

# Earnings Release

**1Q20**

**São Paulo, May 6, 2020** – Pursuant to legal provisions, Banco PAN S.A. (“PAN”, “Bank”, “Banco PAN” or “Company”) and its subsidiaries announce their results for the quarter ended March 31, 2020 accompanied by the Independent Auditor’s Report. The Bank’s operating and financial information, except when otherwise stated, is presented based on consolidated figures and in Brazilian reais, pursuant to Brazilian Corporate Law and Brazilian Accounting Practices.

## **CURRENT ENVIRONMENT - OUR ACTIONS**

We are facing a unique moment caused by a worldwide pandemic of COVID-19, which brings great challenges and uncertainties for the future.

Since the beginning of this crisis we focused on taking actions internally and externally in a timely manner, addressing 3 pillars: our employees, our customers and our business. We have adopted safety measures to try to ensure the well-being of our employees, promptly allocating 97% of our staff to home office and offering a medical (telehealth), psychological and financial support programs, in addition to a flu vaccination campaign, among other measures.

We have been supporting our customers and society through the availability of a 100% digital operation with differentiated conditions for this period in several of our products and services. With regards to our business, we have also implemented appropriate measures focused on increasing the liquidity position, a more conservative credit approach, the preservation of a high level of capital, besides adopting greater selectivity in the allocation of resources.

Our agility and technology resources allowed us to adapt our operation, following the security guidelines of the Brazilian Government and World Health Organization, and keep us in full operational capability with direct and efficient internal and external communication. This reflected into immediate support for our partners, suppliers and customer service, strengthening the B2B and B2C relationships.

We believe in the sustainability of our business strategy and that we are a solid bank, with robust shareholders and a well-structured operation.

## **ECONOMIC ENVIRONMENT**

In March, the credit operations recorded by the National Financial System (‘SFN’) totaled R\$ 3.6 trillion, increasing by 2.9% in the monthly comparison and 9.5% over the 12-month period with an expansion of 6.4% in corporate portfolio and 0.3% in the household portfolio. March data confirmed strong growth in corporate loans in an attempt to contain the economic effects of the COVID-19 crisis. Non-earmarked corporate loans ended the month of March with a balance of R\$979 billion, increasing by 9.9% in the month and 21.7% over twelve months. Non-earmarked household credit reached R\$1.1 trillion, stable in the monthly comparison and expanding 15.7% in twelve months, with highlight to payroll-deductible loans and debt composition.

Inflation, as measured by the Consumer Price Index (IPCA), ended March with an increase of 0.07% in the monthly comparison, decelerating from the increase of 0.25% in February, indicating that COVID-19 starts to materialize. Thus, the index accumulates an increase of 0.53% in 2020 and 3.30% in the last 12 months, compared to the accumulated index of 4.01% in February. Transportation, airline tickets, fuels and tourism-related items contributed to the index reduction, while food and beverage inflation is accelerating fast due to a surge in demand, posting the greatest variation in March.

As for the labor market, the Ministry of Economy suspended the data on payroll job creation (CAGED) for January and February and, considering the recent scenario, the unemployment rate should increase, with major impacts on the wage bill. As per PNAD (IBGE) data, Brazil’s unemployment rate was 11.6% in the quarter ending in February, reaching 12.3 million people. The number of unemployed individuals increased by 479,000 compared to the quarter ended in November 2019. Payroll jobs (people working in the private sector and public sector) represent only 48% of all jobs. Thus, a large part of the population works in informal sectors, which have no legal protection and no right to unemployment aid.

## 1Q20 HIGHLIGHTS

### Digital Strategy

- ✓ Digital formalization of payroll loans reached **49%** in March 2020. The platform has generated more than **R\$3.0 billion** in loans since its launch (April/2019);
- ✓ Digital formalization of vehicle financing reached **76%** in March 2020. The platform has generated more than **R\$1.2 billion** in loans since its launch (Oct/2019);
- ✓ The origination of credit cards through digital channels reached **71%** in 1Q20.

### FINANCIAL HIGHLIGHTS

- ✓ **Expanded Credit Portfolio** ended 1Q20 at **R\$25.0 billion**, increasing by **5%** from R\$23.8 billion in 4Q19 and **15%** versus R\$21.8 billion in 1Q19;
- ✓ **Monthly Average Retail Origination** reached **R\$1,791 million in 1Q20**, down **3%** from R\$1,846 million in the previous quarter and up **13%** from R\$1,589 million in 1Q19;
- ✓ We had **5.3 million clients** at the end of **1Q20**, up **9%** over 4.9 million in 4Q19 and **20%** over 4.4 million in 1Q19;
- ✓ **Managerial Net Interest Margin of 18.3% p.y.** in 1Q20, versus 20.0% p.y. in 4Q19 and 15.0% p.y. in 1Q19;
- ✓ **Net Income of R\$170.6 million** in 1Q20, up **2%** from R\$167.6 million in 4Q19 and **77%** higher than R\$96.1 million in 1Q19;
- ✓ **Accounting ROE of 13.7% p.y.** in 1Q20, stable over 4Q19 and up from 9.3% p.y. in 1Q19;
- ✓ **Adjusted ROE (unaudited) of 23.5% p.y.** in 1Q20, versus 24.6% p.y. in 4Q19 and 21.0% p.y. in 1Q19;
- ✓ **Shareholders' equity** ended the quarter at **R\$5.0 billion** and **Basel Ratio** at **15.7%**.

## MAIN INDICATORS

R\$ MM	1Q20	4Q19	1Q19	Δ 1Q20/ 4Q19	Δ 1Q20/ 1Q19
Retail Origination	5,373	5,539	4,769	-3%	13%
Credit Assignments without Recourse	851	1,680	867	-49%	-2%
Total Credit Portfolio	25,021	23,785	21,754	5%	15%
Total Assets	33,299	32,798	28,514	2%	21%
Funding	24,826	23,715	21,542	5%	15%
Shareholders' Equity	5,022	4,926	4,154	2%	21%
Managerial Net Interest Margin	1,183	1,231	818	-4%	45%
Managerial Net Interest Margin (% p.y.)	18.3%	20.0%	15.0%	-1.7 p.p.	3,3 p.p.
Net Income	170.6	167.6	96.1	2%	77%
Accounting ROE (% p.y.)	13.7%	13.7%	9.3%	-	4.4p.p.
Adjusted ROE -unaudited (% p.y.)	23.5%	24.6%	21.0%	-1.1 p.p.	2.2 p.p.
Basel Ratio <sup>1</sup>	15.7%	15.6%	13.8%	0.1 p.p.	1.9 p.p.
Common Equity Tier I	15.7%	15.6%	11.9%	0.1 p.p.	3.8 p.p.
Tier II	-	-	1.9%	-	-

## DIGITAL ACCOUNT

On February 5<sup>th</sup>, 2020 we announced the launch of our Digital Account focusing on low-income individuals (from C, D and E income classes). Since then, our clients have access to a complete checking account: 100% digital, without maintenance fee, with a free monthly transfer package, no fee multiple card (credit and/or debit), 24-hour withdrawals, deposit slips, utilities payments, and several credit products and services.

In addition, the account offers discounts at drugstores, supermarkets and online stores through agreements with several partners. Our clients may also register their debit card to pay for digital services such as Netflix, Spotify and Uber.

Our customer acquisition strategy is based on six pillars: offering to the active and former customer base; flow of potential customers requesting credit on a monthly basis; digital marketing; physical distribution network; new origination partners; and a 'member get member' program.

In 1Q20, we established a strong online presence, tested several strategies to explore our bases and flow of potential customers, started offering the Digital Account in our 60 points of service and intensified the work to diversify the acquisition channels through partners, such as Serasa eCred, Foregon and Decode. In the coming quarters, we intend to continue this work, advancing with new partnerships and also counting on our current brokers and sales partners to offer the Digital Account.

We believe that credit is the main instrument for attracting, engaging and monetizing our customers. Therefore, through the Digital Account the client may have access to an emergency limit, credit card and personal loan. With the growth of our customer base, transactional data will allow our credit and pricing

<sup>1</sup> 4Q19 Basel Index considers the Capital Increase of R\$ 522 million approved by the Brazilian Central Bank on January, 2020.

models to be even more assertive (interest rate and limit wise), delivering our clients exactly what they need.

Throughout 2020, new features will be available in our Digital Account, which will also count with a financial planning and organization platform to help our clients to save money through simple investment options, through a partnership signed with Grão - a Brazilian fintech. In addition, new credit products, insurances and new services, such as bus ticket and mobile top up, will also be available, focusing in the profitability of the Digital Account.

The Digital Account is a relevant tool to expand our product portfolio, optimizing opportunities for cross sell and upsell and increasing our customers loyalty.

## ASSET ORIGINATION

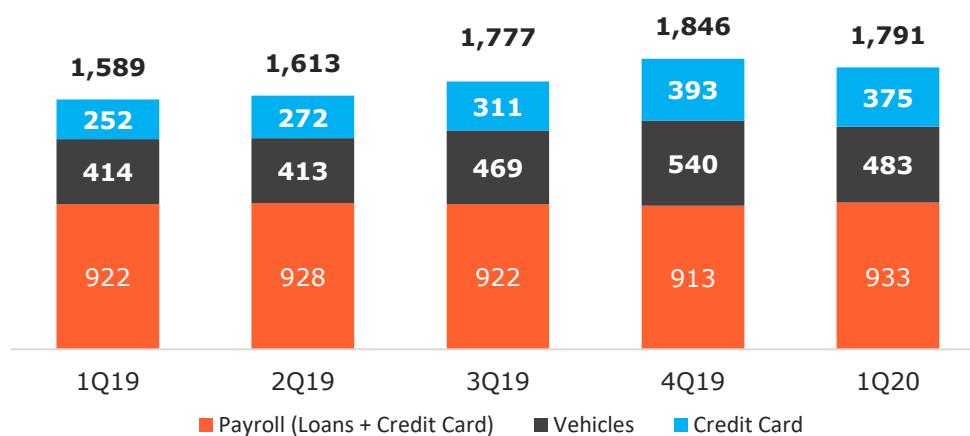
We are one of the leading mid-sized retail banks in Brazil, focusing on C, D and E income class individuals, civil servants and INSS retirees and pensioners, offering payroll-deductible loans and credit cards, used vehicle loans, new motorcycle financing, conventional credit cards and insurance.

With 2,438 employees, we have 60 points of service in Brazil's major cities with national presence through an asset light structure, operating via digital platforms with more than 670 brokers as partners offering payroll-deductible loans and more than 12,200 multi-brand and single-brand vehicle dealers.

In 1Q20, we originated a monthly average of R\$1,791 million in new credit, against R\$1,846 million in 4Q19 and R\$1,589 million in 1Q19, with a decrease of 3% in the quarter and an increase of 13% in 12 months.

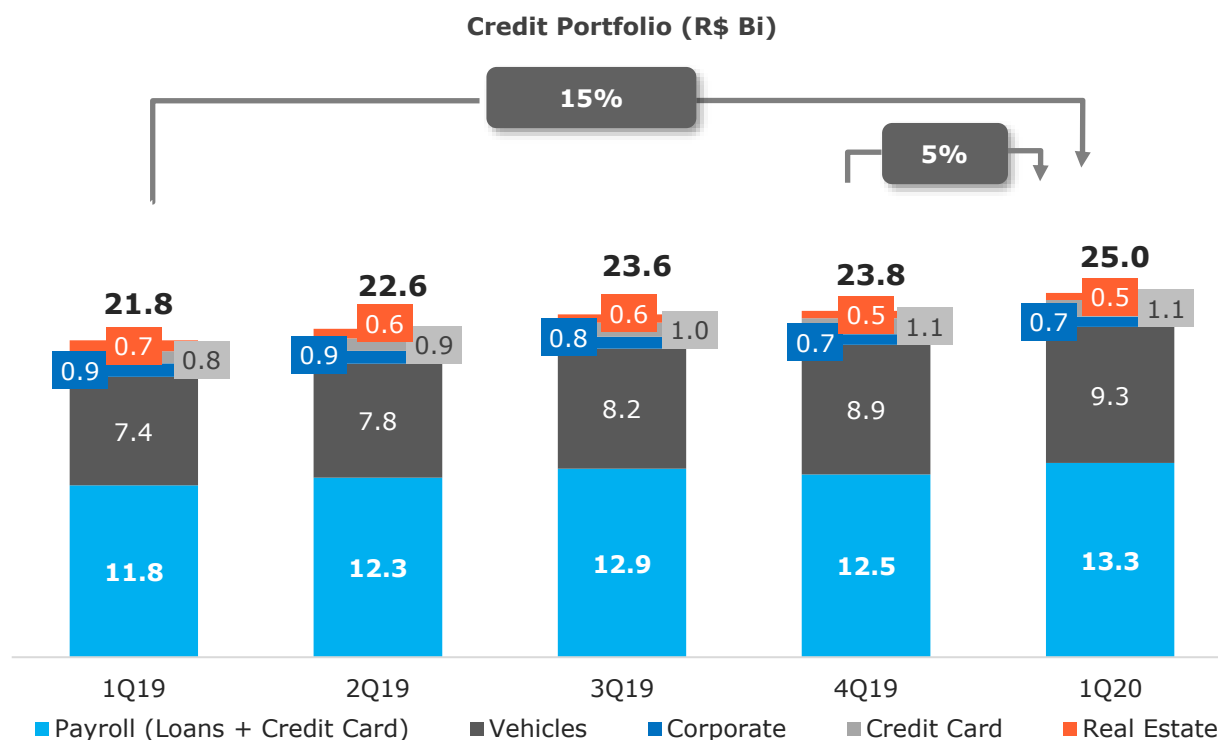
**Monthly Average Origination (R\$ MM)**

Products	1Q20	4Q19	1Q19	$\Delta 1Q20/4Q19$	$\Delta 1Q20/1Q19$
Payroll Deductible (Loans + C.Cards)	933	913	922	2%	1%
Vehicles	483	540	414	-11%	17%
Credit Cards	375	393	252	-5%	49%
<b>Total</b>	<b>1,791</b>	<b>1,864</b>	<b>1,589</b>	<b>-3%</b>	<b>13%</b>



## Credit Portfolio

The Expanded Credit Portfolio ended 1Q20 with a balance of R\$25,021 million, increasing 5% versus R\$23,785 million at the end of 4Q19, and 15% higher than R\$21,754 million in 1Q19. The Core portfolio, comprised by payroll-deductible loans and credit cards, vehicle financing and credit cards, increased by 19% in the last 12 months. The Corporate and Real Estate Credit portfolios, both in run off, fell by 25% and 36% respectively, over a 12-month period.



The table below gives a breakdown of the credit portfolio by segment:

R\$ MM	1Q20	Part. %	4Q19	Part. %	1Q19	Part. %	Δ1Q20/4Q19	Δ1Q20/1Q19
Payroll Deductible (Loans & Credit Cards)	13,275	53%	12,506	53%	11,751	54%	6%	13%
Vehicles	9,302	37%	8,854	37%	7,411	34%	5%	26%
Credit Cards	1,139	5%	1,087	5%	834	4%	5%	37%
Corporate Loans and Guarantees	701	3%	732	3%	930	4%	-4%	-25%
Real Estate	479	2%	496	2%	737	3%	-4%	-35%
Other	125	-	110	-	91	-	14%	37%
<b>Total</b>	<b>25,021</b>	<b>100%</b>	<b>23,785</b>	<b>100%</b>	<b>21,754</b>	<b>100%</b>	<b>5%</b>	<b>15%</b>

The table below shows the total loan portfolio by maturity on March 31, 2020:

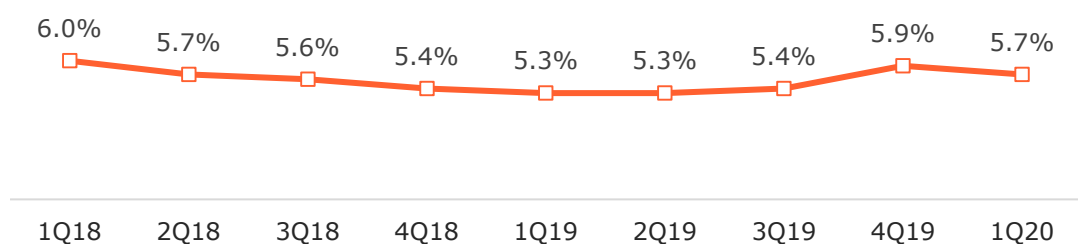
R\$ MM	Up to 30 days	From 31 to 90 days	From 91 to 180 days	From 181 to 360 days	Over 360 days	Total
Payroll-Deductible Loans	381	553	788	1,429	8,227	11,380
Vehicles	769	789	1,105	1,947	4,692	9,302
Payroll-Deductible Credit Cards	1,850	25	10	6	5	1,895
Credit Cards	695	222	143	75	5	1,139
Corporate Loans and Guarantees	229	34	8	22	408	701
Real Estate	65	18	25	42	329	479
Other	20	10	14	23	58	125
<b>Total</b>	<b>4,009</b>	<b>1,650</b>	<b>2,093</b>	<b>3,546</b>	<b>13,724</b>	<b>25,021</b>
<b>Participation (%)</b>	<b>16%</b>	<b>7%</b>	<b>8%</b>	<b>14%</b>	<b>55%</b>	<b>100%</b>

### Retail Credit Portfolio

Over the last few years, we have expanded the use of analytical solutions, migrating from traditional modeling to more robust techniques, using machine learning and deep learning to improve our credit analysis tools.

The chart below presents the evolution of non-performing retail loans overdue more than 90 days over the credit portfolio, considering the outstanding balance of contracts. This quarter, we notice an improvement of 0.2% in the NPL index, which ended the quarter at 5.7%. It is worth mentioning that the spread levels remain at robust levels.

**Non-Performing Retail Loans Overdue More than 90 Days (%)**



Below we present the ratings of our retail credit portfolio, recorded on the balance sheet by risk rating, pursuant to Resolution 2,682 of the National Monetary Council ("CMN"):

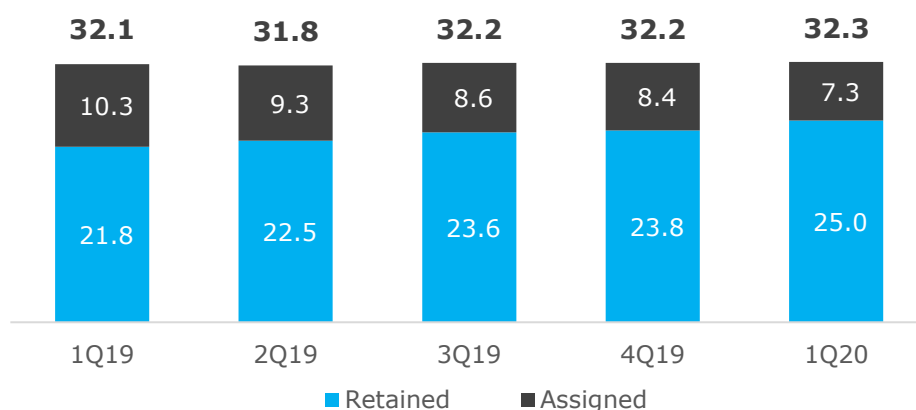
R\$ MM	1Q20	Part. %	4Q19	Part. %	1Q19	Part. %	Δ1Q20/4Q19	Δ1Q20/1Q19
"AA" to "C"	22,394	92%	21,208	92%	19,352	94%	6%	16%
"D" to "H"	1,874	8%	1,791	8%	1,250	6%	5%	50%
<b>Total</b>	<b>24,267</b>	<b>100%</b>	<b>22,999</b>	<b>100%</b>	<b>20,602</b>	<b>100%</b>	<b>6%</b>	<b>18%</b>

## Originated Credit Portfolio

Besides retaining credits on portfolio, our strategy also includes the assignment of credits without recourse, which totaled R\$851 million in 1Q20, against R\$1,680 million in 4Q19 and R\$867 million in 1Q19.

The Originated Credit Portfolio, which considers the Expanded Credit Portfolio and the Portfolio assigned to the controlling shareholders ("Off-balance Portfolio"), ended the quarter at R\$32.3 billion.

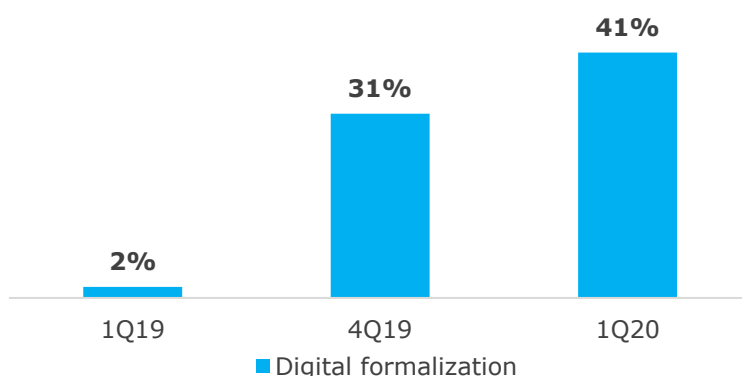
### Originated Credit Portfolio Evolution (R\$ Bn)



## Products

### Payroll Deductible (Loans and Credit Cards)

Since the full launch of the digital formalization platform on April 2019, the total volume of loans formalized digitally exceeded R\$3.0 billion. In 1Q20, we formalized an average of 41% of contracts through this platform. In March, the payroll contracts digitally formalized reached 49%. This platform allows clients to contract payroll-deductible loans through a 100% paperless method, authenticated by facial biometrics. This paperless technology improves efficiency and profitability, resulting in cost savings, enhanced security and greater speed, thus improving the experience of all those involved, especially at this time of lockdown restrictions.



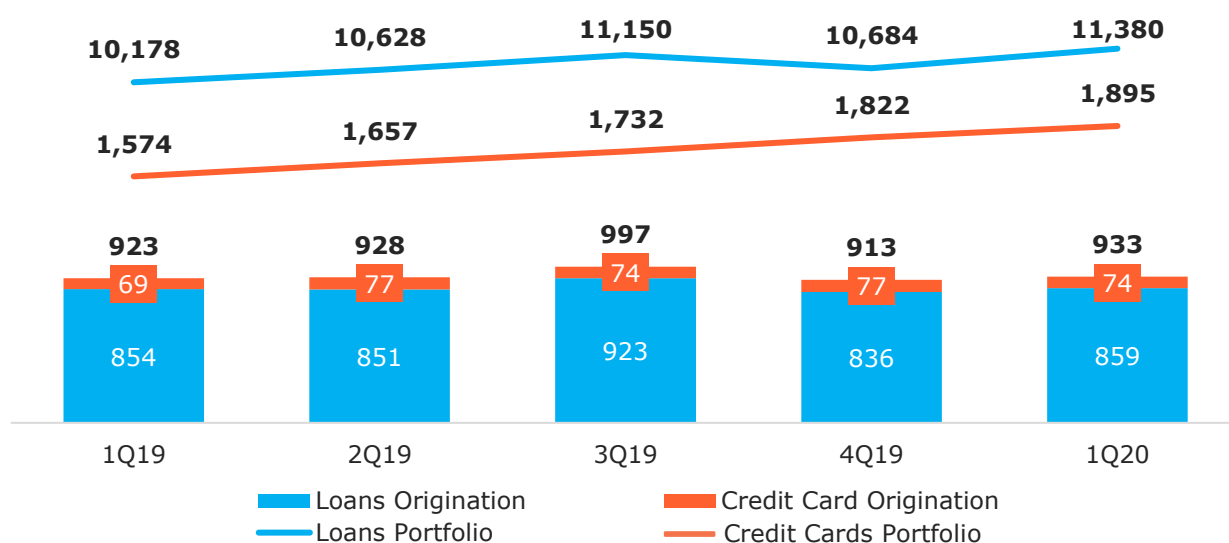
This platform, combined with our positioning in the market and the relationship with our business partners, enables us to remain as a major player focused on federal codes, ranking among the largest players in the origination of credits for Social Security (INSS) retirees and pensioners.



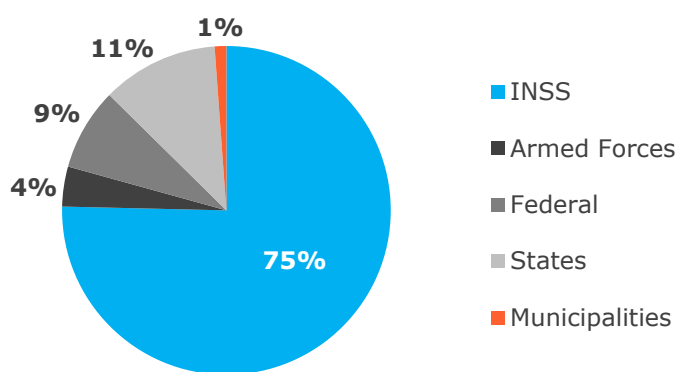
In 1Q20, we granted a total of R\$2,577 million in loans to civil servants and INSS retirees and pensioners, versus R\$2,508 million in 4Q19 and R\$2,561 million in 1Q19, an increase of 3% over the previous quarter. In the payroll-deductible credit card segment, we originated R\$222 million in 1Q20, versus R\$232 million in 4Q19 and R\$208 million in 1Q19.

The payroll-deductible loan portfolio closed 1Q20 at R\$11,380 million, versus R\$10,684 million in 4Q19 and R\$10,178 million in 1Q19, with an increase of 7% in the quarter and 12% in the annual comparison. Meanwhile, the payroll-deductible credit card portfolio closed the quarter at R\$1,895 million, 4% more than the R\$1,822 million recorded in the previous quarter and 20% up from R\$1,574 million in 1Q19.

**Portfolio Evolution and Average Monthly Origination (R\$ MM)**

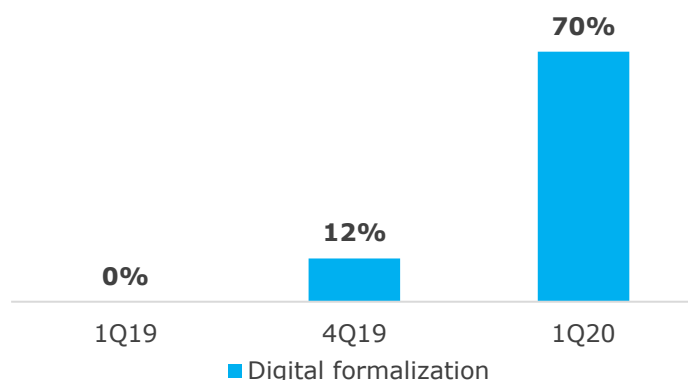


**Quarterly Origination (%)**



### Vehicle Financing

Just five months after the launch of the platform, the amount of credits formalized digitally totaled R\$ 1.2 billion. In 1Q20, we formalized an average of 70% of digital loans through this platform. In March 2020, vehicle financing contracts digitally signed reached 76%, benefiting the operation at this time of lockdown.



In addition to the formalization platform, we have an exclusive platform to simulate credit request based on few information and to monitor credit workflow and report, increasing agility and providing a better experience for our commercial partners and final customers.

Our operation is focused on used vehicle (mostly from four to eight years of usage) and new motorcycle financing, capturing the benefits from its expertise in credit and collection in order to optimize the risk/return ratio of these operations. We operate in the vehicle financing segment through multi-brand and single-brand vehicle dealers, increasing the fragmentation of this operation.

We are the market leader in motorcycle financing, excluding captive financing companies. Benefiting from our credit knowledge and long-term experience, our strategy of concentrating its operation in a specific niche has resulted in an excellent performance among our public.

In 1Q20, we originated R\$1,450 million in new financing, including light vehicles and motorcycles, versus R\$1,621 million in 4Q19 and R\$1,243 million in 1Q19.

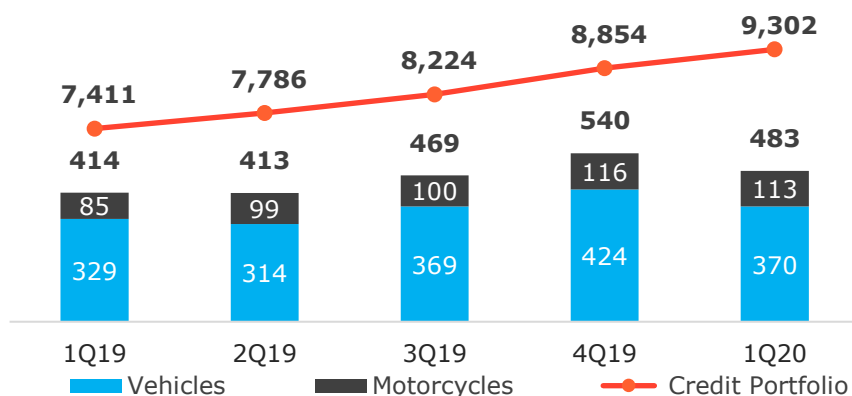
Light vehicle financing origination amounted to R\$1,109 million in 1Q20, versus R\$1,272 million in 4Q19 and R\$988 million in 1Q19, while in the motorcycle financing, origination came to R\$340 million in 1Q20, versus R\$349 million in 4Q19 and R\$255 million in 1Q19.

The chart below shows more details on origination in these segments:

<b>1Q20</b>	<b>Light Vehicles</b>	<b>Motorcycles</b>
Origination (R\$ MM)	1,109	340
Market Share	5%	21%
Ranking	6 <sup>th</sup>	2 <sup>nd</sup>
Avg. Maturity (months)	46	42
<b>% Down Payment</b>	<b>35%</b>	<b>21%</b>

The vehicle financing portfolio closed the quarter at R\$9,302 million, up 5% from R\$8,854 million in 4Q19 and 26% higher than the R\$7,411 million recorded in 1Q19.

### Portfolio Evolution and Average Monthly Origination (R\$ MM)



### Payments (Credit Cards)

The continuous evolution of our customers' digital journey remains as a priority. This quarter, we intensified customer's service by offering WhatsApp interaction, improving user experience, enhancing the relationship and increasing their interaction with the Bank.

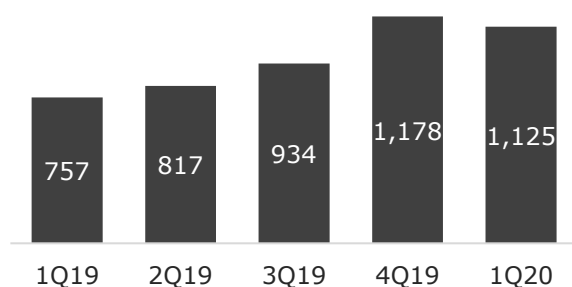
In addition, we have strengthened the relationship with partners to expand the distribution of credit cards in marketplaces and the launch of co-branded cards. In order to speed up the innovation process, we have joined Innovate Finance, Europe's largest innovation hub.

Upon the launch of our Digital Account, the debit function of our cards was prepared to bring the best possible experience to our clients, for that, we signed partnerships with Netflix, Uber, 99 and Spotify so these services can be paid online, providing convenience and security to our clients.

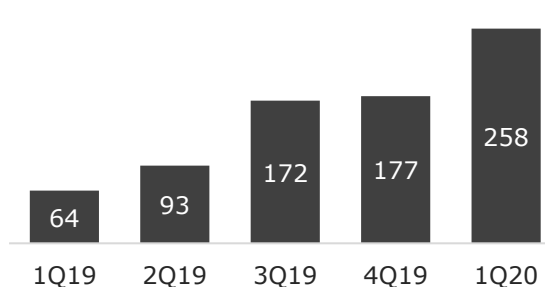
As a result of these strategies, we issued 258,000 new credit cards in 1Q20, registering a significant growth over the 64,000 credit cards issued in the same period of the 2019, especially through electronic channels, which were responsible for 71% of total sales, versus 29% in 1Q19. This amount was leveraged by the increase in sales initiatives, relevant changes in cross-selling and greater efficiency in analytics and CRM. We ended 1Q20 with more than 70% of total invoices issued digitally.

Credit card transactions totaled R\$1,125 million in 1Q20, in line with the R\$1,178 million in 4Q19, and 49% up over the R\$757 million in 1Q19. This increase relates to the number of cards issued, and also to the increase in promotions and incentives, as well as improvements in the card delivery and authorization processes.

### Transaction Volume (R\$ MM)



### # of Credit Cards Issued (thousand)

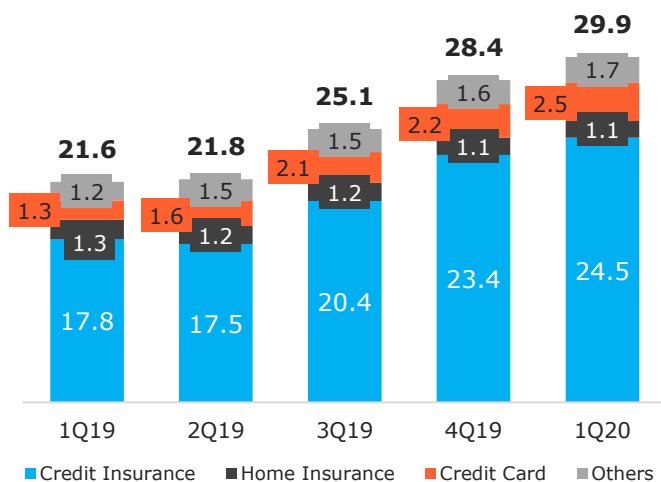


The credit card portfolio ended the quarter at R\$1,139 million, up 5% and 37% from R\$1,087 million and R\$834 million, in 4Q19 and 1Q19, respectively.

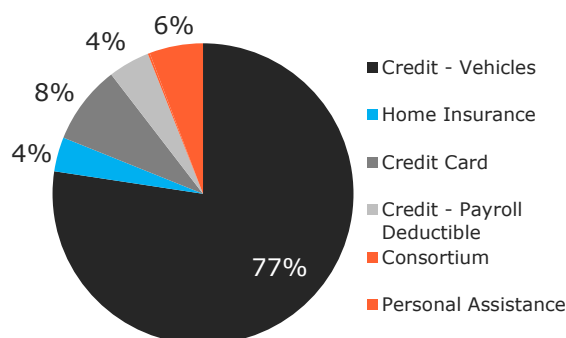
## Insurance

In 1Q20, we originated R\$89.7 million in insurance premiums, 5% higher than the R\$85.1 million originated in 4Q19 and 38% more than the R\$64.9 million recorded in 1Q19. Premiums originated in 1Q20 included: R\$73.6 million from credit insurance, R\$7.6 million from credit card insurance, R\$5.2 million from other insurance products ('PAN Moto Assistance' and 'Mechanical Guarantee') and R\$3.3 million from home insurance.

**Average Monthly Premium Origination (R\$ MM)**



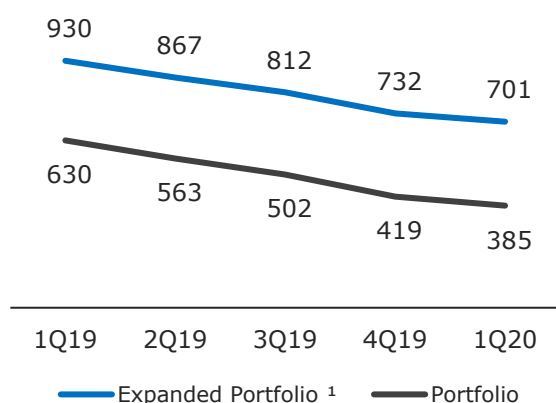
**Quarterly Origination by Product (%)**



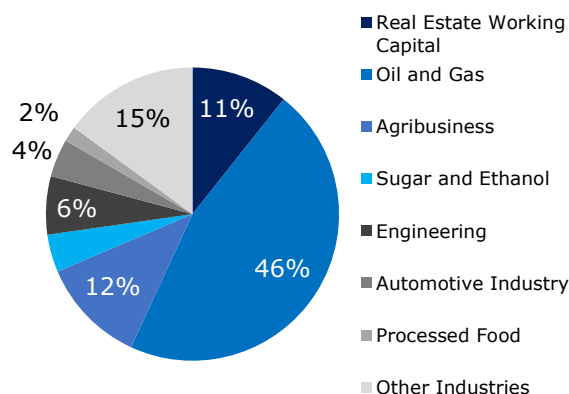
## Corporate Credit (run off)

The Corporate Credit portfolio, including guarantees, closed the quarter at R\$701 million, down from R\$732 million in 4Q19 and R\$930 million in 1Q19. The portfolio (not considering guarantees issued) is fully provisioned and adequately covered by collaterals.

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

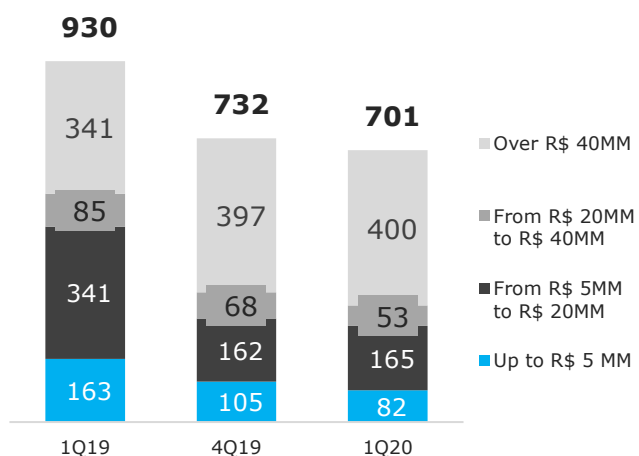


**Portfolio by sector (%)**

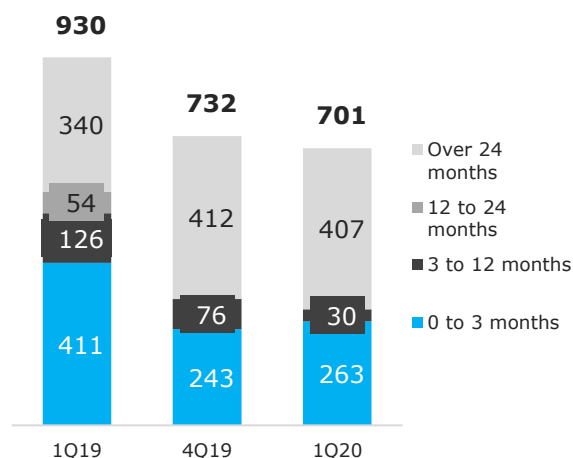


<sup>1</sup>Including guarantees issued

### Portfolio Maturity (R\$ MM)



### Portfolio by Ticket (R\$ MM)



### Real Estate Credit (run off)

Real estate credit portfolio to individuals totaled R\$426 million at the end of 1Q20, versus R\$442 million in 4Q19 and R\$488 million in 1Q19, with a very conservative level of provisioning.

Real estate credit portfolio to companies stood at R\$53 million in 1Q20 (fully provisioned), versus R\$54 million in 4Q19 and R\$222 million in 1Q19.

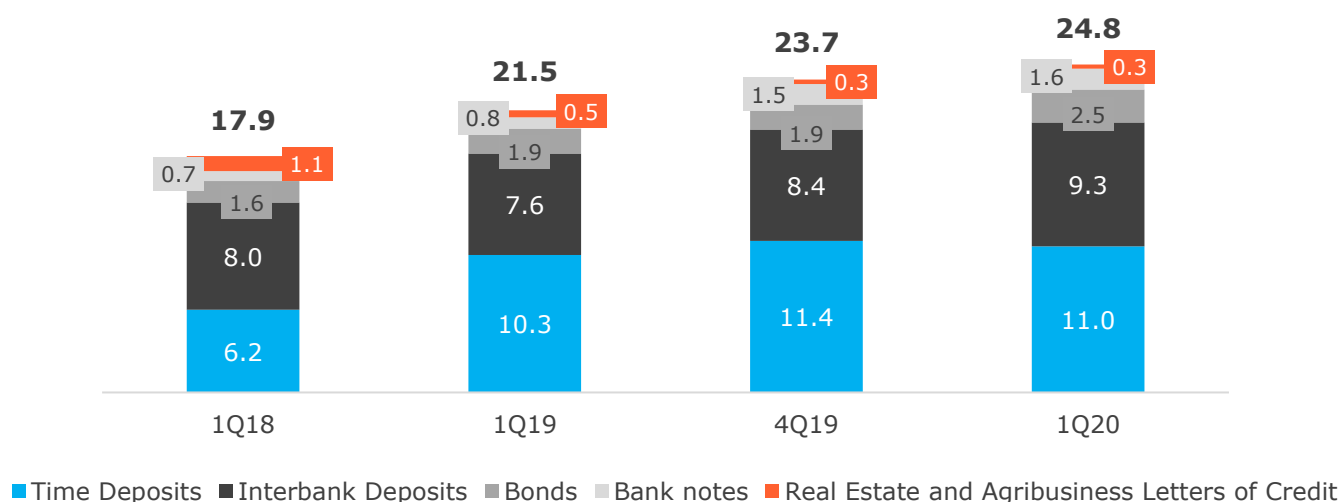
### Funding

Funding ended 1Q20 at R\$24.8 billion with the following composition: (i) R\$10.9 billion in time deposits, representing 44%; (ii) interbank deposits amounting to R\$9.3 billion, representing 35%; (iii) bonds issued abroad totaling R\$2.5 billion, or 8% of the total; (iv) bank notes equivalent to R\$1.6 billion, or 7% of the total; (v) real estate and agribusiness letters of credit (LCI and LCA) amounting to R\$311 million, or 1% of the total; and (vi) other funding sources totaling R\$201 million, equivalent to 1% of the total.

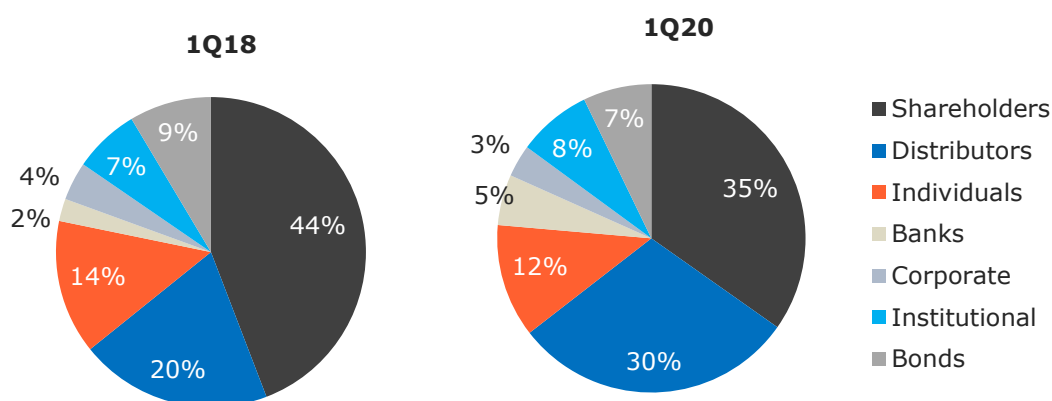
Funding Sources <sup>2</sup> R\$ MM	1Q20	Part. %	4Q19	Part. %	1Q19	Part. %	Δ1Q20/ 4Q19	Δ1Q20/ 1Q19
Time Deposits	10,970	44%	11,367	48%	10,315	48%	-3%	6%
Interbank Deposits	9,297	37%	8,366	35%	7,621	35%	11%	22%
Bonds	2,468	10%	1,877	8%	1,870	9%	31%	32%
Bank Notes	1,579	6%	1,541	6%	844	4%	2%	87%
LCI and LCA	311	2%	336	1%	540	3%	-7%	-42%
Other	201	1%	228	1%	352	2%	-12%	-43%
<b>Total</b>	<b>24,826</b>	<b>100%</b>	<b>23,715</b>	<b>100%</b>	<b>21,542</b>	<b>100%</b>	<b>5%</b>	<b>15%</b>

<sup>2</sup> In accordance with Article 8 of Central Bank Circular 3,068/01, PAN declares that it has the financial capacity and the intention of holding to maturity those securities classified as "held-to-maturity securities" in its financial statements.

### Evolution of Funding Sources (R\$ MM)



### Funding by Investor (%)



The maturity schedule of legacy fixed rate time deposits (issued between 2005 and 2008), which is subject of the adjustment in ROE, shows a relevant volume in 2020:

(R\$ MM)	2020	2021	2022	2023	2024	2025	2026	2027
Balance (FV)	3,274	2,706	2,004	1,417	775	27	15	-
Amortization (FV)	1,150	568	702	587	642	748	12	15
Amortization (PV)	981	402	396	264	239	228	3	3

## Results

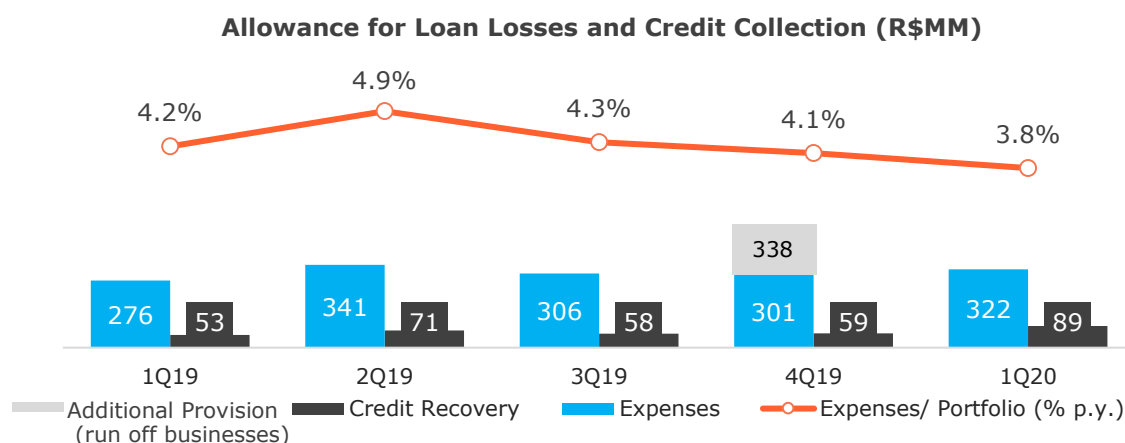
### Managerial Net Financial Margin - NIM

In 1Q20, NIM came to 18.3% p.y. in 1Q20, versus 20.0% p.y. in 4Q19 and 15.0% p.y. in 1Q19. This level is related to the robust spreads of our credit operations and the credit assignment volume.

R\$ MM	1Q20	4Q19	1Q19	Δ1Q20/ 4Q19	Δ1Q20/ 1Q19
<b>1. Managerial Net Interest Margin</b>	<b>1,183</b>	<b>1,231</b>	<b>818</b>	<b>-4%</b>	<b>45%</b>
<b>2. Average Interest-Earning Assets</b>	27,619	26,402	22,996	5%	20%
- Loan Portfolio	24,088	23,356	20,867	3%	15%
- Securities and Derivatives	2,534	2,394	1,988	6%	27%
- Interbank Investments	996	651	141	53%	-
<b>Net Interest Margin - NIM (% p.y.)</b>	<b>18.3%</b>	<b>20.0%</b>	<b>15.0%</b>	<b>-1,7 p.p.</b>	<b>3,3 p.p.</b>

### Allowance for Loan Losses and Credit Collection

The allowance for loan losses totaled R\$322 million in 1Q20, versus R\$301 million in 4Q19 (not considering the additional provision we made for the increase in the rate of social contribution on net income) and R\$276 million in 1Q19. In 1Q20, we sold a written-off loan portfolio for R\$33 million, contributing to the increase in the recovery of loans previously written-off as losses to R\$89 million in the quarter versus R\$59 million in 4Q19 and R\$53 million in 1Q19. Thus, the allowance for loan losses less credit collection totaled R\$266 million, versus R\$243 million in 4Q19 and R\$223 million in 1Q19.



The digital platforms has significantly contributed to the recovery of credits overdue, which totaled R\$139 million in 1Q20 and R\$ 612 million in the last 12 months.

## Costs and Expenses

Personnel and administrative expenses totaled R\$378 million in 1Q20, versus R\$402 million in 4Q19 and R\$277 million recorded in 1Q19.

Credit origination expenses totaled R\$276 million at the end of the quarter, versus R\$247 million in 4Q19 and R\$216 million in 1Q19.

Expenses (R\$ MM)	1Q20	4Q19	1Q19	Δ1Q20/ 4Q19	Δ1Q20/ 1Q19
Personnel Expenses	140	144	112	-3%	25%
Administrative Expenses	238	258	164	-8%	44%
<b>1. Subtotal I</b>	<b>378</b>	<b>402</b>	<b>277</b>	<b>-6%</b>	<b>36%</b>
Commission Expenses	222	190	170	16%	30%
Other Origination Expenses	54	56	46	-3%	19%
<b>2. Subtotal II - Origination</b>	<b>276</b>	<b>247</b>	<b>216</b>	<b>12%</b>	<b>28%</b>
<b>3. Total (I + II)</b>	<b>654</b>	<b>649</b>	<b>493</b>	<b>1%</b>	<b>33%</b>

## Income Statement

Net income totaled R\$170.6 million in 1Q20 with an increase of 2% from R\$167.6 million in 4Q19 and 77% higher than R\$96.1 million recorded in 1Q19.

The main factors that supported the results of recent quarters were: (i) strong interest margin and (ii) ongoing loan provisions and expenses under control.

Income Statement (R\$ MM)	1Q20	4Q19	1Q19	Δ 1Q20/ 4Q19	Δ 1Q20/ 1Q19
<b>Managerial Net Interest Margin</b>	<b>1,183</b>	<b>1,231</b>	<b>818</b>	<b>-4%</b>	<b>45%</b>
Allowance for Loan Losses <sup>3</sup>	-322	-301	-276	7%	17%
<b>Gross Profit from Financial Intermediation<sup>3</sup></b>	<b>861</b>	<b>929</b>	<b>542</b>	<b>-7%</b>	<b>59%</b>
Income from services rendered	109	115	99	-5%	10%
Personnel and Administrative Expenses	-378	-402	-277	-6%	36%
Commission Expenses	-222	-190	-170	16%	30%
Other Origination Expenses	-54	-56	-46	-3%	19%
Tax Expenses	-54	-74	-46	-28%	18%
Other	-52	-106	24	-51%	-
<b>Income before Taxes<sup>3</sup></b>	<b>210</b>	<b>215</b>	<b>127</b>	<b>-2%</b>	<b>65%</b>
Provision for Income Tax and Social Contribution	-40	-57	-31	-31%	27%
Net tax credit gain (CSLL)	0	196	0	-	-
Additional Provision (net of taxes)	0	-186	0	-	-
<b>Net Income</b>	<b>170.6</b>	<b>167.6</b>	<b>96.1</b>	<b>2%</b>	<b>77%</b>

The annualized ROAE stood at 13.7% in 1Q20, versus 13.7% in 4Q19 and 9.3% in 1Q19. The adjusted ROAE (unaudited) came to 23.5% in 1Q20, versus 24.6% in 4Q19 and 21.0% in 1Q19. The adjustment consists in the adequacy of two remaining legacies: (i) financial expenses excess related to fixed rate time deposits issued between 2005 and 2008 (average maturity in 2023) compared to our current funding cost

<sup>3</sup> The numbers in 4Q19 (unaudited), do not consider the Additional Provision made in 4Q19 due to the increase on "CSLL" tax rate (Constitutional Amendment n. 103/2019).



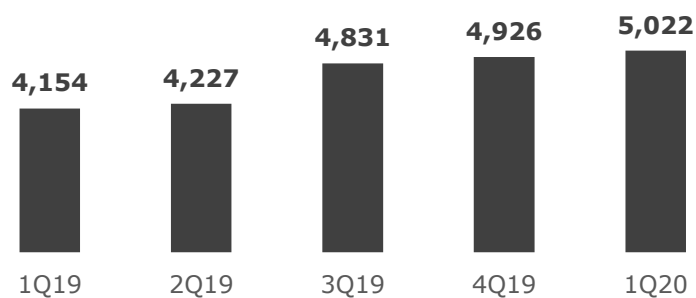
for the same term in the market and (ii) deferred tax assets excess related to losses, compared to the banking sector average, arising from the accounting inconsistencies found in 2010.

<b>R\$ MM – Unaudited</b>	<b>1Q20</b>	<b>4Q19</b>	<b>1Q19</b>
<b>Net Income</b>	<b>170.6</b>	<b>167.6</b>	<b>96.1</b>
Excess Interest Margin (Net of taxes)	54.7	59.6	50.8
<b>Adjusted Net Income</b>	<b>225.3</b>	<b>227.2</b>	<b>146.9</b>
<b>Shareholders' Average Equity</b>	<b>4,974</b>	<b>4,878</b>	<b>4,125</b>
Excess Tax Assets - Tax Losses	1,136	1,189	1,325
<b>Adjusted Shareholders' Average Equity</b>	<b>3,838</b>	<b>3,689</b>	<b>2,800</b>
<b>ROAE (p.y.)</b>	<b>13.7%</b>	<b>13.7%</b>	<b>9.3%</b>
<b>Adjusted ROAE (p.y.)</b>	<b>23.5%</b>	<b>24.6%</b>	<b>21.0%</b>

### Shareholders' equity

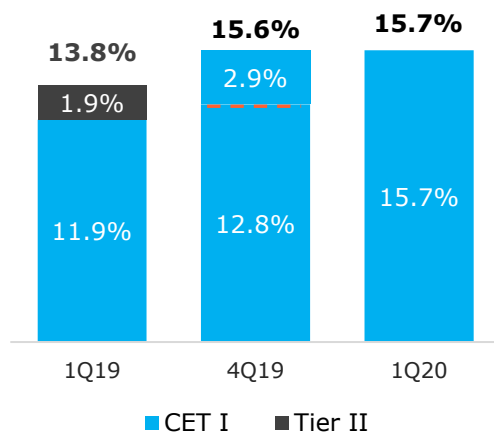
PAN's consolidated shareholders' equity amounted to R\$5,022 million in March 2020, versus R\$4,926 million in December 2019 and R\$4,154 million in March 2019.

R\$ MM



## Basel Ratio

The Basel Ratio of the Prudential Conglomerate ended 1Q20 at 15.7% (entirely Tier I Common Equity) versus 15.6% (entirely Tier I Common Equity) at the end of 4Q19<sup>4</sup> and 13.8%, (with 11.9% in Tier I Common Equity) in 1Q19.



R\$ MM	1Q19	4Q19 <sup>4</sup>	1Q20
<b>Reference Shareholders' Equity</b>	<b>2,546</b>	<b>3,081</b>	<b>3,212</b>
Tier I	2,033	3,073	3,204
Tier II	513	8	8
Required Reference Shareholders' Equity	1,880	2,073	2,154
<b>RWA</b>	<b>17,903</b>	<b>19,745</b>	<b>20,518</b>

## Ratings

PAN's long-term corporate ratings are presented below:

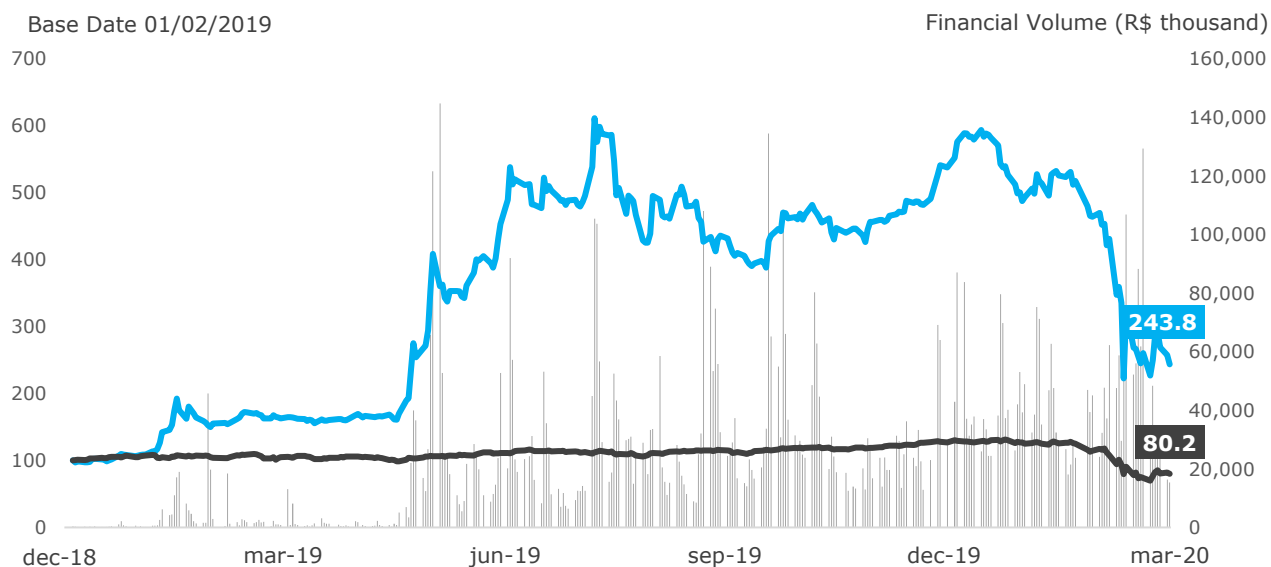
Rating Agency	Global Scale (LT)	National Scale (LT)	Outlook
<b>Fitch Ratings</b>	<b>B+</b>	<b>A (br)</b>	<b>Stable</b>
<b>Standard &amp; Poor's</b>	<b>B+</b>	<b>brAA-</b>	<b>Stable</b>
<b>Riskbank</b>	<b>Low Risk for Medium Term 1   9.46</b>		

<sup>4</sup> Basel Ratio considering the capital increase in the total amount of R\$522 million, approved by the Brazilian Central Bank on January, 2020.

## Stock Performance

As a consequence of the global crisis that significantly affected markets around the world, PAN's shares (BPAN4)<sup>5</sup> ended 1Q20 priced at R\$4.73 with an average trading volume of R\$45.0 million, versus R\$32.2 million traded in 4Q19.

On March 31, 2020, PAN's market cap was R\$5.7 billion, equivalent to 1.1x its book value.



Source: Reuters

<sup>5</sup> Listed in Corporate Governance Level 1 and in the following indexes: IBRA, IBXX, IFNC, IGTC, IGCX, ITAG and SMLL.

## APPENDIX

### BALANCE SHEET AS OF MARCH, 2020 AND DECEMBER 31, 2019

(In Thousand of Brazilian Reals – R\$)

<b>ASSETS</b>	<b>Mar/20</b>	<b>Dec/19</b>
Cash and Equivalents	753,303	1,234,219
Interbank investments	-	12,795
Securities and derivatives financial instruments	2,691,551	2,375,755
Interbank accounts	10,090	127,540
Lending operations	23,132,788	21,799,357
Lending Operations	23,851,366	22,485,395
Receivable on debt securities	1,099,264	1,142,697
(Allowance for loan losses)	(1,817,842)	(1,828,735)
Other receivables	2,123,778	2,470,232
Taxes	3,704,171	3,839,695
Other assets	316,029	351,504
Other assets and values	361,023	372,038
<b>PERMANENT ASSETS</b>	<b>205,921</b>	<b>214,996</b>
<b>TOTAL ASSETS</b>	<b>33,298,654</b>	<b>32,798,131</b>
<b>LIABILITIES</b>	<b>Mar/20</b>	<b>Dec/19</b>
Deposits	20,294,992	19,759,979
Demand deposits	28,156	26,574
Interbank deposits	9,296,702	8,365,928
Time deposits	10,970,134	11,367,477
Money market funding	243,393	295,805
Funds from acceptance and issuance of securities	1,880,605	1,868,324
Interbank accounts	860,684	933,731
Derivatives Financial Instruments	29,596	124,979
Other financial liabilities	2,650,171	2,086,843
Provisions	592,440	591,125
Tax liabilities	180,957	441,713
Other liabilities	1,543,916	1,769,464
<b>SHAREHOLDERS' EQUITY</b>	<b>5,021,900</b>	<b>4,926,168</b>
Capital	4,175,222	3,653,410
Capital Increase	-	521,812
Capital Reserve	207,322	207,322
Income Reserve	557,982	557,982
Other comprehensive income	(22,466)	(14,358)
Retained Earnings	103,840	-
<b>TOTAL LIABILITIES</b>	<b>32,298,654</b>	<b>32.798.131</b>

**QUARTERLY CONSOLIDATED INCOME STATEMENT AS OF MARCH, 2020 AND DECEMBER 31, 2019**
*(In Thousand of Brazilian Reals – R\$)*

	1Q20	4Q19
<b>REVENUE FROM FINANCIAL INTERMEDIATION</b>	<b>2,190,823</b>	<b>1,678,891</b>
Lending operations	1,780,674	1,733,537
Securities transactions	39,781	46,455
Derivative transactions	369,599	(101,403)
Foreign exchange transactions	769	302
<b>EXPENSES ON FINANCIAL INTERMEDIATION</b>	<b>(1,331,517)</b>	<b>(751,327)</b>
Funding operations	(1,009,655)	(449,968)
Allowance for loan losses <sup>6</sup>	(321,862)	(301,359)
<b>GROSS PROFIT FROM FINANCIAL INTERMEDIATION<sup>6</sup></b>	<b>859,306</b>	<b>927,564</b>
<b>OTHER OPERATING INCOME (EXPENSES)</b>	<b>(647,939)</b>	<b>(699,983)</b>
Income from services rendered	109,114	114,849
Personnel Expenses	(140,425)	(144,219)
Other Administrative Expenses	(513,116)	(504,938)
Tax Expenses	(53,651)	(74,028)
Other Operating Income	44,697	61,840
Other Operating Expenses	(94,558)	(153,487)
<b>INCOME FROM OPERATIONS<sup>6</sup></b>	<b>211,367</b>	<b>227,581</b>
<b>NON OPERATING EXPENSES</b>	<b>(1,166)</b>	<b>(12,628)</b>
<b>INCOME BEFORE TAXES</b>	<b>210,201</b>	<b>214,953</b>
<b>INCOME AND SOCIAL CONTRIBUTION TAXES</b>	<b>(39,643)</b>	<b>(47,383)</b>
Provision for Income tax and Social Contribution	(39,643)	(57,052)
Net Tax Credit Gain (CSLL)	-	195,747
Additional Provision (net of taxes)	-	(186,078)
<b>NET INCOME</b>	<b>170,558</b>	<b>167,570</b>

<sup>6</sup> The numbers in 4Q19 (unaudited), do not consider the additional ALL provision made in 4Q19 due to the increase on "CSLL" tax rate (Constitutional Amendment n. 103/2019).