Operator:

Good morning, ladies and gentlemen, and thank you for waiting. We would like to welcome everyone to Banco Bradesco's 3Q15 Earnings Results conference call.

This call is being broadcasted simultaneously through the webcast in the website www.bradesco.com.br/ir. In that address, you can also find the presentation available for download.

We inform that all participants will only be able to listen to the conference call during the Company's presentation. After the presentation, there will be a question and answer session, when further instructions will be given. Should any participants need assistance during this call, please press *0 to reach the operator.

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of Banco Bradesco's management and on information currently available to the Company. They involve risks, uncertainties and assumptions, because they relate to future events, and, therefore, depend on circumstances that may or may not occur in the future.

Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Banco Bradesco and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I will turn the conference over to Mr. Carlos Firetti, Market Relations Department Director.

Carlos Firetti:

Good morning, everybody. Welcome to our conference call to discuss our results for this 3Q15. We have today with us Mr. Alexandre da Silva Glüher, effective Vice-President of Banco Bradesco, and Luiz Carlos Angelotti, Executive Director and Investor Relations Officer of Banco Bradesco.

I will now turn the presentation to Luiz Angelotti for him to start with the main highlights.

Luiz Angelotti:

Good morning, everybody. Thank you for participating in this conference call about Bradesco's results for the 3Q.

In slide two, we have the highlights. Our adjusted net income reached R$13.3 billion in the nine months of 2015, increasing 18.6%. In the 3Q, our adjusted net income reached R$4.5 billion.

Our ROAE reached 21.2% and NII earning portion increased 16% in the 9M, mainly because of the increase in the average spread related to the corporate portfolio. We started to have in this year some increases in the rates, which will probably continue during this year, and in the 1H16 we will expect to have some new benefits in this increase. Another thing that helped the NII grow is the funding and management and the gains with the asset liability management.

Our efficiency ratio remained at 37.9%. This shows our higher commitment with the control of cost efficiency. And our operating coverage ratio, the relation between fees and fixed costs, reached 79.1%, the best level that we had in our ratio.

The fees and commissions income increased 12.3% in the 9M; they are growing at double digits. The main effect came from the segmentation progress, through which we are creating new segments in the retail base of clients.

These new segments were created in May 2014, and this year we started to capture the benefits. Probably this growing in revenues, mainly from the accounting revenues, will continue during 2017, 2015 and 2016.

We have the benefits that came from the card products, which are growing around 16%. It came from the migration of the deposits, growth on the volumes of transactions and growth in the client base.

Our operating expenses grew 7.8%, below the inflation in the last 12 months. This shows the commitment with the costs.

Total assets amounted, in the end of the quarter, to R$1.051 trillion. Our expanded loan portfolio reached R$474 billion.

Something that we need to highlight is that allowance for loan losses reached R$28.6 billion in this quarter, and our coverage ratio for 90 days reached around 206%, one of the highest levels in the Company.

Talking about the insurance business, the net income from insurance amounted R$3.9 billion in the 9M and premiums growth reached 18.6%.

Now, Carlos Firetti will continue with the next slide.

Carlos Firetti:

Thank you, Luiz. Now, we will go with more details in our numbers.

In slide three, basically, we have a comparison between our book net income and adjusted net income. We had some important events this quarter; basically, we had an accounting gain of R$2.341 billion related to the reevaluation of tax credits, due to the increase in the social contribution tax rate from 15% to 20%.

We offset these gains with some provisions: R$2.222 billion in credit-related provisions, part of this additional provisions and part of it related to generic provisions related to the revision of ratings in some specific credits that clearly do not belong to this quarter.

Additionally, we had expenses with contingent liabilities, basically related to provisions for lawsuits that are, in our view, one-off events.

With these adjustments, the adjusted net income was R$4.533 billion, with an ROAE for the quarter of 22.1%.

In slide four, adjusted net income growth for the quarter. Our net income increased 0.6% and for the 9M, 18.6%. For the quarter, the main drivers for this performance came from the interest-earning portion of NII, that was R$294 million higher, fee and commission, that contributed with R$262 million, and others, with R$228 million, mostly related to our lower tax rates in the quarter.

On the negative side, we had a lower NII contribution from non-interest, a negative contribution from higher provision expenses and also from operating expenses, which we will detail in the next slide.

In slide five, we have a breakdown of our net income. Basically, insurance represents 29% of our earnings, the banking business 71%, credit contributes with 34% and fees with 29%. Non-credit-related revenue sources represents 66% of our total Assets.

In slide five, we have our efficiency ratio. Our efficiency ratio in the quarter was 38.4%, but, focusing on the accumulated for 12M, 37.9%, that is still the best level we have ever had.

The operating coverage ratio, that are fees and commissions compared to administrative and personal expenses, reached 79.1%, that is also our best level ever.

In slide seven, we have some details of our NII, the interest-earning portion and non-interest-earning portion. Basically, the non-interest NII was lower this quarter, R$26 million compared to R$126 million in the 2Q, mostly related to the market volatility. Our NIM in the quarter continued increasing, reaching 7.5% in the 12M accumulated, growing 10 b.p. compared to the 2Q, and the net income coming from interest increased 2.2% quarter-on-quarter.

In slide eight, we analyze, specifically, the interest-earning portion of our NII. NII grew 16% year-on-year, 2.2% in the quarter; credit intermediation margin grew 11.2% in the quarter, basically driven by a good performance on the funding side, where we have been able to improve our margins in funding and, also, in the credit side, where we have been benefiting from the improvement in spreads.

Insurance grew 32.3% in the year, still driven by a good performance in volumes. And securities and others, in the quarter specifically, came a little bit lower, mostly due to these lower IPCA inflation in the quarter that is decision factor for a quart of the bonds we have in our portfolio.

In slide nine, we have details on our credit intermediation margin. Basically, our credit intermediation margin was flat in the quarter at 11.5%. This performance was impacted by the mix effect, basically the depreciation effect that increased the size of USD inflows that have proportionally lower spreads.

We still see the credit intermediation margins going up in the next quarter and throughout next year. Basically, there is still room for repricing of our portfolio. As you can see, 48% of our loans have an average term of over 36 days. The average portfolio has an average term of 1.5 years, so the repricing effect will remain, since spreads are actually higher.

Basically, our net credit margins after provisions increased 1.1% in the quarter and are growing 8.1% in the 9M.

In slide 10, we have our numbers for our BIS ratio. Our BIS ratio in the quarter was 11.4%, a reduction compared to the 2Q. The main reason for this reduction is related to the mark-to-market in the securities portfolio, but mostly to the accumulation of tax credits, first related to the reevaluation of our PCA, and also to tax credits related to the head of our assets abroad. These tax credits should be consumed over the next two or three years, basically alleviating the capital position.

Also the price of assets has already improved in the quarter, compared to the end of the 3Q, what also contributes to an improvement in this position. But, additionally, we see our capital position evolving organically over the next few years, we believe our capital will grow more than 100 b.p. per year just by the accumulated profit we should have in the next few years, while risk weighted assets, that grew this quarter mostly due to the impact of tax credit and also the effect depreciation, will not grow that much.

So, this basically gives us a lot of comfort regarding our capital position. Considering the acquisition of the HSBC, our BIS rates show is calculated in 9.1% for this 3Q. In slide 11 we have our triple assets. Triple assets grew 6.4% in the last 12 months, with return on assets reaching 1.7%. Our equity grew 8.8% in the last 12 months with ROE for the 9 months reaching 21.2%. In slide 12 we have our expanded low portfolio. Our expanded low portfolio grew 6.8% in the last 12 months, 2.4% in the quarter.

This was impacted by effects. Without effects it would have grown 1.7%. The highlights come from the corporate portfolio that grew 4.5% quarter on quarter, 12.8% year on year. The impact from FX is larger in this specific portfolio. SME has remained almost flat year on year, and individuals basically have been driven by payroll loans, with growth of 17.9% year on year, and real estate financing growing 26.6% year on year.

On slide 13 we have our credit quality indicators. Basically, our 90-days delinquency ratio increased this quarter 9 b.p. for the total portfolio. Well behaved, as we have been saying, it would remain. In the SME portfolio, we have an increase of 39 bits. Basically, this portfolio is more sensitive to economic activity, but this increasing MPL is also related to the fact that this portfolio is not growing.

Only as an example, if this portfolio were growing by 5%, actually this increase and the delinquency would be almost the half of what is was. In the individuals portfolio, we had an increase of 22 bits. We have a good level of comfort with this portfolio given the change in mix. We will go a little bit deeper on that later. We believe that for the 4Q we should have a better performance for seasonal reasons and, for the future, the delinquency there should grow but, in our view, gradually.

In the corporate portfolio, we have a reduction in NPL by 14 b.p. mostly due to higher write-offs in this portfolio and a little bit due to the effect depreciation. We believe that in this portfolio we should see delinquency ratio, at least flat, going forward in the absence of this specific case. Short term delinquency ratio 15 to 90 days for the total portfolio went down 3 bits, driven by large corporates. And we have some pressure coming from the individuals portfolio.

In the bottom of this slide, we have numbers for our NPL formation and the gross provision excluding what we considered no recur, the additional provisions, in generic no recur provisions. Basically, we show here that, first, the NPL creation went down in the quarter. From 4.4 billion in the 2Q to 4 billion this quarter, and basically that our gross provisions reached 111% of the NPL creation in very consistent to the pattern of provisioning we have been presenting over the last few years. This clearly shows that what we consider non-recurring really does not belong to this quarter.

In slide 14 we have our change in mix. Basically, what is in your view is the main driver for the relatively remain performance in terms of credit quality we are seeing, and we believe we will continue to see in the future. Basically compared, for instance, 2008 with now, the participation of SME reduced from 27% to 23.6%.

And, more importantly, in the individuals portfolio, looking to the breakdown you can see that the participation of less risky credits like mortgages and payroll loans reached 37.9% in September, compared to only 12.7% in 2008, while the participation of car loans went down from 43.5% to 15.5%. In 2008, the portfolio was growing above 30% year on year, is of much higher level on down payment in the portfolio.

Today, this portfolio is still shrinking and the down payment is around 47%, what really makes it a much more secure portfolio than it was at other moments in the past. This is basically why we say we expect a gradual increase in delinquency for these coming quarters.

On page 15 you have our coverage ratio. Our coverage ratio in the quarter reached 205.7%, the highest level we have seen since 2007. In 60 days coverage reached 168.4%, also one of the highest levels. This gives us a lot of comfort for the current environment and we see this provision as a conservative position for going through the current economic scenario. Our total provision represents 7.8% of our total portfolio compared to net charge-offs of only 3%. The coverage ratio of charge ops is 260%.

On slide 16 we have details from our fees and commission. Basically, fees are growing at 12.3% for the nine months of the year. The main drivers coming from cards, growing at 18.7% and checking account fees growing at 21.4% and consortium management growing at 19.5%. In the case of checking account in PIS, the driver is our segmentation. We created new classes of services in the retail segment; what we would call exclusive and classic.

We are migrating our clients to this class of service. We have already a large amount and we provide higher value added services for this segment and they pay fees for it. We believe the driver in checking account will remain for the coming quarter and should continue to be a driver for fees. We believe it is going to remain at the top of our guidance, over the fees, which goes from 8 to 12, and we expect this performance to continue next year. The good performance will continue.

Costs lie in in slide 17. Our costs are growing 7.8% year on year, with personnel growing 5.5% and GNA expense growing at 10.1%. Basically, this quarter we had higher administrative expenses, mostly related to marketing, that was an anticipation of expenses that otherwise would be reflecting in the 4Q; for instance, it happened in 2014. Therefore, we believe that we will remain inside of our guidance that goes from 5 to 7 for the full year. We are relatively comfortable with this guidance.

On slide 18 we have details of our insurance operations. We remain with a very strong performance in the insurance business, with net income growing 22.5% for the nine months, with ROE of 26.8% for the 3Q specifically. Total premiums growing at 18.7, with main highlights coming from life and pension, growing at 26% and health growing at 20.7%. On slide 19 we have some highlights from our insurance business with our coverage ratio at 6.9% in the 3Q and with our technical reserves and financial assets in the insurance business still growing.

Now, I turn the presentation to Luiz Angelotti for further comments.

Luiz Angelotti:

And closing, we understand that we had a good performance even with the scenario we faced in the first nine months of 2015. We managed to keep solid ratios, that are the efficient ratio remaining at 37.9% and a ROE of 21.2%. We increased the provisioning level for the loan loss, and we have now R$28.6 billion in provisions. The coverage ratio reached around 206%. Our main sources of income have boasted double digit growth and our costs keep running below the inflation.

Then, we understand that we have helped to maintain a good remuneration for our shareholders. Thank you for your time and we will now be glad to take your questions.

George, Morgan Stanley:

Hi, good morning everyone. I have two questions, if I may. The first one is from HSBC. Can you explain to us how you had the US$5.2 billion dollars that you supposed to pay at the closing of the transaction? Exactly what is the percentage of the transaction hedge? What is the carry cost of that hedge? What does that imply in terms of your expectation for accretion of the transaction or impact on your capital, given the Currency has moved a lot.

And then my second question is on asset quality. Certainly, things have gone worse than you discussed early this year. In between renegotiated loans and NPLs we have seen a bigger jump than what you were expecting early on this year. The amount of provisions that you have created, obviously, make very clear what your concerns are… I guess the level of your concerns are.

What lies ahead? At what point do you think the NPL cycle will peak your GDP expectation of -1.5% for next year looks optimistic at this point, I guess? In a consensus of moving close to two or beyond. To what extent, I repeat, 2015, when the economy contractions 80% or around that changes your view on asset quality. What is your sensitivity on that? Thank you.

Luiz Angelotti:

Thank you, George, for the question. About the hedge of HSBC, in the market the normal operation that we do, the amount is a little higher, but the total hedge and the price that we sign, R$17.6 billion, will maintain with this hedge. And now we are protected against the volatility of the currency. It does not affect the final price. We probably expect to have the approval of the regulator, which will probably happen at the end of this year or the beginning of 2016. Then when we do the payments, we expect to join the Bank.

We did a simulation of the Basil ratio. And we understand that we have to assume the Bank in a normal way. We have margins enough the ratio to absorb the Bank. And our profitability in the next period will be enough to maintain the ratios along the levels that we understand that we need to have. But we have other ways showed in the simulation, that is we have the option issue a subordinated debt Tier I and we will maintain our dividend payments in a normal way.

It is something we can do, something we have done many times in the past, to pay dividends and offering new shares to our shareholders to subscribe the dividends payments. This is something that is possible for us to maintain the ratios along the levels that we understand that are enough to maintain the Bank.

About the assets quality. I think you talked about the renegotiated portfolio that started to grow a little more, but the normal goal that we expect for this period of the year is the coronation between the goal of the non-portfolio and the renegotiated portfolio is very similar.

This year, I think the goal is a little above, but that is normal for this period. I think we did many investments to be faster about how to deal with these operations, how to control the guarantees and I think we could reduce the loss with the credit operations and this portfolio I think the delinquency ratio we could maintain running at a lower level.

But the normal goal that we understand that we have is because it is the very close to the goal of the portfolio. And about the increase in the provisions. We did an increase in the additional provision, R$2.4 billion, and another part of the increase would be when we revise the ratings of our corporate clients, specific clients. We understood that it was the moment to do this review. We had, on the other side, the accounting gains with the social contributions.

Then, this is why we did the adjustments in the provisioning levels. But we understand that we do not need to use these provisions now. It is a more conservative procedure that we did. We probably will only need to use the additional provision in a stress situation. We have now R$6.4 billion. It is better to do the provisions when you are at a better time and not when you are at a bad time, when it is not possible to do provisions.

And we are not anticipating any potential problem. We do not see any problem in the market. Because of the economic environment is in a negative growth in the country, we understand that we need adjustments in the economy, but we do not see any potential growth that is going to be a problem in the quality of the asset. We understand that the growth we have now is according to our expectations. And the adjustments in the provision happen because we are adopting more conservative procedures.

And we do not expect to use the additional provisions or the downgrade ratings that we gave to some clients. They are only adjustments for our credit policy. We started the year talking about the GDP growth. Our expectation in the beginning of the year for the GDP growth was that we would be in a better scenario, but we are finishing the year closer to 3% of negative closer. Probably next year it will be closer to 1.5% of the negative growth in GDP.

We understand that the asset quality that we have now, as we told you during the conference, as Firetti said, about our portfolio, now we understand we have a better quality. The mix is better with less brief. We keep investments in our instruments to do the analysis. The different approved credit. Then we did many investments. Inside the Company, we changed the procedures to recover operations. And the guarantees we have are now better.

And now we could reduce the risk. We do not expect to have a higher increase in the provision or the expenses with these provisions. What we see probably is what we are now with a growth of 15% or 17%, probably finishing the year with a 15-18% level. And next year, we expect to have something close to this level, but we need to consider that the revenues from the margins of interest earnings is increasing, the NII is increasing, the spreads are increasing in the corporate portfolio. I think we will have more space to revise our portfolio.

Only 50% of our portfolio has been revised. And then we expect a contribution from the revenues for spreads to continue. And we will maintain the margins, after the interest ratio, growing in a positive way. You need to consider that we have other revenues that came from insurance and frees that are going in a double digit, with more stability, and we expect to maintain the profitability going around the level we are having now.

George:

Alright. Thank you.

Mario Pierry, Bank of America:

Ok. Good morning everybody. Let me ask you two questions. The first question, I am going to stay on the asset quality topic. We have seen the NPLs have been rising about 10 bps per quarter for three consecutive quarters now. But we are seeing, when we look at the SME portfolio in the individuals portfolio, the deterioration is starting to increase, right? Individuals are growing close to 20 bps and SMEs just increase 40 bps this quarter.

So, my question then is why do you only expect a gradual deterioration? Listening to you, as you expect the deterioration next year to be similar to this year, but we are starting to see an acceleration. I just want to understand why would things start to decelerate going forward in terms of NPLs?

And my second question is related to what you just said; that you are still repricing your loan portfolio, specially your corporate loan book. What I wanted to hear from you is about your ability to continue to increase rates. Because looking at the Central Bank data most recently, we saw that spreads, at least in the last month, had come down. So I just wanted to hear on whether the repricing of the loan book is based on your ability to continue to raise spreads going into next year. Thank you.

Luiz Angelotti:

Mario, related to the first question, the deterioration of the SMEs and individuals. Basically, our view in terms of the gradual deterioration we expect is related to the mix we presented. We believe our portfolio now is much less riskier than it was at any time in the past.

There is a large number of credit lines that are doing very well and are sizeable in the total portfolio. We had, in the case of individuals, an acceleration, but actually in 4Q we may see some better performance, a seasonal impact coming from the 13th salary and other things that also help. Going forward, we are growing little in this portfolio. Part of this is because the demand is low.

But also because we have been cautious for some time. And there are material improvements inside of the credit lines. It is not only that the mix had improved but each line is now better. We have the economy under pressure, but our individuals' portfolio is better. The SME portfolio, as I said, with this calculation puts 5% growth in the NPL evolution would be lower. We have a portfolio that is not growing year on year, it is shrinking a little bit.

We see the portfolio, we see the indicators of credit quality of clients. And we believe that the most likely alternative is a gradual evolution.

In terms of repricing, the repricing is more for market reasons. And basically our point here, we do not want to make any point here that the spread continue to increase etc, but just by repricing what has already happened, there is still a sizeable impact on our credit market. So basically the positive driver only coming from repricing is already enough to offset most of the pressure, or a big portion of the pressure, that comes from credit card policy in our country.

Carlos Firetti:

Just something to complement about the quality. The NPL for 90 days and 60 days, Mario, decreased this quarter. An increase in the delinquency ratio in the next quarter could happen. We see some signal that an stabilization could happen. And it is just something that you need to consider in NPL ratio.

Mario Pierry:

Ok. Let me ask you then specifically then on the individuals' portfolio. What concerns you the most about potentially leading to higher NPLs? Is it inflation? Is it unemployment? What do you think has the biggest impact on individuals' NPL?

Luiz Angelotti:

Normally, unemployment is the main thing that affects the delinquency ratio, but, as we have said, a good part of this portfolio we have now is payroll loans and mortgage.

We have a very small delinquency ratio. More normally, where we had some increase is more in personal loans and in cards, but, as we said, we are working, we made investments in our systems, in our models, to reduce the risk or to be more comfortable with the risk, we reduced frauds and we are more effective to charge the clients and recover the credits.

We are working to reduce the risks, and this is why we expect some increase, but not something that could represent a higher risk. And the unemployment rate, probably what you see, we expect in 2017 the economy will recover the growth. Probably, the 2H16 the environment will be a little better and we expect some stabilization in the delinquency ratio and the unemployment rate.

Mario Pierry:

OK, thank you very much.

Saul Martinez, JPMorgan:

Hi. Thank you very much. Two questions. First, on your capital position, and I want to know whether your comfort level depends on your ability to sustain pretty high levels of profitability, and by definition, you hold capital for unexpected losses, but you are talking about capital and capital generation based on the expectations that you do not have expected losses, that your profitability remains very high.

So, I want to ask you: does your view on capital really depend on sustaining close to 20% ROI? If you are wrong, is there a level of profitability and profitability comes in some, which you might expect given the macro backdrop, how do you feel about your core Tier I as a lower level of profitability and a lower level of capital generation?

My second question is on renegotiation of credits. you gave less disclosure than some of your peers, you renegotiated credit only for delinquent loans as opposed to renegotiating for performing loans, and obviously that could mask some strain if you are renegotiation loans that have not fallen into the delinquent status.

Is there a big difference in the trend if we were to look at the old performing loan portfolio, and I ask that because you obviously have a very sizeable SMEs group, and I guess their, like some of your peers, you would be seeing some more renegotiation. My question is: if we were to have a more expensive view on renegotiations, would that number change? If you have the number, it would be great.

Luiz Angelotti:

Basically, on capital, our view on capital does not depend on our view on profitability. First, we would be generating, still, a lot of capital even at lower levels of profitability and there is also the scenario that risk weighted assets are not going to grow materially for some time, maybe 2016 and 2017.

The increase in risk weighted assets this quarter came a lot due to tax credit and FX, but tax credit are going to be recovered over the next two or three years, we absorb that relatively fast.

Our comfort comes from basically the fact that remember the level we have is still in off, basically we have options, we could issue subordinated debt, we can do what we have done in the past, offer a subscription at a lower price when we take the dividends, but all the options we have, together with the tax we will accumulate more capital is what gives us comfort.

Carlos Firetti:

On the capital issue, first, one thing is we do not expect to have a small or huge decrease in profitability. It is your opinion, but we do not agree with this. About the asset quality and growth, probably in the next two years we will have a very small growth in the assets. Something to consider is that the consuming of capital because of asset growth will be small in the next two years, probably.

About the renegotiated portfolio, we show according to the Central Bank rules, our portfolio, we have R$12 billion, we grew a little more the total portfolio, more related to the environment we have nowadays, but this is the way we show. We maintain for this portfolio the provisions around 2/3, and probably the normal is only 1/3, 30% of the delinquency ratio of this portfolio that is decreasing a little more, as we show.

The rest of the portfolio is maintained according to the Central Bank rules, follows the rates and credit risk valuations that we maintain in a normal way and follow all the Central Bank rules. This is what we have.

Saul Martinez:

That is helpful. My base case is not that your profitability impaired dramatically, but capital by definition is for scenarios that are worse than the base case, and I guess my question is more along the line of if you are wrong, and I do not have a crystal ball and you do not have a crystal ball, and if you are wrong, and your ROE is 15% or 16%, which is still a pretty good ROE, given the environment, is it fair to say you still generate capital, you will still consume the tax credit with that level of profitability?

Luiz Angelotti:

You need to understand that we consider to maintain some margin to support any movement that happens. In our models, in our analysis, when we talk about capital, the Tier I ratios, internally, Tier II ratios, the total ratios for Basel III, we consider to maintain some margins, internal buffers, but for any surprises, but we do not expect to have surprises.

The margins that I mentioned today is 25%, 30%, that we expect to maintain in additional, above the minimum requirements. During this acquisition, HSBC, could mean some moments we will be running very close to the minimum margins, but we do not expect to have any surprise and the margin maintained during this period will be enough to support any volatilities.

Saul Martinez:

OK, thank you very much.

Tiago Batista, Itaú BBA:

Hello, thanks for the opportunity. I have two simple questions, the first one regarding the NPL coverage ratio, the coverage ratio is at a very high level now, do you expect to see some contraction in the early coverage ratio going forward, in the coming quarters with the expected increase in delinquency ratio?

The second one, what do you believe will be your normalized level of tax rate, for 2016 for instance?

Luiz Angelotti:

Normalized level of what?

Tiago Batista:

Of tax rate.

Luiz Angelotti:

OK, I will answer the first one. Basically, in terms of NPL coverage, we do not expect to consume this coverage. Basically, we should continue provision the aforementioned. The coverage may go down because we have a fixed portion that is the excess provision and that should be diluted on the total coverage, but unless we have specific events that we do not foresee, we do not intend to consume this coverage provision unless necessary.

Carlos Firetti:

For the tax ratio, what we expect for the next two years it would appear that we will have the social contribution 5% more with the total ratio 20%, probably we will have an increase ein the normal ratio around 4%, 5%, it is what expect. The normal level was around 34%, probably it will be running next to 38%. 37%. Probably it will start more in the last quarter and until the end of 2018.

Tiago Batista:

OK, thanks.

Victor Galiano, Barclays:

Hello. My main question has been answered, but just a follow up on capital here. When you just announced the HSBC acquisition, you gave some estimates of 9.9%. in this 3Q now you are down to 9.1%. is that 80 b.p. consumption? I just want to confirm if there is nothing that has changed here in terms of the risk weighted assets you are expecting from HSBC. Is that bound to what you said about the higher tax credits and also the depreciation of the BRL?

Carlos Firetti:

The HSBC basically we are now using the 2Q financial statement with the first analysis on the 4Q14.

Victor Galiano:

So you are using the lower base of the 3Q?

Carlos Firetti:

Yes.

Victor Galiano:

OK. Thank you.

Pedro Fonseca:

Hello everybody. I have the follow up question on capital. Your capital ratio is now going down with the HSBC acquisition. What is your comfort level with capital? You have said 25% above minimum requirements, but I am not so sure which one you are talking about.

If we just focus on core capital, which is the only type of capital a lot of us care about, and if we focus on Basel III fully loaded, is this the minimum requirement right now you want to focus now? The 25%, is it the requirement in 2019? You want to be 25% above? What is it? Also, could you let us know why you insist on this unorthodox way of presenting Basel III fully loaded? It is not standard.

And different countries may have different versions of Basel III, but the concept of fully loaded is very universal, should you take all the adjustments, all the deductions that you have to make by 2019, it has nothing to do with what the balance will be 2019, such as goodwill, it is all about moving more now, because if you did that, obviously, your core Tier I is mostly definitely not 9.1% fully loaded.

So, if you could just enlighten us a bit, I think we would all be very grateful. Thank you.

Luiz Angelotti:

Well, this is the way we show, for us is the normal way. We have capital to acquire HSBC today and we will maintain the margins in the fully loaded basis reaching the end of 2018. What we show here is a simulation fo this fully loaded, and we understand that we have capital to do the acquisition and maintain the Bank running in the higher level.

You need to consider that for the next periods we will have the profitability of the Bank, we will add capital, normally 100 b.p. per year, the minimum we expect for each year until 2018. We are comfortable with these ratios.

Pedro Fonseca:

I am not sure you have answered the question. So, the 25% above minimum requirement, if you just think about core Tier I, is it the ratio that required right now, in 2019? If the ratio is different, how should we think about these capital ratios, please?

Luiz Angelotti:

Today, with the acquisition, we have the Tier I and the additional that we expect to have, 25%, 30%, we are comfortable to do the acquisition today and maintain margins. These margins will be maintained probably until the end of 2018, then we will have the simulation.

We have now today margins to finish the acquisition, conclude the acquisition and maintain the 25%, 30%, as we said that is our internal limits that we expect to maintain.

Pedro Fonseca:

So, what you are seeing is basically looking at capital in terms of what the regulations are right now, and not how they are going to being future, is that correct?

Luiz Angelotti:

We have today and we will have 2018 this capital. The simulation we have here shows that we have enough capital to do the acquisition.

Pedro Fonseca:

OK, but no, I am not disputing that. I am just trying to understand how you think about the capital on a rolling basis. From what you are telling me, you concentrate on what the regulation is right now, and you demand the 25%, 30% extra buffer. Is that correct or am I mistaken?

Luiz Angelotti:

We have to do the acquisition today we have the requirements, the leverage that we have today, to have now, and we have the margins that we consider internally, this

25%, 30%. These margins we will maintain after the acquisition, until 2018 as we expect to have it.

Pedro Fonseca:

I think what you are saying is that you look at the regulations as they are now and you want to make sure that you keep the 25% all the way through the future, is that correct?

Luiz Angelotti:

Yes, it is our internal regulation that we have here. It is our internal buffer we have, around 25%, 30%. Generally, we will maintain this buffer, the minimum buffer, all times.

Pedro Fonseca:

Thank you very much. But do you realize most banks think several years ahead as in 2019, what will the climate will be then and then try top get a buffer. Alright, thank you very much for your answers.

Boris Molina, Santander:

Thank you. I am going back to situation of capital again, when we look at your slide on page number ten, the fully loaded Basel III—

Bradesco:

Speak slowly and louder, we cannot hear you.

Boris Molina:

When we go back to the situation of the capital position of the Bank. When we look at your slide on page number ten, we see a fully loaded Basel III commodity of 9.7 before tax credits, this is the number we used to discuss and this have been going for the next couple of years, and it is bringing concern.

If you do a statistical correction just to see the impact on this capital ratio, if you did not, the current guarantee is a very toxic option to get going in case of a crisis, we would have to be somewhere 200 b.p. and 300 b.p. then we have the 200 b.p. from the HSBC acquisition and we have something closer to 5%, 6%.

Now, the Brazilian Central Bank has a history of allowing banks to operate to look at the capital ratio as it brings to the policy of the Central Bank. However, it is not the Central Bank, you have to stand on your own two feet, there are no private bank data mechanisms in the Brazilian regulation and someone mentioned before, this capital is to take care of unforeseen situations.

My question for you is, obviously the Central Bank will not stop your position, it is going to go ahead, and you are going to walk in the 4Q with fully loaded capital ratio of 5%, do you think this is a comfortable level to take care of potential risks in Brazil? What do you expect in two years if we this situation continues?

What happens if two years from now we are in a situation that is very weak? Now, looking at that base, you said that you could make the 100 b.p., by the time you reach the 12%, 13% you usually have, and if you have it is going to take maybe eight years. So, my question to you is: do you have any plans to accelerate improvement in the capital ratio for the next 12 months?

Additionally, there was a big problems with some assets for non-performing operations, that is twice the level they should be, you had this in the operation and tax rate, obviously you cannot collect your tax of fx rate from the loans. If this situation continues to grow, as the economy weakens, as you and a lot of months.

So, we see on the price of Bank and non-performing loans, is this something that you think you should… I think you should accelerate, because if you do you have a net present value every month. So, is there a plan that you have, apart from the initiatives you mentioned? I do not see if it is negative or not, seen your cash pay. Is this something that you want to do, the capital increase?

And then my second question is regarding asset quality—

Luiz Angelotti:

To be very honest, we got very little of what you said. We cannot hear you very well, we caught a little bit, but if you are going to do the second question, speak slowly please.

Boris Molina:

OK. The second question is related to asset quality. If you look at your non-performing loans, speaking of what be non-performing ratios for mortgage and payroll loans, Rural Loans called consumer, as this non-performing loans over the last couple of quarters. And we are heading to levels we saw previously.

Do you have any expectation of how or when asset quality is going to peak in relation to the moment when it comes to prices? Suppose I say if the pricing in June 2016, does individual non-performing loans continues to increase three, four quarters after that? Is there a gross sum you have in your models?

Luiz Angelotti:

Thank you. About the capital, we are comfortable with the acquisition, the level of the acquisition, we are all the time looking at how we can improve the internal capital ratio. All possibilities we can use if we understand it is necessary. To issue a subordinate Tier I is something we can do internally to use some organization internally to improve or to have some gains with the capital.

Then, we are all the time analysing how to improve or have the best use of our capital. We are not stopping, we are always thinking and planning how to better use the assets of the Bank and how to maintain our internal requirements to have the margins as we require.

We are not stopping and we are managing the capital of the Bank, considering all risks and potential effects with the acquisition and other effects. We are studying our opportunities and improving. Sometimes we will continue to pay dividends normally, but we can use, as we did many times in the past, to pay dividends and use the correct business to issue new shares.

It is one option of our shareholders, if they want to buy or not, they can do, but only using the dividends payment. We will maintain the payments normally. We are focused on the capital levels, we are managing the capital ratios to maintain the Bank running and to acquire the HSBC after the approval of the regulators.

Boris Molina:

Do you have any plans to address the referred tax assets from loan loss provisions? You have been growing pretty sharply over the last year, collecting your tax benefit from the government, and these non-performing loans are hanging on the balance sheet.

We would like to see Bank disposing of these non-performing loans that have been written off in order to collect the 44% tax benefit on the value you lost. This is a huge amount, R$33 billion. So, is there something planned to deal with this?

Luiz Angelotti:

We do not have non-performing loans hanging on the balance sheet, we have based on our provisions and we have loans that follow the normal evolution. You know the rules here, we do the provisioning after they reach rating H, six months later we do the write off. It is simple.

This is what happens in Brazil. It is straightforward, very conservative. We have provisions and we have additional provisions, and even after we have the write off, it still takes one year, one year and a half to have the tax credit, tax deductible. That is the unit saying we have in Brazil, and that is why Banks carry so much tax credit.

Boris Molina:

OK. Finally, the consumer peak, relative to the internal rate, do you have any jobs you could use?

Luiz Angelotti:

We have been saying we believe NPLs were at peak by the 2H, that is our view on this, probably they peak together and the loan growth starts to pick up a little bit. That is our view.

Actually, you see NPL formation pointing down this quarter—

Carlos Firetti:

90 days, they both decreased this quarter. I think the increase will not be as fast as we expect. But we will see some signs of stabilization this quarter.

Boris Molina:

OK, thank you very much.

Operator:

Excuse me, ladies and gentlemen. As there are no further questions, I would like to invite the speaker for his closing remarks.

Luiz Angelotti:

Thank you everybody for participating in our conference call. The Investor Relations department is available for any other questions you may have. Thank you all.

Operator:

This concludes Bank of Bradesco audioconference for today. Thank you very much for your participation and have a good day.