions totaled R\$ 1,178 million, an 26% increase in comparison with R\$ 934 million recorded in 3Q19 and 36% higher than the R\$ 866 million posted in 4Q18. In 2019, transactions amounted to R\$ 3,686 million, 14% above the R\$ 3,222 million in 2018. This growth is a result not only of the higher issue volume, but also of the increase in incentive campaigns as well as improvements in credit card delivery and use of authorization processes. At the end of the quarter, the card portfolio totaled R\$ 1,087 million, 14% and 24% higher when compared to R\$ 953 million and R\$ 877 million in 3Q19 and 4Q18, respectively.

INSURANCE

The Bank's insurance premiums in 4Q19 totaled R\$ 85.1 million, an increase of 13% in relation to R\$ 75.4 million in 3Q19 and of 29% in relation to R\$ 65.7 million in 4Q18. The premiums which originated in the quarter included: R\$ 70.2 million in credit protection insurance, R\$ 6.8 million in card insurance; R\$ 3.4 million in housing project insurance; and R\$ 4.7 million in other insurance (PAN Motorcycle Assistance).

In 2019, premiums totaled R\$ 291 million, 27% above the R\$ 228 million in 2018.

CREDIT FOR COMPANIES (RUN OFF)

The Corporate Credit portfolio, which includes endorsements and sureties, totaled R\$ 732 million at 4Q19 (3Q19 - R\$ 811 million; 4Q18 - R\$ 995 million). This portfolio presents satisfactory risk diversification with broad operational base among sectors and economic groups. It is also characterized by its guarantees and appropriate provisions. Reflecting its runoff business, the surety-free portfolio is fully provisioned; the Bank expects to achieve its results via receipts of the portfolio and its guarantees.

REAL ESTATE CREDIT (RUN OFF)

The balance of real estate credits granted to individuals totaled R\$ 442 million at the end of 4Q19 (3Q19 - R\$ 466 million; 4Q18 - R\$ 548 million), appropriately provided for.

Credits granted to legal entities totaled R\$ 54 million at the end of 4Q19 (3Q19 - R\$ 113 million; 4Q18 - R\$ 254 million). This portfolio was already fully provided for.

FUNDING

The balance of funds raised totaled R\$ 23.7 billion at the end of 2019, increasing diversification and lengthening tenures. Funding via time deposits increased 25% in 12 months, significantly contributing to the dispersion of the Bank's funding base, which presented the following composition at the end of the fourth quarter: (i) R\$ 11.4 billion in time deposits, being 48% of the total; (ii) R\$ 8.4 billion in interbank deposits, being 35%; (iii) R\$ 1.9 billion related to issuance of securities abroad, or 8%; (iv) R\$ 1.5 billion related to issues of financial bills, or 7%; (v) real estate letters of credit - R\$ 336 million, or 1%; and (vi) other sources of financing - R\$ 228 million, equivalent to 1%.

Results

MANAGEMENT NET FINANCIAL MARGIN

In the fourth quarter of 2019, Management Net Financial Margin was 19.9% p.a., compared to 18.4% p.a. in the third quarter of 2019 and 15.6% p.a. in the fourth quarter of 2018. This robust characteristic is a result of the credit operation spreads and credit assignment volume.

Increase in the social contribution on net income rate

On November 12, 2019, Constitutional Amendment 103/2019 increased the Social Contribution on Net Income (CSLL) rate charged on all banks from 15% to 20%. This change generated a favorable effect of R\$ 337 million from the accounting for the deferred tax assets. The following additional measures were taken:

- (i) writing-off R\$ 141 million of deferred taxes on income tax losses of the Leasing company thereby annulling the net increase in the consolidated deferred taxes on income tax losses; and
- (ii) booking an additional provision of R\$ 338 million (R\$ 186 million, after tax) in the runoff businesses, further strengthening the Bank's balance sheet.

The total impact on net profit of 4Q19 was R\$ 10.

ALLOWANCES FOR LOSSES AND RECOVERY OF CREDITS

The credit recovery strategy is implemented by experienced professionals using analytical models based on artificial intelligence tools to assess the likelihood of customer delinquencies and customer's financial capacity in relation to the credit obtained. In 2019, the Bank implemented collection scoring models based on a number of variables and with the use of machine learning to categorize customers into clusters for: (i) customized discount offerings; (ii) renegotiation products (refinancing of contracts or payment in installments of debts in arrears); and (iii) out-of-court settlements and judicial proceedings.

This approach, built on collection scores, permitted the Bank to establish multiple scenarios for offerings and recommendations both in personal and digital interactions with customers, with Open API integrations that permit the automatic negotiation and provision of payment advice notes. The recovery of overdue credits via digital platforms amounted to R\$ 159 million in the fourth quarter, totaling R\$ 611 million in digitally recovered funds in 2019

Loss charges from the allowances in the runoff businesses totaled R\$ 301 million in the quarter, compared with R\$ 306 million in 3Q19 and R\$ 277 million in 4Q18. The recovery of credits previously written-off as losses amounted to R\$ 59 million in 4Q19. Consequently, the net allowance for loss expenses totaled R\$ 243 million (3Q19 - R\$ 248 million; 4Q18 - R\$ 207 million).

COSTS AND EXPENSES

Personnel and administrative expenses totaled R\$ 402 million in 4Q19, compared to R\$ 365 million recorded in 3Q19 and R\$ 268 million in 4Q18. This increase was largely attributable to the increase in the number of employees, expenses, and investments related to digital banking, in addition to publicity and marketing campaigns. In 2019, expenses totaled R\$ 1,336 million (2018 - R\$ 1,088 million).

Credit origination expenses totaled R\$ 247 million at the end of the quarter, compared to R\$ 233 million in 3Q19 and R\$ 196 million in 4Q18. In 2019, origination expenses totaled R\$ 959 million (2018 - R\$ 809 million).

NET RESULT

In the fourth quarter of 2019, the Bank's operating profit totaled R\$ 167.6 million, 25% higher than the R\$ 134.6 million profit in the third quarter of 2019 and an increase of 128% compared to the R\$ 73.6 million in the fourth quarter of 2018. The accumulated net profit in 2019 totaled R\$ 516 million, an increase of 133% compared to R\$ 221.5 million in 2018. The key factors underlying the results for the most recent quarters were: (i) robust financial margin; and (ii) control over the provisions for recurring credits.

The annualized average return on equity for 4Q19 was 13.7% (3Q19 - 11.9%; 4Q18 - 7.2%), whereas the adjusted return (not in independent auditor's scope) was 24.6% in 4Q19 (3Q19 - 23.4%; 4Q18 - 17.3%). The average return on equity in 2019 and 2018 was 11.4% and 5.8%, respectively, while the adjusted return (not in independent auditor's scope) was 22.5% and 15.5%, respectively.

Adjustments reflect matters arising from past legacies: (i) higher financial expenses from fixed Bank Deposit Certificates (CDBs) issued between 2005 and 2008 (with average maturity in 2023), compared to the Bank's annual market rate for the same period; and (ii) higher tax credit from tax losses, when compared to the banking market, arising from accounting inconsistencies in 2010.

EQUITY AND CAPITAL

The Bank's consolidated equity totaled R\$ 4,926 million in December 2019, (September 2019 - R\$ 4,831 million; December 2018 - R\$ 4,096 million).

The Prudential Conglomerate Basel Index at the end of 4Q19 was 15.6%, as fully comprised of Principal Capital, in comparison with the 15.7% recorded at the end of 3Q19, as fully comprised of Principal Capital, and to the 14.1%, with 12.2% for Principal Capital, recorded at 4Q18.

INDEPENDENT AUDITORS

PricewaterhouseCoopers Auditores Independentes ("PwC") has been our auditor since the first quarter of 2011. Pursuant to the CVM Instruction 381, issued by the Brazilian Securities Commission (CVM), PAN contracted PwC in 2019 to: (i) review compliance with the General Data Protection Act (GDPA), fee of R\$ 250 thousand; (ii) provide cybersecurity assessment services for compliance with the new BACEN regulation 4,658/18, fee of R\$ 275 thousand; (iii) provide forensic technology services related to cybersecurity, fee of R\$ 895 thousand; and (iv) follow-on expenses amounting to R\$ 1,003 thousand. This policy complies with principles that preserve the auditor's independence, consistent with internationally accepted standards, according to which the auditor should not audit its own work, exercise management functions for its client or promote its client's interests.

ACKNOWLEDGMENTS

The Bank thanks its employees for their efforts and engagement in the execution of its business strategy as also its customers, investors, and partners, who honor the Bank with their continued support and trust.

São Paulo, January 29, 2020



BANCO PAN S.A. AND ITS SUBSIDIARIES
BALANCE SHEETS
AT DECEMBER 31, 2019 AND 2018
 (All amounts in thousands of reais)

ASSETS	Note	Bank		Consolidated	
		12/31/2019	12/31/2018	12/31/2019	12/31/2018
CURRENT ASSETS		14,663,180	10,875,103	14,725,201	10,950,678
Cash and cash equivalents	5	1,441	16,374	4,220	19,714
Short-term interbank investments	6.a	1,242,794	3,897	1,242,794	3,897
Investments in the open market		1,229,999	-	1,229,999	-
Investments in interbank deposits		12,795	3,897	12,795	3,897
Marketable securities and derivative financial instruments	7	706,626	356,959	729,714	360,888
Own portfolio	7.a	122,788	216,196	145,772	219,350
Linked to repurchase commitments	7.a	3,654	113,400	3,654	113,400
Derivative financial instruments	7.a / 7.c	288,103	27,363	288,103	27,363
Linked to the Brazilian Central Bank	7.a	215,420	-	215,420	-
Subject to guarantees	7.a	76,661	-	76,765	775
Interbank investments		127,540	4,493	127,540	4,493
Credits - Deposits at the Brazilian Central Bank		101,569	549	101,569	549
Local correspondents		25,971	3,944	25,971	3,944
Loan operations	8	8,901,566	7,912,848	8,901,566	7,912,848
Credit operations - private sector		9,892,003	8,795,475	9,892,003	8,795,475
(Allowance for doubtful accounts)	8.c	(990,437)	(882,627)	(990,437)	(882,627)
Leasing operations	8	-	-	-	-
Leasing operations receivable		-	-	-	29
(Allowance for lease losses)	8.c	-	-	-	(29)
Other credits		3,376,630	2,215,249	3,404,182	2,273,380
Foreign exchange portfolio	9.a	-	38,858	-	38,858
Income receivable		5,708	1,667	1,874	1,760
Negotiation and intermediation of receivables		3,066	2,474	3,066	2,474
Real estate receivables	10	-	-	3,521	5,161
Securities and credits receivable	8 / 11	1,043,010	834,489	1,043,727	835,472
(Allowance for doubtful accounts)	8.c	(164,230)	(106,450)	(164,230)	(106,450)
Sundry	11	2,489,076	1,444,211	2,516,224	1,496,105
Other assets		306,583	365,283	315,185	375,458
Other assets	12.a	364,659	392,529	373,676	403,834
(Provision for impairment)	12.a	(84,916)	(53,628)	(86,219)	(54,925)
Prepaid expenses	12.b	26,840	26,382	27,728	26,549
LONG-TERM RECEIVABLES		17,463,326	15,565,691	17,857,934	16,079,228
Marketable securities and derivative financial instruments	7	1,424,707	1,622,983	1,646,041	1,852,776
Own portfolio	7.a	605,125	997,016	826,459	1,225,198
Linked to repurchase agreements	7.a	294,290	155,777	294,290	155,777
Derivative financial instruments	7.a / 7.c	-	251,795	-	251,795
Linked to the Brazilian Central Bank	7.a	314,016	-	314,016	-
Subject to guarantees	7.a	211,276	218,395	211,276	220,006
Loan operations	8	11,986,053	10,344,899	11,986,053	10,344,899
Credit operations - private sector		12,593,392	10,663,658	12,593,392	10,663,658
(Allowance for doubtful accounts)	8.c	(607,339)	(318,759)	(607,339)	(318,759)
Other credits		3,997,066	3,520,409	4,168,987	3,803,881
Real estate receivables	10	-	-	1,067	1,806
Securities and credits receivable	8 / 11	98,970	79,216	98,970	79,216
(Allowance for other doubtful accounts)	8.c	(66,729)	(23,788)	(66,729)	(23,788)
Sundry	11	3,964,825	3,464,981	4,135,679	3,746,647
Other assets		55,500	77,400	56,853	77,672
Prepaid expenses	12.b	55,500	77,400	56,853	77,672
PERMANENT ASSETS		1,093,325	1,198,008	214,996	200,525
Investments		885,117	1,006,416	1,144	1,144
Interest in subsidiaries	13.a	883,973	1,005,272	-	-
Other investments	13.b	1,144	1,144	1,144	1,144
Property and equipment	14	28,628	24,093	28,628	24,093
Other property and equipment in use		80,456	70,991	80,456	70,991
(Accumulated depreciation)		(51,828)	(46,898)	(51,828)	(46,898)
Intangible assets	15	179,580	167,499	185,224	175,288
Intangible assets		469,035	420,884	490,955	442,804
(Accumulated amortization)		(289,455)	(253,385)	(305,731)	(267,516)
TOTAL ASSETS		33,219,831	27,638,802	32,798,131	27,230,431

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



BANCO PAN S.A. AND ITS SUBSIDIARIES
BALANCE SHEETS
AT DECEMBER 31, 2019 AND 2018

(All amounts in thousands of reais)

LIABILITIES AND EQUITY	Note	Bank		Consolidated	
		12/31/2019	12/31/2018	12/31/2019	12/31/2018
CURRENT LIABILITIES		19,613,908	14,317,936	19,245,083	14,048,259
Deposits	16.a	13,145,126	10,793,243	12,745,468	10,494,341
Demand deposits		26,614	17,369	26,574	17,319
Interbank deposits		8,628,582	7,685,730	8,365,928	7,429,710
Time deposits		4,489,930	3,090,144	4,352,966	3,047,312
Funds obtained in the open market	16.b	200,370	162,094	199,993	162,094
Own portfolio		200,370	162,094	199,993	162,094
Funds from acceptance and issuance of securities	16.c	650,925	621,507	650,925	621,507
Funds from real estate securities, mortgages, letters of credit, and similar		650,925	621,507	650,925	621,507
Interbank investments	17	933,731	728,628	933,731	728,628
Receipts and payments to be settled		796,912	615,912	796,912	615,912
Local correspondents		136,819	112,716	136,819	112,716
Interdependent operations		247	14	247	14
Third-party funds in transit		247	14	247	14
Derivative financial instruments	7.c	124,979	91,760	124,979	91,760
Derivative financial instruments		124,979	91,760	124,979	91,760
Other obligations		4,558,530	1,920,690	4,589,740	1,949,915
Levy and collection of taxes and similar charges		7,176	4,921	7,176	4,921
Social and statutory		265,988	135,971	266,277	136,232
Taxes and social security	20.a	328,077	44,390	346,731	58,210
Negotiation and intermediation of receivables		16,238	3,941	20,481	7,336
Subordinated debts	18	1,876,865	208,154	1,876,865	208,154
Sundry	20.b	2,064,186	1,523,313	2,072,210	1,535,062
LONG-TERM LIABILITIES		8,679,753	9,224,930	8,626,878	9,086,236
Deposits	16.a	7,211,738	6,378,610	7,014,511	6,116,903
Interbank deposits		521	33,728	-	33,728
Time deposits		7,211,217	6,344,882	7,014,511	6,083,175
Funds obtained in the open market	16.b	103,486	107,430	95,812	98,093
Own portfolio		103,486	107,430	95,812	98,093
Funds from acceptance and issuance of securities	16.c	1,217,399	628,454	1,217,399	628,454
Funds from real estate securities, mortgages, letters of credit and similar securities		1,217,399	628,454	1,217,399	628,454
Derivative financial instruments	7.c	-	83,361	-	83,361
Derivative financial instruments		-	83,361	-	83,361
Other obligations		147,130	2,027,075	299,156	2,159,425
Social and statutory	20.a	13,417	-	94,982	81,270
Subordinated debts	18	8,455	1,769,978	8,455	1,769,978
Sundry	20.b	125,258	257,097	195,719	308,177
RESULTS OF FUTURE PERIODS		2	17	2	17
EQUITY	21	4,926,168	4,095,919	4,926,168	4,095,919
Share capital:		3,653,410	3,653,410	3,653,410	3,653,410
Domiciled in the country		3,261,355	3,290,152	3,261,355	3,290,152
Domiciled abroad		392,055	363,258	392,055	363,258
Capital increase		521,812	-	521,812	-
Capital reserve		207,322	207,322	207,322	207,322
Revenue reserves		557,982	243,295	557,982	243,295
Carrying value adjustments		(14,358)	(8,108)	(14,358)	(8,108)
TOTAL LIABILITIES AND EQUITY		33,219,831	27,638,802	32,798,131	27,230,431

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



BANCO PAN S.A. AND SUBSIDIARIES

STATEMENT OF INCOME
SECOND HALF OF 2019 AND YEARS ENDED DECEMBER 31, 2019 AND 2018

(All amounts in thousands of reais unless otherwise stated)

	Note	Bank	Consolidated		Consolidated	
		2nd half of 2019	12/31/2019	12/31/18	12/31/2019	12/31/18
INCOME FROM FINANCIAL INTERMEDIATION		4,354,748	8,148,467	7,075,335	8,190,959	7,099,373
Income from credit operations	8.g	4,316,980	8,117,738	6,892,720	8,124,178	6,901,778
Result from leasing operations	8.g	-	-	-	842	259
Results from operations with marketable securities	7.d	57,595	118,374	168,538	153,584	183,259
Derivative financial instruments	7.c	(29,138)	(101,386)	27	(101,386)	27
Result of foreign exchange operations	9.b	528	4,958	12,386	4,958	12,386
Result of compulsory investments		8,783	8,783	1,664	8,783	1,664
EXPENSES ON FINANCIAL INTERMEDIATION		(2,094,432)	(3,822,002)	(3,193,281)	(3,787,614)	(3,159,715)
Result from market funding operations	16.d	(1,149,191)	(2,259,476)	(2,052,911)	(2,225,116)	(2,019,310)
Allowance for losses	8.c	(945,241)	(1,562,526)	(1,140,370)	(1,562,498)	(1,140,405)
GROSS RESULT ON FINANCIAL INTERMEDIATION		2,260,316	4,326,465	3,882,054	4,403,345	3,939,658
OTHER OPERATING INCOME (EXPENSES)		(2,336,297)	(4,092,012)	(3,418,788)	(4,013,013)	(3,461,382)
Revenue from services rendered	22	207,440	391,949	348,217	417,654	377,558
Equity in the results of subsidiaries	13.a	(120,986)	(110,225)	25,824	-	-
Personnel	23	(274,275)	(499,872)	(413,713)	(501,695)	(420,712)
Other administrative expenses	24	(1,170,075)	(2,136,066)	(1,728,801)	(2,164,636)	(1,762,999)
Tax	25	(129,298)	(213,185)	(160,665)	(222,775)	(172,312)
Other operating income	26.a	146,139	315,919	292,413	333,336	327,544
Other operating expenses	26.b	(995,242)	(1,840,532)	(1,782,063)	(1,874,897)	(1,810,461)
OPERATING PROFIT (LOSS)		(75,981)	234,453	463,266	390,332	478,276
NON-OPERATING PROFIT (LOSS)	27	(11,367)	(33,959)	(21,512)	(34,189)	(21,410)
PROFIT (LOSS) BEFORE TAXATION AND PARTICIPATIONS		(87,348)	200,494	441,754	356,143	456,866
PROVISION FOR INCOME TAX AND SOCIAL CONTRIBUTION	31.a	389,469	315,441	(220,239)	159,792	(235,351)
Income tax		(138,202)	(178,149)	(5,188)	(188,630)	(11,321)
Social contribution		(88,899)	(113,459)	(5,140)	(117,643)	(8,061)
Deferred tax asset		616,570	607,049	(209,911)	466,065	(215,969)
NET PROFIT		302,121	515,935	221,515	515,935	221,515
WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES		-	1,160,254	1,079,749	-	-
EARNINGS PER SHARE - R\$		-	0.44	0.21	-	-

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



BANCO PAN S.A. AND ITS SUBSIDIARIES

**STATEMENTS OF VALUE ADDED
SECOND HALF OF 2019 AND YEARS ENDED DECEMBER 31, 2019 AND 2018**
(All amounts in thousands of reais)

	Note	Bank		Consolidated		
		2nd half of 2019	12/31/2019	12/31/2018	12/31/2019	12/31/2018
INCOME		2,768,442	5,443,248	4,795,950	5,495,418	4,857,252
Financial intermediation		4,354,748	8,148,467	7,075,335	8,190,959	7,099,373
Services rendered	22	207,440	391,949	348,217	417,654	377,558
Allowance for losses	8.c	(945,241)	(1,562,526)	(1,140,370)	(1,562,498)	(1,140,405)
Other operating expenses		(848,505)	(1,534,642)	(1,487,232)	(1,550,697)	(1,479,274)
EXPENSES ON FINANCIAL INTERMEDIATION	16.d	(1,149,191)	(2,259,476)	(2,052,911)	(2,225,116)	(2,019,310)
INPUTS ACQUIRED FROM THIRD PARTIES		(1,115,901)	(2,038,808)	(1,661,531)	(2,066,923)	(1,695,300)
Materials, energy, and other	24	(2,232)	(4,403)	(3,201)	(4,409)	(3,209)
Third-party services	24	(174,833)	(317,348)	(281,110)	(333,447)	(300,473)
Commissions payable to correspondent banks	24	(581,509)	(1,120,715)	(912,423)	(1,127,016)	(920,401)
Others		(357,327)	(596,342)	(464,797)	(602,051)	(471,217)
Data processing	24	(125,551)	(221,383)	(175,130)	(222,961)	(175,344)
Financial system services	24	(101,241)	(165,874)	(127,737)	(166,704)	(128,693)
Communication	24	(24,006)	(46,937)	(47,062)	(47,138)	(47,332)
Asset search and seizure expenses	24	(15,314)	(30,766)	(29,971)	(30,781)	(30,066)
Advertising, promotions, and publicity	24	(49,765)	(64,888)	(26,340)	(65,227)	(26,838)
Transport	24	(3,198)	(5,815)	(4,974)	(5,828)	(4,994)
Maintenance and conservation of property	24	(3,403)	(6,243)	(5,151)	(6,249)	(5,161)
Fees and emoluments	24	(2,340)	(5,305)	(5,025)	(5,988)	(5,995)
Travel	24	(4,266)	(6,773)	(3,315)	(6,779)	(3,323)
Others		(28,243)	(42,358)	(40,092)	(44,396)	(43,471)
GROSS VALUE ADDED		503,350	1,144,964	1,081,508	1,203,379	1,142,642
DEPRECIATION AND AMORTIZATION		(35,990)	(65,908)	(50,527)	(67,074)	(51,697)
NET VALUE ADDED PRODUCED BY THE ENTITY		467,360	1,079,056	1,030,981	1,136,305	1,090,945
VALUE ADDED RECEIVED IN TRANSFER	13.a	(120,986)	(110,225)	25,824	-	-
Equity in the results of the subsidiaries		(120,986)	(110,225)	25,824	-	-
TOTAL VALUE ADDED TO BE DISTRIBUTED		346,374	968,831	1,056,805	1,136,305	1,090,945
DISTRIBUTION OF VALUE ADDED		346,374	968,831	1,056,805	1,136,305	1,090,945
Personnel		239,235	434,071	357,336	435,662	363,244
Direct remuneration	23	184,021	331,309	273,130	332,525	278,575
Benefits	23	40,179	74,325	62,346	74,627	62,714
FGTS		11,579	21,872	18,576	21,945	18,670
Other	23	3,456	6,565	3,284	6,565	3,285
Taxes, fees, and contributions		(225,131)	(36,455)	437,281	129,057	465,131
Federal		(234,779)	(54,631)	421,583	108,161	446,056
State		11	15	5	15	5
Municipal		9,637	18,161	15,693	20,881	19,070
Remuneration of third-party capital	24	30,149	55,280	40,673	55,651	41,055
Rentals		30,149	55,280	40,673	55,651	41,055
Remuneration of own capital	21.d	302,121	515,935	221,515	515,935	221,515
Interest on capital and dividends		117,609	201,248	86,715	201,248	86,715
Retained earnings		184,512	314,687	134,800	314,687	134,800

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



BANCO PAN S.A.

**STATEMENT OF CHANGES IN PARENT COMPANY EQUITY
SECOND HALF OD 2019 AND YEARS ENDED DECEMBER 31, 2019 AND 2018**
(All amounts in thousands of reais)

	Share capital	Capital increase	Capital reserve	Revenue reserves		Carrying value adjustments	Retained earnings (Accumulated deficit)	Total
				Legal	For integrity of equity			
AT DECEMBER 31, 2017	3,460,732	-	-	8,915	99,580	(13,403)	-	3,555,824
Capital increase (Note 21.a)	192,678	-	207,322	-	-	-	-	400,000
Carrying value adjustments	-	-	-	-	-	5,295	-	5,295
Profit for the period	-	-	-	-	-	-	221,515	221,515
Allocation:								
Legal reserve (Note 21.c)	-	-	-	11,076	-	-	(11,076)	-
Transfer from retained earnings to revenue reserve (Note 21.c)	-	-	-	-	123,724	-	(123,724)	-
Interest on capital (Note 21.d)	-	-	-	-	-	-	(86,715)	(86,715)
AT DECEMBER 31, 2018	3,653,410	-	207,322	19,991	223,304	(8,108)	-	4,095,919
AT DECEMBER 31, 2018	3,653,410	-	207,322	19,991	223,304	(8,108)	-	4,095,919
Capital increase (Note 21.a)	-	521,812	-	-	-	-	-	521,812
Carrying value adjustments	-	-	-	-	-	(6,250)	-	(6,250)
Profit for the period	-	-	-	-	-	-	515,935	515,935
Allocation:								
Legal reserve (Note 21.c)	-	-	-	25,797	-	-	(25,797)	-
Transfer from retained earnings to revenue reserve (Note 21.c)	-	-	-	-	288,890	-	(288,890)	-
Interest on capital (Note 21.d)	-	-	-	-	-	-	(201,248)	(201,248)
AT DECEMBER 31, 2019	3,653,410	521,812	207,322	45,788	512,194	(14,358)	-	4,926,168
AT DECEMBER 31, 2019	3,653,410	-	207,322	19,991	223,304	(7,646)	130,175	4,226,556
Capital increase (Note 21.a)	-	521,812	-	-	-	-	-	521,812
Carrying value adjustments	-	-	-	-	-	(6,712)	-	(6,712)
Profit for the period	-	-	-	-	-	-	302,121	302,121
Allocation:								
Legal reserve (Note 21.c)	-	-	-	25,797	-	-	(25,797)	-
Transfer from retained earnings to revenue reserve (Note 21.c)	-	-	-	-	288,890	-	(288,890)	-
Interest on capital (Note 21.d)	-	-	-	-	-	-	(117,609)	(117,609)
AT DECEMBER 31, 2019	3,653,410	521,812	207,322	45,788	512,194	(14,358)	-	4,926,168

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



BANCO PAN S.A. AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS

SECOND HALF OF 2019 AND YEARS ENDED DECEMBER 31, 2019 AND 2018

(All amounts in thousands of reais)

	Note	Bank		Consolidated		
		2nd half of 2019	12/31/2019	12/31/2018	12/31/2019	12/31/2018
CASH FLOWS FROM OPERATING ACTIVITIES:						
PROFIT		302,121	515,935	221,515	515,935	221,515
Adjustments that do not affect cash flow:						
Depreciation and amortization	24	24,025	41,978	26,597	42,021	26,644
Amortization of goodwill	26.b	11,965	23,930	23,930	25,053	25,053
Civil, labor, and tax provisions	19	104,532	175,532	276,752	200,210	278,263
Indexation for inflation of civil, labor, and tax provisions	19	3,855	3,855	5,852	4,242	7,059
Reversal (devaluation) of other assets	27	(3,438)	(8,512)	(9,419)	(8,521)	(9,476)
Result on the sale of other assets	27	16,032	42,513	31,298	42,752	31,253
Equity in results of the subsidiaries	13.a	120,986	110,225	(25,824)	-	-
Allowance for losses	8.c	945,241	1,562,526	1,140,370	1,562,498	1,140,405
Income tax and social contribution - deferred		(616,570)	(607,049)	209,911	(466,065)	215,969
Adjusted profit		908,749	1,860,933	1,900,982	1,918,125	1,936,685
Changes in assets and liabilities:						
Decrease (increase) in interbank investments		(5,821)	(8,898)	873,374	(8,898)	873,374
Increase in marketable securities		(347,398)	(44,982)	(439,901)	(61,882)	(396,802)
Increase in derivative financial instruments		(34,638)	(59,087)	(135,313)	(59,087)	(135,313)
Decrease (increase) in interbank investments		436,978	82,056	(100,600)	82,056	(100,600)
Increase in credit operations		(1,570,173)	(4,150,758)	(2,901,699)	(4,150,758)	(2,901,699)
Decrease in leasing operations		-	-	-	28	141
Increase in other credits		(347,854)	(1,071,492)	(614,611)	(1,070,911)	(600,410)
Increase in other assets		(80,074)	(165,510)	(157,004)	(165,291)	(153,533)
Increase in deposits		1,315,532	3,185,011	3,037,008	3,148,735	2,955,691
Increase (decrease) in funds obtained in the open market		(406,297)	34,332	(1,329,790)	35,618	(1,331,300)
Increase in acceptances and issue of securities		57,968	104,269	101,929	104,269	97,715
Increase in other liabilities		818,480	963,229	252,680	972,145	263,929
Increase (decrease) in interdependent accounts		12	233	(4,495)	233	(4,495)
Decrease in result of future years		(4)	(15)	(75)	(15)	(75)
Income tax and social contribution paid		(134,419)	(158,683)	(25,971)	(171,002)	(42,330)
NET CASH PROVIDED BY OPERATING ACTIVITIES		611,040	570,637	456,515	573,365	460,978
CASH FLOWS FROM INVESTING ACTIVITIES:						
Increase in available-for-sale marketable securities		(331,635)	(610,897)	(570,541)	(610,897)	(570,541)
Decrease in available-for-sale marketable securities		284,812	565,001	810,628	565,001	810,628
Increase in held-to-maturity marketable securities		(111,200)	(415,700)	(402,555)	(415,700)	(402,555)
Decrease in held-to-maturity marketable securities		20,008	364,082	345,200	364,082	345,200
Disposal of assets not for own use		116,252	213,106	184,980	213,149	185,094
Increase in investments		-	-	(765)	-	(765)
Purchase of property and equipment	14.b	(11,955)	(15,708)	(6,644)	(15,708)	(6,644)
Additions to intangible assets	15.b	(36,040)	(67,407)	(63,023)	(67,407)	(63,094)
Dividends received		3,332	3,332	5,378	-	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		(66,426)	35,809	302,658	32,520	297,323
CASH FLOWS FROM FINANCING ACTIVITIES:						
Issue of funds from acceptance and issue of securities		385,339	1,350,272	693,498	1,350,272	693,498
Redemption of funds from acceptance and issue of securities		(450,974)	(836,178)	(1,790,807)	(836,178)	(1,790,807)
Issue of subordinated debts		-	8,000	-	8,000	-
Redemption of subordinated debts		(81,071)	(348,571)	(137,938)	(348,571)	(137,938)
Capital increase	21.a	521,812	521,812	400,000	521,812	400,000
Interest on capital		-	(86,715)	(69,800)	(86,715)	(69,800)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		375,106	608,620	(905,047)	608,620	(905,047)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		919,720	1,215,066	(145,874)	1,214,505	(146,746)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD/YEAR	5	311,720	16,374	162,248	19,714	166,460
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/YEAR	5	1,231,440	1,231,440	16,374	1,234,219	19,714
ADDITIONAL INFORMATION ON CASH FLOWS						
Interest paid		(1,122,638)	(2,141,766)	(1,936,806)	(2,130,288)	(1,926,508)
Interest received		3,833,848	8,241,468	7,511,366	8,249,231	7,532,365
Transfer of assets not for own use		216	1,890	(2,006)	1,890	(2,006)
Unrealized gains (losses) on securities available for sale		8,793	9,476	7,994	9,476	7,994

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



1) Operations

Banco PAN S.A. ("Bank", "PAN", "Parent company" or "Institution"), is a publicly traded corporation authorized to operate as a multiple bank. It operates, directly or indirectly, through its subsidiaries in the markets of payroll loans, payroll-linked credit cards, vehicle financing, conventional credit cards and loans to the vehicle and real estate consortium. In addition, the Bank has a portfolio of "run-off" financing for corporates, construction financing for developers and builders; real estate financing; financing for purchases of machinery and equipment, foreign exchange transactions, acquisition of real estate receivables, and vehicle and other asset leasing operations. Services rendered among the entities of the Conglomerate and the costs of operational and administrative structures are absorbed, jointly or individually.

As an alternative strategy to raising funds in the market and as an integral part of the business plan, the Bank also executes credit assignments (both transferring and substantially retaining the risks and benefits) of its portfolio to other financial institutions. On the assignment of loans with the substantial transfer of risks and benefits, the results are immediately recognized in the statement of income and the related risk is mitigated ensuring that capital is adequately preserved (Note 3(h)). These results are recorded in the parent company accounting information under "Income from financial intermediation".

Pursuant to a stockholders' agreement, the Bank is jointly controlled by Banco BTG Pactual S.A. ("BTG Pactual") and Caixa Participações S.A. - CAIXAPAR ("CAIXAPAR"), a wholly-owned subsidiary of Caixa Econômica Federal (Federal Savings and Loans Bank).

On March 8, 2019, the jointly-controlling stockholder CAIXAPAR exercised its right to acquire 50% of the shares subscribed and paid up by the jointly-controlling stockholder BTG Pactual, relating to the capital increase approved by the Board of Directors on November 6, 2017, amounting to R\$ 400,000,001.04, as approved by the Brazilian Central Bank (BACEN) on April 18, 2018 ("Exercise of Purchase Option"). The Purchase Option was settled on December 24, 2019 upon the effective transfer of the shares.

Furthermore, as disclosed in the Notice of significant event published on September 9 and 19, 2019, the Bank made a primary public offering of 63,250,000 new preferred shares already considering the additional batch ("Primary Offering"), as well as the secondary public offering of 63,250,000 preferred shares, held by CAIXAPAR, already considering the additional batch ("Secondary Offering" and, together with the Primary Offering, the "Offering"). In this context, on September 19, 2019, the Board of Directors of the Bank and of CAIXAPAR approved the price per share of R\$ 8.25, resulting in the Offering totaling R\$ 1,043,625,000.00, of which R\$ 521,812,500.00 related to the Primary Offering, with a resulting increase in the Bank's share capital to R\$ 521,812,500.00 (Note 32.f).

The capital increase resulting from the Primary Offering was approved by BACEN on 1/14/2020, and the Bank was informed about the decision on 1/15/2020. Accordingly, the Bank's capital currently amounts to R\$ 4,175,222,121.46, represented by 1,205,056 thousand shares distributed as follows:

Stockholders	Shareholding structure (thousands of shares)				Total	%
	Common	%	Preferred	%		
BTG Pactual	334,131	50.8	142,149	26.0	476,280	39.5
CAIXAPAR	323,430	49.2	89,600	16.4	413,030	34.3
Mercado	-	-	315,747	57.7	315,747	26.2
Total	657,561	100.0	547,495	100.0	1,205,056	100.0



2) Presentation of the accounting information

The parent company accounting information of Banco PAN is presented together with the accounting information 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 parent company and consolidated accounting information were authorized for issue by the Board of Directors and the Executive Board on January 29, 2020.

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

Direct subsidiaries	Total equity interest %	
	12/31/2019	12/31/2018
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

3) Significant Accounting Practices

a) Functional and presentation currency

The parent company and consolidated accounting information are presented in Brazilian Real/Reais (R\$), 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. Financial income and expenses are calculated based on the exponential method, except when for 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) Cash and cash equivalents:

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.

d) Interbank investments:

Interbank investments are accounted for at the amount invested plus related earnings up to the balance sheet date.



e) Marketable securities:

Marketable securities are recorded at the cost of acquisition plus income earned and are presented in the balance sheet, pursuant to BACEN Circular Letter 3,068/2001. 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 result for the period when effectively realized; and
- Held-to-maturity securities - securities which the Bank intends and has the ability to hold in its portfolio to maturity, are stated at cost, plus related earnings with a corresponding entry to results for the period.

f) Derivative financial instruments:

Derivative financial instruments consist of futures, swaps and forwards. These financial instruments are classified, on the date the transaction is contracted, reflecting management's intention whether to use them as hedging instruments or not. The appreciation or depreciation in value is 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.

Derivative financial instruments are valued at market values with the appreciation or depreciation recorded 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 positions held.

The fair values of derivative financial instruments and their respective hedged items are determined based on available market information, mainly the prices and rates provided by B3 S.A., the Brazilian Commodities, Futures and Stock Exchange. Where applicable, mathematical models of rate interpolations are utilized for intermediate periods and rate extrapolations for longer periods.

Future cash flows, discounted to present value by future interest curves, obtained based on information issued by B3 S.A., are utilized to measure the fair value of swaps.

The marking to market of futures contracts, such as interest contracts (1-day DI), foreign exchange contracts (DOL) and foreign exchange coupons (DDI), is determined based on the market price in a unique price (PU) format, which is released daily by B3 S.A. Based on this price, the daily adjustments are recorded in assets or liabilities and allocated daily to the results as income or expenses.

Derivative financial instrument transactions (futures, forwards, and swaps) are registered at B3 S.A. (stock exchange) or at the Organized Counter for Assets and Derivatives (B3 S.A. - over-the-counter). 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 income, and the nominal amounts of these transactions are recorded in memorandum accounts.

The balances of assets and liabilities and the results are disclosed in Note 7c.



g) Credit operations:

Operations relating to loans, leasing, advances on foreign exchange contracts, real estate receivables and other credits with credit concession characteristics are accounted for at present value and calculated on a daily pro rata basis, based on the variation of the index and in the interest rate up to the 59th day in default.

The allowance for loan losses is constituted based on management's judgement as to the risk level, considering the economic scenario, past experience, and specific and global risks related to the operation, to the debtors and guarantors, in compliance with CMN Resolution 2,682/99, which requires a periodic portfolio analysis and the classification of risk into nine levels. Level AA represents the minimum risk and H the maximum risk. Additionally, the overdue periods as defined in this Resolution and a doubling up 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 as 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 the transactions were classified prior to renegotiation. Renegotiated credit operations that had already been written-off against the allowance and that were recorded in memorandum accounts are classified as 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 loans assigned with a substantial retention of risks and benefits is calculated based on the same guidelines established by BACEN for unassigned credit operations.

h) 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 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:



For transactions for the sale 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 transactions are recorded in assets, with a corresponding entry in liabilities for the obligation assumed, and the income and expenses are appropriated to the result for the period over the remaining term of the transaction in a segregated manner.

For 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.

i) Other assets:

Other assets are comprised mainly of assets not for own use and prepaid expenses. Assets not for own use comprise repossessed assets or assets received in lieu of payment, which are available for sale, and which are adjusted through a valuation allowance, where applicable, calculated based on the historical losses on the sale of repossessed assets. Prepaid expenses relate to advance payments for benefits or services that 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.

j) Investments:

Investments in subsidiaries 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.

k) Property and equipment:

Property and equipment correspond to the rights acquired over physical assets destined 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 installations, leasehold improvements, furniture, and equipment in use.

The assets are stated at cost of acquisition less accumulated depreciation and adjustments 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.

l) Intangible assets:

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

The assets are stated at acquisition and other directly attributable costs less accumulated amortization and adjustments for impairment, where applicable. These assets are basically represented by goodwill based on the expected future profitability of the investments, licenses and expenses on the acquisition and development of software. Intangible assets with defined useful lives 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.

m) Impairment of non-financial assets:

Non-financial assets are subject to an evaluation of their recoverable values annually, 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, which is 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.

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

Provisions for income tax and social contribution due are recorded based on taxable profit, adjusted for additions and exclusions established by the applicable tax legislation. Deferred tax assets on temporary additions are realized on the utilization or reversal of the respective provisions in respect of which the credits were recognized. Deferred tax assets on tax loss carry-forwards are realized according to the generation of profit, up to the limit of 30% of taxable income for the base period. These deferred tax assets are recognized based on their expected realization, which is periodically reviewed, considering technical studies and analyses prepared by management.

The tax rates and calculation bases are detailed in Note 31.

o) 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.

p) Specific accounting policies of the consortium segment:

The management fee is recorded 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.

q) Provisions, contingent assets and liabilities and legal obligations (taxes and social security):

Provisions and contingent assets and contingent liabilities and legal obligations (tax and social security) are measured and disclosed in conformity with the criteria established by CMN Resolution 3,823/09, which established, among other things:

- Contingent assets - not recorded in the accounting information, except when there is evidence that their realization is guaranteed.
- Provisions - recorded in the accounting information when, based on the opinion of the Bank's management and the legal advisors, the risk of losing an administrative or legal action is considered to be probable, and whenever the amounts involved can be reliably measured.
- Contingent liabilities do not meet the recognition criteria, because they are considered as possible or remote losses and, therefore, are only disclosed in the notes to the accounting information, when significant.



- 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 accounting information.

r) 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 and agribusiness securities are settled.

s) Earnings per share:

Earnings per share are calculated based on the number of outstanding shares.

t) Use of accounting estimates:

The preparation of accounting information 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) estimated tax credit assets; (ii) depreciation rates of property and equipment and amortization of intangible assets; (iii) provisions necessary to absorb the potential risks arising from civil, labor or tax processes; (iv) provision for loss on assets not for own use; (v) impairment of non-financial assets; and (vi) estimated fair value of specific financial instruments. The actual settlement amounts of these financial or non-financial assets and liabilities could differ from the estimates.

u) Events after the reporting period:

Events which have occurred between the reporting date of the accounting information and the date of its approval by management, are classified as:

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

**4) Balance Sheet and Statement of Income by Business Segment****a) Consolidated Balance Sheet:**

Assets	Financial (1)	Consortium (2)	Securitization (3)	Other (4)	Eliminations (5)	Total
Current assets and long-term receivables	32,202,316	73,531	226,957	426,741	(346,410)	32,583,135
Cash and cash equivalents	1,443	25	2,768	19	(35)	4,220
Short-term interbank investments	1,242,794	8,052	-	-	(8,052)	1,242,794
Marketable securities and derivative financial instruments	2,131,333	50,300	155,556	372,236	(333,670)	2,375,755
Interbank accounts	127,540	-	-	-	-	127,540
Loan and leasing operations (6)	20,887,619	-	-	-	-	20,887,619
Other receivables and other assets	7,811,587	15,154	68,633	54,486	(4,653)	7,945,207
Permanent assets	891,139	213	1,026	1,877	(679,259)	214,996
Total at 12/31/2019	33,093,455	73,744	227,983	428,618	(1,025,669)	32,798,131
Total at 12/31/2018	27,494,548	69,861	225,253	404,791	(964,022)	27,230,431

Liabilities	Financial (1)	Consortium (2)	Securitization (3)	Other (4)	Eliminations (5)	Total
Current and long-term liabilities	28,167,287	17,821	14,306	18,959	(364,410)	27,871,963
Deposits	20,093,684	-	-	-	(333,705)	19,759,979
Funds obtained in the open market	303,857	-	-	-	(8,052)	295,805
Funds from issuance of securities	1,868,324	-	-	-	-	1,868,324
Interbank and interbranch accounts	933,978	-	-	-	-	933,978
Derivative financial instruments	124,979	-	-	-	-	124,979
Other obligations	4,842,465	17,821	14,306	18,959	(4,653)	4,888,898
Equity	4,926,168	55,923	213,677	409,659	(679,259)	4,926,168
Total at 12/31/2019	33,093,455	73,744	227,983	428,618	(1,025,669)	32,798,131
Total at 12/31/2018	27,494,548	69,861	225,253	404,791	(964,022)	27,230,431

b) Consolidated statement of income:

	Financial (1)	Consortium (2)	Securitization (3)	Other (4)	Eliminations (5)	Total
Results from financial intermediation	8,149,309	3,302	13,393	44,250	(19,295)	8,190,959
Expenses on financial intermediation	(3,806,909)	-	-	-	19,295	(3,787,614)
Gross result	4,342,400	3,302	13,393	44,250	-	4,403,345
Other operating income (expenses)	(3,972,252)	6,198	(6,799)	(1,137)	(39,023)	(4,013,013)
Non-operating results	(33,982)	-	(207)	-	-	(34,189)
Provision for IRPJ and CSLL	179,769	(3,231)	(2,136)	(14,610)	-	159,792
Net result at 12/31/2019	515,935	6,269	4,251	28,503	(39,023)	515,935
Net result at 12/31/2018	221,515	5,129	831	15,990	(21,950)	221,515

(1) Represented by Banco PAN S.A. and Pan Arrendamento Mercantil S.A.

(2) Represented by Pan Administradora de Consórcio Ltda.

(3) Represented by Brazilian Securities Companhia de Securitização.

(4) Represented by BM Sua Casa Promotora de Vendas Ltda. and Brazilian Finance & Real Estate S.A.

(5) Eliminations between companies in different segments.

(6) Net allowance for losses.

**5) Cash and Cash Equivalents**

	Bank		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Funds in local currency	225	313	3,004	3,653
Funds in foreign currency	1,216	16,061	1,216	16,061
Subtotal (cash)	1,441	16,374	4,220	19,714
Short-term interbank investments (1)	1,229,999	-	1,229,999	-
Total	1,231,440	16,374	1,234,219	19,714

(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) Short-term interbank investments**a) Composition and maturities:**

Bank and Consolidated	Up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	12/31/2019	12/31/2018
Money market investments:	1,229,999	-	-	-	1,229,999	-
Own portfolio position	1,229,999	-	-	-	1,229,999	-
National Treasury Bills (LTN)	594,904	-	-	-	594,904	-
National Treasury Notes (NTN)	635,095	-	-	-	635,095	-
Interbank deposits	-	-	12,795	-	12,795	3,897
Total at 12/31/2019	1,229,999	-	12,795	-	1,242,794	-
Total at 12/31/2018	-	-	-	3,897	-	3,897

b) Income from interbank investments:

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

Bank and Consolidated	12/31/2019	12/31/2018
Income from investments in purchase and sale transactions:	19,057	65,448
Own portfolio position	18,979	58,357
Third-party portfolio position	78	6,805
Short position	-	286
Income from interbank deposits	253	888
Total (Note 7.d)	19,310	66,336

**7) Marketable Securities and Derivative Financial Instruments****a) Composition of portfolio:**

The portfolio of marketable securities and derivative financial instruments at 12/31/2019 and 12/31/2018, by type of security, was comprised as follows:

	Bank		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Marketable securities	1,843,230	1,700,784	2,087,652	1,934,506
Own portfolio:	727,913	1,213,212	972,231	1,444,548
Bank Deposit Certificates (CDB)	-	-	-	428
Mortgage-backed securities (CRI)	-	-	244,318	230,908
Financial Treasury Bills (LFT)	177,520	621,156	177,520	621,156
National Treasury Bills (LTN)	-	200,450	-	200,450
National Treasury Notes (NTN)	550,051	391,264	550,051	391,264
Social Development Fund (FDS)	342	342	342	342
Linked to BACEN:	529,436	-	529,436	-
Financial Treasury Bills (LFT) (1)	529,436	-	529,436	-
Subject to repurchase agreements:	297,944	269,177	297,944	269,177
Financial Treasury Bills (LFT)	107,126	112,407	107,126	112,407
National Treasury Notes (NTN)	190,818	156,770	190,818	156,770
Subject to guarantees:	287,937	218,395	288,041	220,781
Financial Treasury Bills (LFT)	287,937	218,395	287,937	218,395
Bank Deposit Certificates (CDB)	-	-	104	2,386
Derivative financial instruments:	288,103	279,158	288,103	279,158
Difference receivable on swaps	288,103	275,298	288,103	275,298
Options	-	3,860	-	3,860
Total	2,131,333	1,979,942	2,375,755	2,213,664

(1) Amount linked to BACEN, resulting from the Bank's capital increase approved by its Board of Directors on September 19, 2019 and by BACEN on January 14, 2020 (Note 21.a).



b) Composition by category and term:

Bank	12/31/2019					12/31/2018				
	No stated maturity	Up to 12 months	From 1 to 3 years	From 3 to 5 years	Over 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	-	283	321,062	38,437	-	359,782	359,821	(39)	401,225	1,091
Financial Treasury Bills (LFT)	-	283	321,062	38,437	-	359,782	359,821	(39)	293,848	11
National Treasury Bills (LTN)	-	-	-	-	-	-	-	-	585	7
National Treasury Notes (NTN)	-	-	-	-	-	-	-	-	106,792	1,073
Available-for-sale securities	-	417,898	299,157	25,182	-	742,237	742,234	3	658,114	93
Financial Treasury Bills (LFT)	-	417,898	299,157	25,182	-	742,237	742,234	3	658,110	93
National Treasury Notes (NTN)	-	-	-	-	-	-	-	-	4	-
Securities held to maturity	342	-	469,890	128,439	142,540	741,211	741,211	-	641,445	-
National Treasury Bills (LTN)	-	-	-	-	-	-	-	-	199,865	-
National Treasury Notes (NTN)	-	-	469,890	128,439	142,540	740,869	740,869	-	441,238	-
Social Development Fund (FDS)	342	-	-	-	-	342	342	-	342	-
Total	342	418,181	1,090,109	192,058	142,540	1,843,230	1,843,266	(36)	1,700,784	1,184



Notes to the financial statements

Consolidated	12/31/2019								12/31/2018	
	No stated maturity	Up to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Carrying amount (1)(2)(3)	Adjusted cost	Mark-to-market adjustment	Net book value (1)(2)(3)	Mark-to-market adjustment
Trading securities:	-	283	321,062	38,437	-	359,782	359,821	(39)	401,225	1,091
Financial Treasury Bills (LFT)	-	283	321,062	38,437	-	359,782	359,821	(39)	293,848	11
National Treasury Bills (LTN)	-	-	-	-	-	-	-	-	585	7
National Treasury Notes (NTN)	-	-	-	-	-	-	-	-	106,792	1,073
Available-for-sale securities:	-	440,986	520,491	25,182	-	986,659	1,088,413	(21,754)	891,836	(12,270)
Financial Treasury Bills (LFT)	-	417,898	299,157	25,182	-	742,237	742,234	3	658,110	93
National Treasury Notes (NTN)	-	-	-	-	-	-	-	-	4	-
Bank Deposit Certificates (CDB)	-	104	-	-	-	104	104	-	2,814	-
Mortgage-backed securities (CRI)	-	22,984	221,334	-	-	244,318	266,075	(21,757)	230,908	(12,363)
Securities held to maturity:	342	-	469,890	128,439	142,540	741,211	741,211	-	641,445	-
National Treasury Bills (LTN)	-	-	-	-	-	-	-	-	199,865	-
National Treasury Notes (NTN)	-	-	469,890	128,439	142,540	740,869	740,869	-	441,238	-
Social Development Fund (FDS)	342	-	-	-	-	342	342	-	342	-
Total	342	441,269	1,311,443	192,058	142,540	2,087,652	2,109,445	(21,793)	1,934,506	(11,179)

(1) 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\$ 41,832 (12/31/2018 - higher by R\$ 8,502). In order to comply with 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; and

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



c) 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, reflecting management's intention to use them or not as hedging instruments. The appreciation or depreciation in value is 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. The Bank's risk management policy established that derivative instruments should be used to hedge against exposure resulting from the Bank's credit operations as well as from foreign exchange exposure from offshore operations.

Derivative instruments are used based on two strategies: trading portfolio (negotiation) and banking portfolio (non-negotiation). The trading portfolio includes derivatives that are used to guiding strategies, to dispute resolution efforts, or to hedge other negotiation portfolio elements. The non-negotiation portfolio includes derivatives used to hedge instruments classified in the banking portfolio, including those used as hedge accounting. Risks within these portfolios are managed according to perspectives that are consolidated based on risk factors.

Derivative financial instrument transactions, as well as transactions with marketable securities classified as "held for trading" or "available for sale", are valued at market value, and the related appreciation or depreciation are recorded in the results. The market value of instruments traded in Stock exchanges corresponds to the instrument market quotations or the quotation of similar products. If there is no market quotation for any products, their market value should be defined under the discounted cash flow method or via pricing models. 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 fair values of derivative financial instruments and their respective hedged items are determined based on available market information, mainly the prices and rates provided by B3 S.A., the Brazilian commodities, futures and stock exchange. Where applicable, mathematical models of rate interpolations are utilized for intermediate periods and rate extrapolations for longer periods. Future cash flows, discounted to present value by future interest yield curves, obtained from B3 S.A., as adjusted according to the counterparty credit risk (credit value adjustment (CVA)).

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. (stock exchange) or at the Organized Counter for Assets and Derivatives (B3 S.A. - over-the-counter). 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.



i) Breakdown of derivative financial instruments (assets and liabilities) stated at adjusted cost, marked to market, and carrying amount, according to the period:

Bank and Consolidated	Adjusted cost	Mark-to-market	Carrying amount	Up to 30 days	From 31 to 90 days	91 to 180 days	From 181 to 360 days	More than 360 days	Total at 12/31/2019	Total at 12/31/2018
Asset position:	281,679	6,424	288,103	-	-	288,103	-	-	288,103	279,158
Swap	281,679	6,424	288,103	-	-	288,103	-	-	288,103	275,298
Options	-	-	-	-	-	-	-	-	-	3,860
Liability position:	(117,033)	(7,946)	(124,979)	(73,520)	-	(47,647)	(3,812)	-	(124,979)	(175,121)
Swap	(117,033)	(7,946)	(124,979)	(73,520)	-	(47,647)	(3,812)	-	(124,979)	(172,218)
Options	-	-	-	-	-	-	-	-	-	(2,903)
Subtotal	164,646	(1,522)	163,124	(73,520)	-	240,456	(3,812)	-	163,124	104,037
Futures (a)	(5,538)	-	(5,538)	(5,538)	-	-	-	-	(5,538)	967
Asset position	3,066	-	3,066	3,066	-	-	-	-	1,764	2,474
Liability position	(8,604)	-	(8,604)	(8,604)	-	-	-	-	(7,302)	(1,507)
Total	159,108	(1,522)	157,586	(79,058)	-	240,456	(3,812)	-	157,586	105,004

(a) Accounted in trading accounts and intermediation for values in the balance sheet.



ii) Derivative financial instruments by index:

Bank and Consolidated	12/31/2019				12/31/2018			
	Notional value	Adjusted cost	Mark-to-market	Carrying amount	Notional value	Adjusted cost	Mark-to-market	Carrying amount
Swap contracts								
Asset position	470,910	281,679	6,424	288,103	1,153,093	279,128	(3,830)	275,298
Fixed rate	-	-	-	-	24,431	317	24	341
Foreign currency	470,910	281,679	6,424	288,103	1,128,662	278,811	(3,854)	274,957
Liability position:	2,225,560	(117,033)	(7,946)	(124,979)	2,943,311	(124,963)	(47,255)	(172,218)
Interbank market	678,355	(20,306)	(2,137)	(22,443)	-	-	-	-
Fixed rate	1,547,205	(96,727)	(5,809)	(102,536)	2,942,174	(124,718)	(47,287)	(172,005)
Foreign currency	-	-	-	-	1,137	(245)	32	(213)
Option Contracts								
Purchase Commitments:	-	-	-	-	1,919,163	2,021	1,839	3,860
Foreign currency	-	-	-	-	69,063	621	(225)	396
Other	-	-	-	-	1,850,100	1,400	2,064	3,464
Sale Commitments:	-	-	-	-	1,916,550	(1,258)	(1,645)	(2,903)
Foreign currency	-	-	-	-	67,150	(257)	118	(139)
Other	-	-	-	-	1,849,400	(1,001)	(1,763)	(2,764)
Futures								
Purchase Commitments:	1,397,077	-	-	-	2,880,972	-	-	-
Interbank market	1,315,611	-	-	-	2,797,711	-	-	-
Foreign currency	-	-	-	-	4,844	-	-	-
Other	81,466	-	-	-	78,417	-	-	-
Sale Commitments:	13,127,996	-	-	-	9,617,339	-	-	-
Interbank market	13,042,503	-	-	-	9,493,677	-	-	-
Foreign currency	4,027	-	-	-	24,241	-	-	-
Other	81,466	-	-	-	99,421	-	-	-
Total	17,221,543	164,646	(1,522)	163,124	20,430,428	154,928	(50,891)	104,037

**iii) Composition by maturity (notional value):**

Bank and Consolidated	Up to 30 days	From 31 to 90 days	91 to 180 days	From 181 to 360 days	More than 360 days	12/31/2019	12/31/2018
Swap	1,190,255	-	1,467,443	38,772	-	2,696,470	4,096,404
U.S. dollar x CDI	-	-	1,149,265	-	-	1,149,265	1,128,662
CDI vs. U.S. Dollar	-	-	-	-	-	-	1,137
CDI x Fixed rate	1,190,255	-	318,178	38,772	-	1,547,205	2,942,174
Fixed rate x U.S. dollar	-	-	-	-	-	-	24,431
Options	-	-	-	-	-	-	3,835,713
Shares purchased	-	-	-	-	-	-	1,919,163
Shares sold	-	-	-	-	-	-	1,916,550
Futures	571,882	201,192	2,576,808	2,533,087	8,642,104	14,525,073	12,498,311
DDI	8,059	-	-	-	154,873	162,932	177,838
DI	561,808	199,180	2,576,808	2,533,087	8,487,231	14,358,114	12,291,388
U.S. dollar	2,015	2,012	-	-	-	4,027	29,085
Total	1,762,137	201,192	4,044,251	2,571,859	8,642,104	17,221,543	20,430,428

iv) Place of negotiation and counterparties:

Bank and Consolidated	12/31/2019	12/31/2018
B3 S.A. (Over-the-counter)	2,696,470	4,096,404
B3 S.A. (Exchange)	14,525,073	16,334,024
Total	17,221,543	20,430,428

Counterparties: At 12/31/2019, they were distributed as follows in the Bank and Consolidated: B3 S.A. 84.34% and Financial Institutions 15.66%.

**v) Margins provided as guarantee for derivative financial instruments:**

Public securities	Bank and Consolidated	
	12/31/2019	12/31/2018
Financial Treasury Bills (1)	205,344	98,875
Financial Treasury Bills (2)	524	-
Total	205,868	98,875

(1) B3 S.A. securities offered as guarantee; and

(2) Securities offered as guarantee - swaps.

vi) Accounting Hedge - market value

Bank and Consolidated	12/31/2019	12/31/2018
Financial Instruments		
Asset position	2,867,671	2,717,544
Swap - U.S. dollar (1)	1,908,690	1,909,407
Futuros DI1 B3 S.A. - Fixed rate - Brazilian Reais (2)	958,981	808,137
Liability position	(15,216,800)	(6,199,812)
Swaps - fixed rate - Brazilian reais (3)	-	(399,926)
Futuros DI1 B3 S.A. - Fixed rate - Brazilian Reais (3)	(15,216,800)	(5,799,886)
Hedged item		
Asset position	11,787,028	5,988,784
Credit operations (3)	11,787,028	5,988,784
Liability position	(2,796,880)	(2,588,584)
Subordinated debt abroad (1)	(1,876,865)	(1,790,563)
Time deposit certificates (2)	(920,015)	(798,021)

(1) Used to hedge funding operation abroad;

(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 loans and Vehicles.

vii) Result with derivative financial instruments:

Bank and Consolidated	12/31/2019			12/31/2018		
	Revenue	Expense	Net	Revenue	Expense	Net
Swap	855,530	(783,165)	72,365	967,166	(816,935)	150,231
Options	1,722	(1,297)	425	3,950	(4,152)	(202)
Futures	1,221,305	(1,395,481)	(174,176)	1,930,289	(2,080,291)	(150,002)
Total	2,078,557	(2,179,943)	(101,386)	2,901,405	(2,901,378)	27

d) Results of operations with marketable securities:

	Bank		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Fixed income securities	99,064	102,202	134,274	116,923
Short-term interbank investments (Note 6.b)	19,310	66,336	19,310	66,336
Total	118,374	168,538	153,584	183,259



8) Credit operations

a) Composition of the portfolio by type of operation:

	Bank				Consolidated			
	12/31/2019		12/31/2018		12/31/2019		12/31/2018	
	Amount	%	Amount	%	Amount	%	Amount	%
Payroll-deductible loans (1)	9,468,073	40.34	8,276,322	40.81	9,468,073	40.34	8,276,322	40.81
Vehicles (1)	8,853,900	37.72	6,979,927	34.42	8,853,900	37.72	6,979,927	34.42
Financing - credit cards (2)	2,045,591	8.72	1,702,804	8.40	2,045,591	8.72	1,702,804	8.40
Bank overdrafts	1,058,643	4.51	747,020	3.68	1,058,643	4.51	747,020	3.68
Loans with real estate guarantees	300,444	1.28	429,784	2.12	300,444	1.28	429,784	2.12
Working capital	143,760	0.61	320,166	1.58	143,760	0.61	320,166	1.58
Credits linked to the assignment of loans (3)	157,729	0.67	305,115	1.50	157,729	0.67	305,115	1.50
Housing financing	136,993	0.20	269,740	1.33	136,993	0.58	269,740	1.33
Export financing	46,402	0.47	156,619	0.77	46,402	0.20	156,619	0.77
Renegotiated loans	110,403	0.03	96,722	0.48	110,403	0.47	96,722	0.48
Real estate development financing	7,303	-	45,643	0.23	7,303	0.03	45,643	0.23
Other	26	-	68	-	26	-	97	-
Total credit operations	22,329,267	95.13	19,329,930	95.32	22,329,267	95.13	19,329,959	95.32
Other receivables (4)	1,141,980	4.87	913,705	4.51	1,142,697	4.87	914,688	4.51
Advances against Exchange Contracts (ACC) and income receivable (5)	-	-	33,966	0.17	-	-	33,966	0.17
Subtotal	23,471,247	100.00	20,277,601	100.00	23,471,964	100.00	20,278,613	100.00
(+/-) Adjustment to market value (1)	156,128	-	129,203	-	156,128	-	129,203	-
Total	23,627,375	-	20,406,804	-	23,628,092	-	20,407,816	-

(1) Contracts including hedge accounting transactions (Note 7c);

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

(3) Payroll-linked credit operations assigned with substantial retention of risks and benefits (Note 8.f.ii);

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

(5) 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:

Bank	Bank Risk Levels										Total at 12/31/2019	Total at 12/31/2018
	Abnormal course of operations											
	AA	A	B	C	D	E	F	G	H			
Falling due in days:	-	1,227,553	479,253	441,651	208,100	132,982	95,418	74,117	656,246		3,315,320	2,752,974
01 to 30	-	50,390	22,774	21,234	10,158	6,612	4,639	3,640	22,970		142,417	127,800
31 to 60	-	49,054	22,246	21,108	10,070	6,535	4,585	3,605	21,452		138,655	121,440
61 to 90	-	47,742	21,315	19,502	9,367	6,114	4,280	3,353	25,272		136,945	112,182
91 to 180	-	129,716	59,964	55,074	26,199	16,795	11,984	9,461	71,416		380,609	316,735
181 to 365	-	231,555	103,682	95,684	45,406	28,924	20,559	16,273	104,049		646,132	539,025
Over 365	-	719,096	249,272	229,049	106,900	68,002	49,371	37,785	411,087		1,870,562	1,535,792
Past due in days	-	82,919	140,754	82,469	63,905	59,009	55,013	50,353	599,043		1,133,465	1,245,872
01 to 14	-	71,714	3,011	10,485	5,164	3,007	2,084	1,563	10,774		107,802	94,452
15 to 30	-	11,205	131,575	10,882	5,197	3,608	2,513	2,074	13,328		180,382	142,267
31 to 60	-	-	6,168	54,282	10,639	6,972	4,713	3,741	22,658		109,173	171,481
61 to 90	-	-	-	4,883	36,574	7,086	4,784	3,771	23,018		80,116	134,710
91 to 180	-	-	-	1,937	6,331	35,989	38,093	35,753	92,828		210,931	173,881
181 to 365	-	-	-	-	-	2,347	2,826	3,451	216,007		224,631	307,489
Over 365	-	-	-	-	-	-	-	-	220,430		220,430	221,592
Subtotal	-	1,310,472	620,007	524,120	272,005	191,991	150,431	124,470	1,255,289		4,448,785	3,998,846
Allowance required	-	6,552	6,200	15,724	27,200	57,597	75,216	87,129	1,225,289		1,530,907	1,153,353



Notes to the financial statements

Bank	Bank Risk Levels										
	Normal course of operations										
	AA	A	B	C	D	E	F	G	H	Total at 12/31/2019	Total at 12/31/2018
Falling due in days:	-	18,743,687	31,838	23,785	10,575	7,806	6,283	6,505	191,983	19,022,462	16,278,755
01 to 30	-	2,497,758	7,320	4,720	957	552	449	474	8,878	2,521,108	2,107,232
31 to 60	-	659,605	1,856	1,463	786	516	388	365	5,018	669,997	599,696
61 to 90	-	613,527	1,989	1,476	713	470	361	336	6,883	625,755	538,319
91 to 180	-	1,615,764	4,485	3,477	1,655	1,116	865	812	39,627	1,667,801	1,442,319
181 to 365	-	2,676,794	5,811	4,513	2,043	1,495	1,252	1,251	22,842	2,716,001	2,384,107
Over 365	-	10,680,239	10,377	8,136	4,421	3,657	2,968	3,267	108,735	10,821,800	9,207,082
Subtotal	-	18,743,687	31,838	23,785	10,575	7,806	6,283	6,505	191,983	19,022,462	16,278,755
Allowance required	-	93,719	318	713	1,058	2,342	3,141	4,554	191,983	297,827	178,271
Total (1)	-	20,054,159	651,845	547,905	282,580	199,797	156,714	130,975	1,447,272	23,471,247	20,277,601
Total allowance	-	100,271	6,518	16,437	28,258	59,939	78,357	91,683	1,447,272	1,828,735	1,331,624

Consolidated	Bank Risk Levels										
	Abnormal course of operations										
	AA	A	B	C	D	E	F	G	H	Total at 12/31/2019	Total at 12/31/2018
Falling due in days:	-	1,227,553	479,253	441,651	208,100	132,982	95,418	74,117	656,246	3,315,320	2,752,974
01 to 30	-	50,390	22,774	21,234	10,158	6,612	4,639	3,640	22,970	142,417	127,800
31 to 60	-	49,054	22,246	21,108	10,070	6,535	4,585	3,605	21,452	138,655	121,440
61 to 90	-	47,742	21,315	19,502	9,367	6,114	4,280	3,353	25,272	136,945	112,182
91 to 180	-	129,716	59,964	55,074	26,199	16,795	11,984	9,461	71,416	380,609	316,735
181 to 365	-	231,555	103,682	95,684	45,406	28,924	20,559	16,273	104,049	646,132	539,025
Over 365	-	719,096	249,272	229,049	106,900	68,002	49,371	37,785	411,087	1,870,562	1,535,792
Past due in days	-	82,919	140,754	82,469	63,905	59,009	55,013	50,353	599,043	1,133,465	1,245,901
01 to 14	-	71,714	3,011	10,485	5,164	3,007	2,084	1,563	10,774	107,802	94,461
15 to 30	-	11,205	131,575	10,882	5,197	3,608	2,513	2,074	13,328	180,382	142,267
31 to 60	-	-	6,168	54,282	10,639	6,972	4,713	3,741	22,658	109,173	171,486
61 to 90	-	-	-	4,883	36,574	7,086	4,784	3,771	23,018	80,116	134,715
91 to 180	-	-	-	1,937	6,331	35,989	38,093	35,753	92,828	210,931	173,891
181 to 365	-	-	-	-	-	2,347	2,826	3,451	216,007	224,631	307,489
Over 365	-	-	-	-	-	-	-	-	220,430	220,430	221,592
Subtotal	-	1,310,472	620,007	524,120	272,005	191,991	150,431	124,470	1,255,289	4,448,785	3,998,875
Allowance required	-	6,552	6,200	15,724	27,200	57,597	75,216	87,129	1,255,290	1,530,907	1,153,382

Consolidated	Bank Risk Levels										
	Normal course of operations										
	AA	A	B	C	D	E	F	G	H	Total at 12/31/2019	Total at 12/31/2018
Falling due in days:	717	18,743,687	31,838	23,785	10,575	7,806	6,283	6,505	191,983	19,023,179	16,279,738
01 to 30	717	2,497,758	7,320	4,720	957	552	449	474	8,878	2,521,825	2,108,215
31 to 60	-	659,605	1,856	1,463	786	516	388	365	5,018	669,997	599,696
61 to 90	-	613,527	1,989	1,476	713	470	361	336	6,883	625,755	538,319
91 to 180	-	1,615,764	4,485	3,477	1,655	1,116	865	812	39,627	1,667,801	1,442,319
181 to 365	-	2,676,794	5,811	4,513	2,043	1,495	1,252	1,251	22,842	2,716,001	2,384,107
Over 365	-	10,680,239	10,377	8,136	4,421	3,657	2,968	3,267	108,735	10,821,800	9,207,082
Subtotal	717	18,743,687	31,838	23,785	10,575	7,806	6,283	6,505	191,983	19,023,179	16,279,738
Allowance required	-	93,719	318	713	1,058	2,342	3,141	4,554	191,983	297,828	178,271
Total (1)	717	20,054,159	651,845	547,905	282,580	199,797	156,714	130,975	1,447,272	23,471,964	20,278,613
Total allowance	-	100,271	6,518	16,437	28,258	59,939	78,357	91,683	1,447,272	1,828,735	1,331,653

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



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

	Bank		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Opening balance	1,432,555	1,266,038	1,432,584	1,266,084
Constitution/reversal of provision (2)	1,562,526	1,140,370	1,562,498	1,140,405
Write-off against allowance	(1,098,362)	(973,853)	(1,098,363)	(973,905)
At the end of the year	1,896,719	1,432,555	1,896,719	1,432,584

Credit recoveries (3)	233,061	236,286	240,368	245,602
Effect on results (4)	(1,329,465)	(904,084)	(1,322,130)	(894,802)

(1) Includes: (i) other receivables with characteristics of credit operations; (ii) foreign exchange transactions; (iii) other receivables without characteristics of credit operations (Note 11);

(2) At 12/31/2019, as a result of the strategic redefinitions in progress during the last few years, and pursuant to Resolution 2,682, the Bank recorded additional R\$ 338,324 for run-off portfolios (Real Estate - Individuals and Companies);

(3) In the year ended 12/31/2019, credits previously written-off against the allowance, totaling R\$ 240,368, were recovered (recovered credits of R\$ 233,061 in the Bank, R\$ 868 referring to lease operations, recovered credits of R\$ 6,439 in Brazilian Finance & Real Estate).

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

d) Classification by area of economic activity:

	Bank				Consolidated			
	12/31/2019		12/31/2018		12/31/2019		12/31/2018	
	Amount	%	Amount	%	Amount	%	Amount	%
Individuals	21,827,226	93.00	18,558,064	91.52	21,827,226	92.99	18,558,064	91.52
Services	1,204,531	5.13	1,264,689	6.24	1,205,248	5.13	1,265,701	6.24
Construction and real-estate development	266,214	1.13	536,051	2.65	266,931	1.14	537,034	2.65
Other services	586,761	2.50	434,776	2.14	586,761	2.50	434,805	2.14
Financial	246,302	1.05	195,852	0.97	246,302	1.05	195,852	0.97
Transportation and logistics	35,974	0.15	46,537	0.23	35,974	0.15	46,537	0.23
Utilities	61,443	0.26	44,225	0.22	61,443	0.26	44,225	0.22
Media, IT and Telecom	6,690	0.03	4,777	0.02	6,690	0.03	4,777	0.02
Vehicle rental	1,047	-	2,323	0.01	1,047	-	2,323	0.01
Health, security and education	100	-	148	-	100	-	148	-
Commercial	321,226	1.37	289,530	1.42	321,226	1.37	289,530	1.42
Wholesale and retail	321,226	1.37	289,530	1.42	321,226	1.37	289,530	1.42
Basic industries	70,964	0.30	90,873	0.45	70,964	0.30	90,873	0.45
Paper and pulp	42,999	0.18	32,384	0.16	42,999	0.18	32,384	0.16
Other industries	6,038	0.03	23,798	0.12	6,038	0.03	23,798	0.12
Textiles	15,258	0.07	15,366	0.08	15,258	0.07	15,366	0.08
Auto parts	-	-	12,072	0.05	-	-	12,072	0.05
Chemical industry	6,669	0.03	7,253	0.04	6,669	0.03	7,253	0.04
Agribusiness	47,300	0.20	74,445	0.37	47,300	0.20	74,445	0.37
Sugar and ethanol	25,513	0.11	42,846	0.21	25,513	0.11	42,846	0.21
Other agribusiness and animal protein	21,787	0.09	31,599	0.16	21,787	0.09	31,599	0.16
Total (1)	23,471,247	100.00	20,277,601	100.00	23,471,964	100.00	20,278,613	100.00

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

**e) Concentration of credit operations:**

Largest debtors	Bank				Consolidated			
	12/31/2019		12/31/2018		12/31/2019		12/31/2018	
	Amount	%	Amount	%	Amount	%	Amount	%
10 largest	513,400	2.19	431,785	2.13	513,400	2.19	431,785	2.13
50 next largest	618,843	2.64	723,978	3.57	618,843	2.64	723,978	3.57
100 next largest	285,450	1.22	389,057	1.92	285,450	1.22	389,057	1.92
Other	22,053,554	93.96	18,732,781	92.38	22,054,271	93.96	18,733,793	92.38
Total	23,471,247	100.00	20,277,601	100.00	23,471,964	100.00	20,278,613	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 12/31/2019 and 12/31/2018, credits were assigned to financial institutions as below:

Bank and Consolidated	12/31/2019			12/31/2018		
	Assignment amount	Present value	Result (1)	Assignment amount	Present value	Result (1)
Payroll-deductible loans	6,495,901	4,723,283	1,772,618	6,278,175	4,831,377	1,446,798
Total (Note 8.g)	6,495,901	4,723,283	1,772,618	6,278,175	4,831,377	1,446,798

(1) Recorded in income from credit operations (Note 8g).

**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\$ 157,729, in Banco PAN and Consolidated (R\$ 305,115 at 12/31/2018), calculated at present value using the agreed contract rates. Obligations of R\$ 201,523 (R\$ 416,401 at 12/31/2018) were assumed for these credits (Note 20.b).

g) Income from credit and leasing operations:

	Bank		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Profit on credit assignments (Note 8.f)	1,772,618	1,446,798	1,772,618	1,446,798
Performance bonus on assignments (1)	965,154	736,266	965,154	736,266
Payroll-deductible loans	2,202,061	1,812,209	2,202,061	1,812,209
Vehicles	1,877,229	1,607,280	1,877,230	1,607,280
Credit cards	801,019	720,069	801,019	720,069
Recovery of credits written off as losses	233,061	236,286	240,368	245,602
Working capital/overdraft accounts	144,758	151,478	144,758	151,478
Income from loans with real estate guarantees	55,450	86,869	55,450	86,869
Export financing	11,700	64,762	11,700	64,762
Renegotiated loans	19,598	21,292	19,598	21,292
Housing loans	7,166	15,221	7,166	15,221
Income from real estate developments	947	3,238	947	3,238
Other	52	520	26	521
Adjustment to market value - Retail Portfolio (2)	26,925	(9,568)	26,925	(9,568)
Total	8,117,738	6,892,720	8,125,020	6,902,037

(1) Reclassified from "Profit on credit assignments"; and

(2) Mark-to-market of accounting hedges on retail credits: payroll-deductible loans and vehicle financing.

**9) Foreign Exchange Portfolio****a) Balance sheet accounts:**

Bank and Consolidated	12/31/2019	12/31/2018
Assets - Other receivables		
Exchange purchases pending settlement	-	27,802
Income receivable	-	11,056
Total assets	-	38,858
Liabilities - Other liabilities		
Liabilities for exchange purchases	-	22,910
Advances on foreign exchange contracts	-	(22,910)
Total liabilities	-	-

b) Result on foreign exchange transactions:

Bank and Consolidated	12/31/2019	12/31/2018
Income from export financing	17,358	49,721
Foreign exchange variations	(12,400)	(37,335)
Total	4,958	12,386

10) Real Estate Receivables

Consolidated	Final maturity	Index	% interest p.a.	12/31/2019	12/31/2018
Real estate credit note (CCI)	11/15/2034	INCC/IGPM /Savings Account /CDI and with no Indexation and interest accruals	0 to 20.05	4,588	6,967
Total				4,588	6,967

11) Other Credits - Sundry

	Bank		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Tax credits (Note 31.b)	3,297,587	2,690,503	3,401,968	2,933,004
Amounts receivable from credit assignments	2,451,147	1,652,816	2,451,147	1,652,816
Securities and credits receivable (1)	1,141,980	913,705	1,142,697	914,688
Taxes and contributions to be offset	369,884	222,792	437,727	285,564
Judicial and tax deposits	197,786	204,335	219,413	228,062
Amounts receivable from payroll-linked loans (2)	29,351	43,125	29,351	43,125
Amounts receivable from related parties	15,918	12,527	13,227	10,352
Other (3)	92,228	83,094	99,070	89,829
Total	7,595,881	5,822,897	7,794,600	6,157,440

(1) Includes: (i) amounts receivable related to payment transactions with credit cards amounting to R\$ 862,959 (R\$ 669,608 at 12/31/2018) and (ii) securities receivable with credit concession characteristics, amounting to R\$ 279,021 in the Bank and R\$ 279,738 in the Consolidated (12/31/2018 - R\$ 244,097 in the Bank and R\$ 245,080 in Consolidated).

(2) Refer mainly to: (i) amounts received and not yet transferred to the Bank by State and Municipal governments, which transfers are being negotiated by the Bank, (full allowance for losses constituted), and to transfers in arrears for more than 180 days, the balance of which at December 31, 2019 amounted to R\$ 60,806 (R\$ 89,756 at 12/31/2018) (Note 8.c); and

(3) Includes allowance for other receivables without credit characteristics of R\$ 7,178 (12/31/2018 - R\$ 11,175) (Note 8.c).

**12) Other assets****a) Assets not for own use and other:**

Residual value	Bank				Consolidated			
	Cost	Provision for losses	12/31/2019	12/31/2018	Cost	Provision for losses	12/31/2019	12/31/2018
Assets not for own use:	364,214	(84,916)	279,298	338,619	373,231	(86,219)	287,012	348,627
Properties	335,137	(76,311)	258,826	311,343	343,514	(77,020)	266,494	321,287
Vehicles	29,077	(8,605)	20,472	27,276	29,717	(9,199)	20,518	27,340
Other	445	-	445	282	445	-	445	282
Total	364,659	(84,916)	279,743	338,901	373,676	(86,219)	287,457	348,909

b) Prepaid expenses:

	Bank		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Commissions paid to correspondent banks (1)	-	36,572	-	36,572
Financial system services	60,783	51,139	63,021	51,574
Software maintenance	5,564	4,006	5,564	4,006
Data processing	4,211	6,247	4,211	6,247
Expenses for issuance of securities abroad	379	1,897	379	1,897
Other	11,403	3,921	11,406	3,925
Total	82,340	103,782	84,581	104,221

(1) In June 2019, the Bank prepaid expenses related to the stock of commissions on originated operations that were being deferred, pursuant to BACEN Circular 3,738/14.



13) Investments

a) Participations in subsidiaries

Corporate Loans	Share capital	Adjusted equity	Number of shares/quotas held (in thousands)			Participation in share capital	Participation in capital	Balance of investments			Equity accounting adjustment (1) Year ended	
			Common	Preferred	Quotas	%	12/31/2019	12/31/2019	12/31/2018	12/31/2019	12/31/2018	
Pan Arrendamento Mercantil S.A. (2)	356,735	205,532	11	-	-	100.00	(149,248)	205,532	354,781	(149,248)	3,873	
Pan Administradora de Consórcio Ltda. (2)	42,388	55,924	-	-	48,168	100.00	6,269	55,924	49,952	6,269	5,129	
Brazilian Securities Companhia de Securitização (2)(3)(4)	174,201	213,677	77,865	-	-	100.00	4,251	214,580	213,968	4,251	830	
Brazilian Finance & Real Estate S.A. (2)	107,662	177,894	0.2	0.5	-	100.00	13,208	177,894	170,993	13,208	12,544	
BM Sua Casa Promotora de Vendas Ltda. (2)(3)	179,864	228,419	-	-	179,864	100.00	15,295	230,043	215,578	15,295	3,448	
								883,973	1,005,272	(110,225)	25,824	

(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 12/31/2019 were audited by the same independent auditor as that of Banco PAN.

(3) The carrying amounts of the related investments include goodwill on acquisition, net of amortization, amounting to R\$ 2,527, of which R\$ 1,624 is related to BM Sua Casa Promotora de Vendas Ltda and R\$ 903 to Brazilian Securities Companhia de Securitização; and

(4) Company audited by BDO RCS Auditores Independentes at 12/31/2018.

**b) Other Investments:**

Bank and Consolidated	12/31/2019	12/31/2018
Asset and Security Registration Center (Certa)	765	765
Interbank Payment Chamber (CIP)	379	379
Total	1,144	1,144

14) Property and equipment**a) Property and equipment comprise the following:**

Bank and Consolidated	Annual depreciation rate	Cost	Depreciation	Residual value	
				12/31/2019	12/31/2018
Facilities, furniture and equipment in use	10%	46,694	(29,656)	17,038	14,405
Security and communications systems	10%	1,792	(1,159)	633	891
Data processing systems	20%	31,970	(21,013)	10,957	8,797
Total at 12/31/2019		80,456	(51,828)	28,628	-
Total at 12/31/2018		70,991	(46,898)	-	24,093

b) Changes in property and equipment by category:

Bank and Consolidated	Facilities, furniture and equipment in use	Security and communications systems	Data processing systems	Total
At 12/31/2018	14,405	891	8,797	24,093
Purchases	9,584	10	6,114	15,708
Disposals	(885)	-	(113)	(998)
Depreciation	(6,066)	(268)	(3,841)	(10,175)
At 12/31/2019	17,038	633	10,957	28,628

15) Intangible assets**a) Intangible assets comprise the following:**

Bank	Amortization rate	Cost	Amortization	Residual value	
				12/31/2019	12/31/2018
Expenses with software development	20% to 50%	239,521	(119,232)	120,289	85,257
Goodwill	10%	229,514	(170,223)	59,291	82,242
Total at 12/31/2019		469,035	(289,455)	179,580	-
Total at 12/31/2018		420,884	(253,385)	-	167,499

Consolidated	Amortization rate	Cost	Amortization	Residual value	
				12/31/2019	12/31/2018
Expenses with software development	20% to 50%	240,423	(119,920)	120,503	85,514
Goodwill	10%	250,532	(185,811)	64,721	89,774
Total at 12/31/2019		490,955	(305,731)	185,224	-
Total at 12/31/2018		442,804	(267,516)	-	175,288



b) Changes in intangible assets by category:

Bank	Expenses with software development	Goodwill	Total
At 12/31/2018	85,257	82,242	167,499
Additions	67,407	-	67,407
Disposals	(572)	-	(572)
Amortization	(31,803)	(22,951)	(54,754)
At 12/31/2019	120,289	59,291	179,580

Consolidated	Expenses with software development	Goodwill	Total
At 12/31/2018	85,514	89,774	175,288
Additions	67,407	-	67,407
Disposals	(572)	-	(572)
Amortization	(31,846)	(25,053)	(56,899)
At 12/31/2019	120,503	64,721	185,224

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	12/31/2019	12/31/2018
Demand deposits (1)	26,614	-	-	-	-	26,614	17,369
Interbank deposits	8,205,284	184,266	2,927	236,105	521	8,629,103	7,719,458
Term deposits (2)	435,900	517,685	821,189	2,582,716	7,343,657	11,701,147	9,435,026
Total at 12/31/2019	8,667,798	701,951	824,116	2,818,821	7,344,178	20,356,864	-
Total at 12/31/2018	7,378,922	733,004	683,649	1,997,668	6,378,610	-	17,171,853

Consolidated	Up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	More than 360 days	12/31/2019	12/31/2018
Demand deposits (1)	26,574	-	-	-	-	26,574	17,319
Interbank deposits	8,180,370	184,266	1,292	-	-	8,365,928	7,463,438
Term deposits (2)	432,278	511,167	812,520	2,464,562	7,146,950	11,367,477	9,130,487
Total at 12/31/2019	8,639,222	695,433	813,812	2,464,562	7,146,950	19,759,979	-
Total at 12/31/2018	7,378,872	709,460	675,909	1,730,100	6,116,903	-	16,611,244

(1) Classified as from 1 to 3 days, without considering average historical turnover.

(2) Hedge accounting transactions (Note 7.c).

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	12/31/2019	12/31/2018
Own portfolio							
Financial Treasury Bills (LFT)	-	2,157	-	1,497	103,486	107,140	112,426
National Treasury Notes (NTN)	196,716	-	-	-	-	196,716	157,098
Total at 12/31/2019	196,716	2,157	-	1,497	103,486	303,856	-
Total at 12/31/2018	162,094	-	-	-	107,430	-	269,524



Notes to the financial statements

Consolidated	Up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	More than 360 days	12/31/2019	12/31/2018
Own portfolio							
Financial Treasury Bills (LFT)	-	2,157	-	1,120	95,812	99,089	103,089
National Treasury Notes (NTN)	196,716	-	-	-	-	196,716	157,098
Total at 12/31/2019	196,716	2,157	-	1,120	95,812	295,805	-
Total at 12/31/2018	162,094	-	-	-	98,093	-	260,187

c) Funds from acceptance and issuance of securities

Bank and Consolidated	Up to 30 days	31 to 90 days	91 to 180 days	181 to 360 days	More than 360 days	12/31/2019	12/31/2018
Financial Bills	-	856	33,347	318,776	1,179,134	1,532,113	727,806
Real estate letters of credit (LCI)	41,131	93,704	85,219	77,892	38,265	336,211	515,832
Agribusiness letters of credit (LCA)	-	-	-	-	-	-	6,323
Total at 12/31/2019	41,131	94,560	118,566	396,668	1,217,399	1,868,324	-
Total at 12/31/2018	177,065	51,131	50,953	342,358	628,454	-	1,249,961

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

	Bank		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Time deposits	1,358,655	921,248	1,339,851	903,518
Interbank deposits	468,225	559,774	453,160	544,435
Marketable securities issued abroad and subordinated debt	180,344	162,342	180,344	162,342
Funds raised abroad - subordinated debt (Note 18)	13,962	(57,634)	13,962	(57,634)
Financial bills	82,252	60,800	82,252	60,800
Foreign exchange variations	71,214	258,910	71,214	258,910
Credits assigned with retention of risk	27,635	39,791	27,635	39,791
Housing loan bills	26,629	55,076	26,629	55,076
Purchase and sale commitments	16,103	38,455	15,612	37,923
Contributions to the deposit guarantee fund	14,252	10,597	14,252	10,597
Agribusiness letters of credit	205	3,552	205	3,552
Total	2,259,476	2,052,911	2,225,116	2,019,310

17) Interbank accounts

Bank and Consolidated	12/31/2019	12/31/2018
Receipts and payments pending settlement	796,912	615,912
Local correspondents (1)	136,819	112,716
Total	933,731	728,628

(1) Refer to the receipt of installments related to contracts assigned to be transferred to the assignees, updated at the agreed contractual rates. The accounts are represented by: vehicle financing, payroll-linked loans, and real-estate financing.



18) Subordinated debts

The composition of tranches and balances updated to the balance sheet dates is as follows:

Bank and Consolidated		
Amount of the operation	12/31/2019	12/31/2018
Foreign:		
(1) US\$ 456,792	1,876,865	1,790,563
Local:		
(2) R\$ 100,000	-	186,757
(3) R\$ 500	-	812
(4) R\$ 8,000	8,455	-
Total	1,885,320	1,978,132

- (1) The mark-to-market adjustment of the subordinated debt was accounted for in result of operations of funds obtained in the market, which represented an expense of R\$ 13,962 in the year ended 12/31/2019 (income of R\$ 57,634 in the year ended 12/31/2018). They were issued on 4/23/2010 with maturity on 4/23/2020 and this transaction had a market risk hedge (Note 7.c.)
- (2) Subordinated Financial Bills issued on 6/5/2013, settled on 4/5/2019.
- (3) Subordinated Financial Bills issued on 10/13/2014, settled on 10/14/2019; and
- (4) Subordinated Financial Bills issued on 4/18/2019, maturing on 4/16/2027.

19) Provisions, contingent assets and liabilities and legal obligations (tax and social security):

Provisions

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 all civil, tax and labor processes whenever losses are considered probable, supported by the history of losses, advice 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 to claim payment of labor rights, arising, in general, arising from their classification as bank employees, and, in particular, overtime, based on Article 224 of the Consolidation of Labor Laws (CLT), in respect of or ancillary responsibility in lawsuits involving service providers.

Labor claims are monitored by external legal counsel and managed individually through a computerized system.

Labor claims are provisioned to reflect the history of loss in similar lawsuits that were concluded in the last 12 or 24 months, depending on the type of plaintiff.

Civil

These processes are of a condemnatory nature to pay or indemnify, referring to indemnity, revisional and tariff claims.

Civil lawsuits that are managed via a computerized system are divided into two groups, as follows:



1) lawsuits with common characteristics

A statistical model is applied to constitute the provision for civil lawsuits with common characteristics, before a court decision is issued, which is calculated based on the average loss in all the lawsuits which terminated over the last 12 months, by cluster.

2) strategic civil lawsuits

A provision is constituted individually when the likelihood of loss is assessed as probable, based on the opinion of internal legal counsel, legal firms, the nature and complexity of the related lawsuits, and the applicable case law.

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	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Civil	307,231	276,363	318,882	290,599
Labor	211,859	279,008	221,694	290,927
Tax	2,467	1,002	50,549	27,341
Total (Note 20.b)	521,557	556,373	591,125	608,867

II. Change in provisions:

Bank	Civil	Labor	Tax	Total
At 12/31/2018	276,363	279,008	1,002	556,373
Constitution, net of reversals	158,411	15,532	1,589	175,532
Indexation and interest accruals	3,694	118	43	3,855
Write-off due to payment	(131,237)	(82,799)	(167)	(214,203)
At 12/31/2019	307,231	211,859	2,467	521,557

Consolidated	Civil	Labor	Tax	Total
At 12/31/2018	290,599	290,927	27,341	608,867
Constitution, net of reversals	161,809	14,143	24,258	200,210
Indexation and interest accruals	3,917	132	193	4,242
Write-off due to payment	(137,443)	(83,508)	(1,243)	(222,194)
At 12/31/2019	318,882	221,694	50,549	591,125

I. Contingent liabilities classified as possible losses:

The main discussions related to fiscal and tax litigation with likelihood of loss considered as possible are described below.

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 (R\$ 21,485, adjusted up to December 2019), including fines and arrears interest. A decision was issued in favor of the Voluntary Appeal, and PAN filed requests for clarification, which are awaiting the related decision.

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 (R\$ 197,815, adjusted up to December 2019), including fines and arrears interest. Two tax assessment notices are suspended as requested by the Administrative Board of Tax Appeals. The third notice is waiting the result of the diligence in order for the decision on the Company's Voluntary Appeal be issued.

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 Services Tax (ISS) payable on the guaranteed residual value (VRG) charged on lease transactions realized from 2008 to 2012, totaling R\$ 43,657 (R\$ 124,174, adjusted up to December 2019), including fines and interest on arrears. The objection and appeals filed by the company with the Municipal Board of Taxes of São Paulo were in the last resort 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 obtained a partially favorable outcome in the court of appeals. This proceeding is currently awaiting a decision on the requests for clarification. In the third quarter of 2018, the Bank received another assessment notice regarding the same matter for the 2013-2015 period, whose principal, plus fine and interest, totaled R\$ 4,227 (R\$ 5,945, adjusted up to December 2019).

During 4Q13, Banco PAN S.A. received a tax assessment notice for IRPJ and CSLL for 2008 and 2009, referring to taxes levied on an alleged capital gains obtained on the demutualization of the stock exchange (over-the-counter), which, with fines and interest on arrears, totaled R\$ 480 (R\$ 711, adjusted up to December 2019), in addition to the disallowance of income tax and social contribution losses from those periods. The Bank is waiting the result of the diligence requested by the Administrative Board of Tax Appeals in order for the decision on the Bank's Voluntary Appeal to be issued. In the fourth quarter of 2015, two tax assessment notices were issued against Banco Pan S.A., relating to 2010, for income tax and social contribution payable, claiming disallowance of unsupported operating expenses, adjustments of net income for the period, and unauthorized eliminations, the principal of which, with fines, amounts to R\$ 6,077 (R\$ 8,820, adjusted up to December 2019). Another assessment notice was issued disallowing certain swap-related expenses deducted from the Social Integration Program (PIS) and Social Contribution on Revenues (COFINS), the adjusted principal of which, with fines, amounts to R\$ 3,320 (R\$ 4,576, adjusted up to December 2019). The first process was partially accepted, and this led to the filing of a motion for resettlement by the General Counsel to the National Treasury (PGFN). Once a decision on this matter is issued, the Bank will challenge the motion for resettlement with the Superior Branch of the Administrative Board of Tax Appeals.



The second process has been postponed as requested by the Administrative Board of Tax Appeals.

During the last quarter of 2016, Banco PAN S.A. received a tax assessment notice for alleged non payment of social security contributions on profit sharing paid to its employees from January to October 2012, amounting to R\$ 3,099 (R\$ 3,630, adjusted up to December 2019), including fines and interest on arrears. The matter is awaiting judgment on the administrative challenge by the Regional Branch of the Brazilian Federal Revenue Service (RFB).

During last quarter of 2017, 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 claims, plus fines and interest on arrears, amount to R\$ 111,411 (R\$ 116,115, adjusted up to December 2019). In the first case, the Voluntary Appeal of the Bank at the Administrative Board of Tax Appeals was determined to be without merit. As a result the Bank filed a Special Appeal, which is currently pending judgment. The other proceedings are at the Administrative Board of Tax Appeals, awaiting the final judgment of the Voluntary Appeals of the Bank.

During third quarter of 2019, Banco PAN S.A. received a tax assessment notice regarding the collection of IRPJ and CSLL for 2014, referring to an alleged over deduction of expenses in the payment of PIS and COFINS in the period, of R\$ 21,697 (R\$ 21,791, adjusted up to December 2019), including fines and interest on arrears. The proceeding is at the Administrative Board of Tax Appeals, awaiting the final judgment of the Voluntary Appeal of the Bank.

In the fourth quarter of 2019, the Brazilian Federal Revenue service issued a Tax Assessment Notice against Banco Pan S.A., with respect the tax credit arising from goodwill that allegedly was not properly amortized and, consequently, not added back to the IRPJ and CSLL calculation base. The Notice relates to 2015-2016 and amounts to R\$ 8,046, plus fines and interest on arrears, as adjusted up to December 2019. The matter is awaiting judgment on the administrative challenge by the Regional Branch of the Brazilian Federal Revenue Service (RFB).

In addition to the administrative proceedings above, the Bank and its investees are also parties to legal and administrative proceedings regarding the non-approval of tax offsetting using credits arising from taxes not paid correctly. At December 31, 2019, the balance amounted to approximately R\$ 167 million.



20) Other Liabilities

a) Tax and social security:

	Bank		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Taxes and contributions on income	278,193	9,052	292,562	17,846
Social Contribution on Revenues (COFINS)	19,645	12,225	20,039	12,605
Taxes and contributions on salaries	15,164	12,108	15,216	12,578
Withholding tax at source on payments to third parties	9,052	7,085	9,107	7,140
Government Social Integration Program (PIS)	3,192	1,987	3,265	2,060
Service tax (ISS)	1,824	1,474	1,863	1,520
Withholding tax on fixed-income securities	1,007	459	1,007	460
Provision for deferred income tax (Note 31.b/e)	13,417	-	98,654	85,271
Total	341,494	44,390	441,713	139,480

b) Sundry obligations:

	Bank		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Provision for payments due	1,230,174	599,977	1,230,736	600,881
Civil, labor, and tax provisions (Note 19)	521,557	556,373	591,125	608,867
Assignment with co-obligation - Payroll (1)	201,523	416,401	201,523	416,401
Collections	118,017	131,114	118,258	131,355
Credit card transactions	30,570	28,669	30,570	28,669
Amounts payable to affiliates	14,669	6,283	13,268	5,345
Specific consortium	-	-	7,757	9,283
Other	72,934	41,593	74,692	42,438
Total	2,189,444	1,780,410	2,267,929	1,843,239

(1) Refer to the obligations assumed by credit assignment operations, with the substantial retention of risks and benefits (Note 8.f - II).



21) Equity

a) Composition of capital in number of shares:

The capital increase approved by the Bank's Board of Directors on 9/19/2019 was subsequently approved by BACEN on 1/14/2020. This capital increase amounting to R\$ 521,812 was made within the authorized limit, with the issue of 63,250 thousand new registered book-entry preferred shares with no par value.

Total subscribed and fully paid-up capital at 12/31/2019 amounted to R\$ 3,653,410 (12/31/2018 - R\$ 3,653,410) and, after the BACEN's approval, it increased to R\$ 4,175,222.

The nominative registered shares with no par value are shown below (in thousands of shares).

	12/31/2019	12/31/2018
Common	657,561	657,561
Preferred	547,495	484,245
Total	1,205,056	1,141,806

b) Changes in capital and number of shares:

Number of shares (thousand shares)	Common	Preferred	Total
Outstanding at 12/31/2018	657,561	484,245	1,141,806
Capital increase	-	63,250	63,250
After the capital increase	657,561	547,495	1,205,056

c) Revenue reserves:

Legal reserve - pursuant to its Bylaws, the Bank appropriates 5% of net income, after the deduction of accumulated losses and the income tax provision, to the legal reserve, the balance of which should not exceed 20% of the Bank's paid-up capital. However, in accordance with Article 193, paragraph 1, of Corporation Law 6,404/76, the Bank may 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 can be formed, in accordance with a proposal of the Board of Directors, with up to 100% of the net income remaining after the annual appropriations, but may not exceed the amount of the Bank's capital.

**d) Interest on capital/dividends:**

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 is as follows:

	12/31/2019	% (1)	12/31/2018	% (1)
Profit	515,935		221,515	
(-) Legal reserve	(25,797)		(11,076)	
Calculation base	490,138		210,439	
Interest on capital (gross)	198,000		86,715	
Withholding Income Tax related to interest on capital	(29,700)		(13,007)	
Interest on capital (net)	168,300		73,708	
Proposed dividends	3,248		-	
Interest on capital (net) and dividends	171,548	35.0%	73,708	35.0%

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

22) Income from services rendered

	Bank		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Credit operations	204,101	167,914	204,129	167,949
Credit cards	118,041	122,459	118,041	122,459
Business intermediation	59,015	46,224	59,015	46,224
Consortium plan management	-	-	25,290	28,907
Other	10,792	11,620	11,179	12,019
Total	391,949	348,217	417,654	377,558

23) Personnel expenses

	Bank		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Payroll	307,154	260,482	308,370	261,691
Social charges	87,673	74,953	87,978	76,138
Benefits (Note 30)	74,325	62,346	74,627	62,714
Fees (Note 28.b)	24,155	12,648	24,155	16,884
Other	6,565	3,284	6,565	3,285
Total	499,872	413,713	501,695	420,712

**24) Other administrative expenses**

	Bank		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Commissions payable to correspondent banks	1,120,715	912,423	1,127,016	920,401
Third-party services	317,348	281,110	333,447	300,473
Data processing	221,383	175,130	222,961	175,344
Financial system services	165,874	127,737	166,704	128,693
Rentals	55,280	40,673	55,651	41,055
Communication	46,937	47,062	47,138	47,332
Depreciation and amortization	41,978	26,597	42,021	26,644
Advertising, promotions and publicity	64,888	26,340	65,227	26,838
Asset search and seizure expenses	30,766	29,971	30,781	30,066
Transportation	5,815	4,974	5,828	4,994
Maintenance and conservation of property	6,243	5,151	6,249	5,161
Fees and emoluments	5,305	5,025	5,988	5,995
Travel	6,773	3,315	6,779	3,323
Water, power and gas	2,644	2,187	2,650	2,195
Consumption materials	1,759	1,014	1,759	1,014
Other	42,358	40,092	44,437	43,471
Total	2,136,066	1,728,801	2,164,636	1,762,999

25) Tax Expenses

	Bank		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Social contribution on revenues (COFINS)	162,926	121,568	168,571	128,392
Social Integration Program (PIS)	26,476	19,755	27,523	21,021
Services Tax (ISS)	17,939	15,496	18,467	16,108
Taxes and charges	5,844	3,846	8,214	6,791
Total	213,185	160,665	222,775	172,312

26) Other operating income and expenses**a) Other operating income:**

	Bank		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Recovery of charges and expenses (1)	248,239	203,940	250,337	207,828
Indexation/foreign exchange gains	52,682	65,689	54,383	67,111
Reversal of provisions	5,134	750	11,968	18,733
Residual benefit in securitized transactions	-	-	2,532	4,199
Other	9,864	22,034	14,116	29,673
Total	315,919	292,413	333,336	327,544

(1) Includes the recovery of PIS and COFINS credits calculated on commission expenses.



b) Other operating expenses:

	Bank		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Assignment of loans	1,414,338	1,296,240	1,414,338	1,296,240
Provisions	183,375	284,306	215,153	306,434
Losses on loan/financing operations and frauds	56,639	54,194	56,639	54,194
Discounts granted	102,507	44,365	102,507	44,366
Amortization of goodwill (Note 15)	23,930	23,930	25,053	25,053
Liens	25,883	19,490	25,924	19,539
Indexation charges/foreign exchange losses	10,313	34,650	10,313	34,650
Other	23,547	24,888	24,970	29,985
Total	1,840,532	1,782,063	1,874,897	1,810,461

27) Non-operating loss

	Bank		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Disposal of other assets	(42,513)	(31,298)	(42,752)	(31,253)
Reversal of provision for other assets	8,512	9,419	8,521	9,476
Other	42	367	42	367
Total	(33,959)	(21,512)	(34,189)	(21,410)



28) 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

Bank	Maximum term	12/31/2019	12/31/2018	12/31/2019	12/31/2018
		Assets (liabilities)	Assets (liabilities)	Revenue (expenses)	Revenue (expenses)
Short-term interbank investments (a)		1,160,000	-	18,865	45,447
Banco BTG Pactual S.A.	1/2/2020	710,000	-	17,796	44,332
Caixa Econômica Federal	1/2/2020	450,000	-	1,069	1,115
Loan assignments (b)		2,036,099	1,652,816	965,154	736,266
Caixa Econômica Federal	No term	2,036,099	1,652,816	965,154	736,266
Other credits		18,471	14,515	-	-
Caixa Econômica Federal	No term	6,755	5,858	-	-
,Too Seguros S.A.	No term	6,453	4,470	-	-
Pan Adm. e Corret. de Seg.de Prev. Privada Ltda.	No term	19	24	-	-
Brazilian Securities Companhia de Securitização (c)	No term	1,596	1,256	-	-
Pan Administradora de Consórcio Ltda.(c)	No term	301	251	-	-
Brazilian Finance & Real Estate S.A. (c)	No term	3,347	2,656	-	-
Demand deposits (d)		(382)	(480)	-	-
,Too Seguros S.A.	No term	(341)	(343)	-	-
Pan Adm. e Corret. de Seg.de Prev. Privada Ltda.	No term	(1)	(35)	-	-
Pan Administradora de Consórcio Ltda.	No term	(16)	(16)	-	-
Pan Arrendamento Mercantil S.A.	No term	(5)	(20)	-	-
BM sua Casa Promotora de Vendas Ltda.	No term	(2)	(4)	-	-
Brazilian Finance & Real Estate S.A.	No term	(8)	(6)	-	-
Brazilian Securities Companhia de Securitização	No term	(9)	(3)	-	-
Key management personnel	No term	-	(53)	-	-
Interbank deposits (e)		(8,215,331)	(7,367,646)	(442,297)	(542,928)
Banco BTG Pactual S.A.	1/2/2020	(190,000)	(95,000)	(9,531)	(5,310)
Caixa Econômica Federal	1/23/2020	(7,762,156)	(7,016,627)	(417,701)	(522,280)
Pan Arrendamento Mercantil S.A.	5/23/2022	(263,175)	(256,019)	(15,065)	(15,338)
Time deposits (f)		(399,393)	(352,222)	(22,653)	(21,481)
Pan Adm. e Corret. de Seg.de Prev. Privada Ltda.	12/12/2022	(17,145)	(7,176)	(518)	(1,098)
Pan Administradora de Consórcio Ltda.	12/14/2022	(50,300)	(43,640)	(2,811)	(2,526)
Brazilian Securities Companhia de Securitização	12/14/2022	(155,452)	(143,918)	(8,783)	(8,183)
Brazilian Finance & Real Estate S.A.	12/14/2022	(98,910)	(90,600)	(5,587)	(6,197)
BM sua Casa Promotora de Vendas Ltda.	12/5/2022	(29,007)	(26,381)	(1,622)	(824)
Banco BTG Pactual S.A.	1/2/2024	(46,884)	(37,843)	(3,199)	(2,499)
Key management personnel	3/14/2022	(1,695)	(2,664)	(133)	(154)
Liabilities for purchase and sale commitments		(8,951)	(89,336)	(4,795)	(1,928)
Banco BTG Pactual S.A.	-	-	(79,999)	(3,873)	(1,146)
Caixa Econômica Federal	1/2/2020	(900)	-	(432)	(250)
Pan Administradora de Consórcio Ltda.	2/28/2023	(8,051)	(9,337)	(490)	(532)
Funds from real estate and agribusiness letters of credit and financial bills (g)		(242,944)	(8,434)	(9,685)	(1,857)
Banco BTG Pactual S.A.	8/8/2022	(242,567)	(3,758)	(9,597)	(1,539)
Key management personnel	8/7/2020	(377)	(4,676)	(88)	(318)



Notes to the financial statements

Derivative financial instruments (h)		185,694	77,959	49,799	72,413
Banco BTG Pactual S.A.	7/1/2020	185,694	77,959	49,799	72,413
Other obligations		(14,668)	(6,283)	-	-
,Too Seguros S.A.	No term	(13,268)	(5,345)	-	-
Brazilian Finance & Real Estate S.A.	No term	(494)	(730)	-	-
Brazilian Securities Companhia de Securitização	No term	(904)	(192)	-	-
Pan Administradora de Consórcio Ltda.	No term	-	(16)	-	-
Pan Arrendamento Mercantil S.A.		(2)	-	-	-
Income from services rendered (i)		-	-	59,879	48,249
,Too Seguros S.A.	-	-	-	58,599	45,828
Pan Administradora de Consórcio Ltda.	-	-	-	23	207
Caixa Econômica Federal	-	-	-	1,257	2,214
Personnel expenses		-	-	(265)	(270)
,Too Seguros S.A.	-	-	-	(265)	(270)
Other administrative expenses		-	-	(56,779)	(22,751)
,Too Seguros S.A.	-	-	-	(5,675)	(6,067)
Banco BTG Pactual S.A.	-	-	-	(31,563)	(2,188)
BTG Pactual Corretora	-	-	-	(106)	(144)
Tecban S.A.	-	-	-	(718)	(1,112)
Interbank Payment Chamber	-	-	-	(18,717)	(13,240)
Income from loan assignments		-	-	1,135,002	1,071,303
Caixa Econômica Federal	-	-	-	1,074,960	1,071,303
Banco BTG Pactual S.A.	-	-	-	60,042	-

(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) Balance accrued related to dividends to be paid up to 12/31/2020, of which: R\$ 3,347 relates to Brazilian Finance & Real Estate S.A., R\$ 251 to Brazilian Securities Companhia de Securitização, and R\$ 298 to Pan Administradora de Consórcio Ltda.

(d) Refer to the outstanding balances of current accounts of affiliates held at the Bank.

(e) Refer to the funding through interbank deposits with rates equivalent to those of the CDI.

(f) Refer to the funding through time deposits effected at the Bank.

(g) Refer to the capture of funds through agribusiness and real estate letters of credit and financial bills with rates at an average of 104.59% of the CDI.

(h) Refer to swaps.

(i) Refers to the commissions paid to the Bank for insurance intermediation and the commissions paid to the correspondent for business intermediation.



Notes to the financial statements

Consolidated	Maximum term	12/31/2019	12/31/2018	12/31/2019	12/31/2018
		Assets	Assets	Revenue	Revenue
		(liabilities)	(liabilities)	(expenses)	(expenses)
Available funds (a)		1,260	769	-	-
Caixa Econômica Federal	1/2/2020	1,260	769	-	-
Interbank investments (b)		1,160,000	-	18,865	45,447
Banco BTG Pactual S.A.	1/2/2020	710,000	-	17,796	44,332
Caixa Econômica Federal	1/2/2020	450,000	-	1,069	1,115
Loan assignments (c)		2,036,099	1,652,816	965,154	736,266
Caixa Econômica Federal	No term	2,036,099	1,652,816	965,154	736,266
Other credits		13,227	10,352	-	-
Caixa Econômica Federal	No term	6,755	5,858	-	-
,Too Seguros S.A.	No term	6,453	4,470	-	-
Pan Adm. e Corret. de Seg.de Prev. Privada Ltda.	No term	19	24	-	-
Demand deposits (d)		(342)	(431)	-	-
,Too Seguros S.A.	No term	(341)	(343)	-	-
Pan Adm. e Corret. de Seg.de Prev. Privada Ltda.	No term	(1)	(35)	-	-
Key management	No term	-	(53)	-	-
Interbank deposits (e)		(7,952,156)	(7,111,627)	(427,232)	(527,590)
Banco BTG Pactual S.A.	1/2/2020	(190,000)	(95,000)	(9,531)	(5,310)
Caixa Econômica Federal	1/23/2020	(7,762,156)	(7,016,627)	(417,701)	(522,280)
Time deposits (f)		(65,724)	(47,683)	(3,850)	(3,751)
Pan Adm. e Corret. de Seg.de Prev. Privada Ltda.	12/12/2022	(17,145)	(7,176)	(518)	(1,098)
Banco BTG Pactual S.A.	1/2/2024	(46,884)	(37,843)	(3,199)	(2,499)
Key management	3/14/2022	(1,695)	(2,664)	(133)	(154)
Liabilities for purchase and sale commitments		(900)	(79,999)	(4,305)	(1,396)
Banco BTG Pactual S.A.	-	-	(79,999)	(3,873)	(1,146)
Caixa Econômica Federal	1/2/2020	(900)	-	(432)	(250)
Funds from real estate and agribusiness letters of credit and financial bills (g)		(242,944)	(8,434)	(9,685)	(1,857)
Banco BTG Pactual S.A.	8/8/2022	(242,567)	(3,758)	(9,597)	(1,539)
Key management	8/7/2020	(377)	(4,676)	(88)	(318)
Derivative financial instruments (h)		185,694	77,959	49,799	72,413
Banco BTG Pactual S.A.	7/1/2020	185,694	77,959	49,799	42,413
Other obligations		(13,268)	(5,345)	-	-
,Too Seguros S.A.	No term	(13,268)	(5,345)	-	-
Income from services rendered (i)		-	-	59,856	48,042
,Too Seguros S.A.	-	-	-	58,599	45,828
Caixa Econômica Federal	-	-	-	1,257	2,214
Personnel expenses		-	-	(265)	(271)
,Too Seguros S.A.	-	-	-	(265)	(271)
Other administrative expenses		-	-	(56,779)	(22,751)
,Too Seguros S.A.	-	-	-	(5,675)	(6,067)
Banco BTG Pactual S.A.	-	-	-	(31,563)	(2,188)
BTG Pactual Corretora	-	-	-	(106)	(144)
Tecban S.A.	-	-	-	(718)	(1,112)



Notes to the financial statements

Consolidated	Maximum term	12/31/2019	12/31/2018	12/31/2019	12/31/2018
		Assets	Assets	Revenue	Revenue
		(liabilities)	(liabilities)	(expenses)	(expenses)
Interbank Payment Chamber	-	-	-	(18,717)	(13,240)
Income from loan assignments	-	-	-	1,135,002	1,071,303
Caixa Econômica Federal	-	-	-	1,074,960	1,071,303
Banco BTG Pactual S.A.	-	-	-	60,042	-

(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) Refer to the outstanding balances of current accounts of affiliates held at the Bank.

(e) Refer to the funding through interbank deposits with rates equivalent to those of the CDI.

(f) Refer to the funding through time deposits effected at the Bank.

(g) Refer to the capture of funds through agribusiness and real estate letters of credit and financial bills with rates at an average of 104.59% of the CDI.

(h) Refer to swaps.

(i) Refer to the commission paid to the Bank for insurance intermediation.

b) Key management remuneration:

At the Extraordinary General Meeting held on May 22, 2019, a remuneration ceiling for the PAN Conglomerate Officers for the year 2019 was approved (irrespective of the year in which the amounts are paid), of R\$ 25,385 (R\$ 22,423 in 2018).

Short-term benefits provided to management (1)

	Bank		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Fee expenses (Note 23)	24,155	12,648	24,155	16,884
Social security contributions (INSS)	5,435	2,846	5,435	3,799
Total	29,590	15,494	29,590	20,683

(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

Pursuant to legislation, the Bank realizes credit operations with related parties, only at comparable market conditions, including related limits, interest rates, grace periods, maturities and required guarantees. There are existing criteria to classify these operations according to their risks for purposes of constituting the allowance for probable losses, without additional or differentiated benefits in relation to the operations carried out with other customers with the same profile.



29) Financial Instruments

- **Risk management**

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

The Bank's management establishes 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 capital management to be 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 meet potential risks; 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

Banco 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 is presented below:

Calculation basis - Basel index	12/31/2019	12/31/2018
Tier I reference equity	2,499,049	2,273,783
Core capital	2,499,049	2,273,783
Tier II reference equity	8,455	358,112
Reference equity for comparison with risk-weighted assets (RWA)	2,507,504	2,631,895
Reference equity	2,507,504	2,631,895
- Credit risk	17,299,562	16,104,846
- Market risk	4,742	311,627
- Operating risk	2,309,501	2,278,424
Risk-weighted assets (RWA)	19,613,805	18,694,897
Basel index	12.78%	14.08%
Tier I	12.74%	12.16%
Tier II	0.04%	1.92%

- **Proforma Basel Index**

The adjusted Basel Index due to the capital increase related to the primary distribution of preferred shares in the period, as approved by BACEN on 1/14/2020.

The proforma calculation of the indicators of the Prudential Capital of the Conglomerate is as follows:

Calculation basis - Basel index	12/31/2019
Tier I reference equity	3,073,042
Core capital	3,073,042
Tier II reference equity	8,455
Reference equity for comparison with risk-weighted assets (RWA)	3,081,497
Reference equity	3,081,497
- Credit risk	17,430,015
- Market risk	4,742
- Operating risk	2,309,501
Risk-weighted assets (RWA)	19,744,258
Basel index	15.61%
Tier I	15.57%
Tier II	0.04%

- **Credit risk**

Credit risk can arise from losses from 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 Bank.

- **Market risk**

This risk related to the possibility of losses arising from rate volatility and the mismatching of the terms and currencies of the consolidated asset and liability portfolios. The risks are managed daily through methodologies in accordance with best practices.

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 indices (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 realized 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. These consist of structured operations arising from the business lines of the organization and any related hedges.

Sensitivity analysis:

Risk factors	Trading and Banking Portfolio exposures subject to variation:	SCENARIOS(*)		
		(1) Probable	(2) Possible	(3) Remote
Interest rates	Fixed interest rates	(141)	(25,415)	(52,868)
Coupon - other interest rates	Coupon rates of interest rates	(40)	(6,220)	(11,374)
Coupon - price index	Coupon rates of price indices	(9)	(5,165)	(9,800)
Foreign currency	Foreign exchange rates	(9)	(237)	(474)
Foreign exchange coupon	Foreign exchange coupon rates	(1)	(80)	(159)
Total at 12/31/2019		(200)	(37,117)	(74,675)
Total at 12/31/2018		(1,323)	(220,780)	(424,981)

(*) Amounts gross of taxes.

The sensitivity analysis was effected based on the market data for the last day in December 2019, always considering the adverse impact on the positions for each scenario. The effects do not consider the correlation between the scenario and the risk factors and tax effects.

Scenario 1: a one basis point (0.01% scenarios stress factor (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% stress factor was applied to the effective price.

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



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

The results of scenarios (2) and (3) are for simulations which involve significant stress situations, without considering correlated factors among the indices. 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, indices, portfolio terms and arbitrage.

Foreign Exchange Exposure

The assets and liabilities linked to foreign currencies at 12/31/2019 and 12/31/2018 are presented below:

Assets - U.S. Dollar	12/31/2019	12/31/2018
Credit operations (ACC/CCE)	-	61,150
Total	-	61,150

Liabilities - U.S. dollar	12/31/2019	12/31/2018
Subordinated debts	1,876,865	1,790,563
Total	1,876,865	1,790,563

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

At 12/31/2019 and 12/31/2018, the position of derivative financial instruments, in foreign currency, was as follows:

	Notional value		Market value	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Purchased position - U.S. Dollar				
Swap	1,149,264	1,128,662	1,908,691	1,909,407
DDI	-	74,556	-	74,556
Options	-	222	-	222
Total	1,149,264	1,203,440	1,908,691	1,984,185
Sold position - U.S. Dollar				
Swap	-	25,568	-	25,735
DDI	-	95,563	-	95,563
DOL	2,011	24,240	2,011	24,240
Options	-	67	-	67
Total	2,011	145,438	2,011	145,605

- **Liquidity risk**

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

The liquidity position, mismatching of primary risk factors, and of 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 analyses of liquidity gaps are reported every two weeks 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 deficiency 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 Bank.

The operating risk management structure is comprised of the Group'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	12/31/2019			12/31/2018		
	Net book value	Market value	Unrealized profit (loss)	Net book value	Market value	Unrealized profit (loss)
Marketable securities	2,087,652	2,129,484	41,832	1,934,506	1,943,008	8,502
- Trading securities	359,782	359,782	-	401,225	401,225	-
- Available-for-sale securities	986,659	986,659	-	891,836	891,836	-
- Securities held to maturity	741,211	783,043	41,832	641,445	649,947	8,502
Credit operations	23,628,092	26,962,845	3,334,753	20,407,816	23,454,463	3,046,647
Interbank deposits	8,365,928	8,395,004	(29,076)	7,463,438	7,411,443	51,995
Time deposits	11,367,477	13,042,521	(1,675,044)	9,130,487	10,762,081	(1,631,594)
Funds from issuance of securities	1,868,324	1,888,784	(20,460)	1,249,961	1,266,549	(16,588)
Subordinated debts	1,885,320	1,887,098	(1,778)	1,978,132	1,977,420	712
Unrealized profit (loss) with no tax effects			1,650,227			1,459,674

**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 at the balance sheet date for equivalent instruments to the existing assets and liabilities.

30) 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 12/31/2019, the benefit expenses amounted to R\$ 74,325 and R\$ 74,627 in the Bank and in the Consolidated, respectively (R\$ 62,346 and R\$ 62,714 in the Bank and in the Consolidated, respectively, in the year ended 12/31/2018).

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

	Bank		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Profit before income tax and social contribution	200,494	441,754	356,143	456,866
Nominal rate (1) (2)	40%	45%	-	-
Total income tax and social contribution charge at the nominal rate	(80,198)	(198,789)	(138,917)	(201,944)
Effect on tax calculation:				
Equity in the results of investees	(44,090)	11,621	-	-
Interest on capital	79,200	39,022	79,200	39,022
Constitution/Write-off of CSLL tax credit (2) (3)	353,789	(59,818)	353,789	(59,393)
Tax credit written-off (4)	-	-	(141,126)	-
Other amounts	6,740	(12,275)	6,846	(13,036)
Income tax and social contribution expense	315,441	(220,239)	159,792	(235,351)

- (1) Standard rate: (i) the provision for income tax is recorded based on the rate of 15% of taxable profit, plus a 10% surcharge; (ii) the social contribution on net income for financial institutions is calculated at the rate of 15% and at the rate of 9% for 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 was effective up to December 31, 2018, returning to 15% in 2019;
- (3) On 11/12/2019, the Constitutional Amendment 103/2019 was enacted, which raised from 15% to 20% the Social Contribution on Net Income (CSLL) rate for financial institutions as from 3/1/2020. Because of these changes, the Bank recognized R\$ 353,789 related to this difference identified in tax rates for tax credits with expected realization as from March 2020; and
- (4) Tax credit from income tax and social contribution partially written off due to application of new assumptions in Pan Arrendamento Mercantil's business plan and, consequently, in the expected realization of such credits.

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

Bank	At 12/31/2018	Constituted	Amount realized	At 12/31/2019
Allowance for losses	914,183	752,535	(408,378)	1,258,340
Provision for civil contingencies	110,545	80,742	(53,033)	138,254
Provision for labor contingencies	111,603	33,732	(51,125)	94,210
Provision for tax contingencies	401	734	(25)	1,110
Provision for loss on assets not for own use	21,451	21,896	(5,135)	38,212
Mark-to-market adjustment of derivatives	29,873	46,381	(76,254)	-
Other provisions	236,522	360,857	(112,296)	485,083
Total deferred tax assets on temporary differences	1,424,578	1,296,877	(706,246)	2,015,209
Income tax and social contribution losses	1,265,925	139,307	(122,854)	1,282,378
Total deferred tax assets (Note 11)	2,690,503	1,436,184	(829,100)	3,297,587
Deferred tax liabilities (Note 20.a/31.e)	-	(13,417)	-	(13,417)
Deferred tax assets, net of deferred tax liabilities	2,690,503	1,422,767	(829,100)	3,284,170

Consolidated	At 12/31/2018	Constituted	Amount realized	At 12/31/2019
Allowance for losses	927,066	752,608	(408,550)	1,271,124
Provision for civil contingencies	115,667	82,155	(55,431)	142,391
Provision for labor contingencies	115,709	35,143	(53,124)	97,728
Provision for tax contingencies	10,936	11,113	(1,706)	20,343
Provision for loss on assets not for own use	21,704	21,911	(5,164)	38,451
Mark-to-market adjustment of derivatives	39,710	49,739	(78,861)	10,588
Other provisions	235,389	362,144	(112,396)	485,137
Total deferred tax assets on temporary differences	1,466,181	1,314,813	(715,232)	2,065,762
Income tax and social contribution losses	1,466,823	139,348	(269,965)	1,336,206
Total deferred tax assets (Note 11)	2,933,004	1,454,161	(985,197)	3,401,968
Deferred tax liabilities (Note 20.a/31.e)	(85,271)	(14,194)	811	(98,654)
Deferred tax assets, net of deferred tax liabilities	2,847,733	1,439,967	(984,386)	3,303,314

c) Expected realization of deferred tax assets from temporary differences and income tax and social contribution carry-forward losses:

The projected realization of deferred tax assets was based on the study of the current and future scenarios, effected at 12/31/2019. The key assumptions used for projections were 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 1/29/2020.

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 challenged at the administrative level. Management is confident its objectives will be attained.



The estimated realization of these assets is as follows:

Bank	Temporary differences		Income tax and social contribution losses		Total	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018
2019	-	749,253	-	11,823	-	761,076
2020	810,036	437,430	56,507	67,569	866,543	504,999
2021	731,169	75,246	129,235	118,822	860,404	194,068
2022	324,970	52,004	257,805	98,689	582,775	150,693
2023	51,716	37,894	348,498	139,755	400,214	177,649
2024	17,569	31,874	490,333	147,571	507,902	179,445
2025	31,849	25,510	-	161,316	31,849	186,826
2026	5,687	8,407	-	166,654	5,687	175,061
2027	42,213	4,914	-	191,843	42,213	196,757
2028	-	2,046	-	161,883	-	163,929
Total	2,015,209	1,424,578	1,282,378	1,265,925	3,297,587	2,690,503

Consolidated	Temporary differences		Income tax and social contribution losses		Total	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018	12/31/2019	12/31/2018
2019	-	753,850	-	13,146	-	766,996
2020	816,747	441,682	58,383	70,582	875,130	512,264
2021	733,530	80,382	131,922	127,041	865,492	207,423
2022	329,911	57,363	260,933	113,256	590,844	170,619
2023	53,896	39,751	350,278	157,013	404,174	196,764
2024	27,261	33,309	491,786	167,696	519,047	201,005
2025	36,644	26,790	1,388	184,167	38,032	210,957
2026	6,096	8,407	1,555	190,438	7,651	198,845
2027	61,677	4,914	479	215,995	62,156	220,909
2028	-	19,733	492	188,513	492	208,246
Total	2,065,762	1,466,181	1,297,256	1,427,847	3,363,018	2,894,028

At 12/31/2019, the present value of deferred tax assets, calculated based on the Bank's average funding rate, totaled R\$ 2,605,824 in the Bank and R\$ 2,647,017 in Consolidated (R\$ 1,788,995 in the Bank and R\$ 1,894,365 in Consolidated at 12/31/2018).

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\$ 38,950 (R\$ 38,976 at 12/31/2018), are not subject to the generation of profits based on a technical study.

d) Unrecorded deferred tax assets:

In December 2019, Management opted to write down the tax credits arising from the Income Tax and Social Contribution Losses of Pan Arrendamento Mercantil in the amount of R\$ 141,126. Such decision was made mainly because of the review of the assumptions adopted in its business plan, which does not expect the establishment of new leasing operations, as well as of a decrease in the interest rates of its investments in interbank deposits. This may compromise its capacity of generating future positive results at an amount that is sufficient for the realization of those credits in no more than 10 years, as required by CMN Resolution 3,059, of December 23, 2002, and BACEN Circular 3,171, of December 31, 2002, to maintain that asset.

At 12/31/2019, there were tax losses of approximately R\$ 230,396 and R\$ 583,211 in the Bank and Consolidated, respectively (12/31/2018 - R\$ 230,396 in the Bank and Consolidated), in respect of which tax credits were not recorded, amounting to R\$ 103,678 and R\$ 244,805 in the Bank and Consolidated, respectively (12/31/2018 - R\$ 92,158 in the Bank and Consolidated).

**e) Deferred tax liabilities:**

Bank	At 12/31/2018	Constituted	Amount realized	At 12/31/2019
Mark-to-market adjustment of derivatives	-	(13,417)	-	(13,417)
Total (Note 20.a - 31.b)	-	(13,417)	-	(13,417)

Consolidated	At 12/31/2018	Constituted	Amount realized	At 12/31/2019
Adjustment to market value of marketable and other securities	(6,982)	(14,194)	724	(20,452)
Excess depreciation	(78,289)	-	87	(78,202)
Total (Note 20.a - 31.b)	(85,271)	(14,194)	811	98,654

32) Other Information

- a) Guarantees and sureties granted totaled R\$ 313,061 at 12/31/2019 (R\$ 295,430 at 12/31/2018).
- b) The policy of the Bank and its subsidiaries is to contract insurance covering cash, checks received as collateral and assets at amounts which are considered sufficient to cover potential losses.
- c) At 12/31/2019 and 12/31/2018, the Bank and its subsidiaries had no lease agreements for own acquisitions.
- d) Agreements for the Clearing and Settlement of Liabilities - CMN Resolution 3,263/05: the Bank entered into agreements 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. The objective of this resolution is to permit the compensation of credits and debits with the same counterparty, where 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; and
- e) On January 20, 2015, Law 13,097 was enacted, converting Provisional Measure 656/14, which, among other matters, amends the rules for the tax deduction of losses on receivables for defaults on contracts as from October 8, 2014 (art. 9,430/96). For defaults on contracts prior to this date, the previously existing rules continue to be applicable.



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 approved the parent company and consolidated financial statements for the year ended 12/31/2019.



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 on the parent company and consolidated financial statements for the year ended 12/31/2019.



São Paulo, January 29, 2020

BOARD OF DIRECTORS

Gregório Moreira Franco
CRC 1SP219426/O-2
ACCOUNTANT

Banco Pan S.A.
Parent company and consolidated
financial statements at
December 31, 2019
and independent auditor's report



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, 2019 and the statements of income, changes in equity and cash flows for the second half 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, 2019 and the consolidated statements of income and cash flows for the 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, 2019, and the Bank's financial performance and cash flows for the second half period and year then ended, as well as the consolidated financial performance and the cash flows for the year then ended, in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN).

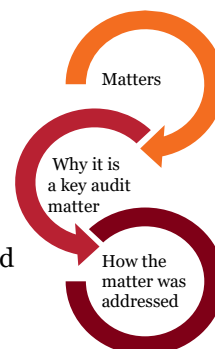
Basis for opinion

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.

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 periods. 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.

Our audits for the year and semester ended December 31, 2019 were planned and performed taking into consideration that the Bank and its subsidiaries' operations did not present significant changes compared to the prior year. Accordingly, the Key Audit Matters, as well as our audit approach, were substantially aligned with those of the prior year.





Banco Pan S.A.

Why it is a Key Audit Matter**How the matter was addressed in the audit**

Allowance for losses (Notes 3g and 8)

The Bank and its subsidiaries operate mainly in the retail banking sector (Note 1). Management's judgment is applied to determine assumptions and criteria when recording the allowance for losses.

This process is consistent with the standards and instructions issued by the National Monetary Council (CMN) and the Brazilian Central Bank (BACEN) for estimating credit risk. We focused again on this area in our audit because of the inherent risks.

Our key audit procedures considered the understanding of the significant controls in place to calculate the provision for impairment of receivables, the completeness of the database, the processing and recording of the provisions and related disclosures in the notes to the financial statements.

We also tested the reconciliation of the accounting balances with the analytical records and recalculated, on a test basis, the allowance for losses, based on the Bank's policies, which include, among others, an evaluation of the risks and effects of delinquencies, consistent with applicable standards.

We consider that the assumptions and criteria used by Management are reasonable in relation to the information provided in the financial statements.

Information technology environment

The Bank and its subsidiaries operate in a business environment in which the information technology structure is critical to the development of its operations and to ensure it continues as a going concern. This technology structure involves the processing of a high volume of transactions on a daily basis, which rely on diverse processes to manage the access and security of the information.

Information technology risks inherent in the processing of transactions, through different legacy systems, could generate incorrect information critical to the preparation of the financial statements.

We decided to again select this area for focus in our audit because of these risks.

With the support of our system specialists, our audit encompassed an understanding and testing of the information technology general controls and security. These address systemic changes and program development, the security over program and database access, data processing center physical security and compensating controls, when required.

We also tested automated controls over technology-dependent information, access restrictions and segregation of duties for processes relevant to the financial statement presentation.

Our procedures provided us with reasonable audit evidence of the information technology environment over the preparation of financial statements.



Banco Pan S.A.

Why it is a Key Audit Matter	How the matter was addressed in the audit
Tax credits (Notes 3n and 31b)	
<p>The Bank and its subsidiaries recorded assets of R\$ 3.4 billion from tax losses and temporary differences in calculating Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) accounted for based on projected taxable profit. The projections are based on a study prepared by Management of current and future scenarios that require the use of judgment and subjective assumptions.</p> <p>We focused again on this area in our audit as the use of different assumptions in determining projected taxable profit could significantly change the estimated offset dates and tax credit amounts. The selection of these estimates are required to comply with CMN and BACEN protocols for recording and maintaining such assets in the financial statements.</p>	<p>Our key audit procedures considered an understanding of the calculation and accounting processes based on tax regulations and accounting standards for tax credits, including the CMN and BACEN specific requirements. We also obtained an understanding of the relevant assumptions used by Management to estimate future taxable profits supporting the tax credits realization.</p> <p>We compared the assumptions used by the Bank and its subsidiaries to project taxable profits with the budgets approved by the Board of Directors and with market projections. Finally, we performed back-testing to support the reasonableness of past projections.</p> <p>We consider that the assumptions and criteria adopted by Management are reasonable in relation to the tax credit assets booked, the maintenance thereof and estimated realization.</p>

Other matters

Statements of value added

The parent company statement of value added for the second half period and year ended December 31, 2019, as well as the consolidated statement of value added for the year then ended, 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.



Banco Pan S.A.

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 performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the 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 going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the parent company and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Bank and its subsidiaries.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Banco Pan S.A.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability 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 control that we identify during our audit.

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

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

São Paulo, January 29, 2020

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Tatiana Fernandes Kagohara Gueorguiev
Contadora CRC 1SP245281/O-6

SUMMARY OF THE AUDIT COMMITTEE REPORT

2ND HALF OF 2019

The Audit Committee ("COAUD") for Banco PAN S.A. ("Bank") presents a summary of its report as required by CMN Resolution No. 3,198, of May 27, 2004, article 17, 2nd. paragraph, to the financial statements for the 2nd. half of 2019, expressing its opinion and discussing information that it considers material to the users of the financial information.

The Committee, in the performance of its statutory duties, performs the following: (i) assesses the effectiveness of the independent and internal audits and of the internal control and risk management systems; (ii) verifies compliance by management with recommendations for improvements made by auditors and the requirements of external investigation agencies; and (iii) reviews the accounting information and the accompanying notes prior to publication.

The information was presented in the meetings held with Management, the internal areas of the Bank, their reports, as well as in interactions with the Internal Audit function and the Independent Audit firm. It also received clarifications from the Board of Directors with respect to important matters affecting the Bank.

The COAUD was informed that there were no changes in criteria or material facts that could impact the Balance Sheet or the Bank's results in this period, other than those in the Explanatory Notes, which include: (i) ongoing work to refine the allowance for doubtful accounts, for which the Independent Audit firm considers that the assumptions and criteria adopted by the Company's Management to be reasonable and consistent with the information disclosed in the financial statements; (ii) the Information Technology environment, for which the Independent Audit firm indicated its suitability for the process of preparation of the financial statements; and (iii) tax credits, for which the Independent Audit firm considers the assumptions and criteria adopted by the Bank's Management to be reasonable in relation to the tax credit assets, the maintenance thereof and estimated realization. Additionally, as regards the parent company and consolidated statements of value added for the year ended December 31, 2019, the Independent Audit firm considers that they were properly prepared, in all material respects, and are consistent with the parent company and consolidated financial statements taken as a whole.

Considering the above, and taking into account the limitations on its responsibilities in its reliance on the veracity of information received from the Bank, the COAUD considers that:

a) The Bank continues to improve its internal control and risk management environment, particularly in aspects related to formalization through reporting and specific reports, among which are the Monthly Report of Demands Evaluated in the RDR System, the Management Information System (MIS) Report of Operational Losses, Non-financial Risk Management, reporting operational incidents. Additionally, to improve its corporate governance, the Bank has updated its Board of Directors Internal Bylaws and implemented an Internal Regulation for the Tax Council, in addition to having approved the Image Management Policy and the Business Continuity Management Corporate Policy, and updated its Social and Environmental Responsibility Corporate Policy and Press Communication Policy. Management has implemented new technology systems and other components that facilitate the correction of critical matters raised by the supervisory authority and the auditors. It also made improvements in the normative structure to mitigate risks, mainly in the preparation of the Risk Appetite Statement (RAS);

b) There is no material fact or evidence that could impair the effectiveness or independence of the internal and independent audits, which are compatible with the size and characteristics of the Bank; and

c) The parent company and consolidated financial statements of the Bank and the accompanying notes, together with the Management Report and the Independent Auditor's Report, were prepared in accordance with current regulations, with the requirements of the Brazilian Central Bank and the accounting practices adopted in Brazil, to reflect the Bank's current financial position and performance.

São Paulo, January 29, 2020.

AMIN ALVES MURAD

President

FÁBIO DE BARROS PINHEIRO

Member

PEDRO PAULO LONGUINI

Member



**BANCO PAN S.A.
LISTED COMPANY**

**National Corporate Taxpayers' Register (CNPJ/MF): 59.285.411/0001-13
Commercial Registry Number (NIRE): 35.300.012.879**

OPINION OF THE FISCAL COUNCIL

The Fiscal Council of Banco PAN S.A. ("Bank"), in the performance of its legal and statutory duties, examined the Bank's Management Report as well as the Bank's financial statements for the year ended December 31, 2019, and the notes to those statements. Based on: **(a)** the independent auditor's report issued by PricewaterhouseCoopers Auditores Independentes on January 29, 2020, which states that the auditors had sufficient access to the information necessary to prepare such report and the financial statements, and whose key audit matters were: **1** – the allowance for doubtful accounts, concluding that the assumptions and criteria that management used were reasonable and consistent with the information disclosed in the financial statements, according to Notes 3g and 8; **2** – the Information Technology environment, to which were applied IT systems audit procedures related to the testing of general technology and information security controls. These addressed systemic changes and program development, the security over program and database access, data processing center physical security and compensating controls, when required, in addition to testing of automated controls or of the technology-dependent information, and access restriction and segregation of duties related to significant processes for the preparation of the financial statements; and **3** – Tax Credit, in relation to the total credits totaling R\$ 3.4 billion in Banco PAN and its subsidiaries, arising from temporary differences in calculating Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) accounted for based on projected taxable profit, according to Notes 3n and 31b; **(b)** the meeting with the independent auditors; **(c)** on the summarized Audit Committee report, dated January 29, 2020; and **(d)** by analysis of documents, information, and clarifications that the Bank's Board of Directors, mainly the Controllershship and Compliance Board, provided to the Fiscal Council.

The Fiscal Board considers that these documents: **(a)** properly reflect the activities in the year ended December 31, 2019, and the Bank's financial performance; and **(b)** may be submitted for assessment and approval at the Bank's General Meeting of Stockholders.

São Paulo, January 29, 2020

Alexandre Xavier Ywata de Carvalho

Paulo Roberto Salvador Costa

Peter Edward Cortes Marsden Wilson

