

Transcript of the Conference Call
English
4Q20 Results
February 4th, 2021

Announcer:

Greetings, ladies and gentlemen, and thank you for waiting. We would like to welcome everyone to Bradesco's fourth quarter 2020 earnings conference call.

This call is being broadcasted simultaneously through the Internet, in the investor relations website: bradescori.com.br/en. 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 participant 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 Director and head of IR.

Carlos Firetti:

Hi, everyone. Welcome to our conference call for the discussion of the 4Q Results. We have today with us our CEO, Octavio de Lazari; our Executive Vice-President and CFO, André Rodrigues Cano; Bradesco Seguros' CEO, Ivan Gontijo; and our Executive Director and Investor Relations Officer, Leandro Miranda.

For starting the call, I turn the floor to Leandro.

Leandro Miranda:

Thank you Firetti.

Greetings, everyone. Welcome to our conference call.

Needless to describe 2020. It is widely known how challenging that year was and the impact the pandemic had on our lives, families, communities and the global economy as a whole.

Bradesco's performance was naturally below what we expected a year ago by the time that we presented our guidance during the 4Q19 earnings conference, but it certainly was by far much much better than we imagined that it would be soon after the beginning of the pandemic. We are proud to deliver our best results ever.

We would like to thank all of Bradesco's team for its commitment, resilience and creativity. Our Board, and specially Mr. Trabuco for his wisdom, guidance and trust.

2020 was a year of much learning, of breaking paradigms and of lessons that have changed the way in which we do business. Home office has come to stay, the digitization of our operations has deepened, the habits of clients have changed and once again we were able to adapt to the new scenario and thrive, as we have always done.

Unfortunately, the pandemic is not over. It still has a terrible cost in terms of lives and suffering, but we believe that over the coming months, with the development of vaccination and logistics, we will see a significant reduction in the number of cases and victims.

In relation to the economy, we can see during 2021 a consolidation of the economic conditions.

The increase in the number of COVID cases has brought greater restrictions to the economic activity, but we expect minor impacts on the economy than we had at the beginning of the pandemic due to the learning curve experienced in the first wave.

We believe that the new tax incentives will be smaller, preventing further deterioration of public expenditure and asset prices.

With the acceleration of inflation, the Central Bank of Brazil should start raising interest rates in the coming months.

Considering these factors, the strong upturn in employment, income, trade and industry has lost traction at the moment, but with little impact on our expectation for the GDP growth in 2021 and an even better performance for Bradesco.

We now turn to slide 3.

We presented rather strong results in the 4Q, with a net income of R\$6.8 billion and a ROE of 20.0% for the quarter.

The expanded Loan Portfolio grew by 3.4% in the quarter and 10.3% when compared to the last 12 months.

We closed 2020 with the Basel I ratio at a very comfortable 13.8% level, representing a 90 bps hike in the quarter and 50 bps compared to December 2019.

We continued to have a very good cost control with a total cost reduction in the 4Q, with a reduction of 9.3% in this quarter in comparison to the previous year, leading the ER to close to 44.6% at quarter end and accumulating a drop of 3.7 percentage points.

On page 4, we present our income statement.

We had a well-balanced income in the quarter, with a number of lines showing solid performances.

The net interest income grew by 9% in the quarter and 8% in the annual comparison, supported by a strong performance of the market portion, including a quarterly growth of the client portion.

Our ALL Expenses dropped once again in the quarter and headed towards normal levels.

Fee and commission income grew by 7.3% in the quarter, with the annual decline slowing to 1.3%.

As mentioned, we saw an excellent performance in terms of costs resulting from the adjustments we made throughout 2020.

The next slides will explore these lines into more detail.

Turning now to slide 5.

The funding continued on an upward trend. The deposits from clients, net of compulsory deposits, grew 3.3% in the 4Q and 38% in the annual comparison.

We had net funding of approximately R\$158 billion in 2020.

With this evolution, our Loan to Deposit ratio closed the year at 82%, which indicates our high liquidity.

In slide 6 we present our expanded credit portfolio, which grew by 10.3% over 12-months.

Annual growth was 5.6% in large companies and 18.7% in SMEs. Individuals grew 11.7%.

One of the growth highlights in 2020 was the real estate financing line with an increase of 33.6%. The SME line grew by 18.7% and the payroll-deductible loans line grew by 10.6%.

Credit origination continued to grow in the quarter. In an annual comparison the individuals segment presented growth.

We entered 2021 with an increased appetite for credit, with adjustments in our models that should allow for greater origination without a significant increase in risk. So, we expect a good growth of the portfolio in 2021.

We will be talking more about this in the discussion about the guidance that we shall have at the end of the presentation.

Turning now to slide 7.

Our expenses with expanded ALL came down to R\$25.8 billion in 2020, which is R\$11.4 billion higher than in 2019.

In the quarter, we saw a further reduction, reaching R\$4.6 billion, or 2.7% of our loan portfolio, compared to R\$5.6 billion, or 3.4% of the portfolio in the 3Q.

This reduction took place despite an increase in impairments to R\$1.44 billion, R\$871 million more than in 3Q due to a specific case of a large company that you shall well know.

We consider our provisions to be very comfortable, considering the expected losses.

Moving now to slide 8.

The delinquency ratio over 90 days remained well controlled, showing a reduction of 10 bps in the quarter due to the drop in Individuals, while SMEs and Large Companies remained pretty much stable.

This positive performance is a result of the high quality of pre-pandemic vintages, the solid trend of our customers financial health with credit extensions and renegotiations during 2020.

The 15-90 ratio already shows signs of rising defaults, as we expected. The total ratio rose 50 bps.

We believe that the increase in the 15-90 day ratio will begin to have an impact on the over 90-days ratio in the upcoming quarters. However, we are optimistic about the scale of this increase and we think that our provisions are more than sufficient for expected losses.

We understand that it will probably peak between the 2Q and 3Q, but in levels that are not much higher than the pre-pandemic ones and we are prepared for that.

Turning now to slide 9.

We saw an increase in the level of NPL Creation over the quarter, settling at R\$3.7 billion.

Our Gross ALL for the quarter represented 111% of the NPL Creation, which shows that we are not consuming provisions.

On slide 10, we can see the 90-day NPL coverage ratio, which further increased to a very comfortable 403%.

With respect to the segments, we have coverage of 268% for Individuals, 1,167% for Large Companies and 566% for SMEs.

The coverage ratio, which includes the renegotiated portfolio, slid slightly to 118%. We would like to remind you that the loan provisions in the renegotiated portfolio represent 62% of its total, which is higher than the historical losses that we verified in this portfolio.

Now, we turn to slide 11.

As of this quarter, we've begun to publish the extended portfolio with a new concept, showing the accounting balances already net of amortizations. We believe that this methodology allows a better visualization of the evolution of the extensions.

The extended portfolio totaled a book balance of R\$48.0 billion at the end of the 4Q, a reduction of 13% compared to the 3Q20. This value was pretty much composed of:

- R\$41.4 billion on time, which means that they are no longer in the grace period with the payment of at least one installment.
- R\$3.8 billion still in the grace period at the end of December, and we must highlight that of this amount R\$1.9 billion are no longer in the grace period in January.
- And finally, R\$2.9 billion of transactions that were extended at any time, this extension ended and these transactions are in arrears for more than 30 days. This represents only 0.6% of the total of the bank's loan portfolio.

We believe that the behavior of the extended portfolio was very good, exceeding our initial expectations. This is fruit of our good credit policy, which led to high quality vintages in the periods prior to the crisis.

Moving now to slide 12.

Our renegotiated portfolio in the 4Q grew R\$1.9 billion, R\$1.7 billion when accounting for active credits. This is a significant deceleration in comparison to previous quarters.

The renegotiation growth in the quarter is primarily made up of loans that are less than 90 days in arrears, meaning they have a better quality and a greater chance of collection success.

Loan provisions in the renegotiated portfolio represent 61.5% of the total portfolio. The delinquency ratio for the renegotiated portfolio was 7.4% in December.

In slide 13, we see that the net interest income grew 9.0% in the quarterly variation and 8.0% in an annual comparison.

The client portion grew 3.3% in the quarter, mainly due to the increase in volume with the stable NIM.

The market portion showed a very strong performance in this quarter.

The total NIM grew to 6.4% in the 4Q compared to 5.9% in the previous quarter. NIM with clients remained stable at 9.2% after three quarters of drop.

We do expect a recovery of the NIM with clients in the quarterly comparison throughout 2021.

Now, turning to slide 14.

We can see that fee and commission income presented a 7.3% quarterly growth and a 1.3% drop in an annual comparison, reducing the fall in relation to the previous quarters.

For the quarter, some highlights included the solid performance of credit cards, checking accounts, loan operations and consortia.

Looking at the asset management line, we are still being negatively affected by the migration of funds from fixed income funds to deposits, as well as reductions in the management fee for these funds. We have seen an improvement in our product mix, part of an adjustment process that should lead to an improved performance, particularly in the second half of 2021.

There was also a positive trend in the number of account holders in 2020.

We now turn to slide 15.

Our performance in terms of costs and expenses was one of the highlights of 2020 and the 4Q20.

Our personnel and administrative expenses dipped by 6.9% in the 4Q annual comparison and 5.9% for 2020 as a whole. The growth compared to the previous quarter is due to the resumption of activity and the seasonality of the 4Q itself.

Given the total costs, including Other Expenses, a decrease of 9.3% was seen in the quarterly variation, with 5.3% in 2020.

This performance is due to the solid cost management measures that we adopted throughout the year by adjusting our structure, our cost to serve and specially our branch network, taking advantage of the opportunities created by the change in our clients' behavior.

We will continue to explore cost management opportunities in 2021 and beyond.

Now, moving to slide 16.

2020 witnessed an acceleration of digital trends. There was a dramatic increase in the number of users and transactions on the mobile channel.

This dynamic comprised new clients, with an interesting movement of traditional clients who had once resisted mobile and now have become users. Some of them even heavy users.

We saw a 23% growth in our mobile clients and 15% in digital clients in 2020, which also includes internet banking.

Coupled with the boost in users, there was also a marked increase in the volume of transactions.

At the same time, we have seen a significant reduction in the number of teller transactions which drop almost 62% in 2020, a trend that shall remain.

This recent movement in particular allowed us to intensify streamlining efforts for our network, consolidating branches and using more intensively alternative formats such as business units.

On slide 17, we present our performance in Insurance, which showed a recovery in the financial income in the 4Q, related to the increase in the IPCA in the period and the result obtained in the variable income strategies.

In the accumulated view, the 31% reduction in profit is related to the fall in the financial result that reflects the economic indexes, especially the IGPM, and by the prudential provisions for an adverse scenario.

Insurance Group's revenue fell only 5.1% in 2020, despite the pandemic and partial functioning of some distribution channels.

The operating result decreased in the quarter due to the higher loss ratio. This effect, as we expected, is related to the increase in the frequency of claims caused by the resumption of elective events in Health and occurrences due to the relaxation of social isolation measures.

Also in Health, in the 4Q, we reclassified R\$632 million from the non-technical provision for adverse economic scenario to the technical long term provision, which positively affects the other expenses line in the bank and negatively affects the operational result in the insurance company. We present this adjustment in the chart as you can see here above.

Our combined index, in the annual view, despite the effects of the pandemic, achieved a very consistent performance in the period reaching 85%.

We now change to slide 18.

Our capital did very well in the 4Q, with the common equity ratio and Tier 1 increasing by 90 bps.

Our capital position has settled to rather comfortable levels, with the common equity at 12.7% and Tier 1 at 13.8%.

Our capital will continue to grow in 2021 based on the recovery of ROE and our expectations for credit growth.

This provides us with flexibility in our capital management policy for 2021.

Turning to slide 19.

We bring on this and on the next slide one of the main strategic movements we have in the bank at the moment.

Our strategic focus is centered on the pursuit to dazzle clients with proposals for customer service aligned to their needs and expectations in order to, consequently, obtain their loyalty in a confident and sustainable manner.

Thus, in 2020, we have reviewed the corporate strategies of customer relationship, creating initiatives aimed at meeting their expectations in line with their life cycle and providing and increasing their level of satisfaction for the excellence achieved during their entire relationship with our Organization as a whole.

In this sense, we highlight two important initiatives:

The first one is the structuring of the Corporate Program called 100% Client, which aims to organize our business model to ensure that the client is always at the center of our attention, and is monitored through NPS.

Second, the creation of the position of a Chief Customer Officer (CCO) in order to ensure that the policy of customer satisfaction is effective inside the whole Organization.

Going on, we switch to page 20.

A fundamental part of the customer strategy at the center is our digital transformation.

We created in the various areas of the bank a culture of intensive data use, which support us in the various business decisions and processes.

The better understanding of customers by the use of data, allowed us to create contextualized offers, based on personalized customer journeys. An example of this is the case of credit offered through PIX, which we have been offering since the launch.

We also continue to evolve in the construction of digital journeys with an Omnichannel vision, supported by modern real time decision and communication platforms, with our Brain and CRM 2.0 projects.

BIA continues to evolve, playing an important role in clients' transition to the digital world and in serving our branch network with agility and efficiency.

Most of our team is already working in an agile model, in multidisciplinary teams oriented to clients' journey.

We have evolved rapidly in partnerships, adding services and products from third parties in our value proposition. This is the case of partnerships such as Disney and OLX for the sale of real estate loans, which will be accelerated this year with Open Banking.

Now, we change to slide 21.

We continue to show progress in our 3 digital initiatives: Ágora, next and Bitz.

At Ágora, we closed the year with 547 thousand customers, an increase of 49% in 2020, while the AUC of customers grew 33% in the year. We evolved in the offer of products throughout 2020, placing Ágora as one of the most complete offers in the market.

next evolved in its project to be segregated from Bradesco, gaining operational independence has moved on. We closed the year with 3.7 million customers, an addition of 1.9 million in 2020. next will continue to evolve, expanding its offer to customers, including acting as a market place.

Finally, Bitz, our digital wallet, was launched in September 2020 and already has 218 thousand customers. We expect to grow quickly in 2021. We have ambitious plans for Bitz, which offers customers a product complementary to that of next and Bradesco.

Moving to slide 22.

ESG is something we take very seriously in Bradesco, placing initiatives as a priority, and this has positively reflected in our performance in the various ESG indexes as you may see.

Bradesco performed above average in the main national and international ESG indexes and ratings. We had the best performance among Brazilian banks and the 5th best position among more than 250 banks worldwide in the Dow Jones Sustainability index.

We have also made progress at MSCI and CDP, being among the leaders in these assessments.

We are aligned in reporting practices and results following international frameworks.

Going on on slide 23.

You can see that in 2020 we had several important initiatives in the field of ESG.

We made the largest issuance of an ESG bond by a Brazilian private bank in 2020.

100% of our operations are already supplied with renewable energy, making us one of the first major financial institutions in the whole world to complete their energy transition.

We are the first major Brazilian bank to announce the neutralization of carbon emissions in scopes 1, 2 and 3, which includes indirect emissions.

We participate in PCAF, a global collaboration program of financial institutions to develop methodologies for measuring and reporting greenhouse gas emissions in loans and investments.

In addition, we participate with other large private banks in the Amazon Plan, a very important program that we have talked previously.

Moving now to Slide 24. The final one.

We are returning with a formal guidance for 2021. Despite the worsening of the pandemic at the moment and increase of restrictions, our scenario envisages a more moderate impact on the economy, which even so is growing 3.6%, so we feel comfortable in providing the guidance.

In general, the guidance maintains consistency with the guidelines for 2021 that we presented in the disclosure of the 3Q.

We expect a growth of the loan portfolio between 9 and 13%.

The client portion shall grow between 2 and 6%.

The Fee Income shall grow between 1 and 5%.

Our costs shall be between -5 and -1%.

The insurance line, which includes the operating and financial income, shall have a growth between 2 and 6%.

We expect expenses with Expanded ALL to be between 14 and R\$17 billion.

As a complement, we can say that we expect a slightly lower Market portion of the NII in 2021 than in 2020.

For the Income Tax rate, we suggest something in the range between 32-34%.

And that is it. Thank you very much for your attention and we move now to the Q&A Session.

Announcer:

We will now initiate the Question and Answer section. If you would like to ask a question, please dial “* 1”. If at any point your question has been answered, you may remove your question from the queue by pressing the “* 2” key.

Our first question comes from Mr. Mario Pierry of Bank of America.

Mario Pierry:

Ok, thank you very much. Good afternoon everybody and congratulations on the excellent results. I have two questions and I wanted to focus one on your fee income guidance of 1 to 5%. It just seems too conservative to us considering that you have easy comps right in 2020 where your fees were down like 3%. You're forecasting strong volume growth of more than 10% on average. You are introducing a bunch of new products as you highlighted. So, I wanted to get a better understanding why the

growth is so anemic and if you can break down between the major lines - you talk about cards, checking accounts, asset management and loans - that'd be helpful.

And then my second question is related to your branches. As you showed on slide 15, you reduced almost 1,100 branches in the last year, that is 25% of your branch network. So I wanted to understand, what happened to your NPS score during this period? What do you think is the right size of your branch network? So, how much more do you think that you can reduce? And, also related to the branches, one year ago about 50% of your distribution network was through branches. Today it's about 40%. So, I was trying to understand also: does this have an impact on your revenue generation? Does it impact, especially, your insurance operations? Thank you.

Leandro Miranda:

Hi Mario, Leandro speaking.

Well, basically regarding to the guidance of fees from 1 to 5%. You're right, it is pretty much conservative, but we are living in a world with a second wave of Covid. We do not know how much the economy will suffer from that. We do expect to have a GDP growth of 3.5% and an increase in competition. So, we believe that, if you take a look at the middle of the guidance, 3% shall be something that is very doable.

Regarding to branches, at least 300 branches we shall close or transform this year but we are still in advanced studies to see how much we can go beyond that. Our clients have been using, more and more digital channels and we can see that the transformation, at least of branches, can be a very good way to reduce costs due to security reasons - we do not need 3 security guards there and we do not need to transport money from one side to the other - and those branches shall become more and more business offices than anything else. The digital channel, therefore, has been a very good replacement of the branches as a way to make business. The NPS continued to be growing and we believe that our new initiative to have the customer in the center of our attention shall make this NPS continue to grow more and more.

Carlos Firetti:

Let me just complement some points. You asked about the growth in volumes. This is something that not necessarily has in loan volumes, not necessarily has a direct strong correlation with fees. I remind you that the fees for credit operations are part of the credit operation line that is one of our fees, certainly doesn't represent the bulk of the fees. We think credit cards will do very well. We should have a positive performance in checking account fees, but certainly it's not a very strong growth in this line mostly driven by the increase in number of accounts we had over the last few years and probably we'll continue to have. In the asset management, basically,

we are doing a very good job in terms of changing the mix. We think this effect will appear soon but, especially in the first half of next year, we still have on a comparison basis the effects on the fixed income funds that actually had a reduction in management fees and resources in the first half of 2021.

And, in terms of branches, basically we can say that most of what is going to happen in 2021 are going to be transformation of branches in business units. We can say some 300 branches in 2021. We don't know the timing for that but up to 100 branches could be closed.

Mario Pierry:

Ok, thank you. Just to expand a little bit on the fees, like when I mentioned you talking about loan growth of 10% it means that you expect activity to go back up in Brazil. When we look at your GDP forecast of about 3.5 and we're talking about inflation, maybe another 3.5, 4%, we're talking about nominal growth of 7.5. And then when we look at your fees it's growing half of nominal GDP so that's why it was a bit surprising to me, it just seems too conservative. You mentioned here credit card should do well, checking account ok, but maybe the pressure is more on the asset management line, is that right?

Leandro Miranda:

Mario, we hope you are right. We hope you are right that it's too conservative. We never know, we shall expect competition. And that's the number that we feel comfortable to indicate to the rest of the industry with a lot of responsibility.

Carlos Firetti:

And if you remind, it's pretty much in line with our speech since the 3rd quarter when we gave our top guidance.

Mario Pierry:

And my final follow up question is on the importance of your branch network for the sale of insurance. Should there be a big correlation between the number of branches and insurance revenues? Thank you.

Leandro Miranda:

Well, as you may be aware, we have been expanding our channels in order to distribute insurance. next, for instance, is a very good example. next has no branch and is more and more distributing insurance plans. So, as we transform those branches into rep offices, such as Octavio has mentioned previously, we shall expect

the number of insurance policies to grow. So, we are centering our efforts on the client and we want our managers, regardless of where they are, to be focused more and more on the clients' needs and we do believe that insurance is something extremely important to our client base as a whole. We shall be back even stronger in 2021. So we do not see the situation being jeopardized by the closure of branches, but on the other hand, we do see it increasing as we transform it into rep offices. There will be more focus...

Mario Pierry:

Ok, now, thank you very much and congratulations again.

Leandro Miranda:

Thank you Mario, take care.

Announcer:

Our next question is coming from Jorge Kuri from Morgan Stanley. Jorge your line is open, you can proceed.

Jorge Kuri:

Thank you. Good afternoon everyone, I hope everyone is doing well and congrats on the numbers.

Two questions if I may. The first one on your operating expense guidance -5 to -1. Evidently, all of the guidance I think that's what you have most control of and the range seems quite high -1 to -5. What are the assumptions for you on both sides of that guidance? Or how did you get to -5? What are the things that you don't know for sure today and that could potentially happen to get to the -5 and the other way around on -1? So, as the year goes by we're able to understand whether you're getting closer to one or the other end of the guidance.

The second question is on loan book. In 2020 you grew 10% and I guess this is similar to the previous question. Loan book you grew 10% in 2020 and your guidance for this year is not that different, 9 to 13% and the midpoint is around that. Considering that the economy, hopefully, will be in a completely different dynamic this year, growing 4 or 5% maybe versus shrinking 4 or 5% last year, what is holding that expansion of credit this year? Why it would be the same as last year? Why wouldn't you have this significantly easier comps to grow the credit book this year more. Thank you.

Leandro Miranda:

Hi Jorge, Leandro speaking. Well, basically, regarding to our expenses as a whole, we continue to reduce them. We are confident that this is not something that you make on a one-shot. It's a process, it's a cultural matter. This is our first priority, so we're going to keep on reducing them as much as we can, as much as technology allows us to do so. The transformation of the habits of our clients into getting more and more digital has helped us to close and as well as transform the physical branches into rep offices or to business units and therefore it allows us to reduce costs. Octavio was previously mentioning that one third of our physical branch costs is related to security. So by the time that you transform them into units you do not need this extra cost anymore and we are going to keep on doing that even further. We are still getting into more detail on a new plan to transform more branches. We also shall benefit from the reduction of branches and the personnel that we have done last year. So, basically, as we had provisions for that they shall be reflected on our monthly expenses. We believe that we have room to do that, we do not believe that -1 to -5 or 1 to 5% reduction is challenging, it's according to our pace when we look at our current figures.

And the loan book going from 9 to 13% - that is pretty much 11% in the middle of the guidance - although it is slightly above the expanded loan portfolio that we had in 2020 and although we have an economy that shall grow by 3.5%, well, basically it is still an economy in recovery. There's still a second wave there, there is still a lot of tail coming from the portfolio for next year. So, we believe it is a decent guidance and, again, we hope you are right and the portfolio shall grow even more.

The point here is that we should be able to grow the portfolio even bigger if we were taking additional risks, but we want to keep the conservativeness that we have so far. So, we want to reduce costs, have a very healthy portfolio, so we shall have less costs and less provisions, that's our focus right now. We do not want to accelerate the growth that much and we prefer to have an excellent mix in terms of NIM.

Jorge Kuri:

Alright, thank you. Just to make sure I understood that part about expenses. So, ultimately, it's really about the velocity at which you close/ transform branches. If we see that in the first half of the year you've already closed 300 branches, then the likelihood that you'll get to the -5 increases? Is that right? Is that really the variable?

Leandro Miranda:

That's correct, a significant part of this comes from the branch transformation, but not only this. We are always renegotiating the contracts with our suppliers, we are

reducing travels. It's a cultural matter. We're reducing rentals, because of the IGPM that came very high last year and still not on a very good level for us. So we are always revisiting this matter and we see that there is plenty of room to do it but it takes time, you are not able to renegotiate and to make all the transformations, all the closures that you wish at once. So, it takes time.

Carlos Firetti:

Jorge, only a compliment on this OPEX question. I remind you something that Leandro said. We reduced 7% of the staff in the 4th quarter. So, basically this 7% reduction on something that is roughly half of the costs will already lead us to a very good reduction in expenses in 2021. We also closed/transformed something like 900 branches in the second half of 2020 with some concentration in the 4th quarter. This also adds a few percentage points in this reduction in expenses. As we mentioned, we expect to transform 300 branches. We have a benefit of roughly one third of the cost of an original branch when we downsize it to a point of service or a business unit. We should close 100, so this is something that will happen. The transformation probably in the first half and the closures more throughout the year. On the negative side, there is the salary adjustment for the staff, that should happen only in September, where inflation probably will be a little bit higher than the one we had last year, maybe around 3.5 or so. I think that these are the drivers. I think that's how we get this -1 to -5 and we think the middle of this range, that is our budget, is pretty much achievable.

Jorge Kuri:

Great, thanks Leandro, thanks Carlos. Thank you.

Leandro Miranda:

Take care Jorge.

Announcer:

Our next question is coming from Geoffrey Elliott, Autonomous Research. Geoffrey, your line is open, you may proceed.

Geoffrey Elliott:

I'd like to thank you for taking the question. There has been a lot of capital coming into the digital banks over the last few months. NU Bank obviously completed the series G pretty recently, but also Banco Inter, C6 and a number of others all raising equity. What do you think that does for the competitive environment? How is the behavior of the digital bank shifting and how are you going to respond to that?

Leandro Miranda:

Well, basically. Well, first of all, thank you very much for your question, Geoffrey, it's Leandro speaking. We have been transforming ourselves deeply into a digital bank. We have three pillars: to transform the incumbent bank, to explore more and more our native digital bank and the open bank in itself. So, we do not see fintechs as major competitors. We see them as someone that is accelerating the environment in which we are. It's just accelerating a trend of investment in digitalization and we see them, very often, as partners. We have seen that we have been able to grow our base of clients in next and especially in Bradesco and we do not expect to see NU Bank as you have pointed out as someone that is going to be just rising out of here. You have to consider that most of those clients they have accounts in multiple banks and what is important to us is to be their main bank. So, principality is something extremely important in this business and being a full bank with all the services, knowing our clients very well, using AI, using all information that we have to provide them with the best products so that they have especially, being fulfilled in their financing needs, is a unique competitive advantage that we have and that has been reflected in our financial statement, in our results. They have been there for a couple of years and therefore we have been able to thrive throughout this process.

Geoffrey Elliott:

Great, thank you very much.

Leandro Miranda:

Thank you, have a nice day.

Well, gentlemen, I would like to thank you all for your time and wish you a healthy and great week. Take care.

Announcer:

That does conclude Bradesco's conference call for today. Thank you very much for your participation. Have a good day.