

## Q4 2006 Earnings Call

### Company Participants

- Roberto Egydio Setubal, President & CEO
- Unidentified Speaker, Unknown

### Other Participants

- Jason Mollin, Analyst
- Jorge Kuri, Analyst
- Juan Partida, Analyst
- Unidentified Participant, Analyst
- Victor Galliano, Analyst

### Presentation

#### Operator

Ladies and gentlemen, thank you for standing by. At this time all lines are in a listen-only mode. Later there will be a question and answer session. Instructions will be given at that time. (Operator Instructions). As a reminder, this conference is being recorded. At this time, I would like to turn the conference over to Ms. Daniela Ueda [ph] of Financial Investor Relations Brazil. Please go ahead.

#### Unidentified Speaker

(technical difficulty) during this call.

Before proceeding, let me mention that forward-looking statements are being made under the safe harbor of the Securities Litigation Reform Act of 1996. Actual performance could differ materially from those anticipated in any forward-looking comments as a result of macro-economic conditions, market drifts and other factors.

With us today in this conference call in Sao Paulo are Mr. Roberto Setubal, CEO and President of Banco Itau Holding Financeira, Alfredo Setubal, Investor Relations Director, Mr. Henri Penchas, Senior Vice President and CFO, Mr. Silvio de Carvalho, Executive Director of Controllershship, Mr. Candido Bracher, CEO of Banco Itau Holding BBA and Mr. Marco Antunes, Director of Accounting.

First Mr. Roberto Setubal will comment on the 2006 results. Afterwards Management will be available for a question and answer session. It is now my pleasure to turn the call over to Mr. Roberto Setubal.

## Roberto Egydio Setubal {BIO 1525746 <GO>}

Good morning. Good afternoon for all of you that are with us this conference call. For you, that are following this presentation through Internet, I would like you to move to screen number two, where we will talk about the highlights this quarter of the year of 2006.

As you know, our results in the last quarter were BRL1,628m. That represents an increase of 2.3% when compared to the quarter -- the Third Quarter of this year. For the full year, our net income recurrent is BRL6.2b. Our ROE were 32% this year, which is still above the level of 30%.

The year was especially effected by the acquisition of BankBoston as you all know. We had a capital increase for the acquisitions -- for this acquisition of BankBoston in Brazil, Chile and Uruguay. The total capital issued was -- represents 7.44% of the total capital of Banco Itau. This increase in capital was mainly done -- totally done in the second semester. And the last part of this (inaudible) acquisition of Chile and Uruguay was done at very end of December.

So all the numbers that we will see -- are talking about are -- will have the effect of increase on the capital base but not in the earnings, because earnings will come down this year, 2007.

The total effect was -- of this acquisition that we amortized [ph] it upfront and this exercise was BRL2.2m, that was tax effects.

The driver of the year was the growth on the credit portfolio. Our growth was 24.7%, not considering the acquisition. And 38% if we include the portfolio that we acquired on BankBoston.

The vehicles financing was the major increase, we had a 64% on vehicles in 2006 and this was the driver of the credit's growth.

Moving ahead, we can see on page three that all the effects of BankBoston and non-recurrent effect on our net income for the year of 2006 and also the last quarter.

Moving ahead, we have some highlights of numbers. I would like to point out the evolution of our shareholder equity which increased in the year by 51%. And I mentioned, this increase was due not only because of the net income but also because of the capital risk that we had on the acquisition of BankBoston.

Our market capitalization growth real way [ph] 49% and we improved the efficiency ratio to 37%.

The next page, page five you can see some breakdown of our numbers -- our profits [ph] from how much of the revenues came from treasury, how many -- how much from banking operations. And in the last quarter we had an increase in the treasury revenues and also in

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the margin -- financial margins of the bank. And overall, we had a recurred net income growing by 2.3%.

On screen number six, we can see the -- our credit portfolio. And we have been growing our credit to individuals in all the lines, credit cards, personal credit and especially vehicles in the year. And also in the last quarter as you know, credit cards has a seasonal growth in December and our growth in the last quarter on credit cards was 15% in this quarter.

Company loans are growing, especially on the small and medium sized of companies.

When we talk about corporate loans, most of the growth of year was due to the fact that we acquired a portfolio of BankBoston. But in fact, the corporate loans are growing much slower at this moment, mainly because the alternatives of capital markets. And we will talk about that in -- down the road when we talk about Itau BBA.

This growth in the vehicles side of the portfolio has been changing the portfolio of risk of our total credit portfolio as you can see on page seven. We have been selling more and more retail bank -- retail bank portfolios and a smaller portion of this portfolio is directed to corporate and companies -- big companies. And this I think, is a good move because it reduces the risk of the portfolio.

I think that good news is above -- you can see good news on page eight which refers to the delinquency ratio which has been stable in the quarter. But when we look to the individuals' delinquency ratio, it has started to reduce and this is something that we have been expecting and have been announcing for you since March, April last year. And we are really seeing that this is happening at this moment and this gives us a good perspective of the coming year.

The coverage ratio has increased a little bit to 168% of the personal loans.

On page nine we have a breakdown of the NPL by segment. And basically what we see is that the portfolio (inaudible) are more concentrated in the individuals are -- have higher levels than for instance Itau BBA which is corporate portfolio. Basically what we see is a positive trend in the portfolio. In general, all segments basically are improving the NPL and in the case of Itau BBA, it is (inaudible) this value a little bit worse than it was in September but in Fourth Quarter it did okay. (inaudible) it's not a trend in the portfolio.

The evolution on the funding and -- deposits and funds that we managed was very remarkable in last year. We had an increase of 43% of the resources that we use from clients and 40 -- 59% from the market which combines a 45% growth on deposits and all the liabilities coming from market or from clients. Which is remarkable to increase and it shows the level of growth that (inaudible) reporting -- is reported at this moment.

Service revenues are also increasing in a very steady way. It's been very consistent over the years. And service fees are very spread out on all types of services that we offer to

clients.

Expenses have increased by 18% this year compared to last year. But this has an impact of BankBoston. If we do not consider the BankBoston impact with improvement of the (inaudible) increase (inaudible) below 10% which is much below the growth of revenues. And this has a consequence improvement in our efficiency ratio. So the bank is improving -- improving the efficiency ratio and this is also a very good news.

As you know we have organised our business lines in two major segments and we will talk a little bit about the three of them. Just to remind you, the Itaunanco segment accounts for the clients or the branches of the bank. Itau BBA is a corporate investment banking operation and Itaucred is a finance company and credit cards. So it's prices [ph] are not linked to the bank's branches.

Looking on page 15 and 16 -- 15 and 16, we can see that all the segments are performing quite well and has had high levels of returns and not only in the quarter but also in the year of 2006.

Turning to the page 17, I'd like to come back to you with some of the commitments that we made with the shareholders about what we were expecting for the year of 2006.

At the beginning of the year, we announced that we would focus our activities in the following items.

The first item was the growth of our classic business. And we announced that we -- announced that we would have an important growth and as you can see we had a 30% growth on assets without including BankBoston. We opened 146 new branches. We have 1,000 new ATMs. So the classic business is growing in a very sustainable and very fast way.

We have been expanding our insurance and pension business. It has increased by 30% above market. So we are gaining market share in that segment, in that products -- in those products. And we will keep this (inaudible) as we move forward.

Efficiency ratio. We announced that we would maintain the efficiency ratio and as a matter of fact, we have improved it. The portfolio, we thought that it would grow 25% on average. And we grew a little bit less in the bank but more in the Itaucred, as we will show you in the next pages. But not including BankBoston the growth was much higher 39%.

We expected moderate growth in delinquency which really happened. And we also announced that we would expect that at the end of the year, the trend would be reversing and this is also coming through.

On Itau BBA, we announced that we would focus the operation on investment banking and services. And as a matter of fact the growth on those items combined was 38% which shows that the focus was really there and we could perform very well in those segments.

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And as a matter of fact, Banco Itau now is -- has developed investment banking franchise in Brazil. We are one of the very strong players at this moment in this field. And we are very well positioned to take advantage of the momentum that the capital market is leading in Brazil.

Our risk management has been improving and this -- it is possible that our treasury gains - trading gains to improve last year.

On Itaured front, we announced that we would expect a strong growth on car financing and also that we would be more present in some areas of the country that we were not previously present.

And we delivered a 67% growth on the balance of vehicles financing and leasing. And we opened new platforms and we registered a lot of -- 4,500 new car dealers. So the growth as we enjoyed in this segment, was very impressive and was based on (inaudible) we put a lot of effort and -- that we put in that area.

Consolidation of our partnership was one of objectives of the year. We did it. We have improved and we have a very good relationship with both partners and this has allowed an important increase in those two businesses that we're developing.

WE also opened a new Taii outlets, 113 new outlets an increase of 3% -- 90% -- 91% compared to 2005.

We launched new products as we announced it. A lot of new products for those three business lines. And for this reason, we are increasing also a number of branches -- the number of products and we -- they have helped in the development of this segment which is probably coming to a breakeven point in the end of next year.

The growth of the portfolio that we announced was 30%. We had a 60% growth. So more growth in this area of the business than we expected. And we expected a moderate growth on the delinquency ratio and it really happened in the year.

Fro 2007 we have our outlook also by segment which is the following. For Itaubanco itself, (inaudible) we expect a small reduction in the delinquency ratio. Efficiency ratio improvements. 20 to 25% growth in the credit portfolio. 10% growth in the service fees. When we talk about Itau Holding as a whole, we would expect increase of 15%. We are planning to open 130 branches and to expand our business in Argentina, Chile and Uruguay.

Talking about Itau BBA, we will keep our focus on investment banking activities. We also will put focus on improvement of market risk management. And also keep growing our service fees by offering more and more options on cash management, especially for the clients [ph].

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We are consolidating -- this is something important. We are consolidating the corporate business of Argentina, Chile and Uruguay under the coordination of Itau BBA. And this is already under way. And we will do it throughout the year 2007. This would put more focus and more synergies on those businesses and those areas. Given the fact that many of the clients are also in Brazil when we talk about (inaudible) and also the fact that Brazilians and many of those multi-nationals use Brazil as (inaudible). So we believe -- and also we have a lot of Brazilian confidence [ph] in those markets.

So we believe that this will be an improvement in those operations.

Then we expect a slight reduction in the credit portfolio, given the fact that capital market is in a very good moment and the fact that we have acquired this portfolio of BankBoston which -- we believe that we will not be able to keep it stable. Probably we will have a strong reduction.

On Itaured front, we have three business lines. The Taii front, we expect a new increase in 100 new sales points -- by 100 compared to 2006. We are expecting a 50% growth in the credit portfolio. We expect the efficiency ratio to improve. As the delinquency ratio also, we expect it to improve and -- this year. And we expect to reach breakeven of the three operations combined by the end of the last quarter of 2007. This means that the last quarter would be on this breakeven situation but not the full year.

On the vehicles front, we -- the market is growing and we believe that we want [ph] global markets by growing our portfolio by 40% in the year. We feel that we are well positioned in a very good momentum in that market.

As a consequence, the efficiency ratio will improve. And we believe that the delinquency ratio will stay at low levels as it is at this moment.

On the credit card (inaudible) non-Itau clients, we believe that the growth on billing will be around 20% inline with the market. And we believe that we will also maintain the level of the delinquency ratio which in our -- in the case of our credit card portfolio is quite stable.

So this is basically what we expect for the next year. And I think we'll be very interested to hear your questions. We are here with -- I am here with Silvio, Henri, Candido and also Alfredo [ph].

## Questions And Answers

### Operator

Thank you, ladies and gentlemen. We will now begin the question and answer session. (Operator Instructions). Our first question comes from Jorge Kuri from Morgan Stanley. Please go ahead.

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

Hi. Good morning, everyone. I have a few questions if I may. The first one is you mention in your presentation that for 2006, you had anticipated 25% growth in loans and you ended up delivering 13.7%. Can you share with us what happened during the year that you felt you couldn't meet the expectation?

The second question is regarding your outlook for 2007, when you are forecasting 20 to 25% loan growth for Itaú. It seems to be an aggressive number, given the rate of growth today which is probably half of that on an annualized basis. But can you share with us what's your expectation? Why do you think there's going to be a sharp acceleration in lending? What do you see the drivers are?

And finally, sorry. Can you give us some guidance on margins? I think that's an important variable for 2007, given the sharp decline in rates we've seen. What are you expecting for net-interest margins for this year? Thank you.

**A - Roberto Egydio Setubal** {BIO 1525746 <GO>}

Okay. In the case of Banco Itaú. The main -- I think a few reasons for the growth in 2006 was below our expectation. The main reason I'd say was -- let me separate in two areas, individuals and the small companies.

In the case of individuals, we had a growth that we -- was a little bit below the expectation mainly because of the -- we were not able to develop for two reasons. Mainly -- first, number one I think we were not able to develop the (inaudible) as we were expecting. We ran late on that and this will effect later in 2007. So we expect to launch 2007 (inaudible) than it is in 2006.

Another reason was the fact that we -- at the beginning of the -- this was the main important reason. At the beginning of 2006, we were foreseeing the (inaudible) ratio -- on the delinquency ratio may begin much more conservative in order to align the delinquency ratio to a level that we were both comfortable. And at this moment, we believe that we will get back to a better growth because we are already improving and not being as much conservative as we have been during the year of 2006.

So what I'm trying to say is that during the year, we became very conservative and gradually we are becoming not as much conservative over the credit criteria [ph]. And we are very comfortable with that because as you can see, with the mix [ph] ratios coming down and also the new -- the (inaudible) are coming out quite -- inside our expectation range. Okay?

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

Okay.

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Mr. Setubal, are you ready for your next question?

**A - Roberto Egydio Setubal** {BIO 1525746 <GO>}

Sorry. Yes.

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

I'm sorry. My question has not been answered yet. There's -- the second part of the question is your forecast for 2007, it's quite aggressive with 20 to 25% growth which is almost twice as much as what the run rate is now. My question is what's the driver for the acceleration going forward? What are you seeing that you'll be able to sharply accelerate the rate of growth?

And the third question was on margins, if you can provide us some guidance on net interest margin for '07?

**A - Roberto Egydio Setubal** {BIO 1525746 <GO>}

Are you talking about Itau, or the general think [ph]? If I would talk the Banco Itau --.

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

The consolidated business, yes.

**A - Roberto Egydio Setubal** {BIO 1525746 <GO>}

The consolidated business we have different expectations for different segments. In the case -- talking about the consolidated business we would expect high growth levels as I mentioned in my --. Let me go through each one of the segments, in the case of Banco Itau, at 20% to a 25% growth level. For Itau Taii a 50% growth level and for Faie [ph] equals 40% growth level for the (inaudible). And in the case of credit card probably around 20% growth level in the outstanding.

And Itau BDA which is a corporate business, negative small growth we expect. So all these combined giving the profile of the portfolio we will have flat growth of 20, 25%.

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

Thanks. And on the net interest margins?

**A - Roberto Egydio Setubal** {BIO 1525746 <GO>}

The net interest margins will be a consequence of the growth in the bank portfolio. And the mix that we are talking about, when you reduce the corporate loans you will have an improvement on the margin. And this is what we are expecting for the year of 2007.

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

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Okay. Sorry, let me just try to be more specific. The Bank was guiding, the last time I spoke with the Bank, for a 50% -- sorry, 50 basis point reduction in net interest margins for 2007. Is that still the case, are you seeing more or less reduction for '07?

**A - Roberto Egydio Setubal** {BIO 1525746 <GO>}

We are still expecting this level of reduction.

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

Okay. Thank you very much.

**A - Roberto Egydio Setubal** {BIO 1525746 <GO>}

Okay Jorge.

### Operator

Thank you for your question Mr. Kuri. Our next question comes from Paulo Ribeiro from Bear Stearns. Please go ahead.

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

Hi. This is actually Jason Mollin calling from Bear. My question is related to the loan growth outlook that you were talking about and specifically in the quarter we saw a trend of a reduction in Itau's personal loan portfolio. I believe it declined almost 4% quarter-over-quarter and in your press release you mentioned two specific items that were related to more restrictive credit policies as well as the use of the person's salary [ph] perhaps to pay down some of these credit lines. But is there any evidence that the consumer is over levered and this could actually impact, because it seems to be a somewhat new trend that in the Fourth Quarter we didn't see these lines increase? We did see this at one of your competitors as well, a similar trend. Is there any color you can give us on how you see the Brazilian consumer today and if they are over levered? And if this is something that could actually impact these growth forecasts you have for 2007, or was this just a blip in the Fourth Quarter?

**A - Roberto Egydio Setubal** {BIO 1525746 <GO>}

I don't think that the Brazilian consumer is over indebted. What I think is -- well you have some seasonal after effects, the credit portfolio. For instance, in the last quarter we've seen the reduction of personal credit lines. Which the explanation was both (inaudible). We expect an increase of credit personal lines in the First Quarter. On the other hand credit cards have that seasonal increase in December and we will see a decrease in the First Quarter. So both are seasonal movements.

Overall I expect that for the year the personal loans would grow much less than other lines. We would see probably personal loans growing below credit cards and we will see auto finance [ph] growing above credit cards. And another fact, another thing that we have to take into account is the Credit Conficionado [ph] which is a product that will be going quite fast in this year.

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

Are you seeing, do you expect to see or are you seeing a shift from the use of other consumer financing, perhaps in your joint venture with some of your retailers to switch from consumer credit to credit cards or from overdraft lines to credit cards?

**A - Roberto Egydio Setubal** {BIO 1525746 <GO>}

Just to make it clear we have different segments. Okay. So in the Bank we expect low growth rates for the credit -- when I say low growth rates for personal loans we are talking about 10, 15%. But on the other hand out of the bank talking about Taii, we expect 50% on the credit portfolio of personal loans.

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

Okay. Thank you very much.

**Operator**

Thank you for your question Mr. Mollin. Our next question comes from Juan Partida from JP Morgan. Please go ahead.

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

Hello. Good morning. I have two questions. The first question is related to the payroll lending segment given the importance it has for Itau Banco loan growth. What is your strategy there, are you looking at perhaps making acquisitions, is it organic growth?

And the second question is relating your strategy to growing in Argentina, Chile and Uruguay. Does that entail additional investments, what are your plans in those areas? Thank you.

**A - Roberto Egydio Setubal** {BIO 1525746 <GO>}

The growths of the credit portfolio -- the market is growing. We believe that we will outgrow the market specifically in some of the lines that I mentioned before. So a 20% growth, 25%, is something that we believe that is pretty much achievable in the year of 2007.

Regarding the operations, the expansion in Chile, Uruguay and Argentina. In Argentina we will be more concentrated in corporations and mid-size companies. In the case of Chile we will be opening some new branches in the year 2007. And Uruguay, we will be investing all in our credit card operations.

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

Thank you. I'm sorry. But my first question was specifically on payroll loans, on --?

**A - Roberto Egydio Setubal** {BIO 1525746 <GO>}

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Oh, payroll loans.

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

Continada [ph] loans.

**A - Roberto Egydio Setubal** {BIO 1525746 <GO>}

Okay, the Continada. Continada, we will be focusing our efforts in increasing our presence in that market. We are behind our potential, clearly. And we will be making an effort in order to improve our presence. We will be considering acquisitions if they make sense in terms of returns for the Bank.

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

Okay. Thank you.

**Operator**

Thank you for your questions Mr. Partida. Our next question comes from Victor Galliano from HSBC. Please go ahead.

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

Hello. Good morning. Just a couple of questions here. On the BankBoston acquisition, obviously you've dealt with all the goodwill amortization from both the Brazil base and the Chilean and Uruguayan operations. But can you give us some sort of idea of what sort of restructuring charges we might see coming through in '07 because obviously the cost-to-income ratio in BankBoston Brazil in particular is something you can bring down from these levels.

And also, at Itau BBA, can you give us a bit more color as to what happened there in terms of the non-performing loan that clearly that seems to have been one problem loan there that's arisen in the quarter?

**A - Roberto Egydio Setubal** {BIO 1525746 <GO>}

Okay, in the case of BankBoston I believe that most of the charges are back already relating [ph] to 2006. We don't expect any meaningful charges for 2007.

In the case of Itau BBA I will turn over to (inaudible) so he can talk about the credit portfolio of Itau BBA.

**A - Unidentified Speaker**

Okay. Thanks for your question. In the case of Itau BBA, in this last quarter we effectively had two loans which we passed to the non-performing line in our balance sheet. These are -- the integrity of the loans with these two companies we didn't expect for the 60-days delay to consume, to consummate. Then we saw that the quality of the companies had deteriorated in such a way that it was already justifiable to put them on this line. As an -- in

the year as a whole, we actually -- we had credit recoveries, still this year from -- we had already had them last year. And which I think is a natural consequence of this behaviour, at least with the Bank portfolio.

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

Okay. Thank you.

**A - Unidentified Speaker**

I think at this -- that the increase in the provisions for this amount [ph] is not in this case a deterioration on the part of the credit portfolio, which I think is very good.

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

Just to come back for the BankBoston. So you're saying the restructuring charges have been done. How are you going to get the cost-to-income ratio down, are you just going to allow for natural wastage, in other words are you going to allow for personnel to retire? Or are there likely to be some -- are there likely to be further cost cuts in terms of employee head count cuts in BankBoston?

**A - Roberto Egydio Setubal** {BIO 1525746 <GO>}

In the case of BankBoston, yes, I think that most of the charges have been done and now we are having the full integration of BankBoston and Itau in this quarter. The reasons (technical difficulty).

(inaudible) at the holding company level. Given that fund management fee, that's an important component of your growth income, if I'm not mistaken it accounts about 20% or more of the total income line. Could you give us more color of the performance in the Fourth Quarter of that income line, will show a sharp contraction and to what extent that is a one-time thing that should not affect the outlook of this important line going forward in 2007? That's question number one.

And two, I'm curious as to your comment that you want to expand in Argentina. If we should see that as a sign that you are feeling more comfortable now with the situation down there from a legal and institutional, political, macro standpoint. And if so, why did you decide not to take advantage of the bank wholesale operations there which if I am not mistaken you could have taken as part of the whole package that you negotiated with Bank of America?

Fee income, we had less volume [ph] as you can see in the screen number 11, a not usual evolution of fee revenue. In the case of funds [ph] specifically we had a reduction which was due to basically two facts. One is the fact that our regulators changed some of the norms [ph] and we are not allowed to sell some of the products that we were used to doing. And we had a small reduction there. And the other is the fact that this one, some of them we had prior (inaudible) the profits when compared to the funds, as a program. So there is some trend of money coming out of funds in order to go into deposits. So this is one trend.

On the other hand we expect credit cards and credit operations, collection services in general to keep growing in a very high level rate.

Going to Argentina, Argentina we -- the fact that all we had -- when we negotiated the overall package with BankBoston, the operation of Argentina was already negotiated with the Standard Bank. So this was not an option that we really had. Just remember you that they announced the operation in December and I think in October, November of 2005. And we announced our operation in March of 2006.

Second, now we are -- we believe that our -- especially when we see -- I mentioned that we are improving or increasing our presence in Argentina mainly in corporate, in corporations, the big companies. And we believe that there is a lot of business to do in Argentina especially coming from the fact that we are at this moment, in Argentina, we have a relatively low presence in the corporate market. And we believe that we can take advantage of the relationship that we have with the head office of many of the Group's national companies and also the resident companies here in Brazil. And we can explore this in Argentina. So this is basically what we are doing in Argentina which is different from what we are doing in Chile for example where we are increasing the number of branches, for instance.

So in Argentina we are doing more of the corporate level, big corporations. In Chile we are doing not only corporate but also retail. In the case of Argentina we expect that the economy will keep on growing, some uncertainties regarding the inflation perspectives.

#### **Q - Unidentified Participant**

Thank you.

#### **Operator**

Thank you for your question Mr. Abut [ph]. Our next question comes from Tico LaBarta [ph] of Deutsche Bank. Please go ahead.

#### **Q - Unidentified Participant**

Hi. Good morning. Just a quick question, the insurance business kind of had a strong growth for the year. Could you just comment on your expectations for this year? Thank you.

#### **A - Roberto Egydio Setubal {BIO 1525746 <GO>}**

Insurance, we also see some products. We believe again, here is an opportunity for Itau. We expect to grow, to outgrow the market this year again in the insurance pension markets. So we are growing faster than the market and we believe that we will keep doing well in 2007. Again, we believe that 30% is a number that is pretty much possible to grow in the year of 2007.

#### **Q - Unidentified Participant**

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Okay. Thank you.

## Operator

Thank you for your question Mr. LaBarta. (Operator Instructions). We have a question from Juan Partida with JP Morgan. Please go ahead.

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

Hello. Thank you. Just a quick question regarding your provisioning policy. You mentioned in your release that part of the increase in provisions this quarter was the result of some re-assessment of provisions at the BBA, Itau BBA level. Does that affect your outlook for 2007 or is that just related to the loans that went -- that you classified as past due this quarter?

### A - Roberto Egydio Setubal {BIO 1525746 <GO>}

No. It does not affect our perspective for 2007. As I mentioned, 2007, we believe that the rate of securitization will improve, a slow improvement in the rates of securitization overall. And this is the perspective that we have for the year.

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

Thank you.

## Operator

Thank you for your question. (Operator Instructions). Seeing that there are no other questions, again, this concludes today's question-and-answer session. Mr. Setubal, at this time you may proceed with your closing statements.

### A - Roberto Egydio Setubal {BIO 1525746 <GO>}

Thank you very much for your presence and your attention here with questions and points that you raised. I see 2006 was not an easy year for this term, our statements, especially because of BankBoston transaction and mainly non-recurrent transactions. But I am very confident that 2007 will be a very good year for Itau and hopefully not so complex to understand.

Thank you, again for your questions and for your attention here today. Thank you. And see you next time.

## Operator

That does conclude our Banco Itau 2006 Results Conference for today. Thank you very much for your participation, you may now disconnect.

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