

**Operator:**

Good morning, ladies and gentlemen, and thank you for waiting. We would like to welcome everyone to Banco Bradesco's 1Q16 Earnings Results conference call.

This call is being broadcasted simultaneously through the internet in the website [www.bradesco.com.br/ir](http://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:**

Thank you. Good morning, everybody. Welcome to our conference call for discussing our 1Q16 results.

To start our call, we turn our conference to Luis Carlos Angelotti, Executive Director of Bradesco and our Investors' Relations Officer. Luis.

**Luiz Carlos Angelotti:**

Good morning, everyone. Thank you for joining our 1Q16 conference call. I will start in slide two with the highlights.

The adjusted net income reached R\$4.113 billion, down 3.8% when we compare it to 1Q15. And the ROAE reached 17.5%. The NII interest earning portion increased 11%, as a result of starting in our loan portfolio, the management of the funding cost and the asset liability management during the period.

The fees and commissions came at 11.5%, as a result of the segmentation process, the IT investments, the digital channels, cellphones and internet especially and the increase of products in our client base. The operating expenses went up 11.1%. Our goal is to bring this expense to the inflation level during the year with the new quarter's. In the accumulated index, we have a deceleration and the expectation that we will reach the target, which is the inflation level, by the end of the year.

As a result of our performance in cost control and revenues generation, our efficiency ratio reached 37.2%, which is the best level ever. And the operating coverage ratio reached 80.1%, one of the best levels that we have had, and that helped us to cover the fixture costs.

The Tier 1 ratio reached 12.9% in the quarter, considering the 42.6% phase in that we had in the adjustments. Then, we absorbed this impact and we could improve our ratio a little more.

Assets amounted to R\$1.102 trillion. The expanded loan portfolio reached R\$463 billion. And the delinquency ratio over 90 days reached 4.2%. We are now in a growth of the cycle of the delinquency ratio. Probably, our expectation is that by the end of the year we will have a deceleration in this type of growth. And we expect some stabilization during 2017.

The effective coverage ratio reached 220% and one important thing is our insurance business, that is a diversification in our profit, had a very good contribution at R\$1.380 billion, which is 1/3 of our total profit in the Company and we had a very good performance in premiums from insurance. The evolution was 11.4%, above the market's average.

Now I will turn this call to Carlos Firetti, who will comment the next slide.

**Carlos Firetti:**

Thank you, Luiz. Now we will go for more details on the results. In slide three, we have the reconciliation of our book net income and the adjusted net income. Basically we had a few adjustments. R\$90 million after tax from the sale of Bank CBSS to EloPar R\$25 million contingent liabilities and R\$67 million of impairment of assets, mainly shares, with the adjusted net income we reported at R\$4.113 billion.

On slide 4, we have the adjusted net income growth. Basically quarter on quarter, our results dropped 9.8%, basically due to higher provision expenses, net of recoveries. Mainly affected by one specific provision we made for specific cases of corporate clients in the sum of R\$836 million. The quarter had drivers a good performance in terms of NII growth and also reduction in operating expenses compared to the last one.

YoY, our results dropped 3.8%, also mainly impacted by provision expenses, also affected by that specific case. On the positive side, we had also a very relevant increase in net interest income, and also good performance in fees and insurances.

On slide 5, we have the breakdown of our net income. Basically it states our very important diversification of results. 34% of our results come from the insurance business, 28% come from fees, 9% securities and others, making 71% of total results coming from loan credit operations. The credit intermediation this quarter was lower at 29% of earnings, mostly due to the provisions we have already mentioned.

On slide 6, we have assets and return ratios and efficiency. Basically our total assets grew 6.5% in the year. Our ROA reached 1.5%. Our shareholders' equity increased 11.2% YoY, with ROE reaching 17.5%. Our operating coverage ratio, that is fees divided by cost reached 80.1%, the best level ever. And our efficiency ratio also

reached our best level ever at 37.2%, as a result of our efforts in terms of controlling costs and investment in technology which has been improving our productivity.

On page 7, we have our net interest income analysis. Basically our NII grew 11% year on year for the quarter. That is slightly above our guidance that goes between 6% and 10%. Our NIM remained stable at 7.5% considering the last 12 months. Our non-interest margin, that is basically what we call treasury, was R\$158 million, slightly increasing comparing to the last quarter.

On slide 8, we have a different analysis on our interest earning NII, basically, as I said, it grew 11% year on year. The credit intermediation portion that makes roughly 80% of total margin grew 12% year on year. The driver there is the repricing of our loan book, considering the increase in spreads we have had over the past quarters, and also improvement in our cost of funding that has been helping us also to improve the margin there.

In the insurance, we have had an increase of 3.9% year on year. This lower increase is mostly due to the stronger base of comparison we had in 1Q. We had some specific gains from the IPCA inflation that hit the bond portfolio linked to inflation.

And finally, securities and others. We had an increase of 10.1%, which is mostly the result of our asset liability management that allowed a good performance for this quarter.

Going to slide 9, we have the analysis of our credit intermediation margin, which reached 12%, growing 30 bps compared to 4Q15. Basically, as I mentioned, due to the repricing of our portfolio and benefits from the cost of funding. The NII from credit grew 12.1% YoY. The margin net of credit costs dropped this quarter at a rate of 9.4% YoY, mostly impacted by higher credit provisions and specifically as I said, the specific case of R\$836 million, which we will discuss further in the coming slides.

No slide 10, we have our capital ratios. We had this quarter in Brazil the phase-in of higher deductions from our capital, which increased from 40% to 60%. That impacted our capital ratio by 1% in the quarter, but even with that, considering the accumulated earnings net of dividends also gains from market and the reduction of accumulated assets itself. We ended up having a 20 bps increase in our capital ratio in the quarter, placing us in a very comfortable position.

Considering a fully loaded ratio, we have 11% BIF ratio. That compares to 10.3% in 4Q15. So we had a 70 bps increase on the fully loaded base, mostly due to accumulated earnings, repayment earnings and other elements I have already mentioned.

On slide 11, basically we have our expanded loan book. It was affected this quarter by the appreciation of the real. The stronger real put pressure especially in the corporate loan book. So basically the loan book as a whole as flat year on year and dropped 2.3% QoQ. In the Company's segment, we had 1.8% drop year on year. The biggest drop comes from the SM portfolio, 10.2%, where we see lower demand and the impacts of the weaker economy.

Individuals as a whole grew 4% year on year, with the main drivers coming from payroll loans, growing 12.7%, credit cards at 12.1%, and especially real estate financing and

mortgages that are growing 27% year on year. In this segment, it is really the one where we see a more robust demand at the moment. We have a guidance for loan growth between 1% and 5%. We still think that for the full year that this guidance is seizable.

On slide 12, we discuss credit quality indicators. So our 90-day delinquency ratio increased 16 bps in the quarter. That is in line with the soft guidance we have been giving for the year – we expect between 10 to 20 bps per quarter for the remaining portion of the year, so that is in line with that. On the segments that we have there is more pressure in the SME segment, where we have an increase of 68 bps. This segment is suffering more with the economic environment, but also suffering due to the fact that the SME portfolio is dropping more than any other.

The individuals' portfolio has shown a drop in delinquency of 5 bps. We had said that probably we had some anticipation in delinquency in 4Q. And maybe in 1Q16 we did not have as much increase that materialized, with this bps drop. And in the corporate portfolio, basically we had a 9 bps drop, mostly due to the impact of normal write-offs that concentrated this quarter.

We did a simple simulation there where we considered the portfolio of the end of 2015, of the base of the calculations for NPLs, only trying to show that actually the drop in volumes is magnifying the increase in NPLs. With that, basically we show that in the case of SMEs, the NPLs increase in the quarter would be 25 bps if the portfolio was not dropping as much as it actually is.

In terms of short term delinquencies, 15 to 90 days, basically there is a seasonal increase in short term delinquency very frequently. We had this increase now. We believe it might be seasonal again, as it normally happens.

In terms of NPL creation, we had 90 days NPL creation relatively flat QoQ, at R\$5 billion. Our total provisions amounted to R\$6 billion including R\$836 million of that specific case that I mentioned, that is a corporate client that we decided to make provision in this quarter. It was previously already considered in our additional provisions, but we decided on a conservative stance to make this provision actually float through the P&L.

In this quarter we also had higher write-offs, due to a concentration of write-offs of same cases at the same time during the normal process of rating evolutions and write-offs. Probably next quarter, write-offs will be significantly lower than this quarter.

Our net provisions grew 52% YoY. We are keeping our guidance for provision expenses, which was between R\$16.5 and R\$18.5 billion. As I said, we previously did not consider the specific case that we mentioned in this guidance, but even including it, as we did now, we still think the top of this guidance is still seizable, therefore, we are keeping it.

On page 13, we have our expanded loan book mix. Basically, the SME portfolio is reducing in terms of participation in the total loans. Now it is only 22.3%. The individuals' portfolio represents 31.9% of our loan book. And in this individual portfolio, lower risk operations like payroll loans and mortgages already represent 40% of the total loan book. This is one of the reasons we always emphasize that allows us to have

a relatively good performance in terms of credit quality, considering the current environment.

On page 14, we have our slides on provisioning, coverage ratio and renegotiation. Basically our total provisions represent right now 8.6% of our total portfolio. That includes additional provisions on top of the minimum required by our Central Bank of R\$6.4 billion. And comparing total provisions with our expected losses from our loan book, basically we had a cushion of about R\$16.7 billion. The effective coverage ratio as we call it is 220%.

In terms of coverage ratio on 90 days and 60 days NPLs, it is 204% for 90 days, 162% for 60 days.

In terms of renegotiated portfolio, this portfolio is not fully considering renegotiation of loans that became late mostly. We had an increase in renegotiations by 18% year-on-year. This portfolio already carries 6% provisions and the NPL on it, loans that basically redefaulted after renegotiated is 27.5%

Going to page 15, we have the performance in terms of fees and commissions, it is a very positive highlight for Bradesco at this moment. We are growing fees 11.5% year-on-year, the main driver for this growth in fees is the checking account lines that is impacted by the segmentation of our base of clients.

We have been segmenting our retail base of clients with the creation of a new segment called Exclusive, we have been migrating clients to it since mid-14, and after some time, if they accepted the service we charged, that is driving this growth in checking accounts fees to 27.2% year-on-year.

We are also doing well in cards, 9.6% year-on-year, asset management and other lines. Our guidance for this line is a growth iw between 7% and 11%.

In terms of operating expenses, our total expenses increased 11.1% year-on-year, basically personnel grew 9% year-on-year, administrative expenses 13.1% year-on-year, highlighting that total expenses drop, actually 6.5% quarter-on-quarter, this higher increase year-on-year is due to the fact thaty the base of comparison on the 1Q16 is much lower.

Remember we had a high inflation last year, 10.5% roughly, and contracts were readjusted throughout the year considering this inflation, and considering the full year, we are confident that our total expenses will converge to the center of our guidance that is around 7%.

The highlight here is the fact that our structural personnel expenses is growing only 7.5%, and that is also a result from the fact that our base of employees, due to its natural turnover being gradually reducing.

Finally, page 17, we have numbers for our insurance operation, our total premiums from insurance is growing at 11.4% year-on-year, the main drivers there, life and pensions growing at 13.6% year-on-year; health growing at 16.8% year-on-year; the guidance in terms of premiums, that compare to the 11% growth is 8% to 12%, we are doing very well in that segment, Bradesco Seguros is growing more than the market insurance premiums.

Our net income grew 7.6% year-on-year, with the ROAE of the insurance operation at 24.9%.

On the last slide, slide 18, our technical reserves grew 16.3% year-on-year, financial assets 17.4%, and we had improvements in our combined ratio that reached 6.1% in the 1Q.

I turn now the presentation to Mr. Angelotti for his final remarks.

**Luiz Carlos Angelotti:**

In our opinion, we had a good performance in the quarter, and we have been doing well in terms of revenues. The NII interest earnings, the fees, and we still have benefits coming from the future internal process of improvement, as a result of the IT investments and IT system we have been implementing, and it will help us reduce costs.

As a consequence, we reached our best efficiency ratio ever, we understand that is something possible to continue evolving. The current growth on the delinquency ratios, our expectation that probably will start decelerating until the end of the year, becoming stable during 2017 and start to decrease around 2018.

I would like to remind you about our insurance business that is very important, and has a very strong contribution to our net income, around 1/3 of our net income comes from this business, it is a risk diversification and helped us reduce the volatility in our profits.

About the guidance, we understand we do not need to modify any guidance we gave in the last quarter. The majority of the lines is following our expectations, and probably it will continue according to the numbers we gave you in the guidance.

Thank you for participating in our conference call and now we are available for your questions.

**Mario Pierry, Bank of America:**

Basically I have two questions, one is more specific, it is in regards to these corporate clients where you had a problem. If you could tell us what percentage are the long provisions and if you think you are going to need to increase provisions to these clients in the future.

Also related to this, how come have you decided not to use your excess reserves this quarter? I understand maybe there is no need or does it reflect the fear that there are more delinquencies in the future and you would rather stay conservative?

If you will answer this question, then I will ask the second question later.

**Luiz Carlos Angelotti:**

About these corporate clients, the risk that we had now, the exposure, we did provisions around 70%. This is the level we have now. It could be that in the future we

do not have now, but probably we will continue to analyze the year risk, and if we understand we need to make new adjustments, we will do so.

The decision to use or not additional provisions will be at the moment. It is one option we have, because we maintain these results, some stress movements or some example of some corporate clients more significant, but the decision will be at the moment.

Now we decided to preserve the level we have in the balance sheet, because we understand that it was something more prudential for the moment.

**Mario Pierry:**

OK, so, if everything goes according to plan, we should expect provisions to be down close to R\$900 million in the next quarter?

**Luiz Carlos Angelotti:**

Yes.

**Mario Pierry:**

OK, perfect. Second question is related to your much more of a macro view, you are expecting GDP to recover 1.5% in 2017. I think this is the type of growth we have in the beginning of the year, but given all the changes in Brazil, I was wondering: first, how comfortable do you feel about your GDP forecast, if you think there is some upside; when do you expect the economy to start to recover; and finally, what type of loan growth do you expect in such environment? What type of growth should we expect from Bradesco? Basically, what would make you more optimistic to start lending again?

**Luiz Carlos Angelotti:**

These numbers, the 1.5% for 2017 according to our economy department, they did the calculation considering the environment we had in this 1Q. They understand that we have some political discussions, but we will have or not a solution the thing has to continue, , probably during this 2H of the year some measures need to be adopted to solve some fiscal problems with the account of the government.

We see the recovery in the economy more in the end of the year, GDP will probably start to be positive. One part of this negative GDP sees the carryover from the last year, we had here some effects of the Lava Jato effect. Things will be solved during the year and we see this 1.5% possible for 2017, according to the political situation, if we have some modification or not.

They could review this number, it could be sometimes a little better if we had some changes or not. Then, I think it is very reasonable, I think the market consensus is a little less than 1%, for us 1.5%, but the market consensus is around 1%. We see a very reasonable possibility to have the GDP positive in 2017.

**Carlos Firetti:**

The recovery loan growth is going to be gradual, it is kind of mix of the economy improving and more demand for loans. Basically, it is going to be a gradual recovery, maybe next year accelerating maybe to the top of our guidance, maybe 2018 closer to double digits, something like this, but it is very premature, only it is going to be a gradual recovery.

**Mario Pierry:**

So just to be clear, you view this 1.5% GDP growth in 2017, you think loan growth in 2017 is only close to 5%?

**Luiz Carlos Angelotti:**

Probably, yes, as we have been more in the high level of our guidance this year, closer to 5% or 6%, considering the information we have right now. Double digit I think only in 2018 or 2019.

**Mario Pierry:**

And how do you see growing in 2017, despite 1% loan growth, how do you see the market share between private sector banks and public sector banks?

**Luiz Carlos Angelotti:**

I think now we have a more normal competition, it does not say too much modification in the situation we have this quarter, as one example, all the banks are practicing more normal spreads and I think the private banks have some space to recover, but probably this process will be in a more gradual way, no set movements.

In our case, we will grow what is possible to grow each quarter. This is our philosophy. We understand that demand will have a very good quarter, and we will grow what is possible to.

**Mario Pierry:**

OK, thank you.

**Marcelo Telles, Credit Suisse:**

Good morning everyone and thanks for your time. I will leave my questions to two to not take a lot of your time. The first question I have is a specific question. I am referring to slide number eight. We saw a big increase, almost 15% growth in the securities NII, and it looks like 2/3 of the growth you had in the overall NII, from the 4Q to the 1Q was actually explained by the securities NII, which was up by R\$30 million.

How sustainable is that NII growth. I understand that you currently shifted downwards, and I believe part of that might not be recurrent, you will not be able to sustain that level in the quarters to come, is that correct?

The second point is regarding your provisions. Clearly this was the main negative of the quarter. You had pretty much running above the high end of the range if you analyze the provisions you had in the quarter, even if you exclude the R\$800 million,

you are already running at the high end and your NPL creation is already pointing to R\$20 million annualized NPL creation, which already left you above the high end of the guidance.

So, my question here is how should we think about provisions for this year, considering that you are expecting delinquency to improve only in 2018. How should we expect your provisions expenses to evolve in 2017 and 2018.

I know it is a long shot, but does that mean we should not see declining provisions in 2017, given you only expect 2018 to show some sort of improvement? Thank you.

**Luiz Carlos Angelotti:**

The budget sustainability for our NII, the growth, we are very comfortable with the guidance we gave, 6% to 10%. Probably we will be finishing the year around the middle of the guidance for the total NII, that earning portion.

This specific goal we had in the securities and others, here we have the assets and liabilities management one part of this growth is our pre-fixed portfolio that is now starting to decrease a little more the contribution because of the stability of Selic rates we have and the movements of repricing our pre-fixed portfolio continue.

Then, the average rate in this portfolio, now, it is set to have a very good schedule when you compare to the Selic. This movement will probably continue contributing for the next quarters and probably during 2017.

This is one part of the set we have in this line, but we have in other lines here, in the credit intermediation, the repricing of the spread that probably during this year we will have one part of our portfolio in the process of repricing.

Next year we see more stability in the spreads, but in a higher level. Probably, for next year, some growth in the portfolio will contribute for the improvement in the margins.

Talking about insurance, normally insurance maintains a very good contribution every year. We see some sustainability in the growth. We do not have the guidance for 2017, but we are very comfortable for this year and for this year we see some possibility to have growth in the loan portfolio and the pre-fixed portfolio will maintain its contribution in a very good level.

Then we talk about the NPL, the guidance about expenses. Considering this effect we had in the 1Q, the specific case, you can consider we will finish the year at the top of the guidance. We understand we do not need to modify the guidance now.

When we talk about expense, we see probably until the end of the year some deceleration in the growth of expenses. Probably we will have the guidance now, we are visibly comfortable.

For 2017, when we talk about total expense, probably could be similar to this year, a little more, but we do not see a higher growth compared to this year. It is possible to maintain the guidance as we gave, and we understand it is a number very reasonable.

**Carlos Firetti:**

Only to complement, regarding NPL creation, this quarter we had a very high level of write-offs, it was due to specific situations, there was a normal process that led to a concentration of write-offs, which are much higher than the normal.

Write-offs next quarter will meaningfully go down, and considering the 10 to 20 b.p. increase in NPLs we have been talking about maintaining, you can get NPL creation probably next quarter.

**Luiz Carlos Angelotti:**

We follow the Central Bank's rules only. We did not have any additional effect.

**Marcelo Telles:**

Thank you.

**Thiago Batista, Itaú BBA:**

Hello, thanks for the opportunity. I have two questions, the first one related to your slide 14, where you show your expectation of 12 months net loss. We noticed that your expectation for losses retreated by 40 to 50 bps depending on the quarter, when I compare with the last numbers you provided in the 4Q.

**Luiz Carlos Angelotti:**

Thiago, sorry, can you repeat? We cannot understand.

**Thiago Batista:**

On slide 14 you put in the chart in the top left side the 12 months net losses, your expectations. The purple line. Comparing those numbers with the numbers you provided in the 4Q, we saw some increase in those figures, between 40 b.p. to 50 b.p. in the quarter, in June, September and December, for instance. Could you comment about this increase and your expectation of net loss?

And my second question is about the credit card loans. And on slide 11, you showed the expansion of credit card loans, and your year over year growth achieved 12% more or less, and when we compare it with the Central Bank figures, the expansion of credit card portfolio was much stronger than the Central Bank figures. So, if you could comment your strategy in the credit card segment.

**Luiz Carlos Angelotti:**

The first question, about the... This is efficiency ratio that we have, when we talk about the delinquency ratio, the modification is because we had the actualization according to the evolution of the green line, which is the E to H ratings declines. We had an increase in the volume of this line, then we modified the expectations. The expectations follow the more actual information that we have in our portfolio.

Then the write-offs we had, we transferred for The real loss... OK, on this graph we put 12 months ago in March 2015, the number 3.3% is the write-off we had in this quarter. It means that the overdue process started one year ago, this is the rational. And the future, if you see the green line and the lower line, which is the efficiency loss we had, we had a very good correlation. This is why we use the green line to try to anticipate the expectations for the future loss.

This I think for us is the best way that we will have to precify the expectation.

**Thiago Batista:**

Just one point. I could assume that your specific clients were the main cause of your increase in the green line. So, this probably was the main cause of the increase in the net loss expectations.

**Luiz Carlos Angelotti:**

This is the rational that we had for the expectations. This is why we say that for this year we expect that it will probably continue growing, the delinquency ratio, and the loss after provisions will be higher.

And the second, about the credit card portfolio, the growth, here, normally we have a seasonal, when you compare with the quarter, last quarter 2015, normally we have a huge volume of cards in the operations, but we started 2016, if we compare it with one year ago, with a very good growth, we had here some effects, the migration of the clients that continue to grow, to use the cards, and they are using less cash in the transactions.

The volume of transactions in the market, you have normally one normal growth, then one part of this. We are doing agreements and including the client base in a private label or new card holders, it is a movement. Here we have this movement that maintains the normal growth in the average for this portfolio, it is 10% to 15% in the last year. This is the average of the growth.

**Tito, Deutsche Bank:**

Good morning. I have a couple of questions also. Sorry to go back to provisioning levels. But just to understand why you (54:04) change your guidance. I understand you had the additional provisions this quarter and launched write-offs, so that potentially would come down next quarter. But you still need to assume that there are no more negative surprises going forward. Even though you had the additional provisions of R\$800 million this quarter, you could say that probably should've been expected to some extent.

So, what makes you comfortable going forward, given that you don't lose your recovery at your best case in the 2H16, that there won't be any more surprises going forward, and along with that, at what point would you feel comfortable maybe using some of the excess reserves?

And then second question in terms of where do you stand with the HSBC and the integration of that, if you can give us an update on that and if you still expect that to be neutral this year and increase next year. Thank you.

**Luiz Carlos Angelotti:**

We did not change the guidance. Basically, as we said, we still think it is feasible. We have a kind of a good view of what is going on in our portfolio, the trends we expect and basically we still think the top of the guidance is feasible. That is the only reason, basically.

About the HSBC we are waiting for the approval of the regulator, Cade, then after the approval I think we understand we will be fast to conclude the acquisition, in 15 days, 20 days, then our objective is to... After three or four months, to migrate to a unique platform in the bank, then the benefits of synergies will come probably in the first moment in the administrative costs with reduction in some cases like data process or transports, communication costs, then this will be probably the first benefit. During 2017 we expect to achieve another benefit of the structure. Bradesco has a very good structure, then probably with the normal turnover in the bank we will accommodate the back office of the HSBC, then the benefits from the personal and administrative costs will be higher.

Our expectation is that the synergy in two years will be minimum 30% of the synergies with a lot of opportunities in the other side, in the revenues, when we compare products as cards and check-in accounts. We understand that we have a lot of opportunities to increase revenues, insurance products. We understand that we have a good portfolio of products to offer for the HSBC clients.

We understand that when we talk about the Bradesco profitability, this year we do not expect any effect, it will be a neutral effect acquisition, but after 2017 we understand some benefits came from the synergies and they will help us to improve the profitability.

I think you need to understand that when you analyze Bradesco today, we did the hedge of the price, R\$18 billion, or US\$5.2 billion, then with the hedge effect, we don't have the remuneration of cash in Real, which was SELIC 13%, 14%, and we have the remuneration in USD, US\$5.2 billion, 2% a year.

Then the effects of the disbursement we had, but the good benefit that is the profitability and synergies will come with the acquisition. We are very optimistic and we understand that it is a good opportunity for Bradesco to increase the participation in the market.

**Tito:**

OK. So, you expect a minimum of 30% of synergy in two years or three years?

**Luiz Carlos Angelotti:**

Three years. In a gradual way, probably in 2017 we will have a very good evolution. We say three years, 30% is a conservative way, we probably will have more opportunities, and it could be higher. When we talk about efficiency ratio, today Bradesco is running 37.2%. When we join HSBC, together in the first moment, the efficiency ratio will be around 45%. In three years, the efficiency ratio, when we consider Bradesco and HSBC together, our objective is to bring it closer to the level

that we have today, 38%, 39%. This benefit from synergies and revenues that will come is the new hope to improve profitability.

**Tito:**

OK. And when do you expect to consolidate, will it be next quarter or maybe 3Q?

**Luiz Carlos Angelotti:**

We need to wait for Cade's decision. After this decision, we will be very fast. If they conclude it in May, probably during June we will have a way to conclude the acquisition and we will start the process. But we need to wait for the regulators.

**Tito:**

OK. Thank you.

**Jorge Kuri, Morgan Stanley:**

First one on assets sensitivity. I see that in your macro forecast you are expecting a considerable cost of Selic rate to 12.25 this year, and 10.25 end of 2017 versus 14.25 now. Can you walk us through your balance sheet assets sensitivity? Obviously we saw the positive results over the last 24 months with NIM expansion and Selic rate went up.

On yours equal, and I know there's a lot of moving parts, but on yours equal, 100 b.p. caught in Selic rate. What does that mean for your loss in NII relevance?

**Luiz Carlos Angelotti:**

Something around 1% decrease in Selic, something around R\$400 million, R\$200 million before tax full year. We are not sure... A higher sensitivity about the effects in the remuneration in the assets. When we talk about the position, I think we will have some benefits from the assets, pre-fixed portfolio we have, that probably we will start to generate more revenues in the future. Then we understand that the decrease of Selic will be positive for our balance sheet, considering the positions that we have for the total effect.

**Jorge Kuri:**

Sorry. I didn't understand that. You said there is a negative impact of R\$400 million. Is that on revenues? I am sorry, it is very hard to listen to the call. Can you explain that again more clearly?

**Luiz Carlos Angelotti:**

If you consider all assets that we have a remuneration with Selic. The effect is R\$200 million negative that we have in the balance sheet.

When you talk about only assets that has remuneration in Selic, but considering all the assets that we have with all other remunerations, we have the pre-fixed portfolio that brings some contributions above Selic that will improve the profitability. Only Selic

assets sensitivity that we can say are only, assets that have Selic remuneration, this is a near neutral effect for us, the Selic during the year.

**Carlos Firetti:**

Just to add: basically we are breaking down in the assets, the part that is linked to Selic, but we also have six rate assets, the 200 million refers only to the impact of the lower Selic on what is floating rate, but there is another part of the effect that we do not disclose here.

**Jorge Kuri:**

I am really sorry, I am not trying to difficult. You have an asset in the balance sheet, all banks in Latin America do, the rates go off significantly when Selic goes up, as we saw during the last few years. And they come down, as we saw in 2012, when Selic came down. Would you mind just helping us understand your sensitivity to Selic? All is equal, Selic rates go down 100 b.p., what is the negative impact?

**Carlos Firetti:**

Everything will be positive for us as Selic goes down, but we do not give the number. OK?

**Luiz Carlos Angelotti:**

The total assets and the liabilities, for us, Selic goes down (66:26), but we do not give the number.

**Jorge Kuri:**

So your assets and rates go off and the liability sensitive on rates go down? Is that correct?

**Luiz Carlos Angelotti:**

Yes.

**Jorge Kuri:**

Let me ask my second question then, on your provision guidance, sorry, I know, every similarity about this. Let me ask this in a different manner, if I understand, your view is that you are not changing your guidance and you feel comfortable that you will be able to get to the provision guidance because you have a good view on what is going on your portfolio, etc.

So let's go back a year ago, in the 1Q15 you guys said NPLs were going to be flat, at 3.6, and you felt that for the most part you have a little bit of risk on the corporate sector, SMEs were going to be OK, the consumers were going to be OK. As we now know, the NPL ratio was 4.2, 65 b.p. generation. If you look at the negotiated loans which you had a record year in terms of renegotiated loans, in reality your delinquency went up 120 b.p., which is very different from your view of flats a year ago.

So, what this cause a new confidence, now that here we are in the 1Q16, your wrong rate of provisions is already above the high end of your guidance, the amount of bad debt formation is way above what it was mentioned. Your provisions this quarter were up 50% versus a year ago. What gives you confidence? We basically think the worst, because we are assuming that your provisions are going to be flat from here vis-à-vis what turned out to be a much worse last 12 months.

**Luiz Carlos Angelotti:**

When you refer to one year ago, when we gave the guidance, our expectations for GDP were negative, 0,5% or 1%, the situation and the market for the year was close to 4%. We gave the guidance considering one scenario that we have available. Any modification in the scenario, we need to actualize our guidance.

Now, we do not see any need to modify the guidance because the scenario that we have is very similar to that we had one quarter ago, when we gave the number. This is why we understand that we can maintain the scenario for this guidance of loan loss expenses.

If we have some modification in this scenario for negative way or positive way, probably we will revise the numbers and we can probably actualize our expectations, but now the scenario is very similar to what we had one quarter ago when we did our calculations and internal calculations that we gave you the numbers.

We are comfortable with the guidance that we gave in all lines including this guidance for loan loss expenses.

**Jorge Kuri:**

Alright. Just to understand your answer, you are expecting 3.5% contraction in GGP, so if the GGP down 4%, which I think walk through some individuals, some forecasts, actually, have minus 4.5%. So, if you end up being wrong at 3.5%, it is 4% or 4.5%, what does it mean for provisions?

**Luiz Carlos Angelotti:**

That small change would not change our guidance.

**Jorge Kuri:**

Alright, so even if the economy contracts 4,5%, you are certain that you are going to meet your provision guidance?

**Luiz Carlos Angelotti:**

If we have a visible modification in the scenario, we will revise the numbers, but a small modification, we think it is early to modify something.

**Jorge Kuri:**

Right. Thank you very much.

**Victor Galliano, Barclays:**

Thank you. A couple of questions for me, sorry to feel like a frog in a bad hole share, but stick with delinquency provisioning. I just wanted to check that E2H ratio that you shared on slide 14, going from 4.7 to 4.9. Was that, and this question has been asked already, I just want to clarify this, is that problem corporate loan, was that already within the E2H bucket year-end 2015, December 2015 or did it actually...

**Luiz Carlos Angelotti:**

Victor, sorry, can you repeat? I cannot hear you very well.

**Victor Galliano:**

Just focusing on the E2H portfolio, that big corporate provision you made and the problem loan, was that plan already included in the E2H bucket at 4Q15 or did it join in the 1Q? That is my first question.

**Luiz Carlos Angelotti:**

We are not in the E2H.

**Victor Galeano:**

I am sorry, could you repeat?

**Luiz Carlos Angelotti:**

We're not in B2H.

**Carlos Firetti:**

A long part of this growth is in specific line in the quarter.

**Victor Galeano:**

Sorry, it is a very bad line. I did not get that. It was not in the E2H at year-end?

**Carlos Firetti:**

It was not.

**Victor Galeano:**

Thank you. The other question is about HSBC, and I noticed that you now estimate that the capital absorption is going to be over 200 b.p., as opposed to 190 you had before. Obviously you have a bigger capital buffer now, but could you just explain a little bit on what happened there in terms of the increase in 20 b.p. of capital absorption?

**Carlos Firetti:**

Basically, we just changed the calculations for the base of year-end 2016, the previous calculations were based on financial for year-end 2014.

**Victor Galeano:**

OK. And you are saying you are still waiting to hear from Cade on this, in terms of gaining a final sign from them, but you already had to sing off from the Central Bank. Is that correct?

**Carlos Firetti:**

That is correct.

**Victor Galeano:**

OK. Thank you.

**Carlos Gomes, HSBC New York:**

Thank you. Let me not ask about the asset quality. On the your tax rate 35.7% of calculation. Can you give us your indication for the year and tell us what you are assuming in terms of interest and on capital? What level of TJLP you think that it would be joining?

And the second question refers to risk weighted assets. When you look at page I think 75, what shows the current risk operation of market risk. Market risk declines a lot from 19 billion to 14 billion this quarter, I know it is volatile, but I am just wondering there was something specific for it to be that loan. Thank you very much.

**Luiz Carlos Angelotti:**

About TJLP, we did not use the total benefits in this quarter because some intentions according to the total profits when you do the calculation about the minimum dividend, than we calculate according to the links of dividends that we have. We have some space to have some additional benefits on the TJLP in the next quarters.

About the market risk, the decrease, the drop, the position that we are revising our treasure department, in fact to reduced some positions and when you do the calculation we have the decrease. We have less risk in the positions in the credit.

**Carlos Gomes:**

Backing to the first question, what is your guidance for the tax rate for the year? My number is 35.7, I do not have a slight different one. Where do you expect to be over all year?

**Luiz Carlos Angelotti:**

We could be running between 36, 35, the rate, until the end of the year. 35 is more reasonable.

**Carlos Gomes:**

Again, that is with the current legislation and with no cap on the usage of interest on capital proposed here. It will be using the 7.5% that we have today, or possibly higher at the end of the year?

**Luiz Carlos Angelotti:**

It could decrease a little more in the future because this benefit that we did not use probably will help some decrease in the future, but you can consider 35, 36. It is reasonable.

**Carlos Gomes:**

Thank you very much.

**Operator:**

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

**Luiz Carlos Angelotti:**

Thank you everybody for participating on our call. We are available to answer any other questions you may have. Please contact the investor and market relation department. Thank you all.

**Operator:**

That just concluded Banco Bradesco's audioconference for today. Thank you very much for your participation. Have a good day