

Operator:

Good morning, ladies and gentlemen. At this time we would like to welcome everyone to Banrisul's 1Q11 results conference call. Today with us we have João Emilio Gazzana, CFO and Investor Relations Officer, Werner Kohler, Superintendent, Accounting Department, and Alexandre Pedro Ponzi, IR Manager.

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 the 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. João Gazzana, IR Manager, who will start the presentation. Mr. Gazzana, you may begin the conference.

João Emilio Gazzana:

Good morning. It is a pleasure to be here with you for the first time. And I would like to remind you that Banrisul's new Board of Executive Officers took over on March 17th.

I am the new CFO and IR Officer. And I have here with me also my colleague, Mr. Luiz Carlos Morlin, our former Accountant and now our Control and Risk Management Officer. So, together with Mr. Alexandre Ponzi and Werner Kohler, we will be here just to try to clarify all the doubts you may have about Banrisul's numbers.

Well, I would like to start telling you about some views of the new Banrisul's Board of Executive Officers. Our CEO, Mr. Tulio Zamin, has been telling market analysts about the way he intends to conduct our four-year period. Mr. Zamin has said to market analysts that this period can be summarized in one word, expansion.

So, in order to do that we intend to pave our actions in four main pillars. The first one would be improved service towards to customers, the second one, increase of Banrisul's market share. The third one, investments in IT and training programs to qualify employees. And fourth, expansion of the cost-control program and focus on improving efficiency ratio.

So, we intend with this situation to improve our actions and keep Banrisul's results. I think it is also important to tell you that we are going to maintain the guidance lines we released to the market in the beginning of the year, we think we will be able to keep the rate of growth, our credit portfolio. We think we will be able to make our credit portfolio to grow between 15% and 20%, our commercial credit to individuals between 12% and 17%, the commercial credit to companies between 16% and 21%, and to keep the real estate growth portfolio from 18% to 23%.

At the same time we still believe our provision costs can be maintained between 3% and 4%, and allowance for loan losses between 6% and 8%. At the same time, our CEO has been telling market analysts that at the same time we intend to keep the growth of all the credit lines we have been operating, we intend to give more emphasis also to mortgage loans and long-term financing to companies, passing on to customers a credit line from BNDES. We think that mortgage loans is a way to fidelize our customers in a long-term basis, so we think it is very important we have room to make this growth.

For you to have an idea, we have about R\$5.3 billion in savings accounts, but we have only R\$1.35 billion in mortgage loans. So, we are able to more than double this portfolio with the funding we already have. And long-term financing depends only on lines from BNDES, so we will be able to make some important growth in this line as well.

At the same time we think we can expand our insurance business and we are already making some contacts with new partners in order to increase cross selling of insurance products to our customers. At the same time we have a new division for credit and debit cards, and we think also that we will be able to increase this business. Today we have about 324,000 credit card holders, Visa and Mastercard, and we think with this new focus maybe we will be able to increase substantially this number by the end of this year.

At the same time, we are looking after final details to sign an agreement also with Visa, in the same basis we did with Mastercard in order to expand our Banricompras acquiring business. Also, I can announce that our acquirer payroll loan strategy will be continuing, and we are dealing now to looking after new partners to increase our payroll loan portfolio. So, we think we have room to grow in this area as well.

Well, I can also say that yesterday, as I was reading some comments from market analysts about our results, and we think that most market analysts are praising our numbers. They are mainly telling that they are happy with our resilience, ROEs, with our good earnings results, they are happy with our loan growth, and mainly all market analysts are praising our cost-control management, which resulted in the improvement of our efficiency ratio, as you already took notice.

So, the new administration is going to pursue all this strategy and, as I said before, we intend to make an extension of the cost-control program in order to focus on improving efficiency ration. We think we can still keep this pace of improvement of our efficiency ratio.

Before passing to Mr. Alexandre Ponzi, I would like also to make some comments in our results. As you know we delivered a net income of R\$211 million, which was 73%

and R\$89 million above last year's 1Q results, through it was 8% under the results we had last quarter, 4Q10, when we a net income of R\$229 million. But taking into account the seasonal characteristics of our saves, we think the best comparison is with the 1Q10. At the same time we would like to emphasize that our allowances for loan losses, R\$138 million, were lower than last year's 1Q and a little above 4Q10.

Other situation is that our past-due loans over 60 days had an improvement, 2.7%, from 3.5% in the 1Q10. It was a little above the 4Q10, when the same number was 2.5%. But I think the main characteristic of our results was the administrative expenses, including personnel. We managed comparing to the 1Q last year to make a 2.8% improvement. This 1Q we had total expenses, including administrative expenses including personnel, of R\$411 million comparing to R\$423 million last year. So, it is very important that our cost management strategy is staying very well and we imagine, in spite of this increase in wage of our employees, we managed to have a gain of 2.8%.

If we take all the other administrative expenses, we have a gain of 18.6% year to year, and our efficiency ratio improved from 52.2% in the 1Q10 to 45.8% in the 1Q11, and even comparing with last quarter in 2010 the improvement was from 47.8% to 45.8%. So, we are not only delivering a better financial income but we are managing also to have important gains also in efficiency and cost-control management.

So, we thank you for your attention. I do not know if my colleague Mr. Morlin has some comments to make. If not, I am passing on to Mr. Alexandre Ponzi so that he will be able to continue and present the details of our selling accounts.

Alexandre Ponzi:

Thank you, Mr. Gazzana, and I do believe that all the presentations of the main features have already been given to you. But just to emphasize some features that we have discussed. And you do have the presentation before you, so I do not think we need to go and follow them precisely step-by-step, slide-by-slide.

So, we could just talk some points before we go to the Q&A session, which will be credit growth. We do believe that Banrisul has growth ahead of the market, and delivering NPLs they did increase a little bit. They are all under 3% but it does reflect some slight deterioration in terms of asset quality, but not some point of major concern.

So, having almost 90% of our transactions credit portfolio classified as normal risk, with provisions of 64% as related to the total loan portfolio, we do understand that defaults are low in comparison to the market, especially now 2.7% over 60 days and 2.3% over 90 days. A little, again, slightly ahead of our 4Q10, but we would say that those numbers should be acceptable in a time we are transitioning from a scenario of high credit growth to another with slightly higher delinquencies. But we do maintain a very comfortable coverage ratio, 2.42% and 2.86% for 60 and 90 days, respectively, and we understand that those numbers leave a comfortable situation for the Bank, while managing the loan portfolio.

Provisions did increase a little bit in regard to the 4Q, but they are in the pace that we have guided the market when we released December 2010 number, when we accounted that some slight deterioration of credit would be likely, especially when we mentioned that expenses would be within 3% to 4% range, and they are now, if you do

analyze it, just at the bottom range of our guidance, 3%, so it is not a point of major concern.

Financial margin on our accounts, it did decrease 4% quarter on quarter. But if there is some reasonable explanation on that and some expectations on our side that did increase will not happen in the coming quarters.

Net interest income, which decreased 4% quarter on quarter, is explainable by our credit portfolio that grew faster into commercial segments rather than individuals, but again as we have guided as we have assumed that this would happen in which the spreads for the commercial segment have remained practically the same from the 4Q10 to the 1Q11.

We did have some lower credit recovery revenues in this quarter when we compare to the 4Q10. We had higher funding costs from time deposits growing at a faster pace in an environment of higher Selic rate. We have a higher balance of demand deposits in December 2010, which was coming from the termination of one funding project that we have, that we call Poupança Integrada, an automatic balance transfer from checking account into savings and also on account of seasonal higher income that we see at yearend is increasing demand deposit had negative impact on reserve requirements throughout the 1Q11, demanding that more cash deposits were made at the Central Bank of Brazil during this 1Q of the year.

The lower balance of securities in the same quarter was on account that we did use part of the available cash that we had to meet the demand of credit when funding increased 30% alone but not sufficient to cope with the growth of credit portfolio, roughly 22%. And higher provision expenses on account of a slight deterioration, but no problem whatsoever.

But again, Banrisul understands that this trend is not likely to continue in the coming quarters, because we have replaced Poupança Integrada by another funding product that we call the Automatic Time Deposit that replicates precisely the same features of the Poupança Integrada, transferring positive balances from demand account into a time deposit account, therefore reducing the amount of demand deposits, reducing the reserve requirements, and this product, which is fully operational throughout this quarter, and you can see the results when we increase time deposit balances to R\$10.9 billion, will help us reduce the balance between demand deposits and then the compulsory requirements attached to it.

And also we have started an aggressive funding campaign precisely to counteract the demand of credit and to avoid great impact over the security balances.

I would say that these would be the major points that we had this quarter. Of course, we did see some reduction in terms of operating expenses coming from one reversal of provisions from one transaction that did not have any credit features on accounts of some agreements that we made to public municipalities, we had the same reversion of provisions in the 4Q10, R\$30 million, this quarter roughly R\$14 million, which we do not understand will impact operating income next quarter, but then will be benefiting from the flow of income about R\$10 million per quarter coming precisely from the renegotiations with these transactions with the municipalities.

And on account of other operating expenses, you will see that there was a R\$3 million increase coming from one product that we started late October 2010, which is Banrisul's credit card and a membership program. We had to pay for the beginning amount, more than R\$3 million, and now we are going to be seeing in this item the flow of these expenses, which will be related to increasing the number of credit cards that we have under our base, which will be assigned to a new area within Banrisul, which will be related to an incharge of credit and debit cards as well.

So, this is the major explanation for the drop of 4% in margin, which is not likely to happen next year, and also for the drop of 8% when we see the bottom line of the Bank. But again, this was a very strong quarter and the perspectives for the rest of the year are to remain positive as well.

As Mr. Gazzana has said, some deposits of the Bank are related negatively but are mostly related to seasonable events and tend to be minimized throughout the rest of the year. And also we want to emphasize that the new four main pillars of the new management of the Bank will start delivering I would say by mid-2H of this year, not right now. But they are focused on promising sectors, such as debit and credit cards, insurance, pension, capitalization, mortgage as well, etc. All these initiatives will not bring immediate results, but the potential again is favorable for the Bank and will contribute to building results in line with our guidance for this year.

We do believe that now we are finished with our presentation. And we are about to start the Q&A session. We will deliver to the operator and then feel free to make all the questions that you wish, either through speakerphone or the Internet as well. Thank you.

Marcelo Telles, Credit Suisse:

Boa tarde, bom dia a todos. Obrigado pela oportunidade. Primeiramente, parabéns pelo resultado. Minha pergunta é mais de cunho geral; quer dizer, agora que o Banco está sob novo management, o que mudou — Sorry, I should be speaking in English! I am so sorry for that!

Now that the Company is under new management team, what has changed in terms of the strategy of the Company going forward? Are there segments that are particularly more attractive to you, potentially maybe more like infrastructure, financing?

And I know you mentioned a little bit during the conference call, but in case you move in that direction, how do you expect to fund those long-term projects? Are you going to rely solely on BNDES financing? Or are you probably going to use the resources of the Bank to do so? If you can elaborate on that, I would appreciate it.

João Emilio Gazzana:

Well, thank you for your questions. I would say that we are going to keep most of the lines Banrisul was dealing, but we are adding some new emphasis also. This new emphasis, as in part I said before, will be linked to take the opportunity to maximize Banrisul potentially, like in the insurance business. We think that we can, remember that we set up a new division in Banrisul linked exactly to this activity. So, we think we can improve our cross selling of the insurance products.

Today, most of our customers make, let us say, a credit operation with Banrisul, but most of the time they make their insurance with other banks. So, we think even if we work we do not need to look for new customers. We have only to improve our cross selling of the customers we already have.

So, we think we will have the opportunity to multiply the revenue we have from insurance business. At the same time we set up a new credit and debit card division, because we intend to focus on this product. We think we have a big potential to increase our business in this area. For example, I said before that at the same time that we are dealing now with Mastercard acquiring business in order to improve our Banricompras network, at the same time we are finalizing our agreement with Visa as well. So, we are going to have two main credit cards in order to make the best of our Banricompras network.

And at the same time we think we can increase the number of credit card holders. Today we have 324,000 Visa and Mastercard, and we think we will be able to increase maybe by the end of this year something near 500,000 cardholders.

At the same time we think that in real estate loans portfolio we can increase, as I said before, we have today about R\$5.3 billion in savings accounts, but we have only R\$1.35 billion applied in real estate loans. So, we are able to more than double this portfolio without needing more funding from savings accounts. So, we have a lot of room to grow in this area as well.

And at the same time, as I said before, as well, that increase in real estate business we can manage it to maximize the fidelization of our customers with Banrisul. Because today you know that if a customer is paying a mortgage of 15, 20 years, debiting the installment payments from his current account, it is a way to fidelize the customer, to be able to make other business in commercial loans to individuals, to sell insurance and all other products; to also sell also our credit cards and other things.

So, we already have some meetings, we are making some operational agreements with, for example, magistrates and civil servants association, boards, in order to increase, to promoted real estate loans.

We have also been making some operational agreements with business associations of real estate building companies in order to finance the building of real estate units. We are also doing agreements with real estate agents and making some payments to them also in order to help us in the action to sell more real estate loans. So, we already have many actions that we expect are going to give some results in the near future.

So, with a long-term financing, for example, from BNDES as well, today many Banrisul customers, many companies are our customers in commercial loans and we have some services with these companies, but when they need to finance a long-term investment, sometimes they go to other banks to take this money.

So, we think we can improve our relationship with our customers increasing our long-term financing to companies as well. So, this case is also a way to fidelize the relationship with these customers.

And at the same time Banrisul has now an automatic way to pre-establish limits to small companies. So, we will be able to increase our business with small companies as well, with a way to calculate operational business and credit limits to these companies.

And also, as I said before, in our view, I think that a single word can summarize what we intend to do; the word is expansion, it is to make all efforts to increase our market share.

And in addition to that, Banrisul is setting up in the asset management business a new unit to deal with the structured funds. It is a business Banrisul was not dealing with, so we have already a new situation that we can manage this business; it has been a way also to increase our business with companies, let us say funds like FIPs invested in participation of new... I do not know how to say it in English... FIPs, private equity funds. So, we are setting up with a new unit also to increase this business.

Another area is the area of capital market. Today Banrisul has a tiny area of capital market more linked to help some state owned companies to make emission of debt instruments. And we think we can improve this service for private companies to our customers as well.

So, we are now setting up these new units to increase our business in this area. Again, because many of our customers, when they need this kind of service, they are looking at other banks. So, we are really going to be able to make this kind of service as well.

At the same time of course we are looking for new partnerships in markets with other banks and institutions exactly in this area to increase our capital market business as well.

So, in a certain way, without giving up all the efforts we are making in the commercial loan business, we think we can increase our loan business with individuals, with companies. We can improve our relationship with customers in insurance, cross selling of insurance products. We can increase our business in real estate loans, and we can enter capital market increasing the business we already have. But we can make it bigger to better attend our customers, and also we are ramping this structure area of asset management funds as well.

In all cases we have some initial team structure in Banrisul, but there are always business we think we can increase and look for other ways to take more advantage of the relationship with have with our customers.

In all the cases I was telling you about, we do not need to look for new customers. In all the cases there are ways to increase our relationship with the customers we already have. I think in Banrisul we have a lot of room to increase cross selling and to expand the number of products we can deal to the customers we already have. And at the same time, of course, it will be a way to increase our customer base as well. And we will be looking after also this.

I do not know if I answered your question. But I would always say that we are never going to give up all the business that Banrisul already has. We think we can improve, but to add to this business base we already have some other businesses we can increase and find a way to increase our financial revenues.

Fabio Zagatti, Barclays Capital:

Thanks. Hi all. Thanks for the call. A couple of questions here. As a follow-up on this cross-sell subject, what exactly do you think was missing before for Banrisul to cross sell? Was it product offering, systems? Given how competitive the banking industry is, how would you expect to sell more to your own clients if supposedly they are already buying banking products from other banks if not from Banrisul? Will the strategy be based on more aggressive pricing? Then I have a second question. Thanks.

João Emilio Gazzana:

My colleagues here can help me as well, but I would say that we have a base of customers that deal full time with Banrisul. And we are sure that as we are attracting these customers, we are visiting them periodically to make our normal business, we have all the conditions to increase our cross selling. And it is a way, for example, to improve our sales growth.

If we increase our targets to our people from our branch network, it will not be difficult to increase. Of course in some way it will be, we can manage to make this increase throughout a four-year period. I am not saying that next month a miracle is going to happen, but as we have contact with these customers, they are already our customers. And they like to be with Banrisul, they have an identification here in Rio Grande do Sul in the recent crisis period we gained market share. Banrisul gained market share in the recent crisis.

So, we have all the conditions. If we are more aggressive in our policies, giving targets to our employees, to our branch network, we will be able to increase our business little by little. I am not saying that we are going to make any miracles next month, but we can for sure start to increase from the 2H11 on; we are going to be able to increase this business.

And in some cases, it is not the first time here in Banrisul. And I know that sometimes customers get in touch with Banrisul, and sometimes we are not able to respond to some demands. From now on we are going to set up a new qualification to do that. And look, I am not saying that the previous administration was not doing well; we think they made very good work, but it is impossible to do everything at the same time.

So, Banrisul improved a lot throughout these last years, mainly from 2007 on, but we think there still is room to keep growing. And we see clearly many ways to do it. The main difficulty will be if we do not have the customers able to buy these products, but we have already, as I said before.

We have in our credit customers, most of them make their insurance with other banks, with other companies. Why are we not able to sell more insurance to them? It is only a way to be more proactive and more aggressive. We have clear goals to reach.

Alexandre Ponzi:

There are some other points as well that we do understand should be resolved quite shortly and one is that the Bank never, until so far, we never asked from our employees to deliver cross selling in terms of products, but they were asked to deliver marginal

contributions. And this was over some products that were targeted and that they paid variable remuneration, they paid bonuses.

So, we are now little by little inputting into the products that we will be doing variable compensation, targets of fees, and you could notice that we have increased our fees from repricing our prices last November, and also from including partially some of the fees into the basis. Those products that Mr. Gazzana mentioned will be input also into the goals of Banrisul, and our employees know how to calculate. So, they will be delivering more, they will look after to improving the number of products that they sell to customers, because their bonus will be attached to them.

So, the point is we only have until 2011 targets that were in terms of individual credits; all credits for individuals are scored in behavior – we have credit and behavior score, – but they paid part of the Company's segment, but we did not have any fees, we did not have any mortgage lines, we did not have any credit cards under the same base.

So, the point is: we know there is a commercial challenge, and this is the thing that the commercial side will have to do; they will have to look after for customers that they have and try to convince them to use Banrisul's products instead of other companies'. But this is the same problem that other banks have. They have access to all customers and sell their products. We have to sell ours instead.

But the point is that we understand that this will be feasible with you receiving part of your payment upon delivering results for the Bank. So, a variable part of the selling is the incentive that we do understand that will make the goals of the Bank achievable.

Fabio Zagatti:

That is helpful. Thanks. And my second question is, I am reading the historical in local press here today where it is being discussed the plans to raise up to R\$1 billion of subordinated debts to strengthen the balance sheet and continue pushing credit out.

I just wanted to hear from you if capital is indeed a concern for Banrisul to keep on growing more aggressively than the industry? Actually I wanted to hear your thoughts on Banrisul's ability to gain even more market share within the state, where the Bank is already market leader, meanwhile reportedly other banks are also expanding, and being market leader may entail certain risks. Thanks.

Alexandre Ponzi:

Just to come back to the last part of your question, Banrisul is the market leader, or the main leader of Rio Grande Sul. If you do see the presentation that we have done, local market share we did decrease in terms of the number of branches. So, what we have seen is other banks are being installed in the State of Rio Grande do Sul, and they try to dispute the market share that we do have.

It is a huge barrier, but what we have seen is competition moving towards our own ground. So, this is one of the points that we want to increase our penetration, not only in the State of Santa Catarina alone, but also in the State of Rio Grande do Sul as well, and there are some good conditions, some regional geographic areas in the State of Rio Grande do Sul that have changed in terms of economic environment.

So, it is likely that we could multiply the number of branches that we have over there, trying to operate into smaller units rather than have one big branch in one specific city, and have other small units that would be more connected, closer to the customers as well.

So, again, we have seen that competition has moved to our grounds, and we have to respond to that.

On account of capital ratio, it is still a pretty comfortable number to cope with the growth of credit that we are expecting to 2011 and 2012 as well. But the Bank has been doing everything that is within our reach in order to be prepared to cope with some further demands of credit.

João Emilio Gazzana:

Giving you some examples, we have some cities, like Erechim and Santa Cruz, very important cities in Rio Grande do Sul, and in these cities we have only one branch. Clearly in these cities we could have at least three branches. So, we have a lot of space to grow even in Rio Grande do Sul, in the first place to defend our market share, but even to increase our market share.

Clearly in Santa Catarina, by the end of this year, in instead of 26 branches as we have now, we intend to close the year with 30 branches, keep growing also in Santa Catarina. But even in Rio Grande do Sul, as Alexandre said, we have a lot of room to expand our branch network. And also in Porto Alegre as well.

Our capital base in Banrisul, we have Basileia at 18.8%, so we have room to grow in our loan business about almost R\$10 billion, R\$9.8 billion we can grow as a capital base we already have. So, we do not need to increase our capital base in the near future.

Of course we are looking to the market, we are already thinking ahead, and in the right time we be take some steps in order to reinforce our capital base. We do not know for sure yet if we are going to use debt market, subordinated debt market, or if we are going to launch a new share in order to increase our capital. It is possible that in the first place we use the subordinated debt market.

But nothing in the near future. Of course we are already analyzing the market, and trying to be ready to take this step when the right time comes.

Fabio Zagatti:

OK. So this is likely a 2012 decision rather than 2011?

Alexandre Ponzi:

Yes, you could say so. Yes.

Fabio Zagatti:

OK. Got it. Thanks a lot.

Eduardo Nishio, UBS Pactual:

Good morning. Thank you for taking my question. I have two questions, first on the efficiency ratios. You have been improving quarter over quarter the efficiency ratio; today it is at 45.8%, it is more than 6 p.p. progress from last year. Do you have a specific goal for 2011? And what will be your long-term goal on efficiency ratio?

I have one more on agribusiness, I would like to know your plans on agri-loans, how much you expect to grow this year, and with the harvest coming quite good in the State of Rio Grande do Sul, what are your expectations in terms of that impacting your asset quality in the middle of the year? Thank you.

João Emilio Gazzana:

I would like to ask my colleague, Mr. Morlin. I am going to tell him about the first part of your question, then I will answer.

According to our guidance, we are looking to reach something around 44%, we think it will be feasible, about the efficiency ratio.

Eduardo Nishio:

Yes. And your long-term goal, what would it be?

João Emilio Gazzana:

Long-term goal for efficiency ratio, I would say not much further than 44%. Something in between 42% to 44%, that will be the point in which we stabilize the number. But this will not be achievable in 2011, unless we do grow more than the market on account of conditions that we do not foresee at the moment.

What I can say to you is that our CEO is already taking steps to keep the contract we have with the consultancy company that is helping us to promote the cost management strategy. And also there is a meeting, our Board of Executive Officers we have in this consultancy company, and we find that there are some areas we can improve our cost control management. We still discovered that there are some points that are not touched yet, and we think we can improve. And this will help, of course, to improve our efficiency ratio.

I think it was also about agricultural lending. Our number in agricultural lending, I think is lower than the potential we can grow without compromising our delinquency rate. So, we think we can improve agricultural loans without compromising our delinquency rate, because in Rio Grande do Sul we have our agricultural sites improving efficiency in order to compete in foreign market, and with other agricultural regions in Brazil as well.

So, in Rio Grande do Sul technical sites we see productivity ratios improving, and we think there is space to grow our lending business in this area, as well as without any trouble.

Alexandre Ponzi:

There will be just one issue that should be almost taken care of before we start to increase the perspectives in this segment, which is mitigating risk of funding. But there is room to grow a little bit more, first on account of movements from competition. Both Banco do Brasil and Sicredi have been very active in this segment, and they have been almost taking some part of the market share that we have; we have 7.5% of our portfolio on the agriculture segment, the State's GDP in the agriculture segment alone is close to 12%.

So there is room where we could grow 30%, 40% on account of agricultural needs, always with funds mostly taken from our demand deposits and from BNDES as well. But this will be a portfolio in which we will not grow that much precisely on account of the risk that will be involved from being locally concentrated in the State of Rio Grande do Sul. But again, room to grow more than the percentage we do have today.

João Emilio Gazzana:

Of course we are not going to make any aggressive growth. We intend to grow according to the possibilities of the market to make business in a way we can keep our delinquency rate in line according to our target.

So, we are not telling that we are going to double or triple our business in the agricultural side. But at the same time we see that there is, of course, some room to grow in this area.

Eduardo Nishio:

OK. And lastly on the asset quality and the impact of the good harvest, some color, if you can give us, if you think the strong harvest will improve asset quality for your portfolio. Thank you.

João Emilio Gazzana:

Yes, well, according to the harvest we have many benefits. Of course it will result and have some impact in the quality of credit, but also in other areas as well. We are taking the chance to make a funding campaign in order to increase our funding base, taking into account this increase, the income from tariff revisions. And at the same time, we are going to take the chance to sell other products as well, as I was saying before.

So, at the same time that the rate credit quality of agricultural loans is going to tend to improve, of course, it improves the possibility to cross sell other products.

Eduardo Nishio:

OK. Thank you so much.

Thiago Baptista, Itaú BBA:

Hi, everyone. My question is related to payroll loans; we observed that Banrisul continued to expand its payroll loan portfolio in a decent pace. But in this quarter the

expansion was stronger in the own origination than the acquired portfolio. My question is, after the agreement with the social security, the INSS, could we expect that the own origination will expand in a higher pace than the acquired portfolio? And if this is correct, the portfolio of the INSS could have a higher profitability than the acquired portfolio? Thank you.

João Emilio Gazzana:

Well, we think that with the new portability, it will be challenge on one side, but at the same time it will be an opportunity. You said about profitability, not portability.

Thiago Baptista:

Profitability, exactly. Because probably the profitability....

João Emilio Gazzana:

It was about profitability?

Thiago Baptista:

Profitability, the return of this portfolio.

João Emilio Gazzana:

Sorry. Anyway, I will complete the idea. The portability, as I was saying, will also be an opportunity as well. It will be a little too hard, but at the same time an opportunity. And well, we think that in our case we can keep in some way the profitability. In a certain way we can improve in such a way, according to what Alexandre was explaining before for another situation, the same thing can apply here.

You know we have in our portfolio some fixed interest rate operations. And when the rate of interest goes up, in certain way we lose some spread. But now we are of course making new operations and the new operations we are making, of course, in the new higher rate of interest on one side. So, little by little we are reestablishing our spreads.

And in the future, of course if the rate of interest comes down we can improve our spreads as well. But in the near future, I would say that in the near part we tend to lose some spread in this area, because the rate of interest of our funding base went up. But little by little we are regaining spreads, because new operations we are making in establishing new rates, according to the new Selic rate of interest. And we intend also to grow our business in this area. We think maybe to acquire a part of the payroll loan we have about R\$2,2 billion, maybe we can go up to something around R\$3 billion, and we are going to make it in the new moment with higher interest rate.

So, in this sense maybe we can improve somewhat our interest. But let us say, in the medium and long term, in a certain way we can summarize saying that we think we can keep the spreads. Maybe we are losing some spread right now, but we are little by little regaining spreads and in the medium term I think we can keep more or less what we were earning last year, for example.

Thiago Baptista:

OK. Thank you.

Operator:

Thank you. This concludes the question and answer session. I would like to turn the call back over to management for any closing remarks they may have.

João Emilio Gazzana:

OK, then. We would like to thank you all for your attention, and say to you that we will be all the time at your disposal if you have any doubts about our statement account or even about our future strategies. Please, get in touch with us.

We have a program to visit you if it is possible and to participate in all meetings with market analysts, if it is possible for us to be present. Please, get in touch with us, ask all questions you may have.

And we hope we can be aligned with your expectations in the future. I know some people are worried, many of you are worried about the new Board of Executive Officers, but we are in line with all Banrisul is making here with us. And as I told you we are going to keep all the policies but at the same time we are finding ways to improve our performance, in many areas as we discussed in this meeting, in this call.

We think we can, this year, if we manage, as we believe, to keep in line with the guidelines, we think we can have a net income – we hope, of course nobody can assure that – but if we keep in line with our guidelines we hope to have a net income above last year's levels.

Of course it is difficult to say how above it will be. But we believe the market is going to present some difficulties, because Brazilian economy is not growing this year at the same levels of last years, but we think there is still room to grow our credit portfolio, and at the same time we think we can also improve other businesses in many other areas, according to what we were discussing here.

So, thank you very much for your attention. And we are looking forward to meeting you anytime during the next weeks and months.

Operator:

Thank you for attending today's presentation. This concludes the conference. You may now disconnect your lines. Have a wonderful day.

"This document is a transcript produced by MZ. MZ uses its best efforts to guarantee the quality (current, accurate and complete) of the transcript. However, it is not responsible for possible flaws, as outputs depend on the quality of the audio and on the clarity of speech of participants. Therefore, MZ is not responsible or liable, contingent or otherwise, for any injury or damages, arising in connection with the use, access, security, maintenance, distribution or transmission of this transcript. This document is a simple transcript and does not reflect any investment opinion of MZ. The entire content of this document is sole and total responsibility of the company hosting this event, which was transcribed by MZ. Please, refer to the company's Investor Relations (and/or institutional) website for further specific and important terms and conditions related to the usage of this transcript."