Q3 2018 Earnings Call

Company Participants

- Carlos Wagner Firetti, Market Relations Director – Head of Investor Relations
- Denise Pauli Pavarina, Executive Director & Investor Relations Officer

Other Participants

- Carlos G. Macedo, Analyst
- Jason Mollin, Analyst
- Marcelo Telles, Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Good afternoon, ladies and gentlemen, and thank you for waiting. We would like to welcome everyone to Banco Bradesco's Third Quarter 2018 Earnings Results Conference Call. This call is being broadcasted simultaneously through the Internet in the website, banco.bradesco/ir-en. In that address, you can also find the presentation 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'll be a question-and-answer session when further instructions will be given .

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of Banco Bradesco's 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 Banco 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. Carlos Firetti, Market Relations Director.

Carlos Wagner Firetti {BIO 2489005 <GO>}

Hi, everyone. Welcome to our conference call for discussions of our third quarter results. We have today with us our Chief Executive Officer, Octavio de Lazari Junior; our Executive Director and Investor Relations Officer, Denise Pavarina; and Vinicius Albernaz, the CEO of Bradesco Seguros.

Now to begin our presentation, I turn to Denise.

Denise Pauli Pavarina {BIO 2255359 <GO>}

Good afternoon, everyone, and thank you for participating on our call. I'll present the main highlights for the quarter, and then I'll pass to Firetti to complement the numbers and Vinicius Albernaz for the insurance group results comments.

Going to slide 3, the third quarter was a good one even with the volatile environment that we faced. We reached BRL 5.5 billion of net income, 13.7% year-on-year growth. Our operating earnings was up 24.5% [24.8%] (00:02:47) growth year-on-year, shows improvement we had in our operations. Our return on assets reached 19%, an [ph] extension (00:02:56) of 100 bps in the last 12 months.

If we look at the other side of the slide, our loan book continues to grow with improving quality, delinquency ratios is one of the lowest levels we ever had, and our Tier 1 CET (00:03:14) ratio improved 80 bps in this quarter.

Going to slide 4, I would also call your attention to some of the third quarter events and themes that have a major impact in our activities. Among the list, there are – it appears (00:03:32) in this slide. Our recovery (00:03:38) efficiency, the mortgage leading that we have had in the first nine months both in commercial and individual loans. This is a very important activity for us that (00:03:49) provides long-term relationship with our clients the possibility to sell a set of products. And we were the (00:03:58) leader, even when compared to (00:04:04) that traditionally was the leader.

Secondly, the termination of JV that we did with Fidelity, (00:04:15) card processing (00:04:18) synergies that we ramp up, reaching up to BRL 200 million per year from 2020 onwards. We also have acquired 65% of RCB shares which is a recovery company, with objective not only to enter in this business, actually, very interesting for us, but also to increase our credit recovery efficiency and up (00:04:47) 25%. We are improving the cross-sell (00:04:49) capacity within our non-checking account customers, about 40 million today, looking for a more worthwhile and long-term relationship with these clients and considering our platform – digital platform with digital wallet, as well as providing a (00:05:09) MEI platform under open banking concept where we have already 357,000 users.

Going to slide 5, we have been adjusting our branch network and this will be a continuous process looking for more efficiency and cost reduction. This result is possible (00:05:32) due to the growth we've had in the number of digital clients, a growth of 35% (00:05:38) only in the last two years. We will continue to close or transform some branches into lighter branches or cashless branches, which will continue (00:05:48) our presence and therefore, our clients with our lower cost structure.

In parallel (00:05:57), we are growing our digital platform, and we (00:06:00) should reach 1.5 million clients by the end of 2019. These platforms allow our account managers to cover three times more clients, increasing by 40% (00:06:15) the profitability year on year when we compare to the traditional branches. To summarize, as we analyze (00:06:21) case by case, we still see great opportunity in maintaining our presence locally in several regions as we have in the payroll acquisition transaction Paraíba state, as an example, where we experienced a 50% (00:06:39) increase in the credit portfolio and almost 44% growth in deposits.

In slide 6, following the macro trend, we have developed a few years ago an innovation ecosystem that has brought already a number of good improvements and strong innovation culture to Bradesco. So important is the disruptive scenario (00:07:05) that financial services are facing nowadays. Our inovabra habitat has already 60 companies and 180 startups, which have a relationship with us either via collaboration, ideas exchange, as well as through investment with our venture capital fund. We have also the most advanced initiative in artificial intelligence in the Brazilian financial market with BIA, where 7.5 million clients already interact with BIA. Despite increasing our clients' experience in reducing cost, our clients already can perform some (00:07:49) interaction with BIA in order to see their statement and cost acquisition (00:07:55) and very soon they will be able to do transaction.

Continuing the (00:08:06) slide 7, the number of digital clients that have (00:08:09) the transactions have been increasing fast, as you can see in this chart. We reached 300,000 clients in our totally digital bank, Next and now we (00:08:21) should reach 500,000 clients by the year end of 2018.

If we consider also the opening of accounts digitally at Bradesco, not only Next (00:08:38), we have already opened 365,000 (00:08:42) accounts together. Then of the (00:08:45) transactions we had over the last two years, a fast extension (00:08:49) for individuals and companies also do most of their transactions via Internet or mobile banking. And we can see also in the chart the increasing loan (00:09:02) origination both for individuals and for companies. In the case of the individuals, we more than doubled the volume of loans via mobile and Internet; and companies, we've tripled the volume in the last year.

If we go to slide 8, as you know, we have simply a (00:09:26) solution in payments for our clients. We have already distributed to our clients 85,000 cobranded POSs with Cielo and 123,000 with Stelinha, both incremental to Cielo's existing client base to face the new competition environment. We believe we are developing the best solution for the small business and our website, MEI Fácil, processes (00:09:55) a full range of solutions and have already 350,000 users. A client – MEI client can enter this platform and start their business, getting the registers they need, get accounting, advisory and do their financial transaction, so it's a complete platform to those clients.

We also have a complete range of alternatives in Digital Wallets, as you can see in this chart. And I would call the attention to the users of the QR code that we are doing that we enable 100 – almost 200 million cell phones that don't have the NFC function to perform payments, which is the majority of Brazilian population.

In slide 9, one of the points here to address that really needed to catch up and now we feel that we are very well now addressed in this sense. We design a strategy focusing on improving the experience of our clients in wealth management, and this 1.3 million clients that we have. We also redesigned the Ágora and services that Agora and Bradesco brokerage house provides to our 300,000 clients. That includes – for all of the group, includes recommended portfolios of investments as a general view and pension plans also in terms of advisory. This service is focused on the (00:11:39) it's a little bit deeper than the profile. And we have been investing in tools and qualified people besides the increasing (00:11:50) obtaining those clients, either locally or globally.

In the last page, just to remind that Bradesco has a great amount of value to the society. 2018, up to September, we added BRL 45 billion, and the distribution is shown in this chart. Dividends, the government contribution (00:12:21), the work remuneration and profit reinvestment as a whole. And the Bradesco Foundation which is our main shareholder that is very inspirational for (00:12:37) the students study from kindergarten through high school. And we have provided that through Bradesco Foundation just in 2017 to 97,000 students.

And now, I would ask Carlos Firetti to provide the financial results, and I'll be here also to answer any questions. Thank you.

Carlos Wagner Firetti {BIO 2489005 <GO>}

Okay. Thank you, Denise. So, going now to the highlights of our income statement, we had, as Denise pointed, a good result. Our earnings grew 6% in the quarter and it's growing 13.7% year-on-year, first nine months accumulated at 11.1%. In the quarter, we reached a level on 19% ROE. We think it's – a big highlight is the evolution of our operating income that in the quarter is growing year-on-year 24.8%. The improvement in the operational income gives a very good assessment on how we have improved our operations over the last quarters.

Going to page 13, our return on assets, as I pointed, we reached 19%. We have a very good evolution considering the horizon since the last – the fourth quarter 2016. We believe we have reached a new level of ROAEs and we still focus for expanding. We believe that the economy – the improvement in the economy and the opportunities that will arise from it is more loan growth and also the maturity of many of our initiatives will allow us to actually look for higher profitability plans.

Page 14, we have our loan origination. We have been delivering for a while very good levels of loan origination growth. Individuals in the third quarter year-on-year, we have an expansion of 29.5%. For companies, loan origination is growing at a rate of 40.6%. The reduction in the quarter in companies is more related to a strong base in the second quarter due to some specific operations, but we continue seeing a very good pace of evolution in loan origination.

In slide 15, we have our expanded loan book. Our total loans are growing at 7.5% year-on-year. In the quarter, we grew 1.5%. Excluding the FX impact from the loan growth, loans increased 1.2% in the quarter and 5.6% year-on-year. The majority of the FX impact is on the corporate portfolio. We see individuals growing nicely at 8.1% year-on-year. Most of the lines in the individual book is growing at high rates. (00:16:39), where we are growing actually nicely on the portfolio of clients of Bradesco, our own client. The slowdown happens more on private label where we are still analyzing some adjustments. We believe we should go back to growth soon.

In terms of SMEs, growing at 8.3% year-on-year, we see a good demand and we believe this portfolio will keep expanding. On large corporates, it's partially – this growth explained by FX, also some specific operations. We have appetite for operations in corporate, but keeping a very high level of discipline in using our capital, we believe that in the longer period, we're going to see individuals and SME loans growing more than corporate.

Another important thing on loan growth, we believe a sizeable part of the growth we have been presenting that is due to the fact that we have been improving our credit score models, bringing more data and having a better information for models and taking decisions that have been allowing us not only to originate credits with good quality, but also to originate more because it give us the security to actually underwrite more loans.

In page 16, our net interest income; our net interest income is shrinking 1.6% from the first 9 months of 2018. The interest earning portion that is the base of our guidance is shrinking 2.2%, almost in the middle of our guidance as we had indicated. In the quarter, we had an expansion of 4% with an improvement in the insurance line and also in the asset/liability line, and also, increase in the credit intermediation, mostly due to (00:19:35) impact of loan volumes.

Page 17, the 90 days NPLs remain as one of the biggest highlights. Right now, we had a big improvement in the SME book, where we had almost 70 bps reduction in NPLs basically with some companies in the segment actually paying some non-performing loans. We think the quality SME book should remain quite strong given that (00:20:28) just keep performing very well. Also, we had a good performance in individuals, where we had, as I mentioned, the (00:20:40) better vintage, also helped by the improvements we have been making in modeling.

In corporate, the NPLs are – it's too high, we believe, over the coming quarters, over the coming years, we can see improvements in this line. The performance there is not – is sometimes driven more by a few cases, but we believe that (00:21:12) and looking to the profile of both of our exposures, we believe trends should be also positive on corporate.

In the slide 18, we have on the top our NPL creations versus the gross provision expenses. Our provisions represented this quarter, 121% of the NPL formation. This is in large portion due to the credit recoveries we had this quarter, where we have some of the recover based (00:21:59) on new loans that we bring back to our loan book fully provisioned and that increases provisions in the quarter. The NPL formation itself is doing quite well, remain as a percentage of the loan book, very well behaved. In the lower portion of the chart, we have the cost of risk. Basically, we reached – we remained in that 2.7% of the loan book. This is close to the lowest levels we had seen. We believe cost of risk can continue improving over the coming year. We potentially can go to levels below the bottom we have seen in 2014.

Page 19, we have our renegotiated portfolio. The total renegotiated portfolio has an increase of 30 bps, but this is mostly due to the recovery of loans that were off balance. This increase in the renegotiated portfolio didn't affect NPLs. That can be seen, when you look to the red line that is the renegotiated portfolio of loans that were still in our book. This portfolio actually decreased in the third quarter by BRL 600 million. We remain quite well provisioned in the renegotiated portfolio.

In page 20, slide 20, the coverage ratio over 90 days increased to 243% in the third quarter from 230%. This is a very high level of coverage. We think the coverage is not a driver for provisioning in our – basically, this increase has to do with the improvement in NPLs and the fact that we have a buffer of BRL 6.9 billion of excess provision that (00:24:34) impact in our balance sheet. We don't have any (00:24:40) intentions of doing anything for reducing (00:24:49), but it's something we can always discuss.

Fees and commissions, basically, we have an increase in the first nine months of 5.6%. The main – the lines represented the best performance was the custody and brokerage with 10.9% growth year-on-year despite the fact that it's reduced in the quarter. We keep growing nicely in checking accounts. That is partially due to the synergies we have been able to capture from our acquisition and also asset management that is due to the efforts we have been making in our wealth management business.

In slide 22, our total expenses are growing at 0.9% in the first nine months. This quarter, we have the impact of the quality bargain of banking workers that happened in September. We believe our cost will remain well-behaved in the middle of our guidance from minus 2 to plus 2.0 or close to zero (00:26:28). We had increase in the number of employees this quarter. This is mostly due to some projects we have been investing on. One of the most important of them is the (00:26:45) clinics. That is a project that we believe can, over time, help us to keep the costs in our health insurance operation under control. We kept reducing the number of branches, almost 50 branches this quarter. We keep focused on adjusting our branch network, closing some branches, but also converting branches in points of service where we can keep the business and at the same time having benefits in terms of costs.

In slide 23, (00:27:41) insurance, the net earnings of Bradesco insurance is growing at 11.6% year-on-year despite the fact that, in the quarter, we had a reduction of 7.6%. We believe, in the case of insurance, it's always better to look longer periods since we have some variations in the quarter-by-quarter that are sometimes due to some specifics of the business dynamic. The ROE for Bradesco Seguros is at 19.1% in the first nine months of 2018. We, in terms of performance of premiums, are showing a reduction of 3% in nine months this year. This is due to the weakness we have seen in the market, especially in the pension business and also some adjustments we have been making especially in our health insurance. We reduced a lot the operation with fleets of cars and trucks. And this is what is causing this impact in health insurance.

In page 24, we have the two important ratios for insurance. The claims ratio, that is going down for the second quarter in a row, reflecting the improvement in claims in other segments, but I would like to highlight the improvement, especially in health, that is a result of the (00:29:42) control the claims and costs in the health insurance operations like negotiating with service providers package of service that has been helping us to reduce the overall cost of the operation.

Also, I will call your attention on the combined ratio that has been improving for many quarters, reaching 84.1%. This is a very important indicator of the performance of insurance company, and we are delivering well of that.

In slide 25, our BIS ratio, we have an increase in Tier 1 by 80 bps this quarter. This is due to the earnings retention, but also the effects of Central Bank resolution 4680 that changed the treatment on the tax credits from tax losses. Basically, it gave us 40 bps in capital. We keep originating capital organically quite strongly, and we believe we will keep adding capital over the coming years even considering we are growing more.

Considering FX, if FX remains in the levels they are right now or below, actually that could also help additional capital since we could consume the tax credits from tax losses that are due in our balance sheet. That would also reduce risk-weighted assets on that particular item.

To conclude on page 26, we have our guidance. We have been delivering in almost all lines. The only one where we are below is on the insurance premiums with total premiums in the year dropping 3.1%. We feel we can approach the guidance range in the fourth quarter considering it is, by far, the most important quarter in the year. But important there is, apart from premiums, actually, we are doing quite well on the operational result of insurance.

So now, I conclude the presentation and open to questions.

Q&A

Operator

Ladies and gentlemen, we will now initiate the question-and-answer session. Our first question comes from Mr. Carlos Macedo with Goldman Sachs. You may proceed.

Q - Carlos G. Macedo {BIO 15158925 <GO>}

Yeah, hi. Good afternoon, gentlemen. A couple of questions. I think the first question is about the acquisitions. You mentioned the highest car loan coverage that we had in a long time, (00:33:20). When you look at the breakdown of provisions, most of that is coming from growth in generic provisions. So you don't have any growth in the (00:33:31) provision and the (00:33:34) declined.

So the question is, is there room for you to – that, in large part, driven by the perspectives on credit worthiness, particularly on the corporate side, that's where the generic provisions have been largely situated. Is there any perspective in improving or changing some of the credit perspective there? In other words, is there room for you to be more positive about the ability of these large corporate borrowers to repay the debts, and therefore, lower the requirements for provision on a generic basis, which is something you need to do.

My second question, could you talk a little bit about margins, the credit margin decline this quarter (00:34:19). Is there something specific here (00:34:25) regulatory change? Or is it just a more pressure from competition? Thank you.

A - Carlos Wagner Firetti {BIO 2489005 <GO>}

Okay. Thank you, Carlos. On generic provisions, Carlos, this quarter, specifically, as we mentioned, and we put in a note in the release, we recovered about three credits that amounted BRL 920 million. And this credit came from a court recovery process. And when we recovered them, actually we made generic provisions, because after recovering, they are performing loans and making this provision, they are generic. So this quarter, we had about BRL 900 million increase because of this credit recovery. It is not really something that relates to the dynamic of the portfolio, it is a specific thing on which actually we don't have control. We have to follow the rules.

Overall, the trends on provisioning credit quality remain quite strong and we believe they – we should continue having improvements going ahead.

Regarding margins, basically, we see spreads in some lines going down, nothing actually dramatic, but going down gradually, and that's fair, considering that we have the big reduction in the cost of risk and banks as a whole are looking for growing more.

What we believe is, basically, we have, in some portfolios a very good capacity of origination like mortgage, our position, the way we operate in payroll loans. And also overall margins, we believe the mix, especially when we have much bigger growth in individuals than SMEs as opposed to lower growth to corporates, this mix effect should help our margins. We believe from the current levels, we believe margins are probably likely to be flattish or even improve a little going forward considering mix.

Q - Carlos G. Macedo {BIO 15158925 <GO>}

Okay, thanks for that. Just going back to the first question, even if you exclude that BRL 100 million (00:37:25), still up year-over-year in the generic, and I understand that it's a year-over-year look. But going out, what conditions would you need to see to start taking a more favorable view? And that's exactly the two (00:37:38) GDP growth accelerating? (00:37:41) Pension Reform, I mean, what should we think about that would lead to maybe some reductions in the provision of the required to some of your corporate clients?

A - Carlos Wagner Firetti {BIO 2489005 <GO>}

Basically, we need to see this client's (00:38:02). Part of the debt, actually we have to see their actual credit capacity or credit quality clearly improving. You have to remember, there's – we had a big crisis and that the corporate segment was especially affected. There were some renegotiations and most of the cases we got, we were able to strengthen our position in terms of collaterals. But we think in some sectors, even though we see good signs that the companies are improving, we need to see much clearer signs that actually the companies are totally turning around before actually reviewing some of the provisions.

Q - Carlos G. Macedo {BIO 15158925 <GO>}

Okay, perfect. Thank you.

Operator

Our next question comes from Mr. Marcelo Telles from Credit Suisse. You may proceed.

Q - Marcelo Telles {BIO 3560829 <GO>}

Hi. Hello, everyone. Thanks for the time and congratulations on the strong results. I have a couple questions. The first one, now that you don't have elections behind us, how do we – how are you assessing your credit risk models? I mean, do you think there is a chance that you might increase your risk appetite, elections now behind? And is it possible to see loan growth for Bradesco now, let's say, going to next year, growing at double-digit rates, you know, that scenario, in a more benign economy considering that this year you guys are already at 5.6% FX-adjusted, that's my first question.

And the second question, regarding the threat of fintechs, how does Bradesco see playing out for you? I mean, we know there has been some clash around fees; I mean, it's very clear, I think all the banks that reported so far, showing (00:40:39) pressure, do you think that's what we're going to continue to see down the road or do you anticipate potential threat on the credit side as well? Thank you.

A - Carlos Wagner Firetti {BIO 2489005 <GO>}

Okay.

A - Denise Pauli Pavarina {BIO 2255359 <GO>}

Hi Marcelo, this is Denise here. Starting (00:40:57) by the asset based return, the risk appetite, we really (00:41:01) increment marginally the credit according to our models, that they are able to capture the better performance of our clients so we increase the appetite according to those model show, so we will not do anything that will, you know, kill the (00:41:21) but we will follow the market and as you know, we like to earn money, we like to offer service to our clients and so with all the arrangements we have to increase the level of credit we have in a safe way.

In terms of the loan growth for next year, of course, you need to understand how this – the growth of the country will happen but normally, we see (00:41:54) being twice the agility, so we can say something around 8%. We're not giving guidance because this is something that we do in the beginning of the year, but it's possible, likely possible to have a number like that. In terms of fee pressure, hearing about the competition that (00:42:16)

Q - Marcelo Telles {BIO 3560829 <GO>}

Yes, I think that's it.

A - Denise Pauli Pavarina {BIO 2255359 <GO>}

Okay. So what we see, of course, we see a lot of movement going around, but we haven't seen credit (00:42:31) any special movements that could call our attention and in the other side, we are preparing all the platforms to be able to provide credits to our clients in a more cheaper way for us in the sense that we cannot provide the best price, best condition to our clients. So, we don't see it, but we are preparing ourselves to any challenge that we have to face in the market.

A - Carlos Wagner Firetti {BIO 2489005 <GO>}

Marcelo, let me complement your questions.

Regarding growth at two digits, for the full portfolio, it's hard to say. We – it's – the corporate book could be growing less given that part of what's going to be and the reason it's going to go through the capital markets investment banking. But in some portfolios, and maybe individuals, maybe small companies, we think actually there's conditions of actually accelerating growth for – and we have risk appetite. Apart from that, as we mentioned, there's a big improvement in the credit models. We have been able to, given this improvement, given the better assessment of credit quality, we can approve more. This is part of what's going on. There is very important projects being finalized soon that could help us even more on that better assessment of credit quality, therefore, even though we are not lowering the bar, we are actually approving more.

On fees, complementing what Denise has said, this quarter, when you look to the performance, it was not really the best quarter in terms of fees, but there are some specifics like investment bank. It was a particular weak quarter. There was not much activity, even the scenario, we think, going ahead, this line can be a very strong one, given what we expect in our position actually in the market. These are also being impacted by the Cards line where there's a lot of competition, especially in the acquired business, but we believe that with the acceleration of the economy, we're going to see the positive impact of volumes.

In terms of asset management, actually, given what Denise mentioned, our efforts in terms of wealth management, we are doing a lot of things that, in our view, can actually allow us to grow more than the market, given that we can actually grow more, (00:46:12) towards what we believe is our fair share in this market. So I think, I would say, necessarily, the fee line is going to be very – it's – we still believe, we can have some decent growth there.

A - Denise Pauli Pavarina {BIO 2255359 <GO>}

(00:46:32)

A - Carlos Wagner Firetti {BIO 2489005 <GO>}

Yes, also the letters of credit and guarantee line, it was mostly due to some redemptions of some letters of credit, maybe in a stronger economic activity potentially we can have that line actually expanding. It's sometimes related to the investment bank activity.

Q - Marcelo Telles {BIO 3560829 <GO>}

That was very helpful; thank you.

Operator

Our next question comes from Mister Jason Mollin with Scotiabank. You may proceed.

Q - Jason Mollin {BIO 1888181 <GO>}

Hi, thank you very much. Question is on the balance sheet. Specifically, this quarter, we saw another negative impact from the mark-to-market of the available-to-sale securities of about BRL 600 million according to my calculations. This followed last quarter's BRL 2.5 billion hit, but doesn't go through the income statement. So I'm just trying to understand – I understand what the mark-to-market of available-for-sale is, I'm looking in your balance sheet and I do see a large increase in the bond and securities long-term of about BRL 40 billion, and I see short-term reduction in BRL 12 billion; just trying to understand the movement and in the third quarter, we didn't see – I'm just looking at long-term rates, the big decrease that we've seen now, should we expect the book value to rebound if the market stayed where they are? And then the way I'm really looking at this is to try and understand the trends in return on equity because it is enough to change our calculation of that.

A - Carlos Wagner Firetti {BIO 2489005 <GO>}

Okay, thank you for the question, Jason; basically, as we mentioned, the mark-to-market is related to the fact that the interest rates have still moved up in the quarter. As we said, the improvements we saw in the scenario given were not fully captured in the end of the third quarter, with the reduction in rates and fair market conditions, yes, the values of the securities increased, but during the quarter and also last quarter, as a measure to protect our balance sheet in a scenario of volatility, we transferred some securities to held-to-maturity.

Basically, with that, some of the mark-to-market will not flow back immediately with the improvement in the market, but we don't feel this is a problem because the nature of those securities are relatively – or the maturity is relatively short. We have accrued the interest on that and we captured the higher value of those securities as we converge to maturity. But the part of the book that is still being available-for-sale, yes, we can see improvement in market-to-market.

Q - Jason Mollin {BIO 1888181 <GO>}

So would you say that the – I mean, I'm just trying to say, I guess, so that – just looking at the short-term securities declining BRL 12 billion in the long-term, BRL 40 billion, is that, I mean, that wouldn't be the switch from available-for-sale to held-to-maturity, in this case. And could that be impacted, I guess (00:50:44) is going to impact the future valuation adjustment. But what's going on? Is this a strategic shift in the balance sheet to put more bonds and securities there? Is this coming more from insurance and from the banking operation?

A - Carlos Wagner Firetti {BIO 2489005 <GO>}

There wasn't any specific switch this quarter, Jason. Maybe I have to look further on the details of what you are saying, but basically, structurally, we didn't do anything new this quarter apart from actually just change on part of the portfolio to held-to-maturity. Sometimes, when we acquire a position (00:51:40) trading then it goes to other lines, I think it's better if we just talk and you show me specifically what we are referring to and I try to get (00:51:52).

Q - Jason Mollin {BIO 1888181 <GO>}

That's very helpful. Thank you. (00:51:57)

A - Carlos Wagner Firetti {BIO 2489005 <GO>}

Thank you, Jason.

Operator

Ladies and gentlemen, since there are no further questions, I would like to invite the speakers for the closing remarks.

A - Denise Pauli Pavarina {BIO 2255359 <GO>}

First of all, I'd like to thank all of you for your time taking the call. And (00:52:44) say that our balance sheet this quarter, if you look at the 9 months, have showed (00:52:51) in several areas now (00:52:55) fewer bullets. We do work in several lines in several fronts in order to increase the results which will continue to be our efforts. And Bradesco is being a bank that has a branch network spread throughout Brazil is well prepared to take advantage of the growth of the economy if it comes for the next year. So thank you very much. And have a nice weekend.

Operator

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