**Back, is**
**Banrisul's 1Q25 Results Presentation**

**Conference Call – May 15, 2025**

**Nathan Meneguzzi:**

Good afternoon, ladies and gentlemen. Welcome to Banrisul's video conference to discuss the results for the 1Q25.

This video conference is being recorded and the replay can be accessed soon, right after our results and earnings call. It will be available in our website on Investor Relations. And, in addition, the broadcast has simultaneous translation into English. If this is your preference, just click on the button you can see on your screen.

Today's event will be divided into three parts. First, our CEO and President, Mr. Fernando Lemos will talk about the main highlights of this quarter; next, our CFO, Mr. Gonzaga will discuss in greater detail the main figures and performance for the quarter, and we will finish this event with our traditional Q&A session with our market analysts.

Now let's start our event. Mr. Lemos, the floor is yours.

**Fernando Lemos:**

Thank you, Nathan. Good afternoon, everyone. It's a pleasure to be here with you holding this video conference.

Last year, in May, we had our headquarters completely flooded, I think you remember the tragedy, the flood that took place here in Rio Grande do Sul. It was a lot of pain here in Rio Grande do Sul, but thanks to the resilience and the support of Brazil and even from abroad, Rio Grande do Sul is back, is strong again, investing strongly. And today, we can say our situation is much better, and we have to celebrate the return of Rio Grande do Sul to its normality and productive capacity.

And in Banrisul, we are here, we are here back in our headquarters, in our head office 100% fully working back then in last May, we were 100% of the time online. No client, no customer suffered for a lack of service. All of our branches were virtualized, so we kept our service provisioning, which proved our technical capability.

And in our highlights, we are presenting a net income of R$241.5 million in the 1Q, an improvement of almost 30% year-on-year, and a reduction of 15% if compared to the last quarter because it's the 1Q and it's a traditional occurrence.

So we can say we are truly happy with our figures. Our financial margin had an increase, reaching R$1.514 billion, our net interest income, our cost of risk is 1.4%. Administrative expenses are within our limits. We have full control over the Bank's operation. Our assets reached R$151.3 billion. For the first time in the history of our Bank, our loan portfolio also had a growth of over 18% the last year in the previous 12 months.

Last year, we said we were going to direct our loan portfolio more to companies, and this is what is going on. The flood has brought some problems. But anyway, we are advancing more and more so that the Bank's mix is adequate and better adapted. And our funding is in the order of R$98.5 billion.

These are the figures of our institutions. We are focused on the Bank's performance. Right now, 4966, this new law directs the workings of the Bank and our CFO, Mr. Gonzaga will later talk to you about this new regulation.

And once again, I want to tell you that we are happy to see our state advancing strong again, thanks to the collaboration of our people and the collaboration of the whole of Brazil. We will always be grateful for the people of Brazil and the people of Rio Grande do Sul, who knew how to face the terrible tragedy.

We are rebuilding Rio Grande do Sul, this state, preserving nature in a proper way, always keeping in mind that we need to bridge our work today with the future with our tomorrow under a different basis, so we can respect nature, learn with what happened and may take Rio Grande do Sul ahead. Banrisul is almost reaching 100 years of its foundation, and we are getting ready for the next 100 years.

Thank you very much. Mr. Gonzaga, the floor is yours.

**Luiz Gonzaga Veras Mota:**

Good afternoon, everyone. As our President said, in this last quarter, we had R$241.5 million with a growth of 28.8% if compared to the 1Q24. In the past quarter of 2024, I always led to a readjustment. There was a recovery in loans. And so the performance was better in the 4Q24. But point by point, our earnings, our results are within our expectations, confirming our idea.

Our net interest income is like the gross spread today, based on the form of calculation according to 4966 regulation. If you compare the 4Q24 to the 1Q25, we have 8.6% increase, a slight increase in the past quarter of 0.2%. Our return on investment is 1.6, if measured against the 1Q24. And the asset performance of the last quarter of 2024 was very good. There was a slight drop, a slight reduction in the 1Q25. But the expectation is very positive.

Next, our loan portfolio had a good performance so far. And based on the recovery of the economy of Rio Grande do Sul, our main market with 18.6% year-on-year in the past 12 months, in this quarter, there was a 2% increase, and for individuals, 12.5% in the past 12 months in the commercial portfolio, obviously. And in the quarter, 2%, highlighting the portfolios of personal loan, overdraft in credit cards portfolios. We have been working on granular retail market portfolios, which have a better margin, and this is what we have been focusing on, daily retail, in our individual commercial portfolio.

For a company, it's no different. We have been working on retail strongly. We have the *Conta Única*. This product has a good margin for small and medium-sized companies, and also for companies with higher turnover with higher sales for Rio Grande do Sul, but mostly small, medium-sized companies, they rely a lot on this *Conta Única* product. The quarter-on-quarter reference is 23.4%. And the other products led to a 9.2% growth and 2.7% in the quarter for companies. We have been working very well with this portfolio.

The market in Rio Grande do Sul is very strong, the foreign exchange, very good ACC and ACE in this market. We like this market because it gives us a very good margin in services. So in the past 12 months, we have 86.2% growth, and we have evolved. This is a portfolio we have been exploring, Banrisul clients would work with foreign exchange. And now we are focusing more on this segment. Unlike in the past, we are focusing on this segment. This is a segment of strong, capitalized companies that have foreign exchange service, and also funding and commercial loan services. So other services are tuned.

In terms of our asset quality, it's within our expected range. We are working with our statistic models based on 4966 regulation, but this equation hasn't changed much. Our default ratio

from 90 to 360 days, 2.2% for individuals and 2.1% for companies and portfolio by stage; 94% of the portfolio are in stage 2 of the Company. Cover ratio by stage, Stage 1, 1.7%; Stage 2, 20.8%; and Stage 3, 64.1%, totaling 5%.

If you look at Provisions and cost of risk or net provision expenses and cost of risk, we closed the quarter with 1.4% working on both ends. Equalizing these figures, these figures were systematized and streamlined so that we could work with comparable figures, differently from the model we had followed up until March 2024. Now we are using the same database and equalizing our figures using the same level of information.

Next, please. In terms of administrative expenses, we have been working very strongly on this side, consolidating branches. If you have two close branches, we put them in the same point, so we do not need so many points open. And today, basically with individuals using their cell phones, we do not need as many branches. So we have been streamlining the number of open physical branches, and likewise, we have been reallocating costs related to rent. So working very strongly to reduce the administrative expense. We incorporated PLR and PPR, and even with these two other results, we had the collective agreement in maintenance and conservation of assets totally 4.1% in growth if compared to the 1Q24, a little below INPC. In the 1Q25 it was R$1.159.4 billion, and the 1Q24 was R$1.114.2 billion.

However, we have been working to decrease these expenses and to control these expenses. Although we have made investments in IT and many other investments, even with these investments, we are keeping our expenses under control, cutting expenses whenever possible.

In terms of service fees, in the past, there was a growth of 2.2% in the 1Q25 compared to the 1Q24, there was an evolution in this area in the past quarter. In the 4Q of the year, Vero holds it and helped us in this front with our acquired company led by cards, accounts, which have a fee that we charge from our clients. We also have insurance consortium, the foreign exchange product helping us in this area, with a growth of 2.7% quarter-over-quarter in revenues coming from account fees and the banking system, specifically with the contribution given by digital banks.

The system has been cutting a lot of revenue in these areas. So we need to adapt to this new market to compete with this banking services market. It's a struggle to keep these revenues under these limits. We need to find other sources of revenues like foreign exchange and other services. And Vero helps us very much on this front.

In terms of funding, 82.2% cost of funding, 80% with a small increase in the global cost of funding, all portfolios, and 86.7% in the deposits. And if you take the indexer, we have evolved the total of this portfolio. And if we add 14% due to the savings accounts, we have 13.6% and 12.7% in savings. This is our natural hedge we have been looking for.

With the increase in the tax interest rate, we have prefixed portfolio, especially in payroll loans with a lower margin, and with these portfolios with the evolution of Selic interest rate, we need to be careful to maintain the margin. And the portfolio, we have been working the prefixed service with a lower cost of hedge, we have been working strongly in this portfolio to maintain the balance of the Bank between liabilities and assets.

The total of the portfolio of funding and deposits, LCA, LCI and other bank notes and saving deposits has an evolution of 14.1% at the level of Selic, if you measure Selic in the period for the past 12 months. So it covers everything: time deposits, judicial administrate deposits, demand deposits, savings, bank notes. This is a very friendly cost for funding. We have been working to maintain a safe margin of profitability in the 1Q, as we have reported.

Assets under management showed an evolution of 16% and in the past 12 months if you compare March 2024 with March 2025. This is a comparison mark year-on-year in the volume of the portfolio. And if you look at the slide, you have on March 2025, R$19,770.6 billion, and March 2024, R$17,030.2 billion. We have a very good relationship with the municipal governments and we have evolved in the services we provide to them, and we hold a very good market share with these clients. Most of our portfolio, 2/3 is related to assets under management.

In terms of our capital, we had a small decrease, 15.8% in the past quarter. That is the Tier 1 capital change. There was a small drop, and we reached 12.8%, but it's a manageable figure. Soon enough, it will be back to normality.

We have been working under the new model based on 4966 regulation. There are debt accounts and overdraft checks, and we are not using this. If the client does not use the services, if you tell them we are going to lower their limit, we are not working with this operating margin, but as from the 2Q on, when the client is under default, we can decrease their limit, their overdraft limit, and this will make a difference on the order of 1% or 0.5%, so it will be back to this number. This is a pretty manageable figure. We are not in a hurry to make this balance.

So this would be our base figures regarding performance related to the 1Q25. We are available for your questions to discuss these figures in more detail.

**Ricardo Buchpiguel, BTG Pactual:**

Good afternoon. Thank you for this possibility. I have two questions. First, we have noted there was an increase in the default ratio for the 90 days in this quarter. Could you talk about this increase in the default ratio? Is there any segment that is more challenging regarding quality of credit?

And my second question, the provisions of civil up to R$221 million, they fell quarter-by-quarter. Why do they have this drop? Could we look R$120-130 million as a recurring figure for next quarter, or is it due to another impact?

**Luiz Gonzaga Veras Mota:**

Starting with your last question regarding the levels of provisioning for civil lawsuits and labor suits, in the past quarter, in January, always, we realigned these figures related to labor lawsuits and provisioning. There was a decrease, but numbers are not so expressive.

But the idea is that it will get back to normal. We will wait for new numbers. There's always a difference, there is always a change, but we expect this to be a straight line. I would say this quarter is a little atypical in the sense.

**Werner Kohler:**

In labor costs in the past quarter of 2024, there was a higher provisioning due to a collective lawsuit. And in this 1Q, we did not have to do with that so we are back to normal regarding labor suits.

In civil suits, we need to revisit the base every semester, we do that according to our legal policies. And as we revisited this basis, there was this change between possible and probable that will affect these numbers. And the past quarter, there were some labor lawsuits and that were dealt with last year. So now we do not have to deal with them.

**Luiz Gonzaga Veras Mota:**

Regarding the 90-day default rate, regarding the regular loan portfolio we are in the beginning of this new modeling system. The models have been tested and retested. However, we still need to perform or to make some adjustments. The economy is not so inviting, there is a high interest rate. And all of this always leads to some level of cost risk.

And we work on the conservative side. So we wanted to change more and give more volume, credit volume and better provisioning based on conservative perspective. But default rate has been heavy in the market, and we are no different.

But our real estate portfolio is collateralized. The payroll loan is also very good, and the retail companies portfolio is very strong, too. There's always some claims, but these numbers are under control and well calibrated in terms of provisioning.

**Ricardo Buchpiguel:**

That's perfect. Just a follow-up regarding this last comment. Could you talk about this increase in the default rate? Was it pushed by credit given to individuals, to companies or payroll loan?

**Luiz Gonzaga Veras Mota:**

Individuals in the non-payroll there is default rate, it's under control, but there is. And the companies, it's for the low-ticket retail area. This area has suffered with a certain level of default.

**Olavo Arthuzo, UBS:**

Good afternoon, and thank you this presentation. I have two questions. First of all, I would like to ask you about payroll loans. We saw the incumbents showing their earnings results and medium-sized banks talking about that. So it's worthwhile listening to your opinion about this product. And I could divide this question to be more objective into two areas. First, I would like to understand what is the position Banrisul has considering this product, and what is the strategy the Bank is adopting right now?

And the second part, could you talk to us about the basis you have of credits and loans, how many of them have CLT, a fixed employment relationship? And could you talk to us about where are you aiming at regarding each line of the guidance from this quarter on?

**Nathan Meneguzzi:**

Olavo, let me ask you, are you talking about the payroll, the private payroll or as a whole?

**Olavo Arthuzo:**

Private payroll.

**Ivanor Duranti:**

Regarding private payroll credit or private payroll loan, we started this in our branches and also in our Bank app, and in the next few days, we will start operating this from the digital portfolio. This is a small operation, we are in the beginning of it. It's pretty residual in terms of the total value or our payroll service.

But we have expectations regarding this payroll loan service, considering the business strategy for this product. And our expectation is a positive one, considering this product from the second semester of this year on.

**Luis Gonzaga Veras Mota:**

We need to be careful with this product. We need to check the Company we are going to work with for this payroll loan because there will be risks if it's distributed with no criteria, simply providing this payroll loan. You need to be very careful before attributing these loans. What is your second question?

**Olavo Arthuzo:**

Gonzaga, just a follow-up on this question. If could you talk about how many of them are private employees, or CLT in Brazil?

**Luiz Gonzaga Veras Mota:**

Our payroll loan portfolio, out of the R$19.6 billion, I think that's the figure, R$30 million are private payroll loans before this model. And it's a pretty healthy, small portfolio, with an excellent margin, but we have not operated in payroll loan with companies in a generalized fashion.

We do have payroll loan with companies, but with very few of them, it's a very healthy portfolio. But usually, we work with municipal government in the state of Rio Grande do Sul and INSS. It's the same for any banks in Rio Grande do Sul, with the Brazilian Social Security Institute.

And there is the regular level of default rate, and for municipal government, it's a profitable portfolio. With the flood, there was a reduction, a stop over this receivables, and after 4 to 6 months, the clients restarted their payments.

The other non-payroll loans for individuals, usually it's for civil servants, they have access to these payroll loans to finance their vehicles. Eventually, we have a product called *Credito Minuto*. Sometimes our clients take this loan, and they pay this loan by the end of the month. It's a very good margin.

And talking about the other part of your question, what was that?

**Olavo Arthuzo:**

I just wanted to confirm this with you. It's okay. And the second question is about the guidance. It's a very broad guidance, right? Could you provide us with a north for this semester, for this next few quarters?

**Luiz Gonzaga Veras Mota:**

Our margin is 7% to 12%. It's 8.6%. So it's within our expectation for the guidance. Now I work with the spread, the margin is based on the growth spread. We are strongly working with retail. And naturally, the margin will have to be high. Our portfolio is concentrated on retail, which has a higher margin for companies and individuals accounts.

In non-payroll loans, they must have a margin because they have a high risk associated, but it's a growth margin. And on the other side, there is provisions. In the net revenue, it's not going to be all connected to the margin. In our credit or loan portfolio, we have a moderate appetite related to that due to the macroeconomic scenario, due to the high interest rate. We

are providing credit. We are providing loans, but we are being selective. We are not working without care, we are working very carefully.

And we have 1.2 as the figure, and we hope to get to 2.2 for our collection, for the default rate over 90 days. And we will work very hard on collecting and to reduce this default rate, and also reduce administrative expenses, because there may be claims due to interest rates and due to the economy scenario. So we need to control expenses so we can have good numbers at the bottom line.

**Antonio Ruette, Bank of America:**

Thank you for your time and for allowing us to make questions. I have two questions. First of all, I read in your slides that the prefixed funding has gained more relevance in the past year. And as Mr. Gonzaga said, it can help us to maintain the difference between liabilities and assets, especially when there is the scenario of changes in interest rates. Is this a trend that will continue, these margins of prefixed services getting more relevance to decrease this mismatch between liabilities and assets?

**Luiz Gonzaga Veras Mota:**

Yes, that's our policy. We have the basic product in the market for retail banks, as all of our competitors do. We have automatic CDB product with a residual value that is in the clients' account, like R$100 or R$15. They returned this into a remunerated account. This is automatic, it's an automatic service for the savings account.

Obviously, it's previously agreed upon with the client, and this helps clients to manage their account and it can be used throughout the month. It's a prefixed product, and we also have those operations, the LCA operations. Real estate, letters of credits, CDBs, and we have competitive rates considering the markets and other banks that work with this modality.

In letters of credit, some of them are rural credits. We work with prefixed interest rate for rural loans. We have these products that can be matched. So as time goes by, we want to have a residual difference between assets and liabilities based on these indexes.

This mismatch was higher in 2021, 2022 when there was a change in the interest rate during the pandemic. However, this number has been reduced, and this is our trend. We like to have spread and not risk in the fees.

The Selic interest rate is 15%. If it goes down to 10%, you can work more loosely. But in general, we like to operate based on the interest rate. And the difference, the mismatch is very small. It does not change our results.

**Antonio Ruette:**

Thank you very much. The second question, with the accounting change, you started reporting for the three stages regarding the portfolio breakdown, and I would like to pick your brains regarding provisioning moving on. What are you going to look for? Because before you had those coverage targets for 90 days default rate, but what is the policy from now on? Are you going to have a target coverage for Stage 3, or a coverage for each stage, or total coverage on 90 days? Could you give us some ideas on provisioning? That would be great. Thank you.

**Ivanor Duranti:**

We have been adopting a conservative policy. We presented the covered percentage, we have been announcing them per stage. And we look at the quality of our loan portfolio, and

because we have a policy of not being aggressive in the granting of this portfolio, we want to keep with good businesses, good spread, giving priority to short term, giving priority to collateralize operations with receivables, payroll loans with a conservative policy. We will keep on growing. However, we will be basing our work on short-term operations and safe operations.

**Luis Gonzaga Veras Mota:**

And point number one, the priority here is an aggressive collection policy. To maintain our negotiation with the clients to negotiate the debt with clients. So the idea is to go and collect and keep a surveillance on debt with our clients.

**Antonio Ruette:**

Just a follow-up. When you look at the coverage of each stage, you would just say because we are learning to base our coverage on stages. I believe from now on, we look at these numbers from a different perspective. When you look at the coverage of each stage, that's an adequate, proper value, that's a conservative number according to you, right?

**Werner Kohler:**

Yes. I just say that Stage 3 pulls a higher provision, which is necessary due to the 352 resolution by the Central Bank that places a portfolio from 1 to 5. And in portfolio 5, we have a minimum step of 50% within the classification or ranking of clients that have become problematic clients. They start with 50% right on. And even if the model works with something a little lower, we are obliged to work with this minimum provision based on the Central Bank resolution. And as these problematic customers are on this portfolio number 5, there is this provision of 50% and above.

In this specific point, the 64% represent the necessary provision for Stage 3, and as time goes by, as operations will be written off by the end of the period of time, it takes to get to 100% of provisioning that is 18 months or portfolio number 5. That will be something near 50% and 100% as time goes by, according to this Stage 3 classification.

Stage 1 and Stage 2 are the pure model applied to the portfolio under these stages. Stage 1 is the portfolio that is working with good performance, and Stage 2 has some days.

**Luis Gonzaga Veras Mota:**

From July 2026 it will be changed. But in this transition phase, we will look for a growing line, a steady line. But as we lower our written off these credits, these loans, they are with a default rate of 120 days, and in April or May next year, every month, there will be new newcomers and that will be paid off.

In this scenario, we will learn. We have new models to work with in a new stage, new phase. We need to change our mindset to welcome new this new stage, this new phase. Statistically, it will be different. And when we equalize everything that we need to do, it will be just like 2682 regulation, after this transition period is over.

**Eduardo Nishio, Brasil Plural:**

Thank you for this opportunity. I have two questions as well. First, regarding the loan growth, there were some areas that grew very much in this quarter. And in spite of the slightly more challenging scenario, you are growing in individual loan, overdraft service grew by 18% quarter-by-quarter. I would like to understand a little bit more how you are growing in this

higher risk products. And if you could talk a little bit more about the Conta Única, a product for companies that had an exceptional evolution in this past quarter. Comparatively, the past quarter was not so good, but it grew 23% if we consider a more normalized basis of comparison. So could you talk a little bit more about Conta Única and advantages compared to competitors?

And my second question has more to do with payroll loans and the crisis of INSS, the Brazilian social security funds. And according to the news, the system has stopped. Could you talk a little bit more about the funding of this product related to the INSS, the social security, or are you also stopped? And could you talk about the products that will be impacted by this? Payroll credit, payroll cards, are they all stopped, are they all interrupted?

**Ivanor Duranti:**

Thank you for your question. We have been growing in individuals portfolio, looking for new customers in the market, and even clients that were already in our customer base that started taking loans from us.

Now we are working with a digital account through our app. We are reaching to 200,000 accounts, new clients, new accounts all over the country, but mainly centered in Rio Grande do Sul because the Bank fully has its operation mainly here Rio Grande do Sul, and also in the state of Santa Catarina.

Regarding Conta Única product, it's one of our main products, and in companies, it has a receivables collateral from credit cards, receivables, debit card receivables, bonds, picks. In all financial flow, they serve as a guarantee for this *Conta Única*. It has a big advantage for client. They have an overdraft limit, and they take this limit as they need. They pay banking fees every month, and this has a very clear advantage. As these operations are based on IOF tax, the clients can manage the effective cost of the operation, managing this in their own companies.

Regarding the payroll loan for INSS, we are not operating. We cannot work with the margin, working with Dataprev, and we do not work with benefit card or a payroll card related to INSS. Our product there is personnel payroll loan. And we have been waiting for this period. It must be closed, interrupted for 60 days, and the clients, they can work the Minute Credit line, so they can use this. They have a credit limit, the so-called Minute Credit. They can rely on this form of credit according to their capability and the amount of payroll they have with us.

**Eduardo Nishio:**

Just a follow-up. You mentioned new clients. Are they clean clients? Or is there any type of guarantee or collateral in individual loan?

**Ivanor Duranti:**

They are individual clients in the digital side. We are making available credit card in current accounts as well as funding services, insurance tag. We have been making these services available to all of the clients who open a digital account. They can have this services. They can have tags. They can pay tolls for their vehicles too, there is a series of services.

Regarding personal loans, they are pulverized services like the example of Credit Minuto, they are clean. Operations based on the payroll they maintain within the Bank. They receive the payment through the Bank with us.

**Yuri Fernandes, JPMorgan:**

Thank you for this opportunity. I just want to ask you about expenses strategies for the medium and long term. Banrisul has an important coverage in the state, it has done some optimization of some of its channels in the past. And my question is about the efficiency, it's a little higher if compared to other peers, it's around 65% more or less. And expenses has grown keeping up with inflation, which is good. But what is the mission of Banrisul regarding expenses?

I am asking you this because a larger bank is talking about being more aggressive in terms of expenses because they lost some fees. There were some caps, there were some changes in the rules of interchange, the profitability of retail has been changed in the past 5 years. So what is your strategy concerning the cutting of expenses or the management of expenses?

**Luiz Gonzaga Veras Mota:**

Expenses are part of the organizational structure. You need to invest. You need to spend money to make things work. If you open a new branch, depending on the size of the branch, depending on the cost of rent and the cost of employees and the whole structure you need R$200,000, R$300,000. You need to use this money.

But from the macro scenario or the macro standpoint, we will work to correct the expenses related to the rent of some of the branches in payrolls. They are not so elastic, but we do have some strategies. The Bank has been relying on to try and decrease that. We have some voluntary dismissal programs and other strategies that can help us retain our control expenses. And everything we can do, like in terms of reduction, rent reduction over time, that's what we do.

Payroll expenses, they have to do with collective bargain agreement and other expenses, there's nothing much we can do regarding these expenses. But sometimes when you have like several branches in cities like Porto Alegre, Caxias and Santa Maria, we have been streamlining the number of branches. If they are too close to each other, we try to close down one of them and keep just one, working strongly in the digital side to gain scale in the businesses and products we offer.

We have recently signed a deal with a 24-hour Bank. We are changing our ATM basis. Right now, our ATMs will reach 2,000 ATM machines, and an ATM can do most of what an employee can do in a branch, in a physical branch. It's important to remain with our employees at the branches, but we have been working to reduce the number of ATMs in the branches. And our ATMs are open and fully working.

Our ATMs today, they are open to any clients, even clients who are not Banrisul clients. We have 180 associated companies that can work with our ATM. So it's an open bank. Open to customers and clients who are not Banrisul clients too. So this generates revenue. It's a source of revenue. We get some banking fees coming from these ATMs. And throughout these years, we plan to reach 1,000 machines. And next year, we will finish this operations of overhauling the number of ATMs outside the network in petrol stations, gas stations in supermarkets, in other areas.

We are replacing these ATMs, and this change has provided a very good service coming from clients who have, for example, an account with a digital bank. They will use our ATM and pay a fee, and this fee comes to us. Of course, we will pay for the implementation and the rolling out of these ATMs, but they will provide us with some fees, the fee related to usage throughout the state of Rio Grande do Sul, and this will lead to cost reduction as time goes by.

**Yuri Fernandes, JPMorgan**:

That's super clear. The strategy of monetizing a part of the revenue always helps. You can maintain expense, but you also have a new source of revenue, it makes sense.

Just a final question on capital, and I am sorry if you already talked about that, but it caused attention the change in Tier 1. Your Tier 1, 100 bps. I do not know if it's 4966 regulation and if Bacen has something to do with that.

**Luiz Gonzaga Veras Mota:**

As I mentioned before, we have a massive credit or loans that is available for clients. That accounts from companies overdraft, for individuals, for companies, credit cards and these available lines, and Banricompras as well. All of these sources of loans are available.

For example, a client may have R$10,000 in the limits. They can use R$5,000 and they still have 5,000 available. According to the 4966 regulation, we can reduce this limit for the client, if I observe the client poses risks. I can change the limit. The limit was R$10,000 and I can lower it to R$7,000, for instance. This regulation is not fully operational yet, but we will complete this operation and let our clients know.

If I can do this with the client, I can change the requirements for capital stock for the client basis. And this index of 15.8 million will be back to 16.8 million, one point. So we still need a couple of days additional days to implement this model.

**Irany Sant'Anna:**

Just to add something to his answer, there was a different methodology before, and we will be back to the use of the same capital requirement methodology. But we still need to adequate this methodology in the next few days.

**Yuri Fernandes**

That's clear. Based on this 4966 regulation, there was a change in strategy and other banks are optimizing limits, and then they decreased the headwinds that you had in this quarter.

**Luiz Gonzaga Veras Mota:**

Yes, based on our operating evidence, we can change the evidence and reduce this capital for this available loan or available credits for our clients.

**Yuri Fernandes:**

This is just out of curiosity because you are well above the minimum, just to understand the moving impacts. .

**Nathan Meneguzzi:**

With this, we wrap up our Q&A session, I would like to thank our President and our Director here. I would like to thank the participants, the analysts with us. Our IR department is available after this call. If you have further questions. We know there were many changes related to the 4966 regulation. We can answer your questions or any questions you have regarding that.

Thank you very much. See you next quarter, and take care.

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