Company Participants

- Eduardo Mazzilli de Vassimon
- Marcelo Kopel

Other Participants

- Amit K. Mehta
- Boris D. Molina
- Carlos Gomez-Lopez
- Carlos Macedo
- Eduardo Nishio
- Eduardo Rosman
- Jorge Kuri
- Mario Pierry
- Natalia D. Corfield
- Philip J. Finch
- Saúl Martínez
- Victor A. Galliano

MANAGEMENT DISCUSSION SECTION

Operator

Good morning, ladies and gentlemen. Welcome to Itaú Unibanco Holding Conference Call to discuss 2015 First Quarter results. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will be given at that time.

As a reminder, this conference is being recorded and broadcasted live on the investor relations website at www.itau.com.br/investor-relations. A slide presentation is also available on this site. The replay of this conference call will be available until May 12 by phone on 551131931012 or 28204012 access code 8187089#.

Before proceeding, let me mention that forward-looking statements are being made under the Safe Harbor of the Securities Litigation Reform Act of 1996. Actual performance could differ materially from that anticipated in any forward-looking comment as a result of macroeconomic conditions, market risks and other factors.

With us today in this conference call in São Paulo are Mr. Eduardo Vassimon, Executive Vice President, CFO and CRO; and Mr. Marcelo Kopel, Corporate Controller and IRO. First Mr. Eduardo Vassimon will comment on 2015 first quarter results. Afterwards, management will be available for a question-and-answer session.

It is now my pleasure to turn the call over to Mr. Eduardo Vassimon.

Eduardo Mazzilli de Vassimon {BIO 5349410 <GO>}

Thank you. Be welcome. Good morning, good afternoon. It's a pleasure to be here with you today to talk about first quarter results. For those that are following our presentation please go to page 2. We start with highlights of the period. The first highlight itself is the recurring net income, R$5.8 billion, 3% above last quarter that was already a strong quarter, and 20% growth in 12 months.

Recurring ROE close to 25% and credit quality, measured by NPL 90 days, is stable in relation to last quarter, 50 basis points below the same quarter of last year. When we look at the shorter-term NPL, 15-90 days, we say an increase of 40 basis points. There is here a seasonal element that we are going to see more during the presentation.

I'd like to highlight the stronger financial margin growth, financial margin with clients, 3% in the quarter. We had exceptionally high margin with market, R$1.9 billion in this quarter. We consider this as an unusual event.

The same applies in our opinion to the level of loan loss provisions made in this first quarter, R$5.5 billion, 20% growth over the last quarter. We also consider this as an unusual effect number. We are going to talk about that during the presentation. And finally on this page, I would call your attention to the reduction in non-interest expenses, 2.3% in this quarter. This is partially affected by seasonal effects.

Moving to page 3, we show that we have been able to deliver consistent recurring ROE above 20%. On slide number 4, we see the main lines of our P&L. I would call here your attention to the variations observed between the last quarter of last year and this first quarter. The main figure here is the increase in managerial financial margin, R$1.3 billion, due to increase both in margin with clients and margin with markets. Margin with clients went up 3% in this quarter despite the lower number of calendar days, and margin with markets, as origination was exceptionally high, close to around R$850 million growth.

Another line that deserves highlight here is the increase in commissions and fees, 0.6% in the quarter. Normally, first quarter is slightly below the last quarter of the previous year. And then we have again here loan loss provision expenses with a substantial increase of R$900 million, 20% over last year. We are going to talk more about that.

We see here also a decrease, substantial decrease in recovery of credits, 20% in this quarter. This is due to two basic factors. One is seasonal element here and the second element is the more challenging credit environment.

Another line here I'd like to comment is retained claims, substantial reduction of 26%. But this is positively affected by the fact that we have sold the large risk operation last year. Altogether, it produced a recurring net income, again, 3% above last quarter and 20% in 12 months.

Moving to page 5 where we have our loan portfolio, I would like to highlight here that the main growth comes from two lines: payroll loans and mortgage loans. This is pretty much in line with our strategy developed already for a couple of years moving to less risk portfolios. So payroll loans growth was strong, 10% in this quarter.

This is partially affected by acquisitions of portfolios that we made in the amount of R$1.8 billion. Vehicle financing showed a reduction of 9% in this quarter and 20% in 12 months. We don't see this portfolio growing at least until the second half of next year.

Another line that I'd like to call your attention to is the credit card loans. This R$56 billion in the first quarter showed a reduction of 5%. This is very much due to seasonal effects. Typically the last quarter of each year is particularly strong. And I'd like to mention that this R$56 billion of credit card receivables is composed, substantially composed of non-interest receivables. This is a characteristic of Brazilian markets.

In our particular case, three-quarters of this number, roughly speaking, relates to sales at sites or in installments, but in any case non-interest receivables. And this 75% figure is above market average. The remaining debt is interest-bearing receivables. We have a smaller part represented by revolving credit. Revolving is the part of this portfolio that bears the higher risk and higher rates. And here again this represents only 8% of these R$56 billion and we are below market average.

So altogether, we showed an increase in the quarter of 3.4% in our credit portfolio, 14% in 12 months. When we exclude the foreign exchange rate variation, that's the last line here, we would have actually a contraction, a small contraction of 0.6% in this quarter and a modest growth of 6% in 12 months.

Moving to page number 6, we show this for the first time in our first quarter is the segregation of results in basically two blocks: credit and trading on one side, and insurance and services on the other side. In here, we tried to segregate the part of our P&L that is riskier and more sensitive to economic cycle, as is the case for credit and trading. And less risky parts, much less sensitive to economic environment, that's the case for insurance and services.

And here we can see that most of our R$5.8 billion of recurring net income was made in the insurance and services part. That delivered a substantial return on equity, 47%, while the credit and trading showed a return close to our cost of capital.

Moving to slide number 7 where we see the mix of our loan portfolio, I would like to call your attention to the right side of this chart on the upper part of this page where we see the growth of mortgage and payrolls that basically almost doubled in three years, here again consistent with our strategy of moving to less risk portfolios.

On the lower part of this slide, we see that we were able to grow our margin, financial margin with clients despite a smaller number of calendar days that had in this first quarter a relevant effect of minus R$262 million. And the positive element was basically due to repricing of our portfolio. The new competitive environment and the more risk environment made us reprice several products, increasing the spreads.

On next slide, number 8, we see some stability in the gross credit spreads around 11%. If we exclude the foreign exchange effect, this would have been 11.3%. When we take into consideration the risk elements, so adjusting this figure to provisions for our loan losses, we see a sharp reduction and this is due, of course, to the high level of provisions made in this first quarter. And the same applies when we see – when we look at the non-interest margins with clients.

On next page, page 9, we see financial margins with markets, so a very strong figure of R$1.9 billion. We labeled this as a one-time event. Probably, it would be better to call it an unusual event because we don't expect this to be repeated in the next quarters. The more let's say consistent figure would be around R$1 billion as we can observe in the previous three quarters.

The slide number 10, starting to talk about credit quality. The 90-day NPL ratio we see a reduction in individuals, a continuing reduction in individuals, a process that has started a couple of years ago and certain stability when we see the total portfolio. Actually this 3% total would be 3.1% if we exclude FX variations, so basically stable in relation to the last quarter of 2014.

On the lower page of this slide, we see a substantial increase in the 90-day coverage ratio, basically meaning that for each real that we have in arrears 90-day, we have R$2 of provision, and this increase from 193% to 200% was basically due to increase in the generic allowance coverage, that's the middle part of those bars.

This was a voluntary and preemptive move that we decided to make basically downgrading some specific names of the corporate portfolio. So given the more challenging environment and in line with our more conservative policy, we somehow anticipated some effects by building up those provisions, and that's the main reason for the high figure of R$5.5 billion that we saw in the previous slides.

This means that if we are right in anticipating problems that we might see in the future, we could expect this coverage ratio to go down a little bit in the next quarters and, conversely, we would see some increase in the NPL ratios. But the expense itself in our view wouldn't grow. Actually, we are going to talk about that in the future, later in the call. We expect the expenses to go down during the next quarters.

Going to slide 11, we see here that the increase in provisions was followed also by a reduction in recovery. This reduction is partially due to seasonal effects but also related to the more challenging economic environment. Actually, we expect now for 2015 to have this figure to be around R$4.2 billion in the whole year, down from R$5 billion that was our previous expectation. In the lower part, we see the total level of allowance for loan losses reaching R$28.4 billion.

Slide number 12, we see here credit quality measured by 15 to 90-day NPL ratio. And we can see very clearly here a seasonal element in this increase from 3.8% to 4.1% individuals. This phenomenon was very similar to what we have seen in the previous four years. When we take the total figure including companies, we see an increase of 0.4%.

Moving to slide 13, here we show the breakdown by segment of our loan loss provision. On the gray area, the gray part of the bars, we show the Retail Banking loan loss expenses of each quarter. We see some stability around the R$3.5 million. And what explains this substantial increase of expenses in this quarter is clearly related to the wholesale banking operations.

And here we labeled this one-time event again here; probably unusual would be a better form of labeling. And we believe that this will be the worst point in terms of nominal expenses, R$5.5 million. We expect the figure to go down quarter by quarter and the cumulative figure for the year in our best judgment would be close to the midpoint of our new expectations that we are going to show a little bit later. So this again was a preemptive and voluntary measure, downgrading some particular corporate credit.

Moving to slide number 14, I'd like to highlight again here the increase in banking service fees and income from banking charts, 0.6% in the quarter, a quarter that normally is slightly weaker than the last quarter of the previous year. We see reduction in credit cards, 3.7%. This has a seasonal element.

When we look the 12 months growth we have 12.5%. And if we exclude the noncore insurance activities we reach 13.4%. What we consider to be noncore is extended warranty. This is a business we are getting out of, large risks that we have sold the last year, health insurance and others.

Moving to slide 15, we see robust growth of revenues of our core activities, insurance core activities, 14%. On the right side we see a good evolution both in terms of claims ratio and combined ratio and a relevant market share of 18%.

On next slide number 16, we show non-interest expenses, reduction of 2.3%. Here again there is a seasonal element. And we show also here what would be the figure without offshore operations because here, of course, is an element of currency devaluation so we would have had 4.2% contraction, in 12 months a growth of 7.6%. That's below the inflation of the same period that was 8.1%.

In the lower part of this slide, we see continuation of the positive trend of improving our efficiency ratio in 12 months. When we take just this quarter again an improvement in the efficiency ratio to

43.2%, but a worse figure adjusted to risk because again of the higher level of provisions that we made in this quarter.

Moving to slide number 17, talking about core capital ratio. So we had the 12.5% in December despite the income that contributed positively to 0.8%, we reached 11.6%. This was due to payment of interest on capital that we keep clearly during the first quarter, payment of dividends, the additional impact of Basel III schedule, additional 20% Basel schedule, and an effect, a relevant effect, 0.4%, of increasing tax loss carryforwards.

This is related to our structure of investments abroad. When we have relevant depreciation for the real as we had in the first quarter, close to 20%, our investments abroad – the increase in our investments abroad is nontaxable while the hedge that we make is tax deductible. So this produces a substantial increase in our tax loss carryforwards.

When we see full Basel III rules we have this element in a stronger way. So it starts from 11.6% of common equity. We reached 9.6% fully loaded, and we just broke down here the effects and deductions schedule anticipation and risk-weighted assets rules anticipation because I believe not – that not all banks take into account all those effects. This 9.6% fully loaded Basel III ratio, given the present FX ratio around 3.10%, would already been above 10%, so we are comfortable with this level of capital, particularly given our ability to generate profits.

Moving to slide 18, just quickly highlighting good liquidity of our shares, reaching close to R$1 billion daily trading volume with a good balance between local and external markets.

On slide 19, we decided to change our outlook for this year given the relevant change that we observed in the economic situation and the relevant change that we observed in the expectations of economic agents. We had relevant changes in FX rates, in interest rates and in particular in the forecast for economic growth. So this led us to change all the lines of our outlook. Our total portfolio in this reviewed outlook would grow between 3% and 7% only given the low economic growth environment that means lower demand for credit on the one side and a more conservative approach from ourselves.

In terms of managerial financial margin, our reviewed outlook should be substantially higher than the previous one given the repricing process of portfolio that we have already mentioned. Given also the fact that we had already a very strong first quarter, and finally given the higher level of interest rates.

The loan loss provisions outlook went also up from 13% to 15% to R$15 billion to R$18 billion. So this is partially due to the already mentioned lower level of recoveries that I mentioned would be in our expectations around R$4.2 billion. It's related of course to the more challenging economic environment and finally to the fact that we had already made a substantial increase in expenses in this first quarter.

Services fees and results from insurance, we made a small adjustment here. And finally, non-interest expenses given the new level of FX rates and given the higher inflation we are forecasting 8.3% inflation for the year, we have adjusted this to 7% to 10%.

Finally on slide 20, just to briefly mention the strategic alliance with MasterCard that we had already announced to operate a new electronic payments network, and also to highlight the fact that we have opened our new technology center that is aligned with our strategy to move in the direction of a more digital bank and to provide more agility and security to our clients.

So with that I finalize here and now Marcelo Kopel and myself will be available for questions. Thank you.

Q&A

Operator

Ladies and gentlemen, we will now begin the question-and-answer session. Our first question comes from Jorge Kuri, Morgan Stanley.

Q - Jorge Kuri {BIO 3937764 <GO>}

Hi. Good morning, everyone. Let me ask two questions, please, first on asset quality. If we go back to the last couple of earnings calls, you were very confident on delinquency and provisions would remain steady even though the economy was already in recession and the labor market was suffering. And you mentioned you had de-risked the balance sheet and in general prepared the bank for the tougher times, and to be fair you did get some push-back from the analysts, at least in the fourth quarter call, that some of your views were probably a bit too optimistic. So here we are three months later and provisions surprised to the upside, renegotiated loans had a pretty big jump, bad debt formation went up a lot, and you just materially increased the guidance for provisions this year. So obviously, something did not play out as you expected.

Now I hear that you're saying that the deterioration in delinquency and increasing provisions is now behind and the worst is behind and that we're going to see actual improvement going forward. So given that three months ago, you did not see the deterioration that was around the corner, how do we get confident that this time around you're going to get it right? And maybe the right question to ask is, what did you miss? What did you learn through the process? And more importantly, what have you changed in order to make sure this don't happen again? And I'll ask my second question later. Thank you.

A - Eduardo Mazzilli de Vassimon {BIO 5349410 <GO>}

Jorge, this is Vassimon. First, we acknowledge that the new economic environment is worse than we anticipated, so what we did is to adjust the provisions given the deterioration that, I believe, is substantially worse than we and part of the market expected.

Just to qualify about the worst is behind us, the worst is behind us in our opinion in terms of provision. In terms of economic environment, we believe that the worst is still to come. Probably in terms of economic growth the second quarter will be the worst one, and we are sure that unemployment will go up. And so, we expect that even in the Retail portfolio to have some slightly increase in provisions in the next quarters.

But in terms of the level of expenses, our judgment is that we saw the worst point. And all those elements are incorporated in our new guidance.

So again, it's a very challenging environment. We don't deny this. We expect the Retail portfolio to suffer still a little bit. We are going to see NPL ratios going up probably because we made this preemptive move in building up provisions, but we are confident that the final number for the year will be close to the center point of our new outlook.

Q - Jorge Kuri {BIO 3937764 <GO>}

All right. Thanks. My second question is on your guidance for NII growth. How much of the change is mark-to-market as a result of the high trading gains this quarter? And how much is due to things that you think will be different over the next 12 months versus what you told us three months ago? Maybe you can share the detailed math behind it in terms of the key drivers of this line. Thank you.

A - Marcelo Kopel {BIO 16986304 <GO>}

Sure, Jorge. Hi, it's Marcelo. Good morning. Let's strip out the – why we reviewed it. First obviously, let's say the additional, let's call it, R$900 million of, let's say, treasury gains that we had this quarter obviously had an influence on the revised number, but we are not, let's say, putting that as part of our run-rate, where we typically expect like R$1 billion a quarter. So that influenced the number.

The second thing is when we did the initial outlook of 10% to 14%, there was a high component of using the NIM level of the fourth quarter and just by annualizing that would give us the lift on the NII. Okay. So part of that comes from that, but over and above that we got the market rates going up and spreads going up as well, so those things also influenced.

And the third element which is important is our free cash flow, which is subject to the influence of the Selic rate, in our base scenario when we provided the outlook we had a lower Selic. So the Selic by itself also had an influence on why we are expanding that.

So to summarize, we trued up the outlook including the performance of the first quarter plus higher interest rates and higher spreads over the course of the year.

Q - Jorge Kuri {BIO 3937764 <GO>}

All right. Thank you, Marcelo. Thank you, Vassimon.

Operator

Our next question comes from Carlos Macedo, Goldman Sachs.

Q - Carlos Macedo {BIO 15158925 <GO>}

Good morning, Kopel, Vassimon. Thanks for taking questions. I have a one question that will have a second part, I believe, and it's – I'm going back to Jorge's question on asset quality. If we take your numbers for the guidance, the new guidance, it implies compared to the old guidance an increase in around R$500 million per quarter in provision expenses outside any (34:38) discounting that will happen in the first quarter.

Do you think that's enough to offset all the headwinds that you talked about in the economy? I mean, we're talking about an employment rate that is going up and will continue to go up. We're talking about a potential hit in SME's that hasn't really come through yet, at least not in the numbers that you provided us. Do you think that that is enough for us to see – to basically last through the end of the year? Or do you think there's more risk to the upside than the downside here?

A - Marcelo Kopel {BIO 16986304 <GO>}

Carlos, hi. It's Marcelo. The view is that the range that we provided, R$15 billion to R$18 billion, should be enough to walk us through what you just described. Okay. We previously commented – actually, sorry, we commented that in the other call, but embedded in this R$15 billion to R$18 billion, there is some deterioration in the blended rate of the individual portfolio. Obviously, this is a consequence of a higher or a growing unemployment rate. And in the rest of the, let's say, increase of the loan loss reserve, it comes from the large NIMs.

We've been trying to be as much preemptive as we can in terms of anticipating those provisions. Vassimon described the potential impact of certain NIMs going over 90 days, which will increase the numbers in terms of the index and reduce coverage, but nevertheless will not impact the – or spike – produce any additional spike in the level of the provisions.

Therefore, the current view is that we should be blending the year through – in the midpoint of the new outlook, but having some room to maneuver in case things get worse than we expected. Vassimon will just add to that.

A - Eduardo Mazzilli de Vassimon {BIO 5349410 <GO>}

Yeah. Just to complement, Carlos, you mentioned a very small and middle market segment. This is, of course, a segment that suffers in this new and more challenging environment. But in our case if we look our growth in this segment has been very modest. In 12 months we've grown less than 2%, so we have been particularly careful in this segment.

Q - Carlos Macedo {BIO 15158925 <GO>}

Okay. Thank you. Just going back to then the provision you made on the corporate side of this quarter, would you call it more of a specific provision for companies that might have been involved in the Car Wash investigation and companies in the oil sector and – or would you call it more of a cyclical – a provision for cyclical factors that are involved with the downturn in the economy?

A - Marcelo Kopel {BIO 16986304 <GO>}

Carlos, I won't call it cyclical or call it specific names, where we have more – we've been focusing more, but nothing that you would say Sector A or Sector B is being hit hard. So I wouldn't call it cyclical.

Q - Carlos Macedo {BIO 15158925 <GO>}

Okay. I did see that a lot of the names moved to the D category and that's when you start getting 90 days past due. You could have more provisions if they move past 90 days past due to 120 days, right?

A - Marcelo Kopel {BIO 16986304 <GO>}

No, the – actually, E will reflect the over 90 days. D is before 90 days.

Q - Carlos Macedo {BIO 15158925 <GO>}

Okay. That's what I meant. Sorry, so...

A - Marcelo Kopel {BIO 16986304 <GO>}

Yeah. But that is just a result of how we are seeing things and trying to preempt the provisioning as Vassimon described before.

Q - Carlos Macedo {BIO 15158925 <GO>}

Okay. Final question, sorry, just on this topic, your guidance does reflect – for NII does reflect a strong increase as you said. Your non-accrual loans are growing for the first time in, I think, five quarters or six quarters. And presumably they will – that growth will accelerate going forward. What kind of growth do you factor for your non-accrual loans over the year? I know that your loan growth is 3% to 7%, but presumably your non-accrual loans are increased and how much of an impact that will have in your – expansion of your margin of your NII?

A - Marcelo Kopel {BIO 16986304 <GO>}

Well, it's embedded in the growth that we provided, the revised outlook already embeds a higher, let's say, non-accrual portfolio. But given that, let's say, a bigger piece of this non-accrual is coming for larger tickets, the foregone revenue of that is lower than one could think.

Q - Carlos Macedo {BIO 15158925 <GO>}

Okay. But would it be fair to say that even though your portfolio grows at 3% to 7%, your accrual loans will probably grow at a fraction of that?

A - Marcelo Kopel {BIO 16986304 <GO>}

Yeah, it's fair to say because it's just how it - the math would play. But one thing that is important, Carlos, is this year in particular the average portfolio growth will be higher than the end of period growth, so that also helps - especially, obviously, I'm talking about the current portfolio, that helps increase the NII.

Q - Carlos Macedo {BIO 15158925 <GO>}

For sure. But so will the non-accrual loans?

A - Marcelo Kopel {BIO 16986304 <GO>}

Yeah, absolutely, absolutely. I'm just adding to the point that you made about the non-accrual.

Q - Carlos Macedo {BIO 15158925 <GO>}

Okay. Thank you, Kopel. Thank you, Vassimon.

A - Marcelo Kopel {BIO 16986304 <GO>}

Thank you, Carlos.

Operator

The next question comes from Mario Pierry, Bank of America Merrill Lynch.

Q - Mario Pierry {BIO 1505554 <GO>}

Hi, everybody. Good morning. Let me ask you two questions as well. Let me stay with the topic on asset quality. As you mentioned, you do expect the NPLs to go up from current levels. If you could share with us what type of increases are you expecting, especially on the corporate and in the individual segments? And how should we think about if we go back and look at your historical NPLs, it peaks much higher than what you are at right now. Would you think that we could return to an environment where we see the peak NPLs that you showed especially in 2012 as you show on your slide 10, but even if you go back historically the peaks used to be much higher. So if you can give us some guidance on what type of increase in NPLs you expect?

Also on asset quality, your coverage ratio of 200% now is the highest it has been, I think, in at least five years, six years. How should we think about your coverage ratio going forward? Is there a ratio that should be returning to 170% in the new few years? Or given the uncertainties in the market right now, would you expect them to - would you expect the ratio to stay at 200%? And then I'll ask you another question on expenses, but if you could answer these two questions, that would be great.

A - Marcelo Kopel {BIO 16986304 <GO>}

Thank you, Mario, for your questions. Let's start with the coverage ratio. Coverage ratio is really - is not an objective, but as a consequence of everything that we are foreseeing in the portfolio. So as Vassimon mentioned before, if the actions we took preemptively to provision, to build provisions material - in the, let's say, the judgment that we had materializes, you could see some consumption of the coverage as a result of that, as well as the NPLs going up. Talking about the NPL going up, you would probably see it as a higher point in the second quarter and going down throughout the third and the fourth quarter.

The end of the year, the end of 2015 should be slightly higher than we actually saw for the end of last year, but lower than we're actually going to see in the second quarter, so we cannot provide you with the number. I can give you – the trend is basically up in the second quarter and slowly returning throughout the end of the year. That is the view regarding this. And obviously, when you do see that, you would see impacts on the coverage because as credits flow from the early bucket into the later bucket, the longer bucket, coverage will be consumed on that.

Q - Mario Pierry {BIO 1505554 <GO>}

Okay. So when you mention that the NPLs should be moving up in second quarter, are you more concerned about the corporates or the consumer portfolio?

A - Marcelo Kopel {BIO 16986304 <GO>}

Primarily corporate. There will be something in the consumer, but this is more related to the typical behavior that we have every year. When you see a spike in the short term in the first – in the early buckets, and some of that goes into the longer bucket. On the corporate side, it's more on a case-by-case basis.

Q - Mario Pierry {BIO 1505554 <GO>}

Okay. Kopel, and from what you mentioned then, clearly you don't see your NPL ratios going back anywhere near the peak levels that we saw in 2012.

A - Marcelo Kopel {BIO 16986304 <GO>}

No, I don't. That's the current view of the house.

Q - Mario Pierry {BIO 1505554 <GO>}

Okay. My second question then is related to your expenses. You increased your guidance more in line with inflation or even above inflation, for the last couple of years you were able to keep your growth below inflation. Also when I look at your efficiency ratio, it has been improving, but it still is substantially above your peer, your main peer here in Brazil, so I was wondering what else can you do on the expense front in order to grow below inflation?

A - Marcelo Kopel {BIO 16986304 <GO>}

Sure. Let me strip out the growth on expenses in two major components, the domestic operations and the international operations. International operations, given the behavior of the Brazilian currency not only against the dollar, but against the other LatAm currencies, in relative terms the real got weaker, which means that we are – when we do the translation of those currencies into our own local currency, we are getting benefits on the top line, but also we are getting a higher component on the expense line.

The net of that is positive since we are generating profits abroad, but on a line-by-line basis, you get some distortion out of that.

When we look at the domestic piece of that, we are working in terms of streamlining our processes and continuing to make sure that the other lines related – non-related to personnel become more efficient. There's a new – there's a – part of the restructuring we did earlier in the year created a new function, which is basically you can call it a Chief Operating Officer, which now has not only the technology part of the bank but also all the operations area.

We expect synergies to come out of the rationalization of processes and the way we run those operations area, we should be able to come up with an estimate by – when we talk about the second quarter numbers, but this should be something that will provide long-term gains by becoming more efficient in this particular area.

And a third element is the behavior of our clients is migrating into becoming more digital. So by becoming more digital, it asks us for less of a physical presence and more - which is less - which is more labor intensive, and requires larger IT investments.

Having the ability to foresee that, five years ago we launched that big R$11 billion program of IT investments, and this is materializing now. So over the course of the years the physical presence will be less important than the digital, and this should also help us being more efficient.

Q - Mario Pierry {BIO 1505554 <GO>}

Okay. So just to give us, are you willing to commit to some type of efficiency target over the next year or two?

A - Marcelo Kopel {BIO 16986304 <GO>}

I mean, the commitment comes from our own goals. Every senior executive here has the goal in terms of its expenses and the target is to at least on the domestic side grow at inflation, which means that you have a challenge by itself. When you isolate the component of FX and, let's say, inflation abroad, this is less under our control, not that we don't act on that, but the local executives are tracked and measured about growing at inflation.

Q - Mario Pierry {BIO 1505554 <GO>}

Okay. Perfect. Thank you very much.

Operator

The next question comes from Saúl Martínez, JPMorgan.

Q - Saúl Martínez

Hi, guys. I have two questions on credit. One's a little bit of a follow-up on the previous question. There has been a pretty substantial structural decline in asset quality metrics across all measures. You look at 15-day to 90-day delinquencies, yeah, we see the seasonality in 1Q, but individual 15 days to 90 days were 11%, I think, in 2009 and 7% in 2011. Now they're 3% and change. You see this across a lot of metrics longer term and the reasons are - you've discussed a million times, mix, risk aversion, whatnot.

But are we at an inflection point even with these structural changes, especially considering not just the current economic environment, but even in an environment where Brazil doesn't grow much over two years, three plus years, four years, I know this isn't necessarily the house view, but how do you think about the risk on credit of a prolonged and gradual worsening in terms of credit? How do you think about the sort of the structural dynamics over a two-year, three-year period considering an environment where Brazil doesn't really grow much or - and stagnates over a multi-year period?

Second question is on provisioning policy, it's a more specific question and it's - how closely does the Central Bank force banks to harmonize classifications? You took a generic reserve in the wholesale - generic reserves in the wholesale bank, but I guess what I want to understand better is if there is a conserve - if this is a conservative risk classification, do other banks need to upgrade and revise their classification? Conversely if your risk classification is not as high, how proactive will the Central Banks be in forcing you and other banks to harmonize this (49:51)

A - Eduardo Mazzilli de Vassimon {BIO 5349410 <GO>}

Saúl, this is Vassimon. In terms of asset quality looking ahead, we expect the Brazilian economy to starting to recover next year. We do not expect a substantial growth in 2016 and probably not in 2017 either, but this should improve marginally the credit conditions.

Having said that, we have been in our case adopting a more conservative approach in terms of reducing risk appetite and calibrating the ratings we operate since the mid of last year. So we feel prepared to face this new economic environment that will require, of course, a very close monitoring. But we expect the things to start to improve next year - actually, as I think I briefly mentioned in terms of economic activity, I think the worst will be seen in this second quarter.

Of course, we will see effects of this during several months yet, unemployment should go up until the end of this year beginning next year, but we believe that we have adequately adapted our credit policy to this new environment. Of course, given this environment we have to price our credit accordingly. And so, in a riskier environment we expect to reprice our portfolio as we started to do in this first quarter.

Q - Saúl Martínez

Vassimon, sorry, sorry, sorry to interrupt. I think you guys - I apologize for asking you to start over again, but I think, for me and for some others, the line went quiet up until about 10 seconds ago. So I missed - I think we all missed if I'm not mistaken, your response. I apologize for that.

A - Eduardo Mazzilli de Vassimon {BIO 5349410 <GO>}

Okay. Sorry about that. So, I mean, I'm going to repeat everything. Maybe you have already heard. But we expect the Brazilian economy to have its worst point in the cycle in this second quarter in terms of economic activity.

Of course, the effects of this will be felt still for several months. In terms of unemployment, for instance, the peak would probably be seen between the end of this year, beginning next year. So this slight improvement that we shall see next year, we don't expect any fantastic growth, but some growth already next year would marginally improve credit conditions in general.

Having said that, altogether it's a riskier environment, and we have already been adopting our credit policies since the second half of last year. And also, we are repricing our credits in a fashion that's compatible with the riskier environment.

In terms of the Central Bank of Brazil approach, yes, they follow and monitor this very closely. And when they do identify a substantial divergence between banks for the same specific clients, they question both banks. But if - when you are more conservative, much more conservative than the rest of the markets, Central Bank typically wouldn't ask you to reduce your provisions, particularly because there is no tax effect as you know in the provisions. But when they see the majority of the market with a specific name and one outlier with a much better classification, then they probably would ask this outlier to adequate its rating.

Q - Saúl Martínez

Do you feel - I know you can't talk for others, but do you feel like you're provisioning on the corporate side tends to be on the conservative end of the provisioning levels in the banking system?

A - Eduardo Mazzilli de Vassimon {BIO 5349410 <GO>}

I can't comment on our other participants in the market. I see our policies as adequate to the present environment. We historically have had a conservative approach; I think it's adequate. And in particular, it has been preemptive, particularly in this quarter, anticipating possible problems that we might see in the future.

Q - Saúl Martínez

Okay. Thank you. And sorry for having - asking you to repeat your answer again, but thanks again.

A - Eduardo Mazzilli de Vassimon {BIO 5349410 <GO>}

No problem.

Operator

The next question comes from Philip Finch, UBS.

Q - Philip J. Finch {BIO 3252809 <GO>}

Hi, everyone. Thank you very much for the opportunity to ask just one question, and it's regarding HSBC. If they were to sell their Brazilian and/or their Mexican business, is this something Itaú would be interested in exploring? And if so, in terms of the sort of synergies that you think you could get from such an acquisition, could you outline what you think these could be? Thank you.

A - Eduardo Mazzilli de Vassimon {BIO 5349410 <GO>}

Philip, this is Vassimon. The only thing I can say is that we always analyze opportunities that could add value to our franchise, to our shareholders, and that would be compatible with our strategy. So that's all I can comment.

Q - Philip J. Finch {BIO 3252809 <GO>}

Okay. Fair enough. Thank you.

Operator

The next question comes from Amit Mehta, PIMCO.

Q - Amit K. Mehta {BIO 15328590 <GO>}

Hi. Good morning. Thank you for hosting the call. I guess, I just wanted to follow up on the asset quality question that's been posed by the various analysts already. You make the point that you've taken more specific provisions for corporates. And I'm just trying to get my head around what's the kind of GDP. I know you've revised your GDP estimates for Brazil minus 1.5% for this year and unemployment higher. Can you give us some sensitivity if we were to stretch those economic scenarios for more deterioration, how much more your credit quality or preemptive provisioning would need to go up from the levels that you're guiding currently?

So can you just give us more color on maybe another 0.5% point deterioration in the economic outlook for Brazil? And if you had one more percentage point of deterioration in the unemployment rate, how much further that would stretch your preemptive provisioning?

A - Marcelo Kopel {BIO 16986304 <GO>}

Amit, hi. It's Marcelo. In terms of the sensitivity to GDP fluctuation, on the magnitude that you're talking about, and within that calendar year, we will probably fall within the interval that we provided of R$15 billion to R$18 billion, which doesn't mean that will not affect subsequent years because with the – as you pointed, the minus 1.5% GDP growth for this year talks to probably 0.7% growth on the next year. So this will have a chain effect on the following year.

So with the sensitivity we ran when we did – with the exercise we've done for the new outlook, and given what we are foreseeing in the economy, the R$15 billion to R$18 billion could be okay on a lower fluctuation of that. What could change the view is larger cases that we did not contemplate on, the preemptive provisioning that could spike the provision level. It's less related to a specific slowdown and more related to large cases that were not contemplated in the exercise.

Q - Amit K. Mehta {BIO 15328590 <GO>}

And just on that basis, where would you see potential risk, large risk candidates come from? I mean, you made the point in your commentary today that it was much more broad based rather than any sector or segment specific, so can you just give us more color on where the hot spots are for you and your portfolio?

A - Marcelo Kopel {BIO 16986304 <GO>}

Amit, there are some companies that are let's say more related to some of the slowdowns that we saw as a consequence of the initial events we had in the year, some of them related to the Petrobras discussion. Now that the financials are released, this becomes less of an issue and life should continue there. But it's not really one specific name or another one or one specific sector or another one, but the overall let's say focus is on large names that could potentially change the overall interval, not that the smaller names will make a meaningful change on the new R$15 billion to R$18 billion range.

Q - Amit K. Mehta {BIO 15328590 <GO>}

And just to take a clearer message from what you're saying, majority of the risk as you see it sits on the corporate segment rather than the individual segment. Is that fair to say?

A - Marcelo Kopel {BIO 16986304 <GO>}

Yeah, it's a fair statement and we did mention before that you could see some upticks on the individual portfolio and that's something that comes together with a slower economy, but I'd say the majority of the increase is related to the corporate segment.

Q - Amit K. Mehta {BIO 15328590 <GO>}

Thank you.

A - Marcelo Kopel {BIO 16986304 <GO>}

Thank you.

Operator

Your next question comes from Victor Galliano, Barclays.

Q - Victor A. Galliano {BIO 1517713 <GO>}

Hi. Thanks for the opportunity. Just a quick follow-up again on the provisioning side and taking the midpoint of your guidance that you've taken from that provisions of R$16.5 billion and the fact that you've done R$4.5 billion net in the first quarter, that doesn't seem to me like it's going to be coming down a whole lot in the next three quarters. If you average that, that should be around R$4 billion a quarter.

And obviously, with the fact that you're also saying recoveries should be lower given the economic situation, it doesn't make it look like a sort of one-time big event, if you see what I mean, the first quarter net provisioning. So I'm trying to get my head around that, unless obviously the remainder of this R$16.5 billion is not distributed evenly over the quarters, which is also very possible. But that could also imply that you see another big quarter of provisioning ahead of us.

And my second question, so I just wanted to understand that a little better. And my second question really is about capital. Could you just repeat what you said in terms of where we are, in terms of where we are now in the exchange rate, where would you be on a fully loaded Basel III? Would that be at above 10%? And also if you could remind us of what the impact of CorpBanca will be in terms of the impact on capital? And that should I believe come through in the second half of the year. Thanks.

A - Marcelo Kopel {BIO 16986304 <GO>}

Okay, let's - Victor, its Marcelo. Let's answer your questions starting with the end. The CorpBanca fully loaded impact will be 50 bps on our capital base. The level if we recalculate our Basel of 9.6 with the dollar exchange rate at R$3.10 this will bring us above 10% of CET1 fully loaded. Okay. And the third one talking about the provisions, let's split the answer in two parts. One is recoveries and the other one is on the growth provisions.

On the recovery Vassimon mentioned that we did have R$1 billion in this quarter. Typically the first quarter is a slower quarter in terms of recoveries, and you can test that against the historical data. And this is just a function of more commitments that people have in the first quarter and companies as well. So our number for the year talks to a R$4.2 billion recovery level. For the following quarters, the gross provisions should either level off and then start slightly reducing from the third quarter onwards. If you do the math using our first quarter of R$5.5 billion, you would get to a gross number of R$22 billion of gross provisions. Okay.

If you look at our new outlook the R$18 billion which is net of recoveries, assuming a R$4.2 billion recovery brings you to R$22.2 billion gross provisions. So that's how we laid out our outlook and that's why we say if our current view materializes, that will bring us more in the midpoint of this new R$15 billion to R$18 billion range than to the top part of that.

Q - Victor A. Galliano {BIO 1517713 <GO>}

Okay.

A - Marcelo Kopel {BIO 16986304 <GO>}

Okay?

Q - Victor A. Galliano {BIO 1517713 <GO>}

Okay. Understood. Thank you very much.

A - Marcelo Kopel {BIO 16986304 <GO>}

Thank you.

Operator

Your next question comes from Boris Molina, Santander.

Q - Boris D. Molina {BIO 1904979 <GO>}

Yes. I had a question regarding the CorpBanca transaction. I don't recall that - at some point I think I read the transaction agreement, but what are the conditions in the transaction agreement under which a conventional holder of CorpBanca Group could walk away from the transaction without paying the R$400 million breakup fee? Is it contemplated where that the conventional holder votes personally against - in favor of the deal, but then minorities vote against it citing the KPMG report that has been rumored to propose a renegotiation of the exchange ratio or minorities, a representative from minorities tried to block the deal because the combined company is above the two-thirds and minority shareholder rights have basically go to zero under Chilean regulation.

So what are the circumstances? Because here, we've been hearing from Chile. We went to Chile a couple of weeks ago and the market down there is basically saying that Mr. Saieh believes that this province as SMU are over and he wants to renegotiate the deal and is looking for ways to undermine the deal here and there. No? So is there any circumstance where the Board can legitimately reject the transaction? And Corp Group will not pay the R$400 million fee? And would this rejection by the board, or a proposal to renegotiate trigger some acceleration of the credit lines that are granted with the CorpBanca shares that would force them to seek alternative financing for those R$900 million that you have advanced to them?

A - Eduardo Mazzilli de Vassimon {BIO 5349410 <GO>}

Hi, Boris. This is Vassimon. We do not comment on rumors. We keep working to close this transaction in the second half of this year. Obviously, it's subject to still two main steps, formal steps. That's the approval by shareholders. Of course, it's up to the shareholders to decide whether they believe it's a good business for CorpBanca. And if they approve, then there is a final step, final main step that's the approval from regulators. The whole transaction is taking a little bit longer than we expected, but it's moving forward. We had recently the release of the opinion of the accounting experts, so things are moving. And we believe, again, that we'll be able to close it in the second half of this year.

Q - Boris D. Molina {BIO 1904979 <GO>}

Does the opinion from the accounting recommend an updated exchange ratio?

A - Eduardo Mazzilli de Vassimon {BIO 5349410 <GO>}

I cannot comment on that. It's not yet a public document.

Q - Boris D. Molina {BIO 1904979 <GO>}

Okay. Thank you.

A - Eduardo Mazzilli de Vassimon {BIO 5349410 <GO>}

Thank you.

Operator

Our next question comes from Eduardo Rosman, BTG.

Q - Eduardo Rosman {BIO 16314825 <GO>}

Hi, everyone. I have a question about your cost of capital. In an event at the end of last year management mentioned that Itaú's cost of equity was at 16%. So I wanted to understand if the bank sees its cost of equity today at a higher, lower or same level when compared to last year? And how should we think about Itaú's cost of capital evolution once the bank starts generating more and more of its results outside Brazil? Thanks.

A - Marcelo Kopel {BIO 16986304 <GO>}

First of all, the view – obviously, the cost of capital view is a long-term view. We updated that, so we are probably more closer to 17% than 16% that we mentioned, and this is obviously a function of changes that we saw in the economy and for how long this will be. When we look at investments abroad, we need to look at and balance that against the benefits that this franchise will bring us and how we're going to make it compensate for the money that is being deployed. So there are several factors that get into this analysis. But the base scenario takes into account the 17%. There could also be adjustments to that, depending on the particularity of the investments, but that's how we start the whole analysis.

Q - Eduardo Rosman {BIO 16314825 <GO>}

Okay. But since let's say if we argue that you're going to have bigger diversification, lower risks, we could eventually we could be working a range with a lower cost of capital going forward. It makes sense?

A - Marcelo Kopel {BIO 16986304 <GO>}

To some extent, yes. This could be let's say not a key decision factor but something that could influence if we are looking to accelerate on earnings diversification.

Q - Eduardo Rosman {BIO 16314825 <GO>}

Okay. Thanks a lot.

Operator

Our next question comes from Natalia Corfield, JPMorgan.

Q - Natalia D. Corfield {BIO 6421991 <GO>}

Good morning. It's actually on CorpBanca again. I know you cannot comment on rumors, but is it possible to tell us exactly where you are in the process? What's exactly missing to get it approved? And also if the transaction closes, is there any possibility that Itaú does not keep the control?

A - Eduardo Mazzilli de Vassimon {BIO 5349410 <GO>}

Hi, Natalia. This is Vassimon. The next step would be the call of the assembly of shareholders to discuss and hopefully approve the deal. And your second question was?

A - Marcelo Kopel {BIO 16986304 <GO>}

If we are to have...

Q - Natalia D. Corfield {BIO 6421991 <GO>}

If...

A - Marcelo Kopel {BIO 16986304 <GO>}

If we are to not have control in the transaction.

A - Eduardo Mazzilli de Vassimon {BIO 5349410 <GO>}

Oh, sorry. No, no. The structure of the transaction guarantees control for Itaú.

Q - Natalia D. Corfield {BIO 6421991 <GO>}

Right. And the assembly of shareholders, when is that expected to take place?

A - Eduardo Mazzilli de Vassimon {BIO 5349410 <GO>}

Expect to be in the near future but I cannot be more precise than that.

Q - Natalia D. Corfield {BIO 6421991 <GO>}

Okay. Thank you.

A - Eduardo Mazzilli de Vassimon {BIO 5349410 <GO>}

Thank you.

Operator

The next question comes from Carlos Gomez, HSBC.

Q - Carlos Gomez-Lopez {BIO 18107094 <GO>}

Hi. Good morning and thank you for taking another call from me. Two questions, one is can you tell us what you expect the effect of a higher interest – I'm sorry, long-term interest rate TJLP to be both on your own lending for – to begin the years and on the tax deductibility of interest on own capital? So is this is a long-term effect of long-term interest rate?

And the second refers to the Consignado business, the payer lending. You are growing very fast, 81% year-on-year. It's becoming a significant part of your portfolio. What is the potential for growth in that segment, which seems already fairly well exploited? And actually, it is only concentrated in the public employees and retirees. How much can that business grow for you? And when would you see any risk in that business? Thank you.

A - Marcelo Kopel {BIO 16986304 <GO>}

Hey, Carlos. Starting with the payroll, growth on that should, for us and for the market, should slow down. Probably the view we have is that to grow somewhere low double-digits. Okay. And if you look at last year, there was a lot of inorganic activity in our growth because of the acquisitions we've done. So that is effect of that, will not happen this year.

Back to your original question on TJLP going up affecting the own lending, yeah, it could affect the own lending but still it is a privileged rate that borrowers can access into the market. So I would say it has more to do with the amount of BNDES funds that will be available than the appetite for that in the market. And for us, since we underwrite the credit risk and we basically borrow from the BNDES and lend by underwriting the credit risk, to the extent the borrowers again on that will show up given that it's still a preferred rate compared to the market rate.

The second point on the impact on the interest on capital, it has a positive impact on – given the fact that it increases the interest you pay and consequently since this is a tax-deductible expense, it also benefits from that. So during that period, to the extent this rate is going up, it means that you could have a lower effective tax rate.

Q - Carlos Gomez-Lopez {BIO 18107094 <GO>}

And that – but that has not been under discussion? The government has not proposed to modify that?

A - Marcelo Kopel {BIO 16986304 <GO>}

I mean there were more rumors in the market than the government talking about it itself, but again it could be on the table for them. It all depends. It really depends on how they control the agenda and how fast they can approve the other economic measures that were already identified and can produce the additional revenues they need.

Q - Carlos Gomez-Lopez {BIO 18107094 <GO>}

Okay. Thank you. And if you could also expand on the BNDES just the availability of funding, what's your expectation for that? Obviously, you are a big agent for the BNDES. Do you expect the BNDES to be able to grow its portfolio this year or you are not so confident on additional resources for the bank?

A - Eduardo Mazzilli de Vassimon {BIO 5349410 <GO>}

In line with these efforts, fiscal efforts of the government, we should see a lower growth rate for BNDES in terms of new disbursement.

Q - Carlos Gomez-Lopez {BIO 18107094 <GO>}

But there's still growth? There's still an increase relative to the end of last year?

A - Eduardo Mazzilli de Vassimon {BIO 5349410 <GO>}

Probably, but not a relevant one.

Q - Carlos Gomez-Lopez {BIO 18107094 <GO>}

Thank you.

A - Eduardo Mazzilli de Vassimon {BIO 5349410 <GO>}

Thank you.

Operator

The next question comes from (01:16:15)

Hi. I have again a question about the CorpBanca merge. So what will be the economic implication for Itaú in case that the merge doesn't work? Hi?

A - Marcelo Kopel {BIO 16986304 <GO>}

Paulina, (01:16:36) I mean, the merge brings us the opportunity to build a larger franchise in Chile together with CorpBanca and this will, in case this entity is put together, this will produce certain synergies that can only be obtained by the combined entity and not by the two entities alone. So that could be, let's say, we'll postpone the acceleration of our growth in Chile. This will probably be the implication.

Q - Operator

Okay. And I have another question. On the financial statement, you have it on page 152; the table provides an analysis of the market risk by showing where the largest concentration of market risks are, right? So the table shows that Chile has R$9.4 million on average. What explains that number? And what does it mean?

A - Marcelo Kopel {BIO 16986304 <GO>}

Yeah. Bear with me for a second. What footnote, specifically, are you looking at?

Q - Operator

On page 152.

A - Marcelo Kopel {BIO 16986304 <GO>}

Yup. The other...

Q - Operator

And table...

A - Marcelo Kopel {BIO 16986304 <GO>}

Receivables?

Q - Operator

Yeah. The table, it says that provides an analysis of the market risk by showing where the largest concentration of the market risks are. Right? So it shows that Chile has R$9.4 million, which is three times which is bigger than Argentina, so I'm wondering what does that mean? Is Chile more, is market more exposure to risk than Argentina and other countries?

A - Eduardo Mazzilli de Vassimon {BIO 5349410 <GO>}

Paulina, (01:18:38) Chile is a much bigger operation than Argentina. So basically to assist our clients and be competitive in pricing, we inevitably run some type of market risk, if this is your question.

Q - Operator

Okay. Thank you.

A - Marcelo Kopel {BIO 16986304 <GO>}

Thank you.

Operator

The next question comes from Eduardo Nishio, Brasil Plural.

Q - Eduardo Nishio {BIO 15333200 <GO>}

Hi. Good morning. Thanks for taking my question. I have a follow-up from the Portuguese call. Recalling, you said that you are comfortable with your level of provisioning coverage today at our current situation. All else constant, you would be able to deliver, or the plan is to deliver ROEs above 20% for the next couple of years. So my question is, in terms of EPS growth, do you think you can deliver double-digit EPS growth for the next couple of years given the current economic environment? Thank you.

A - Marcelo Kopel {BIO 16986304 <GO>}

Thank you. I can talk about the ROE and it's for us, we can foresee us providing the 20-plus return year after year. But the EPS is a longer conversation in the sense that if you take into account that we distribute a third of our earnings, let's say – let's make the math simple. Let's use the 24% example of our current ROE, okay. So say we distribute 8% out of the 24% so it means that if we don't grow earnings at least 16% ROE will go down.

So I would say we will fluctuate in the range between 20% and 20%-plus or the current levels. Some expansion is possible, yes, maybe not likely, but that's the backdrop we are working on. And in the slower – if the economy starts recovering it's possible to grow double-digits the earnings per share. If not then it becomes a harder exercise.

Q - Eduardo Nishio {BIO 15333200 <GO>}

Okay. But your current guidance points to probably to mid-digit growth for this year, no?

A - Marcelo Kopel {BIO 16986304 <GO>}

Yeah, yeah, yeah. If you do the math you'll probably arrive to some EPS around 15%.

Q - Eduardo Nishio {BIO 15333200 <GO>}

Okay. All right. Thank you.

A - Marcelo Kopel {BIO 16986304 <GO>}

Thank you, Nishio.

Operator

This concludes today's question-and-answer session. Mr. Eduardo Vassimon, at this time you may proceed with your closing statement.

A - Eduardo Mazzilli de Vassimon {BIO 5349410 <GO>}

Okay. Thank you, everyone, for following and participating in this call. As a final note, I would like just to reaffirm our beliefs that we will be able to continue to deliver good results to our shareholders with returns above 20%, although in this particular year of 2015 it's a different composition among P&L lines with the higher margins and higher provisions this year. Thank you again.

Operator

That does conclude the Itaú Unibanco Holding Earnings Conference for today. Thank you very much for your participation. You may now disconnect.