

Q4 2004 Earnings Call

Company Participants

- Jean Philippe Leroy, IR
- Jose Luiz Acar Pedro, EVP and IRO

Other Participants

- Jason Mollin, Analyst
- Jorge Kuri, Analyst
- Marcelo Cabral, Analyst
- Paolo Riviero, Analyst
- Stephen Darrett, Analyst
- Yolanda Courtines, Analyst

Presentation

Operator

Good morning, ladies and gentlemen. At this time, we would like to welcome everyone to Banco Bradesco's 2004 earnings result conference call. Today, we have simultaneous webcast with slide presentation on the Internet that could be accessed at the site, www.bradesco.com.br/ir. Also at this website, participants can send questions online to the speakers of this conference. There will be a replay facility for this call in the website.

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 section. 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 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 have to host another conference call, talking about our 2004 results, stressing the factor that in this very meeting room we have the presence of the following members of our Executive Team; Mr. Marcio Artur Laurelli Cypriano, President and CEO, Mr. Milton Vargas, Executive Vice President and CFO, Mr. Jose Luiz Acar Pedro, Executive Vice President and IRO, Mr. Sergio de Oliveira, Managing Director. And Mr. Domingos Figueiredo de Abreu, Managing Director.

And I would like now to transfer the floor to Mr. Acar, please.

Jose Luiz Acar Pedro {BIO 1895666 <GO>}

Good morning, ladies and gentlemen. and welcome to our 2004 earnings results conference call. In 2004, Bradesco posted net earnings of more than BRL3.06b. And a return on average equity of 22%. These results are better by 32.7% our BRL2.3 billion 2003 profit.

In 2004, 70% of our net earnings derived from banking. And 29% from insurance and private pension plans and saving bonds operations. During the Fourth Quarter, net earnings reached strong BRL1.058 billion and a 31.7% return on average stockholders' equity. Both in absolute and real terms, these were the all-time best annual and quarterly results for Bradesco.

Our reported net earnings can be explained by a combination of different factors, such as positive loan portfolio growth, which after two years of weak demand; 2002 and 2003; had an upturn, especially in individuals and SMEs. Stronger results deriving from consumer finance, underwritten as a branch, which will be leveraged even more going forward by the several agreements reached with retailers, such as Casas Bahia and Lojas Salfer. And with banks such as PanAmericano, BMC, Cruzeiro do Sul, Bonsucesso and Parana Banco.

So the fee income growth, which has been increasing consecutively over the past 12 quarters, driven by our 1.2 million client base growth, by the 5.3 million cards issued. And by the growing volumes of assets under management, as well as due to the impact by the strong 2004 GDP growth. Then finally, Banco Bradesco's considerable operational improvement after the process of incorporation of the branch networks.

Of all the acquired banks, BCM was the last one in February 2004, which led to a movement of reducing our overall number of branches by approximately 500, from 3,500 to 3,000. Besides the relationship improvement to each of our customers, due to the segmentation process of our customer base.

It's also worth mentioning the strategic partnership established with the UFJ Bank, which will enable an innovating service to the more than 300,000 Brazilians living in Japan. With this agreement, integrated solutions will be offered through UFJ in Japan and through Bradesco in Brazil.

We have been focusing cost control in a very determined manner, looking for improving our overall efficiency, which can be proved with our cost to income ratio, moving from 56.6% in 2003 to 55.5% in 2004. Additionally, during the Fourth Quarter we posted an excellent 50.3% efficiency ratio. The additions to the Equator principles for loans exceeding \$50 million shows our commitment to the environment, in this case by IFC's criteria. On an operational basis, Bradesco pursued its role to foster economic activities in Brazil as a whole.

Returning to all lending operations, we were the largest (billion debt) financial agent, with over BRL7.2 billion of corporations, mainly to SMEs. In the agricultural roles, we increased our already considerable loan portfolio by over 36% in the year, exceeding the BRL6 billion mark.

During the year, we financed the sales of more than 1.1 million vehicles, closing the period with a portfolio balance of more than BRL10.5b, due to our presence in more than 14,000 new and used out-bidders.

And then finally, we closed \$20 billion export contracts operations. And \$7.4 billion of imports contracts operations, which allowed us to reach market shares of 21.4% and 13.1% respectively. In addition, we highlighted the excellent performance of the Bradesco Consortium, which sold over 105,000 quotas during 2004, an annual increase of more than 50%.

And besides becoming a leader in real estate, we also ended December as leader in the automobile segment, even though Bradesco (Sources) was founded less than two years ago. And is not below (200,000) acre conglomerates.

Regarding asset management, this was a fantastic year, as we were awarded for the third time in a row as best fund manager by Guia Exame's (fund associate) Getulio Vargas, as well as by Invest Tracker-Estadao, besides for the second year also being elected by the magazine Exame Voce as the year's best bank to invest in, due to our service quality, product portfolio diversity and the customer's accessibility.

And lastly, 2004 was an excellent year for Bradesco and for Brazil. We believe 2005 will also be a good year, as the country is in the right path for achieving sustainable GDP growth over the coming years. Returning to Bradesco, I would like to reinforce our focus on the improvement of efficiency and we believe that we will be posting increasing returns on equity and assets, adding shareholders' value. Our market capitalization grew year-over-year by 25.8% and our shareholders received more than BRL1.3 billion dividends in the form of interest or in capital.

And I now turn the floor to Jean's presentation. And Bradesco's management will be available for further explanation in the Q&A session. Thank you, very much.

Jean Philippe Leroy

Before beginning this presentation, I would like to highlight the presence in this meeting room of Mr. Mario da Silveira Teixeira Junior, member of our Board of Directors.

Today we will use a 16-slide presentation, analyzing Bradesco's main figures and ratios, comparing both the fourth and the Third Quarters of 2004 as well as the full years of 2004 and 2003.

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Slide number 2. I would here like to highlight the 32.7% annual increase of our net income, as well as the 33% EPS growth. This year was marked by 1, an improvement in our return on average stockholders' equity, from 18.9% to 22%; 2, the competitive and positive growth of our loan portfolio; 3, the increase for the fifth consecutive year of fee income, which grew at an average compounded annual growth rate of 30.4%; and finally 4, by the improvement of our efficiency ratio, from 56.6% in 2003 to 55.5% in 2004. In the last quarter of 2004, we posted a very strong 50.3% efficiency ratio.

Slide number 3. From the main figures presented here, I would like to draw your attention to the strong growth of net income in the Fourth Quarter, which jumped a solid 40.7% when compared to the third, mainly due to 1, BRL212 million net interest income. And 2, BRL220 million fee income growth.

EPS followed the same trend, increasing by 40.3% in the same comparison. Total assets surpassed the BRL184 billion mark, recording growth of more than BRL8.8 billion over the last 12 months, despite the appreciation of the real, which reduced our dollar-denominated assets when translated to our currency.

Our loan portfolio, totaling around BRL62.8b, increased by 4.7% in the Fourth Quarter and by 15.6% in the year-over-year analysis. Total deposits grew by more than BRL10 billion in 2004, of which demand deposits increased by 18.5%, reaching BRL15.3b. And savings deposits by 11%, reaching BRL24.7b.

Assets under management reached the relevant BRL99.6 billion mark, of which BRL98.1 billion were managed and BRL1.5 billion were related to specific services of custody and controlling for third parties that Bradesco separated into BEM DTVM. We would like to highlight the strong contribution in fee income, originated by branch management fees during 2004, which we will show on slide number 10.

Stockholders' equity, as of December, reached BRL15.2b, expanding by 12.3% year-over-year. In this year, although the general improvement in the marketplace, the mark-to-market effect of available for sale securities reduced the stockholders' equity in the net amount of BRL101m, actually in this quarter, not in the year, due to the transferring movement of some investments from current to permanent assets. And it is important to re-emphasize that these movements had no impact at all on income statements.

Slide number 4. In terms of ratios, Fourth Quarter return on average equities stood at 31.7%, vis-À-vis 23.3% in the Third Quarter. In 2004, we reached return on average equity of 22%, compared to 18.9% in 2003. The return on average assets also presented important growth, as you can see in the slide.

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As determined in our byelaws, we continue to report payouts above the 30% of our net income. And during 2004 we paid or provisioned over BRL1.3 billion in dividends in the form of interest on loan capital. Our efficiency ratio shows positive trends, as evidenced by the 55.5% posted this year, in comparison to the 56.6% back in '03.

The 50.3% quarterly ratio converges with our goal to reach a ratio close to 50% for the last quarter of this year. We would also like to highlight the continued improvement of our asset quality, assuring our correct credit risk management, as well as the efficiency of our credit scoring systems.

Our BIS ratio of 16.1% gives us a good capacity for improving even more our loan portfolio. As a matter of exercise, we could grow our loan book by more than BRL60b. And we would still be above the required 11% ratio. This quarter, we transferred some equity investments from current to permanent assets. And again these impacted also the BIS ratio in the quarterly comparison between September and December. The combined ratios presented here will be further analyzed on slide number 13.

Slide number 5. Our loan portfolio increased by around BRL2.8 billion in the Fourth Quarter, mainly in the individuals, retail and services segments. As one can notice in this slide, the increase of our loan portfolio was mainly originated by individuals and SMEs.

It is important to mention the 8.1% appreciation of the real vis-À-vis the U.S. dollar over the year, which impacted, as mentioned, the dollar-denominated loans, which are mostly concentrated in the book of large corporate clients. Guarantees reached BRL8.1b, with solid evolutions in the quarter, as well as in the annual analysis.

As of December, our provisions for loan losses reached approximately BRL4.1b, equivalent to 6.6% of our portfolio, vis-À-vis 7.5% recorded in December '03 and 7% last September, attesting our continued asset quality improvements. Required provisions totaled BRL3.2b. And excess of provisions totaled BRL925m.

D-to-H rated operations corresponded to 7.7% of the total book. And the coverage ratios for past and falling due D-to-H rated operations increased from 154.2% in '03 to 165.1% last September. And finally, 169.8% in December.

Slide number 6. We have made important improvements on the information disclosed on Chapter number 3 of our quarterly fact book, which refers to credit operations. And we would like to invite you all to analyze them as you have the chance. From this chapter, we extracted the charts presented on this slide.

On the red line, we plot total provisions, vis-À-vis the loan portfolio; on the blue line, the volume of required provisions, vis-À-vis the loan portfolio. The difference between those 2 lines represents our excess of provisions. On the orange line, the evolution of past and falling due D-to-H rated operations, or in other words, operations with more than 90 days of delinquency.

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And finally, in black, the evolution of the recognized write-offs for the next 12 months, divided by the existing book and on that particular day. From this chart, we confirm the quarter-over-quarter improvement on our asset quality, as well as the good perspective of write-offs for the coming quarters, given that A) as of December '03, for example, the level of provisioning of 7.5% was almost twice the reported write-offs occurred in 2004. B), there is a high correlation between the orange and black lines, which drives us to the conclusion that Bradesco should, on average, be posting lower levels of reported losses for the coming periods. And finally, C) the present levels of provisions are very comfortable and represent twice the expected levels of losses over the next 12 months.

Slide number 7. Consumer finance continues to represent robust growth in Brazil, as well as at Finasa. We account, with a broad distribution network, of more than 14,000 dealers of new and used cars and 18,000 stores. And we are recognized by the market by our customers' service quality and agility.

Quarterly growth in the Consumer Financing portfolio stood at 15.3%. And as the next expressive, 35.1% over the last 12 months. The main evolutions were concentrated in personal loans and auto financing, where Bradesco holds approximately a 24% market share. We believe that the agreements with retailers, such as Casas Bahia and Lojas Salfer. And with banks like PanAmericano, BMC, Cruzeiro do Sul, Bonsucesso and Parana Banco, will be important drivers for our continued Consumer Finance growth.

On the credit card side, we are presenting the figures regarding just the revolving credit, as if we consider all the receivables related to credit cards, we would have an increase of approximately BRL1.3b, moving this portfolio to approximately BRL1.9b.

Slide number 8. In this slide, we present our securities portfolio breakdown. Trading securities represented 61.2% of the total, available for sale securities, 29.6%, held to maturity, 8.5% and derivatives and financial instruments just 0.8%.

Slide number 9. Gross income from financial intermediation was up in the quarter and annual comparisons. Expenses for provisions for loan losses are decreasing, showing our strong asset quality, as previously proved. And a good trend for the future.

Our AA-to-C rated operations represented 92.3% of total portfolio, vis-À-vis the 91.6% last quarter, a significant improvement. According to data released last Tuesday by the Brazilian Central Bank, AA-to-C rated operations represented 89.6% of the portfolios for the overall banking industry, which is below our posted 92.3%. Net interest income increased by 6.4% in the quarter-over-quarter comparison. And dropped irrelevant 40 basis points comparing the years of 2003 and 2004.

On the quarterly comparison, the BRL212 million increase was originated by 1, a BRL291 million increase in interest earning income, comprised by a BRL194 million increase in volumes and by a BRL97 million increase in spreads, both compensated by 2, a drop in non-interest earning income of BRL79m, due to lower securities gain. And loan recoveries in comparison to the Third Quarter.

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On an annual comparison, the small BRL51 million drop was due to 1, a BRL90 million decrease in interest earning income comprised by a BRL1.47 billion increase in volumes and by a BRL1.56 billion decrease in spreads; 2, by the effect of accounting refinement on financial expenses of BRL267m, previously reported as variations in technical reserves for insurance, private pension plans and savings bonds, partially offset, 3, by the BRL306 million increase in non-interest earning income, mainly due to higher gains in Treasury operations and loan recoveries in 2004.

Slide number 10. Regarding fee income, we are presenting the 12th consecutive quarterly growth. In the Fourth Quarter, we highlight higher income from checking accounts, cards, loan operations and Consortium. On the year-over-year analysis, we highlight fees in asset management, loan operations, cards and Consortium. Income from Consortium, by the way, is the one with the highest increase, moving from BRL26 million to BRL87m, an impressive 234.6% jump over the last 12 months.

Slide number 11. Bradesco's management is fully committed to improved efficiency. And the market is starting to recognize it as we gradually improve our ratios quarter after quarter. We would like to highlight that operating expenses, calculated by adding personnel to other administrative expenses, increased by 3.2% in the year, a percentage below the CPI and ITP and inflation rates.

In terms of personnel expenses, as we disclosed over the past couple of quarters, we here compare 2003's and 2004's numbers in the upper part of the slide. And the quarterly comparison in the lower part. As one can see, there was a significant BRL317 million decrease in expenses on a year-over-year comparison, as we presented expenses of less than BRL5 billion instead of BRL5.3b, showing our strong cost control efforts.

Slide number 12. Using the same rationale, Bradesco proved the same movement on administrative expenses, since they decreased by a hefty BRL545 million between December '03 and '04. In the Fourth Quarter, the margin of BRL42 million increase vis-à-vis the Third Quarter was based on seasonal growth in marketing expenses and on variable expenses, given the general improvement of business activities. It is very important to re-emphasize that Bradesco recorded, over the year, savings of more than BRL860 million when adding administrative and personnel expenses.

Slide number 13. Regarding Bradesco's insurance group, in the upper part of the slide, we are disclosing our retained premiums evolution. One can notice the large concentration on life and pension plan premiums, corresponding to 49.3% of the total. Auto and P&C correspond to 17.1%. Corporate health insurance, with 16.5%, savings bonds with 10.2% and finally, individual health insurance corresponding to just 6.9% of the total.

Bradesco's insurance group suffered the impact of many extraordinary provisions during 2004, all of them fully disclosed in our press releases, as well as by management's decision to use the 54-month average calculation table for IBNR provisions instead of the mandatory 12 months.

The administrative expenses to earned premium ratio dropped from 13.8% to 12.8%, confirming our concern on cost control in all the companies of the Bradesco Group. The other ratios presented had slightly worsened when comparing the year-over-year numbers, due to the impact of the non-recurring provisions built by the Company fully disclosed.

Slide number 14. In this slide, we present goodwill flows to be amortized. As you'll notice, we are reducing goodwill balances at a faster pace. Just maintaining the current amortization levels, we can observe that 62.1% of our goodwill balance will be amortized by the end of 2006. We would like to remind you all that from January up to December '04, we amortized extraordinarily more than BRL370 million of goodwill.

Slide number 15. We now present the forecast for the macroeconomic scenario prepared by Bradesco's economic team. Basically, we expect 2005 to present good economic growth, with inflation rates lower than 2004, a weak devaluation of our currency vis-à-vis the U.S. dollar. And interest rates standing at 16% by year-end.

Slide number 16. In this slide, we will show some guidance regarding Bradesco. We believe credit growth will continue, especially with individuals. We should be able to continue to improve our main revenues, margin, services and premiums. And control our operating expenses, which should lead Bradesco to post higher returns on average stockholders' equity, between 22% and 24%.

Thank you, all for your attention. And let us open the floor to your questions.

Questions And Answers

Operator

(Operator Instructions) Our first question comes from Jason Mollin of Bear Stearns. Please go ahead.

Q - Jason Mollin {BIO 1888181 <GO>}

Good morning, everyone. I'd like to congratulate Bradesco on a record quarter in terms of earnings. I have 2 questions. My first is related to the very strong level of fee income that we saw Bradesco report in the Fourth Quarter, with credit card fees up over BRL105m, quarter-by-quarter, or 43% and checking account fees up 15%, quarter-over-quarter, or about BRL50m. I understand that part of this reflects re-pricing in the month of December. If you can quantify the impact of that re-pricing. And also give us some guidance on your strategy regarding your pricing strategy going forward?

And my second question is related to the insurance segment and the very strong income contribution by looking on your consolidated income statement, looking at the retained premiums, technical reserves, claims and expenses. And there, we saw in the quarter a contribution of BRL165 million in the Fourth Quarter, clearly from the strong; but part of that from the strong pension fund income, or revenues.

That compares to BRL37 million in the Third Quarter. And I think it's difficult to compare these line items historically because of some restatements in the past. If you can give us some guidance on whether this is a sustainable level, whether this was seasonally impacted. And what kind of contribution the way you report on the consolidated basis we should be looking for? We saw in your guidance a 12% to 15% increase in premiums as an expectation. I assume that's for all of the insurance businesses combined?

A - Jean Philippe Leroy

Okay, Jason. First of all, in terms of fee income, definitely we're looking at our numbers in terms of quarter, in terms of years. We are showing that those revenues are totally sustainable. And this is also what we try to show every quarter. And in these perspectives, that is on the slide number 16 of the presentation, we are re-emphasizing the possibility of increasing fee income by at least 20% for this year. So the level has been increasing and we believe that we can increase it even more.

This increase actually is mainly coming from the growth of the bank. And I would say, also because of the segmentation process of the client base that we can sell more products to every customer. So it is much more derived from organic growth than just re-pricing effects.

What happened by the last quarter of '04 was that some fees were re-priced. But actually, they did not have an impact in the last quarter. But even if they had an impact, they are no so important in terms of the; they would not be important for the performance of the quarter.

The strategy that we have is definitely to analyze what we can do for the best of this fee income line, taking into account the profile of our customer base. And in this sense, we try to look at all the opportunities that we can to increase those revenues, without hurting the expected growth of at least 1 million new customers every year. This is the expectation that we have. And we don't want to hurt this growth. You know that part of this growth comes from the postal bank. And those customers, they are very sensitive in increases in fees because approximately 60% of them have less than a minimum salary as of wage. So it's clear that we have to really analyze these factors, as well as the competition, what the competition is charging. And how we are able to do the charge.

What will be also very important to mention is that in terms of fee income, the growth is very split in all the lines. It is not so concentrated. It's clear that in 2004 one of the main drivers was the growth on fee income for asset management. And they really had a very good performance as Mr. Acar mentioned in his speech. And Mr. Marcio on his speech. And we will try to make it more as we can. But they are sustainable. They are not concentrated in 1 line. They take into consideration, the competition. And they take into consideration the effort that we can make to make them even higher.

For the second question that you have, actually, insurance, pension plans and annuities suffered over the year 2004 several movements based on accounting procedures. In the past, you remember that when you added the lines of pension of premiums minus all the different items, then actually when you mention all those lines, it's clear that there is a very

slight improvement with BRL165 million posted for the quarter, vis-à-vis BRL37 million the previous quarter.

Part of that is based on the seasonality, because the last quarter of every year is a very good year in sales of pension plans, as well as we have been able to sell life insurance products to very small tickets to more than half a million customers over the year. And definitely it has helped.

But I would say that, number 1, the trend for this addition of lines is to be positive. And 2, I would say that there is a compliment that is very difficult for us to measure from this BRL165 million how much is based on just the seasonality of the quarter. But it's clear that at least you should not see a negative going forward in this line, as we restated some accounting lines and therefore, we have a better performance disclosure of information of our insurance group.

Q - Jason Mollin {BIO 1888181 <GO>}

Thank you, very much, Jean.

A - Jean Philippe Leroy

You're welcome.

Operator

Thank you. Our next question is coming from Yolanda Courtines of JP Morgan. Please go ahead.

Q - Yolanda Courtines {BIO 1552757 <GO>}

Good morning, gentlemen. I guess the first question I wanted to just clarify a bit further, in terms of your loan growth assumptions for this year, obviously you're basing that, amongst other things, on the rate; outlook for the rate environment. I understand that you want the rates to come to 16% by the end of the year. But do you expect them to continue to rise from here? Where do they peak off. And depending on that situation, is there a potential downside risk to your loan growth assumptions?

That's my first question. And the second question relates to the 13% sequential growth that we saw in loans to individuals. I know a large percentage of that seemingly is coming from some of these ventures that you announced over the course of the Fourth Quarter, which were essentially lines of credit to banks and to companies that are not coming in at consumer spreads. Can you quantify what portion of that came in, in the Fourth Quarter? Thank you.

A - Jean Philippe Leroy

Yes, Yolanda. First of all, in terms of the outlook of the static rate, our economists and our economic team has the expectation of, in February a rise of approximately 50 basis points. And in March of 25 basis points. And after that, the static rate should be

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maintained up to July, when in August you have a beginning of 50 basis points cut, reaching approximately 16% by the end of the year. So the average static rate will be higher than last year's and basically, because of the very restrictive monetary control of the Central Bank, trying not to have the inflation target being missed.

On the side of the individuals, it's clear that Bradesco has been able to reach very good agreements with retailers and banks. You noticed that we are not paying any premium, any amount at all for this agreement, because basically, Bradesco has a very strong relationship with those companies.

We are not buying existing books. We are just making agreements for the future operations. And in terms of the impact of those numbers, just coming from this agreement, in the last quarter of '04, actually they were almost non-existent. So the growth that you are seeing in the book is a growth based on the seasonality, the payment of 13 months' wages, the vacation and also, obviously, Christmas, which has an impact on the demand for loans. And the perspectives are very good going forward, as Mr. Acar was mentioning. But these are perspectives going forward. They are not accounted in the numbers of the last quarter of '04.

Q - Yolanda Courtines {BIO 1552757 <GO>}

That was very helpful. And is there anything, I guess, the question is, right now, in terms of your loan growth expectations for this year, do you see that more downside or upside related to those figures?

A - Jean Philippe Leroy

These numbers that we are posting are conservative numbers. And they are taking into account and all these numbers of the economic scenario. And we don't consider other items, for example, in the case of a reserve requirement change. This is not taken into consideration. It's a very conservative number that we are showing. And actually, the upside, we have more upside than downside for these numbers.

Q - Yolanda Courtines {BIO 1552757 <GO>}

Thank you, very much.

A - Jean Philippe Leroy

You're welcome.

Operator

(Operator Instructions) Our next question is coming from Jorge Kuri of Morgan Stanley. Please go ahead.

Q - Jorge Kuri {BIO 3937764 <GO>}

Hi. Good morning, congrats on the results. And I have a follow-up question to the first question regarding your credit card fees. On a quarter-on-quarter basis, credit card fees

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grew 43%, I believe. Now, I'm trying to reconcile that number and it seems that the number of credit cards grew around 5.6% quarter-over-quarter. And the number of billings grew 9.4% quarter-over-quarter, according to your press release. So you know, that sounds like, we would assume, around a 15% quarter-over-quarter growth rate so I'm having a difficult time reconciling on that, on a price volume equation. How did you get to 43% quarter-over-quarter growth. So if you can help us with that, that would be very useful. Thanks a lot.

A - Jean Philippe Leroy

Okay, Jorge. When we are disclosing the numbers in our income statement relative to cards, it is extremely important to re-emphasize that it is not only related to credit cards. It is also related to revenues that we generate on debit cards. And you know. And you mentioned that there was an increase in the amounts of operations of bills over the quarter.

The understanding that we have is that the income coming from credit cards and debit cards should be moving up, as we have a very strong potential of sales and we believe that for the credit cards mainly, we will be able, because of the segmentation, to sell more cards to our customer base. They are mainly, I would mention, the clients of Bradesco Prime, because we are expecting to grow this client base and this client base is totally able to buy more cards.

This could be the disclosure that we could be giving you and if we analyze the growth of cards in general, it grew as a percentage and an amount that is important. But also you have to analyze in reais how much it grew. And it grew approximately BRL100m. BRL100 million is a relevant number. But I would say that a part of that is based on the seasonality of higher volumes of revenues of companies, sales of companies in general, over the last quarter.

Q - Jorge Kuri {BIO 3937764 <GO>}

Thanks then. But I'm sorry. But I'm looking also at the debit card numbers and you know, the 2 combined, the number of cards grew, as I said, like 5% or 6%. And the volumes grew less than 10%. So I'm sorry. But I really can't get to that 43% increase. Was there like an accounting change, some reclassification, some one-time gain, because you know, from a bottom sort of analysis, it would seem that the growth should have been around 15% which is extraordinary. And obviously accounts for some seasonality. But from the 15% to the 43%, I'm really having a hard time getting to that number specially, credit card revenues coming from a larger card base or large billing. And those numbers don't add up to the 43%.

A - Jean Philippe Leroy

Actually, the higher amount, the volume of cards that we have and the higher fees, are also related to having a huge concentration in the number of credit cards that bring you the payment of fees in the last quarter of every year. So there is a higher number of people who have credit cards, existing cards. And they pay their fee and the maintenance

fee on the last quarter. So definitely this should be directed more, because of the renewal of the concentration of renewal, much more and also the volumes of sales in general.

Q - Jorge Kuri {BIO 3937764 <GO>}

And if, not trying to take advantage of this question. But just 1 last bit, can you quantify what, of the BRL100 million increase in fees, what amount was this yearly renewal fee?

A - Jean Philippe Leroy

Let's make the following, Jorge. Let us check the exact number related to that. And then we send the information to you all.

Q - Jorge Kuri {BIO 3937764 <GO>}

That's fantastic. Thank you, very much. And again, congrats on the fantastic quarter.

A - Jean Philippe Leroy

Thank you.

Operator

Thank you, our next question is coming from Paolo Riviero [ph] of Citigroup. Please go ahead.

Q - Paolo Riviero

Good morning. I have a question about your foreign currency position. You expect some weakening of the real during the coming year. And would that impact the way you manage your investments abroad and how you hedge it or not? And also, regarding your alliance with UFJ, if you expect remittance to grow considerably this year. And when should we start to see that business have a material impact? Thank you.

A - Jean Philippe Leroy

Okay, in terms of the impact that we have relative to the long or short position of the bank, you know that we have approximately \$1.5 billion of equity outside Brazil. And actually, what we do is, every week to follow very closely in the meeting exactly what are the trends for the next following weeks, months and years. The strategy is always analyzed, re-analyzed and could be changed. So what you are seeing again is a position on that day. It does not mean that Bradesco's position was longer or shorter for the full period of the quarter. It might be even long for one day and for all the rest, short. It could have been. I'm just talking about supposition.

But the idea that we have is obviously as we have a very important part of our equity outside Brazil, we have to analyze that very carefully. And also you know that Bradesco is a very conservative bank. Related to that, we want to generate our earnings from recurring gains. And this is something that we just, basically do for hedging the equity.

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In terms of the perspective of the UFJ agreement, I would say it was a paradigm that was broken because it is for the first time, even though other Brazilian banks have structures in Brazil and in Japan, for the first time we have a Brazilian bank making a joint agreement with a Japanese bank. So definitely, we are not looking just at the operations of Bradesco in Brazil as well as the operation of UFJ in Japan.

We are considering the customer as a customer. And by doing so, we believe that we will maximize the amount of operations because we have a very solid competitive advantage because the client, which is basically a Brazilian living in Japan. And we have approximately 300,000 living in Japan, they will be considering this agreement very positively, because they will be answering in automatic teller machines from UFJ. You will have a logo from Bradesco. You will have a call center in Portuguese. So it's a very different approach which is important and we believe that this will be relevant for the future.

Over the last 15 days, we opened approximately 2,000 accounts. And the perspectives are good. And even more in the long-term. But it's a very important paradigm that was broken. And UFJ actually now belonging to Mitsubishi became the largest bank in the world. So it made also very good linkage, the largest bank in Brazil with the largest bank in Japan. But it's clear that it's more a perspective for the long run and because of the size of Bradesco, it should not be relevant in the numbers of 2005.

Q - Paolo Riviero

Great. Since you brought it up, do you think the merger of Mitsubishi and UFJ, or the position, or whatever you call it, could have impacted their investment in Brazil? Have you met the people at Mitsubishi and discussed their investment in Bradesco?

A - Jean Philippe Leroy

Naturally at the investment of Bradesco, which originally was in Central Bank after moving to UFJ and now Mitsubishi, has been proving to be a very good investment for the Japanese investors. And we have a solid relationship with them. Even this agreement that we have with UFJ proves that there is a continuity in the analysis of the relationship of both banks. And they are happy with the investment and they have no intention of doing any movement with these investments.

And I would say the biggest proof is making and signing an agreement with a bank like Bradesco in Brazil, continuing, even though Mitsubishi has acquired UFJ, the process of linking the operations with Brazil.

Q - Paolo Riviero

Thank you, very much.

Operator

(Operator Instructions) Our next question comes from Stephen Darrett [ph] of Staines River Capital. Please go ahead.

Q - Stephen Darrett

Good morning. I have a couple of questions on the cost outlook. Should we expect any additional staff cuts in 2005 and any changes in the size of the branch network. And also, in 2004, you booked a net other operating expense of around BRL1.5b. Could you give any guidance for 2005? Thank you.

A - Jean Philippe Leroy

Okay. First of all, there was a movement of incorporation of costs because of the incorporation of the several brands we have been acquiring over the last years. The last movement was back in February of last year, with the incorporation of BCM Bank. Overall, we decreased our overall branch network by 500. So we moved from approximately 3500+ to 3,000 branches. And this makes a very huge impact on expenses.

On the other hand, we have a very good agreement with the postal bank and this agreement allows us, actually, to penetrate in the distribution network of the postal bank. We are talking about basically 8,000 branches and mini-branches. And we believe that because of that, we will have a possibility to reduce the number of branches of Bradesco by transferring the operations of the branches of Bradesco that are not giving the returns expected to the postal bank. We will be able to reduce the number of branches of Bradesco another 100 to 200 branches.

So we don't have any type of impact on the operations, because the customers, they will be serviced through the postal banks' outlet. And on the other front, we will reduce another 100 to 200 branches, the overall number of network of Bradesco.

Q - Stephen Darrett

And what sort of timeframe would that be? Would that be over in 2005, or over the next two years?

A - Jean Philippe Leroy

No, this process will be implemented over this year of 2005.

Q - Stephen Darrett

Right.

A - Jean Philippe Leroy

In terms of the administrative expenses, we have been giving you a guidance of the expectation that we have for that.

Q - Stephen Darrett

But my question was actually related to the other operating items. You've got net other operating expense of around BRL1.5b.

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A - Jean Philippe Leroy

Okay, the other operating expenses. And other operating revenues, they closed by approximately BRL1.7 billion in the full year of 2004. And approximately BRL1 billion in 2003. In terms of the movement that we have in those lines, it is, as we say, we have other operating expenses and revenues. It is very difficult for us to concentrate the explanation, because we have many, many items in those lines. And it's because of that difficult to predict about the perspectives going forward. There was an impact related to this effect.

Okay, sorry for the delay. As I said, it is very difficult for us to concentrate the explanation. And in our press release, in the book, in the fact book, we opened all the lines with all the different impacts coming from, for example, provisions, fiscal provisions and others. So you can see the movement.

In terms of the perspectives, it is extremely difficult to give you a guidance going forward. So if you have to do an analysis in this sense, maybe you can try to make conservative. But we cannot give you a guidance specifically, because we are talking of maybe 10 or 15 lines in other operating expenses as well as other operating revenues.

Q - Stephen Darrett

Okay. And just in terms of staff numbers, you talked about a 3% to 6% reduction in the branch network. Should we expect a similar decline in staff numbers in 2005?

A - Jean Philippe Leroy

The numbers of what, sorry?

Q - Stephen Darrett

Employees?

A - Jean Philippe Leroy

Oh, the numbers of employees. No, actually, we try to maximize our employee base. We try to reduce costs as much as we can. But we don't have a target for reducing personnel for this year. We have a target to achieve a 50% efficiency ratio by the last quarter of this year.

Q - Stephen Darrett

Right, thank you.

Operator

Thank you. Our next question is a follow-up question coming from Jason Mollin of Bear Stearns. Please go ahead.

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Q - Jason Mollin {BIO 1888181 <GO>}

My question has been answered, thank you.

Operator

(Operator Instructions) Our next question is coming from Marcelo Cabral of Morgan Stanley. Please go ahead.

Q - Marcelo Cabral {BIO 7162636 <GO>}

Good morning. And congratulations on the great quarter. My question is, actually, I have 2 questions. 1, could you give us a sense for the Bradesco market share in terms of total deposits in the Brazilian banking system? That's the first question. And the second question is, you've given us guidance that service revenues go up by 20% next year. Currently asset management fees comprise approximately 14% of service revenues. Would you give us a sense as to how the asset management business is going to perform, relative to the other business? Thank you.

A - Jean Philippe Leroy

Okay. First of all, in terms of market share, Bradesco accounts nowadays with approximately 15% share in deposits as well as in asset management. In asset management, we also have approximately 15% market share. So on and off balance sheet assets under management should be approximately in the range of 14.8% to 15%.

In terms of the asset management revenues, it is clear that last year, Bradesco's asset management was a terrific year which was majorly discussed by each and everyone. And it will be very difficult for them to grow in the same way as they grew in (94) because there was actually a focus of sales on funds with higher fee structures. And based on the effort, the common effort of asset management and the investment team, the people that are focusing sales to the branch network.

And we saw that the average fee of Bradesco had a potential growth. And as well as the amount of the volumes of assets under management. The amounts of assets under management grew approximately 20%. And there was a very strong growth in the amount of asset management fees.

The idea that we have is to grow fee income for this year some 10%-15% on the basis of 2004, which was a terrific year. And this should be actually making asset management continue to be 1 of the leaders and drivers in fee income growth over the coming quarters. But it will be difficult to repeat this growth that we had in 2004 in 2005.

Q - Marcelo Cabral {BIO 7162636 <GO>}

Thank you. So much.

Operator

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(Operator Instructions) There are no further questions at this time. Mr. Jean, please proceed with your final remarks.

A - Jean Philippe Leroy

And I thank you for the presentation, for being here. But there is also something that would be important to re-emphasize, is that whatever you need the Investor Relations team will be available and actually, I also, I am allowed to say that Bradesco should be more aggressive in the process of repurchase of stocks.

This is something that is important. And as 1 of the several drivers of Bradesco, costs and other things, this is also something that is important and I just wanted to comment because we believe that it is important for you as shareholders, or potential shareholders. Thank you. And whatever you need, please just give us a call. Take care.

Operator

Ladies and gentlemen. the Bradesco 2004 earnings results conference call is over. You may disconnect now. Thank you.

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