Operator:

Good morning, ladies and gentlemen. At this time we would like to welcome everyone to Banrisul's 2Q11 results conference call. Today with us we have João Emilio Gazzana, CFO and Investor Relations Officer, Werner Kohler, General Accountant, Isaac Oliveira, Accountant, and Alexandre Ponzi, Head of IR.

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

The audio and slideshow of this presentation are available through a live webcast at www.banrisul.com.br/ir. The slideshow can also be downloaded from the webcast platform in the Investor Relations section of this website. There will be a replay facility for this call for one week.

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

Now, I will turn the conference over to Mr. Gazzana, CFO and Investor Relations Manager, who will start the presentation. Mr. Gazzana, you may begin.

João Emilio Gazzana:

Good morning, everybody. We would like, first of all, to thank you very much for attending our invitation for this conference call. We will be starting very soon our presentation, and afterwards we will be at your disposition here, to answer all of your questions.

As you know, yesterday we released to the market our financial statements, and we delivered a net income of R$438 million compared to R$305 million last year's 2Q; so, we had an increase in our net income of 43%. And also in all other data you will be able to see that our performance was very good in this 1H of the year. And as we are going to comment, very good perspectives also for the 2H of this year.

I will be asking now Mr. Alexandre Ponzi to start the presentation. And as I said, afterwards we will be at your disposition to discuss all our numbers. Alexandre, please.

Alexandre Ponzi:

Thank you, Mr. Gazzana. And let us go straight forward to our **slide number two**, in which we can see that Banrisul has preserved market share, both in the State of Rio

Grande do Sul and also in the Brazilian market, while we have increased our service network in another 19 additional points during the 2Q f this year.

On **slide three**, credit growth was above market average, growing at rates of about 22% versus 20% of the industry. Commercial credit portfolio increased 23% in the last 12 months, and the loan book growth was supported by the increase of funding, mainly from time deposits, 32% year-on-year growth, as a result of recent restructuring of funding products and of the commercial approach to increase deposits as well. With that, the gap between the growth rates of funding and credit is reduced, while increasing funding for credit without affecting the portfolio of securities.

On **slide four**, total assets of R$34.8 billion in the 1H11 grew almost 12% in comparison to June 2010, increasing participation of loans, which now represents almost 55% of total assets. Return on assets moved from 2.4% in the 2Q10 to 2.7% this quarter.

Total funding and assets under management totaled R$26.1 billion, with a year-on-year increase of 13%, and 3% growth from the 1Q11 to the 2Q11, as seen on **slide five**.

What should be pointed out, though, is the funding profile, on **slide six**. Fundamentally from our branches and mostly from individual account holders, it is a diversified retail portfolio, balanced between demand, savings, and time deposits, with no dependence on funding from institutional investors. Time deposits once again gained participation, now accounting for 46% of the total funding.

Funding, which is an interesting and competitive advantage for Banrisul, given its low cost and stability in time. In the 1Q11, total funding cost reached 74.2% of the Selic rate. Yet slightly higher than those recorded in the 4Q10 and in the 1Q11, it is lower than the average cost for the past five quarters in Banrisul. Cost of funding for time deposits reached 88.5% of the Selic rate, as opposed to the 87.7% in the 1Q11.

Next slide, seven, we see that our loan book reached R$18.8 billion, almost 22% growth in 12 months, 10.4% year to date and 4.8% quarter on quarter, above the average of the industry and contemplating all the macro prudential measures that were released by the Central Bank since December 2010.

This strong credit growth is based on quality of credit; the continuous improvement of the quality of the loan book has allowed is to find more appropriate levels for the credit provisions as a proportion of the loan portfolio, which decreased from 7.2% in the 2Q10 to 6.5% in June 2011. Total provisions increased 8.7% in the last 12 months, or just 1/3 of the growth reported by our credit portfolio.

And our loan book is also very diversified, as presented on **slide eight**. Commercial credit portfolio, with a relative participation of 78%. Real estate loans and the agricultural portfolio, representing 8% and 7% respectively of the total loan book. And we have seen that commercial credit has larger participation of credit to individuals, which accounts for 56% of the unmarked credit book, and payroll loans being the main driver, 74% of credit to individuals. Out of the payroll lending, 61% is of our own generation and 39% comes from acquisition from other banks. Commercial credit to companies now represents 44% of the commercial credit portfolio, being driven by working capital, 73% of the total.

And the commercial credit portfolio increased at a slightly faster pace than that of the loan book, on **slide nine**. Credit to individuals, with a balance of R$8.2 billion in June, increased almost 20% in the last 12 months, 11% year to date, and 5.3% quarter on quarter. Credit to companies increased 28% since June 2010, 11% from December to June this year, and 5.3% from March to June, reaching R$6.4 billion.

On **slide ten**, we present the quality of our credit portfolio, with almost 90% of it classified as normal credit risk. Total provisions are now 6.5% of the loan book, default rates are still low, NPLs of 2.7% over 60 days and 2.3% over 90 days, practically flattish from the numbers that we presented at the end of March this year. And this is a positive factor in transition times from a scenario of high credit growth to another with credit restraints and expectations of higher delinquencies and deterioration in credit quality. We have maintained a comfortable coverage ratio; 244% for loans past due over 60 days, and 281% over 90 days. And this combination, low NPLs and adequate coverage ratio, brings an important tool to manage the loan book.

Our securities portfolio, presented on **slide 11**, has a balance of almost R$10 billion at the end of June 2011, a 2% drop year on year, precisely following the allocation of resources into credit assets, but still preserving the Bank’s sound liquidity condition.

And this greater asset allocation into credit is reflected in the growth of almost 23% in financial revenues in the past 12 months, reaching the balance of R$2.7 billion, an in the growth of 11% since the balance March to June this year, having R$1.4 billion in financial revenues. The revenues last quarter were influenced not only by growth of the loan and securities portfolios and by the higher Selic rate in the period, but also by the outcome of compulsory deposits, given the readjustment of the base of demand deposits, which are subject to reserve requirements at Central Bank without interest whatsoever, that happened over the 1Q10 in comparison to the balance that we had in December 2010; **slide 12**.

Total provisions, on **slide 13**. From January to June decreased 0.4%. Expenses provisions recorded during the 2Q11 increased 13% over the 2Q10 and 3% over the 1Q11. The growth of provision expenses during the last quarter included, in addition to the organic growth of the loan book in the period, the impact of minimal increase in the past due loans over 60 days. Still, on an annual basis, the cost of provision is at the floor of the guidance range, between 3% and 4%, which did incorporate expectations for credit deterioration when initially we presented the guidance at the end of December last year.

Market funding expenses in the 1H11 are 32% higher than that until June 2010. And the balance of R$448 million in the 2Q11 is 17% higher than the 4Q10 and 14% above the 1Q11. The changes that we observed in funding expenses com from the increase in the balance of time deposits and from the increase in the Selic rate as well, which can be seen on **slide 14**.

Next **slide, 15**, net interest income: R$1.6 billion at the end of June 2011, 17% higher than that of June 2010. And net income in the 2Q11, R$832 million, is 6% higher than that at the end of the 4Q10 and 10% above March this year, as a function not only of the growth of credit and securities portfolios, but also on the normalization of the basis for calculating reserve requirements upon demand deposits to be placed at the Central Bank of Brazil without interest, which had a negative impact over the 1Q11 net income. Talking about operating expenses, on **slide 16**. Administrative cost is an item that has received special attention within Banrisul since the adoption of the efficiency improvement program that involves the entire workforce and that seeks not only to control operating costs, but also to increase efficiency. And it is also one of the pillars of the current management, which has been preserved the system of paying variable compensation linked to cost targets.

In the 1H11, administrative expenses totaled R$853 million, growing about 2% in 12 months. With a balance of R$442 million throughout the 2Q11, it is 0.5% lower than that of the 4Q10 and 7% above the 1Q11. Personnel expenses grew 14.7% from the 1H10 until June this year. The amount of personnel expenses that we recorded in the 2Q11, R$266 million, increased by 17% over the 2Q10, decreased 4.5% from the 4Q10 and increased again 10.5% from March this year. They reflect not only the impact of the wage agreements that were signed in September 2010 but also the increase of headcount of about 500 employees since June last year. Other administrative expenses reduced by 12% from the 1H10 to June this year, ending the 1H11 with a balance of R$346 million. The amount of R$175 million in other administrative expenses during the 2Q11 is 6% lower than that of the 2Q10, 6% above that of December 2010 and 3% higher than March, and they remain object of constant monitoring.

And on **slide 17** we can see Banrisul's net income. With a total of almost R$439 million until the end of June this year, the number is 44% above that of the 1H10, equivalent to an ROE of 23.2% on a, annual basis. As for the 2Q11 onwards, net income of R$227 million is 24% higher than that of the 2Q10 and 7.5% higher than that credited until March this year. If we take just the numbers of the 2Q11, Banrisul's ROE would jump to 24.3% on an annual basis again. Earnings per share increased from R$0.448 to R$0.556 from the 2Q10 to the 2Q11, and they are in line with the 40% payout policy, paid quarterly, which amounts can be seen on **slide 18**.

Shareholders' equity of R$4.1 billion in 12 months grew 15% in 12 months, 7% year to date and 3% in the quarter, on **slide 19**, which brings us back to the summary of the Banrisul's key performance indicators, seen on **slide 20**. The efficiency ratio improves again: it changed from 50.5% in the 2Q10 to 45% in the 2Q11; ROE, from 18.2% to 23.3% in the same period, and return on assets goes from 2.4% to 2.7% in the same period, and they are precisely in line with the indicators that are presented by the peers or even slightly ahead. As we move on, we can see that our 15.6% Tier I only Basel ratio is pretty comfortable and enables us to keep on growing at a strong pace if market conditions apply.

Banricompras main figures are presented on **slide 21**. Financial turnover and the number of transactions grew 16% and 11%, respectively, from 1H10 to 1H11, when R$2.5 billion were traded in approximately 37 million transactions. Since April 2011 in the acquiring business in partnership with MasterCard, as of May Banricompras network was reinforced with the license granted by Visa, whose cards are expected to start to be captured by the second half of this year.

Finally, I give the word back to Mr. Gazzana in order to see what are the main economic conditions that make us feel comfortable with the guidance that we maintained throughout this year. Mr. Gazzana.

João Emilio Gazzana:

OK. As Alexandre has said, we are still maintaining our guidance disclosed in the beginning of the year, and we are expecting our loan book to grow around 20%. If we take the numbers of the 1H of the year, we can see that we are a little above this range. But we saw maybe some reduction in the rate of growth in the economy in the 2H of the year. We will have some decrease in the rate of growth, but anyway we take for granted that we will be able to stay more or less here, in the higher part of this range.

And also related to loan book to companies, we will be able to grow something between 20% and 21% in the 2H, real estate we intend to grow even faster in the 2H of the year, so we will be able to stay around within the range up to 23% according to our guidance.

Also it seems to us that our ROE will be also within the range we established between 19% and 23%. Concerning our efficiency ratio, we are at 11% and 45%, and we think there is some more room to improve this ratio as well.

As you can see also our NIM is in the level of two digits, so we are reaching the number 10.6% in the 1H of the year, and we think we can manage to keep this NIM within the range between 10% and 11%.

Also concerning NPL, as you could see, we managed to keep our NPL flat during this 1H of the year, and it can happen a small deterioration in the 2H of this year, but anyway we think we will be able to stay very well under 3% percentage; maybe something around 2.7, 2.8, something like that. So, our NPL is under control as well.

Well, what will help us to keep this year's rate of growth and also at the same time with a flat NPL was that the Rio Grande do Sul economy had a very good behavior during this 1H of the year, because we had our green crop was very good, concerning to quantity and also concerning to prices. So, Rio Grande do Sul economy was in a very good shape, and as we concentrate more our business in Rio Grande do Sul, we were benefited concerning this.

Well, so, as I said, we are thinking we are going to have a very good 2H, which will allow us to stay well according to our guidance we released to the market at the beginning of the year.

Well, from now on we will be at your disposition to clarify any doubts that you may have and also to answer your questions.

Thiago Batista, Itaú:

Hi, everyone. My first question is about service fees. Service fees posted only a small expansion in this quarter, and part of this weak performance was caused by the decrease in checking accounting fees. Could you explain this movement in checking accounting fees? And also could we expect a better performance of service fees during the 2H of the year? This is my first question.

Alexandre Ponzi:

Hi, Thiago. Nice talking to you again. The point is, the weak performance that we saw in fees comes from some issues. First of all, we are not at the same place as other large cap banks, large retail banks in terms of assets under management that contribute to adding fees to the base. We have a stable R$6 billion something portfolio of assets under management that, as long as they improve, will be delivering more fees.

Secondly, we have realigned our prices as of November last year, so it takes another 12 months until Banrisul can reprice the prices of the products that we charge from customers, which will happen only in November this year, if they do happen, if we do reprice.

Other and very important issue is that the number of customers that we have remained practically stable throughout half of 2010 until now. So, all the use of the products that we offer to customers are already priced in. they increase from the 4Q10 to the 1Q of this year. But therefore if we do not long at other customers, the number will be precisely the same because the consumption profile is to remain steady. So, one of the issues is Banrisul must, and this is part of our strategy for the period from 2011 to 2014 we have to expand the base of customers. Point one.

Secondly, Banricompras is still growing mostly on acquiring Banricompras card alone. We have not started actually the process of acquiring MasterCard and other cards as well. So, the faster that we recompose and that we solve the legal issues regarding to adding customers, enables us to capture in their POS all the brands. It is a legal issue, they have to sign and fill in all the forms and we have been growing at a pace that about 20% of our POS network will be completely able by the end of the year. But the faster we grow in this segment, the faster Banricompras will be delivering more.

As of today, we are dependent on the growth of Banricompras' network, which has grown about 16% year on year a little less than what we have seen to the credit card market industry, an average of 20% increase year on year, but considering that we have the largest network in terms of credit card industry in the State of Rio Grande do Sul.

So, these issues respond for the weak performance that we saw from the 1Q to the 2Q. But there are other questions as well. We have been adding to our commercial target products that generate non-income revenues, such as insurance, such as pension plans, such as credit cards that will start to deliver I would say on a conservative basis from the end of the 4Q11 onwards. We have established and we have been discussing, management actually has been talking to all employees. We have been doing some strategical planning meetings throughout all of our areas in the State of Rio Grande do Sul and in the State of Santa Catarina precisely in order to say that we have to grow, not only in credit, which we have grown, but also to increase the base of other products that do not generate income, but generate fees in order to precisely cope with that weak performance that you just mentioned.

I do not know if I was able to answer fully your question, Thiago.

Thiago Batista:

Yes. Thank you. My second question is about the NPL ratio. We are almost in the middle of the 3Q; have you seen any kind of change in the NPL ratio trend? And what could we expect for the 2H of the year?

Alexandre Ponzi:

OK. I will just translate to the other gentlemen that are here. To answer your question: no, we have not. We have precisely maintained a flattish behavior that we saw from the 1Q to the 2Q. There has been no change whatsoever. Considering that we benefit from the vintage of credit that we have and we have disbursed about R$15 billion in the 1H11 only in terms of credit in the State of Rio Grande do Sul. So, the quality of the portfolio that we have is a very comfortable one, even though – and just to reemphasize what I just said at the beginning of my speech – we have been maintaining a very forceful eye in terms of the conditions of the market regarding to all the crisis that we have seen.

But as of today we have not seen any deterioration and we do assume that both quality credit and provision expenses for 2011 will be within the range that we have guided.

Thiago Batista:

OK. Thank you, Alexandre.

Victor Chabel, Credit Suisse:

Good morning, everyone. I have just one follow-up question on the efficiency ratio side. So, basically you guys told us that the efficiency has room for further improvement and this is very positive sign. What about the drivers of this improvement? Should this come from more revenues generation or there is further room for controlling and reducing expenses, and which would be then the expenses that could be reduced? Thanks a lot.

João Emilio Gazzana:

Well, we think we can manage to improve the efficiency ratio but of course the room to improve, as we improve more ratio, is each time more difficult to reach this new levels. We think from now on it will be possible mainly related to improvement of income in one side.

But anyway we think also we can improve efficiency concerning costs as well. but mainly from now on the improvement will come from growing income.

Victor Chabel:

Great, thanks. Very helpful.

Fred Mariz, JPMorgan:

Hi, good morning, and thank you for the conference. Just a follow up on the efficiency side: can you give us a bit of your views on the inflation for the 2H and what you are seeing in particular for the increase in wages for your employees? Thank you.

João Emilio Gazzana:

It is difficult. Well, concerning inflation in Brazil we are expecting some reduction because the Central Bank policies are already bearing fruit and we are seeing that the worst moment concerning inflation rates has already passed. So, the Central Bank is announcing that they are aiming to reach something near 4.5% by the end of next year, and of course this year, with the rate of inflation in Brazil, is a year as a whole that will be near something a little higher than 6%.

And concerning wage increases, it is difficult to foresee any situation from now on. Of course in September and October we will be dealing with the Union about wage increase, and we take for certain that the wage increase will be something around inflation, something between 6% and 7% plus some real increase. So, maybe we can talk about something between 9% and 10% perhaps, something like that.

What do you think, Mr. Morlin? Same thing; something around that.

Regina Sanchez, Itaú:

Hi everybody. First of all, congratulations on the results; we liked it very much. I have specific questions for Mr. Werner Kohler; it was a pleasure to meet last time I went to Porto Alegre. It is a very technical question regarding provision for loan losses models. Have you seen the main difference between expected losses model versus the resolution 2689 from the Central Bank, and Banrisul's own model? Which one would be more conservative or not, and for what reasons? And do you believe IFRS is going to adopt expected losses? And if Banrisul migrated to this model, do you believe we would see some release of provisions? Thank you.

Werner Kohler:

Well, as we could see in the last statement that we have handed in April, we could see that it is not so different our credit allowances when we see as the Central Bank is requiring. And we apply IFRS requirement.

Now we are dealing with 2011, to see how much is the difference between these two requirements. We think that our allowance provision will be in the same line that we could see when we made the calculation about 2010.

We think it is lower than what we saw at the Central Bank requirement of allowance, because the Central Bank requires allowances on credit that are not delinquencies that we are not going to risk seeing in the future. But we have to apply, make allowances in the credits that are in the rating, the credit is in the right conditions here in the Bank. And we could see that it is not so different, but it is a little bit lower when we see it in the IFRS requirement.

And we can see that it is going on the same lines that it was in 2010.

Regina Sanchez:

OK, Werner. Thank you.

Alexandre Ponzi:

We have three different questions from the same person, Mr. Carlos Herrera, made via the Internet. First one: Do Banrisul expect NPL ratios to continue the downward trend, or would we expect them to close the year with an increase? If so, how big the increase would be?

NPL ratios, I do believe we have somehow answered this question. We do not expect them to grow further than we have guided the market, so provisions should be at the level of 6.5%, give or take a little more or less, but about this level and under…

João Emilio Gazzana:

NPL under 3%.

Alexandre Ponzi:

So, we do believe NPL should be at the same basis that we have as of today. So, provision expenses for this year, guidance 3.2% as we are delivering today.

And regarding NPL coverage, should we expect it to move from actual levels? Which trend or bias?

NPL coverage… In terms of coverage, we are at 2.44% in terms of coverage ratio, a very comfortable number. We do assume that it could be trending a little further, but there are other issues regarding macroeconomics for the remainder of the year.

And also we have to take into consideration that Banrisul is still a regional bank. So, we are [inaudible], if I could say so, to risk at large cap banks like the large banks in Brazil could be mitigating by working in different states.

So, our NPL coverage ratio is likely to be higher than the average of other banks. But again, it is very a comfortable number as of today, in times of uncertainty especially of credit and credit policy.

Other questions: do you expect funding costs to continue rising during the year? What is the scenario for 2012?

Funding costs actually remain at the same pace, or even considering the adjustments to the automatic time deposits that we have made, they could be dropping a little further. But to remain on the conservative side: 72%, 75% of the tariff rate as of total cost funding, and much less than 90% in terms of time deposits; cost of funding for 2012.

João Emilio Gazzana:

For 2012 we expect the Selic rate will remain more or less flat. But according now with this new world scenario, maybe it will be even lower than the present level. Up to two or three weeks ago we were expecting Selic rate to be more or less flat during the next year, but now with this new international situation, maybe the Selic rate will come down a little.

And concerning our funding costs compared to Selic rate, we expect it to be at the same level, around 90%, 89%, of the Selic rate concerning time deposits. Something around the same level, today all our deposits are around 74%. The total deposits are around 74%, 75% of Selic rate, and something around 90% for time deposits, and Selic rate around 12%, between 12% and 12.5% for next year.

Alexandre Ponzi:

The other questions from the Internet are again from Mr. Carlos Herrera: Does Banrisul have an efficiency target for 2011 and 2012?

For 2012, yes, we do. We have from 44% to 48%; that is the range. Based on own calculation that we explained on our press release, the way that we calculate, it varies from institution to institution, but again we feel comfortable that the same trend that we have seen our efficiency ratio presenting, being followed by the calculation from other houses.

Again, 44%, 48%, we are delivering 45% as of today, and mostly, as has been answered, coming from the increase in income, even though we have controlled our expenses. But Banrisul understand that a right increase in expenses should be coming from increase in branch networks, from increase in the number of employees in order to manage them, and also in other administrative expenses such as marketing and advertising expenses as well.

But we will be doing all we can in order to offset them by reducing others to prevent. That is why we have maintained the same method for paying bonuses, variable remunerations to employees, which is linking their performance to 25% of achieving costs targets that we have for all employees at Banrisul.

João Emilio Gazzana:

So, we are going to keep reinforcing our efforts concerning cost control, like Alexandre is saying. So, we are reinforcing the participation, the importance of this cost control in the variable remuneration of our employees.

Alexandre Ponzi:

And as for 2012, even though we have not guided the market yet, we assume that we would feel comfortable with maintaining the same level that we had this year.

Are there other questions, let me see the Internet over there. Basel ratio: what number would Banrisul feel comfortable with?

We have 15.6% Basel ratio, Tier 1 only as of today. I would say 13%, according to the present calculation, would be a comfortable number considering the duration of the credit portfolios, and we are talking about durations over 48 months for individuals, and 15 to 18 months, when we are talking about working capital for companies. So, the longer the duration, the higher should be the number that we feel comfortable with.

So, 13% would be an assumption in terms of Basel ratio, in which we would be doing something other to recompose the number; again, calculated according to the rules of Basel 2.

And ROE: which number would be sustainable? The question, precisely, is: if we do regard 20% ROE as sustainable in the long term.

We do understand so. Our guidance is from 19% to 23%. We have been delivering in the 1H11 and in the 2Q numbers that are even higher than the guidance that we have disclosed. But the point is: some strategies, or some new features that we want to be seen implemented in Banrisul shortly, as soon as possible, we must start delivering throughout 2012, which are other products that are not credit related; other products that will be improving revenues, will be improving fees that will make us feel more comfortable with delivering more than 20% ROE at a stable level.

I guess that is all. We now return to the operator to see if there are other questions.

Operator:

I am showing no further audio questions and no more questions via the Internet. I would like to hand the call back over to management for any closing remarks.

Alexandre Ponzi:

OK. Thank you very much, and we will be at your disposal anytime to answer any more questions you may have. See you next time.

Operator:

Thank you very much, sir, and thank you for your time. The conference is now concluded. You may disconnect your lines.