Operator: Good afternoon, now we will start the agribusiness and Banco do Brasil conference call, outlook, results and prospects. All participants are connected in listen only mode and later on the question and answer period will be started, when further instructions for participation will be given. In case you need to reach an operator in this call please press star 0.

I would like to remind you that this conference call is being broadcast through the BB portal www.bb.com.br, investor relations site. You will be able to visualize the slides and also forward questions that will be answered during the Q&A period or afterwards by e-mail.

Before we proceed I would like to say that forward-looking statements that might be made during this conference regarding projections, outlook and operational and financial targets are just forecasts based on the expectations of the management vis-a-vis the future of the bank. These expectations are highly dependent on market conditions, on the economic performance of the country, of the sector and of the international market as well; therefore, they are subject to changes. Today we have Mr. José Carlos Vaz, Agribusiness Officer; Luiz Gustavo Braz Lage, Credit Officer; Nilson Martiniano Moreira, Controller; and Marco Geovanne Tobias da Silva, Investor Relations Officer. At the end of the presentation the officers will answer the questions asked.

Now would like to give the floor to Mr. Marco Geovanne. Please Mr. Geovanne, you may proceed.

Mr. Marco Geovanne Tobias da Silva: Thank you very much, good afternoon and first I would like to remind you that this conference call is being translated simultaneously into English and this is why we will be speaking a little bit slower than usual. It is a pleasure for us to have you here in order to analyze the Brazilian agribusiness and discuss the impact of this business to the Banco do Brasil.

Agribusiness performed a very important role in the Brazilian economy, mainly in the generation of export-oriented resources and in 2007 the sector accounted for 36.4% of the Brazilian export agenda. Farm loans, where we have a very strong participation financing the production costs and also encourages rural investments like storage, processing and industrialization of agricultural products. Banco do Brasil is the major financing agent and partner of the Brazilian agribusiness and with participation even from the small farmer to the large agribusiness corporation and we have already closed the first quarter with the loan book of agribusinesses representing about one-third of our overall loan book.

Due to the importance of this area in our portfolio, Banco do Brasil is frequently invited to participate in events focused on this theme. Last month we participated in a field-trip organized with foreign investors in Brasilia and in Mato Grosso when these
investors were able to gather with bank officers, representatives of the Ministry of Agriculture, politicians and farmers besides visiting soybean, cotton plantations and some slaughterhouses in Mato Grosso.

And with the growing interest by the market and also increase in the agricultural commodities prices and the production of various fields they are always present in our discussions, we decided to have this conference call in order to give you all the information about this operation and the outlook for the Banco do Brasil in the Brazilian agricultural sector.

The presentation will be made first by our Agribusiness Officer, Mr. José Carlos Vaz, and then the Credit Officer, Mr. Luiz Gustavo Braz Lage and they will talk about subjects such as those challenges faced by agribusiness, the possible government measures in order to bring down the indebtedness of the sector with the agribusiness of Banco do Brasil and the outlook for the sector; then we will be opening for your questions and we will be available to answer all your questions. Once again, thank you very much for your presence and now let us start. José Carlos, you may proceed.

Mr. José Carlos Vaz: Good afternoon. Before anything I would like to say that the agribusiness activity involves very varied aspects, such as climate, phytosanitary barriers and of course macroeconomic and international trade.

In order for us to understand what occurred in terms of indebtedness and decrease in income in the Brazilian rural sector in the last few years we must go back to some historical facts. We have to analyze the recent cycle. First we must remember that the Brazilian production in the '80s advanced over the Midwest of Brazil based on technological advancements and genetic improvement of seeds and of course there was the financial cost aggravated by the economic instability that the country went through at that time and that became a crisis when the Real Plan was implemented and when we had a mismatch between the indexators of the debt of producers and the price of food that generated their income.

Because of that, from 1995 to 1997 the Federal Government implemented many refinancing programs for the debt contracted by farmers up to these years and they were rescheduled for about 20 years and these operations today amount to R$ 32 billion, of which 25 billion originally contracted with the Banco do Brasil risk are since 2001 risk of the National Treasury and it is up to Banco do Brasil to deliver management services only for this portfolio.

After the renegotiation from 1995 to 97, Banco do Brasil radically changed its process to contract loan operations establishing new methodology based on the most advanced models: credit caps, sectorial analysis, individual and systemic risk analysis, separation of business and risk functions, among other improvements and with a very strong automation of processes. Besides, specifically for the rural area of Banco do Brasil we developed a risk assessment system for rural activities, a very sophisticated one, which considers a moving historical series of five years with productivity and profitability indices at the level of producing micro regions and done by over 300 agronomists scattered throughout the country.
Based on that, Banco do Brasil has been forming a new portfolio of farmers, which up to 2004 had a very good quality under all aspects and this is when many negative events started and we are going to talk about them on slide number 3.

On slide number 3 we show a timeline, a recent history of the Brazilian agribusiness but focused on the recent crisis in the sector. At the end of 2004 the first effect of a very severe drought in the southern region of Brazil appeared and which advanced through Sao Paulo and Mato Grosso do Sul as well and this led to the need to roll over debt that matured in 2005 during the first part, or the first half, in order to match the payment schedule with the future income generation so that they could honor their commitments.

And what happened is that over the following year, 2005, the loss of income was aggravated by the drought, a new draught; but also because of “Asian rust”, a fungus coming from abroad; and also by the appreciation of the real vis-a-vis the U.S. dollar; the increase in the supply of food because of the good American crop; and also trade conflicts and embargoes to the export of meat because of “foot and mouth” disease and this led to the need by the government to authorize more that rollover in the whole banking system and in the Banco do Brasil 2.8 billion were rolled over.

And the authorization of the government is necessary in order to ensure the financial agents that the operations will continue to have the equalization of the interest by the National Treasury and they will continue to participate in the farm loan portfolio. It is important to say that these authorizations were given some months after the maturity of the operations, leading to the downgrading of their risk rating according to the regulations by the Central Bank and this will be further emphasized by Luiz Gustavo later on.

In the 2006 we see that the problem in the cash flow by the farmers continued because of the market situation and the exchange rate situation and the Brazilian government authorized new rollover measures for the whole banking system and in the case of Banco do Brasil we refinanced about 8 billion and part of that was refinanced already in the previous year and in 2007, when we started the recovery in the sector, we saw that some segments still needed to have debt rollover for that contracted in the previous years and this was authorized by the Federal Government for the whole financial system. In the case of Banco do Brasil these cases reached R$ 1.3 billion.

Slide number 4 we stress the mismatch of the exchange rate between the planting time and the harvest time and we show that the major factor for the decrease in the farmer's income was a difference in the exchange rate in the calculations of the crop, of crop costs and in the selling of the crop, when the revenues are received because the real was more appreciated vis-a-vis the U.S. dollar than when the cost for the crop was calculated. Although this exchange rate pattern had been observed in previous years, there was an offsetting of this income drop via the price of products; the price of products offset that.

But in the following years, in 2004 and 5 and after that the positive variation of prices did not occur in order to offset the exchange rate effect as we can see on slide number 5. Slide number 5 shows the drop in commodity prices as of 2004 with a
recovery as of 2007 and the behavior of the exchange rate and prices during this period led to the need for the authorization of new rollovers in 2006 and 7 as I said before.

As we can see on slide number 6, exchange rate, prices, climate and other factors led to a squeeze in the income of the sector in 2005 and 6; from 2004 and 6 there was a reduction in the Brazilian GDP of 4% and if we do not consider sugarcane and cattle breeding in this GDP, agribusiness GDP, we see that this drop was even bigger in the grains sector, where we see a concentration of this indebtedness.

On slide number 7 we can see that the orange line shows the increase in banking indebtedness of the rural sector vis-a-vis the Brazilian GDP and at the green line you see the rural credit versus GDP of the agribusiness relation. It is important to keep in mind that the financing matrix of the Brazilian rural area comprises bank credit, where you can roll over debt with specific resources and commercial credit, which is given by the trading companies and by the seed stock suppliers and the crushers to farmers and in commercial credit it is not possible to implement the rollover mechanism because the resources that are allocated by the companies are resources that are part of the working capital of these companies and based on this picture we see why there was an increase in the banking indebtedness by the farm sector.

As you can see on slide number 7, there was a need to contract more bank loans in order to offset the drop in commercial loans and also the need to roll over banking debts already existing.

On slide number 8 we will see ... from number 9 to number 11 we will talk about possible government measures that might be implemented in 08 in terms of income, production and indebtedness.

Slide number 9 shows that the capacity by the rural sector to generate net cash as a whole became positive as of 07, as we said before. With the major growth in 08 - as we can see in the market analysis there and also in the news that are published by the trade media - and the projection that is made here shows a possible maintenance of this capacity of generating net cash in the next few years, which means that the new price level for commodities as of 08 offsets the higher production costs that we saw mainly during this year because of the variation of the oil prices and increase in demand for food and for agro energy and also the capacity of investment by the sector to increase productivity and the use of more technology.

Now slide number 10 we can see a recovery of income, an income recovery and if it is confirmed it could be enough to cover the bank and commercial debt of the rural sector in those states still within 2008 - exception made to Rio Grande do Sul, Mato Grosso and Goiás. If we have the linear distribution between producers and regions debt and income and debt which does not occur, in fact what we see is that some producers have more capital in the Midwest and they will be able to pay back their commitments in 2008 and some others in the South and Southeastern region will have to resort to some rollover mechanism, but we believe that this regions have a very concrete picture of income recovery. But within this context we see that because of logistics, region and the climate time losses that we had in Rio Grande do Sul,
among other factors we see the possibility to redistribute the schedule for the payment of rural debt by these producers still within 2008.

The news in the Media, the general media or else the trade media, some market analysts and even some government technicians have been listing as possibly implemented some steps which we have already shown you n slide number 11 and these steps should occur now in 2008 for this people whose income has been impacted by the less income and in 2007, remembering that at this time the volume of renegotiation were significantly less than the previous year as will be shown later on.

So, which then would be these possible steps which you can see here on slide 11? Possibly a bonus for the prepayment of operations, or the early settlement of these operations and with those, with banking risk, this bonus would not imply in any risk for the agent, that will be taken up by the Treasury; and also to expand the terms for debt payments, which would be included in operations of farm loans and the benefit of equalizing the rates by the Treasury when practiced.

This reduction, generally speaking, will demand a more individual analysis regarding the situation of each farmer, so there will certainly be need for this rollover. And in some credit lines the reduction of interest rates, which will be offset by the Treasury to the financial agent in the case in which those operations carry banking risk through an equalization rate or a weight factor would be used, which is another way of the government offsetting this tax or rates; or perhaps also with the use of these two mechanisms at the same time.

It is very important to stress that ever since 2007 none of the debts contracted to make up the crops or to keep up the animal herd are being rolled over. In the current year and in 2007 we are rolling over some part of this investment taken out in years previous to this year and costing, and contracted in previous years.

Going on now to slide number 12 we have here another block of slides, which would do with the context of the business and which would be presented and analyzed by our Credit analyst or director, Mr. Luiz Gustavo.

Mr. Luiz Gustavo Lage: Good afternoon. As has already been said by Marco Geovanne my presentation has to do ... to show you the situation of the agribusiness portfolio of the bank. First of all, on slide 13 we have the historical outline of the portfolio of agribusiness in BB between December of 2003 into the first quarter of 2008 and it rose from R$ 16 to 56 billion at the end of this period, which means 25.3% of compounded annual growth rate.

We have observed that the amount which pertained to corporations, which you could see in the green of the chart, has shown a growth of 36.1% above the growth of 23% in the segment of individual farmers, shown in blue in these columns. And it is very important to say that the segment of corporate organizations has less risk as the credit is given more for agribusiness for companies, for example who supply feed for crushing of grain.
And when we look on slide 14 we may see that in spite of the growth of lower risk operations with corporate organizations, as I already mentioned, we could see in time that there has been an increase of the risk profile of the agribusiness portfolio of the bank because of problems faced by the farmers and other situations.

This concentration of these operations in the bracket of the less risk, which goes from AA down to C as you can see on the gray column chart rose from a level of 96.3% in December 2004 to 84.4% in March of 2008, whilst the distribution in the worse risk brackets - in other words, from D to H - in the green column increases at the same time from 3.7% to 15.6%. This increase of the average risk of the agribusiness portfolio is due to the application of rules of resolution CMN 2682 - the Monetary National Council, which regulates the way credit can be given and lays down rules for migration of operation risks according to brackets or barriers and this reflects the profile of risk in the different segments, as you can see on the slide, consequently generating hit backs on the levels of provisions losses as we may see in the next slide, number 15.

On slide 15 we may see that the balance of the agribusiness portfolio in gray, in the gray columns, continue in the stated period, whilst the default or delinquency rate in the orange line goes from 3% in December 2004 to 6% in June of 2006 and as the debt rollover process was concluded in 2006 we see that delinquency dropped as you can see on the chart and in March 2008 reaches the lowest level in the last two and a half years. The provisions rates shown in green follow the delinquency movement in view of higher rates of risk of the rolled over operations it achieves or reaches a higher level, which allows a coverage for agribusiness portfolios almost twice the balance of matured operations.

Now slide 16. This chart shows us the historical development of total provisions of the consolidated credit portfolio of the bank and stresses two particular movements: one, in December 2006 and the other in the first quarter of this year. I would like to go into further details on these points.

As the Agribusiness Officer has already mentioned, José Carlos, throughout this process of renegotiating the farm loans, which extended throughout the year of 2006, several customers had to wait for government steps to be taken leaving their operations in whereas and not even renegotiating their credit limits with the bank and this brought about a serious situation regarding the risk of these operations.

In December of 2006, after this process of renegotiation of debt had been concluded, a study was carried out by the bank and a specific treatment was given to these renegotiated operations with the objective of reclassifying them at more adequate risk levels, compatible with the situation of the customers upon the first, or the beginning of the rollover process and this reclassification of risk carried out by the bank released provisions of R$ 800 million, which were then used to reinforce its provision, which was a mechanism taken by the bank to coverage possible volatilities of the credit portfolio.

In the first quarter of 2008 almost a year of this reclassification had passed and as had already been forecasted within the annual practices of risk reclassification and also according to rules of the Central Bank, new evaluations of this group of
operations and the situation was carried out having identified opportunities to equalize risk and this led to in fact an increase of risk of 480 million approximately, reallocated from the surplus provision and the remaining balance totaled approximately R$ 900 million. The situations identified for this risk adequation, or more adequate risk, were clients who already had their credit limits matured for more than 90 days at the bank and credit operations which had already migrated to the units of credit recovery of the bank.

And now on slide 17 we will show you the representivity of the rolled over rural credit of 29% of the total bank’s agribusiness portfolio. These operations present an average risk of 16.7%, well below ... or well above, I am sorry, well above the ones seen in the non-rolled over operations, which is 5%. This difference is seen even more clearly if we do not consider the effect of ... rollover effect in the same client, reducing the average risk to 2.9%. And as José Carlos will be telling us later, the payment flow of the rolled-over annual installments reduces the volume of provisions and the average risk of this group of operations for the rural sector. Another situation which can also contribute to reduce the risk profile and the portfolio provisions are the periodic analysis of the situation of the client, which can show improvement due to a more favorable environment in agribusiness.

In slide 18 we mentioned some steps which have been adopted by the bank, some restrictive measures in fact, regarding the segment of clients who rolled over their operations with the bank and we quoted eventually limitations of credit ... for credits for the next harvest, annual harvest. These credits today are limited to the amount defined by the previous harvest and besides that we have as a rule not allowing to contract new investment operations to this segment.

There are some other barriers or impediments regarding the credit policy of the bank. For example, the bank will not operate with customers who have some problems with the bank and they might of course some loss, which has not been compensated for our clients of the higher risk level, the worst risk of all, which is bracket E, except in the context of credit recovery and customers which, in some way, have caused some sort of damage to the environment, that have adopted practices of slave labor or the exploitation of child labor and other situations not in keeping with social and environmental good practices.

And now I would like to ask Mr. José Carlos Lage, Officer for Agribusiness, who is going to mention other steps taken by the bank regarding this ... the management of these negotiations and the risk mitigation process with the agribusiness customers. Thank you very much.

Mr. José Carlos Lage: Thank you Gustavo and now continuing with slide number 19. Slide number 19 is a summary of part of the new position that the Bank of Brazil is adopting and has adopted since 2007 vis-a-vis the rural sector and the channeling of resources to new credits with strong emphasis on risk mitigators, diversified activities and operating cost reduction and thus the guidance of the management of the bank is giving the managers of our branches is to increase significantly and progressively at each harvest the percentages of contracting operations with risk mitigating mechanisms, such as farm insurance; Proagro, which is a government agricultural insurance; the farmers risk-taking together with the risk of the seed stock
companies - for example, companies that have a commercial strict relationship with the rules they participate in the risk that is being taken; and also the take of risk of the client taking out price hedge in future contracts and options and currency hedges.

And besides that we are also guiding our branch network to make possible resources for new contracts in those activities that have a less participation in the farm loan portfolio of the Bank of Brazil, such as sugar cane for sugar and alcohol; planted forests; fruits for export; cattle breeding; pig farming; poultry farming and biodiesel. All these are activities that are being under the focus of the Bank of Brazil and we are also reviewing our operating practices so we can automate this process more and more so as to reduce costs and increase or improve our decision making process.

On number 20 we show the position of the bank vis-a-vis the risk mitigating factors. We have contracted since July 1st of 2007 up to the 31st of March 2008 costing operations – agricultural; cattle breeding, industrial and commercialization with the farmers and companies - about 24 billion - is to use this in long-term and short-term operations. Of these 24.4 billion 4.8% are commercialization operations for sale, which are shown in blue in the first chart on the left of the slide; commercialization or sales involved stock products or receivables to the commercialization of production - there is no climate risk here, they are 2 to 9 months operations, short term therefore; 35.7% of these operations taken out of the time are agro-industrial credit, in other words these are credits granted to companies who are active in the agribusiness chain but they are not producers - they supply feedstock, they export grains or alcohol, grain crushers, slaughterhouses, wholesalers, etc. - and these operations have a working capital profile that do not face any climate risk and have a different risk profile.

And still within this 24.4 billion 11.8% are investment operations where the warranty is made up by rural properties and by the assets financed: a tractor, a harvester or irrigation equipment where we ... the depreciation of this equipment is taken into account as a guarantee; 9% of these operations are cattle breeding, where we have the financing of herd; and 38.7% of that money contracted are for agricultural costing, where the deferral of operations considers the analysis case by case: of the volatility, of the profitability and the historical volatility of that particular farmer and with this we define the risk of the financed activity.

In 52% of contracted operations of agricultural costing in harvests of 2007 and 8 it comes together with agricultural insurance, as you can see in the little chart of the slide. This is a tremendous progress regarding the previous crop, where 42% of these operations were linked to agricultural insurance policies. Why is it a considerable progress? Because it involves a cultural change of the farmers; one must convince them to use the agricultural insurance, so it is necessary that the insurance company increases the scope of its policies and Banco do Brasil's insurance has been working very hard to do this, as you can see in the increase in percentage from one crop to another and we keep in mind the necessity to keep these two factors linked for the next harvest, which we will be contracting as from July of 2008 and in the same way in this harvest, which we will extend credit to now, we will start the hedge, we are investing therefore heavily in training. In 2007 alone we trained more than 500 employees the Bank of Brazil, we are investing in systems
and methodologies so as to be able to carry out the price hedge linked to the rural credit movements.

And slide 21 here we reflect ... in fact it is a summary of our presentation, it shows us that in 2004 - before the crisis of the sector - the bank received 96% of the payment led to producers. This rate was significantly reduced into 2005 and 2006, when the rollovers by the Federal Government occurred, which you can see in blue in the two charts in 2005 and 2006. However, in 2007 with the recovery of the sector's income we show that 90% of payments were duly carried out and so this shows that as income recovers so does the credit portfolio quality and the possibility of recovery. So the scenario for 2008 is definitely better than that of 2007.

And on slide 22 we have the outlook for the sector and the next block of slides - slides 23, 24 and 25. So this is good rate of payments we had in 2007, which we have focused on before, which allows us to think that this improved performance will continue in 2008 because the outlooks for the Brazilian rural sector are very good as we can see on slide 23.

In fact, we have a scenario for Brazilian agribusiness generating business opportunities and the improvement of the average risk of the farm loan portfolio and the agro-industrial portfolio of the Bank of Brazil. There will be an improvement in the international quotations of commodities with a change in price levels and consolidated changes. Brazil is consolidating ... is being consolidated as a corn exporter and there is an outlook of strong demand for meat from beef, poultry and pork. Even with the increased costs in 2008 because of the increase in the price of oil, but also influenced because of the greater demand for food the forecast of creating margins are profitable and Brazil is a large supplier to meet the growing needs for food and agro-energy in the world.

As you can see on slide number 24, Brazil is already among the main producers and exporters of food, with a tremendous stake in the world trade of these commodities. It is a first -world exporter of sugar, coffee, orange juice, alcohol, tobacco, soya bean, beef and poultry.

Data from the Ministry of agriculture, which is shown on slide 25, signals a promising future for the Brazilian agribusiness. The Brazilian government forecasts that Brazil will share in 55.8% of the world trade of poultry; 66.7% of the world trade of ethanol; 54% of the world trade in sugar; 46% soya; 30% coffee and 50% pork.

This scenario that we have tried to show you in our presentation, the figures which we have shown, lead us to believe that the portfolio of agribusiness of Banco do Brasil will recover the quality of years previous to the crisis, with the tremendous differential regarding diversification of financed activities and use of risk mitigators. So I would like to thank you very much, I will ask Marco Geovanne to take the floor again. This is what I had to say. Thank you so much.

Mr. Silva: Well, I think now we can open to questions and Q&A and so those, please, who have a question to our Officers please do so.

Q&A Session
Operator: Now we will start the Q&A session and in order to ask a question please press star 1. In order to remove your question from the queue please press star 2. Our first question comes from Mr. Jorg Friedman from UBS Pactual.

Mr. Jorg Friedman: Thank you very much, thank you for having this initiative. This is a very clarifying meeting about the agribusiness area of Banco do Brasil and my question has to do with the portfolio that you believe where you will probably have some kind of problem: Rio Grande do Sul, Mato Grosso and Goiás. I would like to better understand first, how much this means in terms of your total portfolio and you talked about three possible ways to solve the problems of these states and there would like to know if you already have a timeframe proposed by the Treasury and what this could mean in the future in terms of risk aggravation and increase in your provisions?

Mr. Silva: Thank you very much Jorg for your question and José Carlos will answer your question.

Mr. Vaz: In fact, we do not see ... or we do not foresee any problems in 2008 in terms of revenue generation; what happened is that the positive income that farmers will have in 2008 in some states, in some crops, will not be enough for them to cope with all the installments of the debts that have already been rolled over and they will probably have to settle the costing, but some producers might need to roll over part of their 2008 debt and this is what the Government is studying.

Regarding figures, in this regions - North, Northeast and Midwest - potentially we could have approximately 2.5 billion, but it would be subject to this case by case analysis and we do not believe they will need to roll over 100% of that. As we said, there are individual situations, even in the most critical areas we have farmers that had or are having a good income so they have less debt, so it is 2.2 billion in the areas where the government ... well, the government will have a case by case analysis and possibly limit the maximum volume to be rolled over, so we do not believe it will reach 100% of this amount.

Mr. Friedman: We had some rollovers in 2007 about 1.3 billion, so the expectation is that in 2008 we do not have an amount higher than what we had in 07.

Mr. Vaz: Jorg, this is what we estimate as a potential total rollover for our overall agribusiness or rural loans.

Mr. Lage: Just supplementing, this is Luiz Gustavo. In these states the analysis will be on a case by case basis, so based on the situation of any client ... or each client there could be a higher restriction in terms of risk mitigating factors.

Mr. Friedman: Thank you very much. I would like to see if I have fully understood your answer and the possibilities for renegotiation in these states. So the maximum could be something around R$ 2.5 billion in an overall portfolio of over 50 billion, is this right?
Mr. Lage: 2.5 is the amount required in 2008, so we have investment operations that have a schedule of 3, 4, 5, 6 installments, so the amount of the operations involved with the rollovers could be 18, 15 billion, however the value that could leave the current receivables schedule is around 2.5.

Mr. Friedman: Thank you.

Operator: our next question comes from Mr. Carlos Macedo from Goldman Sachs.

Mr. Carlos Macedo: Good afternoon, thank you for giving us this opportunity and to talk a little bit more about this important segment. My question has to do with the portfolios rolled over and about the payment terms and maturity and the rates among the portfolios and how they are different from the portfolios generated this year.

And the second question having to do with the equalization which is paid by the government because of the possible rollover of portfolios in 2007 and 8, so what would be the impact of that during the year?

Mr. Vaz: Regarding the characteristics of the rolled over portfolio is formed by three lines practically: the costing, which was rolled over in previous years - 2003, 4 and 5 crops and 05, 06 crops, so they were rolled over for about five annual installments and now I think we are in the second installment on average. The installment of 08 is the second installment in this schedule. The rate I would say that half is at 15% a year on average and 50% is the controlled rate, which is 8.75 a year.

And the second line our investment lines contracted with resources that are offset by the government, BNDES resources and the Excel Fund as well, the Midwest Fund. They are 5 to 7 year lines and I think they are now paying the second installment and the rate is around 7 to 8.5% a year, prefixed.

And the third one is a line called "FAT Giro Rural". Basically the second installment paid this year and 5 years as well. The average rate with the long-term interest rate + 4.5% a year. Regarding the equalization income, the trend is to have a higher volume than the one projected if this roll over did not happen, because in the measures that are being taken by the government we have a rollover with a reduction in the rate that will be offset by the National Treasury to the financial agent and part could be done flat, but most of it would be over the life of the operation on a monthly basis.

Mr. Macedo: And the equalization, is it interest rate-sensitive? How can you offset this in order to have a return of 16%, 17%? So it must be interest rate sensitive, so if the interest rate goes up do you believe the percentage would go up as well?

Mr. Silva: Yes, in the negotiation of course we take into account this opportunity cost and - this is Geovanne talking - and it is important to remember that the renegotiations for equalization usually occur in late May more or less or early June, during the first crop and there is also a mechanism of making these liabilities flexible in order to offset as well, having a mix of equalization plus flexibilization. But the two mechanisms are presented in our income statement of the first half ... of the first quarter, so you will see how much we had via the Treasury equalization and how much of this equalization was through the weighing factor, the weight factor, which
does not oblige the bank to invest a certain amount in agriculture and it can apply this or investment it in more profitable operations. So you will see this in our next income statement of the first quarter.

Operator: Excuse me, our next question comes from Mr. Saul Martinez with Bear Stearns.

Mr. Saul Martinez: Hi, good afternoon everybody. I just have more of a specific question on the accounting and on page - I guess it is on your presentation, you mentioned it was page 13, in the English language it is 14 – you showed loans increasing over this time period and in the first quarter they increased 15.6% of the portfolio. In spite of that, your past due loans seem to decline substantially in the first quarter of 08. I think you explained the reason for the discrepancy, but if you can just go over them and repeat them and give us a better understanding of why past due loans status seem to be improving, but your risk concentration is worsening in the first quarter that would be helpful.

Mr. Silva: I would like to ask Luiz Gustavo to explain once again this issue of the growth in our risk, Luiz, and as a consequence the reduction in our delinquency rate and a higher level of provisions for the portfolio, why we have this discrepancy once we have delinquency rate that is going down and provisions going up. So maybe you could explain this again in order to further clarify this.

Mr. Lage: The reduction in our delinquency level is because of the process of rollover that has been concluded, so these operations became normal again, they were normalized again, so we reached this lower level in the last 2.5 years and the provisioning level follows the prudential rules by the regulator and also the good management practices by the bank. So we kept a coverage of almost twice the delinquency rate because of this regulation, in which operations - due to the fact that they have been rolled over and with a higher risk level than we had historically - are still at high level and have not gone through amortization at adequate levels that would bring our provisions back to lower levels.

Mr. Silva: I would like to add something to that, Saul. It is important to keep in mind that Luiz Gustavo said initially the following: when we had the beginning of these problems between 2005 and 2006 crops we saw a growth in the delinquency rate; farmers were waiting for the government regulations for renegotiation. They just stopped paying and because of that the prudential rule by the bank is that as you stop paying the operations become due and you start to aggravate risk and you increase the risk of these operations. This is why you have this peak in our provisions.

In June 2006 you see provisions representing 8.2% of the portfolio and the delinquency rate 6% of the portfolio. When these operations were renegotiated they went back to their normal levels, so no longer due or no longer delinquent. However, Banco do Brasil kept the original risk at the time of the renegotiation and the new resources, the new resources that are granted for the next crop, they undergo what we call " the drag effect", they are contaminated by this level of risk that was aggravated by the operation that was rolled over, which is the Central Bank rule.
So as farmers start to pay the installments of these rollovers - and they started last year doing so - then the bank can reevaluate the portfolio and as a consequence can release more provisions because of the new assessment. So this is why you see a certain degree of discrepancy between the delinquency rate and the level of provisioning - because of the contamination of the risk level of the operations that were rolled over and that have not been paid back completely, because you have 5 to 6 years terms, so whilst we have operations rolled over living together with new crop operations, part of the new crop operations will be contaminated in risk terms; they will have to be considered at a higher level of risk because of the resources rolled over before.

**Mr. Lage:** Just adding – Luiz Gustavo again - and reinforcing what Luiz Gustavo said, with a more favorable scenario that we have for agribusiness we have positive expectations in terms of a return to the historical levels of payment flows made by the farmers on these rolled over operations and we will have a lower volume of provisioning and also an improvement in the risk profile of the portfolio. With the increase in their incomes they will be able to pay and there will be an improvement in the risk rating and also, Saul, I would like to add if you look at slide number 17 you see that today I have 28.8% of my portfolio with operations that have some kind of roll over. It does not mean that it is completely rolled over, sometimes it is only one installment or two; however, the average of this part risk is 16.7% and when we consider the new part of the portfolio - 71.2% of the operations that were not rolled over - the average risk is 5.1%.

However, this risk is also high because part of that is the contamination effect that is something that we call the "drag effect". If you neutralize that, if we remove the provisions that are made because of this contamination factor, the original risk of this operation is in fact 2.9%, it is much lower. So this discrepancy that you see between the low delinquency rate and the high provisioning level over the portfolio is due to the "drag effect", or the contamination effect.

**Mr. Martinez:** Ok great, that is extremely helpful. Just one question, one or two follow-ups. When you say you have positive expectations for the risk categories to the client, when would you start, when would you expect to start seeing the riskiness of the total portfolio start to improve?

**Mr. Lage:** It would be over the maturity schedule that we have, 4 to 5 years.

**Mr. Silva:** As the farmer pays the installments, gradually this risk tends to be reduced. What happened was that some installments were rolled over in the previous crop and this crop and we had already told the market that we should still wait for about three years and maybe we will have a further one-year delay in order to start receiving or getting an improvement in the risk once this scenario is confirmed: growing demand for commodities and the maintenance of the prices that we have today and the margins and everything points to a continuation of this scenario.

**Mr. Martinez:** Great, thank you very much. That was very helpful.

**Operator:** Our next question comes from Lia da Graça from Banif Securities.
Ms. Lia da Graça: Good afternoon. I would like to know if you consider it right to admit forever the coexistence of renegotiations with new operations, once renegotiations or rollovers they happen very frequently as the sector is very vulnerable to weather conditions and this is my first question.

My second question has to do with insurance. Do you ... in terms of the decrease in delinquency level, what is the relationship with this mitigating agent?

Mr. Vaz: This is José Carlos answering. Whether it is right or not well, we do have a legislation in Brazil that establishes that when you have a reduction in the income level of the farmers and if they cannot pay back their commitments they can use the rollover mechanism and what we see - and we have been participating in discussions about this - is that the size of the Brazilian agribusiness today is bigger than the possibilities of the rural credit system and of course the country needs to have a new financing model for the farm sector and which is already happening, because the rural credit operations are more and more concentrated in small farmers.

But this is a model that is built over the years and this will have to do with the capital market to the medium-sized and large producers and because of climate conditions we will have mechanisms by the government in terms of agricultural insurance or price protection even; but within this context the fact remains that we have a reality and the reality is current legislation and in 2008 only in the cases where individual analysis shows this reduction of income in order to pay back the commitments we will be able to have this rollover.

In terms of insurance - we are still computing the data - but the southern region of the country is going through a serious drought and which affects corn and soybeans and in this region we have almost 90% of our portfolio protected by Proagro or agricultural insurance and certainly in previous years, because of the intensity of the drought the Southern region, we would have a demand for rollover operations and that we are not seeing now. So this year we already see the advantage of the use of agricultural insurance.

Ms. Graça: Thank you.

Operator: Ms. Isabel Guerra from Banco Fator.

Ms. Isabel Guerra: Good afternoon. I have one doubt related to rollovers in Mato Grosso, Goiás and you were referring to a possible rollover of 2.5 billion and it would be 1.3 and do you already factor this in your provisions in levels? Thank you.

Mr. Lage: Isabel, the current provisioning levels already factor in this situation, yes, for the regions that you mentioned because of the major problems, as José Carlos said, that are present in these regions because of logistics more in the Midwest region and also the problems faced by producers and the loan methodologies according to the Central Bank criteria for provisioning already reflect this and they already cover or give a higher coverage to the loans granted and it is even higher than what is required by the Central Bank.

Ms. Guerra: Thank you.
Operator: Ms. Ana Conceição, Agência Estado.

Ms. Ana Conceição: Good afternoon. I would like to know how agricultural credit will be contracted with price hedge for the 08, 09 crop? Will this be mandatory?

And another question, I would like to know the credit percentage with mitigators in 08, 09? Do have a figure for that?

Mr. Vaz: This is José Carlos. Price hedge, well, we are still working on that in order to find the necessary liquidity for a portfolio the size of the one we have at Banco do Brasil and also to make this operational and with a more sophisticated model in order to meet the needs of a very high number of operations that we contract every single day when you have a new crop.

But we will start operating the same way we did with the mandatoryness of agricultural insurance: we will identify some states and products and the risk profile of farmers and with the amount of liquidity in the market and then we will start with a pilot project for 08, 09 with the perspective of growing this in the future, such as was the case with the agricultural insurance. Just to give you some information, the agricultural insurance or the farm insurance we started doing this for soy beans only in the states of Paraná, Mato Grosso do Sul and Mato Grosso three years ago and now for 08, 09 crop we are going to do this for soybean all over Brazil, for all states. So all of our soybean portfolio as of 08, 09 will be covered by agricultural insurance.

And we are already contracting the wheat crop with agricultural insurance and we will have this for rice, for corn - and corn for practically all of Brazil; we have done something in cotton already and for the next crop we expect to have for apples as well and maybe for cattle breeding as well.

So this is gradual, because you have to accompany, you have to track the agricultural subsidies and also the capacity of the insurance company and the re-insurances. So this will be done in the same way and it will start with soy - the price hedge - soybean and coffee in some states and a time will come in which our risk assessment system will show us what is the best revenue level for each producer. If the producer has volatility in terms of productivity, then it will be agricultural insurance; but if the volatility is because of profitability, only then it would be the price protection, or the price hedge. So this is something that we are implementing in a very consistent manner and we will present very good figures when we contract the new summer crop.

Ms. Conceição: Thank you.

Operator: I would like to remind you that in order to ask a question you should press star 1.

Mr. Silva: Before we close I would like to remind you that on May 15th we will be having our first quarter 2008 conference call at 10:00 a.m. in Portuguese and at 11:30 in English - Brasília Time.
Operator: The Banco do Brasil conference call is closed and we thank you very much for your participation and I would like to remind you that all the material used during the conference call is available at the BB portal in the investor relations site. Thank you very much and have a very good afternoon.