

Q4 2005 Earnings Call

Company Participants

- Jean Leroy, Executive General Manager IR
- Milton Vargas, EVP and IR Officer

Other Participants

- Maria Laura Pessoa, Analyst
- Paulo Ribeiro, Analyst
- Pedro Guimaraes, Analyst
- Steven Vera, Analyst

Presentation

Operator

Good morning, ladies and gentlemen. We would like to welcome everyone to Banco Bradesco's 2005 earnings results conference call. This call is being broadcasted simultaneously through the Internet on the website www.bradesco.com.br/ir. In that address you can also find a banner through which the presentation will be available to download. (Operator Instructions)

Before proceeding, let me mention that forward-looking statements are being made under the safe harbor Securities Litigation Reform Act of 1996. Forward-looking statements are based on the beliefs and assumptions of Banco Bradesco's management and on information currently available to the Company. Forward-looking statements are not guarantees of performance. They involve risk and 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. Jean Leroy, Investor Relations Executive General Manager. Mr. Leroy you may now proceed.

Jean Leroy {BIO 17084785 <GO>}

Thank you. And welcome to Bradesco's Fourth Quarter 2005 conference call. We have here, in the meeting room, the senior management of Bradesco. Unfortunately, Mr. Marcio Cypriano is unable to participate. But we have the presence of Mr. Milton Vargas, Executive Vice President and Investor Relations Officer, Mr. Jose Luiz Acar Pedro, Executive Vice President, Mr. Domingos Figueiredo de Abreu, Managing Director. And

Mr. Paulo Isola, also Managing Director of Banco Bradesco. I will now transfer the floor to Milton who will begin this presentation.

Milton Vargas {BIO 3347541 <GO>}

Good morning. Welcome to our Fourth Quarter conference call. In 2005 we posted (a) net income of more than BRL5.5m. And a 32% return on average stockholders' equity. This was also surpassed by more than 80% (of) last year BRL3 billion net income. 69% of this result were generated by Banking. And 29% by Insurance, Private Pension Plans and Saving Bond activities. In the Fourth Quarter net income returned BRL1.46b. And a 35% of return on average is stockholders' equity.

These positive results can be explained by the combination of several factors, such as, one, a strong loan portfolio growth, two, consolidation of our customer base's segmentation, three, better performance of our Insurance Group. And finally, a strong cost control orientation. Regarding credit, we highlight (in the quantitative, in qualitative) growth of BRL81 billion loan book, by 29% in the year 2005. Loans now represents 40% of our total assets.

Loans to individuals recorded a very strong growth in the year. From the BRL18 billion increase in our loan book, BRL12 billion were originated by individuals. Customers from both (Brazil and others). We have more than 60 million account holders, (47m) credit and debit cards. And 70 million Insurance customers. Regarding Insurance, Private Pension Plans and Savings Bonds we recorded a strong net income evolution.

(Margin) growth is up to BRL1.6 billion in 2005, vis a vis BRL887 million in 2004, corresponding to a more than 80% growth. Such operating improvement is due to its management (broad) orientation, correct underwriting policy. And strong cost control.

In terms of expenses, Brazil continues to do its homework, managing in focusing on constant operational improvement. As a consequence, we ended the year with 44.8% in (efficiency ratio), much lower than 50% ratio presented back in 2004.

We considered the year 2005 as excellent for our more than 1.3 million shareholders. Our market optimization jumped by more than 126%, reaching by year end more than BRL64b. Besides that, we paid our provisions in 2005, more than BRL1.9 billion in interest on capital in dividends to our shareholders.

I'd also like to remind you that (the our mark) of the (capitalization success is) BRL80b. The guidance (prospectus) in addition to the previous remission in agreement with the retailers, I would like to highlight that the (closing) last year of important partnership with names such as (Riticomble), (Leader Magazine), (Vodo Colombo) and (inaudible). Those operations should be translated in traditional market volume of new deals in consumer finance and, as a consequence, better operating plans for the future.

I also would like to mention the acquisitions of the consumer finance operations of the Morada Group. In fact, the (inaudible) confirmed our optimism regarding our (research

and) development.

In 2006, we set a partnership with Lojas Esplanada, which should extend even more our operations in North East of Brazil. Considering our retail basic plans, we believe that close partnership with the retailer is totally in line with our strategy. Therefore, we can add value both to our customers and shareholders.

Regarding Brazil's internationalization, we reached last year an operation agreement with (inaudible), aiming at offering service to Brazilian's living in Portugal. On the same concept as in the strategic partnership, we had closed with (inaudible), as seen in the (more than) 300,000 Brazilians living in (Japan).

On the organizational side, we recently announced the creation of our Investment Bank. Through this new company, BBI, we will focus in providing products and solutions related to the management and international (inaudible) markets.

It's also important to mention our commitment (inaudible) corporate (finance practices). Last year, we received an AA rating from (Austin Regis), rewarding our transparency and continued focus with the sustainability of our dividend model.

Regarding sustainability, I would like to re-emphasize our strong belief in substantial environmental values, where I would highlight our role in education. As to Banco Bradesco is in the way to complete 15 of (equity standards).

In 2005, we confirmed our support to the Global Compact, a project sponsored by the United Nations, which established (inaudible) regarding labor and human rights, environmental protection and fight corruption.

Our responsible environmental reasonability area will co-ordinate and (assimilate) such practices, keeping the market informed of our initiatives, ideas and actions regarding decisions.

I would like to comment the recent changes in our senior management, which should add value to our organization. We made several changes, namely adding (to our agility) and focus. We've exchanged responsibilities in line with (what to report to) (were simplified), impacting our Executive Vice President and Managing Directors. Among this change, the Board of Directors appointed me as the Investor Relations Officer, being in charge of co-ordinating the relationship with the analysts and investors.

I will be totally committed to this mission, focusing and supporting this important activity. The challenges will be difficult as I will be replacing Mr. (Lacalle), who has been doing a very good job as IRO over these last (three) years.

Having said that, I would like to say that 2005 was an excellent year in (Bradesco) in particular. And (inaudible) institution brand names recognition, I would like to highlight

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our first issue of perpetual bonds. These (operations) open the other companies -- to other companies the possibility to access this important funding for (us).

To conclude, we would like to thank you, once again, our employees for their dedication and commitment with our goals and who were responsible for the results we were now posting.

Thank you. And we will be available for additional comments after this presentation.

Jean Leroy {BIO 17084785 <GO>}

Now we are going to use the 24 slide presentation, giving a summary about the performance of Bradesco and for the year and for the quarter itself.

On slide number two, we are disclosing our guidance for 2005 provided to the market during our Fourth Quarter 2004 conference call, which was held back on February 1, 2005. Our guidance comprised five different topics. Loan portfolio, net interest income, fee income, insurance premiums and operating expenses.

Bradesco's loan portfolio grew by 29.2% in 2005, higher than the 24.8% reported by the private banks, higher than the 21.5% reported by the banking industry, as a whole. And, as you can see, much higher than the 20 to 22% guidance we provided at that time.

The major driver for Bradesco's loan book growth was consumer finance, which increased, as you will see on the following slide, in 2005, by approximately 70%.

In terms of adjusted net interest income, the 21.5% growth was higher than the 15% we had estimated, explained that on one hand loans increased much more than we expected, especially in credit lines with higher spreads and, on the other hand, interest rates were higher than what we had thought at that time. With the accumulated CPI rate standing at 19% in 2005, vis a vis 16.2% in 2004.

Fee income jumped year-over-year by more than 26%, higher than the 20% we had given as guidance. Fees grew mainly because of five different reasons. A, credit operation fees and deriving as a result of the solid expansion of consumer finance operations, B, customer based growth, C, higher cross sell ratio, due to the success of our segmentation strategy, D, increasing pricing. And finally, E, asset management fees which have been boosted by the increase in the volume of assets under management.

Premiums from Insurance, Private Pension Plans and Savings Bonds rose by 9.3% on the year-over-year amount; an increase below the expected 12 to 15% range. As for the whole market, this performance was impacted by lower sales of Private Pension Plan products due to changes in the tax regulations occurring in 2005, as well as to the higher level of redemptions of (EDBL) products which, based on (Suzette's) legislation, reduce the retained contributions line.

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Despite the 12% drop in Private Pension Plan contributions, Bradesco Vida e Previdencia managed to increase its market share from 36.9% to 37.5%. This re-enforces the importance of our sales force and the focus we have always given to this interesting industry.

Operating expenses increased year-over-year by 5.5%, below our 6% guidance, due to the strict control of personnel and administrative expenses implemented in the whole Bradesco Group. As we will discuss later on, the highlight of the year was the performance of our administrative expenses, which grew by only 4.2%, compared to the 5.7% CPI rate. Therefore, we out-performed four of our five topics provided in our attack.

Slide number three. We present evolution of our net income which had a compound annual growth rate of 26.5%, increasing from BRL1.7 to BRL5.5 billion over the last five years. Considering in 2005 that we have had a BRL453 million of amortization of goodwill, definitely an impressive growth.

Slide number four. Bradesco's net income is on its peak. But it is also worth mentioning about its sustainability since the increase from BRL1.2 billion to more than BRL1.4 billion on a quarter-over-quarter analysis. On the right side of this slide, we highlight that the split of loans, insurance, fees and securities in Bradesco's overall profit did not vary in the 2004/2005 comparison, which also re-enforces the sustainability of our results.

Slide number five. On this slide we are showing the evolution of loans and activities as a percentage of total assets. As one can see, the participation of loans is increasing steadily. In 2003 and 2004, loans and securities had similar shares in the overall (buy) of total assets.

However, in 2005, these two components evolved in opposite directions, with credits moving up to 38.9%. And securities moving down to 30.9% of total assets, even though as Bradesco is a strong player in Insurance and Pension Plans, securities will always be an important part in total assets. Due to the outlook of Brazil's loans to GDP ratio evolution. And Bradesco's strategic positioning, we believe this trend of loans growing and securities being kept lower will be continuing.

Slide number six. In this slide we present the quarterly evolution of our asset quality. On the upper part of this graph, we are depicting two lines in red and blue, showing the level of total and required provisions as a percentage of total loans. Then, in the line in orange, we are showing the evolution of non-performing loans of more than 90 days.

The line in black represents an important asset quality indicator, as it measures the ratio between net write offs we bought over the last 12 months, compared with the loan book of the prior 12 months. From this analysis, we can conclude that both the provisioning needs and the delinquency ratio have been gradually declining until December 2004. And that they have reached a new supporting level in 2005.

Slide number seven. Providing financing is Bradesco's core business. For this, Bradesco works in an integrated and complementary way through its Bradesco and (Finasa) brands.

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In this chart, one can notice that between the years of 2003 and 2005, our loan book mix has significantly changed. Individuals represented, in 2003, less than 29% of the total book. In 2004, more than 40%, on the back of direct lending out of finance and financing to customers (of retailers).

Corporate loans represented 71% of the total loan book in 2003. And now 59%. Within the corporate segment, despite a normal growth of the loan portfolio directed to large corporations, the increase in exposure to SMEs was much higher. Large corporates grew their finances also to other alternatives, like capital markets. And it's clear that also the devaluation of the Brazilian currency vis a vis the U.S. dollar, which occurred in 2005, also had an important impact on the loan book for large corporations.

Slide number eight. A significant part of Bradesco's loan book growth is based on consumer finance strategy, as BRL11.3 billion out of the BRL12 billion growth in the book were directed to individuals. And originated by these activities as we are here showing in this table.

As one can see, we have to highlight the evolution in the vehicle, personal goods credit and (durable) goods financing portfolios. In the durable goods line we are including loans directed to customers of retailers such as (inaudible). Consumer finance is certainly a very attractive business. And will have a very strong growth potential. This book grew by 70% over the last 12 months. And by 10.7% over the last three months.

Slide number nine. In this slide we present the qualitative behavior of two important asset quality indicators; delinquency and coverage ratios. The delinquency ratio is split between individuals and corporate. And consolidated for the total book.

By the end of the Fourth Quarter of 2005, past due operations of more than 59 days, for which we no longer accrue interest, represented 3.3% of the total portfolio. For individuals, the delinquency ratio represented 5.4% of the total portfolio. And for corporate, a 1.9% ratio. Although both recorded a slight increase, we do not believe in a significant deterioration in the coming future. The coverage ratio stood at a solid 183%, providing us strong provisions for the future.

Slide number 10. We present the detailed breakdown of the evolution of our loan portfolio and our provisions. On this slide, we would like to highlight that the loan portfolio growth is quite above the level of the need of provisions, although, on a percentage basis, there has been over the last three years an improvement from 4.5 to 3.1%.

Remembering that allowance for loan losses grew by 22% in the year-over-year analysis. And vis a vis 29% of our loan book rose, which (directly rises) the asset quality improvements.

Slide number 11. In this slide we present Bradesco's main index. I would highlight the 32.1% return on average stockholders' equity we posted. And a strong 16.2% BIS ratio, which gives us plenty room to increase our loan book by more than BRL64b. Delinquency

ratio stood at 3.3%, lower than the previous years. And the coverage ratio also stood at a very strong level of 183%.

Slide number 12. In this slide, I would like to highlight the 75% EPS evolution. Our stockholders will have received approximately BRL1.9 billion as dividend and interest (on) capital. The loan portfolio growth was more than twice the evolution of total assets. On the funding side, I would highlight the evolution of total deposits, as well as the volume of issuance of debentures by our leading Company. Stockholders' equity reached BRL19.4b, a 28% year-over-year jump. And assets under management recorded an impressive BRL21.5 billion growth.

Slide number 13. The adjusted net interest income increased by more than BRL3.3 billion in the year. As we are excluding the effects of selling the investment in -- which (operated) in the First Quarter of last year. And the effect of hedging our investments abroad. Out of this strong increase, I would like to highlight interest income growth, motivated by a strong loan book growth which more than offset the BRL136 million drop in spread caused by the increase of the funding costs.

Slide number 14. In this chart we can follow Bradesco's continued effort regarding fee income generation and the evolution of our expenses. I would like to emphasize the behavior of the coverage ratio line, which compares total expenses and fees. And which has been following a very consistent trend. As one can see, in December '05, 70.3% of total expenses and administrative expenses were covered by our fees, vis a vis, 45.8% back in December '02.

Slide number 15. Bradesco continues truly committed to improve its efficiency, maximizing income. And minimizing expenses. In these two charts we present our efficiency ratio evolution. One can notice that this is the sixth quarter in a row in which we reported efficiency ratio better than in the previous quarters. These movements more than confirms Bradesco's commitment on improving efficiencies. In the Fourth Quarter of '05, this ratio stood at 44.8%, definitely a very good number.

And also it's important to mention that here we are considering that we have BRL453 million of amortization of goodwill. If we did not have this amortization, our cost to income ratio would be 43.8%. So 100 basis points lower.

Slide number 16. In this slide we are showing the breakdown of our fees. It's important to re-emphasize, once again, that it is the 15th quarter in a row we are presenting fee income growth. This re-enforces the sustainability of this growth. And a focus implemented by the Bank's management to add non-interest on earnings. As one can see, we can observe that in addition to the yearly 26.2% fee income increase, surpassing the BRL7.3b, additionally, all the lines of fees increased, proving again, its sustainability.

Slide number 17. We presented performance of our Insurance, Private Pension Plans and Saving Bonds activities. We observed that Bradesco's focus continues in life and private pension plans, which represents more than 61% of the Group's premiums.

Regarding health insurance, we maintain focus on corporate insurance plans, with 16.7% of the issued premiums. This percentage increased vis a vis the 14.2% recorded in the previous year. Vehicle and (baby clients) has also increased its share (in the time), to 19%.

Below we present the evolution of insurance premiums, private pension plan income and savings bond revenues. Insurance activities increased in 2005, despite the lower contribution of Private Pension Plans, we had already commented in the beginning of this call. It is worth mentioning that the Bradesco Securities Group expanded its profit, moving from BRL888 million in 2004, to almost BRL1.6 billion in '05, an impressive performance.

It's also something we would like to stress, is the fact that Bradesco represents 44% of the guaranteeing assets market share, even though it holds a 25% market share in premiums.

Slide number 18. Bradesco's Insurance Group performance is based on operating improvement, as one can see when analyzing the behavior of its combined ratios. These improvements can be attributed to the combination of three main drivers; higher revenues, lower claims and lower personnel and administrative expenses.

Slide number 19. In this slide we highlight the expected flow for goodwill amortization, which shows, year after year, that Bradesco will have lower needs for goodwill amortization. As an example, until the end of 2007, 67% of the goodwill will have been amortized. In 2005, Bradesco amortized, as I said, BRL453 million of goodwill.

Slide number 20. We present a comparison between Bradesco's tax credit and its stockholders' equity. From this analysis we notice an important improvement as this ratio moved from 45.7% in 2002 to 26.8% in 2005.

Slide number 21. Here we are presenting the activities which will be consolidated in our Investment Bank which was mentioned in the beginning of the call by Milton. The name will be -- the brand will be BBI; Banco Bradesco Investimentos. We believe that, with BBI, Bradesco will manage to add further businesses and focus better on activities related to capital markets, as a whole, adding to important shareholder value.

Slide 22. In this slide we present a macroeconomic outlook our economic team is forecasting for the next couple of years. Basically, we expect 2006 and 2007 to be good years in terms of economic growth, with lower inflation rate and low FX variation. We believe in the country's perspectives, which should reflect in very good business opportunities for Bradesco.

Slide 23. Finally, in this slide we present our guidance for 2006. Our loan book should increase between 20 to 25%, especially in the individual segments. Fees should evolve by 20% due to the customer base growth as well as the growth based on the higher volumes of operations.

Regarding Insurance, 2006 should be quite similar to the performance of 2005. And finally, fixed operating expenses should be in line with the level of inflation.

Thank you, all for your attention. And let us move to our Q&A session.

Questions And Answers

Operator

(Operator Instructions) Our first question comes from Paulo Ribeiro of Citigroup. Please go ahead.

Q - Paulo Ribeiro {BIO 1929952 <GO>}

Good morning. My first question is about Bradesco (Saugi). I would like you to remind us a little bit what happened during the year that led to the extraordinary provisioning. And what do you expect for 2006 in that regard, if anything?

And my second question is about your fiscal planning, how you expect your effective tax rate to behave in 2006 and if you -- and the use the tax credits. Thank you.

A - Jean Leroy {BIO 17084785 <GO>}

Good morning, Paulo. In terms of Bradesco (Saugi), we take several measures in order to maximize the profit of the Bradesco Securities group. Now, Bradesco (Saugi) is separated from Bradesco Securities. So it's not fully consolidated in the numbers of the balance sheet. But on the managerial point of view, when we have our fact book issued, we always include the operations of health, while giving you a better understanding of the performance of the balance sheet and of the profit and loss accounts.

Over the last years, we have used approximately BRL1.4 billion of provisions. And, basically, the strategy has been to focus much more in the lines in regards to corporates. So basically offering health insurance products to employees of customers, vis a vis individuals. So nowadays we have, give or take, two thirds of the premiums relative to corporate plans. And one third for individuals.

There have been a series of negotiations and lately an approval of increasing prices of 26% of the plans before '98. And you know that there were some changes in the legislation at that time. And, basically, there was an approval lately of increasing the prices of 26%.

We made some capital increases at Bradesco Saugi and, basically, what we have in terms of the profits coming from Bradesco (Saugi's) corporate plans, they more than cover some losses that we have in individual plans. So, basically, the (structure) is pretty much resolved and we feel secure about Bradesco Saugi.

What happened is that we, in the First Quarter of 2005, we billed BRL327 million of provisions for plans for elder people as well as specialized plans for people who pay just at one time their plan. And they -- after that they don't pay any more. So we billed this BRL327 million of provisions and this was a decision -- a very conservative decision taken

by the management of the Company. This was not a need that was forced by any part or form by the legislators.

And, if you analyze the slide in this presentation where we are talking about Insurance, which is slide number 17 and slide number 18, mostly the slide number 18. We are showing that there is a slight deterioration in the combined ratio on the quarter-over-quarter analysis, basically because this BRL327m, they were provisions. But the legislator, just in the Fourth Quarter, allowed us to put this provision in the correct line it should be, impacting the combined ratio, which was not a provision that impacted in the First Quarter. This is just the only reason why there is a slight deterioration in the combined ratio in the Fourth Quarter.

So, for the future, we feel totally confident that Bradesco Saugi is correct in terms of provisioning. We have been making even much more provision than what the legislator imposes. And we believe that, for the future, Bradesco Saugi should not impact in any (part or form) negatively the Bradesco Securities Group. So the trends are actually more positive in this sense.

In terms of fiscal planning, basically, we will be continuing to follow our same strategy. We have always in strategy trying to use, for example, interest on capital. This should just continue.

You notice that we, yesterday, disclosed that we would be making additionally the dividend payment in the form of dividends. So on the top of interest rates, interest on capital we also made the payment of dividend. And this should continue going forward because in our by-laws, we guarantee to our shareholders for the voting share, that 30% of the cost is (Securities). And for the non-holding share, 33%.

So, basically, because of the long-term interest rates, the (CGRP) having an evolution lower than the profit growth of Bradesco, vis a vis the obligation of our by-laws, we complement them, we made on the top of the interest in capital, the payment of dividends.

We made some analysis in terms of the effective tax rate. And based on that, we believe that approximately 28% should be the number you should be using in the model for the effective tax rate calculations for the Bank itself.

Q - Paulo Ribeiro {BIO 1929952 <GO>}

Thank you. That's very helpful. Thank you.

Operator

Our next question comes from (Steven Vera) of Thames River Capital. Please go ahead.

Q - Steven Vera

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Hi. I was wondering if you could comment on credit fees in the quarter. If you look at the quarter-on-quarter growth, Q3 against Q3 and then Q4 against Q4, there was quite a sharp slow down in the Fourth Quarter of this year, at a time when, in the second half of this year, you added about 3 million credit cards. So it looked as if, basically, there was no fee income coming through on that increase in credit cards.

I was wondering if there was any particular reason for that. And if you could give guidance for 2006. Thanks very much.

A - Jean Leroy {BIO 17084785 <GO>}

Okay. For the overall number, we already gave the guidance that we should be growing by 20% in nominal terms, our fees. Actually, credit operation fees, they grew. They are growing consistently because we are growing the number -- we are growing the (tickets) of the operations, as we are digging in more into consumer finance. So, on the --

Q - Steven Vera

Sorry, this is credit card fees rather than credit operation fees.

A - Jean Leroy {BIO 17084785 <GO>}

Yes. But I just wanted to talk briefly about the strength of the fees. But okay, I'm just explaining about the drivers for the future. And this was an impact in this credit operation line.

Q - Steven Vera

Okay.

A - Jean Leroy {BIO 17084785 <GO>}

But sorry, let me then just focus on your question. We had an important growth in fees and in the fees for credit cards what happened is that, here we are not talking only about fees of credit cards, we are also talking about debit card fees.

We are growing the basis for credit cards by some 3m. Year-over-year we (moved) 2.6 million cards. And, actually, a lot of this growth was basically trying to bring new customers. So relative -- the people relative from card holders. And in a way that we would be offering credit cards to those other people, relatives of those credit card holders, by lower -- with lower fees sometimes even not charging fees for the first year.

So that's why maybe you have a much larger growth in the basis of credit cards than a growth in the generation of fees for cards. But we believe that this movement definitely should be, in the future, helping us to grow fees because we are growing the number of card holders. And then, after this first year, we will begin to charge fees.

On the top of that we receive other types of fees. And this should also be adding in this line.

Q - Steven Vera

Okay. So in effect it's a promotional effort to increase card penetration among, for example, (catch by year) clients and your existing clients?

A - Jean Leroy {BIO 17084785 <GO>}

Exactly. First you begin to grow your basis. And sometimes not having such a higher impact in fees but, on the second wave, then you have a much higher fee generation.

Q - Steven Vera

Thank you.

Operator

Our next question comes from (Maria Laura Pessoa) with Banco Santander.

Q - Maria Laura Pessoa

Good morning. My question is regarding the amount of loans that were accounted for, for the partnerships with the retailers; (cards by you mainly) and -- because I have a figure of (BRL6.4b) of these loans. And I wonder how much of these comes from Casas Bahia and other retailers' agreements. And how much of these are in the payroll, or if payroll was not included in this figure?

Also, I wonder what is your strategy towards growing credit cards, as well (if we taking advantage of the previous question? And if you could talk a bit as to your expectations on maybe acquiring some (inaudible). I was reading a piece of news that talked about some comments and possibility of some extra position and so on. What is your strategy, if you are looking, if you have any possibility of acquisition if you are looking at it. And give me some color on this please? Thanks.

A - Jean Leroy {BIO 17084785 <GO>}

Okay. Definitely Bradesco has excess of capital. And looking at good opportunities is something that we always will be doing. But always if we just see the possibility of adding shareholders' value.

In terms of agreements, Bradesco has been, since December 2004, a very active player, closing very good agreements with very good companies. And not (paying) even the time for that. So definitely the strategy was very correct. And Casas Bahia which was Brazil's largest retailer is definitely, I would say, a model of operation that maybe is -- people try to follow on a very difficult way because there are not so many players -- other players, large players that are available. What you have more now are regional players and we will be always looking at opportunities also in this front.

In terms of the Casas Bahia deal, generally speaking, we have a book in (inaudible) in December, holding very close to what it was in September. We had BRL1.52 billion of stock of operations as of September. And we had BRL1.53 billion of stock as of December

'05. So the growth was almost (in-existent). There is an explanation for that. Part of that is that we have a rollover of operations. So we have operations that become mature. And you have to replace by other operations.

And second, it was a period we were negotiating with Casa Bahia a deal, an extension of the tender of this agreement, as when we made a deal in December '04, there was an establishment of some BRL100 million of funding by Bradesco on a monthly basis. And you noticed that the level was much higher than the BRL100m. So, basically, we thought it would be interesting to extend the tender of the deal and to re-analyze the different items of this agreement.

So this agreement have been signed recently. And because of that, I would say that the impact of the run (out) of operation in Fourth Quarter, even though there was an increase in operations, that basically made the stock of operation of Casas Bahia being very similar as to what it was in September.

We have other agreements, for example, with (Salter), with (Dubon) the retailers. And they are, actually, more in the beginning of the learning curve. And definitely we also believe that, because of improving our credit scores and more database, we will have the possibility to cross sell, not only the loans that we provide. But also selling other products. For example, Casas Bahia, you have the possibility to install kiosks in the different stores. And also you have the possibility to sell other products.

So in terms of the agreements from retailers, totally speaking, we moved from BRL1.64 billion in September '05 to BRL1.68 billion in December. We -- after we signed the agreement with Casas Bahia, we presented it in September the new terms, we saw a very large increase in the volume of operations, which makes us a strong believer about the good trends for the future, not only for this deal. But also for other types of deals.

It's also clear that when you have the payment of the 13th salary, which occurs in the last quarter every year, there is an impact of people using their 13th salary to purchase (inaudible) and not only financing. So the terms we will be able to benefit going forward.

The strategy for credit cards is actually seen as a strategy for consumer finance as a whole. We definitely see it as totally in line with the strategy of consumer finance. And we are developing ways to grow in this business.

We definitely will be growing. And you notice that Bradesco has been signing many agreements in private labor side. That is (typically) it is a market that is almost untapped in Brazil. And should be definitely may have been tapped more in the future. And this will be a potential increase for operations in general.

So summarizing, I would say credit card business at Bradesco will be growing more. A lot because of the focus, a lot because of the improvement in terms of systems, credit scores, definitely which should be very interesting and, on the top of that, some agreements we might sign. For example, in private labor or others.

And we will be looking at good opportunities. And time will tell if auditing could be coming on in the future. And we will be always very active in analyzing the deals.

Q - Maria Laura Pessoa

Okay. Thank you. Just the one last question, on the payroll loans, could you give me the figure of how much you closed the year in payroll loans. How much of this total is related to public sector and how much is private sector in payroll? Thank you.

A - Jean Leroy {BIO 17084785 <GO>}

Okay. When we take into account everything that we are considering as (responsive and) (management) loans. And I don't know very much how to translate, payroll loans, in general, if you want, what is generated by Bradesco and what is acquired by Bradesco because you make agreements with the banks. We would have a stock in December '05 of BRL4.5b, vis a vis BRL4 billion in September of '05.

This would be just considering what we have in terms of direct management loans to (inaudible), generated by Bradesco for their clients because of agreements we have with other banks.

Q - Maria Laura Pessoa

Thank you.

A - Jean Leroy {BIO 17084785 <GO>}

You're welcome.

Operator

Our next question comes from Pedro Guimaraes with Banco Pactual.

Q - Pedro Guimaraes {BIO 1973955 <GO>}

I have a question that is, in fact, a little different from the results themselves. But are related with that. It's similar with what I ask at (yesterday). And it's related to mortgage loans because I could not find in your numbers -- usually it was around page 80. And the question is simple.

You have BRL26.2 billion in savings deposits. It should be 65% in mortgage loans. That would give around BRL17b. We have the different regulations of the Central Bank that allows some type of exemption. But I would like to ask to you, as I did with (Raul), how much effectively of mortgage loans, construction loans, mortgage loans like (Freeze) and (LH) we will have in the balance sheet right now?

What do you think will be the speed of growth of this mortgages exposure? And if you believe that we can have this without further change in the regulation from the Central Bank? Thank you.

A - Jean Leroy {BIO 17084785 <GO>}

Thank you, Pedro. Mortgage business is a business that is a big driver of loan book growth all over the world. But in Brazil, definitely there is a lot of changes occurred in terms of legislation and that continues to a much more secure, (nowadays) to lend to mortgage. But what is also very important is the demand.

You have the potential of financing 8 million homes, yes. But definitely a lot of those people who will be acquiring, they will not be entering in -- approved in a credit score. Saying that, I would say that when you look at the demand that Bradesco could be offering to its customers this year, we noticed that we could be granting approximately BRL1.5 billion of loans considered to mortgage.

So new loans this year should be approximately BRL1.5b. We definitely will have much better trends going forwards, also when interest rates go lower. But as far as we have seen, the demand will be BRL1.5b.

We are going to see if there will be other ways to finance. We are very committed to analyze this business, because you have a long term customer for you. And this is a good business and if you can have also the possibility to re-possess the homes quicker if someone does not pay.

So, responding to your question, we see BRL1.5b. Before last year there was a negotiation every quarter. So the government was sitting with the banks and with the developers and setting up the target of expansion of the mortgage for the following quarter. And now we are going to see, through this immediate change in legislation, that we would have to compare to 65% of what we have in terms of stock. But it's not only a question of granting loans. It's also a question of seeing if you have demand for that.

Q - Pedro Guimaraes {BIO 1973955 <GO>}

Okay. But this BRL1.5b, is this mortgage loans, or this includes also the construction loans, the mortgage loans like the (Freeze and Elagar)?

A - Jean Leroy {BIO 17084785 <GO>}

It does consider everything.

Q - Pedro Guimaraes {BIO 1973955 <GO>}

And (inaudible) my question, do we have these disclosures in any place in the quarter results or is it something that you are still not disclosing. And if you are not, I would like to know if you have plans to discuss this, because I think that it is a major point, especially given the huge difference that we have between nominal interest rates and the yield that you would be able to earn in this mortgage market. Thank you.

A - Jean Leroy {BIO 17084785 <GO>}

Okay, Pedro. We are going to think about that. Definitely Bradesco is always focused, as Milton said, about profit (inaudible) and transparency is very important. So we are going always to analyze if we have other ways to disclose a little better the numbers. And we are going to consider your comments.

Q - Pedro Guimaraes {BIO 1973955 <GO>}

Thanks.

Operator

(Operator Instructions) Excuse me ladies and gentlemen. since there are no further questions, I would like to invite Mr. Jean Philippe Leroy to proceed with his closing statements. Please go ahead sir.

A - Jean Leroy {BIO 17084785 <GO>}

Thank you, everyone to take part in this conference call. We are going to be always available for additional questions. And Milton Vargas, Domingos Figueiredo de Abreu and investor relations area will be open to explain really if there is something that weren't maybe not explained in this call. Thank you.

Operator

That does conclude Banco Bradesco's audio conference for today. Thank you, very much for your participation. Have a good day.

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