

**Operator:**

Good morning ladies and gentlemen. At this time we would like to welcome everyone to Banrisul's second quarter of 2015 Results conference call. Today with us we have: Ricardo Richiniti Hingel, CFO and IRO, Werner Kohler, Head of Accounting, and Alexandre Pedro Ponzi, Head of Investor Relations.

We would like to inform you that this event is being recorded and all participants will be in listen-only mode during the Company's presentation. After BANRISUL's remarks are completed, there will be a question and answer section. At that time further instructions will be given. Should any participant need assistance during this call, please press \*0 to reach the operator.

The audio and slide show of this presentation are available through a live webcast at <http://www.banrisul.com.br/ir>. The slide show can also be downloaded from the webcast platform in the investor relations section of this website. There will be a replay facility for this call for one week.

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of Banrisul's management, and on information currently available to the Company. They involve risks, uncertainties and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Banrisul and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I'll turn the conference over to Mr. Ricardo Richiniti Hingel, CFO and IRO, who will start the presentation. Mr. Hingel, you may begin the conference.

**Ricardo Richiniti Hingel:**

Good morning to all. And thank you for your attention. We will try to explain the results and the cause of the results of the 2Q15 and 1S15 in the Bank. I will ask you for Alexandre Ponzi to make the beginning of the presentation. He will summarize the results and then I will make some considerations about, and especially, the scenario in Brazil that affected our results. And then we will be available for any questions. Please, Alexandre.

**Alexandre Ponzi:**

Thanks again. And I would like to apologize first because we started the call a little bit later than expected, because the Portuguese one took longer than we anticipated. But then it was most fruitful for Banrisul.

We are going straight to slide number 3, in which we are presenting our income accounts, in which that both NII and NIM have recovered. NII has increased a little over 18% year-on-year and 3.4% on the last quarter. This is due to the repricing of the asset size and to the fact the Banrisul is now being much more prone to charging and increasing interest income as well, both from credit and treasury.

NIM has been increasing according to our guidance. We now delivered, for the six first months of 2015, 7.8% year-on-year, and 7.9% if you just take the numbers for 2Q alone. So both in line with the trend.

Next slide is one thing that we were so comfortable of last quarter. But we did announce that it was not to be expected, that number should be multiplied by 4. We are talking about provision expenses, which increased 110% year-on-year, but decreased almost 25% on the quarter. The R\$710 million in terms of provision expenses that we have recorded for the 1Q include, not only the rolling over of our credit portfolio due to the ratings of the customers, but more importantly to chapter 11 issues that impacted the 1Q15, and the carrying over of some of the companies that were necessary to increase provisions throughout the 2Q.

We did assume that numbers of chapter 11 will not increase. Actually we have seen that they are dropping down. And then we feel comfortable in maintaining the guidance of cost of credit, at the top range of 3.5%, even though we did have rupture this level by 3.7% this quarter. We assume that there will be less volatility in the numbers that we will have to record the cost of credit throughout the 3Q and 4Q, and therefore, NIM should return and resume to a more normal pace as announced.

Again, I am not saying we are comfortable with the numbers, but we are working in maintaining good asset quality, considering the current microenvironment and economic environment both in Brazil and the state of Rio Grande do Sul itself. A result, as for provision expenses, it has reduced 3% year-on-year, but we have now seen recovered margins at the provision, if we consider the trend from the 1Q to 2Q.

On slide 6, we have one of Banrisul's most advantageous features, which is our funding, coming mostly, almost all, from our customer base. We have increased funding from customers at the 10% real rate year-on-year, and we maintained and even improved the cost of our funding, if we take just the CDP or the CPE, vis-à-vis the Selic rates, we have maintained range of 84%. And if we take all our funding base, the cost has been reduced from 82% to 80%.

More importantly, time deposits have increased their market share within our funding, representing about 67% of our funding base, again, only from customers. Cost of fund remains low, pulverized with real growth and loan to deposit ratio below 85% vis-à-vis time deposits, and 74% if you include our total fund.

Services and fees, on the very next slide, is one feature that Banrisul has performed quite well, I would say, even ahead of our own expectations. We have maintained a strong pace of 22% year-on-year, and 8% growing from the 1Q to 2Q. Main drivers for fees are still the acquired business, coming from Banrisul Cartões industry, and also from the insurance business as well.

As I mentioned, Banrisul Cartões is one the drivers of the fee growth. Zero, the acquiring network of that belongs to Banrisul Cartões has increased the number of affiliated merchants to more than 16% year-on-year, with now 172,000 affiliated merchants that are being operated on behalf of Banrisul.

With this, we were able to capture more than 57 million transactions, that increased 33% year-on-year. The financial turnover that is representative of the fees that we received from NBR of almost R\$4.8 billion, increasing 42% at the same 12 months pace.

Again, a very strong pace. And we are likely to maintain the same trend throughout the remainder of the year.

I did mention the transactions, because transactions are something that we are to increase and we are to maintain, even though it has a natural link to expenses, which we see in the very next slide.

Our administrative expenses, recurring ones, they have increased 10.6% YoY, and a little over 0.4% from the 1Q to 2Q. And if we do break down the expenses into personnel and other administrative expenses, we have seen that personnel expenses have grown in line with the wage increase that we observed in September of last year, 8.5%, 8.6%. Considering that our head count has decreased by almost 200 employees, but we increased the recurring season accounts of solving and handling the pension plan that we have.

Again, personnel expenses are a little more 60% of our total administrative expenses, increasing in line with the industry, in terms of the wages increase. Other expenses increased 13%, if we compare with the industry, ahead of them, at a strong pace. But they have two different drivers.

One, which is the driver of our ordinary OPEX, that has reduced both rates, increasing 1% year on year, and reducing 1% quarter on quarter. We are very comfortable with this level. We do believe that we are now being able to maintain a normal pace of growth. We will be investing into two drivers for businesses. One that we mentioned, which is the head acquiring one. That has helped us increasing the expenses on account of the transactions that we captured, that we have to profit them and to pay the interchange fee. And also from the origination of payroll loans, with the use of our company affiliated to Banrisul called Bem, A Promotora de Serviços de Operações.

These two drivers for expenses growth are connected, again, to businesses on slide 11. In which the card business has increased from R\$87 million to R\$127 million. The expenses that we mentioned as variable one, in terms of profit and payment of interchange fees, but also the gross revenues that we have made also increased from R\$246 million to R\$338 million.

In terms of origination of payroll loans, we are now talking about the portfolio that has increased from R\$2.4 billion to almost R\$2.9 billion. This is a 16.17% increase. It is a very strong increase. It is a very strong increase in terms of reduction and origination of credit, considering the environment. We also have to pay the fees for the Banking correspondence, related to this business.

But we are increasing, not expenses, we are increasing costs of the investments that we make into two vehicles that are helping us, not only fees, but also increasing NIM as well. Other operating income and expenses have returned to a more normal pace, in which the net tends to be a little slightly more negative. And we can discuss if you want.

Going further in income accounts. We can see that our net income, the recurring one, has decreased almost 6% from June last year to June this year, reaching R\$340 million. But this is on account of the fact that Banrisul has the impact of handling the Banrisul Foundation Migration restructuring processes that occurred throughout 1H14. That is why if these extraordinary expenses did not exist, we would have seen that our growth would have grown from R\$228 million to R\$339 million.

More importantly, the net income that we produced throughout 2015 is completely recurrent for the time being. Balance sheet increasing 11% year on year, R\$64 billion in total assets. Our securities portfolio, which is the liquidity of the Bank, almost 32% increase year on year, R\$16.7 billion, more than our treasury policy demands, which is the maximum between one shareholders' equity or 25% of our deposit base. Current liquidity ratio for Banrisul is almost 3 times our equity or almost half of our total deposit base. So Banrisul is very comfortable in maintaining its liquidity position.

Credit portfolio increased almost 11% year on year, reaching R\$31 billion. And it is composed by the direct landing, increasing 16.8%, R\$9.7 billion, and non-direct mostly working capital and payroll loans, R\$21.4 billion, 8.3% of increase. Our provision [15:20] the total credit portfolio. Even though they have increased a little bit R\$1.8 to R\$1.9 billion QoQ, they are in line with the guidance that we have disclosed at the beginning of the year.

And slightly breaking down our credit portfolio. 70% represent the non-via market credit ones, mostly, again. Payroll loans and working capital. But we do have our mortgages that represent almost 12% of our loan book. Agricultural or rural landing, 8.1% and long term, 8% of our credit portfolio.

Next slide, it just briefly breaks down our funding into the old vehicles debt, composed time deposits, saving deposits, local and foreign bonds that we have issued, now the clash of the market, that represent an important avenue to maintaining contact with the qualified investor, but they do not represent much, both in terms of market, the share that they have in terms of our funding, but more importantly, not impacting the overall cost of funding for Banrisul that I mentioned before, and I will repeat, that has been below 86% overall.

And also we have the assets that we manage on behalf of third-parties, that have increased from R\$8 billion to R\$9.3 billion year on year. Shareholders' equity after payment in dividend interest on capital increased 11% and 2% year on year, and quarter on quarter was flat.

The next slide is just a brief presentation of our most important indicators. We have maintained covered the issue at comfortable levels, both for 60 and 90 days past due credit. We have now been able to return to delivering ROE in line with the guidance. If we just take the numbers from last quarter, we would be within the guidance, at the bottom end of the guidance, but again within the guidance itself.

If we take six months accumulated numbers, it would be a little over 12%. Then on account of the expected performance for the remainder of the year, we have decided to maintain guidance for ROAE. NPL increasing a little over the 1Q, both in terms of the 60 and the 90 days past due credit. But in line, and we emphasize that, our delinquency levels are in line with the retail banking industry in Brazil. And our internal assets has improved 20 bps, from 1% to 1.2%, from March to June 2015.

The strong growth in terms of our fees has been able to cover almost 100% of our personal expenses. We have grown from 77% coverage ratio to a little over 90%. And we expect that this number will be matched will be an even number throughout the remainder of the year. And this is true for the efficiency ratio, which we have increased our performance from 56% to 53% in 12 months. Capital base total BIS ratio almost 18%, core capital of Banrisul over 14%.

Banrisul has a very comfortable capital position. And it is likely the core capital will increase, given the risk rate assets, the calculation for risk rate assets, are considering the trend of slower credit growth for the rest of the year and even throughout 2016, in which we are likely to increase core capital.

Number of employees, I did mention that we reduced about 200 employees throughout the last 12 months, which is very favorable. And we have now announced one early retirement program, similar to the one we had last year, in which we are now trying to cover additional part of employees, and considering that the pension plan programs have been handling, that we have been able to manage them, to instigate employees to migrate from one plan to another.

And that they would have additional elements in order to comply with the expectances of employees leaving Banrisul by accepting the terms of the plan, which could be in terms of a budget that we announced to the market, in line to what we did have last year.

Expenses in fact in Banrisul, on an extraordinary basis, had about R\$60 to R\$70 million until the end of 2014. And employees who withdraw the program, which will finish the enrollment period by September 15, will be required to leave Banrisul until the end of the year. Our network increasing 8 additional points, from 7.32 to 7.40, mostly coming from the change of mix, in which we reduced the number of services stations into branches.

The very last slide of the presentation is the guidance. We did discuss the guidance thoroughly before presenting, and then decided to review and notify only the credit growth. And we do understand that it is feasible to maintain the cost of credit for the rest of year, given that we are to reduce volatility in terms of the provision that will be recording throughout the year. All the other items have remained unchanged.

With that, I will pass the microphone over to Mr. Hingel for a brief explanation of other issues and then returning to Q&A session. Thank you.

**Ricardo Richiniti Hingel:**

Thanks, Alexandre. I will make some considerations about the results and specialty in the context that we are working in Brazil today.

It is very important to understand that results of the Bank and the performance of the Bank come exactly from the negative scenario that we are facing in Brazil, since the end of 2014 and that will continue into 2016. As we are forecasting, next year the scenario will not be more positive. We are today facing a recession. We are forecasting the recession in Brazil with a negative performance of around 2% for 2015. And even next year, the difficulties of the Brazilian economy will remain. And we do not believe that Brazil is going to grow in 2016.

That scenario is impacting our business environment, that we are collecting today exactly that impact in our growth of the credit. And the quality in credit, especially when we consider the maturity of the credit portfolio that is important to make some considerations. All banks in Brazil build their portfolio of credit in the last two or three years, when the environment was much more positive than today.

When the economy increased the quality and is not growing any more than 2% or 3%, and you said that today we are growing negatively, and the quality of the credit needs, of course, to increase, because the cash flow of all the companies, when the economy is not growing, these companies are generating less results, less margins, less profit and the risks of the companies in Brazil are growing. That is explained mostly by the delinquency that we are facing today. This is one point.

Another important point to understand the performance of the Bank is the liquidity. We are collecting much more funding that is very stable today, so that the collection of funding of the Bank is growing positively, as we are showing in our results.

The cash of the Bank is stronger today, we are growing the liquidity of the Bank, and, at the same time, if we consider that we are not growing credit, that is very important, the growth of credit is only nominal, it is not real. The real growth of the credit is not positive, it is negative.

If you compare the average of interest we charge in our portfolio, that is around 25%, when the growth is around 9% or 10%, we are actually reducing the real portfolio of credit. It is a very important consideration to do.

That result is represented by the interest of the strategy of the Central Bank in Brazil that is increasing the official interest rate, the Selic rate, in Brazil and they are increasing the mandatory deposits. This is very important to be considered. The total reserves in the economy are reduced, as being reduced by the increase of the mandatory deposits and the interest rate. The impact is adverse when we analyze the performance of the credit in Banrisul as a whole Bank in Brazil. It is very important to make that consideration.

But how the Bank is doing today, talking about plans to control the quality of credits and their profitability? It is very important that, in the first semester, we increased the interest rate in some moments and the last increase of the interest rate of the Bank was in the last 15 days.

That has been impacting the results of the Bank, when we are talking about the margin of the credit. Since the end of last year, we have been collecting the results of the margins or of the credits, impacted for the adjustment of the price of credits that we are doing.

That result demands time; we have a delay, because we have several operations from long term loans, and the retraction of those credits demands more time, but we are just collecting those results when we analyze the results of the revenues from credits and the general revenue for our Company or personal strategy that we are working on. That is the plan.

That movement is important to be faced for a new situation. When we increase the cost of credits, it is only because we are responding from the monetary policy of the Central Bank.

You need to offer less credit, you need to charge higher prices from the credits, because I, the Central Bank, need to fight against the inflation, because the inflation in Brazil today is around 9.45%. And that is what the Central Bank needs to do. It is a very competitive monetary policy that is impacting the portfolio of the economy and the results of our business.

Another issue that is very important for us, and that is very positive to compose our revenues and results, is the performance of the insurance revenues throughout the Bank. The growth of that revenue is very positive and credit cards are in the same level of growth, around 40% year-on-year. We understand that those revenues are very sustainable; we keep that performance for the next years.

That is a summary I would like to do in the beginning of the discussion with the investors and now we will be available for any questions. Thank you for the moment and we are ready to answer to any questions. Thank you.

**Carlos Macedo, Goldman Sachs:**

Good afternoon, gentlemen. A couple of questions. First, on your early retirement program, it is the second round from what you did last year. Could you just remind us of the lasting benefits of that program and whether you expect the same kind of benefit to happen this year?

The second question is regarding the fiscal situation of the state of Rio Grande do Sul; the state stopped making payments to the federal government, and making delayed payments to employees. Could you just give us a little bit more color on how that affects the payroll loans that you are giving out and whether we should see additional risk or maybe provisioning there to account for that. Thank you.

**Alexandre Pedro Ponzi:**

Carlos, starting with the retirement program, numbers and conditions are similar to last year's. The most favorable point is that employees understand what the implications of retiring today vis-à-vis last year are, when they were also deciding whether or not to change from the pension plan that we offered to defined benefits to the variable contribution law.

This has been proved, they know the terms, they know the burden that they have to face if they did not change and then the conditions are more fruitful towards, at least, reaching the guidance that we have. And again, even that the conditions and terms are quite similar, what we assume as we did have presented on slide 13, is that a similar impact in terms of the extraordinary expenses are closer to R\$60 million to R\$70 million, vis-à-vis.

This includes the number of about 600 employees leaving Banrisul from now on until the end of this year. The total number of eligible ones would be closer to 1,600. This is what we assume, but one third of that would be preferable, similar to the numbers that we had last year.

If, by any chance, this increases, Banrisul will also be willing to pay further expenses in order to reduce or to include the mix of expenses done with personnel that will come from the additional new employees going further. So you see, change of the mix, even maintaining the same number of employees that we have today.

With regards to the situation of the state, perhaps Mr. Hingel has some color to bring to this issue.

**Ricardo Richiniti Hingel:**

We will try to summarize the relation between the state and the Bank. The corporate governance reduced or limited a lot the connection between the Bank and the controller, or the Bank and needs of the controller, the Bank and the public sector. The law does not allow, for example, that we make loans with the controller or with the public sector; that is limited. The only public client that we have is the public servant and servant is a client of the Bank and that is one issue.

In the state of Rio Grande do Sul, first of all, we are always much more worried about the economic environment than the situation of the public finance of the state of Rio Grande do Sul, because what impacts our business is actually the economy of Brazil, not the situation of the finance of the state.

The state has problems today, as Brazil has problems in the public accounting today, and Rio Grande do Sul is one state that has problems and other states in Brazil have the same problem in finance, specially impacted for the recession in Brazil today, that impacts directly the tax revenues of the states in Brazil.

But, recently, because of the problems the states are accounting, they did not pay the whole wages in the last day of the month that is forecast to make the whole payment. They only paid the total wages of the public servant of the state on last Monday. Last Monday, they paid the whole wage, because they paid a part in the last day of July and on last Monday they gave the whole part.

But what is impacting the Bank? For example, the total exposure of the Bank with that client, the public servant of the state, is R\$4.9 billion; our total credit is R\$22 billion, and the total exposure with that client is R\$4.9 billion.

Half of this, R\$2.8 billion of those R\$4.9 million is payroll loans. Payroll loans are guaranteed; we are not worried about this, because the state of Rio Grande do Sul paid that, they understand that is not legal detaining their payment when paying the wage and those repasses for the Bank. That is illegal in Brazil.

That is so true, that we are even in a stage paying only around half of the total wage and in the first day of August they completely paid the whole payment of those payroll loans. That exposure of that payroll, is R\$2.8 billion and the installment is around R\$80 million. That is the exposure that we have with that plan.

From those R\$4.9 billion, around R\$1 billion is real state finance, that we are much guaranteed to receive, especially because we have the real state as a guarantee. Evidentially that it has worried us, but it is very important to understand what is the total exposure.

The R\$4.9 billion is the total, but the general credit that is not covered for the payrolls or the guarantees from the real state finance is around R\$1 billion; that is what can be exposed for the loan payment of the wages.

But this is important: the state of Rio Grande do Sul can delay or do not pay the payments in the correct time, but they will pay. We never considered that the state would not pay any more of the wage. As managers of the Bank, we need to consider the risks, but the measure of the risks has been considered. And that exposure, we want to represent the word for us, but we need to measure correctly how is the risk of that exposure.

Alexandre talked first about the retirement plan of the Bank, and I do not know if I was clear about it, because the exposure of the Bank from the state is not indirect exposure and it depends only on whether they pay or do not pay the wage correctly or not.

It is important: we are always assuring that the level of the disclosure or the size of that disclosure must be very understood by every analyst or investors.

**Carlos Macedo:**

It is pretty clear. Thank you so much.

**Saul Martinez, JP Morgan:**

Hi. Good afternoon. You partly answer my question with the previous response. But I will ask it in a more general term. Your stock over the last nine trading sessions is down roughly about 25% from already – you can argue – depressed levels. It is trading at 50% of book value, roughly around four times earnings. I would consider them distressed levels. What would you tell the investment community about how to assess the risks of your bank?

Because clearly the market is pricing in a lot of risks, extremely concerned about the economic situation, the fiscal situation of the State. What would you tell them about how to analyze your business, how to analyze your equity and how to assess the risk factors that are being clearly embedded in the stock price in a very meaningful way?

**Ricardo Richiniti Hingel:**

I understand all the issues that you explained. For investors it is very hard because, as we understand it, the communications with investors is basic for us – that is why we understand we need to explain it very well to investors and investors must absorb our explanations. We understand the explanations about the low risk – not a high risk – of exposure to the State.

It is a mission that we have, but we have some means to make investors understand. Because one thing is the risk – or the problem – of the controller of the bank. But the real impact must be measuring it correctly for investors. That is what we are trying to do, and we believe what we are explaining is very consistent. I tried to explain. Because what is the real risk about the State?

If the State does not pay, for example, the payroll – there are limits for the State to do this; legal and even the exposure that the State makes for public services if they do not pay, because it is not the State that will not pay, but public servants. Then public servants will be responsible for the credit, then there is a limit for the State not to pay their payroll.

If the State has not paid the total wage in the end of last month, it will pay the whole installment of the payroll loans. These R\$6 million are paid in the first days of august. And the whole question is: how does the judicial deposit impact on the bank? It has zero impact in the bank. It is hard to make the market – especially the market – understand this.

I am sorry, but if some investors do not understand this they will sell very badly their shares, their stocks of the bank. Our task here is to do what we are trying to do, to explain the real risks that we have with the public servants, not with the State. The State is bullshit in terms of exposure. The real exposure has been to measure with public servants. Public servants is what we are trying to explain now.

For example, the total exposure is R\$4.9 billion in a total portfolio of R\$32 billion. Then we need to understand what is the quality of the risk of R\$4.9 billion. We understand that is a difficult task, but we are trying to make that explanation. We are always sending, but we have limits to make conclusions. Conclusions are a responsibility of investors, of traders of the bank's shares.

**Alexandre Pedro Ponzi:**

And perhaps one of the things that we could use to try and answer your question is: we have to separate the issues regarding the fact that Banrisul is controlled by the State of Rio Grande do Sul Government. The State of Rio Grande do Sul is going through a very weak economic period, just like Brazil – a similar trend. To this we are indirectly exposed to: the environment in Rio Grande do Sul and in order to originate business, part of our NPLs do come from the fact that 80% of our business is done within the state of Rio Grande do Sul, again, indirectly.

As for the direct impact of the State as Banrisul's shareholder, Banrisul has been preserved. We have been able to maintain capital base, we were not and we cannot be used as a tool by the government to finance itself – there is a fiscal responsibility law that prevents the... *Companhias Abertas*. I forgot the word in English. *A lei das S/A* – all listed companies in Brazil are banned from financing controlling shareholders as well.

And we have not been used as such. Banrisul is a tool for collecting taxes for the government and for the State and has been used as a commercial bank for the provision of services. What we have been sensing so far is something we cannot control – the State announced at the end of July that it would postpone or it could divide the payment of the wages of the employees in different tranches throughout the month of August, not saying that it would cease any payment of wages.

It would be just a distribution throughout the very next 20-25 days, up to the end of this month, detailing in full by the beginning of this week. What has happened after that is that a public attorney requested that an injunction be issued to prevent Banrisul from collecting installments and any charge upon civil servers.

But the State of Rio Grande do Sul, according to the rules of payable loans, has kept the installment payments that civil servants owe Banrisul and other banks as well. Civil servants in the State of Rio Grande do Sul are at liberty of obtaining payroll loans at Banrisul or any other bank and we were the only bank impacted by this injunction of the public authority.

Again, the state, according to the rules, separates the parts that belong to Rio Grande do Sul paid in full in the very next working day in which it started paying wages in tranches, expected three tranches and were by the end of this week. So now the legal advisors of Banrisul are trying to dismantle this issue. The issue has not been solved as of yesterday. Our expectancy is that by the end of the week we may have some positive issues, if not we will go and discuss it even further.

We have talked to the Central Bank of Brazil because this injunction from public attorneys impacts not only Banrisul but all civil servants in terms of payroll loans. It puts civil servants themselves at risk. We are comfortable that this issue will be solved, but we are impacted. For the time being, no impact in terms of the numbers, NPL or provisioned expenses regarding civil servants.

And what Mr. Hindel mentioned is that, apart from the payroll loans that were paid to Banrisul, other loans that civil servants would have to pay themselves on account of the wages that have been paid distributed throughout the month, our exposure is sort of limited – limited to the collaterals that we have Real Estate with the properties – they owe Banrisul and we can repossess in case any payment is observed within the next 90 days or other types of credits to individuals that are clean, and this is limited currently to R\$800 million, R\$900 million.

But we are not talking about any ceasing of payments, just the distribution of payments throughout the months until the payment of the very next month has to start. We do know that this is a very sensitive manner, that we have been impacted especially from the delivering of the numbers, in which we presented a very strong and very robust number, the trend.

But again, it is something that we are now waiting to see what will be the final outlook of this dispute that Banrisul and the public attorneys have been engaged over the last four or five days.

**Ricardo Richiniti Hingel:**

Just to conclude what Alexandre said, we are very comfortable with that discussion because we understand, our lawyers understand, that it is not a State issue. That discussion is a responsibility of the Federal Justice, because the Central Bank is the one that regulates this and all bank regulations are a responsibility of the central bank, and that is just to take that discussion to Brasilia and take this to the Federal Justice, then we believe that it will be very ok to reassess that.

**Saul Martinez:**

OK. Great. Thank you for the thorough answer.

**Francisco Kops, Safra Bank:**

Hello, everyone. Just a quick follow-up from the last question. I understood completely the answers, I just did not understand: if it is confirmed that Banrisul will not be able to collect the money from public's employees wage, I did not understand if you guys will have additional provision expenses on that and what the sizes of those provisions will be. That is my only question. Thank you.

**Alexandre Pedro Ponzi:**

Francisco, this, I would say is the very last case. We do not think that this will happen, but if it does we will have to comply with central bank regulations. If we cannot collect the payments that are due to Banrisul, of course, provision levels will have to increase and we will have to immediately pay civil servants.

And there will be two problems, because actually they are paying at least the payroll loans through the retaining of the installments by the government and paying Banrisul, and Banrisul would not be able to use this account. And we will have to decrease the rating of those customers and we will have to readapt provisions.

That is why we understand this is an issue that is unlikely to happen and we are just waiting to see what the outcome for this dispute in the local scenario – in Porto Alegre's Forum and etc. – will be like. Our expectancy is that by the end of this week we will have the answer, and if the answer is not satisfying to Banrisul, Banrisul will pursue different levels, we will go beyond the borders of the State of Rio Grande do Sul in order to defend ourselves.

**Ricardo Richiniti Hingel:**

And it is important to reach that situation, and first of this the Central Bank will need to be part of this because it is not only Banrisul – it impacts the whole Brazilian system of banks. And then a lot of things will happen in the future to reach that moment that Alexandre commented, making some provisions for this.

But before we do this we need to talk to the central bank, the central bank will need to be part of that discussion, take that discussion to Brasília, remove that discussion from the state's justice, take that to the national justice, because the impact is not only on Banrisul, it is in all the banks in Brazil. That is why we are comfortable that we will not reach that moment in which we will need to make some provisions for that. Because we understand that we will solve that problem before this happens.

In theory, we need to consider this, but in reality we are not considering this.

**Francisco Kops:**

OK, so if I understood it correctly, you guys will wait for the State to issue a decision, then after go to the central bank and try another judicial steer and then only later you might do provision for expenses on that, right? So the time for that is probably 30 days, I do not know. I do not know if you have the timing for this.

**Ricardo Richiniti Hingel:**

Just to finish, yesterday I had a meeting with our lawyers and our lawyers just discussed it with the public authorities. The opinion is very optimistic – they cannot guarantee the positive solutions, but they are very optimistic about the solution because the discussion was very technical and the first decision, of the first judge that triggered that problem was much more political than technical. The discussion now is more technical, and we believe that when the discussion is more technical that is very favorable for us. Is it clear?

**Francisco Kops:**

Sure. I understood it. Thank you so much.

**Operator:**

I would like to turn the floor back over to Mr. Hingel for his final remarks. Mr. Hingel you may go ahead with your final remarks please.

**Ricardo Richiniti Hingel:**

OK. Thank you, everybody. We understand the situation of the controller, which sometimes analysts tend to confuse what connects with the business of the bank, and we are very worried about it, but it is our total interest to make all the explanations needed. We are very attentive to this and available at any moment to update the information or even open that information further. Thank you very much for your attention and, I insist, we are available for other, individual conference calls to explain that, because it is our duty. Thank you very much.

**Operator:**

The conference has concluded. You may disconnect your line.

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