

**Operator:**

Good morning, ladies and gentlemen. At this time we would like to welcome everyone to Banrisul's 3Q12 results conference call. Today with us we have João Emilio Gazzana, CFO and IRO, Luiz Carlos Morlin, Chief Risk and Compliance Officer, and Alexandre Pedro Ponzi, Head of Investor Relations.

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](http://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 Emilio Gazzana, CFO and IRO, who will start the presentation. Mr. Gazzana, you may begin the conference.

**João Emilio Gazzana:**

Thank you for attending Banrisul's financial statements presentation related to the 3Q12. Here with me are Mr. Luiz Carlos Morlin, our Risk Management Officer, Alexandre Ponzi, in charge of the Investor Relations area at Banrisul, and additionally is Ms. Dione Silva, in charge of our accountant area, substituting Mr. Kohler, who could not attend this call.

First, before giving opportunity for Mr. Alexandre Ponzi to start the presentation properly, I have some very brief comments. What we see in our numbers is that our spreads, like what is happening to the Brazilian financial sector as a whole, and in a certain way being kept by Banrisul as well, and our results, in a certain way, a reduction in our ROI is related to some reduction in spreads.

At the same time, we have this NPL increase during 2012 and mainly in these last two quarters, the situation, like we said in other previous presentations, we think the tendency is for the situation to start to improve in the last quarter in relation to the 3Q, but still we have some additional provisions to make, but comparing to the 3Q a lower amount, so the peak of the provisions related to credit or to NPL, we think we reached it in the 3Q.

So, the situation tends to improve from now on, and we expect a better situation for next year. It is very important to highlight, also, other very positive aspects of our numbers. The growth of our credit portfolio, we were able to show a 21% growth in relation to September last year; during our presentation we will be able to clarify from where this growth is coming.

At the same time, we have a very strong growth in our deposit base, given that if you take apart our subordinated bonds, we have around 20% increase in our deposit base, and all our growth in deposits is related to retail, related to our retail network. At the same time, it is very important to highlight also that we managed to present an important growth in our income coming from services.

In previous presentations, we always said we were expecting to increase our income coming from services, and we are in condition already to show that this growth is already taking place, and we think we will be able to present even better numbers related to services, income coming from services already improving for the next quarter and for next year. But we are already showing an important growth related to this new strategy.

Also, we can say that our administrative expense models, administrative expenses not related to personnel, you can see that through these last three quarters remained more or less stable, so we are managing to keep control of our other administrative expenses, and we think that there will be some increase in the beginning of the year, like we discussed in previous presentations, but we will be able to keep under control this cost increase as well.

Well, let us start our presentation. Mr. Alexandre Ponzi, please.

**Alexandre Ponzi:**

Just a brief presentation of the numbers related to the 3Q12, before we go to the Q&A session. So, I would like to invite you to go straight to **slide number two**, where we present our market share in which we show that we have maintained relative position regarding our peers in terms of Brazilian financial industry.

Also, we have preserved our market share in the State of Rio Grande do Sul, especially in two specific items, which is funding related to time deposits, in which we increased our participation, and also relating to the credit in the State of Rio Grande do Sul, in a period in which we increased the number of service points by 27, just like presented in **slide number three**.

On credit growth, which was already presented by Gazzana in his introduction speech, we can see the rate of growth on **slide four**, in which we have up paced the market. We grew 21% as opposed to the almost 16% presented by the bank industry, and growing into commercial credit or non-earmarked credit about 17%.

But the most important factor is that our funding base has grown faster and above the credit growth that we have, and this funding base is mostly from our branches, mostly from

individual customers, therefore preserving the cost of funding as one of the largest benefits for mainstream comparison to the market.

Next slide, **slide number five**, we have total assets of R\$44.6 billion in September 2012, which grew 22% in comparison to September last year, an increase in participation of credit assets now representing 53.3% of our assets. ROA has been reduced on account of marketing and industry movements from 2.7% in the 3Q11 to 1.9% last quarter.

**Next slide**, total funding and assets under management, a balance of R\$32.2 billion in September, 17.5% increase year on year. And our funding base, savings, demand deposits, and time deposits make up for almost 77% of this portfolio. Again, we emphasize the profile which is mostly retail funding base, and again, a very competitive advantage for Banrisul, given its low cost, and not only its low cost, but stability in time.

At the end of last quarter, total funding cost reached 8.5% of the Selic rate, which is 7.3 p.p. above what we had in September last year. Our cost of funding for time deposits is now equal to 87% of the Selic rate, a little higher than what we had last year, about 85%, but now, given the competition that we have seen in this specific item coming from savings deposit. But again, 87% is a very competitive and a very interesting cost for Banrisul when it is set to place funding in the credit portfolio.

Moving on to **slides eight to ten**, loan book reached R\$23.8 billion, 21% growth year on year, 4.1% quarter on quarter, again above the rates of the industry. But we have to reinforce what was said by Mr. Gazzana when he mentioned that, even though we did outpace the industry, it comes from credit to companies, mostly middle market, middle and large sized companies related to individuals. It is, again, payroll loans, and we have grown into very specific lines such as mortgages, long-term credit we have from own lenders, from BNDES, which have outgrown our own growth rates.

This strong credit growth has occurred in a period in which we have maintained total provisions at a sort of stable level of 6.6% of the loan book of the last five quarters. On the other hand, on **slide nine**, we have seen that the amount of credit disbursement that we had throughout these quarters, which has increased 10.4% from September 2011 to September 2012.

On **slide ten**, the loan book, which is still well diversified. Commercial credit portfolio with a participation of 73%, mortgage line and agricultural total portfolio representing 9% and 8%, respectively, of the loan book. Commercial credit has still a larger participation of credit to individuals, responding by 39% of our credit book, and payroll loans making out for 73% of credit to individuals as a whole.

Out of these payroll loans, almost 61% is credit that we have originated at our own branches, 18% are acquired from other banks, and 22% were originated through this new payroll loan channel that they call Bem Vindo. It makes up for R\$1.4 billion at the end of September, in which 49% was credit that we acquired when the joint venture was severed by the end of March this year, and only 52% are related to credit that was generated throughout this new channel from March until September this year. In other words, this

new credit strategy has been outlined at the beginning of the year. Commercial credit to companies represent 34% of the credit portfolio, and working capital, again, is the most representative line, 76% participation.

**Slide 11**, commercial credit portfolio as a whole increased at a slightly slower pace than we thought in terms of the total loan book. Commercial credit to individuals, R\$9.3 billion in terms of stock as of September, increased by 11.4% year on year and 3% quarter on quarter. Credit to companies have increased 23% from September 2011 and now 5.4% from June to September this year, ending September with a balance of R\$8.1 billion.

**Slide 12**, the quality of our credit portfolio, 89% being classified as low risk, total provisions 6.6% of the total loan book, default rate 3.4% over 60 days and 2.8% over 90 days, an increase in the last 12 months, which was explained and held up the expense in increasing cost of provisions, while in 2012 default rates have been sort of being kept at a slightly higher pace than we saw last year. Coverage ratio, 1.94 for past due loans over 60 days, and 2.39 for 90 days, respectively.

**Slide 13**, securities portfolio, R\$13.5 billion in terms of balance at the end of September 2012, 28.1% growth in the last 12 months. We have been able to maintain the liquidity of Banrisul while we still grew our assets or credit assets at this rate.

The **next slide**, this asset allocation credit is reflected in the growth of almost 12% of the financial income in the last 12 months, which now reach the balance of R\$4.9 billion. Loan losses provision expenses grew 22.1% in the last 12 months, as can be seen on **slide 15**.

Expenses with allowances for loan losses increased from the 3Q11 to the 3Q12 at a pace of 21% in relation to the credit portfolio, and with regards to past due transactions, almost 42.1%, and these past due transactions that increased our loan loss provisions are related to late 2011 and early 2012 credit vintage.

Next slide, **slide 17**, we have the net interest income reaching R\$2.8 billion, 14% higher than the 3Q11, from the increase of income from operations with securities and derivatives and the increase of credit on foreign exchange transactions, and they were partially offset by higher market funding costs, loan losses provisions, and expenses with borrowings and own lendings.

Administrative expenses, **slide 18**, already mentioned by Mr. Gazzana in his speech, R\$503 million at the end of the 3Q12, increasing 14% from September 2011, and a quarter-on-quarter increase of 3.4%.

The growth of provisions in the last 12 months was influenced by the increase in personnel expenses, due to the wage increase from our labor agreement, defined on September 2012, which increased the amount from R\$309 million to R\$321 million, and also from the addition of above 1,200 new employees to Banrisul's work force.

Other administrative expenses increased from outsource service and financial service cost, R\$46 million, and there were also rising costs from data processing and telecommunications at R\$15.2 million.

What we can mention here is that the quarter-on-quarter performance now reflects that the increase we saw in these specific items coming from an additional cost we had at the beginning of the year are now sort of stabilized, they have grown at a pace of a little less than 3% quarter on quarter.

Next **slide, 22**, net income, R\$627 million at the end of September this year, 7.5% less than what we presented in the 9M11. In the last quarter alone, the net income of R\$207 million is 13.2% less than that of the 3Q11 and 1% above what we recorded last quarter. ROE, 18.6% in September, down 4.2 p.p., payout is still 40% of R\$15.2 million, which were distributed in the 3Q alone. Shareholders' equity of R\$4.8 billion, 11.8% growth in 12 months and 3.2% on the last quarter alone.

**Slide 23**, a summary of Banrisul's key performance indicators. Our efficiency ratio was slightly worse in 12 months, from 44.4% in the 3Q11 to 46.6% in September this year. This comes from a period in which we saw lower revenues and also higher expenses, as we previously mentioned.

ROE 22.8%, now dropping to 18.8%, return on assets from 2.7% to 1.9% now. Basel ratio 15% tier 1 and 18.6% total, which is a very comfortable capital rate level of Banrisul, and it includes here the use of proceeds from the subordinated debt.

**Slide 23**, a brief presentation of BanriCompras' main figures, with a financial turnover of R\$4.4 billion; it represents almost 16% increase year on year. The number of transactions, on the other hand, now at R\$16.4 million at the end of September, had an increase of 10.3%.

These numbers do not include altogether the now participation of Visa into the acquiring feature of BanriCompras, which will be a key driver to increase MDR and service fees from these specific segments.

With that, we conclude the brief presentation of the 3Q12 numbers. Now we turn the microphone to the floor in order to answer whichever and whatever questions you may have. Thank you.

**Thiago Batista, Itaú BBA:**

Hi, guys. Thanks for the opportunity. I have two questions, my first question is about BanriCompras, if you could give some additional color on the BanriCompras operation during next year. For instance, how much the fee of BanriCompras could expand in 2013? And how much market share on the credit card and debit card you could achieve in Rio Grande do Sul with BanriCompras?

My second question is about NPL ratio, if you could comment on your expectations on the NPL ratio in coming quarters.

**João Emilio Gazzana:**

I will start answering related to NPL ratio and Alexandre is going to explain about BanriCompras. NPL ratio, we think that we are reaching more or less the peak, and we say that we may reach a little higher point for the last quarter. So, it could happen that we are going to have a little more increase for the last quarter; anyway, we are reaching the peak.

If you remember, in our 1Q presentation, back in April, we had foreseen that we could reach something around 3.4%, 3.5%, so we are still keeping the same idea, the idea we can have some little increase for the last quarter, so we are reaching more or less the peak of the delinquency ratio. For the next year we think that we are going to improve little by little.

Alexandre, about BanriCompras.

**Alexandre Ponzi:**

Thiago, there is no doubt that BanriCompras will be one of our main features in terms of contributing to fees. There is still no guidance to how much this addition would be, but we assume that about 15% increase from what we had last year, which was R\$107 million, in terms from MDR fees from BanriCompras alone, which we only were capturing MasterCard, it could be very a conservative figure.

But the point is we have seen an exponential growth in terms of the number of transactions that are captured from Visa, MasterCard, and Redecard transactions over the last six to seven months, and we have to reemphasize that Visa has only started being captured by the beginning of September.

But we have been able to put into force all of our commercial strategies towards approaching customers, announcing that BanriCompras is now a vehicle that can be used to capture the most used plastics in the market in order to retain or maintain customers we have at Banrisul, but mostly we want to increase the relationship, the loyalty with customers, mostly small merchants, in order that the more they concentrate their business transactions at Banrisul, the lower the rates for discounting receivables would be.

We have been doing announcements, media efforts in order to increase, and with Visa we have seen a participation of, last quarter, the numbers of the beginning of October – just let me do a quick calculation here, Thiago – about 80% of all the transactions we have seen in the last three months are done from BanriCompras. It means that almost 20%, 21% of all the transactions are now related to the acquiring feature of BanriCompras network.

That is why we are assuming that growing 50% in terms of the fees will be a pursuable target for 2013, and this will help us increase the bottom line for 2013 as well.

**João Emilio Gazzana:**

Additionally, BanriCompras and all the acquiring businesses are going to be an important driving force for the increase of our credit portfolio, so anticipation of receivables. We have

already in our credit portfolio some effects of this anticipation of receivables, and it is going to me much more important in this new scenario.

**Thiago Batista:**

Thank you, Gazzana and Ponzi.

**Victor Galliano, HSBC:**

Hi, yes. Thank you. Just a follow-up on the NPL. Alexandre, you gave us some color there that this was due to late 2011, early 2012 credit vintages maturing now, seasoning now. Can you give us a little bit more color in terms of what segments of the portfolio these NPLs came from? Did you see any one or two particular segments where you saw a big increase in the NPL ratio? Thank you.

**João Emilio Gazzana:**

Alexandre is going to complete my answer, but I started to say that we had this increase in NPL coming, part of it, from small and medium sized companies. As a result, you can see in our numbers that the ratio of the small and medium sized companies in our total portfolio has been diminishing throughout these last quarters.

At the same time, we have some medium-large or some large companies that we had in our portfolio for a very long time, for many years, but it was related to some companies that always, traditionally, have some difficulties in their business, but they manage to be in a very liquid position in the last year according to the Brazilian economy and Rio Grande do Sul economy; we are in a good shape.

As soon as there was some reduction in the rate of growth, of GDP and all these problems in Rio Grande do Sul, these companies found more difficult to keep paying all their debt, and then we had to increase provisions related to these companies.

So, a great part of the new provisions is really related to increase in provisions related to these companies. This is one situation, and now all our increase in new lending is coming in another niche of the market. This is why we are not expecting that this increase in provision is going to last in the same level for next year, as we end up with all these companies that we are talking about.

**Alexandre Ponzi:**

The point is that there is no doubt in terms of Banrisul from where the NPL is coming from. We know that it comes mostly from companies, small sized ones, and the point is that what we saw is a lag between what we saw in terms of the financial industry as a whole, in terms of the hikes of NPL, this quarter was the peak and it is now presenting a more stable number, as opposed to the increase we saw in our own numbers, because there is this gap from the numbers indirectly coming from the State of Rio Grande do Sul, the effects of the drought.

So, we know that it comes from companies that were directly affected by the drought in Rio Grande do Sul, and this is visibly seen by the breakdown of NPL of last quarter. We have 3.4%, or 3.39% in terms of our overall NPL, 3.93% is related to individuals, 2.92% is related to business overall.

But if we do separate mortgage, agricultural business, long-term foreign exchange, those who have different types of funding and we work only with the non-earmarked credit or, like we call, the commercial one, our aim could have been overall 4.1%, and in terms of NPLs from individuals, 4.38%, and it was in June 4.37%, so they remained stable, but we saw a hike from companies from 3.3% to 3.9%.

This is precisely what happened in terms of our increase in NPLs and provision expenses this quarter. Companies, mostly small sized ones, and related somehow to the agricultural industry in the State of Rio Grande do Sul. That is why we saw this increase.

**Victor Galliano:**

Thank you. Do you sense now that some of these corporates will come back into the performing category, at the non-performing category, are things improving post drought, or you still see that these SMEs will continue to struggle for the next couple of quarters?

**João Emilio Gazzana:**

Like I said, we still see that it is possible, for the last quarter there is going to be a small increase, a small increase may happen in NPL ratio over 60 days. We may have a very little increase in the last quarter, but we are expecting an improvement for next year.

Why are we expecting this improvement? For at least three reasons: one is the improvement of the Brazilian economy, given that the GDP growth is not going to be like the Government expected, over 40%, but anyway, it is going to be better than what is happening in 2012.

Second, the improvement in Rio Grande do Sul economy as well. We are expecting better productivity, better price in soybeans, rice and other crops in Rio Grande do Sul, so the situation tends to improve in Rio Grande do Sul for next year.

The third factor is related to what I said before, we had some limited numbers of medium large companies that we have in our portfolio, that had some provision already, but the situation in these companies deteriorated during 2012, so we had to increase provisions over these companies. They became, sometimes, unable to repay all their debts according to what they were due.

Of course, part of these companies, not all of them, but part of these companies may improve their situation if their crop is good next year, the situation of the economy improves next year.

Anyway, as the number of companies in this situation and related is going to, in a certain way, we already provided all the provision needed, so the situation tends to improve for the next year, and we may have, in the margin, some small improvement.

**Alexandre Ponzi:**

We are not also expecting that at least provision expenses will behave as badly as they behaved in the 3Q12. We assume that they will, somehow, try to come back down a little bit throughout the next quarters, in order to at least pursue the current guidance for provisions expenses, 3% to 4% of our total loan book.

We are running a little bit higher than that as of today, but we expect that by December the number will be close to the top range of the guidance.

**Victor Galliano:**

Sorry, could you just remind me of the guidance again and what did you just say it represent?

**Alexandre Ponzi:**

4%.

**Victor Galliano:**

4%. Thank you, gentlemen.

**Marco Spinar, Neuberger:**

Hello, good morning and thanks for the call. I wanted to ask just about yield on the assets, and one kind of clarifying question I had relates to what you disclosed in the 50-page financial release. I just want to clarify one thing, which is the 2011 average interest earning assets rates of 18.3%, the nine month period had a 13.9%, so there is a massive move from the nine months yield for last year and then for the full year of 18.3%. I am just confused by that, if you could clarify it, that would be great.

My second question relates to what is happening with yields, where are you seeing a particular pressure, to some extent obviously lower Selic rates will drive down yields, but I am curious where you are actually seeing competitive pressure driving yields and what you may give as guidance for next year.

**João Emilio Gazzana:**

Our margins for the first nine months is 9.8%, as you could see, and in the last quarter, taking the 3Q on is 9.4%. So, we have been in the range review of our guidance, and of course we expected that pressure for the reduction of margins is going to be in the 4Q,

throughout the next year as well, but we think that we will be able to stay, during 2013, not lower than 9%.

Maybe we are going to announce, we do not have our new guidance yet, but probably our new guidance is going to be from 8.5%, 8.7% in the bottom of the new guidance, but we still believe we will be able to keep, for 2013 as a whole, something not lower than 9%, related to our margins.

Even because of the reduction in Selic rate, Selic rate already reached the bottom, and even if there is going to be some additional pressure over spreads, but we think the situation is not going to be so strong like it was in the recent past.

At the same time, we have some operation with our payroll business, for example, we have yet more than R\$1 billion related to payroll we buy from other institutions, and we will be substituting parts of this portfolio by our own origination where the spread is much higher. So, there is going to be some forces in terms of reducing margins, but we have still some possibility to increase in other parts of our portfolio.

Summing up, we think we will be able to keep it, in 2013 as a whole, not lower than 9%, even if our new guidance is probably going to start from 8.5%, 8.7%.

**Marco Spinar:**

And what kind are you assuming a flat Selic for next year, then?

**Alexandre Ponzi:**

Our budget operates with a 7.25% Selic rate for the whole 2013. This is actually one of the reasons why were impacted negatively in terms of margins, because any drop of the Selic would be either to affect yields on our securities portfolio.

**João Emilio Gazzana:**

The main drive force of our spread reduction is related to the lower Selic rate, because if you have a lower Selic rate, of course your spread tends to be much lower. So, this main force driving spreads down, we think that already is over. From now on, as the Selic rate tends to be at least in the same level, this is why we think will be able to keep not lower than 9%.

**Alexandre Ponzi:**

And also, when we do compare, as we have on table 3, the analysis of our margin tends to show different scenarios, different environments.

2011 and before, we had higher Selic rate and higher spreads. As of today, we have not only the reduction of the Selic rate, the competition for the spreads compression that we have seen from all kinds of special institutions, Federal controlled ones, and not only that but

also some slight changes in terms of our mix of credit transactions, in which we are now addressing more companies rather than individuals, even though individuals have been able to preserve the margin, given that we announced a switch from acquired portfolios to portfolios that we are now generating.

But in terms of companies, we are now addressing middle sized and large companies in which they operate with a floating rate for a shorter credit duration in which the repricing of the portfolio is faster than we had in previous years.

All these elements combined do make us announce that compression of the spread, compression of our margin will be felt next quarters. The guidance is not yet released, but we assume that it will be lower than the 9.5% as had as a bottom for the guidance of 2012.

**João Emilio Gazzana:**

Only to remember in our last meeting, I remember I explained that with companies normally we have our lending book related to the Selic rate. And if you lend for a company, charge, let us say, under 30% of the Selic rate, if the Selic rate is something around 12%, of course your spread is around 3.6 p.p. If you have a Selic rate of 7%, under 30% of the CDI, it is something around 2.1 p.p. So, naturally with a reduction in the Selic rate you have a reduction in your spread.

Additionally, of course we have all this pressure from the Federal Government in order for banks to reduce spreads. But reduction in the Selic rate alone, I think it was one very important driving force to reduce spreads for Brazilian banks. And this situation related to the Selic rate of course already reached the bottom of the line.

**Marco Spinar:**

OK. Thanks. And my other question, Alex, maybe I should go offline with you, but is there something unusual that happened in the 4Q11 that boosted yields? Because in the financial report again you have the 14% average rate for the first nine months that jumped to 18.3% when the full year results were released.

**João Emilio Gazzana:**

Is it related to the last quarter or last year?

**Marco Spinar:**

2011, yes.

**João Emilio Gazzana:**

It is related to our new strategy related to automatic time deposits. If you remember, I do not know if we talked specifically with you, but we started a new strategy related to time

deposits through which we started to offer to our customers the possibility of all the demand deposits be automatically transferred to a time deposit account.

And with the time deposit account, comparing to demand deposit, time deposit is mandatory for the Central Bank, a compulsory deposit to the Central Bank around 20%. But this deposit is remunerated according to the Selic rate.

Previously, this money tended to stay in the demand deposit account; demand deposit is mandatory for the Central Bank, almost 50% deposits in the Central Bank without any remuneration. At the same time, you must direct more than 30% of this demand deposit to agricultural lending, with an interest rate limited to about 5.5% a year.

So, as we manage to transfer from demand deposit to this automatic time deposit, we increased our margin because we have all our deposits required in the Central Bank starting to be remunerated.

In the last quarter of last year, it was just the main period during which we started with these new products and we were transferring a very large amount of the source from one product to another. This situation continued in the first quarters of this year, so it was an important strategy that they offered us to improve our financial margin during this period.

**Alexandre Ponzi:**

Marco, this is actually presented on **slide four**, in which we can see that by December last year these time deposits grew by almost 45% against December 2010. This was actually the impact in terms of increasing margins last quarter, in which the duration of these time deposits remaining at Banrisul was a very short one, not longer than one, two, three days as a whole.

It was money that was left in the checking accounts of the customers that we would pay some interest on it on account of this new strategy in order to change from one type of funding to another, in our case, in order not to be impacted in terms of reserve requirements. But given that this transition period is now concluded, margins will return to a more normalized rate in this specific item.

**Marco Spinar:**

All right. Thank you.

**Marcos Fadul, Bank of America:**

Good morning, everyone. Thanks for the opportunity. Most of my questions were answered in the previous call and this one. But I just wanted to do a follow-up on fee incomes going forward. We talked a lot about BanriCompras, but I wanted to touch on insurance fees going forward. I saw here on your release that it has been growing close to 50% year on year. I just wanted to understand if there are any initiatives here to boost fees in this specific segment, given that you already have the mix in distribution in the industry.

**Alexandre Ponzi:**

First of all, fees was actually one of our revenues drivers that we needed to recompose immediately, because we did not make any repricing as of last year on account of the deposits issue, and by the end of the 1H12 in which we saw an increase in terms of checking account fees related to this. This was a natural repricing of our base in comparison to our fees, which has in their case repriced by the end of April, beginning of May, trying to anticipate any spread competition in order to preserve ROE. We did reprice, and now we are coming to a new level of checking account fees, as we speak.

In terms of other additional drivers for contributing to fees, first of all, BanriCompras will be one very specific, very interesting, and very keen to Banrisul key driver, and it has already started to pay off.

In terms of insurance, it has increased about a little less than R\$40 million in the nine months of this year, in terms of overall fees, on account of us receiving brokerage fees for distributing insurance products to the customer base that we have. We assume that this number could be growing to at least twice that amount by 2013, and over 100...

**João Emilio Gazzana:**

We are working this year to have something around R\$60 million, in the year as a whole, something around R\$100 million for next year, and something at least R\$150 million for 2014. This is a number we think we will be able to make.

**Marcos Fadul:**

And this growth in insurance business is mainly to then specific initiatives that is going to boost fees from R\$60 million to R\$130 million in two years, or just a better usage of the distribution channel? What is the driver to the growth here?

**Alexandre Ponzi:**

I would say that it would be a better usage of our distribution costs.

**João Emilio Gazzana:**

Because we are focusing this product, we were not focusing this product in the past. And we see the possibility only through cross-selling to our customer base. We do not need to go to the market for new customers. It is because our customer base, we have plenty of room to grow in this area. Normally our customers, when they take credit with Banrisul, they have investments in Banrisul, they use Banrisul services, but normally they go for insurance with other banks, other companies.

So, even if we do not manage, of course, to sell insurance to all of them, but as our penetration, our cross-selling is very weak still, we have plenty of room to grow in this area, and we are confident we will be able to make at least the number I was talking about.

So, we see Banrisul for next year with a higher participation, with a higher ratio in our total income coming from fees from services, so insurances, credit cards, our acquiring business; there is plenty of room to grow in this area.

And already, as Alexandre was saying before, it is possible to see already in our numbers that this new strategy is paying off, and it is going to be even more important for next year.

**Alexandre Ponzi:**

The point is we know that our customers are buying insurance products from the competition. We are not making use of the potential that we have from the number of customers that we have today. So, any slight increase will be very beneficiary in this segment, and it represents to them that we are now on business and we are focused. That is why we say that this R\$36.5 million that we saw in terms of our insurance fees in the nine months of 2012 is actually the bottom line to which we will be growing our fees. So, the more we focus, the more we are going to be productive.

**Marcos Fadul:**

OK. Thank you for your answers, gentlemen.

**Victor Galliano, HSBC:**

Yeah. Just with regard to that question on insurance, is that captured primarily in other fees in the breakdown of your fee line?

And just one quick follow-up in terms of credit quality as well, if I may. Can you give us sort of a sense of what percentage of your corporate portfolio do you think is directly and indirectly impacted, or was impacted by the agribusiness and the droughts in this case? What percentage of your corporate, of your overall exposure to SMEs, middle-market, and corporates really would be exposed to any agribusiness risks, indirectly and directly? Thank you.

**Alexandre Ponzi:**

This is a question of how much of our corporate portfolio will be impacted. This is a number that we do not have as of right now. I would have to check on that, because it will be a little hard to find in terms of them coming from indirect factors. We know that there is not any delinquency coming from the agricultural loans that we have provided directly to small farmers or to the companies we do provide credit for. We would have to check on that.

The point is that there is an increase in NPLs from the small companies throughout the State of Rio Grande do Sul. We would have to check upon this number and come back to you later. I do not have them by now.

**Victor Galliano:**

OK. No worries. Thank you.

**Alexandre Ponzi:**

As for insurance, the point is we understand that this was something we lacked in the years before, we knew that we had to make the move, and this will contribute to the fees.

And also, I forgot to mention that by yearend there is going to be the profit sharing of the revenues that we made from the three companies that we now operate, which is the Icatu-Hartford, SulAmerica, and HDI, which will be increasing the fees for 2012 and being the base for 2013.

**Victor Galliano:**

Great. And that is captured in other income from fees, does it not?

**Alexandre Ponzi:**

Come again?

**Victor Galliano:**

Is that captured in the other income from fees in the breakdown?

**Alexandre Ponzi:**

It is actually a breakdown internally throughout all the fee basis that we have. I will try to make it clear to say how much is in each specific item, but there is not one specific item in which fees, insurance fees will be recorded. It depends on the type. And it is not only insurance, it is vehicle, it is home insurance, it is all kinds of insurance products that we do distribute. It tends to be higher in terms of auto insurance on account of the base and the number of customers with vehicles as of today. But the point is we assume that our customers are buying insurance products, whatever the type, from our competitors and not from ourselves.

**Victor Galliano:**

OK. And just one last final question, you gave us, Alexandre, a quick breakdown of the NPLs by the different areas, individuals, companies, non-earmarked, etc. Can we find that in your financial statement somewhere, that breakdown?

**Alexandre Ponzi:**

No, you cannot. These are internal numbers that we have. But I will try and make you them from now on. We will use your input as an advise for the next presentation.

**Victor Galliano:**

I appreciate that. Thank you.

**Operator:**

Showing no further questions, this concludes our question and answer session. I would like to turn the floor back over to Mr. Gazzana for his final remarks.

**João Emilio Gazzana:**

Thank you very much for attending our presentation, and we hope to see you again in our next quarter presentation.

**Operator:**

The conference has concluded. You may now disconnect.

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