



 **Banrisul**

**FINANCIAL
STATEMENTS**

**JUNE
2020**

PRESS RELEASE

This Press Release contains forward-looking statements, which not only relate to historic facts but also reflect the targets and expectations of the Company management. The terms “anticipate”, “desire”, “expect”, “project”, “plan”, “intend” and similar words are intended to identify statements that necessarily involve known and unknown risks.

Known risks include uncertainties which are not limited to the impact of competitive services and pricing, acceptance of services by the market, Banrisul’s and its competitors’ services transactions, regulatory approval, currency fluctuations, changes in the mix of the portfolio of services and other risks described in the Company’s reports. This Press Release is up to date and Banrisul may or may not update it with new information and/or future events.

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Table 1: Economic and Financial Indicators

Main Income Statement Accounts - R\$ Million	1H2020	1H2019	2Q2020	1Q2020	4Q2019	3Q2019	2Q2019	1H2020/ 1H2019	2Q2020/ 1Q2020
Net Interest Income	2,560.9	2,697.3	1,299.3	1,261.6	1,393.1	1,434.7	1,351.5	-5.1%	3.0%
Provisions for Expected Losses Associated with Credit Risk Expenses	780.8	579.8	484.2	296.6	265.1	349.0	294.4	34.7%	63.3%
Financial Income	4,958.7	4,523.0	2,037.3	2,921.4	1,992.9	2,589.5	2,258.3	9.6%	-30.3%
Financial Expenses	2,397.8	1,825.7	738.0	1,659.8	599.9	1,154.8	906.7	31.3%	-55.5%
Income from Services and Fees	962.0	992.3	457.7	504.2	530.0	520.2	501.6	-3.1%	-9.2%
Adjusted Administrative Expenses ⁽¹⁾	1,788.0	1,884.5	867.7	920.3	963.6	945.9	933.6	-5.1%	-5.7%
Adjusted Other Expenses	342.2	325.2	167.4	174.9	172.9	259.7	195.9	5.2%	-4.3%
Adjusted Other Income	163.1	221.4	69.8	93.3	100.0	144.6	123.9	-26.4%	-25.2%
Adjusted Net Income	377.3	625.6	119.8	257.5	356.3	291.9	305.7	-39.7%	-53.5%
Net Income	377.3	655.3	119.8	257.5	397.2	291.9	335.4	-42.4%	-53.5%
Main Balance Sheet Accounts - R\$ Million	Jun 2020	Jun 2019	Jun 2020	Mar 2020	Dec 2019	Sep 2019	Jun 2019	JUN 2020/ Jun 2019	JUN 2020/ Mar 2020
Total Assets	86,582.8	79,465.7	86,582.8	83,270.0	81,549.6	80,637.6	79,465.7	9.0%	4.0%
Securities ⁽²⁾	32,933.3	22,813.0	32,933.3	30,219.9	23,721.0	24,233.5	22,813.0	44.4%	9.0%
Total Credit Portfolio	35,965.9	34,237.2	35,965.9	36,185.8	36,182.7	34,647.1	34,237.2	5.0%	-0.6%
Provisions for Expected Losses Associated with Credit Risk	2,982.3	2,594.0	2,982.3	2,812.5	2,764.3	2,722.0	2,594.0	15.0%	6.0%
Past Due Loans > 90 Days	1,272.7	752.7	1,272.7	1,221.0	1,219.4	984.8	752.7	69.1%	4.2%
Funds Raised and Under Management	75,329.0	69,370.9	75,329.0	72,587.0	72,037.5	70,105.5	69,370.9	8.6%	3.8%
Shareholders' Equity	8,219.1	7,522.5	8,219.1	8,069.0	7,794.4	7,734.9	7,522.5	9.3%	1.9%
Prudential Conglomerate Reference Equity	6,737.2	6,478.9	6,737.2	6,546.6	6,439.0	6,740.7	6,478.9	4.0%	2.9%
Average Shareholders' Equity	8,006.7	7,400.7	8,144.1	7,931.7	7,764.6	7,628.7	7,445.7	8.2%	2.7%
Average Total Assets	84,066.2	78,446.8	84,926.4	82,409.8	81,093.6	80,051.7	78,668.2	7.2%	3.1%
Average Profitable Assets	73,495.7	69,806.4	74,770.8	72,149.3	70,971.1	70,840.7	70,671.1	5.3%	3.6%
Stock Market Information - R\$ Million	1H2020	1H2019	2Q2020	1Q2020	4Q2019	3Q2019	2Q2019	1H2020/ 1H2019	2Q2020/ 1Q2020
Interest on Own Capital / Dividends ⁽³⁾	101.0	262.6	0.0	101.0	161.9	112.0	135.0	-61.6%	-100.0%
Market Capitalization	5,541.6	9,713.1	5,541.6	4,879.1	8,854.3	9,222.4	9,713.1	-42.9%	13.6%
Book Value Per Share	20.10	18.39	20.10	19.73	19.06	18.91	18.39	9.3%	1.9%
Average Price per Share (R\$)	15.58	23.91	12.92	18.19	21.37	23.28	23.59	-34.8%	-29.0%
Earnings per Share (R\$)	0.92	1.60	0.29	0.63	0.97	0.71	0.82	-42.3%	-53.5%
Financial Indexes	1H2020	1H2019	2Q2020	1Q2020	4Q2019	3Q2019	2Q2019		
Adjusted ROAA (pa.) ⁽⁴⁾	0.9%	1.6%	0.6%	1.2%	1.8%	1.5%	1.6%		
Adjusted ROAE (pa.) ⁽⁵⁾	9.4%	16.9%	5.9%	13.0%	18.4%	15.3%	16.4%		
Adjusted Efficiency Ratio ⁽⁶⁾	52.6%	51.4%	52.6%	52.6%	52.1%	51.1%	51.4%		
Net Interest Margin on Profitable Assets ⁽⁷⁾	6.97%	7.73%	6.95%	6.99%	7.85%	8.10%	7.65%		
Adjusted Operating Cost	4.3%	4.8%	4.3%	4.5%	4.7%	4.7%	4.8%		
Default Rate > 90 Days ⁽⁸⁾	3.54%	2.20%	3.54%	3.37%	3.37%	2.84%	2.20%		
Coverage Ratio 90 days ⁽⁹⁾	234.3%	344.6%	234.3%	230.4%	226.7%	276.4%	344.6%		
Provisioning Index ⁽¹⁰⁾	8.3%	7.6%	8.3%	7.8%	7.6%	7.9%	7.6%		
Basel Ratio (Prudential Conglomerate)	16.0%	15.8%	16.0%	15.1%	15.1%	16.2%	15.8%		
Structural Indicators	Jun 2020	Jun 2019	Jun 2020	Mar 2020	Dec 2019	Sep 2019	Jun 2019		
Branches	514	518	514	514	518	518	518		
Service Stations	181	181	181	181	178	178	181		
Electronic Service Stations	422	433	422	422	419	427	433		
Employees	10,216	10,276	10,216	10,237	10,283	10,313	10,276		
Economic Indicators	1H2020	1H2019	2Q2020	1Q2020	4Q2019	3Q2019	2Q2019		
Effective Selic Rate	1.75%	3.07%	0.73%	1.01%	1.24%	1.54%	1.54%		
Exchange Rate (R\$/USD - end of period)	5.48	3.83	5.48	5.20	4.03	4.16	3.83		
Exchange Rate Variation (%)	35.86%	-1.10%	5.33%	28.98%	-3.21%	8.67%	-1.66%		
IGP-M (General Market Price Index)	4.39%	4.39%	2.66%	1.69%	3.09%	-0.28%	2.19%		
IPCA (Extended Consumer Price Index)	0.10%	2.23%	-0.43%	0.53%	1.77%	0.26%	0.71%		

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- (1) Includes Adjusted Personnel Expenses and Other Administrative Expenses.
 - (2) Includes Derivatives, Interbank Deposits and Cash Equivalents and deduces Repurchase Obligations.
 - (3) Interest on Own Capital and Dividends paid credited and/or provisioned (before retention of income tax).
 - (4) Net Income / Average Total Asset. As of 2Q2020, the indicator for the year is obtained by multiplying the division quotient by the number of periods.
 - (5) Net Income / Average Shareholders' Equity. As of 2Q2020, the indicator for the year is obtained by multiplying the division quotient by the number of periods.
 - (6) Efficiency Ratio for the last 12 months. $\text{Personnel Expenses} + \text{Other Administrative Expenses} / \text{Financial Margin} + \text{Income from Services and Fees} + (\text{Other Operational Income} - \text{Other Operational Expenses})$.
 - (7) As of 2Q2020, the indicator for the year is obtained by multiplying the division quotient by the number of periods.
 - (8) $\text{Past Due Loans} > 90 \text{ days} / \text{Total Credit Portfolio}$.
 - (9) $\text{Provisions for Expected Losses Associated with Credit Risk} / \text{Past Due Loans} > 90 \text{ days}$.
 - (10) $\text{Provisions for Expected Losses Associated with Credit Risk} / \text{Credit Portfolio}$.

COVID-19 PANDEMIC

Faced with a public health emergency and uncertainties in the global economy due to Covid-19, Banrisul has been taking actions to minimize the exposure of customers and employees to the disease, while maintaining economic activity as normal as possible.

Throughout 1H2020 Banrisul has taken several measures in relation to operational routines. Seeking out to preserve employees' health, it is worth mentioning the use of work from home solutions, especially to those in risk groups, without compromising business continuity, the health and medical assistance provided by Moinhos de Vento Hospital to help defining prevention protocols and to provide telemedicine service to employees with Covid-19 symptoms and who have tested positive for the virus, and the production of information material on office ergonomics and on system maintenance and information security to help employees working from home during this period. As for customers service, the measures include widely dissemination of self-service channels, via accessing services tutorials, maintaining branch customer service by scheduling and respecting to restrictions linked to coping with the pandemic, adopting extra hygiene measures and making available personal protective equipment to.

As to credit policies, Banrisul made available product and services to minimize the pandemic impacts which include the extension of the maturities of outstanding loans, the offering of pre-approved credit lines, solutions for the extension of the reimbursement of operations of rural funding and credit taken by farmers, and the offering of payroll credit lines to companies that pay employees via Banrisul, the increase of Banricompras credit limits, the increase of credit limits that can be used for transactions and withdrawals in digital channels, and making available additional POS equipment to be used into Vero's acquiring network, exempted from charges and monthly fee payment.

Some effects of the pandemic can already be seen in the Bank's Financial Statements, among all it is worth mentioning the impacts on credit operations to which it may be expected, at the same time, increase in credit demand and further deterioration in credit quality, requiring additional provisions. On the funding side, the search for safer portfolios should positively influence the Company's liquidity, generating an increase in fundraising; however, as the economic crisis unfolds and lasts, this timely benefit may no longer be observed, possibly resulting in higher funding costs.

The impacts of the present pandemic keep pressuring the economy, with the reflexes of the crisis and the effectiveness of the mitigation measures being thoroughly assessed in a future moment. Therefore, it is essential to permanently monitor regulatory and market changes and the evolution of the crisis resulting from the Covid-19 so that Banrisul can position itself and continue taking the necessary measures to face the crisis.

FINANCIAL HIGHLIGHTS

The summary of Banrisul's 1H2020 and 2Q2020 results are presented below. The Analysis of Performance, Management Report Financial Statements and the Accompanying Notes are available on the Bank's website www.banrisul.com.br/ri.

Table 2: Key Items of the Income Statement - R\$ Million

	1H2020	1H2019	2Q2020	1Q2020	4Q2019	3Q2019	2Q2019	1H2020/ 1H2019	2Q2020/ 1Q2020
Net Interest Income	2,560.9	2,697.3	1,299.3	1,261.6	1,393.1	1,434.7	1,351.5	-5.1%	3.0%
Provisions for Expected Losses Associated with Credit Risk Expenses	780.8	579.8	484.2	296.6	265.1	349.0	294.4	34.7%	63.3%
Income from Services and Fees	962.0	992.3	457.7	504.2	530.0	520.2	501.6	-3.1%	-9.2%
Adjusted Administrative Expenses	1,788.0	1,884.5	867.7	920.3	963.6	945.9	933.6	-5.1%	-5.7%
Adjusted Operating Income	568.8	906.8	209.9	359.0	517.3	427.8	445.6	-37.3%	-41.5%
Adjusted Net Income	377.3	625.6	119.8	257.5	356.3	291.9	305.7	-39.7%	-53.5%
Net Income	377.3	655.3	119.8	257.5	397.2	291.9	335.4	-42.4%	-53.5%

Net income in 1HQ2020 reached R\$377.3 million, decreasing 39.7% since 1H2019. In 2Q2020, net income reached R\$119.8 million, decreasing 60.8% since 2Q2019 and 53.5% since 1Q2020. The **performance** from **1H2019 to 1H2020** reflects (i) the reduction in financial margins, (ii) the increase in provisions for expected losses associated with credit risk expenses, (iii) the decrease in bank fees, (iv) the lower administrative expenses and (v) the lower amount of income tax, the latter reflecting the lower calculation base and the change in the Social Contribution on Net Income (CSLL) rate as of March 2020, impacting both deferred and current results. The **bottom line** from **1Q2020 to 2Q2020** was majorly influenced by (i) higher provisions for expected losses associated with credit risk, (ii) the increase of financial margins, (iii) the reduction of banking fees and (iv) the decrease in administrative expenses.

Net interest income totaled R\$2,560.9 million in 1H2020, 5.1% (R\$136.4 million) down from 1H2019. NII totaled R\$1,229.3 million in 2Q2020, increasing 3.0% (R\$37.8 million) from 1Q2020. The NII decrease from 1H2019 to 1H2020 reflects the drop in the Selic rate and the decrease in the interest rates over overdraft accounts on account of the Central Bank of Brazil cap rules for the product. In the last quarter, NII expansion reflects the decrease of interest expenses at more expressive volumes than that of the decrease in interest income, in a context of lower Selic Rate.

Provisions for expected loan losses reached R\$780.8 million in 1H2020, increasing 34.7% (R\$201.0 million) from 1H2019 pursuant the rollover of credit portfolio by risk ratings and the increase in overdue credit operations. From 2Q2019 to 1Q2020, loan losses provisions totaled R\$484.2 million, increasing 63.3% (R\$187.6 million) due to the rollover of credit portfolio by risk rating, affected by the current economic environment.

Banking Fees totaled R962.0 million in 1H2020, decreasing 3.1% (R\$30.3 million) from 1H2019, particularly driven by the lower revenue stream from acquiring network fees, impacted by the lower total portfolio volume and the measures in force to support customers, minimized by the increase of current account fees. Banking fess reached R\$457.7 million in 2Q2020, decreasing 9.2% (R\$46.5 million) from 1Q2020, mostly due to lower MDR fees and current account fees.

Administrative expenses (personnel and other opex) totaled R\$1,788.0 million in 1H2020, decreasing 5.1% (R\$96.5 million) from 1H2019. Totaling R\$867.7 million in 2Q2020, administrative expenses decreased 5.7% (R\$52.7 million) from 1Q2020. **Personnel expenses** totaled R\$985.0 million in 1H2020, an increase of 1.3% compared to 1H2019 resulting from the collective wage agreement and the number of employees who retired in connection to the incentive retirement plan offered in 1Q2019. In 2Q2020, personnel expenses totaled R\$479.9 million, decreasing 5.0% from 1Q2020 (seasonality effect of vacation

periods). **Other administrative expenses** totaled R\$ 803.1 million in 1H2020, decreasing 12.0% from 1H2019, mostly influenced by the reduction of third party and specialized technical services expenses. In 2Q2020, other administrative expenses reached R\$387.7 million, with a 6.6% decreased from 1Q2020, mostly due to the decrease in expenses with third-party services, marketing and utilities.

The reconciliation between reported and managerial net income is presented below, and considers the extraordinary events recorded in 2Q2019 and 4Q2019. ROE, ROA and efficiency ratio are calculated based on adjusted net income.

Table 3: Accounting Net Income Statement X Adjusted Net Income - R\$ Million and %

	1H2020	1H2019	2Q2020	1Q2020	4Q2019	3Q2019	2Q2019
Adjusted Net Income	377.3	625.6	119.8	257.5	356.3	291.9	305.7
Adjustments	-	29.7	-	-	40.9	-	29.7
Restructuring plans of the Fundação Banrisul de Seguridade Social – FBSS ⁽¹⁾	-	49.5	-	-	-	-	49.5
Labor Lawsuits Provisions	-	-	-	-	(429.0)	-	-
Civil Lawsuits Provisions (reversal) ⁽²⁾	-	-	-	-	126.8	-	-
Tax Effects ⁽³⁾	-	(19.8)	-	-	120.9	-	(19.8)
Deferred Tax Assets – EC 103/2019 ⁽⁴⁾	-	-	-	-	222.2	-	-
Net Income	377.3	655.3	119.8	257.5	397.2	291.9	335.4
Adjusted ROAA	0.9%	1.6%	0.6%	1.2%	1.8%	1.5%	1.6%
Adjusted ROAE	9.4%	16.9%	5.9%	13.0%	18.4%	15.3%	16.4%
Adjusted Efficiency Ratio ⁽⁵⁾	52.6%	51.4%	52.6%	52.6%	52.1%	51.1%	51.4%

(1) Voluntary migration process of participants from Benefit Plan I - PBI to Benefit Plan FBPREV III in 1H2019; approximately 35% of PBI participants migrated.

(2) Provisions (reversal) arising from review of parameters and to the trend of ongoing civil lawsuits.

(3) Related to FBSS Plan Restructuring, Labor Lawsuits Provisions and Reversal of Civil Lawsuits Provisions.

(4) Refers to the update of deferred tax credits and debts stock resulting from the increase in the Social Contribution Rate on Net Income (CSLL) to 20% from 15%, as per the issuance of the Constitutional Amendment EC 103 of 2019.

(5) Personnel Expenses + Other Administrative Expenses / Financial Margin + Income from Services and Fees + (Other Operational Income – Other Operational Expenses). Considers the last 12 months.

Annualized ROAE reached 9.4% in 1H2020, 7.1 pp. below 1H2019, reflecting particularly the reduction in net interest income and the increase in provisions for expected losses associated with credit risk expenses, in a context of falling Selic rate and increasing default rates, trend minimized by the increase in banking fees and the decrease of administrative expenses.

Adjusted efficiency ratio reached 52.6% in the twelve-month period ended June 2020, from 51.4% in the twelve-month period ended June 2019, impacted by NII compression, stability of banking fees and unfavorable evolution of other income/expenses, in greater proportion than that observed for the decrease of administrative expenses.

OPERATIONAL HIGHLIGHTS

Table 4: Asset Evolution Statement - R\$ Million

	Jun 2020	Mar 2020	Dec 2019	Sep 2019	Jun 2019	Jun 2020/ Jun 2019	Jun 2020/ Mar 2020
Total Assets	86,582.8	83,270.0	81,549.6	80,637.6	79,465.7	9.0%	4.0%
Credit Operations	35,965.9	36,185.8	36,182.7	34,647.1	34,237.2	5.0%	-0.6%
Securities ⁽¹⁾	32,933.3	30,219.9	23,721.0	24,233.5	22,813.0	44.4%	9.0%
Funds Raised and Under Management	75,329.0	72,587.0	72,037.5	70,105.5	69,370.9	8.6%	3.8%
Shareholders' Equity	8,219.1	8,069.0	7,794.4	7,734.9	7,522.5	9.3%	1.9%

(1) Includes derivative financial instruments, interbank investments and cash equivalents, net of repo transactions.

Total assets reached R\$86,582.8 million in June 2020, growing 9.0% (R\$57,177.1 million) over June 2019 and 4.0% (R\$3,312.4 million) over March 2020. The main components of assets and liabilities will be addressed below.

Total **credit assets** (expanded concept) reached R\$36,206.8 million in March 2020, increasing 4.5% in twelve months and flattish in the last quarter. Excluding sureties and guarantees, loan book increased 5.0% from June 2019, mostly influenced by the growth of R\$1,233.9 million in non-earmarked credit to individuals and R\$590.9 million in rural credit, performance that was offset by the reduction of R\$182.5 million in long-term loans. Credit assets remained stable since March 2020, decreasing R\$219.9 million, due to the decrease of the commercial portfolio, minimized by the increase of R\$189.8 million observed in the agricultural loans.

Table 5: Statement of the Credit Portfolio - R\$ Million

	Jun 2020	% Credit Portfolio	Mar 2019	Dec 2019	Sep 2019	Jun 2019	Jun 2020/ Jun 2019	Jun 2020/ Mar 2020
Foreign Exchange	826.2	2.3%	846.6	774.6	746.6	684.2	20.8%	-2.4%
Commercial	27,306.0	75.9%	27,701.2	27,815.1	26,401.9	26,074.9	4.7%	-1.4%
Individuals	21,318.7	59.3%	21,571.6	21,731.8	20,466.4	20,084.8	6.1%	-1.2%
Payroll ⁽¹⁾	16,314.0	45.4%	16,082.8	16,001.1	15,537.8	14,993.4	8.8%	1.4%
Other	5,004.6	13.9%	5,488.8	5,730.7	4,928.6	5,091.4	-1.7%	-8.8%
Companies	5,987.3	16.6%	6,129.5	6,083.3	5,935.5	5,990.1	0.0%	-2.3%
Working Capital	4,207.6	11.7%	4,152.5	4,060.5	3,877.0	3,979.6	5.7%	1.3%
Other	1,779.7	4.9%	1,977.0	2,022.8	2,058.5	2,010.5	-11.5%	-10.0%
Long-term Financing	654.6	1.8%	660.5	669.2	751.1	837.1	-21.8%	-0.9%
Real Estate Financing	4,148.8	11.5%	4,135.7	4,126.9	4,096.8	4,209.3	-1.4%	0.3%
Agricultural Financing	2,902.4	8.1%	2,712.6	2,661.3	2,527.0	2,311.5	25.6%	7.0%
Other ⁽²⁾	127.9	0.4%	129.3	135.5	123.6	120.2	6.5%	-1.1%
Total	35,965.9	100.0%	36,185.8	36,182.7	34,647.1	34,237.2	5.0%	-0.6%

(1) Credits linked to acquired portfolio with recourse have been added to Credit to Individuals since March 2020, with adjusted effects on previous periods.

(2) Includes leasing and public sector.

Securities, interbank investments and cash availabilities totaled R\$37,153.0million in June 2020, with net balance (deducted of repurchase transactions) of R\$32,033.9 million, increasing 44.4% (R\$10,120,35 million) from June 2019, mostly influenced by the increase of deposits and the reduction of compulsory deposits at the Central Bank of Brazil in an environment of increasing loan portfolio. From March 2020 to June 2020, these items increased 9.0% (R\$2,713.3 million), mostly reflecting the increase of deposits.

Funds raised and under management, composed by deposits, bank notes, subordinated bond and third-party funds, totaled R\$75,329.0.0 million in June 2020, increasing 8.6% (R\$5,958.1 million) in twelve months, and 3.8% (R\$2,742.0 million in three months, driven by the increase in deposits.

Shareholders' equity reached R\$8,219.1 million at the end of June 2020, increasing 9.3% (R\$696.7 million) from June 2019 and 1.9% (R\$150.1million) from March 2020. The evolution in shareholders' equity in twelve months reflects the incorporation of net income, the payment of interest on own capital and the provisioned dividends, the reassessment of actuarial liabilities on post-employment benefits pursuant to the procedures set forth by CPC 33 (R1) and exchange variation adjustments on the equity of dependencies abroad. Quarter-on-quarter, the evolution of shareholders' equity reflects the incorporation of results and the exchange rate variation adjustments on the equity of subsidiaries abroad.

Banrisul paid and provisioned R\$2500.8 million in **taxes and contributions** in 1H2020. Taxes withheld and paid, directly levied on financial intermediation and other payments, amounted to R\$454.8 million in 1H2020.

Table 6: Other Indicators - %

	1H2020	1H2019	2Q2020	1Q2020	4Q2019	3Q2019	2Q2019
Net Interest Margin	6.97%	7.73%	6.95%	6.99%	7.85%	8.10%	7.65%
Basel Ratio (Prudential Conglomerate)	16.0%	15.8%	16.0%	15.1%	15.1%	16.2%	15.8%
Loan Portfolio Normal Risk / Total Credit	88.0%	87.4%	88.0%	88.8%	88.7%	87.9%	87.4%
Loan Portfolio Risks 1 and 2 / Total Credit	12.0%	12.6%	12.0%	11.2%	11.3%	12.1%	12.6%
Default Rate > 90 Days	3.54%	2.20%	3.54%	3.37%	3.37%	2.84%	2.20%
Cover Ratio > 90 Days ⁽¹⁾	234.3%	344.6%	234.3%	230.4%	226.7%	276.4%	344.6%
Provision Ratio ⁽²⁾	8.3%	7.6%	8.3%	7.8%	7.6%	7.9%	7.6%

(1) Provisions for Expected Losses Associated with Credit Risk / Past Due Loans > 90 days.

(2) Provisions for Expected Losses Associated with Credit Risk / Credit Portfolio.

The **NIM** decrease from 1H2019 to 1H2020 reflects the decrease in the Selic rate and the Central Bank of Brazil cap rules for interest rates over overdraft accounts on the wake of increasing profitable assets volume, especially treasury assets.

90-day default rate reached 3.54% in June 2020, increasing 1.34 pp. in twelve months and 0.17 pp. in three months. The balance of 90-day past due credit reached R\$1,272.7 million in June 2020, increasing 69.1% in twelve months and 4.2% in the last quarter. 90-day past due **Coverage ratio** reached 234.3% in June 2020, vis-à-vis 344.6% in June 2019 and 230.4% in March 2020. From June 2019 to June 2020, the trend of the 90-day coverage ratio reflects the increase in past due credit transactions ahead of the increase observed in the balance of provisions for expected losses associated with credit risk. In comparison with March 2020, the trajectory of the coverage ratio reflects the increase in in the balance of provisions for expected losses associated with credit risk in a larger proportion than the increase in overdue operations.

Total provisions reached 8.3% of the outstanding credit portfolio in June 2020, 0.7 pp. above June 2019 and 0.5 pp. above March 2020. Provisions for expected losses associated with credit risk increased R\$388.3 million in twelve months, due to the rolling over of risk rating levels and the increase in credit defaults. The portfolio of normal risk loans increased 0.6 pp. in relation to June2019. In the last quarter, the balance of provisions for expected losses associated with credit risk increased R\$169.8 million, and the share of normal risk loan portfolio in relation to the total loan book decreased 0.8 pp.

