BANK BRADESCO
Form 20-F
June 29, 2007

As filed with the Securities and Exchange Commission on June 29, 2007

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 20-F

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2006

Commission File Number: 1-15250

Banco Bradesco S.A.
(exact name of registrant as specified in its Bylaws)
Bank Bradesco
(translation of registrant s name into English)
Federative Republic of Brazil
(jurisdiction of incorporation or organization)

Cidade de Deus, Vila Yara, 06029-900, Osasco, SP, Brazil
(address of principal executive offices)
Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which they are registered
American Depositary Shares , each representing 1 Preferred Share, without par value (**ADSs**)	New York Stock Exchange
Preferred Shares, without par value (**Preferred Shares**)	New York Stock Exchange (for listing purposes only)

Securities registered or to be registered pursuant to Section 12(g) of the Act: None.

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None.

The number of outstanding shares of each one of the issuer s classes of capital stock as of December 31, 2006 was:

500,071,456	Common Shares
500,811,468	Preferred Shares

On March 12, 2007, we effected a stock split of our capital stock. If we adjusted the number of our outstanding shares above to take into account the March 12, 2007 stock split, we would have had 1,000,142,912 common shares and 1,001,622,936 preferred shares on December 31 2006.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of Accelerated filer and Large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer	Accelerated Filer	Non-accelerated Filer

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Table of Contents

Table of Contents

PRESENTATION OF INFORMATION

In this annual report, the terms Bradesco, the Company, the Entity, the Bank, we or us refer to Banco Brad S.A., a *sociedade anônima* organized under the laws of Brazil and, unless the context otherwise requires, its consolidated subsidiaries. We are a full service financial institution providing, directly or through our subsidiaries, a full range of banking, financial, insurance and private pension plan services to all segments of the Brazilian domestic market. Our operations are based primarily in Brazil.

Item 18 of this annual report includes our audited consolidated financial statements as of and for the years ended December 31, 2004, 2005 and 2006, including the notes thereto, which have been prepared in accordance with generally accepted accounting principles in the United States, known as U.S. GAAP.

References herein to *real*, *reais* or R$ are to the Brazilian *real*, the official currency of Brazil. References herein to U.S. dollars or US$ are to United States dollars.

The following table sets forth, for the dates indicated, the exchange rate of *reais* to U.S. dollars based on the noon buying rate in New York City as reported by the Federal Reserve Bank of New York and the U.S. dollar selling rate as reported by the Central Bank of Brazil, which we call the Central Bank, at closing:

Date	Noon Buying Rate for U.S. dollars	Closing Selling Rate for U.S. dollars
	(R$ per US$1.00)	
December 31, 2004	2.6550	2.6544
December 31, 2005	2.3340	2.3407
December 31, 2006	2.1342	2.1380
June 15, 2007	1.9098	1.9097

As a result of recent fluctuations in the *real*/U.S. dollar exchange rate, the closing selling exchange rate at December 31, 2006 may not be indicative of current or future exchange rates. Therefore, you should not read these exchange rate conversions as representations that any such amounts have been or could be converted into U.S. dollars at those or any other exchange rates.

For your convenience, certain amounts have been converted from *reais* to U.S. dollars. These conversions have been calculated using the U.S. dollar selling rate at closing published by the Central Bank. See Item 3. Key Information Exchange Rate Information for more information regarding the exchange rates applicable to the Brazilian currency since 2002.

Certain figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Table of Contents

PART I

Item 1. Identity of Directors, Senior Management and Advisers.

Not applicable.

Item 2. Offer Statistics and Expected Timetable.

Not applicable.

Item 3. Key Information.

SELECTED FINANCIAL DATA

You should read the following selected financial data in conjunction with Presentation of Information and Item 5. Operating and Financial Review and Prospects , included in this annual report.

We have presented below selected financial information prepared in accordance with U.S. GAAP as of and for the years ended December 31, 2002, 2003, 2004, 2005 and 2006. The selected U.S. GAAP financial information is derived from and should be read in conjunction with our audited consolidated financial statements prepared in accordance with U.S. GAAP provided in Item 18. The report of the Independent Registered Public Accounting Firm is included in this annual report.

This information is qualified in its entirety by reference to the U.S. GAAP financial statements and the notes thereto provided in Item 18.

	Year ended December 31,					
	2002	**2003**	**2004**	**2005**	**2006**	**2006**
			(R$ in million)			**(US$ in million)** [1]
Data from the Consolidated Statement of Income:						
Net interest income	R$13,467	R$14,999	R$14,804	R$18,866	R$21,706	R$11,253
Provision for loan losses	(2,543)	(2,034)	(1,429)	(1,823)	(3,767)	(1,953)
Net interest income after provision for loan losses	10,924	12,965	13,375	17,043	17,939	9,300
Fee and commission income	2,894	3,463	4,310	5,137	6,610	3,427
Insurance premiums [2]	5,308	6,149	6,764	7,805	8,121	4,210
Pension plan income [2]	21	64	374	377	791	410
Equity in the earnings of unconsolidated companies[3]	150	60	66	186	224	116
Other non-interest income [4]	(410)	1,373	2,768	4,051	4,338	2,249
Operating expenses [5]	(7,413)	(8,586)	(8,921)	(9,645)	(11,310)	(5,863)
Insurance claims	(3,614)	(4,333)	(4,822)	(5,501)	(6,124)	(3,175)

Changes in provisions for insurance, pension plans, certificated savings plans and pension investment contracts	(2,261)	(3,777)	(4,326)	(3,939)	(4,199)	(2,177)
Pension plan operating expenses	(370)	(637)	(751)	(505)	(560)	(290)
Insurance and pension plan selling expenses	(669)	(762)	(907)	(1,041)	(852)	(442)
Other non-interest expense [6]	(2,272)	(3,323)	(3,990)	(5,216)	(6,228)	(3,229)
Income before income taxes and minority interest	2,288	2,656	3,940	8,752	8,750	4,536
Taxes on income	(161)	(346)	(601)	(2,431)	(2,273)	(1,178)
Change in accounting principle	27	-	-	-	-	-
Minority interest	(12)	(8)	(12)	(11)	(15)	(8)
Net income	R$2,142	R$2,302	R$3,327	R$6,310	R$6,462	R$3,350

Table of Contents

	Year ended December 31,									
	2002		2003		2004		2005		2006	
	(R$, except numbers of shares)	(US$)	(R$, except numbers of shares)	(US$)	(R$, except numbers of shares)	(US$)	(R$, except numbers of shares)	(US$)	(R$, except numbers of shares)	(US$)[1]
Per Share Data [7]:										
Earnings per share [8][9]:										
Common	R$ 1.19		R$ 1.20		R$ 1.67		R$ 3.08		R$ 3.14	US$ 1.63
Preferred	1.31		1.32		1.84		3.39		3.45	1.79
Dividends/ interest on shareholders capital per share [10]:										
Common	0.53	US$ 0.16	0.70	US$ 0.24	0.66	US$ 0.28	0.93	US$ 0.40	1.05	0.54
Preferred	R$ 0.58	US$ 0.18	R$ 0.77	US$ 0.27	R$ 0.74	US$ 0.31	R$ 1.00	US$ 0.44	R$ 1.16	US$ 0.60
Weighted average number of outstanding shares:										
Common	869,358,680	-	923,520,444	-	957,064,460	-	977,180,608	-	980,383,482	-
Preferred	851,795,472	-	910,321,944	-	944,327,192	-	973,893,242	-	981,672,582	-

	Year ended December 31,					
	2002	2003	2004	2005	2006	2006
Consolidated Balance Sheet Data:	(R$ in million)					(US$ in million)[1]
Assets						
Cash and due from banks	R$2,725	R$2,473	R$2,690	R$3,447	R$ 4.748	R$ 2.462
Interest-earning deposits in other banks	2,379	5,170	7,976	13,119	8.918	4.623
	12,674	26,175	19,435	10,985	14.649	7.595

Federal funds sold and securities purchased under agreements to resell						
Brazilian Central Bank compulsory deposits	16,057	16,690	20,209	21,686	23.461	12.163
Trading and available-for-sale securities, at fair value	27,549	43,267	43,197	55,658	86.614	44.903
Held to maturity securities	4,001	3,265	4,200	4,121	3.265	1.693
Loans	52,324	54,795	63,176	82,689	97.935	50.772
Allowance for loan losses	(3,455)	(3,846)	(4,063)	(4,964)	(6.552)	(3.397)
Equity investees and other investments	550	295	708	397	527	273
Premises and equipment, net	2,993	3,106	2,946	2,721	3.000	1.555
Goodwill	-	-	262	332	667	346
Intangible assets, net	1,778	1,740	1,568	1,294	1.623	842
Other assets	10,300	13,200	14,775	15,109	20.416	10.584
Total assets	**129,875**	**166,330**	**177,079**	**206,594**	**259.271**	**134.414**
Liabilities						
Deposits	56,333	58,027	68,647	75,407	83.925	43.509
Federal funds purchased and securities sold under agreements to repurchase	7,633	27,490	16,532	22,886	42.875	22.228
Short-term borrowings	9,639	7,795	8,272	7,066	5.709	2.960
Long-term debt	13,389	20,093	19,653	23,316	30.122	15.616
Other liabilities	31,826	39,260	48,343	57,612	70.083	36.333
Total liabilities	118,820	152,665	161,447	186,287	232.714	120.646
Minority interest in consolidated subsidiaries	203	73	73	88	93	48
Shareholders Equity						
Common shares (11)	2,638	3,525	3,525	6,497	7.095	3.678
Preferred shares (12)	2,562	3,475	3,475	6,503	7.105	3.684
Capital stock	5,200	7,000	7,000	13,000	14.200	7.362
Total shareholders equity	10,852	13,592	15,559	20,219	26.464	13.720
Total liabilities and shareholders equity	**129,875**	**166,330**	**177,079**	**206,594**	**259.271**	**134.414**
Average assets (13)	123,447	146,872	162,891	188,091	227.898	118.149
Average liabilities (13)	113,216	134,625	148,814	170,677	206.466	107.038
Average shareholders equity (13)	R$10,015	R$12,138	R$14,012	R$17,357	R$ 21.323	R$ 11.054

(1) Amounts stated in U.S. dollars have been translated from Brazilian reais at an exchange rate of R$1.9289 = US$1.00, the Central Bank exchange rate on May 31, 2007. We used the exchange rate of May 31, 2007, instead of December 31, 2006, because there has been an appreciation in the real U.S. dollar exchange rate

since December 31, 2006. For more information, see Item 5. Operating and Financial Review and Prospects Overview Brazilian Economic Conditions. Such translations should not be construed as a representation that the Brazilian real amounts presented have been or could be converted into U.S. dollars at that rate.

(2) Since 2003, we classify amounts received in relation to certain private retirement plans as income from insurance premiums. Amounts related to such private retirement plans from periods prior to 2003 have been reclassified to facilitate comparison. As a result, income from pension premiums decreased and income from insurance premiums increased by R$327.0 million for the period ending December 31, 2002. These reclassifications do not affect non-interest income, net income, or shareholders equity. The private retirement plans offer beneficiaries of holders a guaranteed payment of benefits upon death.

(3) For more information on the results of equity investees, see Item 5. Operating and Financial Review and Prospects and note 9 to our consolidated financial statements in Item 18.

(4) Other non-interest income consists of trading income (losses), net realized gains on available-for-sale securities, net gain on foreign currency transactions and other non-interest income.

(5) Operating expenses consists of salaries and benefits and administrative expenses.

(6) Other non-interest expense consists of amortization of intangible assets, depreciation and amortization and other non-interest expense.

(7) Per share data reflects, on a retroactive basis: (a) a reverse split of our shares at a 10,000:1 share ratio, which was approved by our shareholders on March 10, 2004 (as a result, we had 158,587,942 authorized and issued shares outstanding, no par value, as of December 31, 2003). The new shares began trading on the São Paulo Stock Exchange on March 22, 2004; (b) a split of our capital stock on December 9, 2004, in which we issued two new shares for each existing share; (c) a split of our capital stock on November 11, 2005, in which we issued one new share for each existing share; and (d) a split of our capital stock on March 12, 2007, in which we issued one new share for each existing share.

(8) For purposes of calculating earnings per share in accordance with the U.S. GAAP, preferred shares are treated in the same manner as common shares. Preferred shareholders are entitled to receive dividends per share in an amount 10.0% greater than the dividends per share paid to common shareholders. For a description of our two classes of shares, see Item 10. Additional Information Memorandum and Articles of Incorporation.

(9) None of our outstanding obligations are exchangeable for or convertible into equity securities. As a consequence, our diluted earnings per share does not differ from our earnings per share Accordingly, our basic and diluted earnings per share are equal in all periods presented. See note 2(u) to our consolidated financial statements in Item 18.

(10) The amounts determined in US dollars were converted into reais using the exchange rate on the date such dividend was paid.

(11) Common shares outstanding, no par value: 1,000,142,912 authorized and issued at December 31, 2006 (as adjusted to the split of our capital stock on March 12, 2007, in which we issued one new share for each existing share); 489,450,004 authorized and issued at December 31, 2005; and 238,351,329 authorized and issued on December 31, 2004. Data from 2002 to 2006 reflects (a) the reverse split of our shares at a 10,000:1 share ratio, on March 2004; (b) a split of our capital stock on December, 2004, in which we issued two new shares for each existing shares; and (c) a split of our capital stock on November, 2005, in which we issued one new share for each existing share.

(12) Preferred shares outstanding, no par value: 1,001,622,936 authorized and issued at December 31, 2006 (as adjusted to the split of our capital stock on March 12, 2007, in which we issued one new share for each existing share); 489,938,838 authorized and issued at December 31, 2005; and 236,081,796 authorized and issued on December 31, 2004. Data from 2002 to 2006 reflect (a) the reverse split of our shares at a 10,000:1 share ratio, on March 2004; (b) a split of our capital stock on December, 2004, in which we issued two new shares for each existing shares; and (c) a split of our capital stock on November, 2005, in which we issued one new share for each existing share.

(13) See Item 4. Information on the Company Selected Statistical Information.

Preferred shareholders are entitled to receive dividends per share in an amount 10.0% greater than the dividends per share paid to our common shareholders.

EXCHANGE RATE INFORMATION

During 2002, the *real* depreciated against the U.S. dollar, but during 2003, 2004, 2005 and 2006 it appreciated against the U.S. dollar. During the first five months of 2007, the real continued to appreciate against the U.S. dollar. Under the current free convertibility exchange system, the *real* may undergo further devaluation or may appreciate when compared to the U.S. dollar and other currencies.

Table of Contents

The following table sets forth the period-end, average, high and low noon buying rate reported by the Federal Reserve Bank expressed in *reais* per U.S. dollars for the periods and dates indicated:

	Noon Buying Rate for U.S. dollars R$ per US$1.00			
Period	**Period-End**	**Average (1)**	**High**	**Low**
2002	R$3.5400	R$2.9420	R$3.9450	R$2.2650
2003	2.8950	3.0954	3.6640	2.8270
2004	2.6550	2.9131	3.2085	2.6510
2005	2.3340	2.4352	2.7755	2.1695
2006	2.1342	2.1774	2.3340	2.0900
December	2.1342	2.1476	2.1675	2.1342
2007				
January	2.1225	2.1376	2.1520	2.1225
February	2.1200	2.0939	2.1200	2.0740
March	2.0580	2.0883	2.1385	2.0540
April	2.0308	2.0302	2.0465	2.0192
May	R$1.9225	R$1.9836	R$2.0330	R$1.9225

(1) Average of the month-end rates beginning with December of previous period through last month of period indicated.

Source: Federal Reserve Bank of New York

On June 15, 2007, the noon buying rate reported by the Federal Reserve Bank of New York was R$1.9098 per US$1.00.

The following table sets forth the period-end, average, high and low selling rate reported by the Central Bank at closing, expressed in *reais* per U.S. dollars for the periods and dates indicated:

	Closing Selling Rate for U.S. dollars R$ per US$1.00			
Period	**Period-End**	**Average (1)**	**High**	**Low**
2002	R$3.5333	R$2.9461	R$3.9552	R$2.2709
2003	2.8892	3.0964	3.6623	2.8219
2004	2.6544	2.9150	3.2051	2.6544
2005	2.3407	2.4341	2.7621	2.1633
2006	2.1380	2.1812	2.3407	2.0892
December	2.1380	2.1499	2.1693	2.1380
2007				
January	2.1247	2.1385	2.1556	2.1247
February	2.1182	2.0963	2.1182	2.0766
March	2.0504	2.0887	2.1388	2.0504
April	2.0339	2.0320	2.0478	2.0231
May	R$1.9289	R$1.9816	R$2.0309	R$1.9289

(1) Average of the month-end rates beginning with December of previous period through last month of period indicated.

Source: Central Bank

On June 15, 2007, the U.S. dollar selling rate reported by the Central Bank at the close of the day was R$1.9097 to US$1.00.

RISK FACTORS

Risks Relating to Brazil

Brazilian political and economic conditions have a direct impact on our business and the market price of the preferred shares and ADSs.

Substantially all of our operations and customers are located in Brazil. Accordingly, our financial condition and results of operations are substantially dependent on Brazil s economy, which in the past has been characterized by frequent and occasionally drastic intervention by the Brazilian government and volatile economic cycles. In addition, our operations, financial condition and the market price of the preferred shares and ADSs may also be adversely affected by changes in government policy or regulations including such factors as:

- exchange rates and exchange control policies;
- interest rates;
- monetary policy;
- liquidity of domestic capital and lending markets;
- domestic economic growth;
- changes in the tax regime, including charges applicable to the banking industry;
- inflation rates; and
- other political, diplomatic, social and economic developments within and outside of Brazil that may affect the country.

The Central Bank determines the Brazilian base interest rate, which we refer to as the base interest rate. The base interest rate is the benchmark interest rate payable to holders of securities issued by the federal government and trade at the Sistema Especial de Liquidação e Custódia Selic (Special System for Settlement and Custody, known as Selic). In the first half of 2006, the Central Bank decreased Brazil s base interest rate from 17.25% to 15.25% and continued to decrease it in the second half of 2006, reaching a rate of 13.25% at December 2006. During the first six months of 2007, Brazil s base interest rate decreased to 12.0% ..

We have no control over, and cannot predict, what measures or policies the Brazilian government may take in response to the current or future state of the Brazilian economy or how such measures or policies may affect the Brazilian economy and, either directly or indirectly, our operations and revenues.

A mismatch of our foreign exchange exposure may lead to substantial losses in our liabilities denominated in, or indexed to, foreign currencies, a reduction in our revenues and a decline in the competitiveness of our loan and leasing operations.

The exchange rate between the *real* and the U.S. dollar has varied significantly in recent years. For example, the *real*/U.S. dollar exchange rate decreased from R$2.3407 per U.S. dollar at December 31, 2005 to R$2.1380 at December 31, 2006. In the last two years, the value of the *real* appreciated by 19.5% against the U.S. dollar, and during the first five months of 2007 the value of the *real* increased by 9.8%, from R$1.9289 per U.S. dollar at May 31, 2007, as compared to R$2.1380 per U.S. dollar at December 31, 2006. At June 15, 2007, the *real*/U.S. dollar-exchange rate was R$1.9097 per U.S. dollar.

A significant amount of our financial assets and liabilities are denominated in, or indexed to, foreign currencies, primarily U.S. dollars. When the Brazilian currency is devalued, we incur losses on our liabilities denominated in or indexed to foreign currencies, such as our U.S. dollar-denominated long-term debt and foreign currency loans, and experience gains on our monetary assets denominated in or indexed to foreign currencies, as the liabilities and assets are translated into *reais*. If a devaluation occurs when the value of such liabilities significantly exceeds the value of such assets, including any financial instruments entered into for hedging purposes, we could incur significant losses, even if their value has not changed in their original currency.

Conversely, when the value of the *real* appreciates against the U.S. dollar, we incur losses on our monetary assets denominated in or indexed to foreign currencies and experience gains on our liabilities denominated in or indexed to foreign currencies. If the *real* appreciates and the value of such assets significantly exceeds the value of such liabilities, we could incur significant losses, even if their value has not changed in their original currency.

In addition, our lending and leasing operations depend significantly on our capacity to match the cost of funds indexed to the U.S. dollar with the rates charged to our customers. A significant devaluation may affect our ability to attract customers on such terms or to charge rates indexed to the U.S. dollar.

If Brazil experiences substantial inflation in the future, our revenues and the market price of the preferred shares and ADSs may be reduced.

Brazil has in the past experienced extremely high rates of inflation, with annual rates of inflation (IGP-DI) during the last fifteen years reaching as high as 2,708% in 1993. More recently, Brazil s rates of inflation were 1.2% in 2005, 3.8% in 2006 and 1.2% for the five months ended May 31, 2007. Inflation itself and governmental measures to combat inflation have in the past had significant negative effects on the Brazilian economy. Inflation, actions taken to combat inflation and public speculation about possible future actions have also contributed to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets. If Brazil experiences substantial inflation in the future, our costs (if not accompanied by an increase in interest rates) may increase, our operating and net margins may decrease and, if investor confidence lags, the price of our preferred shares and ADSs may fall. Inflationary pressures may also curtail our ability to access foreign financial markets and may lead to further government intervention in the economy, including the introduction of government policies that may adversely affect the overall performance of the Brazilian economy.

Adverse changes in Brazilian economic conditions could cause an increase in customer defaults on their outstanding obligations to us, which could materially reduce our earnings.

Our banking, leasing, and other businesses are significantly dependent on our customers ability to make payments on their loans and to meet their other obligations to us. If the Brazilian economy weakens because of, among other factors:

- the level of economic activity;
- devaluation of the *real*;

- inflation; or
- an increase in interest rates,

some of our customers may be unable to repay their loans or to meet their debt service requirements, which would increase our past due loan portfolio and could materially reduce our net earnings.

Access to international capital markets for Brazilian companies is influenced by the perception of risk in emerging economies, which may hurt our ability to finance our operations.

The market for securities issued by Brazilian companies is influenced by economic and market conditions in Brazil, and, to varying degrees, market conditions in other Latin American and other emerging market countries. Although economic conditions in such countries may differ significantly from economic conditions in Brazil, investors reactions to developments in these other countries may have an adverse effect on the market value of securities of Brazilian companies. Crises in other emerging market countries or the economic policies of other countries, in particular those of the United States and countries of the European Union, may reduce investor demand for securities of Brazilian companies, including ours. Any of the foregoing developments could adversely affect the market price of our common shares and hinder our ability to access the capital markets and finance our operations in the future on acceptable terms, or at all.

Developments in other emerging markets may adversely affect the market price of the preferred shares and ADSs.

The market price of the preferred shares and ADSs may be adversely affected by declines in the international financial markets and world economic conditions. Brazilian securities markets are, to varying degrees, influenced by economic and market conditions in other emerging market countries, especially those in Latin America. Although economic conditions are different in each country, investors reaction to developments in one country can affect the securities markets and the securities of issuers in other countries, including Brazil.

Developments in other countries have also at times adversely affected the market price of our and other Brazilian companies preferred shares, as investors perceptions of increased risk due to crises in other emerging markets can lead to reduced levels of investment in Brazil and, in addition, may hurt our ability to finance our operations through the international capital markets. If the current economic situation in Latin America deteriorates, or if similar developments occur in the international financial markets in the future, the market price of the preferred shares and ADSs may be adversely affected.

Risks Relating to the Company and the Brazilian Banking Industry

The Brazilian government regulates the operations of Brazilian banks and insurance companies, and changes in existing laws and regulations or the imposition of new ones may negatively affect our operations and revenues.

Brazilian banks and insurance companies, including our banking and insurance operations, are subject to extensive and continuous regulatory review by the Brazilian government. We have no control over government regulations, which govern all facets of our operations, including the imposition of:

- minimum capital requirements;

- compulsory reserve requirements;
- investment requirements in fixed assets;
- lending limits and other credit restrictions; and
- accounting and statistical requirements.

The regulatory structure governing Brazilian banks and insurance companies is continuously evolving. Existing laws and regulations could be amended, the manner in which laws and regulations are enforced or interpreted could change, and new laws or regulations could be adopted. Such changes could materially adversely affect our operations and our revenues.

Regulatory changes affecting other businesses in which we are engaged, including our broker-dealer and leasing operations, could also have an adverse effect on our operations and our revenues.

Changes in base interest rates by the Central Bank may materially adversely affect our results of operations and profit.

The Central Bank establishes the base interest rates for the Brazilian banking system. In recent years, the base interest rate has fluctuated, with a high of approximately 45.0% per year in March 1999 and a low of 12.0% per year in June 2007. In December 2004, the Central Bank increased the base interest rate by 1.25 percentage point, to 17.75% per year. In May 2005, the Central Bank increased the base interest rate to 19.75% per year. The Central Bank reduced the base interest rate to 18.0% per year in December 2005. On December 31, 2006, the base interest rate was 13.25% per year. Changes in the base interest rate may adversely affect our results of operations because:

- high base interest rates increase our domestic debt expense and may increase the likelihood of customer defaults; and
- low base interest rates may diminish our interest income.

The Central Bank adjusts the base interest rate in order to manage aspects of the Brazilian economy, including the protection of reserves and capital flows. We have no control over the base interest rates set by the Central Bank or how often they adjust them.

The increasingly competitive environment in the Brazilian banking and insurance industries may negatively affect our business prospects.

We face significant competition in all of our principal areas of operation from other large Brazilian banks and insurance companies, both public and private. Brazilian regulations raise limited barriers to market entry and do not differentiate between local or foreign commercial and investment banks and insurance companies. As a result, the presence of foreign banks and insurance companies in Brazil, some of which have greater resources than we do, has grown and competition both in the banking and insurance sectors generally and in markets for specific products has increased. The privatization of publicly owned banks has also made the Brazilian markets for banking and other financial services more competitive.

The increased competition may negatively affect our business results and prospects by, among other things:

- limiting our ability to increase our client base and expand our operations;
- reducing our profit margins on the banking, insurance, leasing and other services and products we offer; and
- increasing competition for foreign investment opportunities.

Furthermore, additional publicly-owned banks and insurance companies may be privatized in the future. The acquisition of a bank or insurance company in a privatization process or otherwise by one of our competitors would add to the acquirers market share, and as a result, we may face increased competition from the acquirer.

New regulations focused on increasing the competitiveness in the banking sector may adversely affect our competitiveness.

In September 2006, the Conselho Monetário Nacional (National Monetary Council), which we call CMN, enacted new regulations to increase competition among Brazilian commercial banks.

Among the key aspects of these new regulations are (i) banks are prohibited from charging their clients fees for services in connection with salary, pension and other income payment accounts that such clients are required to maintain with a bank that is designated by such client s employer, pension fund or income payor; (ii) financial institutions and leasing companies must accept the prepayment of loans and leasing transactions by clients who have elected to refinance such debt with other financial institutions; (iii) clients will have the right to request that a financial institution disclose their credit history to another financial institution; and (iv) changes in the regulation of the Credit Guarantee Fund, known as FGC , which is a government fund created to guarantee payment of funds deposited with financial institutions in case of intervention, administrative liquidation, bankruptcy, or other state of insolvency, thereby providing depositors with greater assurance that their deposits will be safeguarded. For more information on the FGC, see Regulation and Supervision - Bank Regulations - Dissolution of Financial Institutions Repayment of Creditors in Liquidation.

By creating mechanisms that will make it easier for clients to open new accounts and transfer their funds from one institution to another, these new regulations aim to increase competition among financial institutions by facilitating a client s ability to switch their business from one financial institution to another. In addition, the changes in the Federal depositary insurance regime are intended to provide clients with the security of knowing that if they deposit their funds in a smaller institution, their loss will be guaranteed at up to R$60,000 per client in the event that the bank becomes insolvent.

We cannot determine at this time how these new regulations may affect our ability to compete with other financial institutions in Brazil. In addition, the Minister of Finance is considering the appropriate implementation regulations for two additional measures, which, if implemented, may also affect our competitivity. We can provide no assurance that these new regulations, the measures that are currently being considered or any additional future regulations, will not have an adverse impact on our competitivity, thereby adversely impacting our results of operations and the price of our ADSs.

Some of our common shares are held by shareholders, whose interests may conflict with other investors interests.

At December 31, 2006, Cidade de Deus Companhia Comercial de Participações, which we call Cidade de Deus Participações, directly held 48.46% of our common shares and Fundação Bradesco, directly and indirectly, held 47.06% of our common shares. As a result, these shareholders have the power to prevent a change in control of our company, even if a transaction of that nature would be beneficial to our other shareholders. These shareholders also have the power to approve related-party transactions or corporate reorganizations which may not be beneficial for our other shareholders. Under the terms of Fundação Bradesco s bylaws, all of our directors, members of the *Diretoria Executiva* and departmental directors (which has been working at Grupo Bradesco for more than ten years), as well as all directors and officers of Cidade de Deus Participações, serve as members of the board of trustees of Fundação Bradesco. The board of trustees has no other members. For more information on our shareholders, see Item 7. Major Shareholders and Related Party Transactions Major Shareholders.

Changes in reserve and compulsory deposit requirements may hurt our profitability.

In mid-2002, the Central Bank increased the reserve requirements to 8.0% over demand deposits and time deposits and 10.0% over savings deposits. Such amounts shall be paid in kind by the banks and will bear interest equivalent to the base interest rate for the Brazilian banking system. On December 31, 2006, the reserve requirements over demand, time and savings deposits required us to hold a total of R$6.8 billion. On December 31, 2006, the reserve requirements over time deposits, required us to hold a total amount of R$4.8 billion in Brazilian government securities. In addition, we could be materially adversely affected by changes in compulsory deposit requirements because the monies held as compulsory deposits generally do not yield the same return as our other investments and deposits because:

- a portion of our compulsory deposits do not bear interest;
- we are obligated to hold some of our compulsory deposits in Brazilian government securities; and
- we must use a portion of the deposits to finance a federal housing program, the rural sector and the microcredit program.

Reserve requirements have been used by the Central Bank to control liquidity as part of monetary policy in the past, and we have no control over their imposition.

We may experience increases in our level of past due loans as our loan portfolio matures.

Our loan portfolio has grown substantially since 1996. Any corresponding rise in our level of past due loans may lag behind the rate of loan growth, as loans typically do not become due within a short period of time after their origination. Rapid loan growth may also reduce our ratio of past due loans to total loans until growth slows or the portfolio becomes more seasoned. This may result in increases in our loan loss provisions, charge-offs and the ratio of past due loans to total loans.

In addition, as a result of the increase in our loan portfolio and the described lag in any corresponding rise in our level of past due loans, our historic loan loss experience may not be indicative of our future loan loss experience.

Losses on our investments in marketable securities may have a significant impact on our results of operations and are not predictable.

Marketable securities represent a material portion of our assets, and realized investment gains and losses have had and will continue to have a significant impact on our results of operations. The amounts of these gains and losses, which we record when investments in securities are sold, or in certain limited circumstances when the securities we hold are marked to market, may fluctuate considerably from period to period. The level of fluctuation depends, in part, upon the market value of the securities, which in turn may vary considerably, and upon our investment policies. We cannot predict the amount of realized gain or loss for any future period, and variations from period to period have no practical analytical value. Gains on our investment portfolio may not continue to contribute to net income at levels consistent with recent periods or at all, and we may not successfully realize the appreciation now existing in our consolidated investment portfolio or any portion thereof.

Table of Contents

If a ceiling on bank loan interest rates is enforced, it may have an adverse effect on our interest income and our ability to extend credit.

As promulgated in 1988, the Brazilian Constitution established a 12.0% per year ceiling on loan interest rates, including bank loan interest rates. This ceiling was not enforced, however, because the Brazilian Congress did not adopt the necessary implementing legislation. In May 2003, the relevant article was revoked pursuant to a constitutional amendment.

Any significant changes in the restrictions on interest rates could have a substantial effect on our financial situation, results of operations and prospects.

Our strategy of marketing and expanding Internet banking in Brazil could be badly received or more expensive than lucrative.

We have aggressively pursued the use of the Internet for banking and other services to our clients and expect to continue to do so. However, the market for our Internet products is rapidly evolving and is becoming increasingly competitive. We cannot predict whether, or how fast, this market will grow. Moreover, if we fail to adapt effectively to growth and change in the Internet market and technology, our business, competitiveness, or results of operations could be materially affected.

The Internet may prove not to be a viable Brazilian commercial marketplace for a number of reasons, including a lack of acceptable security technologies, potentially inadequate development of the necessary infrastructure, or the lack of necessary development and commercialization of performance improvements.

To the extent that higher bandwidth Internet access becomes more widely available, we may be required to make significant changes to the design and content of our online network in order to compete effectively. Failure to effectively adapt to these or any other technological developments could adversely affect our business.

Our trading activities and derivatives transactions may produce material losses.

We engage in the trading of securities, buying debt and equity securities principally to sell them in the near term with the objective of generating profits on short-term differences in price. These investments could expose us to the possibility of material financial losses in the future, as securities are subject to fluctuations in value, which may generate losses. In addition, we enter into derivatives transactions to manage our exposure to interest rate and exchange rate risk. Each such derivatives transaction protects against increases in exchange rates or interest rates or against decreases in such rates, but not both. If we have entered into derivatives transactions to protect against, for example, decreases in the value of the *real* or in interest rates and the *real* instead increases in value or interest rates increase, we may incur financial losses. Such losses could adversely materially affect our future net income and therefore the value of the preferred shares and ADSs. For further information about our market risk, see Item 11. Quantitative and Qualitative Disclosures about Market Risk. In the past three years the ratio of our trading securities to our total assets, as measured at December 31 of each year, has been as high as 24.2% and could be greater in the future.

Risks Relating to the Preferred Shares and ADSs

As a holder of ADSs, you will generally not have voting rights at our shareholders meetings.

In accordance with our bylaws and Brazilian corporate law (Brazilian Law No. 6,404/76, as amended by Law No. 9,457/97 and Brazilian Law No. 10,303/01, which we refer to collectively as Brazilian Corporate Law), holders of our preferred shares, and thus of our ADSs, are not entitled to vote at our shareholders meetings except in limited circumstances. This means, among other things, that you, as a holder of ADSs, are not entitled to vote on corporate transactions, including any proposed merger or consolidation with other companies.

In addition, in the limited circumstances where the preferred shareholders are able to vote, holders may exercise voting rights with respect to the preferred shares represented by ADSs only in accordance with the provisions of the deposit agreement relating to the ADSs. There are no provisions under Brazilian law or under our bylaws that limit ADS holders ability to exercise their voting rights through the depositary bank with respect to the underlying preferred shares. However, there are practical limitations upon the ability of ADS holders to exercise their voting rights due to the additional procedural steps involved in communicating with such holders. For example, our preferred shareholders will either receive notice directly from us or through publication of notice in Brazilian newspapers and will be able to exercise their voting rights by either attending the meeting in person or voting by proxy. ADS holders, by comparison, will not receive notice directly from us. Rather, in accordance with the deposit agreement, we will provide the notice to the depositary bank, which will in turn, as soon as practicable thereafter, mail to holders of ADSs the notice of such meeting and a statement as to the manner in which instructions may be given by holders. To exercise their voting rights, ADS holders must then instruct the depositary bank how to vote the shares represented by their ADSs. Because of this extra procedural step involving the depositary bank, the process for exercising voting rights will take longer for ADS holders than for holders of preferred shares. ADSs for which the depositary bank does not receive timely voting instructions will not be voted at any meeting.

Except in limited circumstances, ADS holders are not able to exercise voting rights attaching to the ADSs.

An active or liquid market for our ADSs may not develop further or be sustained.

Prior to the registration of our ADSs in September 2001, there was not a liquid public market for our ADSs. We cannot predict whether an active, liquid public trading market for our ADSs will develop any further or be sustained. Active, liquid trading markets usually result in lower price volatility and in a more efficient execution of purchase and sale orders of investors. Often, the liquidity of a securities market, many times, is due to the volume of the underlying shares that are publicly held by non-related parties. Although the ADSs holders are entitled to withdraw the preferred shares underlying the ADSs from the depositary bank at any time, there is not a public market for our preferred shares in the United States.

The preferred shares and ADSs do not entitle you to a fixed or minimum dividend.

Holders of our preferred shares and ADSs are not entitled to a fixed or minimum dividend. Pursuant to our bylaws, our preferred shares are entitled to dividends 10.0% higher than those assigned to our common shares. Although under our current bylaws we are generally obligated to pay our shareholders at least 30.0% of our annual net adjusted income, our shareholders, acting at our annual shareholders meeting, have the discretion to suspend this mandatory distribution of dividends if the Board of Directors advises them that the payment of the dividend is not compatible with our financial condition. Neither our bylaws nor Brazilian law specifies the circumstances in which a distribution would not be compatible with our financial condition, and our controlling shareholders have never suspended the mandatory distribution of dividends. However, general Brazilian practice is that a company need not pay dividends if such payment would threaten the existence of the company as a going concern or would harm its normal course of operations.

As a holder of ADSs you will have fewer and less well-defined shareholders rights than in the United States and certain other jurisdictions.

Our corporate affairs are governed by our bylaws and Brazilian Corporate Law, which may differ from the legal principles that would apply if we were incorporated in a jurisdiction in the United States or in certain other jurisdictions outside Brazil. Under Brazilian Corporate Law, you and the holders of the preferred shares may have fewer and less well-defined rights to protect your interests relative to actions taken by our Board of Directors or the holders of our common shares than under the laws of other jurisdictions outside Brazil.

Although Brazilian Corporate Law imposes restrictions on insider trading and price manipulation, the Brazilian securities markets are not as highly regulated and supervised as the U.S. securities markets or markets in certain other jurisdictions. In addition, self-dealing and the preservation of shareholder interests may not be as regulated, and regulations may not be as enforced, in Brazil as in the United States, which could potentially disadvantage you as a holder of the preferred shares and ADSs. For example, when compared to Delaware general corporation law, Brazilian Corporate Law and practice has less detailed and well-established rules and judicial precedents relating to the review of management decisions against duty of care and duty of loyalty standards in the context of corporate restructurings, transactions with related parties, and sale-of-business transactions. In addition, shareholders in Brazilian companies must hold 5.0% of the outstanding share capital of a corporation to have standing to bring shareholders derivative suits, and shareholders in Brazilian companies ordinarily do not have standing to bring a class action.

It may be difficult to enforce civil liabilities against us or our directors and officers.

We are organized under the laws of Brazil, and all of our directors and officers reside outside the United States. In addition, a substantial portion of our assets, and most or all of the assets of our directors and officers are located in Brazil. As a result, it may be difficult for investors to effect service of process within the United States or other jurisdictions outside of Brazil on such persons or to enforce judgments against them, including in any action based on civil liabilities under the U.S. federal securities laws.

If we issue new shares or our shareholders sell shares in the future, the market price of your ADSs may be reduced.

Sales of a substantial number of shares, or the belief that this may occur, could decrease the prevailing market price of the preferred shares and ADSs by diluting the shares value. If we issue new shares or our existing shareholders sell shares they hold, the market price of the preferred shares and, by extension, of the ADSs, may decrease significantly. Such sales also might make it more difficult for us to sell preferred shares and ADSs in the future at a time and a price that we deem appropriate.

You may be unable to exercise preemptive rights relating to the preferred shares.

You will not be able to exercise the preemptive rights relating to the preferred shares underlying your ADSs unless a registration statement under the United States Securities Act of 1933 is effective with respect to those rights or an exemption from the registration requirements of the Securities Act is available. Similarly, we may from time to time distribute rights to our shareholders. The depositary bank will not offer rights to you as a holder of the ADSs unless the rights are either registered under provisions of the Securities Act or are subject to an exemption from the registration requirements. We are not obligated