

Q3 2012 Earnings Call

Company Participants

- Luiz Carlos Angelotti, Managing Director, IRO
- Paulo Faustino da Costa, Market Relations Department Director

Other Participants

- Boris Molina, Analyst
- Carlos Macedo, Analyst
- Jorg Friedemann, Analyst
- Jorge Kuri, Analyst
- Marcelo Telles, Analyst
- Mario Pierry, Analyst
- Philip Finch, Analyst
- Saul Martinez, Analyst
- Thiago Batista, Analyst
- Victor Galliano, Analyst

Presentation

Operator

Good morning, ladies and gentlemen. We would like to welcome everyone to Banco Bradesco's Third Quarter 2012 Earnings Results Conference Call.

This call is being broadcast simultaneously through the Internet in the website, www.bradesco.com.br/ir. In the address, you can also find a banner through which the presentation will be 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 will be a question-and-answer session. At that time, further instructions will be given. (Operator Instructions)

Before proceeding, let me mention that forward-looking statements are being made under the safe harbor of the Securities Litigation Reform Act of 1996. Forward-looking statements are based on the beliefs and assumptions of Banco Bradesco's management and on information currently available to the Company.

Forward-looking statements are not guarantees of performance. 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 will turn the conference over to Mr. Paulo Faustino da Costa, Market Relations Department Director. Please go ahead, sir.

Paulo Faustino da Costa {BIO 17286050 <GO>}

Good morning, everyone. And thank you all for participating in our Third Quarter conference call. We are here today to provide you with all of the information you may need about our numbers. This is in line with our goal of always increasing the transparency of information disclosed to the market.

We have here today Mr. Julio de Siqueira Carvalho de Araujo, Executive Vice President, Mr. Marco Antonio Rossi, Chief Executive Officer of Bradesco Seguros Group and Bradesco Executive Vice President, Mr. Luiz Carlos Angelotti, Executive Managing Director and the Investor Relations Officer, Mr. Moacir Nachbar Junior, Deputy Officer.

I will now turn to our Managing Director, Mr. Luiz Carlos Angelotti, who will lead our conference call. After his presentation, we will be open to answer your questions. Mr. Angelotti, please go ahead.

Luiz Carlos Angelotti {BIO 4820535 <GO>}

Good morning, everyone. Thank you for being with us. I will begin with the main period highlights, among which I would like to draw your attention on slide two to our year-to-date adjusted net income, which reached to BRL8.605 billion, 2.1% up on the same period last year. Total assets came to more than BRL856 billion, 18.6% up in 12 months, while our expanded loan portfolio increased by 11.8% in the same period, totaling BRL372 billion.

On slide three, it is worth noting our assets under management, which ended the quarter at BRL1.172 trillion, up 20.4% increasing over September 2011. It is also worth mentioning the reduction in our delinquency ratio to 4.1% and the improvement in our efficiency ratio, which closed the Third Quarter at 42.1%.

On slide four, we show the reconciliation between our book net income and the adjusted net income in the respective periods. This quarter, the main non-recurring items were first, the earnings of BRL2.1 billion from extending maturities of secured guaranteeing technical provisions classified as available for sale. And second, the constitution of additional technical provision in equivalent amount due to a lower interest rate used in the calculation, in line with the group economic scenario. And third, the constitution of the provision for civil contingencies, which came to BRL52 million.

Adjusting for these items, our Third Quarter adjusted net income came to BRL2.893 billion and our year-to-date adjusted net income came to BRL8.605 billion. Also on this slide, you can see that our return on average equity came to around 20%.

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Slide five shows our net income in recent quarters. Income growth in the Third Quarter was mainly due to the reduction in the cost of delinquents and the increased volume of operations, financial transactions. And a broader offer of products, which had a positive impact on fee income, partially offset by the increase in administrative and personnel expenses, the latter mainly due to the collective bargaining agreement.

In comparison with the first nine months of 2011, year-to-date adjusted net income increased by BRL178 million, or 2.1%, due to the first -- the growth of the net interest income net of provisions for loan loss. And second, our investments in organic growth, along with our client base growth of around 1 million clients and 3 million new credit cards, elements which helped increase the fee income resulting from our higher volume of transactions. And third, higher revenues from our insurance group, partially impacted by the increase in personnel and administrative expense.

Slide six shows our efficiency ratio. It is important to emphasize the 12-month ratio, the red line, which improved for the third consecutive quarter, this time by 30 basis points to 42.1%, its lowest level for the last nine quarters. This good performance was due to our investments in organic growth, infrastructure and technology, which are beginning to produce effects on net interest income and fee income. And to our continued effort to control expenses, including the initiative of our Efficiency Committee.

The Third Quarter ratio improved by (120) basis points over the same period last year due to the same factors as well as the 19.1% increase in the results of our insurance group. The blue line shows the efficiency ratio adjusted to risk, which remains flat over the previous quarter, reflecting the (inaudible) stabilization of delinquencies.

Moving on to slide seven. As we have already mentioned, total assets came to BRL856 billion, 19% up on September 2011. The return on average assets remains at 1.4%, while the adjusted return on average (assets) stood at close to 20%. The Basel ratio closed the quarter at 16%. And the reduction was basically due to the increase in the price and the marketing risk-weighted assets and the reduction in our Tier 2 capital, which comprised the subordinated debt.

Slide eight shows the relative share of our main operations in net income. The quarterly highlights were the increased relative shares of loans and fees, mainly due to the higher volume of operations in the period and the beginning of a drop in terms of delinquency. It also worth noting the important contribution of our insurance segment, which recorded a 30% share of year-to-date net income thanks to the 17.3% upturn in its revenues. The year-to-date reduction in the share of loans was mainly due to the (period) increasing in delinquency together with downward pressures on average spreads, which did change the loan portfolio mix.

On slide nine, we see that unrealized gains remained above BRL21 billion in the Third Quarter, just BRL448 million less than the previous three months. This increase was essentially due to the depreciation of our investments in Cielo, partially offset by mark-to-market adjustments of securities, which went up by BRL370 million, moving after realizing gains in the amount of BRL2.1 billion as a result of extended maturities of our secured

portfolio. I must remind you that these figures do not include the potential goodwill from our own profits in the total amount of BRL3.4 billion.

On slide 10, we show the evolution of our net interest income from both non-interest and interest-earning operations. The slight reduction in the total net interest income in the quarter was basically due to the lower gains from the non-interest-earning portion, reflecting a reduction in arbitrage trading gains offset by increase in the interest-earning portion due to the loan operations and securities. The year-to-date highlight was the 13.2% upturn in the interest-earning portion, mainly due to the higher average business volumes, especially loan operations and securities.

Let's now look at slide 11. This quarter, the interest-earning portion of the net interest income increased by (0.8%) due to the expansion of business volumes and the effect of not creating a hedge on the fixed interest portfolio, although this was partially offset by the pressure on average spread and the effects from the change in loan portfolio mix. As a result, the annualized net interest margin came to 7.4%, in line with our expectations.

The main factors behind the 10 basis points decline in the annualized margin were first, the reduction in the average margins for loans, mainly impacted by the decline in the interest rates. And second, the change in the portfolio mix and, for insurance, due to the increase in the IGP-M, which effected the adjustment for inflation of a part of the technical provisions in the period. We expect a nominal increase in the interest-earning portion of the net interest income, although for the net interest margin we expect a gradual increase in the coming quarters.

Slide 12 gives a breakdown of the interest-earning portion of net interest income. Note the increase in the loans and securities clients in both quarterly and year-to-date terms when the volume of operations helped offset the reduction of impact from the change in the loan portfolio mix. The negative valuations in the funding and insurance margins were mainly due to the pressures on average spreads, which were affected by the reduction in the Selic base rate and the upturn in the IGP-M, respectively.

On slide 13, we can see that this quarter the gross credit margin, the gray area, totaled BRL7.5 billion, sustained by the upturn in business volumes, although impacted by the pressures on average spreads and the effects of the change in the loan portfolio mix as I have already mentioned. The red area shows the provisions for loan losses, which fell over the Second Quarter. This reduction helped push up the Third Quarter net credit margin. In comparison with the first nine months in 2011, this margin remained flat.

Looking at slide 14, we see that our expanded loan portfolio totaled BRL372 billion in September 2012, 1.8% up in the quarter and 11.8% up in the annual comparison. This increase was mainly due to higher loans to micro, small. And medium-sized business, which went up by around 2% in the quarter and 13.3% in the last 12 months. And the large corporates, which moved up by 1.5% in the quarter and ended 13.3% in the annual comparison.

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The corporate portfolio highlights were mortgage loans and exporting financing. In annual terms, the growth of our portfolio remains above 15%, excluding the acquired loans portfolio and the vehicle portfolio for individuals.

On slide 15, on the positive side, we can see that, as expected, this quarter our total delinquency ratio for loans overdue by more than 90 days went down by 10 basis points over the previous quarter to 4.1%. As we mentioned in our last conference call, we believe this ratio will continue to go down in the coming quarter given the effects of the lower Selic rates and the expectations of higher economic activity in the months ahead. The slight increase in the SME segment was due to the change in the loan portfolio mix.

Slide 16 shows our delinquency ratio for loans overdue by more than -- by between 61 and 90 days. Looking at the last quarter, we can see a downward trend in the individual segment, which may indicate possible future behavior for delinquencies of more than 90 days as well.

Slide 17 shows that we have maintained strong provisioning levels despite the increase in delinquency in the recent quarters. So much so that our provisions exceeded Central Bank requirements by BRL4 billion. Assuming the maintenance of the 12-months gross in net loss ratios as from September 2011, we have booked provisions in excess of BRL7.7 billion in relation to expected gross losses in the next 12 months -- the dotted part of the blue line -- or even BRL10.8 billion in relation to losses net of recoveries, the dotted part of the purple line, also for the next 12 months.

Just to underline what we mentioned in the previous slide, slide 18 shows the coverage ratios of the allowance for loan losses in relation to our loans overdue by more than 90 and 60 days, which, as you can see, have remained at very comfortable levels. It is worth noting the increases in the coverage ratios in the Third Quarter, reflecting the (%) reduction in delinquencies.

Let's now look at slide 19, investments in our organic growth. A wider branch network and a client-based growth of around 1 million clients in the last 12 months as well as the 3 million new credit cards has provided for a continuous increase in transaction volumes of around 33% in the averaging in the period, thus helping push up fee income.

Third quarter fee income totaled BRL4.4 billion, 3.7% up on the previous quarter, mainly due to higher income from consortium management, collections, asset management. And credit card and loan operations, the latter resulting from the decrease in surety and guarantee operations and partially offset by lower gains from underwriting and financial advisory operations.

In the nine-months year-on-year comparison, the fee income increased by 15.3%, mainly due to higher incomes from underwriting and financial advisory operations, which moved up by 52.2%. And from credit cards, which increased by 18.5% as a result of higher revenues from credit cards and the expansion of the credit card base.

Moving on to slide 20. As you can note, we reached the level of 10% increase in the expenses one quarter before our initial target, which shows our strict control over costs, including the contribution of the internal Efficiency Committee. The trend of year-on-year percentage decline should continue in the Fourth Quarter. Third quarter operating expense increased by 3% over the previous quarter, essentially due to the impact of the collective bargaining agreement, higher business volumes. And the higher market expansions. And excluding the effect of the collective bargaining agreement, this expansion would have moved up by only 1.5%.

In the comparison between the first nine months of 2012 and the same period last year, the 10.2% variation was due to the expansion of the service network, especially the opening of 720 branches and the more than 10,000 new Bradesco Expresso points. The upturn in personnel expenses were mainly caused by a salary increase as a result of the 2011-2012 collective bargaining agreements and the expansion of the workforce, which the net addition is around 2,800 employees in the last 12 months.

Slide 21. The 3.6% increase in the Third Quarter, administrative expense, was basically due to the higher expense from the third-party services, especially variable expenses related to cards. And the advertising in particular expenses related to advertising actions taken during the Olympic games, including Rio 2016. In the comparison between the first nine months of 2012 and the same period last year, the 7% increase was mainly due to the higher expansion from the upturn in the business and the service volumes, the addition of 11,400 new service points. And the contractual adjustment. It is worth noting that the last 12 months, the IPCA and the IGP-M recorded variations of 5.3% and 8.1%, respectively.

Slide 22 shows non-recurring items that affected the results of our insurance group in the Third Quarter. We constantly concentrated on improving the quality of our plan assets covering technical provisions and on conforming the technical provisions held of the long-term products. These movements made us spot an opportunity to extend the maturities of certain securities classified as available for sale by purchasing long-term securities and with decreased interest rates, which improved asset liability management and as a result provided for a positive effect of BRL2.1 billion in the results of our insurance group.

And second, our insurance group as a principal has been discounting long-term technical provisions at the real interest rates due to the reduction of the real interest rate in the first half of the year and it is a downward trend. Our insurance group, based on economic and actuarial studies, has decided to lower to discount rates used in that calculating the long-term technical provisions, which originated an additional amount of BRL2.1 billion.

Please note that even after realizing gains totaling BRL2.1 billion in available-for-sale securities, accumulated mark-to-market adjustments for this portfolio at Bradesco Seguros increased by BRL189 million in the Third Quarter, amounting to BRL5.8 billion as of September 2012.

Slide 23 shows revenues from our insurance, pension plan and capitalization bonds activities, which fell by 12.7% in the Third Quarter over the previous quarter, mainly due to the strong increase in revenues from the pension plan segment in the Second Quarter. In

the comparison between the first nine months of 2012 and the same period last year, however, there was a 17.3% upturn. Our segments did exceptionally well, once again recording double-digit growth.

The Third Quarter net income fell slightly, essentially due to the reduction in revenues in the period. The 12% year-to-date increase of net income was basically due to revenue growth of 17.3%, in turn as a result of a lower expense ratio, improved financial results and reduced general expenses.

Slide 24 shows some of the main figures from our insurance activities. The combined ratio came to 86.5% in the Third Quarter, 150 basis points up on the previous quarter, basically due to reduced revenues from life insurance and pension plan products, partially offset by higher revenues, mainly from capitalization bonds, health insurance. And the lower expense ratio. Financial assets totaled BRL134 billion, while the technical provisions came to BRL118 billion, BRL102 billion of which related to life insurance and pension plan products.

Finally, we understand that we had another great quarter underlined by our indicators which remain sustainable, irrespective of the domestic and internal economic challenge we have been facing. We believe delinquency is under control and will continue to show a gradual decrease on the coming quarters.

We have maintained strict controls over loan granting and the loan portfolio quality monitoring. In this context, it is worth pointing out that in the last 12 months now borrowers have accounted for around 87% of portfolio growth and in 95.8% of these new operations have good quality rates from AA to C, underlining the adequacy and the consistency of our credit evaluation process, guarantees and instruments.

We believe the Brazilian economy will continue responding to the government's stimulus measures. Positive results have become more apparent, including in terms of business confidence. Bradesco therefore continues with its organic growth track record, leveraging its banking and insurance activities in a responsible manner and contributing to the democratization of credit and sustainable development of country.

Thank you very much for your attention. And we are now available to answer any questions you may have.

Questions And Answers

Operator

Excuse me, ladies and gentlemen. We will now begin the question-and-answer session. (Operator Instructions) And our first question comes from Mr. Jorge Kuri with Morgan Stanley.

Q - Jorge Kuri {BIO 3937764 <GO>}

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Hi. Good morning, everyone. If I may, two questions. The first one is on loan growth expectations. And particularly on the consumer side. This quarter, consumer loans, excluding mortgages. So what's really just consumption loans, was up 1.5% sequentially, which is obviously a very low number on an annualized basis. And it seems to me that the environment for consumption is pretty good with very low level of unemployment, real wage gains.

So what's your expectation? How is -- why is this going to change your accelerated? It seems that you're more optimistic about recovery of credit on the consumer. And I just wanted to understand what would make a difference? Clearly, the numbers that you were showing over the last year or so, in the context of a very strong labor environment, are not that encouraging. So I'm just wondering, what's going to change? That's the first question, I'll ask the second one later.

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

Thank you, Jorge, for your question. About the loan growth for individuals on consumer side, in the beginning of the year our expectation for GDP growth was around 3.7%. And during the year we need to review this expectation because the economy was in a more stable way and the GDP growth is now around the 1.6%. Then, the expectation that we have for the guidance that's during the beginning of the year, we're now a little under what we preview.

We understand that the government is adopting some measures for trying to incentivize the economy and they gave some tax incentives. And we can see that in some sectors that they can show some movements, that the economy is starting to recover. Then we understand for the next months our expectation is that the economy will start to increase, will be more hot. And probably in 2013, the growth for the economy, our expectation is that the GDP will be around the 4%, the consumer side will start to recover the growth.

We don't have the guidance for the next year. But probably for the economy was -- is that the number that we have (inaudible), he understands that the growth for the -- in the total system for credit will be around the 15%. Then, in the consumer side, we understand that in 2013 we will be much better than we have this year.

Q - Jorge Kuri {BIO 3937764 <GO>}

I appreciate the comment on the economy. But when you look at consumer fundamentals, unemployment actually improved all throughout the year and there was a big jump in wages. So I'm just trying to differentiate between the two of them. So just specifically on the consumer, how are things going to get better and why is it going to accelerate? Isn't it a problem that leverage is just too high?

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

We understand that we don't have any kind of problem with the commitment with the Brazilians, with the families. We understand that they don't have any problem with the leverage of their debt. We understand that this year, because the environment or because the problems in the economy in the world, is probably the consumers were

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more -- criteria or were more conservative and they now considering a better environment in 2013. Probably, they will consume a little more products.

And we understand that we don't have any kind of problem with the delinquents, the unemployment ratio in Brazil for the next year. Understand that we will maintain a better ratio in the unemployment and then we understand that probably the consumer side, we will have a better performance or we will have a better growth in the next quarters.

Q - Jorge Kuri {BIO 3937764 <GO>}

All right. Thanks. My second question is on Cielo. There's several news items over the last weeks about potential regulation and caps on MDRs and all sorts of noise on it. And just wanted to hear your view, as a controlling shareholder of Cielo, of what's your expectation, if anything. And how it's going to play out in terms of pricing caps or other regulatory changes at the acquiring company. Thank you.

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

Thanks for your question, Jorge. But we understand that -- this question, you need to -- it's better you left for Cielo. For us, we are not comfortable to comment about their business. And now understand that it is better you have this question for Cielo.

Q - Jorge Kuri {BIO 3937764 <GO>}

All right. Thanks.

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

Thank you.

Operator

And our next question comes from Mr. Mario Pierry with Deutsche Bank.

Q - Mario Pierry {BIO 1505554 <GO>}

Hi. Good morning. Let me ask two questions as well. The first one will be on your fee income generation. Your fees are growing close to 15% year-on-year. It's very good growth. But we're hearing more and more noise in Brazil about government pressure for the banks to reduce fees. So if you could comment a little bit about what is driving your fee income growth in terms of volumes and tariffs?

Then, the second question is related to your net interest margin. You made a comment saying that you expect margins to continue to decrease gradually in the coming quarters. But what is your expectation for net interest income? Because -- I'm saying this because, sure, your net interest margin has been compressing throughout this year. But your net interest income is actually up about 14% year-on-year. So if you could give us some guidance about your expectations for net interest income growth next year, that would be great. Thank you.

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A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

Okay. Thank you for your question, Mario. About the fee income, we had good growth in the last 12 months, 15.3%. This is a result of higher investments in the organic growth that helped -- we increased our volume in these transactions. The 1,000 branches, the investments in the Bradesco Expresso points, the growing our client base 1 million in the last 12 months. And the 3 million new credit cards, this increasing our (SKU) helped to improve the volume of transactions. That, in the last 12 months, grew more than 30%. Then, this will be important revenue for the next year. And we are improving our scale for too -- continuously improving the fee income revenues.

The discussions about the price of the fees, we understand that -- we are analyzing the movement. But we understand that we maintain the competitiveness with the price that we have. And we have here for our clients, according to their profile, different prices. And sometimes they, according to the relation that they maintain, the fidelity that they maintain with us, they have very good discounts. Then we understand that we maintain very competitive with our fees.

About the NIM, we expect that the NIM -- we had in this quarter a little decrease in the NIM, 0.1%. And we expect that this movement will continue because of the pressures and the effects of the Selic reduction. And probably -- at the end of the year, probably will finish it with 7.3% -- 7.2%. And for 2013, probably this movement will continue until the end of the year, probably will be something -- we will have something next to 7%.

We don't have -- we understand that the margin, the nominal number will continue growing. But we don't have now the guidance for 2013. We will announce the guidance at the end of January. We don't have now the numbers for -- or any guidance for the nominal growth in the margin for the next year.

Q - Mario Pierry {BIO 1505554 <GO>}

Okay. Great. So let me just -- I have two follow-up questions. Just to make sure that I understood on the fees. So your fee income is being driven by volumes and not necessarily by prices. But you still think that your tariffs, your prices are competitive and, thus, you don't see the need to be reducing tariffs in the future? Is that correct?

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

We are analyzing. But we understand that we maintain very competitive price and we understand that probably we don't need to review the price.

Q - Mario Pierry {BIO 1505554 <GO>}

Okay. Then Angelotti on the NIM, if you could give us an idea, what percentage of your net interest margin compression so far has been driven by the lower market rates and how much of the pressure has been from just a change in your product mix, as you highlighted, right, growing your consumer loans as fast as you have been growing?

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

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I don't have it here, the number. But the majority of the effect is more because the effects of the decline of the Selic -- or the mix is representative. But there is more parts in the effects.

Q - Mario Pierry {BIO 1505554 <GO>}

Perfect. Okay. Thank you very much.

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

Thank you.

Operator

Our next question comes from Mr. Thiago Batista with Itau BBA.

Q - Thiago Batista {BIO 15398695 <GO>}

Hi, everyone. I had one question about the asset quality and the loan loss provision expenses. What is your view regarding asset quality for next year? And also, if you could comment about your expectation on loan loss provisions expenses loss during next year. It is possible to see these expenses increasing at a lower pace than in loan growth in 2013?

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

Thank you, Thiago. About the asset quality, our delinquency ratio, as we expected, started to decrease this quarter and we have now 4.1%. We expect until the end of the year probably to have something around this 4% or 3.9%. And this movement of the gradual decrease, we expect that will continue into 2013. We don't have a guidance or -- but in 2011, the lowest level that we had was 3.7%, 3.6%.

Then, considering the better environment that we expect for 2013, could be that we have something similar that we had in 2011, that, in the best moment, the level was 3.6%, 3.7%. This will be something very important for 2013 because according the loss of the -- of how fast will be this decrease will help us to have a compensation for the pressures in the margins.

And now, about the growth of the loan portfolio. We understand that now in this last quarter, the Fourth Quarter, the economy will start to grow more. We expect -- we are maintaining our guidance, that is, 14% to 18% is our expectation. We expect to reach the lowest -- the lower level of the guidance and we are working hard to reaching this target, in the lower level of our guidance, something around the 14%.

Q - Thiago Batista {BIO 15398695 <GO>}

Okay. Thank you so much.

Operator

Our next question comes from Mr. Carlos Macedo with Goldman Sachs.

Q - Carlos Macedo {BIO 15158925 <GO>}

Good morning, gentlemen. I have a question regarding expenses. Your guidance on expenses talks about 10% year-over-year growth on expenses -- admin expenses. You're already at that level or actually slightly below it after Third Quarter results year-to-date. What should we expect with respect to expenses going forward? Is the bank still focused on driving this around inflation next year? Or, given the pressure that we're seeing on fees, on margins. And on everything else, is there a view that you could go even lower than that?

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

Okay. Thank you, Carlos. We reached these levels that our target 10% one quarter before our expectation. And because we understand that we -- probably in the next quarter this movement will continue and probably we'll reach the lower level of our guidance, something next in 9%.

We are working hard in maintaining the control of costs. We have the Efficiency Committee that is looking for opportunities for reduced costs internally. And we don't have the guidance for 2013. But considering that's the investment in 2013, probably will be something very similar. The organic growth will be something very similar that we had in 2012.

We will grow something around or next to the inflation, something next to 4% or 8%. We don't have the final guidance. We will announce the guidance in January. But probably will be something next to the inflation.

Q - Carlos Macedo {BIO 15158925 <GO>}

Just a follow-up, then. Will that kind of growth closer to inflation, does that entail any additional efficiency gains, or it's just that's just because the scale -- you're being able to deliver that kind of growth because of scale? In other words, is there a more comprehensive product that we can see maybe even further gains in efficiency going forward to offset the pressure, as I said before, in margins and fees? Or will it just be a more passive role in trying to do this with scale?

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

We are working the same fronts -- in both fronts. We are working for improved efficiency. And we expect that our efficiency ratio will continue reducing during the next year. We will expect to start to have some gains or some -- because the investment in technology, our IT revitalization, the new (act deterring) in IT, we will start to have -- help us to have some gains. That is starting in the next year.

Then, one of the gains or (inaudible) came from -- the gains from -- that came from the investment in technology are inefficient and is something that will help us reduce the costs. Then we are working -- or we are investing hard in improving our scale, our -- the

investment that we did during 2011, improving the network, is helping us to improve the scale and the getting more clients or improving the number of cards and the number of transactions is increasing.

We are working in both fronts, looking for efficiencies, reducing costs. And investing on technology and working hard to improve the scale, acquiring or getting more clients. And improving the number of credit cards and improving the number of transactions.

Q - Carlos Macedo {BIO 15158925 <GO>}

Thank you, Mr. Angelotti. One final follow-up. Specifically, can you give us a number -- a couple of lines where we should expect the most improvement? Would it be something like data processing, given the new IT architecture, or would it be outsourcing or would it be personnel or marketing? Where should we expect the biggest improvements going into next year?

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

The improvement that came from the IT, the structure of the IT act, new act, that will really help, we have some gains in efficiency inside of branch or that the works or the (cashiers) you need less time for to -- to attend the clients. And they will have how to attend more clients or sell more products.

This is one part of the efficiency or the improvement who came from this, these effects of the IT, the last time that we would need to -- for development new products or services. One part came from the control of costs. We are revising processes internally. Our Efficiency Committee is looking for opportunities for reduced costs, discussing the new agreements with the suppliers, trying to reduce the costs, or looking for opportunities of reducing costs, revising some processes internally.

Then, we can have some reductions in some lines, in transports or in communications. Then, we are working in different fronts, looking for opportunities for reduced costs or improving the revenues efficiency.

Q - Carlos Macedo {BIO 15158925 <GO>}

So in other words, it will come across-the-board? It won't necessarily be a specific line?

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

We don't have any specific line. We are working in different fronts and we are revising many processes internally in the bank and the Efficiency Committee is working hard. We have meetings two time a month and we have a specific group, that they have some targets, some areas that they are looking. But internal in the bank, all areas are involved in looking for efficiencies or reducing costs or trying to improve the revenue. We don't have any specific line in where we expect it to have a big reduction. But we are revising many fronts inside the bank, looking for opportunities.

Q - Carlos Macedo {BIO 15158925 <GO>}

Okay. Thank you.

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

Thank you.

Operator

Our next question comes from Mr. Marcelo Telles with Credit Suisse.

Q - Marcelo Telles {BIO 3560829 <GO>}

Hi. Good morning, Angelotti. Good morning, Paulo. Thanks for the opportunity. I have two questions. The first one is still on the margins. Sorry to keep asking more questions in that regard. But I just want to know, when you talk about margins of 7% by the end of next year, are you -- what is your assumption for overdraft rates?

I would assume -- what sort of compression in spreads are you assuming in that scenario? Because today your overdraft rates are almost twice as much the overdraft rates that are being charged by Banco do Brasil. And also, they are well above your new credit card rates. So are you assuming that they're also going to go down over time or is just keeping them constant?

Then, after your answer I can go with my second question. Thank you.

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

Okay. Thank you, Marcelo. On overdrafts, we create specific products in last May where our clients, they can't have access for our better rates, 4.7% or 3.9% for the prime clients. But they need to add therefore a special package of fees and they -- when they -- after they start to have the access for this better rate.

Then, this is a part of that, the clients need to do a option and they start to -- they are use -- or they start to increase their participation and they -- we understand for the overdrafts we already have the products and probably we will have immigration for this new product in the next -- during the next quarters. But the clients need to pay to add for a special batch of fees. Then, we understand -- we already have this product and we did the modification for the overdrafts --.

Q - Marcelo Telles {BIO 3560829 <GO>}

And in your 7% assumption, how much of your client base are you assuming is going to be under the lower rate?

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

We are now in the beginning of the movement. But -- I don't have it here, the number. But probably the immigration is increasing into the next year and we will have a good group of

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clients. I don't have now the numbers here. But this product is available for all clients of Bradesco.

Q - Marcelo Telles {BIO 3560829 <GO>}

I see. Thank you. And my second question, regarding your securities revenues. I know that if you look at the security results the margin on the securities portfolio see that was -- from the beginning of the year, there was an increase from the BRL1 billion per quarter to roughly BRL1.4 billion. And I remembered in previous quarters you did mention that you would expect that the margin, the BRL1.4 billion, to go back to something about BRL1 billion. My question is, is this still the case, when that happens?

And I know that you did some reclassification from trading to available for sale in the First Quarter. So that might have helped your -- that result over time and maybe you can recognize it for a little bit longer. But what can I expect in that regard? Thank you.

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

The insurance margin, we have some effect --.

Q - Marcelo Telles {BIO 3560829 <GO>}

Not insurance, is the securities margin. Sorry.

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

In the security margin, we have here the effect of the prefixed portfolio is one part of the growth that we have here. It's not the total. But is only one part. Probably for the next year this effect of the prefixed portfolio will be in a similar level, a little less. But the number will be similar that we are having now in 2012.

Then, we expect something similar for the next year, probably the growth will not be -- when you compare 2013 with 2012, not to be -- doesn't expect to have a huge growth. But will be something similar. Only talk about this line.

Q - Marcelo Telles {BIO 3560829 <GO>}

Okay, perfect. I asked that because I struggle a little bit to believe that NII would actually grow next year, let's say, high single digits or so, because the -- on one hand, we have this securities gain, which is not going to increase. And on the other hand, you're going to have -- you're having, let's say, these lower credit growth. You're going to have a negative mix impact. You have your credit margin coming down and likely to come down more once you reflect a lower credit card rates that are going to be effective in November. So how -- what's going to drive your NII growth expectation for 2013?

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

We don't have the guidance or expectation for the growing in the margin. Probably, the highest level of the guidance will be (to this). But we don't have this number now to offer for you. The guidance, we will give you in January.

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Q - Marcelo Telles {BIO 3560829 <GO>}

Perfect. Thank you. And one final question. One asset management fees, have you reduced your fees in any way? And how do you see your fees compared, for instance, to some of your competitors like Banco do Brasil, which had lowered their fees quite a bit? Do you think that could be a hit to fees next year, considering that in your budget?

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

We are analyzing the movements and we will try to maintain very competitive in our products and probably we will adopt some actions, if we understand necessary for to maintain the competitive.

Q - Marcelo Telles {BIO 3560829 <GO>}

Okay. Thank you. So much.

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

Thank you.

Q - Marcelo Telles {BIO 3560829 <GO>}

Thanks for your answers.

Operator

Our next question comes from Mr. Philip Finch from UBS.

Q - Philip Finch {BIO 3252809 <GO>}

Yes. Good morning, gentlemen. Thank you for hosting the call and taking my questions. A couple of questions, please. First, in regards to refinancing and portability, have you seen any evidence of refinancing taking place because of lower interest rates that you are now offering and/or any evidence of customers moving to state banks who are offering lower lending rates in terms of products?

And the second question is in regards to the leverage of your balance sheet, which seems to be increasing with your Tier 1 ratio coming down 50 basis points in the Third Quarter to 11.3%. There seems to be quite a steady trend in the last few quarters, even the last couple of years. How much lower do you expect your Tier 1 ratio will be? What is a level that you would feel comfortable with? Thank you.

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

Okay. Thank you. To the refinancing, we are working hard to maintain the spreads and we are not having many -- if you analyze the loan portfolio, we have the corporate operations and the individuals operations. The corporate operations, we are working hard to try and maintain these spreads. We are -- in the corporate side, the spreads already are small, we don't have space for reduce more. And the SMEs, the operations with the markets are competitive. But we are working and trying to maintain the spreads stable. Then, we are

not having the movement to the refinance for a lower interest rate. The spreads now, they had an adjustment. But they are stable.

And the individual side, we have the only (defects) in the incentive specific products, that we did an adjustment in the credit card portfolio and we would start to work now in November, the new rates. But the other products, according the specific products, they have the specific rates and we are in a strong competitive. But we are maintaining the spreads in a reasonably stable.

And talking about the leverage, the Tier 1 reduction that we had, one part of the (effect) was because the credit grow. But we had another fact, that is the market risk, is that we had some modifications in the rules that in the new calculation we had a zero increase in this risk and one part of this effect is the new calculation for market risk.

We're expecting now that probably in the end of the year, our Central Bank, we announced the new rules for Basel III. We need to analyze the new rules. But probably we will maintain our Basel ratio, which is some margin of -- with some margin for -- to maintain the comfortable level that we understand. We don't have now the specific number. But probably we'll maintain a level that you understand that is comfortable according to the administration understanding.

Q - Philip Finch {BIO 3252809 <GO>}

Okay. Thank you very much.

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

Thank you.

Operator

Our next question comes from Mr. Saul Martinez with JPMorgan.

Q - Saul Martinez {BIO 5811266 <GO>}

Good morning. Most of my questions have been answered. So just a couple of very quick follow-ups on -- on the capitalization answer you just gave, you mentioned that new rules should be out by year-end. How comfortable are you at this point that -- to believe that there could be some relief in terms of the rules regarding the deductibility of deferred tax assets? How do you see that playing out?

And secondly, another follow-up on the margin. And if I could go to page 12, you already talked a little bit about the securities and what your expectations are there. Insurance is a smaller line. But it's been very weak this year, I think because of negative valuations. I think this quarter IGP this quarter was BRL694 million, this year it's fallen 13% year-on-year. How should we think about that line under a more normalized scenario? What's kind of a more normalized run rate, do you think, for insurance NII?

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A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

Okay. Thank you, Saul. About our expectation for the capitalization, about the Basel III rules, we expect that our Central Bank will announce the new rules until the end of the year. According some discussions around the world, we have some effects that some countries, they are deciding not, for example, to exclude the insurance company or the insurance investments and they (inaudible) the insurance. There is one thing that we understand that our Central Bank is analyzing and it could be that they do adopt, because they expect to adopt the international rules, according to how bid implementation (work).

And about the (first) taxes, the tax credit, here in Brazil we have, considering the difference between the Central Bank rules and the tax rules we have normally a big number in our assets. And we understand that the Central Bank is analyzing these numbers or these deductions, is something relevant. And in our case, the banks, we understand that this credit is a good credit, it has good quality because we recover this credit to consider the movements of the provisions of our -- in the assets.

We understand that is we have some possibility that they accepted one part of this tax credit. And now, compared to some other countries where they have similar effects as we have different assumptions in the world and some countries are not deducting the tax credit, the similar effect. They're not -- the favorable standard adoptment for the Central Bank, the fair amount that's the bank association in the adoptment where we show what we understand about the tax credit, about the quality and the effect, if they decide for the future.

We have expectation that they will accept one part of this tax credit not to have a deduction in the equity. But we don't have until now the final rules. But we have expectation that something will be affected.

Q - Saul Martinez {BIO 5811266 <GO>}

Okay. Great.

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

-- the margin.

Q - Saul Martinez {BIO 5811266 <GO>}

Sure.

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

Okay. About the margin, we don't have the guidance. We don't have how to offer you now some guidance or some -- and we understand for the next year probably -- we are finalizing our budgets. But probably the guidance, the highest level of the guidance will be double-digit. But we don't have the final numbers for to offer you or what we understand - what to be the level for the next year. Then --.

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Q - Saul Martinez {BIO 5811266 <GO>}

Okay, that's fair enough. What I was asking -- sorry to interrupt -- but what I was asking was more -- a more specific question on insurance NII. The last couple of quarters, it's been BRL700 million more or less per quarter, which has been much lower than where it was.

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

Yes we have some --.

Q - Saul Martinez {BIO 5811266 <GO>}

Can you talk a little bit about what you think a more normal level per quarter is for insurance NII?

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

We had some effects this quarter, considering the IGP-M increase. And in some parts, we had the effects of the shares of the -- the price of shares --.

Q - Saul Martinez {BIO 5811266 <GO>}

Sure.

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

-- that was one part of this margin effect. But probably the more reasonable level was something around the BRL800 million -- probably I think between BRL700 million is probably will normalizing in the next quarter. But we don't have a specific guidance for these numbers.

Q - Saul Martinez {BIO 5811266 <GO>}

Okay, got it. Okay. No. That's fair. Thank you very much.

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

Thank you.

Operator

Our next question comes from Mr. Victor Galliano with HSBC.

Q - Victor Galliano {BIO 1517713 <GO>}

Hi. Yes, my questions have been answered. But maybe I could ask a couple of follow-ups here. Looking at your -- you mentioned about how you've added 1 million new clients over the last year and 3 million in credit cards. Can you give us some idea of what the kind of composition of this addition to the client base are, in terms of are they class C

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consumers, B? Where are these -- what segment of the income groups are these consumers coming from and what do you expect going forward?

And in terms of your branch expansion and your additions to your Espresso points, how do you see that developing, especially in the case of the Espresso points? Are you managing to retain quite a lot of customers from the old Banco Postal franchise?

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

Okay. Thank you, Victor. About the client base, the growth that we had, 1 million, I don't have here the profile of the clients. But consider that Bradesco we have the president in our country and we kept the average of the (inaudible) of the Brazilian economy. Then, we understand that this increase that we had in our client base is very similar of the (parameter) -- only information that I have for you, this 1 million next 80 -- next is (800) million accounts, these are individual accounts --

Q - Victor Galliano {BIO 1517713 <GO>}

Okay.

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

-- and the rest is individual -- corporate companies. But probably the profile is very similar of the Brazilian parameter.

Q - Victor Galliano {BIO 1517713 <GO>}

Okay.

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

And about the bank expansion, the Bradesco Espresso points, when we decide to improve the -- or create the 1,000 branch -- the investment that we did in 2011, it was because the Postal bank auction. We understood that we did the correct movement because we are now analyzing the effects. We could retain most of the clients that we understood that we could. When we did the calculation, we expected that we would lose something around 25% of the clients. But we could maintain the majority of that.

And now, all of these branches are reaching the breakeven point. And we expect in the next two years probably at these branches we will have the payback. Then we understand that we did the correct investment and we could add value for the Company doing this movement. And now, we have the client base. We maintained the tariffs. We maintained the coverage in 100% of the (fees) in Brazil. And we understand that we have now how to get the growth that we expect for the Brazilian economy for the next years.

Q - Victor Galliano {BIO 1517713 <GO>}

Sorry, did I hear correctly? You said you retained 25%, or --?

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

(inaudible; multiple speakers) --.

Q - Victor Galliano {BIO 1517713 <GO>}

-- that was what you were expecting to lose?

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

Something around 25%. But we retained much more than 75%. We maintained -- we understand that we could maintain more than 90% of the clients when analyzing the numbers and the movement of the accounts after the transfers or after we've closed the contracts or the agreements.

Q - Victor Galliano {BIO 1517713 <GO>}

Okay.

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

Is there -- you can see our number of clients, that it continues growing in the last two years. And we don't have any reduction in our number of clients.

Q - Victor Galliano {BIO 1517713 <GO>}

Okay. Thank you very much.

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

Thank you.

Operator

Our next question comes from Mr. Jorg Friedemann with Bank of America.

Q - Jorg Friedemann {BIO 15405752 <GO>}

Thank you very much for the opportunity. I'd like to go over two points that were discussed. But with a little bit more color, if possible. And the first point, when you talk about efficiency, you mentioned that you don't have a specific project for cost reduction. But if I'm not mistaken, I reminded that a couple of years ago you were studying to -- sharing ATM networks among different banks in Brazil. I look right now, you have 35,000 ATMs of your ownership. And I'm not sure if I know the start of this project is evolving and how much representative it could be of your total administrative costs. Then, I'll make my second question. Thank you.

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

Thank you, Jorg. About efficiency, we have internally many fronts or many points where we analyze the opportunity for to looking for reducing costs. Specifically about the ATM

machines, of working with other banks, we started this discussion some years ago. We didn't finish this discussion. We are analyzing -- we are discussing with other banks. But we didn't reach an agreement until now. But it's probably is not something that is -- it's something that could happen in the future. It's not something that we finished the discussion.

Q - Jorg Friedemann {BIO 15405752 <GO>}

And do you have an idea about how representative the maintenance, logistics, security of the ATM network represents of your total costs at the moment?

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

I don't have here these numbers. But it's something relevant -- it's something that we are internally analyzing our numbers and revising our internal process for trying to reduce the costs. Only talk about our internal processes is something -- is one of the fronts that we have in our Efficiency Committee. And we are trying to reduce the final cost with transports or with the structure and the maintenance.

But I don't have here the numbers for you, how is the final affecting the results.

Q - Jorg Friedemann {BIO 15405752 <GO>}

Perfect. No. But how that it's relevant, okay.

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

(inaudible; multiple speakers).

Q - Jorg Friedemann {BIO 15405752 <GO>}

Let me go to my second question, in terms of asset quality. We saw not only yourself but your main competitor also showing an improvement in terms of 90-day in NPLs. I think also the delinquencies starting to show some signals of improvement. But I still see charge-offs evolving on the contrary side. They're still on the rise. So what do you expect for charge-offs going forward in the next couple of quarters? Thank you.

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

Okay. Thank you. The growing charge-offs is related to the growth delinquency ratio that we had in the last quarter. In our case, we don't see sales (inaudible). We maintain the rules according to Central Bank rules. Then these effects of the increase in these charge-offs is the quality in the last two quarters. We had an increase in the delinquency ratio. Probably now we did a reduction in the delinquency ratio. This effect of the charge-offs do start to reduce. But normally you need at least six months for to charge-off the operation or the meaning.

You need -- we understand that probably these effects of reduction will be -- will have more in the next year because the effects of the -- in the charge-offs is a little later than the first signals in the delinquency ratio reduction that we are having now.

Q - Jorg Friedemann {BIO 15405752 <GO>}

Thank you, (inaudible; multiple speakers).

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

Probably -- we reduce more in the next quarters. But if you analyze our numbers and you look for the last charge-offs that we had in the last quarters, these numbers start to grow when they start to grow the delinquency ratio. Then -- and they probably now, that start to reduce probably, the effect will be -- you came a little later. But we understand that probably in 2013 the charge-offs will start to reduce.

Q - Jorg Friedemann {BIO 15405752 <GO>}

Okay.

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

But we maintain the normal rules of Central Bank. And we never sell portfolio -- the effect is the normal according to rules.

Q - Jorg Friedemann {BIO 15405752 <GO>}

Okay. Thank you very much. Okay.

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

Thank you.

Operator

And our next question comes from Mr. Boris Molina with Santander.

Q - Boris Molina {BIO 1904979 <GO>}

Yes. Good morning. Thank you very much for taking my question. Much has been said about the effect of the government putting pressure on the banking industry to reduce rates, et cetera. But we haven't heard much in terms of progress on the part of the government in delivering on the 26-point list that the Central Bank sent to the government in terms of the potential reductions or of costs and overhead that could lead to lower rates in Brazil.

So I don't know if you have any update in terms of how could we expect potential changes in regulation or taxation to help you reduce rates for lending without reducing profitability. Has there been any progress that you could talk to us about? We've seen some promise in lower reserve requirements. And I don't know if you could comment about how could we expect this to affect your results in the Fourth Quarter and next year?

And we also saw recently the approval of the regulation for the positive credit bureau. And I don't know if you could give me some color as to how we could expect the positive

credit bureau database being built up and when could we see it having on your -- on the pricing of credit risk in Brazil.

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

Okay. Boris, thank you for your questions. Several -- we started a discussion with the government about some -- a list of points, where we understand that we can have some modifications in laws or in rules where we can have some reduction in the spreads or in the components of the spreads. Because when you analyze the spreads here in Brazil, we have -- one part is the delinquency ratio, next 28%, 30%. But we have a next 26% that is tax and a 13% that is administrative costs.

Then, central bank send a list around the 22 points, where we understand that we feel we have some modification in rules or in laws we can transfer the benefits that we have for the clients, reducing the spreads. But these discussions we are maintaining with the government, we don't have now until now any final movement. But probably in the next one or two years, we can have some modification that will help the reduction in the spreads.

What we had recently is one tax rules that were the how renegotiation we don't need more to tax in the front. We can -- to do the taxation in a cash flow base, this is one important movement or important thing that the government is trying to show or to offer some modifications. We understand that's probably in the next one or two years. We could have some modifications in the law that can help if we transfer the benefits. Then probably we need more time for to have this effect.

About the positive bureau, we have the (laws) more than two years. And now last week we had a (regular implementation) in the federal environment. But we need a new -- for the banks, we need the regular implementation that you can for the Central Bank. Probably after that, we will start the positive bureau. And we understand that there will be something important for the future for to reduce the delinquency ratio we contribute for the banks to reduce the delinquency ratio.

But we need to have the participation, not only the banks. But from the other segments of the economy. That is something that you understand that will be important for the future. It's not something that will happen very fast. But if we have involvement from many segments in the economy, we will be very important instrument for to reduce the delinquency ratio in the Brazilian system.

Q - Boris Molina {BIO 1904979 <GO>}

So you are telling us that the rules do not require a, for instance, installment purchases from retailers to be reported to the credit bureau? I thought it was included. What aspects would you think that are doubtful of inclusion in the credit bureau? Is it because it's voluntary and not mandatory for consumers or retailers to report data to the credit bureau?

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

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We will be in the database -- the banks or will need to do the implementation. We needed some -- the Central Bank regular implementation part, the banks should do the implementation. After that, we -- the banks do create their positive bureau.

But an example, we need the other segments in the economy, for example, the commercial side or, an example, the energy companies or the telephone companies, that they exchange the information for this positive bureaus, for in the economy we create a huge database where we will have better information. Because if we maintain the information only about the banks, we have the negative information that is something very similar.

We understand that we can add more quality to our -- add more instruments if we have information that came from the other sectors in the economy. Then that is something that we probably will -- we will need more time. But we understand that will be a very important instrument for the future. And we will work with the banks and the other segments in the economy, probably we will work together for try to create this huge database.

Q - Boris Molina {BIO 1904979 <GO>}

So the creation of the bank credit bureau is the reason why all of the banks are selling their stakes in Serasa now?

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

Please, you can repeat it?

Q - Boris Molina {BIO 1904979 <GO>}

The creation of a bank positive credit bureau is the reason why banks are selling their shares in Serasa now because of the --?

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

No, no. Serasa -- we, in 2007 -- Serasa is a company that the Brazilian banks, we created together. In 2007, Experian bought 70% of the total shares in this company. And we remain with 30% until now. Experian decide to buy 100% of the share. Okay. We sell. But we will maintain the service with Experian.

For the future, the positive bureau, we have some in the laws that we have now until now, we have some rules where we need to maintain the secrets or the information about the clients. According to Brazilian rules, the banks need to maintain the banking secrets about information of the clients. We don't know how we will be in the future, if the banks will need to have that specific positive bureau or if you we can create together with non-financial companies.

It's something that we have now the rules that has not changed. But after the regular implementation of Central Bank, probably we need to do some movements and then we

will start to create this database of the positive bureau. And if you will be together with the non-financial companies or only between the banks, we don't know.

But this movement that we had, selling the Serasa shares, is something that started 2007 and then now we are (inaudible) where Experian has option to buy the shares and we decide to do an agreement and then sell the shares. It's something not related to the positive bureau.

Q - Boris Molina {BIO 1904979 <GO>}

Okay. Thank you.

A - Luiz Carlos Angelotti {BIO 4820535 <GO>}

Thank you. We don't have more questions. Thank you, everyone, for to stay with us. And now, I will transfer for Paulo to finish the conference. Have a good day, everyone.

A - Paulo Faustino da Costa {BIO 17286050 <GO>}

I just would like to take the opportunity to remind you that our Market Relations Department and our IR team are at your disposal and that all of the content of our Third Quarter 2012 and all of the information concerning Bradesco is in our website. Thank you very much.

Operator

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

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