Operator:

Good morning, ladies and gentlemen. At this time we would like to welcome everyone to Banrisul's 3Q11 results conference call. Today with us we have João Emílio Gazzana, CFO and Investor Relations Officer, Werner Kohler, General Accountant, and Alexandre Pedro Ponzi, Executive Superintendant and Investor Relations, Capital Market, and Governance Unit.

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 Emílio Gazzana, who will start the presentation. Mr. Gazzana, you may begin the conference.

João Emílio Gazzana:

Good morning. First of all we would like to thank you all for attending our conference call, and in order to have more time to answer all your questions, I would like to ask Mr. Alexandre to start our presentation.

Alexandre Ponzi:

Thank you. Let us move straight ahead to **slide number two**, where we can see that Banrisul has preserved market share both in the state of Rio Grande do Sul and also in Brazil, and at the same point we increased our service distribution network in another 13 additional points.

Credit growth above market average, on **slide three**, growing at a rate of 21%, whereas the market grew a little less than 20% in the same period. Commercial credit growth increased 19% in the same 12 months, and it is important to point out that our credit growth presents no impacts from the stronger USD in the quarter.

Loan book growth was supported by the increase of funding, mainly from time deposits, with almost 14% year-on-year growth, as a result of the recent restructuring of funding products, and also from our commercial approach to increase deposits.

With that, we have been balancing the gap between brokerage and funding growth as well, while we did increase the funding for credit without adversely affecting our portfolio of securities.

Slide number four, we see that our total assets of R$36.5 billion in September 2012 grew 13% in comparison to September 2010, with an increased participation of credit assets, now responsible for almost 54% of our total assets. ROE moved from 2.7% in September 2010 to 2.9% this quarter.

Total funding and assets under management, with a balance of R$27.5 billion increased a little more than 14% in the past 12 months, and 5% growth from the 2Q to the 3Q11, as we can see on **slide five**. What we should point out is that though the funding profile, on **slide six**, is still fundamentally from our branches and mostly from individual current account holders.

It is a diversified retail portfolio, it is well balanced between demand savings and, above all, time deposits, and there is no dependence on funding from institutional investors. Time deposits once again gained participation, now accounting for almost 49% of the total funding.

Funding, again, is an interesting competitive advantage for Banrisul, given its low cost and stability in time. In the 3Q11 total funding cost reached 72.7% of the Selic rate. Yet it was slightly higher than what we recorded in March this year, our cost of funding is lower than the average cost for the past five quarters. Cost of funding for time deposits reached 84.6% of the Selic rate, as opposed to the 88.5% in the 2Q11.

If we move on now to **slide seven**, we see that our loan book reached R$19.7 million, almost R$20 million, 21% growth in 12 months, 15.4% year to date, and 4.5% quarter on quarter, above the annual average of the industry and contemplating the full impact of macroprudential measures from BACEN as of November last year; loan growth again not impacted by FX variation in the quarter.

The strong credit growth, based on good asset quality, is the continuous improvement of the quality of the loan book, and it has allowed Banrisul to find a more appropriate level for credit provisions, as a proportion of the loan portfolio. Credit provisions decreased from 6.9% in September 2010, to 6.5% in September this year.

When we compare the growth of provisions, in comparison to the growth of the whole portfolio, provisions increased 14.4%, again our credit book grew 21%, which represents about 2/3 of the growth reported by the credit portfolio in the past 12 months, and this growth was marked in an environment of sustained growth, yet controlled, of NPL and the credit risk.

Our loan book is diversified too, as presented on **slide eight**; commercial credit portfolio has maintained the relative participation of about 75% of total loan book, but we did see that new stake loans and agricultural portfolio now represents each a little more than 8% of the total credit operation. And these two lines have presented the stronger credit growth since September 2010.

And it is important to point out that with regard to the rural lending, the strong 22%, 23% growth from June to September this year is due to a harvest increase in demand needs to finance the harvest production, but it is unlikely that a strong growth will be repeated in the coming quarters.

Our commercial credit has a larger participation of credit to individuals, which makes up for 56% of the unmarked credit book, and payroll loans make out for 73% of credit to individuals as a whole.

Out of the payroll lending, 61% is of our own generation and 39% comes from the acquisition portfolio from other banks. Commercial credit to companies represented 44% of our commercial credit portfolio, has working capital line as the most representative driver, adding a share of 74% of this segment alone. And the commercial credit portfolio as a whole increased at a slightly slower pace than what we see for our loan book, as we mentioned before, 19.1%; please, see **slide nine**.

And this is on account of the lower growth of credit to individuals, which we already anticipated in the beginning of the year, in terms of our forecast. Commercial credit to individuals, with a balance of R$8.3 billion in June 2011, increased a little more than 15% in the past 12 months; 13% year to date, and 1.4% in the quarter.

Commercial credit to companies increased 24% from September 2010 to September this year, 15% year to date, and 3.4% from June to September, and ending September 2011 with a balance of R$6.1 billion.

The quality of credit portfolio, seen on **slide ten**, indicates that almost 90% of our operations are classified as normal credit risk; total provisions now 6.5% of the total loan book, as I mentioned before, and the default rate is still low, NPLs of 2.9% over 60 days, and 2.4% over 90 days, with a little hike from the 2Q numbers, although this hike is in line with data that has been produced by the Brazilian retail banks, and we could say that it is a positive factor in transition times, from a scenario of high credit growth to another good credit restraint, and uncertainties of further deterioration in credit quality.

We have maintained comfortable coverage ratios, 227% and 270% for past due loans over 60 and 90 days, respectively, and this combination between low NPLs and adequate corporate rate is an important tool for the Bank while managing the loan book.

On **slide 11** we see Banrisul's security portfolio, now with a balance of a little less than R$11 billion, R$10.6 billion at the end of September this year, growing almost 6% in the past 12 months, but preserving the Bank's sound liquidity conditions without compromising credit growth.

The greater asset allocation into credit is reflected in the growth of almost 25% in financial revenues in the past 12 months, reaching a balance of R$4.4 billion, and a 16% growth since June this year. Revenues from credit ended September with a balance of R$1.7 billion.

Last quarter's results were influenced not only by the growth of the loan securities portfolio, but also by the outcome of foreign exchange portfolio produced by the Brazilian Real devaluation that we saw from June to September this year. **Slide 12**.

On **slide 13** we have total provisions, and the expenses in 2009 and 2001 increased 18.4% when compared to that of September 2010. So expenses provisions recorded during the 3Q increased 27% over the 2Q of this year, and the growth of provision during the last quarter included, in addition to the organic growth of the loan book, also the impact of the increase in past due loans over 60 days.

Still, when we annualize the cost of provision, we see that it is at the bottom range of our guidance, between 3% and 4%, which did incorporate the expectation of credit deterioration when initially presented during the earning's call for the 4Q10, in February this year.

Market funding expenses in the 9M11 are 30% higher than that as of September 2010, with a balance of R$493 million in the 3Q, it is 10% than what we saw in the 2Q this year. And this changes come from the increase in the balance of time deposits, and also from the increase of the Selic rate, as we see on **slide 14**.

Next slide, **slide 15**, net interest income reaching R$2.4 billion at the end of September this year, 15% higher than that of September last year. Net interest income in the 3Q, with a balance of R$873 million, is 5% than that of the 2Q this year, and it is reflecting throughout the year the growth of credit and securities portfolio. Revenues from compulsory deposits complied with reserve requirements and also that of foreign exchange revenues, of setting the increase of credit and market funding expenses.

Now let us turn to operating expenses on **slide 16**. In the 9M11, administrative expenses totaled R$1.3 billion, growing about 5% in the past 12 months, with a balance of R$479 million recorded throughout the 3Q alone. This number is 12% higher than that of the 3Q10, and 8% increase above the number of the 2Q this year.

Personnel expenses grew 16% in the past 12 months and ended the 3Q with a balance of R$291 million, increasing 19% over the 3Q10 and 9.5% from June this year. This increase reflects not only the impact of provisions, to cope with increases from wage agreements that were concluded in October, but also to the increase of headcount of about 500 new employees since September 2010.

On the administrative expenses, it reduced by 8% in the past 12 months, they ended September with a balance of R$534 million. The amount produced in this last quarter alone, R$188 million, is 3% higher than that of the 3Q10 and 7% higher than that of June this year.

Now let us move to **slide 17** where we have Banrisul's net income. The amount of almost R$678 million in the 9M11 is 33% above that of September 2010, which makes out to an equivalent ROE of 22.8% for the year.

As for 3Q11 numbers, R$239 million, this amount is 16% higher than that of the 3Q10, and an increase of 5.3% from June this year. If we take out just last quarter's results our ROE would jump to 24.7%. Earnings per share increased from R$0.505 to R$0.585

from the 3Q10 to the 3Q11, and in line with the 40% payout policy which is paid quarterly. Those amounts can be seen on **slide 18**.

Shareholders' equity reached R$4.3 billion, and grows 15% in 12 months, 12% year to date, and a little over 4% quarter on quarter; **slide 19**. And we have in the sequence, **slide 20**, a summary of Banrisul's key performance indicators.

Now we see the cost efficiency ratio improving again. It moved from 48.5% in September last year to 44.4% in September this year. ROE, from 19.5% to 22.8% in the same period, ROA goes from 2.7% to 2.9%, following or surpassing the indicators presented by the peers.

And, as we move on, we see that Banrisul's Basel ratio, 15.9% all tier 1, is a comfortable level and already includes the impact of macroprudential measures from Banco Central.

On **slide 21**, just to present some few numbers related to Banricompras. With a financial turnover of R$3.9 billion, and transactions of about R$56 million as of September this year, it is an increase of 16% and 10% respectively.

And since April this year, when we started actually the acquiring business in partnership with MasterCard, it has been implemented as of October, with the license that was granted by Visa, and we expect that Visa's cards and the bulk of MasterCard cards' will be started to capture in full by the end of the 1Q next year. So the results that can be produced from this new mix of business from Banrisul are not yet to be felt.

And finally, beyond the initially cited dealers' market, oriented business initiatives taken by management aim to transform the operational performance of Banrisul, leveraging business from establishing area focus at promising products, such as debit and credit cards, insurance, pension capitalization, among others.

We say that the return of these initiatives are not immediate, but the potential is favorable for the Bank, which has contributed to building the results that we have presented so far, and also for Banrisul not making any changes whatsoever in our 2011 guidance, as is seen on **slide 22**.

With that, we complete the presentation of the slides for the main numbers of the 3Q results. We thank you for the interest and attention. And now we move back to the Q&A session. The floor is open to you. Thank you.

George Chiarino, Morgan Stanley:

Hi, Alexandre. Good morning. I just have a very quick question, right now what do you think loan growth will look like in 2012? If you can give us some color on that. Thank you.

João Emílio Gazzana:

Hello, George. Well, for the next year we are just making our analysis about the new numbers we are going to announce to the market. But in Brazil market analysts are forecasting something about, between 15% and 16% growth for the Brazilian credit market for next year.

Well, we think our number will be more or less around that number, but as I said before, we are not sure about that, because we are just making internal analyses, and we did not have a final number yet. But considering the new economic scenario, maybe the rate of growth of our credit will be a little lower than the number we had in 2011. We expect to announce our guidance for next year by the end of 2011.

George Chiarino:

Thank you very much.

Alexandre Ponzi:

Just to complement the answer that we gave out to George, there was one article in the paper that was reproduced after we released yesterday the numbers, in which we see the guidance for our organic growth in the business model that we currently have are, as Mr. Gazzana said, being analyzed in order to be disclosed as soon as possible.

But the idea is, we are working in some different business models, which might include some partnership, some join venture with other financial institutions or other credit providers in Brazil in order to try and expand a little bit our credit growth.

That is why we have not been comfortable as of yet in terms of disclosing a full number of guidance for 2011, on account of some business plans that we have been thoroughly discussing with other partners.

George Chiarino:

Alexandre, another question. Your capital structure is really sound, but are you planning to issue tier 2 capital anytime soon? If you can provide us some color. I do not know if you can talk about that. Thank you.

Alexandre Ponzi:

I am not sure that we have fully understood what you meant, because the sound quality was not very good. But you were saying that our capital is very sound and in good conditions, and something regarding us issuing some capital 2, is that correct?

George Chiarino:

Yes, if you are planning to issue any tier 2 capital down the road.

João Emílio Gazzana:

Well, we think we have room to increase our tier 2 capital base, and we are preparing some subordinated issuing in the international market in order to put this paper in the market as soon as the market improves.

Of course, we do not need for a while. We are not in a hurry to do that. It depends on market conditions because our main concern is, in some way, to open a new market for Banrisul, to use more strongly in the future.

But we think that it would be a good option for Banrisul, even considering our very good capital base, in some way, as soon as the market opens, to have some participation in this market. Banrisul has, of course, 100% tier 1, and we have never issued any bonds in the international market. So, we think it will be a good thing for Banrisul to open this new possibility.

So, we intend to be ready as soon as the market improves, to issue, to make some international bond issuance, and even maybe some internal issuance using the *Letras Financeiras* in Brazil, subordinated *Letras Financeiras* as well.

But, in this case, our main concern, as I said, is only to open a new possibility for the future, instead of leaving this initiative for a two or three-year time, when maybe we will be needing this new capital. So we intend to start to open this new market, and as soon as the market improves, as I said, to have this subordinated issuance in order to open these new opportunities for the future.

Alexandre Ponzi:

And not only in terms of market conditions, as a whole, but also we have to cope with the legal demands, the legal requirements that might be heard from Central Bank in the near future. That is why, in terms of Banrisul going to the market and trying to issue some bond, is not related to the capital structure that we have today. And, if you recall when we last spoke, we saw that our BIS ratio reduced from 15.6% to 14.9% from June to July. And then, we did some adjustments, we produced to the Central Bank the new calculation for credit risk, in which we were able to expand BIS ratio as of today.

Therefore, not implicating that, as we speak, Banrisul would need some additional capital in the future. But the idea is to cope with market conditions and the legal environment that might come from Banco Central in the months to come.

João Emílio Gazzana:

And also, we do not intend to allow Banrisul Basel ratio to fall under 14%. So, looking ahead, we intend to make some issuance in the near future, maybe, if market allows, because we think that we intend to keep our Basel ratio not under 13%.

George Chiarino:

OK. Thank you very much.

Operator

I believe we have a question from the Internet currently.

Alexandre Ponzi:

Yes, we do. One of the participants is experiencing some trouble over the phone. It comes from Thiago Batista. Hi, Thiago, how are you doing today? Thiago has actually posted two questions.

The first one, I will read and then I will answer: "Could Banrisul talk about the new strategy to reduce the level of acquired payroll-loan portfolio and increase its own payroll loan portfolio through some partnership?"

I believe that he is mentioning that on account of the article that was published on Valor Econômico. We will answer this and then we will go through to the second question.

João Emílio Gazzana:

Well, in the case of the payroll business, we have 39% of our payroll business that is acquired portfolio from other banks.

As you know, this environment in Brazil is changing after the measures the Central Bank took by the end of last year, requiring additional capital for banks in this business, let us say over 36 months, you have additional requirement of capital.

And also, related to funding, many of these banks have difficulty to have funding to keep going their operations. And what we see now in Brazil is that most of these small and some medium-sized banks are going out of business related to payroll. So, they are diversifying to other kinds of business.

So, the opportunities to buy portfolio from other banks is not so good currently, and we think it will be difficult for us to grow buying portfolio from other banks. So, we are looking in other to establish some kind of partnership in the market, let us say, it may be a sales promotion company that previously worked with these other banks, in order for them to originate payroll business for us.

So, in this case, we will be increasing the part of our own origination and reducing the part of our business that we buy from other banks. This strategy will be set up in order to keep our portfolio in this area. Because today, as we have very few banks working or selling payroll portfolio, and we do not have the opportunity to grow our business because we would have to concentrate our business with few banks. In this case, we do not think it will be the best strategy. So, we hope, in the near future, to increase our own origination, making some operational agreement with other institutions.

And the question about the issuing of tier 2 capital, I answered very recently. Is it the same question?

Alexandre Ponzi:

The second question Thiago has is: "Recently your CFO has commented in the press that the issuance of tier 2 capital is a real possibility." I believe we have addressed this question shortly a few minutes ago.

"Could you talk more about this plan? Is an increase in dividends payout a possibility to rise the Bank's leverage after the improvements in Banrisul's as opposition with tier 2 capital?"

João Emílio Gazzana:

Well, related to tier 2 capital, as I said before, we are preparing an emission. We intend to issue tier 2 capital in the international market. But, of course, we are not in a hurry, in terms that we have enough capital for next year and for the next two years.

But, our main goal is, as soon as we have a window open in the international market, to take the opportunity, maybe, to make some issue, in order to open the market for Banrisul in this area. We have never made an issue in the international market, so we think it is time to put Banrisul in this market and to have this new possibility.

So, as the market opens, maybe at the end of this year, beginning of next year, we intend to issue subordinated debt capital. Even considering another consideration that we fear that in the near future the Central Bank may introduce some new rules in this area, in the case of tier 2 capital. This is why we think some emissions in the near future may be possible.

And, concerning our dividend payout, we do not intend to change for a while; not to increase, nor to reduce.

Operator:

Having no further questions, this concludes our questions and answer session. I would like to turn the conference back over to João Emílio Gazzana for any closing remarks.

João Emílio Gazzana:

OK. We thank you very much, and we would like to say to you that we are prepared to take all the chances in the market, to grow our loan portfolio. We have capital base and we have liquidity, R$10.5 billion of liquidity in order to increase our operations in the near future. And also the possibility to grow our capital base through a subordinated bond emission.

Thank you very much for your participation.

Operator:

The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.

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