

The *Gaúcha* Resistance (IstoÉ Dinheiro Magazine/ São Paulo and IstoÉ Dinheiro website /São Paulo - Ed: 07/22/2009 - Pages 92 and 93)

Learn about **Banrisul's** strategy to dribble two crises: state politics and the international credit crisis.

Mr. Lemos, CEO: "We belong to the State and shall remain so"

Fernando Guerreiro Lemos, 49, born in Vacaria in the north of Rio Grande do Sul state, is a hardcore fan of the Grêmio soccer team. In addition to his passion, he is also very proud to preside over the bank that sponsors his favorite team (even though the bank also sponsors Inter, Grêmio's archrival). A law graduate from the University of Brasília (UnB), **Lemos** uses diplomacy to calm down employee tempers during soccer championship finals and uses the same patience when sparks fly during political battles between the state government and the opposition, which spill over to **Banrisul**. His focus is on results. "Our management is not politically oriented but aimed at results and dividends for our shareholders and controllers as any other Company", he says.

With 60% of its capital owned by the state government, the largest bank in Brazil's south has risen up the rankings after the disappearance of such icons as Banespa (sold to Santander), Banerj (Itaú) and Bemge (Itaú) and mergers among private competitors. According to the Central Bank of Brazil, Banrisul is currently the 10th biggest banking institution in the country with assets of R\$ 26.6 billion and deposits of R\$ 14.4 billion, higher than Banco Safra and Citibank Brasil. Different from banks such as BRB, Besc and Banestes, which merged with Banco do Brasil, **Banrisul** shows no willingness to be sold or privatized. "We are not ready to become a private bank. We belong to the State and should remain so", says **Lemos** while puffing away at his office in downtown Porto Alegre.

The **state government-owned bank** capitalized on the wave of IPOs on the São Paulo Stock Exchange (Bovespa) and made a public offering in July 2007. Last year, the Company's shares devalued by 44% in line with the Bovespa Index (Ibovespa), but have reversed the trend this year - preferred shares have climbed 45.5%, much higher than the 30% rise of the Ibovespa. "The market recognized the positive moment the bank was going through", says **Lemos**. "**Banrisul** was in its best moment when the crisis struck. The Bank was well structured and capitalized, with a strong treasury and a lot of cash" he adds. However, the share price upturn in recent months was surprising. "We did not expect the share price to recover so fast". **Banrisul** maintained the strategy it adopted before the crisis, of offering complete wholesale and retail services. Its similar-sized competitors, which operate in specific niches such as loans, suffered more. The alliance between strategy and management makes Banrisul the largest among the small and medium-sized banks in Brazil, says Catarina Pedrosa, the Head Analyst at Banif. "Among the state-owned banks, Banrisul has the highest rate of return and the possibility of increasing its market share", she says. In 2008, the return on shareholders' equity was 19.2%. In the first quarter of 2009, profit totaled R\$ 106.5 million, representing 18.4% annualized return.

The loan portfolio will not grow as much as the 44% in 2008. In January, the expectation was a 25% growth in the loan portfolio in 2009, which now ranges between 18% and 20%. Despite the lower demand, growth efforts continue. The Company will grant a R\$ 344 million loan to GM do Brasil for the expansion of its

plant in Gravataí, to the north of the state capital. The total project outlay is R\$ 2 billion. A key focus of **Lemos'** management is technology. The *Banricompras* service, which allows account debits via mobile phones, is already a hit in the state. Another highlight is the smart card (with chip) with digital certification, whose differential is security. "The risk of cloning this type of card in terminals or through the internet is zero. No such cases have been reported so far. And, thanks to this security, clients can transfer unlimited amounts over the internet, which is something the other banks don't offer", he says.