

## Q2 2005 Earnings Call

### Company Participants

- Alfredo Setubal, Director of IR
- Silvio De Carvalho, Executive Director

### Other Participants

- Jason Mollin, Analyst
- Paolo Rivero, Analyst

### 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 Jason Mollin with Bear Stearns. Please go ahead.

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

Hi. Good morning, everyone. I have two very specific questions and then a general question. I'm just looking at your pro forma statement of income by segment which is very helpful to understand your operations.

I'm looking at the loan loss provisions that were created at Itaucred, going down from R\$120 million in the First Quarter to R\$2 million in the second. If you could help us understand, particularly given the growth in that segment. I think I know it may have to do with the reclassification in the autos but if you could just confirm that. And the second question is related to the insurance business.

We saw your claim ratio increase and then your combined ratio increase that you attributed with a brief statement about the auto segment -- increased claims in the auto segment. If you can comment on what's going on in that business. And my more general question is just on the highly competitive environment that you just mentioned. If you can tell us how that is impacting the pricing for loans, as well as the pricing for deposits.

#### A - Silvio De Carvalho {BIO 20450971 <GO>}

Good morning, Jason. Silvio speaking. The segment of Itaucred, this segment in terms of car loans is increasing a lot. We analyzed all the figures during the quarter and we compared the delinquency ratios with the level of the provision and we decided to reclassify these qualities, the real guaranty.

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In case of vehicles, we have the guaranty of the vehicles and we consider this the criteria. It's not better to present the reality in terms of this amount. That's the reason because we mention in our comment, that we are not considered a total credit from the customers to the classification. We have separated the car loans division into the other operations that the customer has.

In terms of the second question related with the insurance business, what's happening here is the drops in the car insurance. We had more claims than the past. We made this provision to relate to these claims.

In terms of the competitive environment, we are not to see a big impression in terms of spread. The competition is increased basically in the middle market but basically we are not in this spread that we operated all along this semester.

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

As a follow up, are you using these in the search for deposits given the strong growth? Are you seeing pressures of the interest rates offered to clients on deposits?

**A - Silvio De Carvalho** {BIO 20450971 <GO>}

Basically what happens related to deposits but because of the increasing loans, we are more active in terms of the competing in deposits sector. Basically, we are utilizing the (inaudible) interest rates. That's the institutional market. In terms of the branch, we have become more competitive with CDs and time deposits.

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

Thank you, very much, Silvio.

**Operator**

The next question is from Paolo Rivero [ph] of Citigroup. Please go ahead.

**Q - Paolo Rivero**

Good morning. You highlighted your association with Las Americanas and (inaudible) as a channel for growth. I was wondering, in your view without mentioning names, any opportunity left in Brazil for growth in that area given that every other week now we have an announcement from you, one of your competitors, of a new association in that space.

And also, in terms of small banks, is smaller banks something that you would look towards making new associations? And if you could comment specifically on BMG. What's the status of your relationship with them given the potential threat of investigations on their business for their scenario in Brazil? Thank you.

**A - Silvio De Carvalho** {BIO 20450971 <GO>}

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Paolo, we are starting all opportunities we have for new associations and we have a lot of new associations under study and if it makes sense at the right price to increase market development we will go on with that.

The problem of BMG Paolo, we are very, very, very, comfortable with our situation. We are acquiring just the credit with Zinco Signacale exactly as it was now set in the fact with the warranty that we issued. The portfolio that we are acquiring is very, very good and the operation of BMG in this sense is very, very sound and very good. So for the moment that's all. And we are continuing as it was disclosed when we made the association.

## Q - Paolo Rivero

Okay. Thank you, very much.

## Operator

This does conclude today's question-and-answer session. Mr. Alfredo Setubal at this time you may proceed with your closing statement.

## A - Alfredo Setubal {BIO 1528623 <GO>}

Thank you for your participation. I think, again, that we had a very good result. We continue to expect that this environment that we have seen with you to continue to provide good performance in the coming quarters as we could see through the slides and through the presentation that I showed. I think the quality of the results, the transparency, the increasing -- in disclosure was things that is important for investors to be confident and to be comfortable with the growth of the bank that we will, in our view, continue to be very solid in terms of recurring results in the coming quarters.

Thank you for your time and hope to see you again in the next conference call for the release of the results for the Third Quarter. Thank you.

## Operator

That does conclude our Banco Itau Holdings financial conference for today. Thank you, very much for your participation, you may now disconnect

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