

## Q4 2003 Earnings Call

### Company Participants

- Jean Philippe Leroy, Investor Relations Executive
- Milton Almícar Silva Vargas, Executive Vice President

### Other Participants

- Gustavo Hungria, Analyst
- Juan Partida, Analyst
- Patricia Urbano, Analyst

### Presentation

#### Operator

Good morning, ladies and gentlemen. At this time, we would like to welcome to Banco Bradesco's 2003 earnings result conference call.

Today, we have a simultaneous Web cast, with slide presentation on the Internet, that can be accessed at the site, [www.bradesco.com.br](http://www.bradesco.com.br), investor relation area. There will be a replay facility for this call in the Web site. We inform that all participants will only be able to listen to the conference during the company's presentation.

After the company's remarks are over, there will be a question and answer session. At that time, further instructions will be given. Should any participant need assistance during this conference, please press star zero for an operator.

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 Bradesco management. And on information currently available to the company. They involve risks, uncertainties. And assumptions because they relate to future events and therefore depend on circumstances that may or may not occur in the future.

Investors should understand that general economic conditions, industry conditions. And other operating factors could also affect the future results of Bradesco and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I'll turn the conference over to Mr. Jean Philippe Leroy, Investor Relations Executive General Manager of Bradesco. Mr. Jean, you may begin your conference.

## Jean Philippe Leroy

Thank you. It's a pleasure to conduct our 2003 earnings results, highlighting that in our meeting room, we have the presence of the senior management of the company, our Chief Executive Officer, Mr. Marcio Artur Laurelli Cypriano. And Executive Vice President, Mr. Milton Almicar Silva Vargas, Mr. Jose Luiz Acar Pedro, who is also Investor Relations Officer, as well as two Managing Directors, Mr. Fez Jureveda [ph] and Mr. Domingos Figueiredo Jabreal [ph].

To begin our conference call, I will transfer the call to Mr. Vargas, please.

## Milton Almicar Silva Vargas {BIO 334754} <GO>}

Good afternoon, ladies and gentlemen. and welcome to our 2003 Earnings Conference Call.

One year ago, Bradesco announced the acquisition of Banco BBD. Since last December, we are now seeing purchase of Banco (inaudible). With these transactions will increase our retail presence and consolidate our leadership in the pharmacy consumer finance market.

Bradesco is well positioned for the (inaudible) economic growth after our conference, both in the consumer durable segment and in the consumer groups market. In 2003, we concentrated a large part of our effort in the incorporation of the Banco Mercantil Sao Paulo and BBD.

These efforts will be concluded with the complete integration of the BTA veeznaw [ph]. At the same time, we concluded our segmentation strategy with the creation of the Bradesco (inaudible). The consolidation of the Banco Postal is at their anniversary [ph] stage.

And finally, we sold our stake in Lufthansa [ph]. These efforts increased our scale on the presence in the entire country, we specialized in client services and maintaining our unique focus on banking and insurance activities.

We highlight over 65,000 contas [ph], sold in front of our biz to con sources [ph], which delivered more than 2.4 thousand [ph] items, with sales of over 2.2 billion real. Also, with the commerce of inter prudu [ph] was very strong.

In only six months, we saw total assets double to 1.4 billion real. Two thousand and three was also a year of impressive volumes for Bradesco's to expunge [ph] financial valuations, have improved [ph] (inaudible) on the (inaudible) line where we lead the ranking, with then there is lines Bradesco had an exceptional role from both small and middle-sized firms.

We increased our client base by more than 11.5%, reaching 14.5 million accounts last December. Our debt income in 2003 reached over 2.3 billion real, our return on equity

reached 18.9% (inaudible) the year. In the Fourth Quarter, net income was 750 million real, we also highlight in the payment and provision of 1.35 billion real, as interest and capital. The equivalent of up to 58.4% of our net income, that's an increase of 400 million real, compared to last year.

Goodwill amortization surpassed 1 billion and 35 million real. Our total assets reached 176 billion real. Our current portfolio volume was 54 billion real. And shareholders equity was 15.5 billion real.

I'll now give the floor to Jean, who will present our financial performance. And after that, our executive team will be available for your questions, thank you very much.

## Jean Philippe Leroy

I would like to thank you for participating and we'll be using a 25 slide Power Point presentation that was opened through the Internet for you, or sent through press releases.

On slide number two, I would like to highlight that our market capitalization reached 22.7 billion real, increasing by 50.8% in a year over year comparison. Our price to value multiple reached 1.8 times, reflecting an improvement in the market expectations regarding Bradesco's operations.

The distributal provisions, over 1.3 billion real as evident in the form of interest on capital, which represents a solid 42.2% increase in comparison to the year 2002. The dividend distributed end provisions, net of taxes, reached 52.3% of the adjusted net income.

Slide number three. In this slide we present the main aspects impacting Bradesco's results this year.

Number one, the positive mark to market impact on the securities portfolio, reversing the previous years' trends. Number two, the improvement in the delinquency ratios, which allowed for the reduction in the need for provisioning expenses and the consequent asset quality improvement. Number three, the increase on fleet [ph] income, impacted mainly by the increase on our client base as well as on the number of cardholders and on Bradesco asset management's volume of state body funds [ph].

Number four, the gross insurance premiums, product pension plans and savings funds. And in particular, in products called VGBL and PGBL, this sides with traditional product pension planned products. Number five, the amortization of over one billion real in goodwill. We have exrolled [ph] in their amortization related to (inaudible) Sao Paulo, Bamet [ph] and KLG [ph] Real Banks, totaling the significant amount of 799 million real.

The exrolled [ph] in area amortizations are goodwill related to clergy [ph] real. And (inaudible) that occurred on the last quarter, were neutralized by the gains of the sale of Lufthansa.

FINAL

Slide number four, in 2003, we applied BBD bond proof [ph] in January, which increased our positioning in retail banking. And bumper zogby [ph], which complimented our presence in the consumer finance industry. Improving further our corporate revenues practices, we granted to our stockholders 100% tagalong right for the ordinary shares. And 80% to the preferred shares.

We would like to reinforce that our preferred shareholders account for an additional 10% dividend, vis a vis the ordinary shares. Besides that, we created the audit, compliance and internal control, enumeration and disclosure commonties [ph], which aim to assure and improve controls as well as the overall quality and transparency of our information.

Finally, aiming at adjusting the unitary value of our stocks to a more adequate level from the market's point of view, elaborating the pricing on both domestic and international markets, reducing costs. And increasing the efficiency of our stockholders information systems.

But Bradesco announced a stock drooping of 10,000 shares per one on December 17, 2003. As a note [ph], as of March 22 on, all the Bradesco stocks will be traded unitary.

Slide number five, the earnings per 1,000 shares stood at 1.45 (inaudible), representing an increase of 2.1% in comparison to 2002, despite our capital increases during the year.

Quarter over quarter, earnings per shares increased by 25%. Total assets reached 176.1 billion (inaudible), an increase of 23.3% against the previous year. And a 7.1% quarter over quarter jump.

Brand effort under management reached 81.5 billion, increasing by 49.8% in the period. And by 6.4% in the quarter in accordance to ANBID, the National Association of Brazilian Investment Banks. Our trust body [ph] funds company, was also able to increase its market share by approximately 1% per year, reaching 15.1% last December. The credit portfolio reached 54.4 billion real, increasing 7% in the year. And 3% in the quarter.

In addition, guarantees amounted in December, 6.4 billion real, with an annual growth rate of 49% in comparison to 2002. Total deposits increased 2.9% in the period, highlighting that savings deposit grew by more than 1.4 billion real. We have been experiencing that investors have been preferring to allocate their investments to mutual funds. And fixed income products, in particular.

The stockholders' equity reached 13.5 billion real, increasing by 24.9% in the year. And by 4.5% in the quarter. The impressive growth in the year was due to one, the net income, net of the dividend payment and provision, two, the positive effect of marking available for sale securities to the market.

Three, to the capital increase is resulting from stock prescription, to the incorporation of the minority stockholders of meth and chew [ph]. And to the purchase of BBD Banco.

FINAL

Slide number six, the return on average stockholders' equity reached 18.9%, slightly below to the redistricts [ph] 2002 level. But in line to the 18 to 19% return on average hit target that our management had for 2003. Despite of not having yet integrally much maximize the synergies with the recently acquired bank, we were able to achieve a stable return on assets, if one compares to the previous year.

Paid and provision dividends represented over 58% of our profit drop of taxes [ph]. And over 52% net of tax [ph]. RBS ratio reached 17.2% at the end of the year, a very comfortable level to face the expected credit expansion in the coming years. The fixed asset ratio reached 40.8% at the financial criteria. And 26.4% at the financial economic criteria. Much lower than the required 50% maximum.

This level was influenced by the auction of branches, the sale of investments occurring along the year. And by the substantial goodwill amortizations.

Slide number seven, in the next two slides we will discuss the performance of our insurance group, Bradesco Seguros, which aggregate insurance, product pension plans and savings bonds activities. Premiums reached 12.5 billion real. And increase of 23.3% in the year.

In the quarter, the gross amounted to 3.7 billion real, equivalent to a 18.5% jump. In this sense, we highlighted performance of the VGBL and PGBL products. Net financial results grew by 117.6% last year, from 1 billion to 2.2 billion real. Such performance is due to the recovery of mark to market securities and the overall volume of guaranteeing asset growth. The variations of technical provisions for insurance, private pension plans and savings bonds increased by 36.9% in comparison to 2002, reaching 3.8 billion real.

Adjusting the quarter, the increase was of an impressive 33.1%, increasing these provisions was in line with evolution in premiums. However, also affected by our conservative approach in the constitution of technical provisions, which impacted around 164 real just in the quarter. Claims, benefits and redemptions totaled 7.1 billion real, an increase of 34.3% in the quarter, increasing less than evolution in premiums.

Net income reached 613 million real in the period, an 18.2% drop, in relation to 2002. However, if we exclude the before mentioned increases in one provision, two, constitution of market relativity provisions for our investments at IRB, the Brazilian reinsurance company, which impacted Bradesco's Seguros results by 35.7 million real. And three, the increase of claims in altern appeals [ph], property and causality and how that impacted results by about 80 million real, at the end of the day, Bradesco Seguros would have posted an 808 million real profit, or an eight % increase in relation to the previous year.

Slide number eight, technical provisions for insurance, product pension plans and savings bonds increased by 37.9% in comparison to 2002.

Totally, 26.4 billion, representing more than 40% of total technical provisions in Brazil. The assets guaranteeing these provisions increased by 41.9%, reaching 28.3 billion real. It's a very comfortable level to face the actual obligations of the insurance group.

Slide number nine, in this slide we present our financial margin, adjusted by provisions for effectual activity, which are recorded as other revenues and other operation expenses.

At the end of the slide, we see that in 2003 the adjusted financial margin reached 8.5% of the average total assets. Slightly higher than the reduced rate 8.3% as of 2002. In nominal terms, the net interest margin reached 12.8 billion real. And 11.4% increase vis a vis for previous periods.

Just in the quarter, the adjusted financial margin reached 8.8% in comparison to 8.2% in the Third Quarter. In nominal values reaching 3.6 reals in this quarter, a 15% increase in comparison to the previous quarter.

The increase in the financial margin was due to the growth of the credit and securities portfolios, which compensated the decrease in interest rate during the period.

Slide number ten and slide number 11. On those slides, we will analyze our securities portfolio.

Comparing the mix of our portfolios in a year over year basis, one can say that the portfolio profile changed just because of the non-maturation of securities. The portfolio grew mainly due to one, the accrual of interest of the existing 2002 portfolio, number two, to the increase of insurance activities, increase in premiums. And number three, to the acquisition of BBV Banco.

Slide number 12, in this slide, we show the overall mark to market impact on the income statement as well as on the stockholders equity. The market recovery can be translated in three different ways. A, on results, the balance marking to the market securities classified as trading, as well as derivatives, generated a positive impact of 183 million reals in 2003, because it was positive effect of 78 million real the previous year.

B, on stockholders' equity, a positive effect of 479 million reals in 2003 was generated, in 2002 the impact was of just nine million real.

And C, the recovery of securities helped maturity was impressive in a year over year comparison, however, this movement does not impact at all, neither our results, nor our stockholders' equity. This would be non-realized gains.

Just to remind you, that the balances of marking to market tradable securities, negative instruments and securities helps to maturity are growth of taxes, while the balance of marking to market assets classified as available from sales are net plus taxes.

Slide number 13, in this slide, we compare the asset quality of Bradesco's credit portfolio, in comparison to private banks as well as to the Brazilian banking factor as a whole.

As one can notice, Bradesco's asset quality has been outperforming those private banks as well as Brazilian banks since the Fourth Quarter of 2002.

Slide number 14 and 15. On those slides, we will concentrate our explanations to our credit portfolio mix.

Our credit portfolio close the year with a volume of 54.3 billion real. A year over year seven % increase, higher than the gross of the private financial system, which drove the very same period just 3.8%.

On a quarterly basis, our portfolio increased by 3%. In a year over year analysis, we highlight that individuals presented a solid 2 billion real loan portfolio increase, especially in finances of durables. And non-durable goods. On the other side, corporate increased exposure by 1.5 billion real, despite the real increase that affected credit. But where accounted in foreign currencies, as for example trading finance operations.

Slide number 16, consumer finance has been presenting, as one trend noticed, a constant growing importance of our total loan book. Up until now, we still are heavily concentrated in automobile finance. However, during the Fourth Quarter, direct lending grew substantially, as you can see. Both the zogby [ph] acquisition will further increase our presence in direct lending, as well as in non-durable finances.

This operation has not been approved by the central bank, by the Brazilian Central Bank (inaudible). But chances will be that it could be approved this week or in the next week.

Slide number 17, in this slide, we present evolution of our provision as well as of our net write offs. The chart on the left shows the volume of Bradesco's provision since the end of 2002. One can see that the trend of decreasing interest rates has been followed by reduction in the need of provisions.

As you can see on the chart on the right, are write offs, net of recoveries are following the decreasing quarter over quarter trends. Solid proof of our continued improvement in asset quality, bear in mind that we do not accelerate the pace of write offs.

We keep H rated loans in our books for six months before writing them off.

Slide number 18, in this slide, we present the evolution of delinquencies, measured by past due and fallen due operations, D to H rated, in relation to the total loan book, as well as the respective coverage ratios for those very same previously mentioned delinquencies.

As you can see, delinquencies reached a 4.8% ratio by the end of 2003. A much lower ratio if we compare to the average delinquency ratio of 5.4% registered in the four previous quarters.

FINAL

Bloomberg Transcript

On the other hand, the coverage ratio for this operation reached a strong 154.2%, higher than the 141.1% average coverage ratio registered for the four previous quarters.

Slide number 19, in this slide, we are presenting the evolution of our 2002 and 2003 loan portfolios. Both in terms of individuals, as well as in terms of corporate.

Adding information about registered net losses, it's respective provisioning balances. And coverage ratios. On one hand, in 2002, the existing provisions at that time covered net losses by 113% in the individual segments, 186% in the corporate segment. And 141 for the portfolio as a whole.

On the other hand, in 2003, the existing provisions covered net losses by 124 to 125 and 165% respective. The lower level net write offs and the increase in coverage ratios in 2003 had passed, once again, the improvement in our asset quality.

Finalizing this slide, we would reach the conclusion that total net losses decreased from 4.7% in 2002 to 4.4% in 2003.

Slide number 20, in this slide, we present the mix of ROC [ph] income. Total fees reached 4.6 billion in 2003, an impressive 22.8% year over year growth. With that in mind, we would like to highlight our solid growth in service, credit card. And asset management fees.

Slide number 21, in this slide, we present Bradesco's main revenue sources.

The most important item to analyze in this slide is the increase in participation of fees, vis a vis the orders from 23.4% in 2002 to 26.5% in 2003.

Slide number 22, in this slide, we would like to present the operating expenses of our company.

On the personal expenses side, there was an increase of 17.2% in the year, primarily due to the BBV Banco acquisition. And to the annual labor agreement impent [ph]. We highlight the drop of 3,289 employees between December 2002 and 2003. A number above the 3,000 staff reduction target, already disclosed to you in the markets.

Regarding the administrative expenses, this 19.5% increase in the year was also due to the BBV acquisition. And to the readjustment of prices and tariffs in general.

Slide number 23, in this slide, we present our efficiency ratios, also called cross to income ratios.

The adjusted efficiency ratio is measured by the evolution in the last 12-month period, which moves between 54.9% and 56.6% in the last five quarters. We believe that the

FINAL

Bloomberg Transcript



annual analysis is more adequate once it excludes any seasonal effect that appears in the quoted analysis, like the annual labor agreement impact.

We reinforce that our goal is to improve our efficiency ratio to 50% by the end of 2005.

Slide number 24, in this slide, we are presenting our macro economic scenario of our club [ph] 40,004. As one can see, we expect a 3.8% to Depegros [ph], a 5.9% CPI rate, a 13.5% credit rate by year-end, an exchange rate close to 3.12 by year-end, also. And, we believe that because of this scenario, we will allow for recovery in the credit operation as well as an extension of all our different businesses.

Slide number 25, last. But not least, I would like to present the prospectus for Bradesco in 2004, given the previously mentioned macro economic outlook.

Credit portfolio should be growing between 22 and 25%. And many of the slides that we have highest margins for example, consumer finance and FMEs [ph]. Revenues from commissions and fees, fee income, should increase between 15 and 20% in nominal terms, mainly due to the increase in our client base. And positive perspective with our credit card, asset management. And collection fees.

Insurance premiums should be growing between 12 and 15% again in nominal terms, especially in the life insurance and private pension plan segment. And the return on average stockholders' equity should be standing between 17 and 18% for the year 2004.

I would like to thank you for your attention. And now open the floor for your questions.

## Questions And Answers

### Operator

Thank you, at this time, I would like to remind everyone in order to ask a question, please press the number one, followed by four on your telephone keypad at this time. If you would like to withdraw your question, press the pound key.

Once again, that is one, followed by four on your telephone keypad to ask a question. Once again, I would like to remind the audience to ask a question, please press one followed by four on your telephone keypad at this time. Our first question is coming from Gustavo Hungria of Banco Pactual, please go ahead with your question.

### Q - Gustavo Hungria {BIO 3214058 <GO>}

Good afternoon, everyone. My question is regarding more specifically to Fourth Quarter results, regarding the other operating results. And we saw a much lower fee around competitive previous quarters of the year. Just would like to see if you could break down a little bit the nature of this result and also if this is something that we should expect to be recurring, or if there was some one off event in this quarter. Thank you.

FINAL

### A - Jean Philippe Leroy

Gustavo, we are going to make a better disclosure about the license because if we begin to explain, maybe it will be difficult or at least it will be easier for you to analyze with the numbers with you. So we are going to send a press release. We have been noticing some questions from the market. And because of that we would like to give additional information that we are going to send through e-mail to you, if you don't mind.

### Q - Gustavo Hungria {BIO 3214058 <GO>}

All right, that's fine, thank you.

### A - Jean Philippe Leroy

You're welcome.

### Operator

Our next question is coming from Juan Partida of Bear Stearns, please go ahead with your question.

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

Hi. Good afternoon. My question is regarding the evolution of operating expenses in 2004, if you can give us an idea of what you expect that line item to be.

### A - Jean Philippe Leroy

In terms of our operating expenses, I would be opening in two different items. Although, administrative expenses should be lowering a little bit more than the expected inflation. And the personnel expenses should be growing a little bit less than the inflation.

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

Thank you.

### Operator

Once again, if you do have a question, please press one, followed by four on your telephone keypad at this time. Our next question is coming from Patricia Urbano [ph] of Credit Suisse First Boston, please go ahead.

### Q - Patricia Urbano {BIO 15790863 <GO>}

Thanks. But my question has been answered already, thank you.

### A - Jean Philippe Leroy

Just to add. And correct myself, administrative expenses should be growing just by the inflation. And personnel expenses should be growing less than inflation.

Bloomberg Transcript

## Operator

As a final reminder, if you do have a question, you may press one followed by four on your telephone keypad at this time.

## A - Jean Philippe Leroy

Okay, I would like to thank the participation of you. And open the investor relations area for further questions that you may have. And we will try to send as soon as we can, information about other operating expenses and revenues. Thank you, again. And we have another call in approximately one hour in Portuguese for those who would like to attend, thank you.

## Operator

Ladies and gentlemen. the Bradesco 2003 earnings results conference call is over. You may disconnect now, thank you.

*This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2022, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.*

FINAL

Bloomberg Transcript