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Bradesco will be a different bank in 2026, CEO says

For Marcelo Noronha, restructuring efforts are already showing results

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At the end of 2023, Bradesco surprised the market by changing leadership amid one of its worst crises, with rising default rates requiring provisions that dragged down profits. Analysts argued that the bank had fallen behind in digital transformation and could not reinvent itself.

Marcelo Noronha took over as CEO and, just a few months later, announced a sweeping transformation plan developed in partnership with consulting firm McKinsey. He broke some taboos within the institution by bringing in external executives and warned that the road to recovery would be long. One year into the plan, profits are gradually recovering, but the pace of profitability growth has not impressed analysts, especially in a much more challenging macroeconomic environment.

Mr. Noronha understands that market recognition will only come when the bank delivers a return on equity (ROE) above its cost of capital, but he remains confident in the process. In an interview with Valor, he said Bradesco is undergoing profound changes in all areas, with significant progress in technology and credit. According to him, the bank's atmosphere has changed—just like the look of its headquarters, known as "Cidade de Deus," [City of God, in a literal translation]. Traditional and formal office furniture has been replaced with open, more relaxed spaces. Still, the executive is cautious about making big promises. "I don't make promises; I deliver."

Regarding the outlook for 2025, Mr. Noronha believes the Central Bank may not have to raise interest rates as much as the market expects but acknowledges that the Brazilian Federation of Banks' (FEBRABAN) projection of 9% credit growth this year may need to be revised downward.

Valor: *Bradesco has now completed the first year of its five-year transformation plan. How do you assess the progress so far?*

Marcelo Noronha: We have made significant progress in every initiative. We restructured the organization, reducing three hierarchical layers, which has boosted productivity. We established a transformation office and are undergoing a massive transformation. In technology, the advancements we've made are remarkable. We've increased our capacity to deliver. Productivity gains are no longer measured in hours—tasks that once took a week now take just a few hours. We have made significant strides, and our senior developers are achieving major efficiency gains using Copilot [Microsoft's generative AI tool]. We've brought in outside executives and set up a hiring tower within HR. In credit, we have strong momentum and are growing across all segments. Our service fee revenue and insurance group are also performing well. In April, we will launch a new platform for Bradesco Financiamentos, which will greatly enhance efficiency. The bank is in high gear, with an optimized management model, improved processes, and a new credit policy. We never intended to achieve all modernization efforts in the first month or only at the end of the fifth year, in 2028. We want to make steady progress over this period. By 2026, Bradesco will be a different bank.

Valor: *What is Bradesco's appetite for credit? Are you gaining market share?*

Mr. Noronha: In credit, it is crucial to have appropriate policies for each customer segment. Does that mean we are abandoning low-income clients? No, but our risk appetite is different. Our personal loan portfolio grew 13.3% annually in the fourth quarter, outpacing some competitors, but we are also reducing risk. We are not interested in high-risk personal loans. In our personal loan category, some of the portfolio consists of Workers' Severance Fund (FGTS) advance loans, while we have also expanded in the Prime [high-income] segment. For high-quality risks, interest rates are lower. Total credit card lending grew 5.1%, but high-income customers in this segment saw a 14.5% increase. Payroll loans, a highly competitive segment, grew 0.9% in the quarter—modest due to the interest rate cap for Social Security loans—but some banks saw declines. Mortgage lending grew 15% last year. This segment has an attractive risk-adjusted [RAR] return over time, as these clients develop long-term relationships with the bank. In micro and small businesses, we grew 28% last year, reaching a portfolio of R$215 billion, including mid-sized firms. In government-backed programs like FGI, FGO, Pronampe, and ProCred, we were the second-largest lender, very close to the leader.

Valor: *Isn't the focus on safer, lower-rate credit lines a drag in the financial margin?*

Mr. Noronha: A sell-side analyst asked me about our margin, which remains stable at 8.4%. I am not concerned whether it's 8.4%, 8.3%, or 8.5%. What matters is the net financial margin. Our credit cost should remain stable, around 3%, but it could decrease. We are making progress on this front, and as we improve quarter by quarter, we will reach higher figures. Some may ask whether lower-spread segments will shrink margins. No, that was in 2024. We will grow, not decline. Financial income comes from credit, but also from liabilities. One of our remunerated account products has grown significantly, adding to our margin, though it appears in "other funding sources" on the balance sheet.

Valor: *Bradesco has traditionally been strong in the low-income segment. Is the bank shifting focus to lower-risk areas within this market?*

Mr. Noronha: We are growing by focusing on good risks and secured credit lines, such as payroll loans.

Valor: *Will the low-income segment become a smaller share of the portfolio?*

Mr. Noronha: It depends. We'll see in the future. We are implementing a major digital initiative, testing a new value proposition with about 1 million clients, where sales have grown 45%. Using machine learning and generative AI, we are building propensity models to offer products more effectively. We are not abandoning any client segment. We have a hybrid and a physical, lower-income cluster—which is located in some urban center areas, but mainly in remote areas. How can I serve these clients? Hybrid clients use our bank app but also use Bradesco Express; I have to provide a good experience and quick resolution to these clients. Now, we are increasing our participation in the corporate segment, in micro, small, and medium enterprises. Bradesco is strong not only in the low-income segment. This misconception has been created. However, Bradesco is very strong in the corporate segment. We lead among companies with revenue up to R$300 million and tend to be highly competitive in this market. We're also highly competitive with large companies, while we don't need to compete for credit portfolio size, as that consumes capital and often does not provide adequate returns.

Valor: *What's the digital project for the low-income segment?*

Mr. Noronha: We've been using artificial intelligence and testing functionalities with clients. Bradesco already has a comprehensive bank app, and we use this connection with clients to make different offers. We've increased the number of clicks and NPS [customer satisfaction metric]; we have been very assertive. We use that for offers, services, and relationships. That's the life cycle. It's going well. We started mid-last year, and there will be stages. Throughout this year, in the second semester, we'll see a larger number of clients in this pilot. We'll start talking to them about a bond with a specific segment, and then we'll start to build a different relationship. All that is orchestrated: branch closures, mass segment, Prime clients, Principal clients [Bradesco's new high-income segment]. We'll also deliver a new app, on a new platform, much more efficient for all segments. I believe we can review around a thousand physical points this year.

Valor: *Did Bradesco struggle with digital banking competition more than its rivals?*

Mr. Noronha: I don't have a problem if another bank leads this market. We want to have our fair share and return. That's what we're pursuing. We are a conglomerate, very different from a digital bank that only does cards and personal loans. Building a conglomerate takes time. Our revenue stream is much more diversified than theirs. They are successful, I think some have created a good brand, a new format. However, their model is very growth-focused. We're not abandoning the low-income segment. We're competing in this market. We'll work with different clusters.

Valor: *Last year, Bradesco launched Principal, a segment above Prime but below private banking. How is the project progressing?*

Mr. Noronha: We expect to reach 500,000 Principal clients this year. We are focused on increasing the share among high-income clients—not necessarily expanding the client base but deepening relationships. We are offering products that are highly attractive to this segment. I strongly believe in segmentation. You can only segment effectively if you have critical mass, and we are providing a hyper-personalized offering. We understand the client's moment and are very assertive in what we offer.

Valor: *Credit to companies via the capital market is gaining strength. What are Bradesco's plans for investment banking?*

Mr. Noronha: Dealogic's ranking shows we were second in equity last year, with just six deals. In DCM [debt capital markets], according to ANBIMA [Brazilian Financial and Capital Markets Association], we were second in origination and distribution. In M&A, Bloomberg ranked us first in financial volume. In project finance, with Infralogic data up to the third quarter, we're first place in volume. We've strengthened the team to gain traction.

Valor: *What are the risks in executing this transformation plan?*

Mr. Noronha: In my view, we may risk losing focus in two ways. First, by neglecting credit quality. We've already done that and paid a price. Because if we want to deliver in the short term, we may get lost in the long term. And the second [risk] is failing to invest in this transformation, in the modernization that we're already delivering. We're doing all this to deliver results and make it happen. We're bringing in new, different minds and combining them with home-grown talent. I'm very excited. A year ago, before starting the transformation plan, there was a high level of tension. Once you deliver the plan and start execution; you may think you won't have a night's sleep, it's a tough process, and it's not a linear path. However, we have a forward-thinking, super-engaged team. Now we have a super-engaged team. You see people's commitment and engagement making it happen. I'm very confident.

Valor: *Since Bradesco announced the transformation plan, shares have fallen by 6.4%. Do you believe the market hasn't recognized this plan's value yet?*

Mr. Noronha: The market will never recognize us before we deliver an ROE above the cost of capital. There are also stock market movements; you become long in one bank and short in another. Over the last year, we've seen a brutal market deterioration. Other banks are also heavily discounted, despite their positive results. If the situation improves, those values will recover.

Valor: *Some analysts say Bradesco's ROE growth has been slow. With a more challenging macroeconomic outlook, what is your view on profitability recovery?*

Mr. Noronha: In a more favorable economic scenario, recovery would be faster. When we devised our plan, the cost of capital was around 14%, and credit portfolio growth could reach 9%–10%, as indicated by FEBRABAN. Now, the cost of capital—though we do not disclose our figure—is above 15%, according to market averages. Slower portfolio growth requires greater effort. What's out of control is out of control, but we must be prepared to react quickly to any scenario.

Valor: *Would you say you were caught off guard?*

Mr. Noronha: That's Brazil. I've been in this market for 40 years, and it's never been different. Of course, we have a different inflation level, but no government makes a more responsible fiscal policy. One exceeds the cap, another does not pursue a more responsible fiscal policy. Therefore, we have significant challenges in the country. For foreigners, it's very difficult to deal with this kind of scenario, but we were born and raised in it. We've always worked with different scenarios. We'll deliver a better bank step by step, and profits will grow, even if we are growing at a slightly slower pace. Now, if we have the opportunity to further grow our portfolio, we will do it, wisely.

Valor: *In this context, when do you expect ROE to reach the desired level? Bradesco previously projected ROE above the cost of capital by 2026.*

Mr. Noronha: I don't make promises; I deliver. It's a case of under-promising and over-delivering.

Valor: *The credit projections released recently by banks are well below FEBRABAN's forecast for 2025, of 9%. Why is that?*

Mr. Noronha: When FEBRABAN conducted this survey, we were working with a different horizon, with a lower Selic rate. If they were to repeat the survey today, it would be different.

Valor: *What is your view on the economic outlook, considering a tougher macroeconomic environment and upcoming elections, next year?*

Mr. Noronha: We need to monitor developments closely. Market expectations for fiscal policy have been shaken, which has led to tighter monetary policy, a rate that will now move in March to 14.25%. Our economists believe the benchmark interest rate could reach 15.25% before eventually declining. Could it be around 15%? Yes, it could. I see possibilities in the scenario after the real appreciation [against the dollar]. It will depend on inflation cores, and on how much the exchange rate affected inflation. I think we might see a more measured response from the Monetary Policy Committee (COPOM). We see a slowdown in the market, an increase in unemployment—although still low considering Brazil's historical standards—and a reduction in mortgage loans.

Valor: *U.S. President Donald Trump said he should announce reciprocity tariffs against several countries in the coming days, marking a new escalation in the trade war. What are the implications for Brazil?*

Mr. Noronha: It’s hard to assess that. We need to see what this measure will look like. In the cases of Mexico and Canada, he first imposed it but then negotiated and backed down. However, when you impose a universal tariff, you won’t negotiate one by one. It seems like a measure aimed at providing some fiscal balance, as they have some of the lowest import rates in the world. We need to see the impact of that in the United States. Brazil’s situation seems stable. If he does it for everyone, then it will be more expensive for everyone. Our export portfolio to the U.S. market has five key items. I expect neutrality for Brazil.

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