

## Q3 2006 Earnings Call

### Company Participants

- Jean Leroy, IR Executive General Manager
- Milton Vargas, EVP, CFO & IR Officer
- Samuel Monteiro, CFO Bradesco Seguros Insurance

### Other Participants

- Daniel Abut, Analyst
- Jason Mollin, Analyst
- Jorge Kuri, Analyst
- Juan Partido, Analyst
- Luis Adaime, Analyst
- Mario Pierry, Analyst

### Presentation

#### Operator

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

This call is being broadcasted simultaneously through the internet in the website, [www.bradesco.com.br/ir](http://www.bradesco.com.br/ir). In 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 the conference call 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 belief and assumptions of Banco Bradesco's management and on 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. Leroy, you may proceed.

**Jean Leroy** {BIO 17084785 <GO>}

Thank you. Good morning, everyone. It's our pleasure to conduct this conference. Let me now turn the floor to Mr. Milton Vargas, Executive Vice President, CFO and Investor Relations Officer.

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

Good morning, ladies and gentlemen and welcome to our Third Quarter 2006 earnings conference call.

Banco Bradesco posted a record BRL5.03 billion net income in the nine month period of 2006 not considering the effect relative to the goodwill amortization. In the coming slides we will be commenting this effect and by doing so the adjusted and reported net income.

Banking Activities accounted for 65% of the total net income while Insurance, Private Pension Savings Bonds operations represented 33%. Taxes and contribution stated revision exceeded BRL4.4b, the equivalent of 92.6% of the adjusted net income.

As previously disclosed to the market, in the Third Quarter of 2006 Bradesco decided to fully amortize the goodwill relative to the acquisition of banks and companies over the last three years. Excluding this effect, the recurring net income reached BRL1.6b. Please note that goodwill amortization will not affect dividend of the current exercise as the basis of calculation for our shareholders will be adjusted. In this way we are hedging shareholders' value. These results will no longer be impacted by goodwill amortization expenses in the coming quarters, increasing the future dividend payment.

In terms of shareholder return, we paid a provision up to September the net amount of BRL1.9 billion in dividends in interest on capital. This payout represents close to 41% of our adjusted net income. More than 30% established in our Bylaws and higher than 25% obliged by the Brazilian Corporate Law.

Our market capitalization exceeded BRL68b, increasing by more than 32% on a year over year basis. Our current market capitalization expenses at BRL73.3b.

The banking industry has undergone profound change over the last year. Competition is getting stronger and stronger. The base rate is falling consistently and the demand by our clients for quality service and competitive pricing has never been so tough. Because of that we have been working in investing as never before. Operational efficiency is one of

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our main concerns and our effort for management costs are on top of the list of our priorities.

We are proud to post for the sixth consecutive quarter an efficiency ratio below the 50 mark -- 50% mark. In the Third Quarter our ratio stood at 42.4%. As a result, our profitability adjusted for non-recurring effect remains strong with average RoE and RoA reaching 31.5% and 2.8% respectively.

The loan portfolio continues to grow reaching BRL92 billion by the end of the Third Quarter. A 22% year over year increase while the bank factor recorded 21% growth.

Over the last 12 months from the BRL16 billion loan book increase, BRL8.2 billion was originated by individuals. We see economic recovery. We are observing a strong demand for mortgages. In the first nine months Brazil (Corporation) of Mortgage operations is stood at BRL1.6m, 121% year over year growth, with financing the acquisition construction of more than 14,000 properties.

On the corporate side thanks to the substantial reduction in the Selic rate, we have been verifying a growing demand for the small and medium size companies' finances. A niche where Bradesco has strong expertise The portfolio of the small and medium enterprise increased by about 26% over the last 12 months moving to BRL27b. On the other hand large corporates are opting for other sorts of financing mainly through capital markets where expertise, client relationship and distribution are essential to foster deals. This is where are Investment Bank Bradesco BBI will be working hand in hand with our Brazil Corporate Segment.

We will also like to stress the continuous operational performance of our Insurance Group, Grupo Bradesco Seguros e Previdencia. This on the one hand net premiums BRL13 billion by about 14% in the year over year analysis. On the other hand its net income reached BRL1.5 billion increased by solid 30%. Expanded combined ratio which compared claim expenses with premiums in the financial results improving for 89% in September 2005 to 84.2% in September 2006. A massive operational improvement resulting from correct underwriting in provisioning policies.

The Third Quarter was also highlighted by our inclusion in the Dow Jones Sustainability Index and for the AAA+ rating granted by Management and Excellence, a renowned Company based in Spain which analyses our positioning and strategy in sustainability and corporate governance, transparency and social responsibility. Additionally Moody's rated to investment grade the range of bonds issues by Brazil.

In the Corporate Responsibility field we have also developed several actions that will strengthen our focus in these areas aimed at improving worldwide working conditions and addressing issues such as respect to human rights. Bradesco is also preparing carbon dioxide report aimed to neutralizing its omissions. By doing so Bradesco will compensate its omissions by planting trees or through other available means.

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Finally, aware of International trends and market demand we will apply the third version of the global report initiative guidelines to our social responsibility report.

Once again I would like to thank all our employees for their dedication and I will now turn the floor to Jean who will be conducting a presentation that gives a more detailed picture of the quality of our work and our commitment to our shareholders, after which we will be available to respond to your questions. Thank you.

### **Jean Leroy** {BIO 17084785 <GO>}

Slide number 2. In the Third Quarter Bradesco had some extraordinary items in particular the decision to fully amortize our goodwill which we disclosed on September 21. The decision to amortize goodwill was taken from making the comparison of our earnings easier as we noted that not all the analysts were making goodwill expense adjustments on our earnings when comparing Bradesco with other peers. By the way, we are not changing our amortization policy, meaning that if we acquire other companies we will analyze case by case if we amortize fully or just partially the goodwill.

As you can see in this slide you can see our nine months 2006 net income stood at BRL5b, or BRL4.7 billion if we consider the goodwill amortization of the first half of the year. And BRL3.3 billion if one considers the whole of the amortization effect.

It is worth mentioning that we also decided to build severance provisioning of BRL3.9 billion gross, or BRL204 million net of taxes based on the CVM 489 Circular, which we are disclosing on footnote number 18 and focuses all the contingent assets and liabilities. By the way, we strongly recommend analysts to compare this footnote with other peers. The severance provisioning expenses did not impact earnings as we activated fiscal credits to compensate. We do not expect further need of provisioning for the CVM 489 Circular for Bradesco.

Our returns stood at 31.5% in terms of equity and 2.7% in terms of assets as Milton was mentioning. On the left we are proceeding with the same rationale for the Third Quarter results.

Slide number 3. In this slide we are highlighting information already mentioned by Milton in his speech.

Slide number 4. In this slide we are providing -- we are showing the strong growth of our market capitalization and our price to book value multiples over the last 12 months and proves the better market perception of Bradesco. Today our market cap surpasses the BRL74 billion mark.

Slide number 5. Our returns have been solid. Our cost to income ratio lower than 50% consistently and we continue to have a very comfortable capitalization ratio allowing our loan book evolution in the coming years.

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Slide number 6, as one can see our earnings have been evolving consistently as efficiency ratio has been improving. This is the sixth consecutive quarter Bradesco is posting a cost to income ratio lower than 50%. Our efforts in the management of costs are second nature for all our employees. We are also heavily investing in IT, CRM and infrastructure. 85% of our transactions are managed by preferred channels as ATM, Internet and Call Centers.

Slides number 7 and 8. In these two slides we are disclosing the breakdown of our margin contribution which is based on five different pillars; Fees, Credit, Insurance, Securities and Funding. As one can see, the participation in percentage terms of those components is very constant if we focus the nine months and the quarter over quarter analysis. Bradesco (control) Banking Insurance Conglomerate with two-thirds of earnings derived by Banking operations and one-third by Insurance Product, Private Pension Plans and Saving Bonds.

Slide number 9. In this slide we would like to highlight the adjusted net interest income -- sorry, the adjusted net income for the analysis that would be increased in personnel expense by BRL150 million and administrative expenses by BRL132 million were neutralized by the BRL252 million increase in fees. Further details will be disclosed in the coming slides.

Slide number 10. We would like to highlight that treasury and corporate provisions realized gains as one can see in the slide number 23, which discloses annualized gains potential are not always reflected in the quarterly bottom line because of the accounting principles of banks in Brazil. For example, if assets or liabilities are not mark to market but are hedged through derivatives that are obliged to be mark to market, this creates a mismatch effect.

In the next three slides we are going to focus on our loan portfolio. Slide number 11. Our loan book grew by 3.8% in the Third Quarter and mostly in corporate, which has not been the case in the last quarters. In the Second Quarter we experienced a strong growth in SMEs. In the Third Quarter large corporates demanded more loans. Most of the guarantees you are seeing in this slide are directly to large corporations as well. It is worth mentioning that we are very optimistic about the Fourth Quarter demand from individuals based on the thirteenth salary payment and Christmas.

However, we are experiencing a stronger demand by individuals in Credit Cards. In particular in private label cards, a business line which chose to focus more in the last couple of years establishing partnerships with several retailers. Just to give you an idea, more than 500,000 cards were issued just in this quarter to cover Bahia. And to explain this movement we can say that we installed kiosks in 130 stores. That represents most of the turnover of that Company.

Auto Finance continues to be the most important portion of our consumer finance book thanks to our expertise and relationship with more than 18,000 dealers throughout Brazil and the very successful alliance with Ford. We have a 25.6% market share in this business.

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Slide number 13. In this slide we are showing the breakdown of Personal Loans. As one can see growth came through the origination of operations through Bradesco and mainly through recommending because of the establishment of three outright credit lines easily available through ATMs, Call Centers and Internet to our customers. Acquired loans dropped on the quarter to quarter analysis as middle sized banks are funding themselves through other sources as Bonds and Securitizations.

Slide number 14. As in other quarters we are including in this presentation the slide showing our asset quality evolution. As we expected the level of non-performing loans as a percentage of the total book is coming more flattish. In this quarter the 4.3% ratio, which is the third curve in orange, is just a little bit higher than the previous quarter with 4.2%. Our expectation is based on the fact that the level of non-performing loans of 15 to 60 days is moving down. We have considering the red and blue line an excess of provisions of more that BRL1b. But if we consider the level of provision with the level of losses we have an excess of more than BRL3b. We expect one year from now to have level of losses close to 4.3%, as you can in this graph.

Slides numbers 15, 16 and 17. These curves are showing the evolution of the last 24 months in our level of provisioning and delinquencies for the Bank as a whole for individuals and companies. We will be more than happy to discuss more specifically in the Q&A session.

Slide number 18. Bradesco continues to post very good asset quality indicators. Two reasons would be key to explain this. One, solid experience and strong credit granting tools. And two, correct strategy of lending rules giving priority in business lines for consumers with more mitigation of risk. Bradesco continues not to proceed in securitization of non-performing loans, which would improve our coverage ratio.

Slides numbers 19, 20 and 21. As of last quarter -- since the last quarter we are beginning to include in our presentation slides that are proving if our loan book growth strategy is correct. As one can see in terms of our consolidated figures, or in terms of Banco Bradesco or Finasa, we are making more money even though sometimes our growth in consumer lending makes us incurring even more provisioning needs.

Slide number 22. In this record slide one can see a simulation of our BIS ratio evolution with an annual growth of loans in the range of 20% with the same existing equity. The conclusion is that Bradesco has plenty capacity to increase in loans over the coming years.

Slide number 23. In this slide we are comparing the book and market values of our operations. We have annualized gains of BRL2.6 billion in earnings and BRL1.2 billion in equity, not including the gains relative to Real Estate which stands at around BRL1.1b. The quarter over quarter growth achieved an impressive BRL847 million in earnings.

Slide number 24. Bradesco's performance in Fees has been extremely strong. This is the eighteenth consecutive quarter of fee income growth. Fees generated by American Express in the amount of BRL116m, included for the first time in our income statement, are recurring and should be even higher in the coming quarters.

Slide number 25. In this slide we incurred BRL87 million personnel expenses relative to the annual agreement of wage increase for our employees and BRL36 million relative to American Express employees. Stripping out those two items costs were relatively stable.

In terms of administrative costs there has been a growth comparing second and Third Quarter based on the cost relative to recompenses to the postal service. This is what we call good costs, meaning that the agreement with the postal service is working very well.

Slide number 26. In this slide we are showing structural and non-structural costs. The first are relative to salaries, benefits and pension plan expenses. The second mainly to profit sharing.

Slide number 27. If one does not include the BRL75 million expenses relative to American Express we saw a 4.1% quarter over quarter growth. So, basically a good management of costs both in terms of personnel and administrative expenses.

Slide number 28. We have been noticing frequent questions about our effective tax rate. This is the reason why we are including this slide in this presentation. As one can see most of the adjustment for achieving the effective tax rate are derived from interest on capital payment and in participations that are not accounted line by line and answer to equity in our profit and loss account. As you see the effective tax rate after such adjustment is close to 32/33% considering all the aforementioned adjustments.

Slide number 29. As you can see in the behavior of this curve we have been doing a good job expanding fees much more than operating expenses. As of September 2006, 74% of our operating costs were covered by fees. Our aim is to achieve 100%, which could take some more years to happen.

Slides number 30, 31 and 32. We will be now focusing on our Insurance operation. Bradesco Seguros is a very strong player in Brazil, a true market leader with 25% market share in premiums and 37% market share in technical provisions. Premiums grew year over year by 13.8%. On the other hand net income evolved by 30%. Net income grew because of growth in premiums and by better loss ratios in line with correct underwriting and provisioning policies.

Slide number 33. All these numbers are evolving that we are seeing in this slide by close to 20% in line with our net income growth.

Slide number 34. In this slide we are presenting our strong distribution, a key competitive advantage with have with other peers here in Brazil.

Slide number 35. Finally we are presenting the macroeconomic outlook for Brazil 2006 and 2007. We are finalizing our 2007 budget. This is the reason why we are not including here the guidance for 2007. As we finish this work, this budget, we will be more than happy to disclose this information to the market.

Before beginning the Q&A session I would like to inform that we will organizing on November 20 our first Bradesco Day on the New York Stock Exchange. All of you who are interested to participate in this lunch in the Board Room please feel free to send us an email for including your name on the list of participants and remembering that it's a limited event in terms of people. So we are going to try to adapt the number of people who will be joining with the number of people we have available for the invitation. By the way, this event will be conducted by our Chairman and our CEO.

So, I would like to thank you all for this presentation and I would like to open the floor for your questions. 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 is from Jorge Kuri from Morgan Stanley. Please go ahead.

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

Hi. Good morning. I have two questions. The first one is a simple question. On slide 10 of your presentation where you have net financial income divided by interest and non-interest sources in the Third Quarter, can you share with us the same numbers but for the nine month period 2006 versus 2005?

### A - Jean Leroy {BIO 17084785 <GO>}

Yes. And the second question?

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

And the second question is consumer loans were up 30.4% quarter over quarter, which is the slowest rate we've seen the last couple of years. And I'm assuming that this 3.4% includes the consolidation of Amex which unfortunately was not disclosed what was the impact on the loan book. But I would assume that it was at least 1, 1.5%. So the real organic growth was probably only around 1.5 to 2%, which is by far the slowest rate we've seen. Can you share with us what are you seeing out there in the market that has significantly reduced the pace of growth in consumer lending and what your expectations are for 2007? Thank you.

### A - Jean Leroy {BIO 17084785 <GO>}

Okay. First of all in terms of the adjusted net interest income if we look at the non-interest portion nine months '05 was BRL147b. Its page number 65 on the Fact book that you have. September 2006 BRL1.629b, a variation of BRL582m.



The interest portion would be BRL10.98 billion for the nine month period of '05, vis-À-vis BRL13.164 billion in the nine month period of 2006, a variation of BRL2.266b.

In terms of the demand for loans we continue to believe that the loan book expansion for 2006 should range, as we said, between 20 to 25% the overall book. But most probably closer to 25%. We believe that in the last quarter there will be a very strong demand from consumers because of Christmas and the payment of the thirteenth salary. So we actually not revising down our expectation of loan book growth for the year and even though in this quarter we saw a little bit more growth from corporate. We believe that this will be corrected with the last quarter performance of consumers which should be quite strong.

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

And for 2007 what are the expectations?

**A - Jean Leroy** {BIO 17084785 <GO>}

As I said we are working on our budget but you can have an idea of 20%. But we are going to disclose the official number going forward.

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

Thanks a lot.

**A - Jean Leroy** {BIO 17084785 <GO>}

You're welcome.

**Operator**

The next question comes from Jason Mollin of Bear Stearns. Please go ahead.

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

Hello everyone. I have two questions as well. My first is on the competitive environment for the pricing of financial services in Brazil. We saw very strong fee income growth at Bradesco quarter over quarter. Your fees were up about 6% excluding the incorporation of Amex. Can you comment on the environment for pricing or are you actually seeing competitive pressure? Some of your competitors have mentioned there's been the pressure on annual fees in credit cards. So if you can give us a sense as if your growth was volume focused or what portion came from volume versus pricing?

And my second question is really to ask about further detail on the unrealized gains that you're showing. These do not include, as your presentation showed, adjustments to Real Estate. If you can clarify a little bit how that works. Therefore you have adjusted the pricing of your Real Estate but it's not included in these numbers or is not included in your book value, is that accurate?

**A - Jean Leroy** {BIO 17084785 <GO>}

Yes, it's accurate Jason. Actually we make an analysis of how much is the market value vis-à-vis the book value of our branches, of our permanent assets. And this was not included in the calculation of the BRL2.6b. So you should additionally add this amount of the Real Estate. We thought it would not be fair to consider that but we include it as a footnote just for people should understand.

In terms of the first question that you asked, the competitive pressure in Brazil in the Banking industry is extremely strong. It's extremely strong in terms of corporate operations, middle market, SMEs and large corporations. It is also extremely competitive in terms of individuals, consumer finance. So I would say the ability that Bradesco has to be focusing the motto, the decision that we have is to be the first banker of our clients. So we are making all the adjustments in terms of infrastructure, in terms of providing the best products with the best and correct pricing. We are growing, as you noticed, the distribution of Finasa. We thought there was a space for us to grow more. We have been re-analyzing the structure of branches over the last years. We first closed several branches because of overlap with the acquired bank. So at the end of the day I would say the competition is very intense everywhere, in terms of pricing of interest rate operations, in terms of fees as well.

So, maybe it's not so easy when you are outside Brazil to analyze that. But I can guarantee that if you talk to a manager in a branch he is really having a very tough time with providing operations and closing deals with his customers.

Another very interesting edge that we have, vis-à-vis other peers, is that we have interesting business alliances with retailers where we share information of data with companies like Microsoft, Ford and many others. So I would say, responding to your question, the competition is extremely intense everywhere.

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

Can you just also give us a sense has that adjustment to Real Estate prices has been somewhat consistent over prior quarters?

**A - Jean Leroy** {BIO 17084785 <GO>}

Yes.

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

Okay. Thank you, very much.

**Operator**

Our next question comes from Mario Pierry of Deutsche Bank. Please go ahead.

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

Hi Jean. Good morning. I have a couple of questions as well. The first is on your Insurance business, in particular your Auto Insurance business. If you can tell us what your market

share was for this quarter? Because looking back a few quarters I noticed that you had lost a couple of points of market share. So I was wondering if you were trying to regain this market share by competing with prices or what is your outlook for that business?

And the second question has to do with your joint venture with Fidelity. You had mentioned in the past that you would be able to transfer some employees for the joint venture. So I was wondering when we should start to see the benefits on your cost structure from this transfer of employees? Thank you.

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

It's Sam Monteiro speaking for Insurance Company. About market share of Auto, now last year in the same period we have 17.7% of the market share and now we are 16% of the market share. The reduction is, as you know, the market share -- the market overall is very competitive and there are lot of (mental) pricing. The reduction on the pricing. In our case, we think that the market share would achieve the same percentage until the end of the year.

**A - Jean Leroy** {BIO 17084785 <GO>}

In terms of the question about Fidelity National. We physically in this deal we are one of the shareholders with approximately 36% of the Company, other shareholders would be ABN Amro and Fidelity itself. The idea is basically first to incorporate into Fidelity, ABN Amro and then afterwards because of the size of Bradesco, Bradesco processing into this new Company.

So I would say the number of people in terms of transference to this new Company is not achieved yet. But over the next two years we should be achieving this movement with an expected efficiency in terms of cost reduction of processing also in the range, when on the optimum level, of around 36%.

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

Okay, let me follow up then with regards to the Auto Insurance business, about the outlook for price is in the business is. I think the whole industry increased prices by almost 20% last year. What is your expectations for pricing going forward?

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

I think that -- that's not really to you what we are (strategically) about Auto. But we believe that the earnings and the market share first of all and really in total of our portfolio for Auto really is not relative to the price. We are right now -- we compete now one year and a half of Auto profile to discretion. On the right it is made by profile of each insured. In this case we apply the correct price for each one. In some case it reduces the price profile for each one. In another case, you increase the price. But the pricing total of the Auto portfolio has not decreased so much.

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

Okay, thank you very much.

## Operator

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

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

Good morning. A couple of questions. One on the impact of the American Express operations consolidation that we saw in the quarter. You did a good job in explaining its impact in certain lines like the income and expenses. I was wondering if you exclude the goodwill amortization, which is already captured in the overall number that you gave us, what was the impact of the consolidation of Amex to the bottom line this quarter? Did it have a positive impact or a negative impact of how much so that we can properly compare with the prior quarters that did not have any effect in the bottom line of American Express? That's number one.

And number two, on looking at asset quality would you explain that you seeing this stabilization you expected to see. How should we look at provision expectations going forward? Should you expect to see the same level of provisions to percentage of loans that we saw in the last couple of quarters, or would you expect that over time that number should be trending down to the level that we saw several quarters ago before the spike in provisions started?

### A - Jean Leroy {BIO 17084785 <GO>}

Okay Daniel. In terms of the American Express operations just on a stand alone basis actually we provide the footnote which is number 4 that you could see, asset liabilities and the income statement of American Express and all the controlled companies via max. There was a loss in the first nine months of -- sorry in the quarter of BRL15 million at page number 218 in our Fact book.

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

I just wanted to make sure, Jean, that doesn't include any goodwill amortization to avoid double counting. So the BRL15 million is including or excluding the goodwill amortization corresponding to Amex?

### A - Jean Leroy {BIO 17084785 <GO>}

Excluding. It is just a normal gain or losses of the business itself.

And second question was going to focus more in terms of provisioning. I would say that the provisioning that we expect as a percentage should be relatively stable with what we are foreseeing right now. Actually you saw -- we saw over the last couple of years a very strong increase in the individuals' portfolio. To give you an idea, four years ago individuals represented 27% of the loan book, today almost 42, 45%. And we don't believe that this increase in percentage continued to be as strong over the next coming years. So the level of provisioning should be, relatively speaking, close to what we are seeing right now in percentage terms.

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

In percentage terms of the loan portfolio, Jean? The reason I'm asking if you look at provisions as a percentage of loans this number was similar to a prior quarter but is significantly higher than the year ago quarter. And I was trying to get a sense of when you talk about stabilization if you mean that the number should stay pretty much at the levels of the last couple of quarter or eventually trend down over time to something closer to what it was a year ago?

**A - Jean Leroy** {BIO 17084785 <GO>}

No, we are talking about levels that are close to what we are seeing right now. Obviously when you compare our performance in year over year analysis as the loan book change operatives are growing more into individuals. As well in terms of individuals we are changing the mix because we are entering some business lines that are a little bit more risky. Why the risk reward process is higher you see that we are growing in Auto but the trend will be to grow more maybe in other business lines. So, we are expecting, to respond your question, percentages close to what we are seeing right now and not one year ago.

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

Understood. Thank you.

**A - Jean Leroy** {BIO 17084785 <GO>}

You're welcome.

**Operator**

Our next question comes from Mr. Luis Adaime from Credit Suisse.

**Q - Luis Adaime** {BIO 6300655 <GO>}

Hi. Good morning, everyone. I had a question for Amex, more on the expense size. I was wondering what this BRL50 million loss here, how much have you already integrated into Bradesco operations or how many synergies have you already achieved this quarter?

And if you could also give us an idea of what these expenses of BRL75 million are administrative and BRL36 million on the personnel, what these would look like for next year? Thank you.

**A - Jean Leroy** {BIO 17084785 <GO>}

Luis could you repeat the question because we are not hearing very well your call.

Could you ask again your question because we are not hearing so well.

**Q - Luis Adaime** {BIO 6300655 <GO>}

Sure, sure can you hear me now?

**A - Jean Leroy** {BIO 17084785 <GO>}

Sort of, yes.

**Q - Luis Adaime** {BIO 6300655 <GO>}

I'm asking more about the expense side for Amex. How much have you already integrated into your regular credit card operations? What kind of synergies have you already achieved and what does your expenses look like for next year?

**A - Jean Leroy** {BIO 17084785 <GO>}

The American Express deal is just in the very beginning phase. So actually we are not recognizing any gains right now because the First Quarter we are including in our income statement the operations of American Express. We have very good prospective. You saw the very good in flow of fees and we also believe that we have other ways maybe to leverage even more the operation maybe through a different design of the acquired structure.

But we believe that if we have, on the optimum scenario, we believe that we have a very good prospective for American Express. Just a sec. Breakeven should be reached in around four years of the operation and we have an agreement of 10 years and this four years on a very conservative basis of calculation. So, not taking into consideration, for example, another acquirer than the one that is used today and other potential increases of cross sell and others. And we have an agreement of 10 years which is automatically renewable if we reach the set of goals that were established before.

**Q - Luis Adaime** {BIO 6300655 <GO>}

And just another question. In terms of your surprises has any thing surprised on the positive side or the negative side in terms of the prime base overlapped maybe with the prime segment?

**A - Jean Leroy** {BIO 17084785 <GO>}

No, in general terms we saw maybe Second Quarter we were little bit surprised to see the higher growth in SMEs, a little bit higher than what we thought. In terms of the First Quarter we saw that there was basically a BRL2 billion loan book growth, totally divided between individuals, large corporations and SMEs. So, maybe large corporates was a little bit of a good surprise in this sense. And we believe that going forward we should see further good surprises from individuals. On the rest we are basically working in line with the expectations of our budget.

**Q - Luis Adaime** {BIO 6300655 <GO>}

All right, thank you.

**Operator**

Our next question is from Juan Partido of JP Morgan. Please go ahead.

### Q - Juan Partido

Hi. Good morning. My question has to do with the asset management business. What is the impact of lower interest rates -- of the lower interest rate environment you think on your asset management business particularly on fees? And whether you're expecting any significant migrations from asset management to other sources of funding such as savings deposits as a result of a lower rate?

### A - Jean Leroy {BIO 17084785 <GO>}

In terms of asset management on the downside we have that when you have interest rates moving down these management fees becomes more and more effort. So this is a kind of pressure to reduce the management fees. On the positive side, on the other hand, we have a very strong expectation with interest rates moving down of fixed income products reducing vis-à-vis equity products. So we believe that as we have twice the fee structure in equity products than in the fixed income products we should have a benefit and also the very good prospective we have of a mass of salary increases of people and people having more money to save through mutual funds, for example.

I did not get what you said in the second part in terms of the deposits. Could you (inaudible).

### Q - Juan Partido

Yes, as returns on your, particularly fixed income mutual funds goes down, are you seeing any migrations to, say, savings deposits because of the difference in the yield is not as big as before?

### A - Jean Leroy {BIO 17084785 <GO>}

Yes, this is actually a good possibility because savings products they are not taxed in Brazil. And on the other hand you have 15% tax on the asset management product. So as you have fees moving down, minus the 15% income tax, you become more and more closer to investing in saving deposits or even to let your money on the account on demand deposits. So I would say there is a possibility of that which actually is not as bad because this is also a source of funding for mortgage which is an industry that is growing. So actually this is not such a big risk that we are seeing over the next period.

### Q - Juan Partido

Thank you, very much.

### A - Jean Leroy {BIO 17084785 <GO>}

You're welcome.

### Operator

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(Operator Instructions) 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 statement. Please sir, go ahead.

**A - Jean Leroy** {BIO 17084785 <GO>}

I would like to thank everyone for taking part. Remembering once again about Bradesco Day, which is a good chance for you investors to meet the top Senior Management of the Company, our Chairman and our CEO, November 20, on the New York Stock Exchange for lunch. But obviously, depending on the limitation of space for inviting people.

Thank you, again. And the Investor Relations area will be open for your demand as you need. Thank you.

**Operator**

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

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