

Financial system: Banrisul projects portfolio growth of 23% to 25% and higher competition from private sector

- Corporate segment expected to drive lending at the bank -

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Fernando Lemos: "We are working with a much brighter scenario than in 2009"

Sérgio Bueno, from Porto Alegre
Dec/10/2009

Encouraged by Brazil's economic rebound in recent months and the outlook for strong recovery in investments to expand manufacturing capacity as of the second half of 2010, Banco do Estado do Rio Grande do Sul (Banrisul) is projecting growth in its loan portfolio of between 23% and 25% in 2010. If confirmed, the bank's loan volume would reach approximately R\$17 billion by the end of next year.

"We are working with a much brighter scenario than in 2009," Banrisul's CEO, Fernando Lemos, said yesterday. In the 12 months to September 2009, the institution's loan portfolio expanded by 14.8% to R\$12.5 billion, but the strong performance in the corporate segment in the fourth quarter should accelerate the growth rate in the whole of 2009 to 20%, with the loan portfolio reaching R\$13.7 billion by year-end, he said.

According to Lemos, loans to companies will drive growth in 2010, mainly due to the industrial sector nearing full capacity by midyear and the strong performance of the

construction industry. In 2009, portfolio expansion was sustained by loans to individuals, especially in the payroll loan segment, explained the CEO.

Lemos expects the volume of new loans to reach R\$14.2 billion in 2010, which compares with R\$10 billion estimated for this year and R\$8 billion in 2008. "The market is expecting the country's total stock of credit to grow from 45.9% of GDP in 2009 to more than 50% in 2010," said Lemos, who expects stiffer competition from private-sector banks in the extension of new loans.

Banrisul's projections are based on GDP growth rates in 2010 and 2011 of 4.5% for Brazil and 5% for the economy of Rio Grande do Sul state. The bank also expects the Selic basic interest rate to remain at 8.75% p.a. until August 2010, rising to 10.25% by year-end to enable the central bank to meet its inflation target of 4.5% for 2010, but with only minor effects on final interest rates to consumers, said Lemos. Meanwhile, the exchange rate should remain stable at between R\$1.70/US\$ and R\$1.75/US\$.

According to Lemos, despite the higher credit, the financial system is not at risk of higher delinquency levels, given the higher income levels and more conscientious borrowing by consumers. At Banrisul, which considers delinquent those loans overdue 60 days or more, delinquency fell from a peak of 4.3% in May to 3.8% in September, and continues to decline. In 2010, delinquency is projected to converge to its historical level of 3.5%.

This optimistic outlook also considers a more favorable scenario for the economy of Rio Grande do Sul, which concentrates some 90% of the bank's business. According to the CEO, investments by the state government should reach R\$2.8 billion in 2010, with R\$1.6 billion coming from the state treasury and R\$1.2 billion from state-owned companies, helping to leverage business in the state. The treasury had forecast capital injections in 2009 of R\$1.2 billion, but the lower-than-expected tax receipts should reduce this amount by some R\$600 million.

Source: Valor Online