

Operator:

Good morning, ladies and gentlemen, and thank you for waiting. We would like to welcome everyone to Banco Bradesco's 2Q16 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 everyone. Welcome to our 2Q16 conference call to discuss our results and strategy. We have today with us for this conference the following executives: Alexandre da Silva Glüher, Executive Vice-President of Banco Bradesco and Randal Luiz Zanetti, General Director of Bradesco's Seguros Group and Luiz Carlos Angelotti, Executive Director and our Investor Relations Officer.

Before moving to the presentation, we would like to make some comments on yesterday's news on the issues in tax issue investigations. Banco Bradesco acknowledged the complaint offered by the Federal Public Prosecutor and received by the Federal Judge from Brasília concerning members of our management.

Due to this preliminary staff based on arguments to be followed exclusively by the Federal Public Prosecutor and we reiterate that no statutory or legal irregularities or breach was practiced by these directors, which will be fully proved during the preliminary instructions for the Prosecutor.

We do not have any other comments to add on this subject.

Now, to begin our presentation, we turn to Mr. Angelotti.

Luiz Carlos Angelotti:

Good morning. Thank you for joining our conference call. I will start on slide two, the highlights. Our net income reached R\$8.374 billion in this half, and in this quarter R\$12.161 billion, with a growth of 1.2% over the previous quarter.

This net income shows ROI around 17.4% for the year. Our NII grew 10.6%, the Fee shows a growth around 9.8% because of the segmentation movement we are doing and we are improving our products for our clients. Operating expenses went up by 9.5%, reflecting the inflation of the test period, but our objective is to finish the year with inflation around 2016, something around 6%.

Our efficiency ratio is in one of its best levels, 37.4%, and the coverage ratio 8.2, then this shows the commitment with our performance. The Tier I reached 13.7%, which is comfortable for the next stage, the incorporation of HSBC.

Our assets amounted to R\$1.106 trillion. The expanded loan portfolio reached R\$447 billion, in this period it has decreased 3.4% due to the lower demand from the market. Our delinquency over 90 days reached 4.6% and our Effective coverage ratio reached 333.9%, we understand that is comfortable for the environment.

We had an important contribution from our insurance business. Bradesco Seguros had a net income in the period of R\$2.544 billion. It is a growth in insurance premiums of 6.9%.

Now I turn to Carlos Firetti who will give more details about the next slide.

Carlos Firetti:

Starting on slide three, we have the adjustments on our net income, a few adjustments this quarter. Net earnings for the quarter was R\$4.161 billion, in the 1H R\$8.274 billion. On slide four we have the evolution of our adjusted net income. In the quarter net income grew 1.2%.

For the 1H, there was a drop of 5.7%. In the quarter, results were mainly helped by the reduction in provision expenses. We had fewer provisions on the specific case from the corporate sector for which we have been making provisions.

This last quarter we finished the provisions on this company with an additional provision this quarter of R\$365 million, this company is now being rated H. also, we had in the quarter a contribution from fees and commissions that are performing very well based on the deepening of our segmentation and a negative contribution to results from insurance, where this quarter we have some pressures in the insurance operations, especially coming from claims in the health insurance segment. Also, we had an increase in the quarter on operating expenses by R\$282 million.

On slide five we have the sources of our net income. Basically, we have a very diversified source of results, 31% of our net earnings in the 1H came from insurance, 30% from credit intermediation and 29% from fees. Highlighting that 70% of our earnings came from activities not related to the credit business.

Slide six, we talk about our assets, equity and efficiency. Basically, our total asset increase 7.3% in June compared to June last year, with our return on assets reaching 1.5% in the period. Our shareholders' equity grew 10.8% year-on-year despite the fact that our earnings were under pressure in the period.

Our ROI was in June 17.4%. Our efficiency ratio continued showing very good levels, we closed the quarter with an efficiency ratio of 37.4% and the operational coverage ratio, that is, fees divided by costs was 80.2%, still evolving compared to the last quarter, still in our best level.

On slide seven we have our NII. Basically, our total NII grew 10.5% year-on-year for the 2Q and our NII from interest is growing as a rate of 10.2%. Our NIM in the quarter drops 10 b.p., but NIM calculation is affected by the fact we are growing more in some assets that do not contribute that much to the NII. For instance, PGBL and VGBL, some pension products on which the revenues grow more to the other lines, not the margin.

It is important to highlight that our net income is growing at a 10% ratio, much higher than credit growth, as you will see later.

On slide eight, we have details on our NII. NII from credit intermediation in the 1H is growing 10.8%, basically due to the repricing of our loan book and also gains on the funding side.

The securities and other where we have our asset liability management results is growing at 12% in the 1H, helped by the flat SELIC and benefits on our assets liability management. Insurance is growing 7.5%. we changed our guidance for this line, now it goes between 7% and 11%.

On slide nine we have our credit intermediation margin, as I have said, the credit intermediation margin is still expanding, reaching 12.3% in the 2Q, an expansion of 30 b.p. compared to the previous quarter.

The net credit intermediation margin, net of credit cost, is more under pressure, mostly due to the provisions we have been making on a specific case from the corporate portfolio, as we have been saying, but also some growth in provision expense due to this cycle. The provision expenses represent now 44% of our credit intermediation margin, adjusting by that specific client, it would be 41%.

Our BIS ratio is on slide 10. We had an increase of 80 b.p. in our BIS ratio in the quarter, that increase can be explained mostly by earnings retention that added 50 b.p. to our BIS ratio, but also the reduction in the risk weighted assets.

In terms of fully loaded, our fully loaded ratio reached 11.3%. One highlight here is the impact from the acquisition of HSBC, this quarter is a little bit higher than last quarter, 2.3%. The reason is mostly because we updated the data we used on this calculation already basing them on June 1st results.

On slide 11 we have our loan book, which dropped 3.4% in the quarter, impacted by the FX variation and it is dropping also 3.4% year-on-year. The biggest contributions for this weak growth come from the SME portfolio that is shrinking 12.9% and in the corporate segment, and also large corporates now shrinking 3.3%.

The individual's portfolio is still growing 3.8%. We have good contributions from the payroll loan business, growing 10.5% year-on-year and the credit card business growing 13.2%, since we are still adding new clients, specially based on the partnerships with some retailers.

We have the real estate financing portfolio, mortgages growing helpfully at 25.5% year-on-year. We show a big drop on our car loans portfolio of 15.1%. In this portfolio we suffer from the weak demand we have been seeing across the board and also the fact we have been cautious in our origination.

We changed our guidance for loan growth to -4 to 0, reflecting the current performance and the scenario.

On page 12 we have data on credit quality and provisioning, basically our total NPL grew 42 b.p. this quarter; the SME portfolio decelerated a little bit, the expansion on NPLs to 52 b.p., but it is still high; the individual's portfolio, the delinquency increased 29 b.p.; and in the corporate, it increased 36 b.p., mostly based on the deterioration and a group of corporates. The corporate clients are not included in this NPL ratio.

In the 15 to 90 days delinquency ratio, we had an improvement for the individual segment, going to 6.14%. While the total NPL and NPL for companies still increased. In the case of companies, the impact comes from the reduction in the portfolio, and also the impact of a specific client already included in the 15 to 90 days NPL.

In terms of provisioning and NPL creation, we had an increase in NPL creation to 5.4%, but we continue making healthy provisions on the new creation. Our provision to NPL creation reached 109% this quarter, considering that in this provision we have R\$365 million for a specific client.

On slide 13 we have the mix of our loan book, individual's representing 33% of our loan book, large companies 45% and SMEs 21.7%. In SMEs we have been seeing a reduction over time, and especially now due to the shrinking portfolio.

In the case of individual's, we want to highlight the very important change in mix. We had, overtime, low risk portfolios now representing a much higher stake compared to clean portfolios, for instance, payroll loans and mortgage represent 41% of the total portfolio; the car loan portfolio, for instance, not only smaller, but much better now, represents 13.2%, in the car loan portfolio we have much more collaterals, the average for the loans is shorter, the cars are newer, so that makes our individual's portfolio in a much better position in terms of risk profile.

Provisions in slide 14, total provisions reached 9.3% of our portfolio in the quarter, specific and generic provisions, 7.4%. We have R\$6.4 billion in additional provisions that has been maintained unchanged since we have constituted them.

In terms of the effective coverage ratio, that is, the coverage of provisions to losses, we have a ratio of 234%. In terms of coverage ratio of 90 days and 60 days NPLs, we have respectively ratios of 201% and 161%.

Finally, in this slide, regarding the renegotiated portfolio, renegotiated loans grew year-on-year 19.8%. We have very healthy provisions on this portfolio, 65.5%, the NPL of

the portfolio is relatively stable, 26%, and this portfolio represents 4.1% of our loan book.

Remember that the credit recover we have, it is all based on loans that were written off and these loans, when we recover them, a big part goes to the renegotiated portfolio.

Now on slide 15 we have fees and commissions. Our fees are growing in the semester 9.8%, the main drivers for this growth are the checking account business that has been benefiting from the segmentation of our base of clients; and also highlighting lines for the consortium business, growing 13.8%; the financial advisory service, 22.8% and brokerage and Custody 21.6%.

We maintained our guidance for this line at practically 7% and 11% growth for this year. Operating expenses year on year are growing for the 1H, 9.5%, with personnel growth, 8.1% and administrative expenses growing 10.9%. Interesting to notice is that personnel, the structural expenses that are basically salaries and costs related to salaries, is growing 5.8% with no inflation, mostly due to the reduction in the number of employees that in the quarter reached 2.2%.

Also, reminding that the non-structure expenses, we have R\$75 million in expenses related to severance costs. Our guidance for costs was reduced 5.8%. Basically we are confident we will move to the middle of the guidance until the end of the year. The base of comparison in 2H is much higher and some expenses, for instance related to marketing, for 2H will drop compared to 2015.

On slide 17, we have the insurance business. Basically our premiums of insurance are growing 6.9% YoY for 1H. This growth was impacted basically by the slowdown in the life and pension business. That was impacted by the fact that we postponed some commercial contents to 2H16 and did not go with campaigns in 1H as we usually do.

In terms of shareholders equity for insurance, it is growing 8.3% YoY. Our net income dropped 0.9% YoY, mostly impacted by increase in the loss ratio in the health insurance business. We can explore more on that later. And also, a provision of R\$144 million for periodic revision of our liabilities. We have to make this in June and in December. Basically we have to use the interest rate curve, defined by Susesp, the insurance regulator, and recalculate our provisions and on that process, we have to make R\$144 million more in provisions.

Finally, our ROAE for insurance in 1H closed at 22.4%.

On slide 18, we have the evolution of technical reserves, which is 15.8% YoY, financial assets, 14.6% YoY. And our combined ratio that increased, as I said, mostly due to the higher claims in the health insurance business.

Now I turn the presentation to Luis Angelotti.

Luis Angelotti:

On slide 19, we show our guidance that we provided. This guidance does not reflect the HSBC incorporation. Probably we will announce the numbers of the effects of the HSBC when we announce the 3Q results.

On the loan portfolio, the new guidance reflects the demands that we expect for this year. We have some USD effects in the portfolio, about 15% of our portfolio we have operations that are USD originated. Our expectation for the end of the year is the USD around R\$3.2. This is one part of the decrease of the portfolio. Another part is the lower demand we have had during the year. Probably for 2H we expect a little bit better demand in the loan portfolio, but this is the new guidance that we expect for loan growth.

NII, we increased a little the guidance, and now it is at 7% to 11%, reflecting the fact that we expect that margin intermediation. But we have one part of the loan portfolio that probably will reflect in the repricing, because the new spreads in some operations that we have in our long term. We have the fact of the Control of the funding costs that we continue to improve gains in 2H. And the asset liability management that we expect for 2H some benefits that we take from our pre-fixed portfolio.

We maintained the fee guidance and the operating expenses we adjusted to around 6% of inflation, which is what we expect will be the limit that came from these expenses.

Probably during the year, the (31:06) of expenses will continue decreasing. And our expectation is that it will probably finish around 6% at the end of the year, because the last cost with the marketing expenses, because one part of the higher growth that we had in the 1H is related to our sponsoring the Olympic Games. Then considering the higher cost control and our Internal target we understand that the new guidance now is 4% to 8%.

For insurance we maintain the guidance and the guidance for allowance for loan losses expenses, we increased. The main effect is related to specific clients that we did provision in 100%. And now we included in the expenses for the year and this is one guidance that we understand is feasible for the expectation that we have for the delinquency in our portfolio.

The next slide is page 20. Here we have some information about HSBC. The final price we paid is R\$16 billion. We are now doing our due diligence for the additional for the price, because according to agreement, the variation of equity between 2014 and the date we assumed the bank, the variation in the equity and we adjusted the price.

Our expectation is that the integration of the platforms, the unification will happen in October. Now we are training the employees and giving workshops so that they understand the Bradesco operations, the way that we work in our banks. And the clients are beginning to have access to Bradesco's ATMs. And all HSBC clients will receive a welcome card with the instructions on how to work once they are Bradesco's clients, after the integration that will happen in October.

On the next slide, we have some numbers about the HSBC integration and the benefits expected from this operation. The major thing is that we will start with the high scale economy that we expect to have probably after October, and the synergy effect. We understand that now with the new clients of HSBC we will have a lot of opportunities to offer, more products, benefits with the offer of products, and with the new structure of branch, the macro bank will have a complementary network. We will have a better position in the Brazilian market.

Another benefit is the integration of HSBC's expertise and human capital with the integration.

Now we are concluding the presentation. Our final results are compatible with the environment that we have had in 1H. I thank you for your attention and we are now ready for Q&A.

Jason, Scotia Bank:

Thank you very much. My question is related to asset quality. We saw the 90-day delinquent loans increase 40 bps in the quarter, one of the higher increases we have seen. Can you talk about your expectations for the evolution of this line? You talked a little bit in the past about expecting a peak in NPLs until the end of the year. Are you still intact with this large increase?

Carlos Firetti:

Jason, basically 90 days NPLs, aside from the impact of the economic environment, as everybody knows, are also impacted by volumes, I think that is important to highlight. The portfolio this quarter dropped 3.45, and that impacted the ratio. In terms of expectations, you can say that we expect the NPL ratio to close the year around 12.9%. We believe the peak of NPL could be between the end of 4Q16 or 1Q17. And an additional point is there is a specific case on the corporate segment that is already in the 15-90 days NPL. Next quarter, it will go to 90 days. But the thing is we already have this client in H after six months delay, we can do the write-off.

So, this client is in fact in the 3Q but there is the write-off of the cleaning the base of NPL in 4Q.

Luiz Carlos Angelotti:

I think it is important to mention is that in the short term, the delinquency ratio, 15 to 90 days, we will start to see some stabilization, mainly in individuals. Probably this shows the movement that we have had in the last quarter that we increased the interest ratio, now it shows a deceleration or stabilization. Then we can show that on slide 12, but when we look at July, it continues that movement. It is something that is important to show, because probably now we can have better things about the stabilization.

Jason:

Thank you. Maybe just a quick comment on the effect of the tax rate, which was low versus some expectations. Is this related to something specific in the quarters, the higher levels of provisions or what kind of color can you provide on how taxes were?

Carlos Firetti:

Jason, basically the rate in the quarter was lower, there were some impacts. Basically, interest from capital will remain being a positive contribution for reducing interest rates. The TJLP is much higher. We also had in the quarter some tax exemption revenues that also helped to make the tax rate lower. But an important point is, given the entire JLP and the interest from capital, we can expect the tax rate for the year at 32% or 33%. It is lower, and it will remain at a lower level for the remainder of the year.

Luiz Carlos Angelotti:

It is important to mention that we maintain the procedure to maintain the deferred tax we need 40% for the new deferred tax. The fact that we did in September last year now we are decreasing until 2018. We did not have any benefits in the tax rate with the appropriation above 40% in the new deferred tax.

Jason:

Thank you very much, Angelotti and Firetti.

Tito Lamarca, Deutsche Bank:

Hi, good morning. Thanks for the call. A couple of questions. One is on the provisioning side. I know you increased the guidance that you keep for R\$20 billion. So, if you get to that R\$20 billion, it does not mean that the provisions will have to come down from 1H16. I know you had some additional provisions related to the one specific corporates in 1Q and 2Q. But what gives you confidence, aside from that, that provisions will be able to come down on the corporates going into bankruptcy in Brazil, given the weak economy and the big spike in NPL. So, just want to understand where you get the confidence that the provisioning level should start to come down next quarter?

And then another question on insurance. I know you had some additional provisions there. We could see a good pick up on the combined ratio. If you could maybe give a little bit more color there, what happened specifically in the back of improve in 2H16.

Carlos Firetti:

About the guidance. In 1H16, one part of the expenses is related to the process of ratings division. Then one part of the growth expense was impacted because of this process. And we continued doing the analysis of our portfolio, but I think the major part of this process I think we did. And then with the new information in 2H, we will have some things that we will probably need to do. This is one aspect that we will probably reduce in 2H. This is one part of the expenses.

One part of the higher growth that we had in 1H was because of the specific client . Looking ahead we see this expectation from now until the end of the year, the stabilization of the interest ratio. During the analysis of our portfolio and the next effect during the year, we understand that this guidance is an offer to cover the expense that we expect until the end of the year. Then, this is our better analysis of when we look at our portfolio and the information that we have about our client base.

Luis Carlos Angelotti:

About insurance, we started to... About the additional provision that we had in the previous quarter, we had interest curve experienced reduction in about 100 b.p. This is basically twice a year, in December and June. And this could happen in the next semester or not, depending on the behavior of the interest ratio in the period. So, it could be considered one shot, given the current pattern of the interest curve.

About the combined ratio, if I got your question right, it was affected basically by the loss ratio of the health care segment. It was affected mostly by a reduction in the level of employment in Brazil and because of that, we experienced a chaos in the costs, not paired by the respective premiums. And this increased the impact in the casualties and the loss ratio in the period.

And on top of that, we continued to experience an effect on the medical inflation and in the frequency of utilization of new services. So, those are the main effects basically on the loss ratio on this period of time.

And this was the only real factor that impacted the combined ratio. If this becomes better in the next quarters, it will depend basically on our ability in operational terms to reduce the effect of loss ratio in healthcare, and a better environment in terms of employment, another that could help reduce the impact of the macro effects on these segments.

Tito Lamarca:

Thank you, that is helpful. But unemployment keeps going up; does that mean that the loss ratio could get worse in the second half, or how dependent is it on a better environment of unemployment?

Luis Carlos Angelotti:

We believe that most of the effect was already there. We believe that we have a good prospective in terms of, at least, reducing the pace of unemployment, and maybe, in the last quarter, starting to stabilize the level, and more than this, what we expect is to gradually substitute the members that we lose. We lost, in the previous quarters, from new segments, such as Small Businesses, that had been growing 30% a year.

Because of this movement of shrinkage in the client base mentioned from the corporate side, it was not possible to compensate and to restore the number of clients as fast as was the shrinking, but we expect that in a more extended period of time we will be able to do that.

Tito Lamarca:

OK, so most of the losses have been reflected and you can start to see some improvement in the second half, is that correct?

Luis Carlos Angelotti:

Sorry, could you please repeat? The sound is not good.

Tito Lamarca:

Just to make sure I understood, you are saying that most of the losses have been reflected and you think you could begin to see some improvement in the loss ratio in the second half of the year?

Luis Carlos Angelotti:

Yes, I think the short-term effect will come from some operational measures that we have been taking in terms of better control in the cost on that of the members to the service that we provide.

But in a medium to long term, that is going to be more impacted in terms of the results, there will be the stabilization in the membership base and a better environment in terms of the macro scenario for this segment.

Tito Lamarca:

OK, thank you. That is helpful.

Carlos Rivera, Citi:

Hi, good morning, everyone. And thank you for the opportunity to ask questions.

My first question is related to NII, which is currently growing above loan growth. Probably this, of course, the grow losses spreads from credit that continues to go up, and also from the NII on securities.

So I just wanted to get your thoughts along how much room do you still see for this spread to continue going up and for the NII of securities to continue that strong? You have the guidance for this year, but I just wanted to get more color about how you think about this for the next year. And I will ask my second question after. Thank you.

Luis Carlos Angelotti:

Carlos, about the new guidance and NII growth, we continue to have the effect of the spreads with pricing. Then all the operations that we have, there is more opportunity in the quarter to be had, but the new pricing will continue increasing a little.

The spreads, on average, are continuing at a high level, compared with other periods, for corporate, individuals and SMEs. This higher price continues the movement. We had the impact of less growth, but we have some effects of the funding.

The offer of funding is higher and we have the opportunity now, with the higher offer of funding, to reprice. Then in our operation, that we need to renew for our clients, we start to pay less. The limit is Selic; we pay one part of Selic. This is happening because we continue having a higher offer of funding.

And then we have some migration for new products or other products that have less costs for the Bank. With this management in the funding, that will continue in the second half, we will continue having some benefits.

In the asset liability management, we are revising our numbers of the portfolio. We had more opportunities and one part of the opportunities came from the prefixed portfolio. This portfolio continues repricing with higher level spreads and these benefits in the second half will continue improving the revenues in our NII.

We understand that the guidance reflects our expectations for the year, and we have a good contribution from the insurance business that, in the 2H, will probably maintain a good growth in the NII.

Carlos Rivera:

OK. And do you feel that initial fell could still benefit you in the next year, at least in the first half of next year, or is it too early to tell now?

Carlos Firetti:

The margin, especially the asset liability management portion, continues somehow benefiting as interest rates in Brazil go down. Basically, we say that this ratio of our assets is kind of 18 months, so after each cut, you will have some time when the benefit is stronger and, considering most analysts expect interest rates to go down now, and more importantly in the next year, actually, in that securities and others, where we have asset liability management, we should expect still some remaining benefits next year.

Luis Carlos Angelotti:

And probably, next year, we will have some positive growth in the loan portfolio, that really gives a contribution to the volume. This negative growth is for 2016; we do not have a guidance for 2017, but, considering the expectation for the economy, we will probably see positive growth in the loan portfolio in 2017.

Carlos Rivera:

OK, thank you.

And my second question is regarding the generic provisions. If you could comment a little bit on the decline of about R\$630 million; this is the 1Q when we see a decline on generic provision. Thank you.

Luis Carlos Angelotti:

Please, could you repeat the question?

Carlos Rivera:

Sure. Regarding the generic provision balance, this is the first quarter when we see a decline, of R\$630 million decline, so I was just wondering if you could give us a little more color there.

Luis Carlos Angelotti:

About the decrease in generic provisions, we had a migration of a specific client that is now in the specific provision. During this quarter, we had this migration; it is a relevant number, a little more than R\$1 billion. This migration is probably from this client.

Carlos Rivera:

OK, thank you very much.

Thiago Batista, Itaú BBA:

Hi, guys. Thank you for the opportunity.

My first question is about the line “other operating income and expenses” that increased materially in this quarter. In the press release, you already discussed a bit the main changes we saw in this line, but I have two points to clarify. One is in item 1 of tax contingencies; to what exactly this tax contingency is related?

And also, in item 3, you mentioned lower expenses on credit card and insurance. Do you have any idea on what caused this contraction and also the magnitude of this contraction? And is it possible to say that those expenses could be lower in coming quarters?

Luis Carlos Angelotti:

Thiago, the increase in these other expenses about tax contingencies is mostly a revision of our internal position; not only a specific position, it employs many processes in which we had this reflected. And we had another effect that is a provision around R\$200 million that is about cbss that is one agreement that we did in the 1990's that now we are concluding the negotiations. This is one adjustment that we needed to do.

Your other question is about the insurance.

Thiago Batista:

Yes. In the same other operating line, you mentioned in the press release item 3, you commented that the expenses on credit card and insurance were below the average, or something like that. If you could explain what was the main cause of this contraction and the magnitude of this?

Luis Carlos Angelotti:

This is a very specific situation, it's not very relevant. I think the other factors are more relevant, but regarding expenses, I think we had some concentration in the first quarter and these expenses now we had a reduction in the second quarter. But this effect is not very relevant. I think we have this information in the notes more specifically.

Thiago Batista:

OK, thank you very much.

Victor Galliano:

Thank you.

A couple of questions from me. On the HSBC acquisition, I appreciate the information you have given us on slide 21, but could you give us some idea of what a *pro forma* NPL ratio and what we wait as a percentage of total loans looks like? And also, perhaps, some coverage numbers?

Carlos Firetti:

Vitor, we still do not have that information for sharing. As you know, we closed the deal based on a preliminary balance sheet for closing and we are still doing a deeper due diligence in the numbers, so actually we do not have officially released 2Q results for HSBC.

We will try to release as much information as possible once we have the audited full numbers for HSBC, but, at this point, I am afraid we really cannot provide much more information.

Victor Galliano:

OK, I understand that, thank you.

Just a quick follow-up from me on advantages, can you give us any sort of color in terms of advantages that some of these loans have performing and whether you can really see, at this point, any light at the end of the tunnel right now, even in the corporate or retail portfolios?

Luis Carlos Angelotti:

Vitor, we improved our internal process of credit and we continue doing this process all the time. In our models and analyses, we are more critical and we can see in the new origination a little better quality than when you compare with the past.

This gave us the opportunity to give you the guidance that we expect for the delinquency ratio, considering this effect. The delinquency ratio for the end of the year will probably continue growing 0.1% or 0.2%, then it will probably finish the year around 4.9%. Then, we see a better behavior of less risk in the new originations. This is why we are more comfortable with the guidance that we gave you about the expensive provision.

Victor Galliano:

OK. I am so sorry. You were saying – just to make sure – going back correctly, it is not a great line: are you expecting a sort of year-end NPL ratio, about 4.8 or 4.9?

Luis Carlos Angelotti:

No. The delinquency ratio, 4.9 is the total delinquency ratio above 90 days that we expect, around this number. And, then, we will see a stabilization in the index for 2017, probably with some expectation that we had to breakeven.

Carlos Firetti:

As I said – a detail – you may see the NPL in 3Q to go higher than that because of the impact of specific client, but that client should be most likely written off in the 4Q, so it gets out of NPL base.

Victor Galliano:

Is there any particular sector that you are really worried about at the moment when you look at the corporate book?

Luis Carlos Angelotti:

Normally, we do not comment about the tax or segment of public or something that happened in the ether oil sector had more difficult during the last year, but we don't comment about sectors.

Victor Galliano:

OK. Thank you, gentlemen.

Aníbal Valdés, Barclays:

Hi. Good morning. Thank you. I have a quick question on early delinquency rates. I know it might be early to call it an inflexion point, but from the Central Bank Data we see some continually stability on the delinquency rates on the retail portfolios? And on the corporate portfolios show some improvement during June? And in your case, despite the one-off credit that you guys mentioned in the call, it looks like early delinquency rates might also be an inflection point, so I just wanted to ask you if you could provide more color, given that we are a little bit more advanced in the year in terms of what you're seeing in your early delinquency rate so far, and when will you expect the asset quality deterioration to peak? If it is possible to assert at this point. Thank you.

Luis Carlos Angelotti:

We do not have specific information about the other market, the other competitors, but looking at our basis, first, we did not sell any operations in the 2Q, then, it could be that some institutions, it's normal to sell, if they sell some operations, this affects the index. Looking ahead at the 2H, considering that our short delinquency ratios 15 to 90 basis, we start to see some signals of stabilization, mainly in Individuals. This confirms our expectation that until the end of the year probably we will have stabilization in the delinquency ratio. Until there, the SMEs with the segment will probably show a little higher growth in the delinquency ratio.

And in the corporate side, probably our delinquency ratio that we have now 0.79, will probably continue visibly stable in this level, we will have a peak in the 3Q. It was a specific type, something around 0.3 or 0.4%, but looking at the end of the year, our expectation is to finish the year in the corporate, the big companies reasonably stable in these level, around 0.7%, it is something reasonable. Then we will start to see some movements or some signals that probably the movement of growing in delinquency ratio now is less strong it will start to show some stabilization in some sectors.

Aníbal Valdés:

Great. Thank you. Just a quick follow-up. On the loan provision expenses revise guidance for 2016, are you guys considering the use of some additional provisions?

Luis Carlos Angelotti:

No. Additional provision, we normally treat as a non-recurring expense.

Aníbal Valdés, Barclays:

Alright. Thank you.

Carlos Gomes, HSBC:

Hi. Good morning. My question refers to your volumes. You have here a certain guidance for loan growth. Would you say that your loans in BRL have actually declined 6% during the year at this point. When do you expect to see an impact of turnaround that your ratio funding in line with the guidance?

Second, you mentioned that for next year you expected a recovery of a higher average volume for obvious in turnaround quick, so that the average for 2017 would be pressed for 2016. Do you expect any contraction for integration with the institution you have acquired? Thank you.

Luis Carlos Angelotti:

Carlos, basically volume has been very weak because we are cautious, and demand is very low. We believe that this Company is coming from demand, it could be one thing that we will start to turn around as confidence continues improving, as the economy starts to rebound, and Companies start to invest more.

Our economist, Otávio de Barros, for the system, expects loan to grow 7% next year, we do have a guidance, as Luiz said, but we expect for next year end the loan growth for Bradesco to be on the positive territory. To precisely say when we start to get positive is difficult, but maybe at the end of year, we have the peak of MPL, we start to see revenue. According to our economists, the economy growing quarter on quarter in the margin, positively the 4Q, maybe, around that.

If you compare only quarters, probably during this year, until the end of the year, we could have some positive growth, but in a year growth, only in 2017 we expect to see a positive growth in annual Growth of the portfolio.

Carlos Gomes, HSBC:

And the effect of integrating two banks and you have to reduce exposure to some debts?

Luis Carlos Angelotti:

Our expectation is to maintain the portfolio, but we need to analyze client by client. We have space to maintain the transitions, because normally we use the limits; we have margin, limits, but we will analyze case by case. If the client has potential, our expectation is to maintain better operations. In some cases probably it will not be possible, so the analysis will be case by case.

Carlos Gomes, HSBC:

OK. Thank you very much.

Thank you.

Operator:

Excuse ladies and gentlemen, since there are no further question, I would like to invite the speakers for their closing remarks:

Carlos Firetti:

Thank you, everybody, for participating in our call. The Investor Relations Department is open to receive your doubts and answer your questions. Thank you very much.

Operator:

That, thus, concludes the Banco Bradesco's audioconference for today. Thank you very much for your participation. Have a good day.