Banrisul's 1Q20 Results Presentation

Conference Call – May 12, 2019

Operator:

Good morning, and thank you for standing by. Welcome to Banco do Estado do Rio Grande do Sul, Banrisul's earnings call to discuss the results relative to the 1Q20.

Here with us, we have Mr. Marcus Staffen, CFO and IRO; Werner Kohler, Head of Accounting; and Mr. Alexandre Ponzi, Head of Investor Relations.

We would like to inform you that this event is being recorded and all participants will be connected in listen-only mode during the Company's presentation. After that, we will start the Q&A session for analysts and investors only, and then further instructions will be provided. Should you need assistance during the conference call, please, request the help of an operator by pressing *0.

A replay facility of this event will remain available for the coming seven days.

Before moving on, we would like to state that forward-looking statements made during this conference call concerning the Bank's business outlook, financial operating targets and projections are based on the Company's assumptions and also on currently available information. Forward-looking statements are no guarantee of performance. They involve risks, uncertainties, and assumptions as they refer to future events, which depend on circumstances that may or may not materialize. Investors should have in mind that general economic conditions, industry conditions and other operating factors might affect Banrisul's future performance and thus lead to results that will differ materially from those expressed in these forward-looking statements.

I would like to turn the floor over to Mr. Marcus Staffen, the Bank's CFO and IRO, who will start the presentation. Please, Mr. Staffen, you may carry on.

Marcus Vinicius Feijó Staffen:

Good morning, everyone. During today's call, we will use slightly different dynamics. Here with us, we have our CEO, Cláudio Coutinho; our Deputy CEO, Irany de Sant'Anna.

So Coutinho, I will ask you to please make the opening remarks and I will jump in and add some comments about our highlights. And then Alexandre will carry on with the presentation as we usually do.

Good morning, Coutinho. You have the floor, please.

Cláudio Coutinho:

Thank you, Marcus. I would like to thank you all for participating in this call as we will discuss the results for the 1Q20. I would like to ask you to go to page two of the presentation, if you will. As expected, we will have a challenging 2020, high competition and an increase in the tax burden, which affected banks.

The COVID crisis radically affected the scenario. We are expecting a challenging competing year, but our profits were poised to grow, but we see a completely different scenario. There is no reliability in the current scenario that would allow us to have a future-looking view. The only certainty we have is that the economic situation is dire, and that we will have an increase in default.

We at Banrisul are working very hard with our clients. We have started taking decisions around new contingencies for this new situation, and have been renegotiating contracts and adopting different measures, in short, trying to buy time, if I may, to try to see a clearer picture as we move forward.

So as we look at the slide on page 2, starting on March 16, we started having daily management meetings to follow-up on the scenario and measures taken. So we have different pillars for our actions as it relates to the crisis.

Number one, sanitary measures that we took to preserve the health of our employees and clients as well. We moved everyone to home, to remotely working from home, especially those who belong to risk groups early on. The IT team, technology information team, worked really hard to make that migration happen.

And with that, we managed to move an expressive number of employees to work from home remotely. About 3,000 employees, only 8% are working on site. In other words, 92% of our headcount are working from home as we speak.

As for our branches, half of our staff is working from home and half is working on site, peoples who are not under risk groups and, of course, working always with an eye at minimizing their present risk.

So that started in March 16, and from March 16 to today, we have five cases of contamination by COVID-19, so we are keeping a close eye on that and how they evolve. And we decided to hire a reference hospital in the city of Porto Alegre to service us with consultations around the necessary protocols to address this unexpected situation.

So the questions were around what measures we should be taking, and we have been taking their advice. And as I said, that started on March 16. As for the branches, the whole network is open.

That was a decision that we took, of course, in accordance with the law, and we also started serving clients on-site during very limited window from ten a.m. to 12 p.m. So retirees or pensioners, people who have more difficulty in accessing us through our digital channels. But they are advised to limit their presence at the branches, and there are physical concrete measures to preserve everyone's health. And then, from 12 p.m. to four p.m., we would service clients who are not under the risk group.

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And the same goes to our employees, they are all using masks. We have included different plastic partitions, and mask and face shields to protect them from contamination and to increase their security and their safety level. So basically, that said, this is a combination of several different measures we took to face this health situation.

From the economic standpoint, we realize that this economic paralysis would, of course, create difficulties to our clients as well. So we have created different lines of action. We have extended maturity dates, both for individuals and for legal entities. For individuals, we are giving a 90-day grace period to pay the next two installments of credit lines we have offered. And then, of course, for small and mid-sized companies, we are doing something similar, extending maturities of outstanding loans for the next 60 days.

On top of that, we have increased by 10% their credit limit for their company's purchases. And for real estate credit, we have also changed the maturity of installments. So we have also addressed those issues to try to diminish risk for us.

So as I said, the main approach here was to address the different installments, maturity dates and so on. As for payroll loans, we have also redesigned the process. So the next three installments would be added to the remaining balance of the contract at the end of the maturity period for those payroll loans.

This is possible especially with state civil servants. They really bought into that program, both at the state level and at the city level. And that was possible because of a very good and hard work conducted by our IT division, who made that possible. And that goes, of course, both for individuals and for legal entities, they all have access to apps that made their lives a little easier in terms of addressing loan issue.

We also looked at the different credit limits. As I said, we have extended contracts for another 60 days to try and mitigate those dire situation that they are facing. And we have exempted smaller clients from monthly fees at this point, and also provided specific conditions during March and April for the Vero accredited stores that operate on minimum sales conditions to be eligible to special interest rate. An example is monthly fees as I said, besides offering free-of-charge POS.

In the agribusiness front, of course, depending on the different situation, different case, on a case-by-case basis, for those who were more affected received extensions of up to seven years for their outstanding loans, for those more impacted by COVID-19 and drought at the same time. We also created an app called ProAgro Fácil to make their lives easier in terms of accessing that facility.

On slide number four, I emphasize the digital channels that we are offering. One of the few side effects of this crisis is that we will emerge at the other side much more digitalized than we are right now, right? We are making, as I said, a lot of effort to deliver more digital products. So as you can see here on the slide, the month of March, just as a reminder, we do not have the numbers from the recent months, but the numbers for digital channel transactions for until March are very, very up-trending. So the idea is to keep people from moving from leaving home and going to our branches.

So clients, of course, will enjoy different limits, right, for transactions, as you can see on the right-hand side of the slide. Also, our ATM machines, we have increased the cash withdrawal limit that clients can do on a daily basis.

Now I give the floor over to Marcus Staffen, and I will be back at the end to address possible questions or comments you may have.

Please, Marcus, you can carry on.

Marcus Vinicius Feijó Staffen:

Thank you, Coutinho. Very briefly, before we go into the numbers *per se*, on slide number five, we have the highlights, and I will make brief comments on those highlights, not only as they refer to results and numbers but also to our guidance given the current scenario, a scenario in which we had a projected covenant, and this was put together late last year.

All the change we have been going through, of course, eventually affect the efficiency of those plans. And we chose to discontinue those plans. And as soon as we have a clearer picture of where indicators are pointing to, the ones we were using before to make those projections, we will resume those indications to market.

As for our financial highlights, I would like to basically highlight three points: number one, our capital structure. We closed the quarter with a base of 15.1%, exactly the same as late 2019, which provides the Bank with a very solid structure, very consistent capital structure. Once again, 14.3% is referring to Level 1, with no other instruments in Level 1, and our subordinate funding, which will mature in 1.5 years.

Another important point is that the Bank has maintained a liquidity level, which is also quite robust, at around R$30 billion in our treasury, which is also providing a lot of safety for us, right? And that, of course, comes from a funding structure, which, of course, is one of the main pillars of the Bank, a very diversified funding structure, focused on individual revenues. And, of course, gives us some level of comfort as we go through adverse conditions.

And lastly, a brief comment on provisions and cover ratio. It is adequate hitting for this moment. We have maintained our ratio for 90 days at around 230%, which is totally in line with the main retail banks out in the industry. And of course, we monitor, we follow-up on market movements, on how our portfolio is behaving, so that we can define our strategies going forward.

And now I would like to give the floor over to Ponzi, who will continue with the presentation. And then at the end, I will be back to address your questions. Alexandre, please you have the floor.

Alexandre Pedro Ponzi:

Thank you, Marcus. As we have been through the introduction through the current scenario and some of the pillars, let us go a little deeper in the numbers, if you will. We have those numbers starting on slide six, and then on slide seven, we have net income, R$257.5 million. That net income is recurring. There is no adjustment in the number for the quarter. And as for the accounting income, we see a drop vis-à-vis December at 35% when we compare that to March last year.

And as to the recurring income, 27.7%, and why? It has been said that there were impacts on margin, especially under a very competitive scenario with some reduction in the Selic rate, but at this time, the main factor is the limiting factor on interest rates as it refers to overdraft transactions.

The Bank has had an increase in provision for net income, and the growth has been slow but positive, something close to 2% at our services front. And on the other hand, we were efficient in containing expenses. We are focused on the Bank's recurring efficiency, but we have seen some impact as we try to put together the net income for the quarter.

After that, on slide eight, as we talk to the net interest income, and we see a drop of 9.4%. That came from that effect from the new overdraft limitations, and our portfolio has been growing, where spreads were higher, but relatively lower when compared to other portfolio mixes. Still, we managed to deliver net interest income at 7.8%.

Provision expenses grew 12% in 90 days, and they grow on top of a need that we have to work around a more shielded credit portfolio. There is a slight increase, 4% in two months, but that is totally in line with the portfolio's profile, a portfolio where we have a dominant presence of individual loan, especially for payroll loan. So in that respect, it is fitting to the current moment, with an emphasis on the fact that the Bank is monitoring all that. And if the need arises, we will make adjustments in provision expenses.

Funding, on the other hand, has been growing strongly. We have grown 8% in 12 months, 1.3% in one quarter alone, and the main product is the term deposits. The average cost of that funding is still below 90% of Selic.

So in other words, it helps us improve margins, but on the other hand, we have some of the profitable assets. That relation credit deposit, that ratio where we are standing below 70%, or close actually to 60%. So that of sort offsets that, and now we are using the Bank's liquidity, and we will see that in detail in a moment. We are using that in assets, which are also indexed to the Selic.

But the cost of funding has been sitting at the same level irrespective to market behavior. And that is positive for the Bank. Funding is done in retail, it is growing, and it allows the Bank to have future elements to be able to better address its asset structure.

In terms of services, there is a seasonal drop, which is natural when compared to December. This is a period where the behavior is different when compared to the end of the year. But we saw a growth of almost 3% in 12 months. That slightly low growth, it was expected because we are talking about a structure which has been under pressure, especially through payment means, which had been addressed before, and from which different alternatives will emerge so that we could serve our clients.

So pressure coming from payment means had been exerted throughout 2019, and the expectation was for it to continue this year. The different element here is that to increase that entry, there was no expectation to generate revenue coming from other products probably that could mitigate that.

For example, insurance and car consortium. There is a limitation to the Bank's efforts, and also in our speed, to leverage other fee generation categories to improve that entry. But still, a 3% growth in 12 months. It is a type of growth, which is in line with the current market scenario.

As for administrative expenses, we had already shown a very strict control of them. And we have once again shown that if we add up the whole scenario plus other administrative expenses, we see a drop of 3% when compared to the same quarter of last year or of 5% when we compare to December. So there is a down-trend or a tendency for us to see a recurring improvement. But that's, of course, condition to the environment, where we operate, not only us, but other banks still operate today.

Other adjusted expenses, we see a behavior brought in by other entries, labor, and others, we did not see such a substantial growth in the quarter, but we can discuss that later if you feel you want to.

In terms of assets, slide 15, our asset structure has grown 7% in 12 months and 2% in the quarter. To date, the Bank has total assets of R$83.3 billion, as of March. But with a structure, which has been more impacted by the TVM portfolio, which has grown significantly. We have that thing here, 12 times 38%, and then three of 27%. For 23, we have to exclude the fact that there was a release for deposits, which were added to those resources to be able to address those assets.

But still, if you were to exclude compulsory deposits, it would have shown a 15% growth in three months. That means, as it has been said before, not only the Company's capital funding structure quite resilient, probably the main strength of the Bank with very controlled costs, still, when you go through periods such as these current periods, the Bank tends to be resilient, facing its retail clients. It tends to be seen by clients as a very solid institution. So we continue to grow, and our structure is seen as very robust.

And in terms of credit granting, we are seeing a very conservative, but we have a securities portfolio, which is quite strong. It amounts to 83 against 30. It is something like 40% to the Bank's total asset structure. Our credit portfolio has grown 5.5% in 12 months, supported by a growth in commercial credit, especially for individuals, as I said.

But in the quarter, it hast not grown. It does show a very linear behavior, but that linear behavior needs to be emphasized because in December, and that's when we saw a growth of 34%, and from September to December, 34% to 36.2% are being added in terms of structure, temporary structure, to put together a credit portfolio. They are so basically credit lines for the payment of civil servants and certain things, salary payments.

With that, there was an increase in December of R$1 billion, but short-term line, which have a quick amortization period, they are amortized in 12 months. And that amortization represents a natural drop in the portfolio in about R$300 million. So there was indeed a growth of the entries for commercial credit when we look at it by line, and break it down by line.

But in the aggregate view, we can see that the portfolio is quite robust because there was no level of risk exposure to other product mixes, such as corporate credit, for example, which we saw in the retail financial industry.

So the Bank's exposure is under a more defensive portfolio formation. And so we explore a specific opportunity, and that was announced throughout last year, especially in what refers to products linked to agribusiness.

The breakdown of the credit portfolio on slide 18 is exactly the same as we have seen before, their relevance in individuals and also on payroll loans, irrespective of the product mix, and it goes to finance INSS, public civil servants at the federal, state and city level, but we have different channels, but all of them with similar uptrend and speed. And the branches account for 62% of our payroll loans, and our bank line to feed on the INSS and public servants, which amounts to something close to R$6 billion in the portfolio.

So that is the main focus of our credit portfolio. A very defensive portfolio, as you can see. And because we are not exposed to higher risk products, it is able to deliver a linear type of growth from December last year through March this year.

On slide 18, just to give a clear snapshot of our payroll loans, it does have 10% of growth in 12 months. In March, we saw a growth of 0.5%. We have been bringing down that number because some of them make no sense. Some of them were trying to meet regulatory measures to free up compulsory deposits, but 12% to 11% feels good with credit takers.

This balance of the provision, on the other hand, which affect the cover index, saw a slight growth in top line, and also in relation to December. But it is at a percentage point of something around 7.5% or 8% of the whole portfolio, as we have always done.

So that provision in March was adequately fitting to the risk level of a defensive payroll. The Bank grew 3% in three months. Today, we have something close to R$8.1 billion in terms of results.

Lastly, just a summary of the main indicators for the Bank. Adjusted return over shareholders' equity is a return that is dropping because of that effect on the result. But it is totally in line to what we have leasing around in retail banks, 13.6%. Return on assets also saw a drop, but once again, the market saw a 1.3%. Default level has been flat, with a slight growth in 12 months.

But here, once again, it is in line, it is in close correlation with what the market has seen. Just as the cover ratio, today, we have 230% of our credit portfolio for 90 days, which is covered by provisions already made.

The Bank's efficiency has not improved in the quarter because of this scenario, which is affected, but it does have an element that shows that we have helped avoid a slight deterioration in the index because of the strong position in terms of administrative expenses. But we can see that on this slide below, while we have payroll today, it is not 100% covered by services and fees.

Today, it is close to 100%. In other words, there are some elements avoiding a stronger leverage on the success rate in promoting some products, which are relationship products. And that leads us to have a slight drop in payroll coverage. But from then on, we are quite comfortable, be it Basel total or Basel level 1.

And we have other structures. Marcus had already mentioned that because of the unpredictability of the scenario, we opted to discontinue the guidance. So right now, I think the main element to be discussed that have been brought to the table.

So it would be timelier to turn the floor over to you, ladies and gentlemen, so that we can address questions and comments that you may have. Thank you. So we can start the Q&A now, please. Thank you for your attention so far.

Giovanna Rosa, Bank of America:

Good morning. Thank you for taking my questions. I have two questions. Number one, about the renegotiations you have been conducting. I would like to know how you are treating those renegotiation rounds. Are you maintaining the same level of risk for clients?

And number two, to margins, you did mention there was an impact coming from overdraft facilities. If you could give us some more color on what you expect in terms of margin evolution unlike other banks, which have already reported their earnings. There is a difference in terms of what we expected, especially in what refers to margins, not so much for provision. So if you could comment on that, I would appreciate it.

Marcus Vinicius Feijó Staffen:

Giovanna, let us first address the issue of the margin. You have an interesting point there. There is one direct effect coming from the overdraft facility, as we mentioned during the presentation, and we predicted that this would happen.

In our statement on page 20, we have a breakdown of the different ranges by type of product. We have excluded the overdraft facility effect in that breakdown. But for individuals, that remains stable, which is something we were expecting, to be honest, because in large part, we had already captured that in the turnover of the portfolio as we were granting new credit, so we saw that coming.

And even for a legal entity, the effect was quite low when compared to previous quarters. On the other hand, when we see the drop in Selic, given our funding structure, margin tends to be favored as well in the scenario of a drop in the Selic. So if we have a growth dynamics in our portfolio going forward, I think our margins tend to be positive throughout the year.

Giovanna Rosa:

But at the same time you see a drop in Selic, you had an increase in the cost of funding, correct?

Marcus Vinicius Feijó Staffen:

But not in practice, actually, because if you analyze term deposits, it remained constant. We might see a normal dynamic. And if we consider the cost of funding without the effect of derivatives, if we look at only the funding cost per se, as we are talking about the USD bank liability, that number will go up. But if we consider the consolidated effect, it is stable throughout the quarter.

We made it a point of demonstrating the cost of funding for CDB or bank deposit certificates, which amounts to something 70% of our funding, and that has remained constant at around 90%.

And then, about the provision, maybe Irany can address that.

Irany Sant'Anna:

Good morning, everyone. All those renegotiations made, they were first done with clients who were with their payments made on due dates or up until 14 days of the due date.

We are not improving their conditions, but we are not making them worse either to answer your question. We will observe the behavior it will have, and we are looking at that and as industry-by-industry basis, some are facing more difficulties than others. This could mean raising cash and putting together a new line of revenue. But as for those who were already in default, we are not considering the rating.

We are maintaining the same conditions of risk as before, and with a note, we are assessing the real capacity of repayment of the industry to then think about provisions, which might be fitting or more fitting to this hostile environment we are going through right now.

But at this point, our main concern is to provide the necessary time and time for them to reorganize their businesses so that they can renegotiate under viable repayment conditions. Of course, we are also keeping an eye in maintaining our balance sheet at an adequate level in terms of risk. But we are maintaining clients' risk levels, to answer your question.

Giovanna Rosa:

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Okay. If you could comment a little bit on the dynamics vis-à-vis the other banks, we saw an increase in provision of over 100% in most banks. In your case, the number is only 4%, and we see a significant worsening of the economic scenario right now. So if you could comment a little bit on that and what we could expect in terms of provision increase going forward, because your increase in provision was quite low, apparently.

Irany Sant'Anna:

I think Coutinho might help me out here, but our cover ratio is quite significant, quite strong when compared to the industry. So we were able to maintain a similar index to some of the main banks.

And as Alexandre mentioned very emphatically, our credit portfolio is quite defensive, conservative. We have a very strong participation in the payroll loan portfolio, 15%, 16%. We have R$4 billion in real estate credit, with real guarantee.

We also have an important portfolio for the agribusiness front, and they react quickly to the crisis, because food is what they produce, and it is readily needed. So we have the impression that we are in an adequate position in that respect. We have 70% of individuals and 30% of legal entities, that's the proportion of our credit portfolio, which is much more adequate than what we saw in 2015, 2016, when the percentage of legal entities was higher, the rates was higher for corporations, which provided a higher impact back then.

One of the justifications for an increase in provision was portfolios where you had clients who were leveraged in USD, and we do not have that. We are very diversified and quite conservative. As I said, we are paying close attention, and we will make the necessary provisions to address risks.

Giovanna Rosa:

Thank you.

Yuri Fernandes, JPMorgan:

Thank you. Good morning. I have a question about the payroll loan. We have seen several initiatives in Congress and the Senate, and the Federal Justice have banned banks from collecting that. That changed later. But the bottom line is that we are seeing an emphasis on the payroll loans. What can you tell us about what you have seen happening in that front?

And if you could give us a breakdown of your payroll loans, what percentage of that comes from the state, from the INSS, the federal government, so that we can have a clearer picture of the risks we can see in that portfolio for our payroll loans?

Also along the same line, I have a question about the state of the city, especially the city of Rio Grande do Sul. What will happen if they delay their payments? How will that reflect in the portfolio? Of course, we have to take into account the unprecedented crisis.

And the third question, what is the percentage of your portfolio which has already been renegotiated? Thank you.

Cláudio Coutinho:

I will answer part of your questions, and then others will provide the numbers. We are monitoring all judicial decisions coming from Brasilia. The decision they made was totally absurd, and was lifted immediately. And of course, we need to be ready to respond to whatever judicial decision comes our way, right? And we have been able to meet at least the initial demand in a very organized manner, in a way that we will not need to violate contracts but rather to renegotiate the contract in question.

In our case, that possibility is not present to renegotiate at our state employees or city employees, and the demand has been very low. I do not think it reaches 15% of possible or potential contracts, for which we had requests for renegotiation. We still need to think about this new behavior of consumers vis-à-vis this new situation, how people are reacting. Maybe people are choosing not to raise their debt levels.

We need to better assess this new behavior. It might be that we are seeing that, in fact, in those requests to renegotiate could be made via an app, the mobile, and still, we do not see that happening. We need to try and understand why the demand has not peaked now for state employees. For the city employees, we are talking about 500 cities, and around 380 will try to renegotiate. But the others thought it better not to offer the possibility of renegotiation.

So that is our view in terms of potential contingencies, but we think the possibility is remote for those contingencies. And we have mentioned other options during the presentation.

As for the state, we are monitoring the state’s fiscal situation. We see that their official spending is happening as expected. But of course, there are some issues in terms of tax collections. Of course, there will be a reinforcement coming from the federal government, but we are still waiting. That is the type of contract that we need to wait. Perhaps provide an additional provision, but it will be paid or repaid because there is guaranteed.

As for the numbers themselves, maybe Alexandre Ponzi could address that and give you a breakdown of those terms.

Alexandre Pedro Ponzi:

Sure. I will just provide you a breakdown for the Company's credit structure. Let us start on the macro, go then micro. 77% of the commercial portfolio, 79 of 77 are personal portfolios, under which payroll loans account for 44% of the Company's total portfolio spread to different channels. INSS and states are the most relevant. INSS holds 21% of our credit stock and state employees, 14%.

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Bank payroll loans, we have INSS accounting for 40%, and state employees, 32%. But if we analyze that closer, we are talking about 21% and 14%, respectively. And therefore, city, 5%; Federal, 2.5%, and slightly above 1% for others. So 44% is linked to payroll loans under those channels.

And what is the rationale in terms of expected behavior for those portfolios today? The current environment is negatively impacted throughout our industries. But in terms of payment and installments, some delays might happen, some default might happen. But unlike what we see in the private sector, we do not expect to see loss of revenue.

And there are, of course, measures that have been taken unilaterally by state, city, or federal government, that have a lower impact in revenue predictability that will affect repayment delays.

If we talk about INSS payroll loans, the government announced early on in March that they would anticipate the 13th salary, which would be paid between September and December. We have already anticipated payments to the end of April, early May, and the second installment of that will be paid in May and June. That, of course, reduces the expectation of a worse performance in terms of quality of those credits, for those portfolios.

As for state employees, the state has managed to pay through other funding, but the bottom line is that they have been able to address that in terms of mitigating funding and, of course, drop the burden on payroll loans for us.

Of course, we also have financial aid coming from the federal government, but our portfolio is heavily weighted for INSS and state employees. 35% of our portfolio is in the hands of those two big groups.

And unlike some analysts might think, INSS is the most relevant portfolio because the origination channels are twofold. They are coming from branch and the bank correspondents, because state workers depend on the relationship with the Bank, which makes their lives a lot easier, especially for that public, especially with the measures that the Bank has implemented, trying to mitigate the financial impact during the crisis.

So that public is paying 100% service. The Bank's IT efforts have directed services to all clients, of course, but this specific public has seen the best service. They can do everything digitally. And of course, you still have effect on the post-COVID scenario in terms of efficiency.

Irany Sant’Anna:

If I can make an observation about provision, there was a delay on the part of government in salaries and wages, and we thought about making an additional provision for payroll loans, but that was not converted because we were waiting for the normalization of the situation. So today, we are still with a higher provision than what was necessary to cover for that possible delay.

So it is important to highlight the following: when we have 36 months or more terms, that is the most significant value in our payroll loans portfolio. For the primary cases, people usually renegotiate, especially for those with over 36 months. So in terms of provision, we are relatively comfortable. We still have some ground, some elasticity in terms of that.

Until March, we have realized around R$200 million in those installments. But I do not have the final number here. That is about it.

Claudio Coutinho:

The updated number for March, R$400 million in installment, and that includes renegotiation, individuals, payroll loans, small and midsized companies, everything.

Yuri Fernandes:

What is the monthly amount?

Claudio Coutinho:

You mean how many contracts deferred?

Yuri Fernandes:

No. How much does the Bank usually collect in terms of installment a month? Do you have that number for us to have an idea vis-à-vis those R$400 million?

Claudio Coutinho:

This is for three months, so different time windows. So those R$400 million, I could say R$100-and-some million per month.

Yuri Fernandes:

Okay. That information about INSS is quite useful, quite important. I thought it was even higher than for the state.

Irany Sant'Anna:

Just to confirm, I have that number. I made a mistake. I mentioned R$200 million, but I had noted down R$400 million, which is the correct number. In terms of the renegotiated installments.

Yuri Fernandes:

I would like to take the opportunity to have a follow-up question. I know that the Bank is quite liquid, but should one of those measures coming from the Senate or from the Chamber come to be or come to pass, what will happen to the Bank's liquidity ratio vis-à-vis those installments still to be paid by payroll loans, especially the portfolio more concentrated on that? Is there a source of concern for the Bank to improve liquidity? What is your interpretation of liquidity vis-à-vis your credit portfolio?

Claudio Coutinho:

So the question is if we have any expectation in terms of payroll loans? I did not get your question.

Yuri Fernandes:

No, in case something comes from Brasilia, from the Senate or from the Chamber, judicial decisions or law, how will that affect the Bank's liquidity level vis-à-vis payroll loan portfolios that you have? I would assume that you, as being focused on payroll banks or payroll loans, will see a larger impact on your cash flow on your liquidity. The point is you are quite liquid. But would that be a source of concern for you, decisions made in Brasilia?

Cláudio Coutinho:

As for payroll loans, that has no impact on cash flow. But there might be an economic consequence, but not on the financial front. So from the point of view of cash flow, again, I do not see that as being relevant. Our cash position is quite robust, and it is on the uptrend.

Marcus, could you say something?

Marcus Vinicius Feijó Staffen:

Yes. That is an interesting point. If we analyze the cash position at the end of March, even with discount in the compulsory deposits liberation, it would still be larger than January, February and even December. So that liquidity issue is quite well addressed by the Bank.

And as I mentioned early on, it is more than enough, more than what we need to sustain or to address any more sensitive situation that might emerge going forward.

Yuri Fernandes:

Okay. Thank you.

Operator:

The Q&A session is over, and I would like to turn the conference over to Mr. Staffen for his final remarks and the executive team.

Marcus Vinicius Feijó Staffen:

I would like to thank you all for participating in our earnings call relative to the 1Q20. And a big thank you to our shareholders, employees and partners. We continue to work hard to go through this crisis, and that we can continue to deliver good results, and of course, the participation of the Bank in the development of the state of Rio Grande do Sul. We are looking to maintain a solid institution.

And so once again, thank you all for participating and being here with us and see you next time. Thank you to all my executive colleagues to be here as well. Thank you.

Just as a reminder, questions which were not answered, can be sent to our IR team, and they will be answered. Thank you.

Operator:

Thank you for participating. Banco do Estado do Rio Grande do Sul's conference call is now over. Thank you, and have a nice day, everyone.