Operator:
Good morning, ladies and gentlemen, and thank you for waiting. We would like to welcome everyone to Banco Bradesco's First-Quarter 2018 Earnings Results Conference Call. This call is being broadcasted simultaneously through the internet on the website banco.bradesco/ir. On the address, you can also find the presentation available for download. We inform that all participants will be only able to listen to the conference during the company's presentation. After the presentation, there will be a question and answer session when further instructions will be given. Should any participant need assistance during this call, please press star-zero 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 risk, uncertainty and assumption 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, industrial conditions and other operating factors could also affect the future results of Banco Bradesco and could cause results to differ maturely from those expressed in such forward-looking statements.

Now, I'll turn the conference over to Mr. Carlos Firetti, Market Relations Director. You may proceed.

Carlos Firetti:
Wecome to our conference call for the discussion of our first-quarter results of 2018. We have today participating in the call with us our Executive Vice President André Cano, our Executive Managing Director and Investor Relations Officer Denise Pavarina, our Executive Managing Director Moacir Nachbar Jr., Vinicius Albernaz, the CEO of Bradesco Seguros.

So, now, I turn the presentation to Denise.

Denise Pavarina:
Hi, everyone. Thank you again for joining our conference call. I'll start with the main highlights in slide number 2. We have net earnings of R$5.2 billion, an increase of 9.8% year-on-year, and 4.9% quarter-on-quarter, representing a return on equity of 18.6%. Our operating income grew 16.5% quarter-on-quarter.

As you know, we promoted a strong adjustments in our structure in the previous years capturing synergies of the acquired operation of HSBC. We also adjusted our credit origination models and collection strategies. The effect of this adjustment are being captured this year, 2018, and our results begin to show this improvement. The good trend in in credit quality and in cost of risk continue as we can see by the delinquency ratio, both individual and SMEs segment presents continuous improvement in delinquency bringing the overall delinquency ratio down .3 basis points. This led to a new meaningful reduction in cost of risk, which dropped, as you can see, 28% in the quarter. When extend that for the year, cost of risk may be around the bottom of our guidance. This, of course, has to be confirmed but that's our expectation. Operating expenses showed a reduction of .4% year-on-year as a consequence of our tight cost control and adjustments made last year, which more than offsets the inflation and the collective salary adjustments that we had in the period. Going to the loan book, it grew 6.4% year-on-year in retail, while the total expanded loan portfolio shrunk 3.7% mainly driven by the contraction of the corporate segment. This has to do with the letters of credit and also debentures because capital market is already, and bonds, of course, they are a good alternative for the companies those days.

The corporate portfolio trend should revert as investments pick up, we have of course, waiting for a more clear scenario, companies growing down their investments, and this may change as long as we have a more clear scenario. As anticipated, the average loan volume contraction and some reduction in margins put pressure in our net earnings, I am sorry, our net interest income, which reduced 2.6% year-on-year. Considering that, we will be growing in individuals and in SME segment this year as we saw in the first quarter, the change in mix should help us to offset part of the effect, not totally, but part of the effect.

Going to the insurance business, we have a reduction in premiums this quarter, and we have to say that the production of insurance premiums varies during the year; it is not the same quarter by quarter. Therefore the performance doesn´t change our expectations for the full year. In fact, we expect the contribution to our results in the coming quarter and we see already signs of improvements in the health insurance business and overall claims.

Going to the end I would like to summarize some few priorities we have.

We keep our cost control very tight, we will continue to reduce, adjustment will continue but now more gradually because as I said HSBC adjustments were done during last year and basically are concluded, we have just a few things to do yet, and this year we expect to close or convert to point of services nearly two hundred branches. This is a way to still attend our clients with a simpler model.

The other thing we want to do is to deepen our segmentation strategy, especially in the high income segment, in which the initiative implemented in 2017, related to wealth management and financial advisory, already showed meaningful results. Here, we have established a new platform that is providing advisory to our clients and received very good results of that.

Other thing very important to us is the focus on innovation: innovation of processes, innovation of products and sales channels. Improving the amount of credit products available to digital channels and reducing the paperwork. Not only credit, but also the other financial products that we can sell. We sold 500,000 products of insurance last year after we included in our app mobile bank that we have in Brazil. Additionally, we will continue leveraging our improved CRM, we have a CRM tool which increases sales effectiveness. We intend also to enhance customer experience continuously through more agile processes.

In conclusion, we understand that our quarterly results show that we are in the right direction with cost structure already adjusted, controlled delinquency and appetite to expand our loan portfolio. The quality of the new loans that we are considering are much better, they have improved, and this gives us confidence to even expand our loan portfolio. Thank you.

Firetti will now detail the numbers.

Carlos Firetti:
Ok. Thank you, Denise. So, going to slide number 3, we have the adjustment of our recurring net income, basically the major adjustment this quarter, as usual, is the goodwill amortization R$607 million. We expect to amortize for full year '18 R$2 billion.

On slide four, we have our recurring income statement. Basically a few observations here. First, we regrouped our provisions expenses, our allowance for loan losses, moving down the impairment from the margin, as on the accounting terms it is the way it should be, to a managerial adjustments on the provision expenses and also breakdown the former net provision expenses in its three components. So, basically these three first lines compose the net provision expenses.

So, expanded allowance for loan losses had a quite good performance as already pointed by Denise reaching R$3.9 billion in the first quarter. We understand this level is closer to what we call a normalized level for the time being. We think over time, over the year, it should continue evolving positively, we think, but it's a more normalized level comparing to the fourth quarter where we had some extraordinary impacts. We also had a quite important reduction on the impairment itself reaching R$255 million. We believe this level is also closer to what we could see as a reference for this year, could be a little bit higher or down, but we are not going to see again the same levels we had at the end of last year unless we have something extraordinary happening. Basically this put, the provision for expenses close to the bottom of our guidance that is a reference we have been saying is probably a good level for the year.

In terms of insurance, the income from insurance that you see in the P&L had a reduction this year, this quarter, mostly related to lower premium growth or reduction in premiums in the first quarter compared to the fourth quarter seasonal reduction but year-on-year based on a weaker market and also a higher comparison base last year. Also, we had a revision of the present value of our liability with a reduction in the discount rate applied for this calculation, so that also caused an expense this quarter that is responsible for most of this variation this quarter.

Our tax rate in the first Q was 32.4%. We believe our guidance or signalization for the full year between 28% and 30% continues as a good reference; we believe we are going to be in that range.

In slide number five, we have the evolution of our net income, as it is said, 9.8% growth year-on-year for the quarter.

On slide six, our net interest income, the earning portion of our net interest income dropped 2.6% in the quarter year-on-year. This is consistent with our guidance close to the middle of the guidance. The main driver for this reduction is credit intermediation that reduced 8.5%, mostly due to volumes but also some reduction in the credit margin.

Insurance did well, as we have been saying since the end of last year given that, even if insurance is affected by lower interest rates, actually our asset liability retards this impact. In asset liability management, again that is related to the fact that part of our balance sheet has a fixed rate exposure, so this brings a positive impact on this position. Our NIM in the quarter has a reduction of about 20 bps, reaching 6.6%.

In slide seven, our loan book, considering the Central Bank classification that involves only loans, has increased 0.4% in the quarter, driven mostly by a 1.3% growth in the individuals on that classification. On our traditional breakdown, the expanded portfolio, we had a reduction of 1.3%, basically driven by the corporate and middle-market operations. Especially in the corporate segment sureties and guarantees, there were a couple of letters of credit that expired and also the payment of some bonds that also reduced the portfolio in the quarter. The big highlight here is that our retail and mid-high income operations including individuals and companies grew at the rate of 6%, 6.4% year-on-year, for this segment where we have mass credit products for our own clients.

In slide eight, we have our breakdown of the expanded portfolio, 1.3% growth for individuals is the big highlight, payrolls are growing at a 13.4% rate year-on-year, real estate 5.5% and car loans 10.5%. In real estate financing or mortgage, basically we had a very good beginning of the year with a very strong level of origination and keeping that, considering we are operating very competitively, we should continue with a very good performance in this line.

In slide nine, we have our loan origination per business day. For earmarked and non-earmarked loans this represents roughly, probably, 80% of our total loan book. We have, for individuals, an increase year-on-year in the quarter of 35%, for companies 31%, showing that our origination is really picking up and we believe that it can continue allowing us to continue accelerating in the individual's portfolio.

In terms of delinquency ratio, also a very good performance, especially in SMEs and individuals, where we have been seeing improvements since the fourth quarter of '16. We think there are more improvements to happen considering the performance of our more recent vintages and, considering also that the current NPL levels are still high, so we should continue to see these NPLs improving. In the corporate segment, NPLs are still high, remembering that in 2014/13 when they operated on what we consider more normalized, they were about 50 bips. We believe the corporate NPLs should continue on a relatively high level until the end of this year. We don't see really big tickets moving this ratio to much higher levels, but we don't see actually an improvement in the short term.

In slide 11, we have our NPL formation that is also a very good highlight for the quarter. NPL formation dropped to R$4.4 billion – it's the lowest level we had for a long time. Our provisions were consistent to the NPL formation; we continue providing for the new formation. In terms of provision expenses, including impairment, they represented 3.2% of our loan book this quarter.

In the slide 12, in the NPL creation per segment, we had a quite good performance in SMEs and also a continued improvement in individuals. We think NPL formation for both segments, and also the total NPL formation, can still continue improving. The corporate NPL formation increased a bit this quarter, but its participation in the total NPL formation is relatively small.

In the slide 13, our coverage ratios, we reached the 219% coverage on 90 days NPLs – a very strong level. We believe our coverage probably will continue increasing a bit more. We don't manage our provisions through coverage; for the time being, we don't have any plans to reduce the excess provisions. We can eventually reevaluate that in the near future if necessary but we shouldn't be doing that in the short-medium term.

Renegotiated portfolio evolved positively with reduction in the total renegotiated loans and also the renegotiated loans that are still in our loan book – that is the grey line. The difference between the two are renegotiated loans that were in our off-balance book coming from write-offs. The coverage for this renegotiated portfolio is quite high and it has been performing quite well in terms of credit quality.

Slide 15: fees and commissions. We have fees growing 5.4% year-on-year. The highlights are for checking accounts, where we have the impact of synergies from our acquisition. We have been able to capture more fees on the client base, mostly selling services with higher value-added. Asset management we continue doing well as a result of our efforts in the wealth management with our investment consultancy for our clients and this is in line with our guidance. Operating expenses, we also had a good performance: total expenses dropped 0.4% year-on-year. The administrative expenses dropped 0.9% year-on-year. A highlight here for personnel, that grew 0.1% year-on-year. A good performance but, looking to the structural part of it, that are salaries and benefits, we had a reduction of 1.7%, despite the 2.7% increase in salaries last year. That reflects the results of our voluntary dismissal program. What is holding a better performance for total personnel expenses is the non-structural part and the main responsible are the expenses with the labor lawsuits. What happened is, with the increase in the number of people leaving the bank last year, we have more people getting with lawsuits against us. The provisions in the first quarter reached R$407 million, a more normalized level is something probably below R$200 million and we believe over this year we should reach those normalized level as we go to a more normalized situation in terms of labor lawsuits.

Slide 17, we have our efficiency ratio. We had an improvement of 100 bps in our efficiency ratio this quarter.

In slide 18, our insurance operations, our premiums year-on-year had a reduction of 2.1%, affected by a high strong base of comparison last year, but also weaker market. We believe that, despite this relatively weaker performance year-on-year, we, considering that other periods in the year are more important, we can without much problems be in our guidance range.

Capital, page 19, reminding you that this quarter we have Brazil already operating with 100% implementation of BIS III in terms of capital deductions. Our ratio in the quarter was 12.4% Tier 1, 11.6 CE Tier 1, reminding that the fully loaded calculated in the fourth quarter was 12 Tier 1, 11.2 CE Tier 1, so we had an organic expansion of capital this quarter comparing to that fully loaded.

And finally, our guidance and the realized numbers. Basically, for the loan book, we are below it, but we believe we can still be in the range, especially in the mid-low portion of it, but, more important than being in the range, let me remind, we are growing more in retail and SMEs, especially small-size SMEs and this is mix accretive, so for our margins growing, those segments can be as important and offset the fact that we don't grow that much or that eventually we will not grow that much in corporate. Net interest income, we are tracking our guidance. We believe we can improve a bit over the year, being closer to the center of the guidance that is 2% or a little bit better than it. Fees, 5.4, in line with guidance. Operating expense will be probably in the mid-low portion of the guidance. Insurance premiums, we are running below, but we believe we can go back to the guidance range and we are doing quite well in provision expenses.

With that, I conclude our presentation and open for the Q&A session.

Operator:
Ladies and gentlemen, we will now initiate the question-and-answer section. If you would like to ask a question, please dial star-one. If at any point your question has been answered, you may remove your question from the queue by pressing star-two.

Our first question is coming from Mr. Carlos de Macedo of Goldman Sachs. Mr Carlos, you may proceed.

Carlos G. Macedo:
Thank you. Good afternoon, everyone. I have a couple of questions. First question is on margins. We saw that your margins were not, largely because you had some stronger results in the ALM and other things, but the credit margins were lower sequentially, despite a slight change in mix in the portfolio with consumer loans growing faster. I am trying to get an idea of what you expect in the end of the year. But, more importantly, if you think that the process of passing through the lower SELIC is gone and if you think that the competition, now that everybody is trying grow loans particularly in the consumer

side, will have any impact on margins, maybe not this year, but down the road. Second question, on asset quality: how much more do you think, I mean, you talked about potentially improving, the NPL ratio is getting lower, the cost of risk is already much lower, what do you think the NPL ratio can go to and does that mean that, you know, with NPL creation being low, you can actually have the cost of risk getting even lower? Thanks.

Carlos Firetti:
Okay. In terms of margin and starting with competition, the answer is we are seeing some impact in spreads in some lines due to the competitive scenario, and basically everybody is there because actually the demand is there. So, we have seen spreads going down in some lines, still remaining in health levels but we already have seen some reduction in some lines. In corporate, for instance, where the competition is more capital market than actually the other banks, spreads are already meaningfully lower than the peaks we have seen and in some cases getting closer to the pre crisis levels. We believe our margins during the year can start, our credit margin, can stabilize due to mix, it's only, we have been growing in richer mix loans with higher margins, especially since the fourth quarter last year, we only have roughly two quarters growing there. We think over the follwing quarters as the participation of these loans grow we can have some sort of offsetting margins due to this mix effect. Our expectation for NII for the year being minus 2%, basically it implies that margin probably will go down somehow this year, as they are, but it's implicit that we don't see margins going down a lot.

On the cost of risk, we used to have a longer chart on NPLs where the NPLs, the total NPL in the past cycle reached something like 3.5%. Considering the mix, the fact that actually new vintages are doing quite well, we can go below that level. We have already seen provision expenses reducing, retreating, as a percentage of the loan book. Looking not only this year but longer-term, we believe we can also operate in levels below what we have seen historically given the mix effect and the fact that actually new loans are doing quite well.

Carlos G. Macedo:
Okay. Thanks, Firetti. One follow-up question, if I may. I mean, the question that I think, on competition, there is still a lot of room to expand because the potential to borrow is still low given that nobody was borrowing. At some point, you start bumping heads with your competitors, everybody is trying to go in auto and payroll and these mortgages and these loan lines that have low risk. Do you expect the competition to intensify this year or is it something that there is still enough room for anyone to grow, so that it will become more of an issue next year?

Carlos Firetti:
Competition is quite strong this year already. If you look at mortgage, at car loans, everybody wants to grow. I think the difference could be that demand probably will pick up even more as the economy improves and as people start to get jobs. At some point,

we can have a differentiation that is our position. In our case, this differentiation didn't help us with full impact because, as you know, regions where we have a stronger position than our peers were the ones that suffered most and probably will take a little bit longer to be running at full potential. We also have some differentiations in some lines, one example are the payrolls, payroll loans. We have invested in the past, and because actually we can, because we have a strong distribution network to get retirees receiving salaries in our branches, so we have an access to this client that few other banks have, maybe only the public sector, and this is a very good channel where we can grow. Also in terms of mortgage the position in terms of client relationship and agreement also can give some differentiations but we cannot avoid that, in normal conditions with the expectations of risk in a lower level, competition actually will be stronger, it's natural, but that we don't see that as a major problem.

Carlos G. Macedo:
Okay, thanks, Firetti.

Operator:
Our next question comes from Mr. Jorge Cury of Morgan Stanley. Mr. Jorge, you may proceed.

Jorge Cury:
Hi, and good morning, everyone. Can I ask about competition from the fintechs space. We are seeing a lot of new companies offering free checking accounts on digital accounts, payment companies offering significantly lower MDRs, companies are able to go into your systems, see who your best clients are and try to offer them better rates. How do you think this is going to play out? What is Bradesco doing to defend its market share and to, you know, create also a digital world that is appealing to the younger crowd that is rapidly accepting, adopting these new platforms? Thank you.

And, I'm sorry, if I may add, particularly in what products or segments do you think there is more risk and what are you doing specifically about those products and segments? Thank you.

Carlos Firetti:
Sorry, can you repeat your last question, sorry?

Okay, I will answer the first part. You are right, Jorge, the competition is strong and we are, basically, fighting back as a strong bank we saw some players growing in areas that are very important for us and areas that are on which we want to be. One of them is, for instance, the digital accounts and also the acquired business for individual small merchants. We have launched, we are ramping up the operation with Cielo to offer cheaper products and selling the machines at very competitive prices, we are going to offer digital accounts, so we have to fight back and, really, we believe that, with our presence, with our technologic capacity, we can really remain as a very competitive and strong player in this segment, as we are in most of the market segments. Specifically in the digital operation, I remind you of our operation with Next that is our digital bank focused on younger clients. Basically, it is a platform totally separated from ours and very innovative, very flexible, already prepared to open bank concept and we are already have more than 100,000 clients and we are ramping up. We launched only two months ago, the free accounts. In the first stage of the launching, we were operating only with paid accounts and the rate of growth after the launching increased a lot. And, this platform gives us a lot of leverage in the sense that we can experience, we can try different products, different formats and it's working so we should keep investing on Next. It gets new profile of clients that are normally younger and have full digital profile for our part of the clients that want the digital accounts, we should allow, we will play with digital accounts and we have more; we have the complete portfolio of products that we can offer them when they need. We think other fintechs don't necessarily have that. We are a very traditional bank in the small-company's operation, probably, we have one of the largest portfolios. We have more than 2 million clients in the company's segment where we can offer, acquiring, we can offer digital product. Therefore, I think we are prepared and you will hear a lot from us playing in this new world.

Denise Pavarina:
Just to add, the number of clients that grew within companies such as PagSeguros and others were clients that we are not actually assessing because of the level of credit, the score of credit that we have inside Bradesco. It doesn't mean that we are losing our own clients; those are clients that we were operating products or no credit and so this is something that now with the new strategy that we have where we are selling the *Bradesquinha* which is the new machine for clients to commercialize their products, we sold in 40 days 14,000 equipment POS we want to during the year sell around 100,000 equipment, so I think we are there as we were in other situations where we have to compete and, basically, we changed some, you know, some metrics, we create new products, we also created a prepaid card for certain types of clients that have different needs. So, are there to face the competition as we have done now.

Carlos Firetti:
Jorge, I did not get the second part of your question. Can you repeat it?

Jorge Cury:
Well, it was partly answered. I was asking specifically where do you see more risk, what products and services do you see more risk on, coming from fintechs, is it payments, is it credit, is it spreads, is it in acquiring and insurance and so I wanted know on a product-by-product basis where do you see the more risk and what are you doing about it, you partly answered it, but if you can just still expand a little bit on the credit side, because that's obviously where there is excessive pricing in the market and we are seeing fintech companies that are originating credit cards at much lower rates, that are offering clients

better rates and so just, you alluded to the payments base, but if you can talk about the credit market and what are you doing to defend yourself from fintechs? Thank you.

Denise Pavarina:
To be honest, what really concerns us more than the competition—

Jorge Cury:
Sorry, it's really very hard to hear, sorry. It's very hard to hear, sorry.

Denise Pavarina:
Okay, I'll say again. What I'm saying that what concerns us more is the growth of the economy is delayed, always, because if the economy is growing, the other things you know, we are very prepared to face.

Jorge Cury:
Alright, thank you.

Operator:
Our next question comes from Mr. Jason Mollin of Scotiabank. Mr. Jason, you may proceed.

Jason Mollin:
Hi. Thank you for the opportunity to ask a question. My question is a bit of follow-up on what was being discussed. I'm just looking at the number of clients or customers that you show as going down. I'm looking at definitely a little bit lower number of branches and you did mention, I guess, these Next customers, this 100,000 clients, I think that you mentioned, are these in those new customers 'cause it looks like you lost quite a bit more than that… If you can talk about that, if that is a migration to competitors or, it's hard to tell where they're going, I'm guessing, or these clients weren't profitable and you are actually trying to push them out.

Carlos Firetti:
No, basically the main reason for the reduction in clients is unemployment. Brazil faced a very, very strong crisis over the last two years, as you know, and a lot of clients lost their jobs, closed their accounts. We have a lot of accounts that are payroll relationships. So, this is the main driver, I would say. In terms of current account numbers, this quarter it was stable and the main reason for the reductions comes from that. When you look, for instance, at healthcare plans, unemployment, we play mostly with corporate

healthcare plans and with unemployment we had a reduction in the base of clients. We believe our position and our strategy focus in all segments of clients, from the top to the bottom, since we have more than our private sector competitors in the bottom where unemployment grew more than anything else, it's naturally that we got impacted.

Denise Pavarina:
And just to add, Jason, our focus is much more now on total clients rather than cash accounts and so, because our strategy now is to sell, to include those clients in many segments that we have, to use the CRM to cross selling with clients of insurance, to sell our products or to sell investments, that we have done. So, our focus is now on much more on total clients considering that all of them that buy any product of Bradesco are our clients. And cash account is one of the products, so we shouldn't look at those as the main drivers.

Jason Mollin:
Yeah. It's interesting because I see that, I mean, it's interesting in the total customers it looks like, quarter-on-quarter, there is a small increase but if I look at the breakdown you give it looks like the only, the numbers show a reduction in all types of customers in all of the line items here except with the 100,000 increase in accountholders, the total customers is increasing by 700,000, so I am not exactly sure where they are coming from, but that makes sense. What about on the branch net—

Carlos Firetti:
Jason, just one thing: in saving accounts, if you look every year there is an interesting phenomenon that we have a big increase in number of saving accounts clients at the end of the year and a big reduction in the first quarter. There is some seasonality, lots of people receive their Christmas bonus or have more money, open the accounts and we have sequentially a big reduction. You can see every year this same thing happens in saving accounts specifically.

Jason Mollin:
All right, year-on-year, but I guess that you were explaining that that could be the economy. What about the branch network: can you continue to rationalize that the number of branches was down 8% over the last year? Almost a percent, I guess, 40 branches in the quarter were closed. If you can talk about that.

Carlos Firetti:
Yes. We plan this year to reduce about 200 branches. Last year we closed about 565 branches. In the first quarter we already closed something like 44 branches, if I am not wrong. Part of what we say 'close' is conversion in points of service that is a small format, only with ATMs, one or two account managers focused on relationships – two managers per branch and focused on relationships. We think this is a way of keeping a way to serve

the client with a much lower cost of structure. So, especially this conversion will happen a lot, but the reduction from now on should be slower than it was last year.

Denise Pavarina:
We are analyzing region by region, city by city and see the model that fits the better in that place, and this is the number that we have now. But, those are evaluated all the time to have, you know, new moves, every day we look at the model that fits the better for that region place, or city, situation and change to a more efficient form of attendance.

Jason Mollin:
Thank you.

Denise Pavarina:
No problem.

Operator:
Our next question comes from Mr. Jörg Friedemann of Citibank. Mr. George, you may proceed.

Jörg Friedemann:
Yes, thank you very much for taking the question. Just a point that I noted on your capitalization. I understand that most of the effects on common equity Tier 1 in this quarter comes from the agenda of the prudential adjustment that goes towards 100%. However, I also got a bit surprised with the impact on the common equity Tier 1 coming from higher risk-weighted assets. So, I just wonder if you could give a bit more color why the credit risk increased more than 2% despite the, I know is sluggish, credit performance and also the operating risk went up more than 10%? Just a bit more color on that. Thank you very much.

Carlos Firetti:
Okay. A part of it comes from credit. It also has a little bit to do, maybe, with – just a second. Sorry, simple answer, there was some changes in the weight in risk-weighted assets.

Jörg Friedemann:
Sorry, could you repeat that? I could not hear you.

Carlos Firetti:
There were some changes in some weights for assets done by the Central Bank.

Jörg Friedemann:
Ah, okay. Both in credit risk and operational risk as well?

Carlos Firetti:
Yes, yes.

Jörg Friedemann:
Okay, perfect. Thank you.

Carlos Firetti:
I will follow up with more details on that, but that is the answer.

Jörg Friedemann:
Okay, perfect. I appreciate, thank you.

Operator:
Our next question comes from Mr. Mario Pierry of Bank of America. Mr. Mario, you may proceed.

Mario Pierry:
Hi, everybody. Let me ask three follow-up questions here if I may. The first one on the cost of risk, R$3.9 billion this quarter, if we annualize we come slightly below your R$16 billion forecast for the year. So, I just want to clarify you are still comfortable with your guidance range, your 16-19, or do you think you can come below your guidance? Because, the way that things are trending in terms of asset quality, it is showing that things continue to improve. So, that is the first question.

Second question is going back to all these questions on fees. When you bought HSBC, I remember that the revenues that you were getting out of the HSBC clients were roughly 20% lower than what you had at Bradesco. So, if you can try to discuss, do you think that the profitability or the revenues you are deriving from the HSBC clients are already at the same level that you had from the traditional Bradesco clients? Because, I think, what is catching the attention here is that your fees are only growing 5% year-on-year, and we understand all the dynamics there, but it seems low because you recently, roughly two years ago, incorporated a big franchise.

And, the third and final question has to do with costs. Just wondering here if you have seen all the benefits of your early retirement plan, if that already fully reflected on your results, if you can comment on that that would be great.

Carlos Firetti:

Okay. First, the guidance… Annualizing the first Q, really, it goes below the guidance. I think, it's too early to review. I think, as I said, this new level is kind of a reference, we don't see big increases in a single quarter as the most likely scenario, probably, even impairments also have reached a more normalized level. So, we have said, we expected more the bottom of the guidance, so the first Q make sense with this statement. For now, let's wait, but we are comfortable we are doing quite well on that and we prefer not change the guidance.

Denise Pavarina:
About the revenues per client that you have asked: when you have a retail in corporate clients, they are about the same already, and when you go to high-income clients, we have still a way to go. So, we are not there yet and working hard to reach the same level.

Carlos Firetti:
Yeah. One thing that happens is, in the agreement with the anti-trust regulators, basically, we cannot increase the fees at once; it is kind of a commercial relationship and we have to sell better products and the customers have to allow to charge rates. So, it's a gradual process and, as Denise said, the mid-high income segment is where we have, probably, a little bit longer way to go.

In terms of the voluntary dismissal program, some people left only in February. It is a smaller part of the program. So, possibly, the first Q is not really fully reflecting all the adjustments but maybe almost fully reflecting on the personnel. What is impacting the personnel expenses is kind of high part of the benefit is the fact that we had very high expenses with labor lawsuits in the fourth quarter, but especially in the first quarter, something like R$407 million. This expense normally runs below R$200m. The reason for that is the fact that a lot of people left the bank last year. It takes a while until we receive the notice for the lawsuits. A lot of people anticipate the moment they would get with the lawsuit comparing with what we had before the labor reform. We believe, in the coming quarters, we have a big improvement from that. As I said, maybe going from this 400 to something around 200 or below it. So, this is not a benefit from the voluntary dismissal program but is important benefit we still have to capture.

Mario Pierry:
Okay, now that is very clear Firetti. Thank you very much.

Operator:
Our next question comes from Mr. Thiago Batista of Itaú BBA. Mr. Thiago, you may proceed.

Thiago Batista:

Yeah, hi, guys. Hi, Firetti. You had comment at the beginning of the call that the insurance companies results were impacted by a kind of one-off expenses related to the change in exemptions of technical reserves. Can you comment in which segment this was impact? I believe it was pensions, but I'm not really sure, and, also the magnitude of this impact, how big was this impact in the financial results?

Carlos Firetti:
Basically, this is related to the re evaluation of our liability in the insurance company. It's related to the revision of the discount rates, from 4.3% to 4%. The impact is roughly equivalent to R$150 million after tax in the insurance company.

Thiago Batista:
Okay, perfect. And this was in the pension business itself, or in the life, or…?

Carlos Firetti:
Across the board.

Thiago Batista:
Okay. Thank you for the clarification Firetti.

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

Carlos Firetti:
Hello, thank you everybody for participating in our call. The investor relations department is available for any further questions you may have. Thank you very much.

Denise Pavarina:
Thank you.

Operator:
That does conclude the Banco Bradesco´s conference call for today. Thank you very much for your participation, Have a good day.