

## Q4 2006 Earnings Call

### Company Participants

- Jean Philippe Leroy, GM
- Milton Vargas, EVP
- Samuel Monteiro dos Santos, CFO

### Other Participants

- Daniel Abut, Analyst
- Jason Mollin, Analyst
- Jorge Kuri, Analyst
- Juan Partida, Analyst
- Mario Pierry, Analyst
- Stephen Barrett, Analyst
- Victor Galliano, Analyst

### Presentation

#### Operator

Good morning, ladies and gentlemen. We would like to welcome everyone to Banco Bradesco's 2006 results conference call. This call will be conducted by Mr. Lazaro de Melo Brandao, Chairman of the Board of Directors, Mr. Marcio Artur Laurelli Cypriano, Chief Executive Officer, Mr. Milton Vargas, Executive Vice President, CFO and Investor Relations Officer, Mr. Domingos Figueiredo de Abreu, Managing Director, Mr. Samuel Monteiro Dos Santos, Chief Financial Officer of Bradesco Seguros Insurance, and Mr. Jean Philippe Leroy, Executive General Manager.

At that address you can also find a banner to which the presentation will be available for download. We inform that all participants will only be able to listen to this conference during the Company's presentation. After the presentation, there will be a question and answer session. At that time further instructions will be given.

Operator Instructions)

Before proceeding, let me mention that forward-looking statements are being made under the Safe Harbor of the Securities Litigation Reform Act of 1996. Forward looking statements are based on the beliefs and assumptions of Banco Bradesco's management and from information currently available to the Company. Forward looking statements are not guarantees of performance. 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 Banco Bradesco and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I will turn the conference over to Mr. Jean Leroy, Investor Relations Executive General Manager. Mr. Jean Leroy, you may proceed.

## **Jean Philippe Leroy**

Thank you. Good morning, to everyone and welcome to Bradesco's Fourth Quarter 2006 conference call. And now let me turn to the floor to Mr. Milton Vargas who will be conducting a speech, of which the main topics can followed on slide number two of the presentation you have downloaded from the Internet.

Milton, please.

## **Milton Vargas** {BIO 3347541 <GO>}

Good morning, ladies and gentlemen. and welcome to our conference call. In 2006 we brought closer our record recurring net income of almost BRL6.4b. This result is 15.4% higher than last year's BRL5.5b. The reported profit is good. A little bit higher than the BRL5 billion mark as it included non-recurring events such as the full goodwill amortization of the Third Quarter. The recurring profit represented an average return on equity of 30%. 54% of Bradesco's net income was originated by Banking and 34% by insurance, private pension plans and savings bonds.

In the Fourth Quarter, reported net income reached BRL1.7b. The strong performance is a result of Bradesco's, one, positioning in banking, insurance, in private pension plans and savings bonds. Two, efficiency improvement and three, the dedication and motivation of its staff. With more than 35 million active clients, 16.8 million of them account holders, Bradesco is proud to be a complete bank which promotes bank inclusion and faster credit in Brazil.

In terms of loan, our portfolio expanded by more than BRL15b, reaching BRL96.2 billion at the year's end.

If one considers currencies in credit card operations, in 2006 growth exceeded BRL22.2b, reaching BRL116.2 billion in December. Loans to individuals continues to be the leading driver of Bradesco bond book growth with a BRL6.3 billion year over year jump, followed by small and medium-sized companies with a BRL5.5 billion increase and larger companies with more than BRL3.1 billion growth.

In insurance, private pension plans and savings bonds, the net income jumped by 35.2% moving from BRL1.6 to BRL2.1b. This important operational improvement was caused by premium growth in a bottom line focused management. In terms of expenses, Bradesco

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continues to focus on constant operational improvement as one can see by the 42.1% efficiency ratio vis-a-vis 45.6% in the previous year.

Bradesco added to substantial shareholder value with 1.4 million stockholders whilst marked capitalization reached BRL84.8b, an increase of more than BRL20b, or a 31% jump in 2006. And two, the payout reached more than BRL2.1 billion in interest or loan cash flow and dividend. As disclosed last week, Bradesco sent a release to the market informing about a 10% monthly interest or capital increase in its decision to submit in its March 12, Shareholders' Meeting, stock bonds of 100%. These two events are focused to increase shareholders' value by erasing the monthly dividend premium and by aiming to expand the liquidity. As a major retail bank Bradesco realizes, during 2006, several actions in order to growth in this highly competitive market, adding value to its clients.

On the credit card side, Bradesco established important partnership with American Express and with Fidelity International in processing and back office.

In addition, Bradesco acquired and incorporated the Banco do the State of Ceara, BEC, consolidating its position in another Brazilian state.

Recently, Bradesco acquired Banco BMC, which will add important expertise in payroll deductible loans, a segment where we want to increase our share and which has enormous growth potential in coming years. Just to give you an idea, only five out of the 25 million retirees use this type of credit line.

In terms of sustainability, I would like to remind you of our inclusion in the Dow Jones and Bovespa Sustainability Indexes. I would also like to highlight the fact that we received a triple A plus rating by Management in Excellence based on five different pillars; sustainability, corporate governance, corporate social responsibility, access and transparency.

In terms of suppliers, Bradesco organized its second meeting to inform its corporate social responsibility strategy developing discussions about daily problems such as global warming.

2006 also was marked by the 50th anniversary of Fundacao Bradesco, a pioneer social inclusion initiative which resulted -- ended up the biggest in Brazil and probably one of the largest in the world.

Finally, I would, once again, like to thank all of our staff for their dedication and commitment to our goals.

After this presentation, Bradesco's senior management will be available to answer any question you may have. Thank you.

**Jean Philippe Leroy**

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Slide number three. We begin the presentation with a composition of reported and recurring net income. Our Fourth Quarter net income totaled BRL1.7b. The recurring net income reached BRL1.62b. We had three non-recurring events in the quarter due to Usiminas Desinvestment impact of BRL219m, the activation of tax credits in the amount of BRL194 million and the supplementary health insurance provision in the range of BRL390m.

The particular health insurance provision was calculated based on the need of provision to complete the medical service expenses in line with the adjustment of premiums. After this provision we believe there will be no need for any further extraordinary provisions in the health segment.

For the year, reported net income reached BRL5.05b, also impacted by non-recurring events, especially the full goodwill amortization made in the Third Quarter in the amount of BRL2.1b. After adjustment, the 2006 recurring net income stood at BRL6.3b. For all comparative purposes from now on, we will be using the net income of BRL1.62 billion for the quarter and BRL6.36 billion for the year. Another view of our recurring result would be to totally eliminate the goodwill effect, including the one held and made during the first half. In this case, the 2006 recurring net income would be reaching BRL6.64b.

Slide number four. Bradesco's market cap, which has already jumped by 125% in 2005, moved up by a further 31% in 2006, reaching BRL85 billion at year end, or the equivalent to approximately \$40b; the highest market cap of any bank in Latin America.

Our stocks are traded at 3.4 times book value. This has passed the market recognition for the evolution of our management practices and our ability to generate a good result in the future, increasing our responsibility to always improve our performance. We would like to highlight that the remuneration to stockholders for the year, with a payout of BRL2.1, BRL2.16b, actually, of dividends and interest on capital, corresponding to 42.7% of the reported profit. On the top of that, Bradesco announced last week a 10% increase in the monthly interest on capital and a 100% bonus in stocks to be approved by our shareholders in the Extraordinary Stockholders' Meeting to be held on March 12.

Slide number five. Total assets reached BRL265b, up by 27% and the return on average assets stood at 2.7%. Stockholders' equity reached BRL24.6b, also up by 27%. The BIS ratio also expanded reaching a very comfortable 16.5% vis-a-vis the minimum Brazilian Central Bank's requirement of 11%.

Slide number six. We present here the evolution of our bottom line over the last eight quarters which, as one can see, have reported consistent growth reaching BRL1.62 billion in the Fourth Quarter. This growth is in line with the improvement in our efficiency ratio which reached 42.1%. Actually the seventh quarter lower than the 50% mark, reflecting Bradesco's focus in productivity. We still see room for further improvement in our cost to income ratio. Our goal is to reach less than 40% up to the end of 2007, even considering the sizeable investments in processes and technology in which we highlight the IT improvement project.

We would also like to draw your attention to our average return on equity which is standing at 32% for the quarter and 30% for the full year of '06.

Slide number seven, remained roughly the same as the Third Quarter, and let's move to slide number eight.

In 2006, 66% of Bradesco's net income was originally that from banking, 34% from insurance, pension plans and savings bonds an improvement vis-a-vis the 29% recorded in '05. One should be reminded that the insurance industry in Brazil still has a lot of growth potential as premiums currently represent only 3.1% of the Brazilian GDP, and we expect it to double in the next five years. And Bradesco Seguros, as a market leader, have all the conditions to benefit from this evolution even more. The participation of both loans with 33% and services 26% remains stable over the previous year. Funding gains decreased by 3 points, in part, to due increase in the first, vis-a-vis, the base rate, and partly due to the stronger expansion in the insurance activities as already was mentioned.

Slide number nine. Here one can see the main variations in the quarter-over-quarter profits between September and December. Net interest income and fees increased while personnel expenses fell even though part of this improvement was partially offset by the seasonal increase in marketing expenses.

In the coming slides, we will comment individual all the main items.

Slide number 10. On the upper part of the graph we can see the growth in non-interest items due to higher securities, treasury and loan recovery gain. Out of the BRL225 million quarter over quarter growth, 52% was originated by Grupo Bradesco de Seguros and the rest by Bradesco's banking operations. On the lower part, one can see that the growth in volumes of loans was not enough to offset lower gains caused by the reduction in the Selic base rates, especially affecting funding, savings, and demand deposits and Bradesco's own working capital. It is worth noticing that in the last quarter of the year, due to higher liquidity in the individual segment, certain high yield operations, such as overdraft, suffered a decline in the balance. As a result, the net interest margin in the Fourth Quarter had decreased by BRL47 million in relation to the Third Quarter.

The next few slides will focus on Bradesco's loan portfolio.

Slide number 11. Bradesco's loan portfolio, including sureties, guarantees and credit card operations, totaled BRL116 billion at year end, up by 24.2% in the year and by 5.4% vis-a-vis the previous quarter. The lower annual growth of large corporates, 12.8%, was in line with the market and was due to the alternative option of funding in the domestic capital market such as Fidics [ph], IPOs, issues of debentures and others. In the international market, companies could also opt to very good options of funding due to the reduction in the sovereign risk. This actually is one of the reasons for Bradesco focusing more in investment banking with the creation of Banco Bradesco de Investimento, our BBI.

On the other hand, there were -- we experienced a solid growth in guarantees, 53.6%, most of which originated by large corporations.

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SMEs grew by 23.8% in the year, 7% in the quarter. We will be focusing the evolution of the individual segments in the following slides. Credit card operations increased by 83.2% as a direct result of the Amex acquisition and the focus we are giving in private label accounts.

Slide number 12, loans to individuals, excluding credit cards, accounted for slightly more than 41% of the total book while the remainder was more or less equally divided with a trend for SMEs to gain position in relation to large corporations while -- which, in December '06, accounted for 30%.

Slide number 13. Here we are breaking down the loan portfolio acquired through operating agreements in order to present our own capacity to generate individual loans. We can see that the total portfolio grew by 19.2% in the year. However, if one excludes the acquired portfolios in both periods, growth would have amounted to 27.1%. Using the same criteria for the quarter, there was an increase of 2% in the total book, but 3.7%, so almost twice the 2% in Bradesco's own generated portfolio. The reduction in the volume of acquired loans was due to the capital market alternative available to mid-sized banks like external bond issues, FDSCs [ph] and so on. As a result, our balance of acquired loans fell 19% in the year and 9.3% in the quarter.

Slide number 14. In this slide, we are including loans to individuals, except mortgage, overdrafts, agriculture and BNDES home lending. The total portfolio grew by 26.6% in the year, 4.6% in the quarter.

In vehicles, the portfolio grew by 18.6%. If one excludes acquisition, and which dropped 28.6%, organic growth would have been 22.9%. We have a very solid 26% market share in this field and our strategy aims to improve the profitability of these operations even to the detriment of volume.

Personal loans will be commented on the next slide. In leasing, the substantial growth is due to a major focus Bradesco has been giving on the operations to individuals.

In credit cards, 22% of the balance, or approximately BRL1.3b, refers to revolving credit, which grew by 61% in the year, organically, as we saw in the previous slide, and 77%, or BRL4.3b, refers to demand or installment payment funded directly by the stores which -- with organic expansion of 44%. However, including American Express, there was a solid 105% increase in a year over year analysis. We expect credit cards to keep on growing vigorously, not only as a means of payment but also as a way of financing.

Slide number 15. In the year, the total portfolio grew by 20.4%, led by own operations which moved up by 33.8% in the quarter. There was a 2% decrease in the book due to the acquired portfolio since own operations remained stable, plus 0.2%. Traditional personal loans went up by 38.5% due to a more aggressive distribution policy with the establishment of pre-approved credit limits in preferred channels like ATMs, Internet, call centers, and so on. In the quarter, they remain stable, minus 0.5%, considering the higher liquidity of individuals because of the 13th salary paid. As a result of the given focus, own

payroll deductible loans grew substantially in the year, 82.6%, and 8% in the quarter while acquired payroll deductible loans decreased in the year and in the quarter.

We expect, with the acquisition of BMC, to boost our payroll deductible operation since BMC holding only 50 agreements has an operation equivalent to Bradesco size, which had more than 800 agreements with public bodies.

In the following slides we will analyze our asset quality.

Slide number 16. This slide shows how comfortable we are in regards of the level of provisioning. On the upper line, we have the allowance for doubtful accounts over the total loan portfolio, 6.9%, followed by the provisions required by the Central Bank, based on clients' ratings and overdue payments, 5.8%. In the third line, we have the abnormal course loans, classified from E to H, 4.6%, and, finally, those loans written off as actual losses in the last 12 months divided by the portfolio balance a year ago, 3.5%.

The larger organic growth in individuals implied a higher ratio of the attractive [ph] loss. We have a total provision over actual losses margin of close to BRL3b.

Slide number 17. The ratio of loans overdue for more than 60 days grew in the individual segment due to the substitution of lower spread assets, for example, acquired loans, by others with a higher margin, personal loans, home direct consumer credit and credit card. The same ratio for Company remains stable.

Slide number 18. The same ratios apply to individual loans overdue for more than 90 days. Here we can see some improvement in the ratio for corporate.

Slide number 19. Despite the loans expansion, ratings from double A to C remained above 92%, which is above the Brazilian financial system and the Private banking as a whole. The coverage ratio which measures the total allowance for loan loss over total overdue by more than 60 days, which do not accrue interest any more, stood at 155.1%, which we consider to be highly comfortable. The drop in the coverage ratio is due to the change in the portfolio profile, the growth of individual loans, excluding acquisitions, and the fact that our additional provisioning remains stable at close to 1.5 -- BRL1.1b.

We would like to emphasize that we did not transfer overdue operations, meaning securitization in the period, which could actually improve a lot this ratio. As a matter of example, if we entered into a -- if we proceeded into a securitization operation in the amount of BRL500m, our ratio of coverage would be improved by 7.3 basis points. If such, securitization would be twice. So BRL1 billion improvement, would be 16.8 points.

Slide number 20. This slide summarizes the most important point in the loan activity. The first line, from top to bottom, shows the gross margin evolution revenues from loans, net of the treasury opportunity across the Selic at constant growth. In the third line, from top to bottom, we have the required allowances for losses plus discounts granted net of recovery. And in the middle we have, what we call, the net margin. What we gain net in

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the delinquency and in the cost of the loan. We can see that in all the quarters of 2006 we have been growing vis-a-vis the previous quarter. In this line we are not including the fees that are generated in loans, for example, and therefore, it is clear that the strategy of expansion in loan portfolio that we have been implemented has been quite successful despite the rise in the delinquency we have been experiencing over the last quarters.

Slide number 11. We are basically making exactly the same analysis, just focusing on Bradesco as a multiple bank.

And on slide number 22, just focusing Finasa. And in this slide we believe that because of the expertise we gained through the acquisitions we gained through the acquisitions of banks like Continental, Finasa, Solby [ph] and Morada, we can definitely make a difference in consumer finance.

Slide number 23. If we compare the market value to the book value of our credit securities investment operations, we observe a potential unrealized increment of BRL3.2b, up by almost BRL600 million in the quarter and BRL1.6 billion when we compare to the previous year. It would have an impact of BRL734 million on the other hand, in terms of stockholders' equity. This gain is appropriated as the operations are paid, redeemed, or before if technical studies indicate it is convenient to realize some of these assets in advance. It does not include increments related to real estate or investment in subsidiaries affiliated companies, as you can see in the footnote of this slide.

Slide number 24. The reduction in personnel expenses is a consequence of decreased labor provisions and profit sharing. The decrease in administrative expenses mainly results from the seasonal marketing expenses. We maintained constant for that -- of costs and cost awareness from management and employees. Actually, I have to go back to the explanation of this slide. I'm sorry. Fees went up 21% in 2006 and 3.5% in the quarter. The Fourth Quarter of 2006 was impacted by the reduction in gains from management of specific mutual funds which had high fees and were extinguished by the CVM. It is worth mentioning the 35% growth in the credit card segment, due to American Express acquisition and the operating agreements, in addition to the organic growth with closer focus.

Now, slide 25. The reduction in personnel expenses is a consequence of decreased labor provisioning and profit sharing. The increase in administrative expenses mainly results from seasonal marketing expenses. We maintained constant follow-up on cost and, of cost awareness from management and the staff in general.

Slide number 26. Representing this slide the breakdown between structural, basically salaries and benefits and non-structural, which are the variable costs in personnel expenses.

Slide 27. Here we can see the breakdown with the seasonal growth in advertising costs during the Fourth Quarter.

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Slide number 28. In this slide, we present the coverage ratio fees over expenses which has been increased quarter over quarter reaching 75.4%. We believe there is room for improvement. It is worth pointing out that over the past three years, fees increased by 130% while expenses expanded 39%.

Over the following three slides we will present information on the Insurance Group.

Slide number 29. In this chart we present the share of each line of products in the total premiums. We would like to highlight life and private pension plans with 58.9% of the total, an expected growth for the quarter, due to tax issues. As you know, in Brazil a lot of people make pension plan contributions by yearend to benefit the 12% deferment of taxes that we have in the country. The amount of premiums from insurance and private pension plans went up by 14.3% year over year, and by 20% quarter over quarter, above estimates of the market as a whole.

It is also worth mentioning the expansion of the savings plan in the quarter, 13% plus. In the year, revenues from this segment were practically stable, given the reduction in the sales volume, and so are payments products.

Net income, in turn, went up by 35%. Let's remember that the Insurance Group already accounts for 34% of Bradesco's consolidated figures. The improvement in net income results from sales increase higher than the market. By the way, we increased our market share by 0.3%, and from the reduction in claims ratio combined with a tight cost control and policy.

Slide number 30. Here we present the main indexes from the Bradesco insurance group reinforcing its sustainable growth and reflecting its leadership in most of the segments it operates.

Slide number 31. All combined industries presented improvement and we would like to point out the international combined ratio. Claims ratio improved thanks to the focus on selling corporate health insurance and to the pricing policy of the car insurance premium due to the usage of profile implemented one and a half year ago.

Slide number 32. Some analysts have been asking many questions about tax issues and this is the reason why we are offering this slide in the presentation. For this reason, we are presenting in this slide the evolution of our tax credits over the last four years. It can be seen that the majority of our tax credit balance, 82%, is temporary and most of the expenses which originated it did not result in actually cash flow from the organization. It takes us about two years to realize these credits. Tax loss carried forward a negative base, social contribution reached a balance of BRL586 and are expected to be realized in the next couple of years.

As to the difference in social contribution from 18 to 9%, 14 in the provisional measure of 21.58, it is expected to be realized in the next three years. One can see that over the four year period, we benefited from credit in the amount of BRL1b, a little bit more than that, out of which BRL750 million from tax loss carried forward a negative base of social

contribution, and BRL315 million from the difference in social contribution. It is important to mention that such credits, tax loss, negative base and differed social contribution represents a very small portion of Bradesco's stockholders' equity and even more when we compare it to the total assets of the Bank. Of the conglomerate as a whole, actually.

Slide 33. On this slide we present the calculation of our income tax and social contribution, whose ratings, rates as to that 32.4% in 2006. For further disclosure please take a look on note -- footnote number 34, which opens more the details of that.

Slide 34. This is an overview of our checking and savings account holders in insurance client base. Our client base, including those who are not account holders, taking into account the individual corporate tax payers' ID or those who have an account or another product with the Bradesco organization, reached the very impressive number of 35 million by the end of 2006.

In slide 35 we are opening the macroeconomics outlook. For the year, basically, a 3.6% GDP growth. Interest rates continued to move down to 11.5%, by the way, by year end, CPI inflation, 3.9%, and the FX rate should be at 2.21% again by year end.

Slide number 36. Here we are opening the guidance for 2007. This outlook considers only credits originated within the organization of Bradesco. They do not take into consideration any further portfolio acquisition. Part of the growth in expenses are linked to the increase in income, especially fees. Regarding fixed structural expenses, we do not expect these expenses, the fixed portion, to exceed the 6%. So a little bit higher than the inflation we are expecting for the year.

We expect Bradesco de Seguros recurring results to range between 30 to 35%, recurring result in 2007. We are stressing the recurring part because of goodwill and other possible future events. You know we have approximately BRL0.5 billion of goodwill amortization for BMC we should be amortizing in the next couple of quarters. We are going to analyze when to do it, but we should be proceeding in that in the first half of the year.

Fees over personnel and administrative expenses, coverage ratio is expected to reach more than 80% in the coming year. You saw the slide. And we want -- we envision this ratio to be higher than 80%, if possible, over the next -- over this year of '07. Likewise, we also expect the operational efficiency ratio, the cost to income ratio, to be lower than 40% by year end.

Thank you for your attention. And we would like now to open the questions for -- to open the Q&A session. Thank you.

## Questions And Answers

### Operator

Thank you. Ladies and gentlemen. we will now begin the question and answer session.

(Operator Instructions)

Our first question comes from Nathan Mollin of Bear Stearns. Please go ahead.

## A - Jean Philippe Leroy

Jason, please, you can ask your question.

## Operator

Mr. Mollin, your line is open. Okay. Our next question comes from Jorge Kuri from Morgan Stanley. Please go ahead.

## Q - Jorge Kuri {BIO 3937764 <GO>}

Hi. Good morning, everyone. My question is on the guidance that you provided. You were talking about long growth between 20 and 25% including loans to individuals growing 25 to 30% in 2007. If I look at the numbers you just reported, your total portfolio, on an annualized basis, looking at the quarter on quarter rate is growing around 18% and your consumer loans, which grew around 2% this quarter seems to imply an annualized rate of around 8%. Can you just share with us what are you seeing going forward that you are anticipating such a sharp acceleration in the rate of growth in consumer lending and overall lending in order to reach your '07 target.

## A - Jean Philippe Leroy

Okay, Jorge. Actually, our loan book growth was around 19% year over year, but we believe that the analysis should be more focused on the own ability of Bradesco's loan book to grow. And in this case, we are presenting a slide where we are talking about a 27% year over year growth. We believe that this would be ideal for the fair analysis because if you make more or less acquisition of loans, you can change the growth in the portfolio and we believe that you should be focusing more this ratio.

Actually, we had good perspectives for this year. In general terms, individuals should be benefiting from higher mass of salary. We are focusing more in favorable finances. The acquisition of BMC, in our understanding, will be quite important because we will be able to grow a lot the portfolio where the risk is very mitigated. We have very good perspectives of how to how to finance as well. We have a 26% market share. And credit cards should be also a business which should develop in this year, even more because we are including more and more American Express into Bradesco's strategy in credit cards and we should be benefiting a lot. We have the strength of more and more people using the credit cards as a way of finance and not only as a way of payment.

In terms of corporate, we believe that as last year small and middle-size companies should be growing a lot in the back of the lower interest rates we are projecting for this year. And also companies, large corp. companies, are making a lot of investment. Even though you have very strong capital market and you have other funding alternatives, we are quite positive for giving you an idea for the large corporations we are envisioning approximately a 15% growth in the loan book comparing '07 and '06. So all in all, we are

optimistic and we would just advise that it's better to analyze the numbers without looking at the acquisitions of portfolios.

**Q - Jorge Kuri** {BIO 3937764 <GO>}

Okay. Thanks. And just let me follow up on that. If I look at the underlying growth in your consumer credit for the last -- for the second half of 2006, it was roughly around 2 to 3% per quarter. So in order to reach 25 to 30% growth in 2007, you are expecting a very sharp acceleration. Is that something you are seeing happening now? Should we expect this acceleration to happen in the first half of this year or are we going to see kind of like First Quarter, Second Quarter, low recovery and then a very sharp acceleration in the second half? Can you just tell us more or less what your expectation is for the first half, second half?

**A - Jean Philippe Leroy**

Yes. In general terms, the Brazilian GDP is heavily concentrated in the second half of every year. We also have the payment of the 13th salary more concentrated in second half. So I would say our GDP growth expectation of 3.6% actually is conservative. It might be even a little bit more than that. We may even consider 3.8% or maybe the growth in the GDP could be a little bit higher. But we have the numbers of January and January is a period where we have a huge concentration of vacation. So normally the needs of finances are not as strong in this month because of seasonality affect, even more when you compare it with the last quarter of the previous year where we have more income and so it's not such a good, fair comparison. So I would say the projection will be a growth. I would say, should be growing Second Quarter, should be higher than First Quarter, higher than second, and last quarter the highest of the year. I cannot predict if everything will be so smooth but, in general terms, this is how it works in the country.

**Q - Jorge Kuri** {BIO 3937764 <GO>}

Okay. Thank you very much.

**A - Jean Philippe Leroy**

You're welcome.

**Operator**

Our next question comes from Daniel Abut of Citigroup. Please go ahead.

**Q - Daniel Abut** {BIO 1505546 <GO>}

Good morning. I wanted to follow up on Jorge's prior question because it certainly has a tremendous impact on your net interest margin and earnings outlook what you finally are able to do on consumer loans in general. And the explanation you gave, also in your presentation as well as in response to Jorge's question, was that most of the slowdown we saw in the second half of '06 with respect to consumer loans, a temporary nature. That it had to do with a reduction in the amount of loans you purchased, as well as some liquidity issues that caused people to prepay using their salary. There's two original

possible explanations that one could have if I want to play Devil's Advocate and I want to rumble you and see your reaction. One is that.

### **A - Jean Philippe Leroy**

Daniel, a little bit slower please.

### **Q - Daniel Abut {BIO 1505546 <GO>}**

That there's more competition and therefore it's tougher to originate because everybody's changing the same opportunities in the same segment. And the second one is because the continued deterioration in credit quality, at this level, has not stopped that much, if you look at the chart that you put in your presentation in terms of the non-accrual of the non-performing loans, in individuals have been steadily rising throughout the last several quarters, including the last two, that this could also be a reason that you are slowing down, just because you want to see more stabilization before you push consumer loans more aggressively. Any of these two reasons, competition or asset quality, have had an affect in your significant slowdown in the second half or not, Jean?

### **A - Jean Philippe Leroy**

Okay. Daniel, a very long question, I will try to summarize. But anyway, I would say that we are optimistic for the year, yes. It's true that interest rates move down, is also a positive component on the needs of future provisioning because there is a kind of correlation between delinquency and the size of the interest rate. I would say we should be benefiting as well, more and more, even though it is not so sizeable in terms of impact, but the growth in the mortgage business seems to be quite interesting as a future trend, and this should be also taken into account for individual loans. We have more competition, yes, but I would say we have more ability as we -- Bradesco's presence throughout the country. Bradesco has a very wide array of products and services. With the inclusion of BMC, and with also the efforts of our sales team, we believe that we will be able to raise the net interest income. Even though the net interest margin -- we always have questions by the market in terms of the perspective for the net interest margin. But we definitely would prefer to talk about the net interest income because if one decides, for example, to make more repos, actually you can change the net interest margin even though there was nothing so different.

The asset quality, we are expecting to be relatively maintained on the levels we have seen. The need of provisioning in nominal terms should be higher vis-a-vis the previous year. But in percentage terms, as the loan book should be growing more than that, and we are expecting to grow more in lines of businesses, for example, in the payroll deductible loans where the needs of provisions and the possibility of losses are lower. Even though we have more competition, even though the rate is high -- is lower, we believe that we will be able to show to the market good numbers this year.

### **Q - Daniel Abut {BIO 1505546 <GO>}**

Thank you. And related to that, if you are optimistic on consumer loan growth driving your bottom line in '07, Milton highlighted, at the beginning of his presentation, that earnings growth in '06 overall was 15%. Do you feel comfortable achieving that type of earnings

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growth again in '07 or do you think it may slow down and that's the reason why your cash dividend went up 10% and not 15% because you think earnings growth in '07 may be closer to 10 than to 15%?

### **A - Jean Philippe Leroy**

In general terms, we feel comfortable to say that the bottom line of the Bank should be growing this year vis-a-vis the previous year. Even though last year had higher rates, we will be growing loans. We will have capacity to grow in fees. We are focusing a lot our expenses. There is something very important in terms of the costs of funding because the laws of rate -- the laws of delinquency but also the law of the funding corps. So in general terms, we believe that the bottom might be where we are growing. By how much, this is a very difficult question to respond. We prefer just to give this guidance we gave by the end of the presentation and to leave you analysts with the very tough duty to be projecting our bottom line for this year.

### **Q - Daniel Abut** {BIO 1505546 <GO>}

But is it fair to say that a 10% cash dividend increase signals that you believe, or at least feel, that the earnings growth could slow down compared to the 15% of that year? Of last year.

### **Operator**

Are you ready for your next question, sir?

### **A - Jean Philippe Leroy**

Daniel, just responding -- sorry, just responding to your question, again, we don't feel comfortable to give you a guidance about the bottom line. I would say this could be something we could be talking, looking at the models. But definitely we don't want to give a guidance about the bottom line. We believe that the best guidance would be the one that we are including in the presentation.

### **Q - Daniel Abut** {BIO 1505546 <GO>}

Okay. Thank you.

### **Operator**

Our next question comes.

### **A - Jean Philippe Leroy**

You're welcome.

### **Operator**

From Mario Pierry of Deutsche Bank. Please go ahead.

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**Q - Mario Pierry** {BIO 1505554 <GO>}

Good morning, everybody. Just two quick questions. First, on this news articles that we have seen in the Brazilian press talking about the government wanting to restructure the terms of your agreement with the Post Office I just wanted to get an official view from the Company.

Also, the second question then is related. When you gave guidance to your loan portfolio, you made it very clear that it excludes any acquisitions but that the Bank is open -- is looking at acquisitions. Could you be a little more specific in what areas is the Bank trying to grow through acquisitions? Would you also consider acquisitions outside of Brazil? Thank you.

**A - Jean Philippe Leroy**

Okay, two quick questions, two quick answers. For the first question, I would say we are reading from the newspaper. We don't know more precisely anything about the postal bans. There was a very well and open disclosed auction in 2001 and we participated as other banks participated and we have been reading in the newspaper, like you have. But we have been not asked by any type of organism to question the agreement we have with the postal service.

In terms of acquisitions, Bradesco has size. Bradesco has a very strong position in banking and in insurance. We feel that the possibilities of acquisitions have been decreasing a lot and actually we are not looking at anything in particular, so we cannot be more specific about that. The fact is that with the acquisition of BMC we can position ourselves stronger in the payroll deductible loan business and in the rest Bradesco is already a bank with a close to 20% market share. So actually we feel that the market is pretty consolidated and that we have a very strong positioning.

**Q - Mario Pierry** {BIO 1505554 <GO>}

Okay. Just let me follow up then on the post office agreement. We had read that the government wanted to renegotiate. Has management set down with the government and talked about this? What is the official view of the company? You said you had been reading this on the papers, as well, but I believe or I would imagine that management has been contacted directly. So just trying to get a little bit more of a feel for what's going on with that agreement.

**A - Milton Vargas** {BIO 3347541 <GO>}

There was a creation of the commission in the extent but we know, but we were never called by the government in terms of our acquisitioning. Our contract was reached in 2001 and is valid up until 2011. We cannot provide anything more than that. The agreement is totally fully disclosed and we were not asked by the government about any issue about that.

**Q - Mario Pierry** {BIO 1505554 <GO>}

Perfect, thank you very much.

## A - Jean Philippe Leroy

You're welcome.

## Operator

Our next question comes from Juan Partida of JP Morgan. Please go ahead.

### Q - Juan Partida {BIO 4768925 <GO>}

Hi. Good morning. I have two questions. One is rather a clarification, just to make sure that your 20 to 25% loan growth expectation does not include sureties and guarantees and does not include BMC. Is that correct?

### A - Jean Philippe Leroy

Yes. It's correct. It's only loans in general terms.

### Q - Juan Partida {BIO 4768925 <GO>}

Okay. And my second question would be you've raised your fee income and operational expense guidance from what you were saying a couple of months ago. Can you explain why you feel more optimistic about fees and less optimistic about expenses? Thank you.

### A - Jean Philippe Leroy

Juan, just adding another information, this 20% to 25% does include BMC, okay?

### Q - Juan Partida {BIO 4768925 <GO>}

Oh, okay.

### A - Jean Philippe Leroy

But it does not include sureties and guarantees. And it does not take into consideration purchases of portfolios, as I mentioned.

In terms of fees, we believe that we have good potential of growth but actually part of the growth in fees has a counterpart in expenses because of agreements. So for example, we have an agreement with a retailer, in general, and this agreement is based on fees so part of the fees go to Bradesco; part of the fees are given back to the retailer. So the full package of fees is included into the fee income line and the counterpart, what we give back, is included into administrative expenses. So it enters in the operational expenses. It doesn't mean that we are more optimistic about fees and less optimistic about costs. But the fact is, like Milton said in the very beginning, we have a series of investments in IT, in infrastructure that make us make investments. These investments are costs. But these investments, they are not only costs. They are also the potential of further expansion in the bank in terms of improving our IT structure in general terms. And they are important if we want to be looking at the sustainability of our operation. So this is basically the answer. Should I need to add something else?

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**Q - Juan Partida** {BIO 4768925 <GO>}

Well just in terms versus your prior guidance is efficiency improving or staying flat or deteriorating?

**A - Jean Philippe Leroy**

Sorry, efficiency improving or what?

**Q - Juan Partida** {BIO 4768925 <GO>}

Or deteriorating versus your prior guidance? So in other words, are fees growing faster than expenses?

**A - Milton Vargas** {BIO 3347541 <GO>}

Yes. In general terms, as you can see, fees they should continue to grow more than costs. But the important is the slide where you see the coverage ratio when you compare fees and you compare our costs and we are quite optimistic about an increase in the coverage ratio from the 75% something to 80%. We will try to increase more and more and we believe that the possibility of cross selling will be very important. The efforts in CRM will be very important to improve any more the number of products per customer and we are quite optimistic about them adding value to our profit and ultimately to the shareholders.

**Q - Juan Partida** {BIO 4768925 <GO>}

Thank you very much.

**A - Milton Vargas** {BIO 3347541 <GO>}

You're welcome, Juan.

**A - Jean Philippe Leroy**

Next question?

**Operator**

Yes, our next question comes from Victor Galliano of HSBC.

**Q - Victor Galliano** {BIO 1517713 <GO>}

Hi, just a couple of questions. Most of the stuff I was going to ask has already been asked. But one thing Jean, in the mortgage market can you just tell us what percentage of your total loans is currently mortgage and where you think it could go over the next two years? And also, could you give us some idea, we've talked a lot about the asset side of the balance sheet. Can we talk a little about the liability side? How are you finding attracting core deposits? Is that an area that where also competition is increasing? And perhaps could be a factor that leads to slight tightening of lending spreads?

**A - Jean Philippe Leroy**

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Yes. The mortgage business is growing in Brazil. For Bradesco it's growing almost exponentially as we have millions of customers and there is a huge pent up demand for homes. Last year we originated BRL2.1 billion of operation and this year we are expecting to originate BRL3b. So if you look at 2006 the number was almost twice the origination of 2005 and the origination of '07 is close to 50% higher than in '06. So actually on a stand alone basis the credit portfolio in mortgage represents around 3% of Bradesco's loan book. So it's still a small percentage. But we believe in the next three to five years this percentage to move up higher than the 10% mark.

The stock of operations -- the balance of mortgage operations in December was BRL2.1, almost BRL2.2b. And vis-a-vis the loan book of close to 100, it's 2.2% to 2.3% of Bradesco's loan book. That's still lower than 3% but will be growing fast and will be more representative of Bradesco's own in the next three to five years. And we believe this is a very good opportunity for us to cross sell products for -- with customers for a long period of time as you know how mortgage works outside Brazil.

In terms of the liability, I would say we have a very strong competition. We have in all the fields, but I believe that not only one thing that is important is first we are growing our core deposits. We are growing strongly in demand deposits. We are growing strongly in savings deposits. I would say, also because of the fact of the interest rates moving down. The CPMF affects people a lot so when you invest in a mutual fund, for example, you have to pay 0.38% CPMF tax. If you just leave your money in the account actually you don't have the CPMF, and we continue to believe and to expect Brazil's requirements to move down. This is something that is quite absurd in Brazil that we have 45% reserve requirements in demand deposits and we believe that there will be a possibility of a slight decrease in the reserve requirement. In this year there is a portion that is directed to Selic that half of that should be allowed to be directed wherever we want.

**Q - Victor Galliano** {BIO 1517713 <GO>}

The 8% you mean?

**A - Jean Philippe Leroy**

Sorry?

**Q - Victor Galliano** {BIO 1517713 <GO>}

The 8% over and above the 45%, is that what you're talking about?

**A - Jean Philippe Leroy**

No. It's from the 8% that are free. 4% should be open to direction. This is our estimate. We cannot guarantee this, but this is something that could be happening. The problem here is you have 45% that is totally unremunerated, and I'm not talking about this 45%.

**Q - Victor Galliano** {BIO 1517713 <GO>}

Yes. That's 45% of demand deposits, yes?

## A - Jean Philippe Leroy

Exactly. So there is a small possibility of something small being reduced in reserve requirements, but definitely the bulk is needed to be decreased also as a way to reduce the rate for the consumer finance, for example. If they move down we will lower, as well, the interest rate.

So liability, I would say, more competition, yes, but I believe Bradesco has a very strong competitive advantage with millions of customers, millions of account holders, savings deposit holders and a possibility to have maybe less competition because we are everywhere. And maybe the competition is higher in large cities like Sao Paulo or Rio and maybe the States from the middle to the south of Brazil. And we are everywhere.

## Q - Victor Galliano {BIO 1517713 <GO>}

Okay. Thank you.

## A - Jean Philippe Leroy

You're welcome.

## Operator

Our next question comes from Stephen Barrett of Neskey Capital. Please go ahead.

## Q - Stephen Barrett {BIO 2447055 <GO>}

Hi. Good morning. I had a question on your net interest income and margin in the Fourth Quarter. You touched on this briefly in the presentation, but if you take your reported net financial income and then strip out what you classify as non-interest income, what's basically left was quite weak in the Fourth Quarter with a sort of underlying margin decline quarter on quarter. Could you just talk through again why that happened and give any specific factors to the Fourth Quarter in '06 which were different from say the Fourth Quarter in previous years? Thanks very much.

## A - Jean Philippe Leroy

Just a second. In general terms if we analyze the quarter on quarter performance and if we look at the presentation and we look at the -- in the net interest income part what is remunerated by interest, if you want, which strips out treasury gains and others, there was a slight decrease. Because basically what I was trying to say in the presentation there was the fact that some people by the increase in the disposable income with the payment of the 13th salary, they have been opting to pay some debt and some debts that are very expensive. For example, overdraft accounts. So overdraft accounts has a higher cost and when people receive the money they use the money to decrease their leverage. And even more, the leverage where the interest rate is higher. So we don't believe that as a trend going forward it's more a seasonal effect of higher disposable income for people that are choosing to reduce their debts.

## Q - Stephen Barrett {BIO 2447055 <GO>}

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I understand what you're saying. But you haven't seen that seasonal effect in the Fourth Quarter in previous years. In the Fourth Quarter in previous years you've actually seen quite a sharp jump in your net interest margin in the Fourth Quarter. And from what I can see this is basically because in the Fourth Quarter you typically get a lot of liquidity because of the 13th salary, which is what happened again last year in the Fourth Quarter, you did see a sharp jump in deposits. But you saw your margin basically fall quite sharply and that hasn't happened in previous years. Was it something to do with the capital increase and the way you actually, what you used that liquidity for? Because when you look at your securities portfolio, your securities portfolio jumped very sharply in the Fourth Quarter and that was basically government securities. Could you just talk through some of the movements there and what was the rationale?

### A - Jean Philippe Leroy

Yes. I would say maybe we were never saw that, as you said, but we never also experienced so sharp decreases in interest rates in the Selic rate, in the base rate, as we have been experiencing. We are talking about lower than two digit real interest rate and I cannot remember Brazil having lower than a two digit real interest rate for a long period of time. Or maybe sometimes just for a very short period of time but it was more because of inflation movement. So yes, I agree partially with you. You are correct.

But I would say there is also a lag in periods of interest rates moving down. You don't feel immediately the impact of the base rate decrease on your profitability levels. It takes a little bit of time, maybe three to six months.

On the other hand when you talk about the growth, when you experience in securities and mainly in government securities, I would say this comes a lot with the effect of a very solid increase we have as seasonal on the pension plan operations. You need a lot of government securities because you bring a lot of people in normally 41K related products. I would say the movement is more of a seasonal effect than a change in positioning, anyway.

### Q - Stephen Barrett {BIO 2447055 <GO>}

Right. Okay. Thank you.

### A - Jean Philippe Leroy

You're welcome.

### Operator

Our next question comes from Jason Mollin of Bear Sterns. Please go ahead, sir.

### Q - Jason Mollin {BIO 1888181 <GO>}

Hello everyone. I have two questions. The first is related to your securities book. We saw a very substantial increase, over 22%, in unrealized gains which in your notes and in your presentation you show, well particularly in your detailed financial notes, your financial

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statements show that it was from an increase in the market value versus book value in your held to maturity accounts for securities, as well as your available for sale account. Can you tell us what generated that? Was this the acquisition of new, or purchase of new securities in the quarter related to this? For example, increase in pension funds? Or were these bonds that you had on your balance sheet and just given the positive direction of bond prices you had this significant gain?

And related to that, is your forecast for net interest income in 2007, or your guidance for net interest income in 2007 of growth of 4 to 10%, does that include the realization of any of these gains? Because those gains could be realized in the future, maybe giving us a sense of what are the characteristics of these bonds.

And my second question is related to the guidance for insurance premiums. You talk about 8% to 10% growth in 2007. Is it fair to compare that number to the 13% growth in 2006 that you highlight on page 29? And why are you expecting that growth to slowdown, if that's the case?

### **A - Jean Philippe Leroy**

Let me transfer the call for the second question to Samuel Monteiro please.

### **A - Samuel Monteiro dos Santos** {BIO 18677825 <GO>}

Jason, hi. How are you?

### **Q - Jason Mollin** {BIO 1888181 <GO>}

Doing well, thank you.

### **A - Samuel Monteiro dos Santos** {BIO 18677825 <GO>}

Thank you. Well as I understood your question about insurance, you're talking about the guidance for 2007?

### **Q - Jason Mollin** {BIO 1888181 <GO>}

Yes, 8 to 10% and on page 29 you showed total, let's say, premium revenue for the whole segment including the premium bonds growing 13% in 2006. Is that the right comparable?

### **A - Samuel Monteiro dos Santos** {BIO 18677825 <GO>}

Excuse me, just a moment please.

### **Q - Jason Mollin** {BIO 1888181 <GO>}

Sure.

### **A - Samuel Monteiro dos Santos** {BIO 18677825 <GO>}

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Jason, there's -- in 2007, really, we project to increase between close 8 and 10, is the same share as the 2006. We plan to increase so much in auto and health that we have to relate to corporate insurance, you know? And the pension and mainly in life and home, and at BMC. Home insurance increased so much, we plan to increase so much in 2007. It's very profitable, as you know, home insurance now.

**Q - Jason Mollin** {BIO 1888181 <GO>}

Let me just follow up. On page 29 you showed the growth year over year 12 months '06 versus 12 months '05 and we saw growth for insurance premiums and contributions to pension plans grow, according to your numbers, 14% and then including the revenue from savings bonds, 13%. What should we think of this 8 to 10% growth in premiums? Should it just be compared to the 14% that we saw including pension funds, or is that an apples to apples comparison, the guidance versus the actual numbers that we saw in 2006?

**A - Samuel Monteiro dos Santos** {BIO 18677825 <GO>}

No. Include the pensions, of course. The profitability of the pensions, which includes life, this is a very profitable line of business and the GBL is the same everything. The GBL as a pension and our projections include everything from this. And part of this would be very important, I think that I would say to you the main part of our profitability in 2006 and projected for 2007 the same.

**Q - Jason Mollin** {BIO 1888181 <GO>}

But based on what you said, and that you expect to maintain your market share, you're expecting the insurance industry to slowdown growth in 2007, or at least your own business to slow growth in 2007 versus 2006, is that correct?

**A - Samuel Monteiro dos Santos** {BIO 18677825 <GO>}

No. I would say to you, we plan to increase our revenue. I can't guarantee to you the market share. Why? Because, as you know, in the standard polls published by the insurance department, the revenues of Bradesco represents three times the second competitor and more than four times of the third competitor. I believe these people will increase much than us because of the distance between us and our competitors is so big. I would say to you, I guarantee to you we will increase. I'm not guaranteeing the same in market share.

**Q - Jason Mollin** {BIO 1888181 <GO>}

Okay. And my -- thank you very much. And my second question was just on unrealized gains to explain the increase. What kind of securities, explain that? And we did see, I agree with what Stephen was asking, we saw that very big increase in securities. But the way I was looking at it was your repos on the asset side increased but so did your repos on the liability side, so net the exposure didn't change much.

**A - Jean Philippe Leroy**

Okay, but actually this was your first question?

**Q - Jason Mollin** {BIO 1888181 <GO>}

Yes.

**A - Jean Philippe Leroy**

If you take a look on the footnote number eight, actually we disclose very precisely all the different types of securities we hold, if they are classified as trading, held to maturity, or available for sale. And you can precisely analyze how it was booked and what is the market value. And I believe this helps a lot. But in general terms I would say that the market positions were better in terms of securities. This had a positive impact, for example, on the two first lines that you see on the footnote number 32B.

**Q - Jason Mollin** {BIO 1888181 <GO>}

Yes.

**A - Jean Philippe Leroy**

But for example, when you look at the lower part of this graph, actually you can see that it was a negative impact on the subordinated debt because they were issued at a specific rate. When we mark to market there was a negative impact of around BRL300m. So I would say in general terms we are not expecting to recognize the unrealized gains unless it will be coming on a normal pace. Nothing that's, okay, let's recognize these millions of billions of Reais. These markets they evolve, they change. In some types of securities you have a positive impact. In some others negative. What is important for us is to show our recurrent profit but also that the portion of the unrealized gain is very, very strong compared to whatever you have within the market. And I believe this is the important message. We are not increasing our bottom line because we are recognizing unrealized gains.

**Q - Jason Mollin** {BIO 1888181 <GO>}

No. I know, but Jean --

**A - Jean Philippe Leroy**

Yes?

**Q - Jason Mollin** {BIO 1888181 <GO>}

I think that's very clear, and we looked at that note 32B. It's very clear that net of that reduction in the market value of the subordinated debt was more than offset by the increase in the unrealized gains on the securities by almost BRL600m. But can you help us understand where -- are those securities linked to, for example, your insurance business? Are those required as an investment for your technical reserves? Or are these the investment positions by treasury?

**A - Jean Philippe Leroy**

Actually, Jason, everything that you have in footnote eight does not only open the type of securities but they also open where they are booked. If they are booked in the bank, if

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they are booked in insurance company or in the pension plan company. If you look at the footnote eight, for example, let's take an example of the available for sale securities. You can see that, for example, in the bank you have NTM in the amount of BRL2.8 billion as of September and you have as of December BRL2.027b. So you can basically look exactly, precisely at what is their tenor, what is the market value, what is the book value, what is the type of security and if they are in the bank, in the pension plan, or in other activities. I strongly recommend you to look at footnote number eight because it gives a very good guidance and understanding of the impact that we have.

In general terms what we want to say is that this impact on unrealized gains, they were on the actual portfolio. Even though you increase a little bit because of pension plan growing on a quarterly basis because of seasonal effect, the fact is that nothing is new in the essence of the balance sheet of the bank.

**Q - Jason Mollin** {BIO 1888181 <GO>}

Okay. Thank you.

**Operator**

Our last question comes from Juan Partida of JP Morgan. Please go ahead.

**Q - Juan Partida** {BIO 4768925 <GO>}

Thank you. I just wanted to follow up in terms of loan growth. Your auto loan portfolio was up 20% in the year, which I believe is a little less than the market. What are your expectations and your strategies for 2007 in this segment?

**A - Jean Philippe Leroy**

Just a second, Juan. We in the auto business where we have a 26% market share we should be growing in '07 some 25 to 30%. Hello, Juan?

**Q - Juan Partida** {BIO 4768925 <GO>}

Yes. And why the different, why was growth only 20% in 2006 or why the increase year over year?

**A - Jean Philippe Leroy**

Actually the correct figure of growth is almost 23%. You have to strip out the acquisition of loans in both periods to have a better understanding of the own capacity of growth of Bradesco. And if you look at the capacity of growth, we have almost 23% growth year over year. And we are projecting a growth a little bit higher this year than last year.

**Q - Juan Partida** {BIO 4768925 <GO>}

This is in the auto segment, correct?

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**A - Jean Philippe Leroy**

This is in the auto segment, exactly.

**Q - Juan Partida** {BIO 4768925 <GO>}

Okay. Thank you.

**A - Jean Philippe Leroy**

You're welcome.

**Operator**

Excuse me, ladies and gentlemen. since there are no further questions I would like to invite Mr. Jean Philippe Leroy to proceed with his closing statements. Please, sir, go ahead.

**A - Jean Philippe Leroy**

Thank you for everyone to listen to the call. The Investor Relations area is always open for further questions you may have and let's talk in the next call. Thank you.

**Operator**

That does conclude the Banco Bradesco's audio conference call for today. Thank you very much for your participation and have a good day.

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