

BANK BRADESCO  
Form 6-K  
May 11, 2007

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 UNDER THE  
SECURITIES EXCHANGE ACT OF 1934**

**For the month of May, 2007**

**Commission File Number 1-15250**

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**BANCO BRADESCO S.A.**  
(Exact name of registrant as specified in its charter)

**BANK BRADESCO**  
(Translation of Registrant's name into English)

**Cidade de Deus, s/n, Vila Yara  
06029-900 - Osasco - SP  
Federative Republic of Brazil  
(Address of principal executive office)**

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No



**Banco Bradesco S.A.**

Corporate Taxpayer's ID (CNPJ) 60.746.948/0001-12	Bovespa	BBDC3 (common) and BBDC4 (preferred)	NYSE	BBD	Latibex XBBDC
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**Main Indicators (%)**

Indicators	2005		2006		2007
	4 <sup>th</sup> Qtr.	1 <sup>st</sup> Qtr.	4 <sup>th</sup> Qtr.	1 <sup>st</sup> Qtr.	YTD
CDI	4.31	4.04	3.12	3.03	13.93
Ibovespa	5.93	13.44	22.01	2.99	20.69
USD Commercial Rate	5.33	(7.19)	(1.66)	(4.10)	(5.61)
IGP-M	0.99	0.70	1.54	1.11	4.28
IPCA IBGE	1.67	1.44	1.12	1.26	2.96
TJLP	2.35	2.18	1.67	1.59	7.25
TR	0.63	0.51	0.47	0.48	2.00
Savings Deposits	2.15	2.03	1.98	1.99	8.29
Number of Business Days	62	63	61	62	248

**Closing Amount**

Indicators	2005		2006		2007	
	December		March		March	
USD Commercial Rate for Sale (R\$)	2.3407		2.1724		2.1380	
Euro (R\$)	2.7691		2.6327		2.8202	
Country Risk (Points)	305		235		193	
Selic Copom Base Rate (% p.a.)	18.00		16.50		13.25	
Pre-BM&F Rate 1 year (% p.a.)	16.40		14.84		12.38	

**Compulsory Deposit Rates (%)****Rates and Limits (%)**

Deposits	2005				Items	2006				2007			
	2005		2006			2005		2006		2005		2006	
	4 <sup>th</sup> Qtr.	1 <sup>st</sup> Qtr.	4 <sup>th</sup> Qtr.	1 <sup>st</sup> Qtr.		4 <sup>th</sup> Qtr.	1 <sup>st</sup> Qtr.	4 <sup>th</sup> Qtr.	1 <sup>st</sup> Qtr.	4 <sup>th</sup> Qtr.	1 <sup>st</sup> Qtr.	4 <sup>th</sup> Qtr.	1 <sup>st</sup> Qtr.
Demand Deposits <sup>(1)</sup>	45	45	45	45	Income Tax	25	25	25	25				
Additional <sup>(2)</sup>	8	8	8	8	Social Contribution	9	9	9	9				
Time Deposits <sup>(3)</sup>	15	15	15	15	PIS <sup>(1)</sup>	0.65	0.65	0.65	0.65				
	8	8	8	8	COFINS <sup>(2)</sup>	4	4	4	4				

Additional (2) Savings Account (4)	20	20	20	20	Legal Reserve on Net Income	5	5	5	5
Additional (2)	10	10	10	10	Maximum Fixed Assets (3) Capital Adequacy Ratio Basel (4)	50	50	50	50
						11	11	11	11

- (1) Cash deposit No remuneration. (1) The rate applicable to non-financial and similar companies is 1.65% (non-cumulative PIS).
- (2) Cash deposit Compensation by Selic rate. (2) The rate applicable to non-financial and similar companies is 7.60% (non-cumulative Cofins).
- (3) Restricted Securities From the amount calculated at 15%, R\$300 million may be deducted. (3) Maximum Fixed Assets are applied over Reference Equity.
- (4) Cash deposit Compensation by Reference Rate (TR) + interest of 6.17% p.a. (4) Reference Equity may not be lower than 11% of Weighted Assets.

### Forward-Looking Statements

This Report on Economic and Financial Analysis contains forward-looking statements relative to our business, which are based on management's current expectations, estimates and projections about future events and financial trends, which could affect our business. Words such as: believes, anticipates, plans, expects, intends, aims, evaluate, predicts, foresees, projects, guidelines, should and similar expressions are intended to identify forward-looking statements. These statements however, are not guarantees of future performance and involve risks and uncertainties, which are difficult to predict and which could be beyond our control. Furthermore, certain forward-looking statements are based on assumptions which, depending on future events, may prove to be inaccurate. Therefore, actual results may differ materially from the plans, objectives, expectations, projections and intentions expressed or implied in such forward-looking statements.

Factors which could modify actual results include, among others, changes in regional, national and international commercial and economic conditions; inflation rates; increase in customer delinquency on the account of borrowers in loan operations; increase in the allowance for loan losses; loss of funding capacity; loss of clients or revenues; our capacity to sustain and improve performance; changes in interest rates which could, among others, adversely affect our margins; competition in the banking sector, in financial services, credit card services, insurance, asset management and other related sectors; government regulations and fiscal matters; disputes or adverse legal proceedings or ruling; as well as credit risks and other loan and investment activity risks.

Accordingly, the reader should not place excessive reliance on these forward-looking statements. These statements are valid only as at the date they are made. Except as required under applicable legislation, we assume no obligation whatsoever to update these statements, whether as a result of new information, future events or any other motive.

## **Risk Factors and Critical Accounting Practices**

To assure Bradesco's adherence to the best international practices for transparency and corporate governance, we point out Risk Factors and Critical Accounting Practices. We consider these factors and practices the most significant and those which could affect our daily business, the results of our operations or our financial position. We stress that Bradesco addresses the management of all risks inherent to its activities in a complete and integrated manner. This integrated approach facilitates the improvement of risk management models and avoids the existence of any gap that could jeopardize the correct identification and assessment of these risks.

### **Risks Relating to Brazil**

#### **1) Brazilian political and economic conditions have direct impact on our business and on the market price of our stocks and ADSs**

All of our operations and clients are mainly 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 intervention by the Brazilian Government and volatile economic cycles. In addition, our financial condition and the market price of our stocks and ADSs may also be adversely affected by changes in policy involving exchange controls, tax and other matters, as well as factors such as: fluctuations in exchange rates, interest rate, inflation rates, and other political, diplomatic, social and economic developments inside and outside Brazil that affect the country.

In the past, the Brazilian Government has often changed monetary, fiscal and taxation policies to influence the course of Brazil's economy. We cannot predict which measures or policies the Brazilian Government may take in response to the current or future situation of the Brazilian economy or how the Brazilian government intervention and government policies will affect the Brazilian economy and, both directly and indirectly, our operations and revenues.

#### **2) If Brazil undergoes a period of high inflation in the future, our revenues and the market price of our stocks and ADSs may be reduced**

In the last 15 years, Brazil has undergone extremely high inflation rates, with annual rates (IGP-DI from Fundação Getulio Vargas) reaching as high as 1,158% in 1992, 2,708% in 1993 and 1,093% in 1994. More recently, Brazil's inflation rates were 7.7% in 2003, 12.1% in 2004, 1.2% in 2005 and 3.8% in 2006. Inflation and governmental measures to combat it have had in past years significant negative effects on the Brazilian economy. In addition, 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 suffers a period of high inflation in the future, our costs may increase, our operating and net margins may decrease and, if investor's confidence lags, the price of our stocks and ADSs may drop. Inflationary pressures may also curtail our ability to access foreign financial markets and may occasionally 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.

#### **3) Access to international capital markets by Brazilian companies is influenced by the perception of risk in emerging economies, which may harm our ability to finance our operations**

Since the end of 1997, and in particular during the last five years, as a result of economic problems in various emerging market countries, including the economic crisis in Argentina, investors have had a heightened risk perception for investments in emerging markets. As a result, in some periods, Brazil has experienced an outflow of U.S. dollars, while Brazilian companies have borne higher costs to raise funds, both domestically and abroad, and have been impeded from accessing international capital markets. We cannot assure you that international capital markets will remain open to Brazilian companies or that prevailing interest rates in these markets will be advantageous for us.



#### **4) Developments in other emerging markets may adversely affect the market price of our stocks and ADSs**

The market price of our stocks and ADSs may be adversely affected by declines in the international financial markets and world economic conditions. Brazilian securities markets are influenced by the local and other emerging countries economy, especially those in Latin America, including Argentina, which is one of Brazil's principal trading partners. Although economic conditions are different in each country, investors' reaction to developments in one country may affect the securities markets and the securities of issuance in other countries, including Brazil.

Occasionally, developments in other countries have adversely affected the market price of our and other Brazilian companies' stocks, as investors' high risk perception due to crisis in other emerging markets may 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 economic situation in Argentina and Latin America deteriorates, or if similar developments occur in the international financial markets in the future, the market price of our stocks and ADSs may be adversely affected.

#### **Risks Relating to Bradesco and the Brazilian Banking and Insurance Industries**

##### **1) The Brazilian Government regulates the operations of Brazilian banks and insurance companies, and changes in prevailing laws and regulations or the imposition of new ones may adversely affect our operations and results**

Brazilian banks and insurance companies 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 deposits, loan limits and other loan restrictions.

The regulatory structure governing Brazilian banks and insurance companies is continuously evolving. Existing laws and regulations could be amended. Besides, the enforcement or interpretation of laws and regulations could change, and new laws and regulations could be adopted. Such changes could materially affect in a negative manner our operations and our results.

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

##### **2) The increasingly competitive environment in the Brazilian bank and insurance industries may adversely affect our business prospects**

We face significant competition in all of our principal areas of operation from other large Brazilian banks and public and private insurance companies. Brazilian regulations raise limited barriers only to market entry and do not differentiate between local or foreign commercial and investment banks and insurance companies. As a result, the growing presence of foreign banks and insurance companies in Brazil, some of which have greater resources than we do, has grown the competition both in the banking and insurance industries. 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 customer base and expand our operations; reducing our profit margins on the banking, insurance, leasing services and other 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 by one of our competitors would generally add to the acquirers' market share, and as a result we may face increased competition from the acquirer.

**3) The majority of our common stocks are held by two stockholders, whose interests may conflict with other investors' interests**

On March 31, 2007 Cidade de Deus Companhia Comercial de Participações held 48.46% of our common stocks and Fundação Bradesco directly and indirectly held 47.25% of our common stocks. As a result, these stockholders 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 stockholders, as well as to approve related-party transactions or corporate reorganizations.

III

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## Critical Accounting Practices

Bradesco's results are susceptible to accounting policies, assumptions and estimates. It is incumbent upon the Management to adopt proper accounting policies and provide reasonable and suitable judgments and estimates when preparing the financial statements.

Our relevant accounting policies are outlined in the note 3 to the consolidated financial statements included in chapter 8 of this Report.

The following 5 items outline the accounting policies deemed as critical, in terms of materiality, as well as areas requiring a greater judgment and estimate or involving a higher level of complexity, affecting our financial condition and the results of our operations. The accounting estimates made under such context impel us to make assumptions on highly uncertain issues. In each case, if we had made other estimates, or if changes in estimates had occurred period by period, these could have significantly impacted our financial condition or the results of our operations:

### 1) Allowance for Loan Losses

We periodically adjust our allowance for loan losses, which include leasing operations and other operations with loan characteristic, based on the analysis of our portfolio, including probable losses estimate in these segments at the end of each period.

The determination of allowance for loan losses amount by its nature requires us to make judgments and assumptions related to our loan operations portfolio, not only on an individual basis, but also on a portfolio basis. When we revise our portfolio as a whole, various factors may affect our estimate of probable extension of losses, including the methodology we use to measure historical rates of delinquency and the historical period we take into account in such measurements. When we revise loan operations on an individual basis, we make judgments related to the factors, which most probably should affect the risk levels and which specific credit rating we should attribute. Additional factors, which may affect our determination of allowance for loan losses include:

general economic conditions in Brazil and conditions of relevant sector;

previous experience with borrower or relevant sector of economy, including losses recent experience;

credit quality trends;

guarantees amounts of a loan operation;

volume, composition and growth of our loan operations portfolio;

Brazilian Government's monetary policy; and

any delays when receiving information necessary to assess loan operations or confirm the deterioration of existing credit.

Our determination of allowance for loan losses is influenced by the risk rating of each loan operation. By assuming a positive fluctuation of 1% in delinquency ratio expected for our loan operations portfolio in full performance on March 31, 2007, the allowance for loan losses would increase approximately R\$43 million. Such sensitivity analysis is hypothetical and intends to illustrate the risk rating and loss severity impact on our allowance for loan losses and, thus, must not be considered as an observation of our expectations for future determinations of risk rating or future alterations in loss severity. In view of the procedures we observe, in order to determine our risk rating of loan portfolio and our assessment of loss severity, we believe that the current risk rating and the estimate of loss severity

for our loan portfolio are appropriate.

For further information about our practices referring to the allowance for loan losses, see content of loan operations included in Chapter 3 and notes 3e and 10 included in the Chapter 8 hereof.

## **2) Assessment of Securities and Derivatives**

The financial instruments recorded at fair value in our financial statements mainly include securities classified as for trading, available for sale and other trading assets, including derivatives. The fair value is defined as the value in which a position could be closed or sold in a transaction with a party aware of the issue and willing to trade, without any benefit.

We estimate the fair value by using market-quoted prices when available. We observe that the fair value may be affected by the volume of shares traded and also may not reflect the control premiums resulting from shareholders agreements, those holding significant investments. However, the Management believes that market-quoted prices are the fair value best indicators.

IV

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When market-quoted prices are not available, we use models to estimate the fair value. The factors used in these models include distributors' quotations, pricing models, prices of instruments with similar characteristics and discounted cash flows. The pricing based on models also uses information about interest rates, exchange rates, options volatility, when these are relevant and available.

In the determination of fair value, when market-quoted prices are not available, we have the Management's judgment, since the models depend on our judgment concerning the weight to be attributed to different factors and the quality of information we receive. For instance, reliable market data, when estimating the impact of maintaining a high position are generally limited. Likewise, we use our judgment in the estimate of prices when there is no external parameter. Should we make incorrect assumptions or the model itself makes correlations or incorrect assumptions, the value of income or loss recorded for a specific asset or liability may be improper. The judgment shall also determine if a decline in fair value below the up-to-date cost of a security held to maturity or security available for sale is not temporary, so that to require we recognize a devaluation of up-to-date cost and we may reflect such reduction as expense. In the assessment, if devaluation is not temporary, the Management decides the historical period to be considered and the level of severity of a loss.

Such assessment methods may lead Bradesco to different results, if models used or assumptions and estimates are inaccurate.

For further information about our practices referring to the assessment of securities and derivative financial instruments, see Notes 3c, 3d and 8 included in Chapter 8 of this Report.

### **3) Classification of Securities**

The classification of securities occurs in three categories: for trading, available for sale and held to maturity. This classification is based on the Management's intent, on the date of acquisition of securities, of maintaining or trading such securities. The accounting treatment of securities held depends on our classification upon their acquisition.

Circumstantial changes may modify our strategy related to a specific security, which will require a transfer among the three categories.

The classification of securities can be found in Note 8 included in Chapter 8 of this Report.

### **4) Taxes on Income**

The determination of the amount of our taxes and contributions is related to the analysis of our deferred tax assets and liabilities, and taxes on income payable. Generally, our assessment requires us to estimate the future values of deferred tax assets and taxes on income payable. Our assessment about the possibility of a deferred tax asset to be realized is subjective and involves evaluations and assumptions originally uncertain. The realization of deferred tax assets is subject to alterations in future tax rates and the development of our tax planning strategies. The support to our assessments and assumptions may change over time as a result of unpredictable occurrences or circumstances, influencing the determination of the value of our tax liabilities.

We constantly monitor and assess the impact of new tax laws on our liabilities, which could affect the assessments and assumptions of our analysis about the possibility of realizing deferred tax assets. For further information about Bradesco's taxes on income, see Notes 3f and 34 to our financial statements included in Chapter 8 of this Report.

### **5) Use of Estimates**

Our Management estimates and makes assumptions, which include the amount of provisions for deferred taxes, the assumptions for the calculation of allowance for loan losses, the assumptions for calculations of technical provisions

for insurance, private pension plans and certificated savings plans, the choice of useful lives of certain assets and the determination of whether an asset or group of specific assets was deteriorated. The estimates are based on the judgment and available information. Therefore, effective results may differ from such estimates.

## Corporate Strategy

We understand that the expansion of the Brazilian economy will stimulate a solid growth in a portion of the population needing financial services, and accordingly, an expansion of demand for such services. Under such context, our main objective is to maintain the focus on the domestic market and take advantage of our position as the largest private bank in Brazil, to expand profitability, maximizing value to our stockholders and generating higher returns compared to other Brazilian financial institutions.

We intend to achieve such goals with a strategy not only to continuously expand our customer base, but also to consolidate our role as the priority bank of each of our clients, so that to be the first option of all our clients towards all their financial services needs. Our goal is to be a Banco Completo (All-inclusive Bank) in the Brazilian market. In this regard, we strive to maintain a remarkable presence in every line of financial services.

In the banking segment, we aim at rendering the most varied range of services as retail bank, supported by a staff with more than 79 thousand employees, a wide Service Network, including our Branches, Corporate Site Branches, Banco Postal and Bradesco Expresso (Correspondent Banks), besides the ATMs, always concerned with the expansion of business volume. We are also focused on expanding our businesses as a Wholesale Bank in all its aspects (investment bank and corporate business) and expand our private banking business.

In the insurance segment, we intend to consolidate Bradesco Seguros e Previdência leadership, and in relation to the supplementary private pension segment, we intend to take advantage of our ongoing expansion of demand for our private pension products.

In every line of our operation, we intend to stand out and be recognized by our clients as leaders in terms of performance and efficiency.

We understand that the essence of business success in the financial sector consists of the combination between winning the client and a team highly qualified and devoted to the rendering of services, permanently trained and with rigid discipline standards at work. Our growth plans are not only translated into seeking the addition of new clients but also are focused on the frequent improvement of products and distribution channels. It is also fundamental to promote the business, the treatment given to our team in terms of qualification, promotion and creation of a solidarity culture at work, with a view to fomenting an environment where our employees may develop a career enduring during their entire professional life.

Finally, the main component of our philosophy is to conduct the business according to the highest ethical standards. Therefore, our strategy is always guided by seeking the best Corporate Governance practices and by the understanding that Bradesco, besides being a source of profits to its stockholders, should also be a building element in the society.

The key elements of our business strategy are:

- expansion by means of organic growth;

- performance based on the business model of a large banking institution, having as subsidiary an important insurance company, which we name as Modelo Banco-Seguros (Insurance Bank Model), with a view to maintaining our profitability and consolidate our leadership in the insurance industry;

- increase of revenues, profitability and value to stockholders, by consolidating our loan operations, our main activity, and the expansion of new products and services;

- maintenance of our commitment to the technological innovation;

profitability and return to the stockholders by means of improved efficiency ratio;

maintenance of acceptable risk levels in our operations; and

expansion by means of strategic alliances and selective acquisitions, when these are beneficial.

**1) To expand main business areas by means of organic growth**

The Brazilian economy has been showing solidity over the past years and has been creating strategic opportunities for financial and insurance segments growth, mainly by means of increased business volume. We intend to take advantage of such opportunities to increase our revenues, obtain profitability and maximize value to the stockholders, as outlined as follows:

benefiting from the opportunity in the Brazilian markets to obtain new clients with loan and financial needs only partially met, incrementing the competition for a small level of clients with higher income levels;

expanding our financial services distribution, by using creativity in developing new products, solidly employing non-traditional means, for instance, expanding our credit cards offer and extension of loan granting to stores, by utilizing alliances with such stores and rendering services via the Banco Postal;

VI

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using the distribution channels in benefit of the Bank, including our traditional branch network and technology to access the Internet in order to identify demand for new products;

offering our customer base, broadly, our products and services;

using the systems of our Branches, with a view to assessing and monitoring the use of our products by clients, so that to drive them to the appropriate commercialization platforms; and

developing varied products, in compliance with the needs of our current and potential clients.

**2) To operate based on the Insurance Bank Model, in order to maintain the profitability and consolidate Bradesco's leadership in the insurance industry**

Our goal is to be the priority bank for our clients, thus increasing attendance according to their banking, insurance and private pension needs. We believe to be in a privileged position to capitalize the synergy among banking, insurance, private pension services and other financial activities in order to sell our traditional banking products and insurance and private pension products, by means of our branch network, our brokers and dealerships network, distribution services via the Internet and our creativity in developing new distribution channels.

Concurrently, we aim at increasing profitability levels of insurance and supplementary private pension plans segments, by using the profitability measure rather than the volume of underwritten premium or amounts deposited, as observed as follows:

maintaining our current policy of carefully assessing the car insurance risks and rejecting them in events where risks are too high;

intensively trading our products; and

maintaining acceptable risk levels in our operations by means of a strategy of:

setting priorities to insurance underwriting opportunities, according to the risk spread between the revenue expected pursuant to the terms of insurance agreement and the amount of projected claims (statistically) to be due under the terms of such agreement;

carrying out hedge transactions, so as to set out the mismatch between the real inflation index and provisions for adjustments of interest rates and inflation in long-term agreements; and

entering into reinsurance agreements with renowned reinsurance companies, executed by means of IRB-Brasil Resseguros (IRB), viewing to reducing the exposure to great risks.

**3) Increased revenues from banking activities, profitability and value to stockholders, by reinforcing loan operations and expanding new products and services**

We are concerned about the increase of revenues and profitability in our banking operations, with the following measures:

carrying out our traditional deposit-taking activities and loan operations, continuously seeking to improve the quality of our loan portfolio, by means of risk mitigation plans and improvement in the assessment of loan granting ratings;

building our customer base, legal entities and individuals, by offering services meeting the needs of specific clients, including foreign exchange services and import/export financing;

intensively seeking the development of paid services based on fees, such as collection and payment processing for current and potential clients;

expanding our financial services and products distributed out of our conventional means of branches, such as credit card activities, taking advantage of change in the consumers' behavior concerning the financial services consumption;

increasing our revenues from asset management and private pension plans; and

continuously building our high-income customer base, by providing a varied range of tailor-made financial products and services, and offering maximum efficiency in the assets management.

#### **4) To maintain Bradesco's commitment to technological innovation**

The development of efficient means to reach clients and to process operations is a key element of our goal to increase our profitability and thus obtain coordinated growth opportunities. Recently, Bradesco resolved to reinforce such strategy with the challenge of changing our technological model, with a view to definitively maintaining Bradesco's market leadership in the industry in terms of technology. Thus, Bradesco set a task force devoted to the advance of our profile and public perception towards technology.



We believe that technology offers unequalled opportunities to reach our clients efficiently in terms of costs and with satisfactory levels of security. We maintain the commitment of being ahead in the banking automation process, by creating opportunities for Brazilians to contact us via the Internet. We expect to continue increasing the number of clients and operations carried out through the Internet, by means of techniques, such as:

by continuously installing stations of access to the Internet (Web Points) in public sites, allowing clients to use our banking system via the Internet, whether or not they have access to a personal computer;

by enlarging our mobile banking service (Bradesco Mobile Banking), allowing clients to carry out their banking operations via the Internet, with compatible mobile phones; and

by providing Pocket Internet Banking for palmtops and Personal Digital Assistants (PDAs) allowing our clients to see their checking and savings accounts, credit card transactions, provide for payments, transfer funds and also obtain institutional information.

#### **5) To obtain profitability and return to stockholders by improving the efficiency ratio**

We intend to improve our efficiency levels:

by maintaining the austerity as guideline for our cost control policy;

by consolidating the synergies enabled by our recent acquisitions;

by still reducing our operating costs, by means of technology investments, decreasing the costs per transaction, always maintaining our automated distribution channels updated, including our distribution systems by phone, Internet and teller machines; and

by still incorporating institutions to be acquired in our existing system, in order to remove potential overlaps, redundancies and inefficiency.

#### **6) To maintain acceptable risk levels in our operations**

Bradesco is constantly identifying and assessing the risks inherent to the activities we developed and we maintain proper controls, ensuring the conformity of processes and capital efficient allocation, with a view to maintaining levels similar to international standards, as well as to obtain competitive advantages.

#### **7) To enter into strategic alliances and selective acquisitions**

We understand that the expansion phase of Brazilian financial institutions will occur due to organic growth over the next years. In addition, we believe that acquisition opportunities will be smaller size institutions, mainly available by means of privatizations. Notwithstanding, we deem that certain institutions, susceptible to be acquired, could present niche opportunities, such as consumer financing, credit cards and investment bank. Therefore, we continuously evaluate potential strategic alliances as well as consolidation opportunities, including privatization and acquisitions proposals, and other forms, which offer potential opportunities to Bradesco increases its market share or improve its efficiency. Besides focusing on the value and the quality of assets, Bradesco takes into account potential operating synergies, crossed sales opportunities, know-how acquisitions and other advantages of potential alliance or acquisition. Our analysis of potential opportunities is guided by the impact these would have over our results.

<b>List of Main Abbreviations</b>			<b>10</b>
<b>1 Bradesco Line by Line</b>			<b>11</b>
Net Income	12	Statement of Income	22
Summarized Analysis of the Statement of Income Highlights	13	Analysis of the Statement of Income	23
Bradesco's stocks	15	Comparative Balance Sheet	40
	18	Equity Analysis	41
<b>2 Main Information on Statement of Income</b>			<b>53</b>
Consolidated Statement of Adjusted Income Profitability	54	Allowance for Doubtful Accounts	67
Results by Business Segment	56	Fee and Commission Income	68
Change in the Main Items of Statement of Income	58	Administrative and Personnel Expenses	69
Change in Net Interest Income Items	58	Operating Efficiency	70
plus Exchange Adjustment	59	Other Indicators	72
Analysis of the Adjusted Net Interest Income and Average Rates	60		
<b>3 Main Information on Balance Sheet</b>			<b>73</b>
Consolidated Balance Sheet	74	Funding	86
Total Assets by Currency and Maturities	76	Checking Accounts	87
Securities	77	Savings Accounts	88
Loan Operations	78	Assets under Management	89
<b>4 Operating Companies</b>			<b>91</b>
Grupo Bradesco de Seguros e Previdência Insurance Companies (Consolidated)	92	Banco Finasa	109
	92	Leasing Companies	110
Bradesco Saúde	97	Bradesco Consórcios (Consortium Purchase Plans)	112
Bradesco Auto/RE	99	Bradesco S.A. Corretora de Títulos e Valores Mobiliários	119
Bradesco Vida e Previdência	101	Bradesco Securities, Inc.	121
Bradesco Capitalização	104		
<b>5 Operational Structure</b>			<b>123</b>
Corporate Organization Chart	124	Risk Management and Compliance	143
Administrative Body	126	Credit Risks, Operating Risks, Market Risks, Internal Controls and Compliance	143
Risk Ratings	127	Liquidity Risk Management	149
Ranking	128	Capital Risk Management	149
Market Segmentation	129		

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Bradesco Corporate	129	Cards	152
Bradesco Empresas (Middle Market)	130	International Area	156
Bradesco Private	130	Investment Bank (BBI)	160
Bradesco Prime	131	Cash Management Solutions	161
Bradesco Varejo (Retail)	132	Qualified Services for Capital Markets	164
Banco Postal	132	Business Processes	165
Customer Service Network	135	Acknowledgments	168
Bradesco Day & Night Customer Service Channels	137		
Investments in Infrastructure, Information Technology and Telecommunications	142		
<b>6 Social-environmental Responsibility</b>			<b>169</b>
Bradesco Organization and the Social-environmental Responsibility	170	Fundação Bradesco Social Report	192 199
Human Resources	176		
<b>7 Independent Auditors Report</b>			<b>201</b>
Report of Independent Auditors on Review of Supplementary Accounting Information included in the Report on Economic and Financial Analysis and in the Social Balance Sheet.			202
<b>8 Financial Statements, Independent Auditors Report and Fiscal Council s Report</b>			<b>203</b>
Management Report	204	Consolidated Cash Flow	214
Consolidated Balance Sheet	207	Consolidated Added Value Statement	215
Consolidated Statement of Income	211	Index of Notes to the Financial Statements	216
Consolidated Statement of Changes in Stockholders Equity	212	Notes to the Financial Statements	217
Consolidated Statement of Changes in Financial Position	213	Management Bodies	276
		Independent Auditors Report	277
		Fiscal Council s Report	278
<b>Glossary of Technical Terms</b>			<b>279</b>
<b>Cross Reference Index</b>			<b>282</b>

<p>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 sum of the figures preceding them.</p>
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List of Main Abbreviations

AACD	Association of Assistance to Disabled Children	Ibracon	Brazilian Institute of Independent Auditors
ABA	Brazilian Association of Advertisers	IBRE	Brazilian Economy Institute
ABC	Activity-Based Costing	IEO	Operating Efficiency Ratio
ABECS	Brazilian Association of Credit Card Companies and Services	IFC	International Finance Corporation
ABEL	Brazilian Association of Leasing Companies	IFT	Quarterly Financial Information
ABM	Activity-Based Management	IGC	Index of Stocks with Differentiated Corporate Governance
ACC	Advances on Foreign Exchange Contracts	IGP-DI	General Price Index Internal Availability
ADR	American Depositary Receipt	IGP-M	General Price Index Market
ADS	American Depositary Share	INSS	Social Security National Institute
ADVB	Association of Sales and Marketing Managers of Brazil	IPCA	Extended Consumer Price Index
AmCham	American Chamber of Commerce	IPO	Initial Public Offering
ANAPP	National Association of Private Pension Plan Companies	IPTU	Municipal Real Estate Tax
Anbid	National Association of Investment Banks	IR	Income Tax
ANS	National Agency for Supplementary Healthcare	IRRF	Withholding Income Tax
AP	Personal Accident	ISO	International Standard Organization
Apimec	Association of the Capital Markets Investment Analysts and Professionals	ISE	Corporate Sustainability Index
Bacen	Brazilian Central Bank	ISS	Tax on Services
BDR	Brazilian Depositary Receipt	IT	Information Technology
BM&F	Mercantile and Futures Exchange	ITAG	Index of Stocks with Differentiated Tag Along
BNDES	National Bank for Economic and Social Development	JCP	Interest on Own Capital
Bovespa	São Paulo Stock Exchange	Latibex	Latin American Stock Exchange Market in Euros (Spain)
CBLC	Brazilian Settlement and Custody Company	MBA	Master of Business Administration
CDB	Bank Deposit Certificate	MUFG	Mitsubishi UFJ Financial Group
CDC	Consumer Sales Financing	NBR	Registered Brazilian Rule
CDI	Interbank Deposit Certificate	NPL	Non-Performing Loans
CEF	Federal Savings Bank	NYSE	New York Stock Exchange
CETIP	Clearing House for the Custody and Financial Settlement of Securities	OHSAS	Occupational Health and Safety Assessment Series
CFP™	Certified Financial Planner	OIT	International Labor Organization
CIAB	Information Technology Congress and Exposition of the Financial Institutions	ON	Common Stocks
CMN	National Monetary Council	ONG	Non-Governmental Organization
CNSP	National Private Insurance Council	PAA	Advanced Service Branch
Cobit	Control Objectives for Information and Related Technology	PAB	Banking Service Branch
Cofins	Contribution for Social Security Financing	PAE	Electronic Service Branch in Companies
		PDD	Allowance for Doubtful Accounts
		PGBL	Unrestricted Benefits Generating Plan
		PIS	Social Integration Program

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Conanda	National Council for the Rights of Children and Adolescents	PL	Stockholders Equity
Copom	Monetary Policy Committee	PLR	Employee Profit Sharing
Cosif	Chart of Accounts for National Financial System Institutions	PN	Preferred Stocks
COSO	Committee of Sponsoring Organizations	PPNG	Unearned Premiums Provisions
CPMF	Provisory Contribution on Financial Transactions	PRGP	Plan with Performance and Guaranteed Compensation
CRI	Certificate of Real Estate Receivables	PTRB	Online Tax Payment
CS	Social Contribution	RCF	Optional Third-Party Liability
CVM	Brazilian Securities Commission	RE	Basic lines (of Insurance Products)
DJSI	Dow Jones Sustainability World Index	ROA	Return on Assets
DPV	Available for Sale (Securities)	ROAA	Return on Average assets
DPVAT	Compulsory Vehicle Insurance	ROAE	Return on Average Equity
DR	Depository Receipt	ROE	Return on Stockholders Equity
DRE	Statement of Income for the Year	SA 8000	Social Accountability
DTVM	Securities Dealer	SAP	Systems Applications and Products
DVA	Value-Added Statement	SBPE	Brazilian Savings and Loan System
EPE	Specific Purpose Entities	Sebrae	Brazilian Micro and Small Business Support Service
ERP	Enterprise Resource Planning	SEC	U.S. Securities and Exchange Commission
EXIM	Export and Import BNDES Financing Line	Selic	Special Clearance and Custody System
FGV	Getulio Vargas Foundation	SESI	National Industry Social Service
FIA	Management Institute Foundation	SFH	National Housing System
FIDC	Credit Right Funds	Sipat	Internal Week of Labor Accident Prevention
FIE	Exclusive Investment Fund	SPB	Brazilian Payment System
Finabens	Financing Line of other Assets and Services	Susep	Superintendence of Private Insurance
Finame	Fund for Financing the Acquisition of Industrial Machinery and Equipment	TED	Instant Online Transfer
FIPE	Economic Research Institute Foundation	TJLP	Long-term Interest Rate
Fipecafi	Accounting, Actuarial and Financial Research Institute Foundation	TR	Reference Rate
FIRN	Floating Rate Note	TVM	Securities
FxRN	Fixed Rate Note	UN	United Nations
IBGE	Brazilian Institute of Geographic and Statistics	Unesco	United Nations Educational, Scientific and Cultural Organization
Ibmec	Brazilian Capital Markets Institute	VaR	Value at Risk
IBNR	Incurred But Not Reported	VGBL	Long-term Life Insurance
Ibovespa	São Paulo Stock Exchange Index	VRGP	Life with Performance and Guaranteed Compensation

**1 - Bradesco Line by Line**

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**Net Income**

The Reported Net Income of 4Q06 was impacted by some extraordinary events occurred in that period. Thus, in order to enable a better analysis and comparability between the periods, we present below the Reported Net Income statement, without considering such extraordinary events (Recurring Net Income).

It is worth pointing out that the Published Net Income of 1Q07 was not impacted by extraordinary events.

	R\$ million	
	2006	2007
	4 <sup>th</sup> Quarter	1 <sup>st</sup> Quarter
<b>Reported Net Income</b>	<b>1,703</b>	<b>1,705</b>
<b>Extraordinary Events in the Period:</b>		
(-) Sale of investment in Usiminas	(219)	
(+) Extraordinary Non-technical Health Insurance Provision	387	
(-) Activated Tax Credit of Previous Periods	(194)	
(-) Fiscal Effects	(57)	
<b>Recurring Net Income</b>	<b>1,620</b>	<b>1,705</b>

Returns on Stockholders' Equity Recurring Net Income

	2006	2007
	4 <sup>th</sup> Quarter	1 <sup>st</sup> Quarter
Return on Equity ROE	29.0%	28.9%
Return on Average Equity ROAE	32.3%	30.2%
Return on Equity ROE (without mark-to-market adjustment TVM and Derivatives)	31.3%	31.5%
Return on Average Equity ROAE (without mark-to-market adjustment TVM and Derivatives)	34.3%	32.6%
Return on Equity ROE (straight-line calculation)	26.3%	26.2%
Return on Average Equity ROAE (straight-line calculation)	29.0%	27.2%
Return on Assets ROA	2.5%	2.4%
Return on Average Assets ROAA	2.6%	2.5%

Reported Net Income x Net Income Adjusted by Extraordinary Events of 2006 and Goodwill Amortizations R\$ million

### Summarized Analysis of the Statement of Income

With the purpose of favoring the better understanding, comparability and analysis of Bradesco's results, we are disclosing the Statement of Recurring Income, which is obtained from a series of adjustments made on the Reported Statement of Income. We point out that the Statement of Recurring Income will be a basis to be used for analysis and comments of this Report on Economic and Financial Analysis.

Below, we show tables with the Reported Statement of Income, the respective adjustments and the Statement of Recurring Income.

1Q06 x 1Q07 R\$ million

	1Q06			1Q07			Variations	
	Reported DRE	Adjustments Fiscal Hedge (1)	Adjusted DRE	Reported DRE	Adjustments Fiscal Hedge (1)	Adjusted DRE	Amount	%
Net Interest								
Income (a)	5,260	(285)	4,975	5,231	(212)	5,019	44	0.9
Allowance for Doubtful Accounts								
PDD (b)	(938)		(938)	(1,160)		(1,160)	(222)	23.7
<b>Intermediation</b>								
<b>Gross Income</b>	<b>4,322</b>	<b>(285)</b>	<b>4,037</b>	<b>4,071</b>	<b>(212)</b>	<b>3,859</b>	<b>(178)</b>	<b>(4.4)</b>
Insurance, Private Pension Plan and Certificated Savings Plans								
Operating								
Income (c)	115		115	241		241	126	109.6
Fee and Commission								
Income (d)	2,040		2,040	2,559		2,559	519	25.4
Personnel								
Expenses (e)	(1,419)		(1,419)	(1,460)		(1,460)	(41)	2.9
Other								
Administrative								
Expenses (e)	(1,317)		(1,317)	(1,540)		(1,540)	(223)	16.9
Tax Expenses (e)	(544)	36	(508)	(612)	27	(585)	(77)	15.2
Other Operating								
Income/Expenses	(700)		(700)	(793)		(793)	(93)	13.3
<b>Operating</b>								
<b>Income</b>	<b>2,497</b>	<b>(249)</b>	<b>2,248</b>	<b>2,466</b>	<b>(185)</b>	<b>2,281</b>	<b>33</b>	<b>1.5</b>
	(32)		(32)	(3)		(3)	29	(90.6)



Non-Operating  
Income

## IR/CS and

Minority Interest	(935)	249	(686)	(758)	185	(573)	113	(16.5)
<b>Net Income</b>	<b>1,530</b>		<b>1,530</b>	<b>1,705</b>		<b>1,705</b>	<b>175</b>	<b>11.4</b>

(1) the partial result of derivatives used for hedge effect of investments abroad, which in terms of Net Income, simply annuls the fiscal and tax effect (IR/CS and PIS/Cofins) of the hedge strategy;

Bradesco's Net Income in the 3-month period ended on March 31, 2007 reached R\$1,705 million, accounting for an 11.4% increase in relation to Net Income of the same period of the previous year. Bradesco's Stockholders' Equity amounted to R\$26,029 million as of March 31, 2007, equivalent to a 27.7% increase compared to the balance as of March 31, 2006. Consequently, the annualized return on Average Stockholders' Equity (ROAE) reached 30.2%. Total consolidated assets reached R\$281,944 million as of March 31, 2007, accounting for a 30.3% growth in relation to the balance of same date of the previous year. The annualized return on Average Assets (ROAA), in 1Q06, was 2.5%. Earnings per stock reached R\$0.85.

The main items influencing net income in the three-month period ended on March 31, 2007, compared to the previous period, can be seen below:

**(a) Net Interest Income R\$44 million**

Such growth is due to interest component, with a share of R\$331 million (R\$855 million due to the increase in business volume, and R\$(524) million to the decrease in spreads), pointing out a 16.5% increase in the volume of loan operations for individuals carried out in the twelve-month period ended on March 31, 2007, mainly concerned with consumer sales and personal loan financing, the spread of which is higher if compared to corporate loans. The reduced result of the non-interest component amounted to R\$287 million, basically due to higher gains of TVM and treasury in 1Q06.

**(b) Allowance for Doubtful Accounts R\$(222) million**

The variation is mostly due to a 20.2% increase in the volume of loan operations in the twelve-month period ended on March 31, 2007, pointing out the individual client operations, mainly under the type personal loan, with an increase of 15.2%, which, in view of its specific characteristic requires, a higher volume of provision.

**(c) Income from Insurance, Private Pension Plans and Certificated Savings Plans Operations R\$126 million**

The evolution in the period is mostly due to: (i) the better results obtained in insurance products R\$149 million and private pension products R\$50 million; **mitigated**: (ii) by the constitution of technical provision in the individual plan portfolio.

**(d) Fee and Commission Income R\$519 million**

The increase in the period is mainly due to a higher volume of operations, combined with the improvement in the segmentation process and Amex Brasil consolidation, pointing out the items Income from Cards R\$208 million, Checking Accounts R\$79 million, Loan Operations R\$81 million and Assets under Management R\$31 million.

**(e) Personnel, Administrative and Tax Expenses R\$(341) million**

Out of such amount, R\$41 million of personnel expenses is due to: (i) the increase in salary levels resulting from the collective bargaining agreement of 2006 (3.5%), benefits and other R\$30 million; (ii) the higher PLR expenses R\$24 million; (iii) the consolidation of Amex Brasil and Fidelity R\$42 million; **mitigated** by: (iv) lower expenses with provision for labor proceedings R\$55 million.

The R\$223 million of other administrative expenses basically refer to: (i) the effects on increased volume of business; (ii) the consolidation of Amex Brasil; (iii) the investments in the improvement and optimization of the technological platform; and (iv) contractual adjustments in the period.

The R\$77 million of tax expenses derive basically from (i) the increase in PIS/Cofins expenses R\$28 million, due to the increase in taxable income; (ii) the increase in ISS expenses R\$13 million; and (iii) the increase in IPTU expenses R\$13 million.

**Summarized Analysis of the Statement of Recurring Income**

4Q06 x 1Q07 R\$ million

**4Q06**

**1Q07**

**Variation**