

BANK BRADESCO  
Form 6-K  
May 11, 2006

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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, 2006**

**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	2004		2005		2006	
	4 <sup>th</sup> Qtr.	1 <sup>st</sup> Qtr.	4 <sup>th</sup> Qtr.	1 <sup>st</sup> Qtr.	12 months accumulated	
CDI	3.99	4.18	4.31	4.04	18.84	
IBOVESPA	12.70	1.58	5.93	13.44	42.62	
USD Commercial Rate	(7.14)	0.43	5.33	(7.19)	(18.52)	
IGP-M	1.96	1.55	0.99	0.70	0.35	
IPCA IBGE	2.00	1.79	1.67	1.44	5.32	
TJLP	2.35	2.35	2.35	2.18	9.56	
TR	0.47	0.55	0.63	0.51	2.80	
Savings Deposits	1.98	2.06	2.15	2.03	9.14	
Number of Business Days	62	61	62	63	253	

**Closing Amount**

Indicators	2004		2005		2006	
	December	March	December	March	December	March
Commercial U.S. dollar for sale (R\$)	2.6544	2.6662	2.3407	2.1724	2.3407	2.1724
Euro (R\$)	3.6195	3.4603	2.7691	2.6327	2.7691	2.6327
Argentine Peso (R\$)	0.8955	0.9141	0.7738	0.7050	0.7738	0.7050
Country Risk (Points)	383	456	305	235	305	235
SELIC COPOM Base rate (% p.a.)	17.75	19.25	18.00	16.50	18.00	16.50
Pre- BM&F rate 1 year (% p.a.)	17.85	19.17	16.40	14.84	16.40	14.84

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

Deposits	2004				Items	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.

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Demand Deposits					Income Tax	25	25	25	25
(1)	45	45	45	45	Social Contribution	9	9	9	9
Additional Time Deposits (3)									
(2)	8	8	8	8	PIS (1)	0.65	0.65	0.65	0.65
Additional (2)									
(2)	8	8	8	8	COFINS (2)	4	4	4	4
Additional (2)					Legal Reserve on Net Income	5	5	5	5
(2)	8	8	8	8	Maximum Fixed Assets (3)	50	50	50	50
Additional (2)					Capital Adequacy Ratio Basel (4)	11	11	11	11
(2)	10	10	10	10					

(1) Cash deposit No remuneration.

(2) Cash deposit SELIC rate.

(3) Restricted Securities. From the amount calculated at 15%, R\$ 300 million may be deducted as per Brazilian Central Bank instructions, effective from November 8, 2004.

(4) Cash deposit Reference Rate (TR) + interest of 6.17% p.a.

(1) The rate applicable to non-financial and similar companies is 1.65% (non-cumulative PIS).

(2) The rate applicable to non-financial and similar companies is 7.60% (non-cumulative COFINS).

(3) Maximum fixed assets are applied over reference equity.

(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 relating 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, predicts, foresees, projects, guidelines, should and similar expressions are intended to identify forward-looking statements. These statements 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 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 and any other delays in loan operations; increase in the allowance for loan losses; loss of funding capacity; loss of clientele 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 forward-looking 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**

We transcribe below the annual report filed with the SEC Risk Factors and Critical Accounting Practices sections of Form 20-F, to assure Bradesco's adherence to best international practices for transparency and corporate governance, describing the risk factors and the critical accounting practices which we consider most significant and 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 may 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 within and outside of 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 what 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 Getulio Vargas Foundation) 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 and 1.2% in 2005. 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 marketable 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 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 for 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 four 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 a significant outflow of U.S. dollars and 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 in a negative manner the market price of our stocks and ADSs**

The market price of our stocks and ADSs may be adversely affected in a negative manner by declines in the international financial markets and world economic conditions. Brazilian securities markets are influenced by the local economy and other emerging countries, 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 issuers in other countries, including Brazil. Since the fourth quarter of 1997, the international financial markets have experienced significant volatility, and a large number of market indices, including those in Brazil, have declined significantly.

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 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 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 negatively 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, lending limits and other loan restrictions.

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 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 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, 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 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 sectors. 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, 2006 Cidade de Deus Companhia Comercial de Participações, which we name as Cidade de Deus Participações, held 48.44% of our common stocks and Fundação Bradesco directly and indirectly held 46.20% 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.

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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 discussion outlines the accounting policies deemed as critical, in terms of materiality, 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 and leasing based on the analysis of our loan operations 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 1.0% in delinquency rate expected for our loan operations portfolio in full performance on December 31, 2005, the allowance for loan losses would increase approximately R\$ 30 million. Such sensitivity analysis is hypothetical and intends to illustrate the risk rating and loss severity impact on our determination of allowance for loan losses. The analysis should 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 of this Report 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 price market-quoted price 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.

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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 marketable securities and derivative financial instruments, see notes 3c, 3d and 8 included in the 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 whether we classify them in the acquisition as for trading, available for sale or held to maturity. 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 the note 8 included in the Chapter 8 of this Report.

### **4) Income Tax and Social Contribution**

The determination of the amount of our taxes and contributions is related to the analysis of our deferred tax assets and liabilities, and income tax and social contribution payable. Generally, our assessment requires us to estimate the future values of deferred tax assets and income tax and social contribution 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 occurrences or unpredictable circumstances, influencing our determination of value of our tax liabilities.

Constantly we 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 income tax and social contribution, see notes 3f and 34 to our financial statements included in the Chapter 8 of this Report.

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

Our Management estimates and makes assumptions, which also 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 savings bonds, the choice of useful lives of certain assets and the determination if an asset or group of specific assets was deteriorated. The estimates are based on the judgment and available information. Therefore, actual results may differ from such estimates.

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## 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 74 thousand employees, a wide service network, including our branches, corporate site branches, Banco Postal and correspondent banks, besides the ATMs, always concerned with the expansion of business volume and also operate 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 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 Company.

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;
- obtain profitability and return to the stockholders by means of improved efficiency ratio;
- maintain 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 growth in the financial and insurance segments, mainly by means of increased business volume. We intend to take advantage of such opportunities, 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, to expand our credit cards offer and extension of loan granting to stores, by utilizing alliances with such stores and rendering services via the Banco Postal;

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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 clients, both 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 of our clients, thus increasing attendance to meet 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 branches 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 that to set out the mismatch between the real inflation index and provisions for adjustments of interest rates and inflation in long-term agreements;  
entering into reinsurance agreements with renowned reinsurance companies, executed by means of IRB-Brasil Resseguros (IRB), viewing to reducing the exposure to great risks; and  
should IRB be privatized, participate in reinsurance business by means of partnership with renowned reinsurance company, by using our total share of 21% in IRB.

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

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

carry out our traditional activities of deposits 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;  
build 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 seek the development of paid services based on fees, such as collection and payment processing for current and potential clients;  
expand 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;  
increase our revenues from assets management and private pension plans; and  
continuously build 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.

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

- by continuously installing stations of access to the Internet (WebPoints) in public sites and 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 check their bank accounts 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 operational 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 with 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 increase 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.

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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.

## List of Main Abbreviations

<b>ABC</b>	Activity-Based Costing	<b>FIRN</b>	Floating Rate Note
<b>ABEL</b>	Brazilian Association of Leasing Companies	<b>FxRN</b>	Fixed Rate Note
<b>ABM</b>	Activity-Based Management	<b>GDAD</b>	Management of Performance and Support to Decisions
<b>ACC</b>	Advances on Foreign Exchange Contracts	<b>IBA</b>	Brazilian Actuarial Institute
<b>ACM</b>	Automated Consulting and Contract Machine	<b>IBMEC</b>	Brazilian Capital Market Institute
<b>ADR</b>	American Depositary Receipt	<b>IBNR</b>	Incurred But Not Reported
<b>ADS</b>	American Depositary Share	<b>IBOVESPA</b>	São Paulo Stock Exchange Index
<b>ADVB</b>	Association of Sales and Marketing Managers of Brazil	<b>IBRACON</b>	Brazilian Institute of Independent Auditors
<b>ANAPP</b>	National Association of Private Pension Plan Companies	<b>IEO</b>	Operating Efficiency Ratio
<b>ANBID</b>	National Association of Investment Banks	<b>IFC</b>	International Finance Corporation (Sociedade Financeira Internacional)
<b>ANS</b>	National Agency for Supplementary Healthcare	<b>IFT</b>	Quarterly Financial Information
<b>ANSP</b>	National Academy of Insurance and Private Pension Plans	<b>IGP-DI</b>	General Price Index Internal Availability
<b>AP</b>	Personal Accident	<b>IGP-M</b>	General Price Index Market
<b>APIMEC</b>	Association of the Capital Markets Investment Analysts and Professionals	<b>INSS</b>	Social Security National Institute
<b>ATM</b>	Automated Teller Machine	<b>IPCA</b>	Extended Consumer Price Index
<b>BACEN</b>	Brazilian Central Bank	<b>IPTU</b>	Municipal Real Estate Tax
<b>BDR</b>	Brazilian Depositary Receipt	<b>IR</b>	Income Tax
<b>BM&amp;F</b>	Mercantile and Futures Exchange	<b>IRRF</b>	Withholding Income Tax
<b>BNDES</b>	National Bank for Economic and Social Development	<b>ISO</b>	International Standard Organization
<b>BOVESPA</b>	São Paulo Stock Exchange	<b>ISE</b>	Corporate Sustainability Index
<b>CBLC</b>	Brazilian Settlement and Custody Company	<b>ISS</b>	Tax on Services
<b>CDB</b>	Bank Deposit Certificate	<b>JCP</b>	Interest on Own Capital
<b>CDC</b>	Consumer Sales Financing	<b>LATIBEX</b>	Latin American Stock Exchange Market in Euros (Spain)
<b>CDI</b>	Interbank Deposit Certificate	<b>MBA</b>	Master of Business Administration
<b>CEF</b>	Federal Savings Bank	<b>MP</b>	Provisional Measure
<b>CEID</b>	State Department for the Integration of Disabled People	<b>NBR</b>	Registered Brazilian Rule
<b>CETIP</b>	Clearing House for the Custody and Financial Settlement of Securities	<b>NYSE</b>	New York Stock Exchange
<b>CFC</b>	Federal Accounting Council	<b>OIT</b>	International Labor Organization
<b>CID</b>	Digital Inclusion Center	<b>ON</b>	Common Stocks
<b>CMN</b>	National Monetary Council	<b>ONG</b>	Non-Governmental Organization
<b>CNSP</b>	National Private Insurance Council	<b>ONU</b>	UN (United Nations)
<b>COBIT</b>	Control Objectives for Information and Related Technology	<b>PDD</b>	Allowance for Doubtful Accounts

	Contribution for Social Security		
<b>COFINS</b>	Financing	<b>PGBL</b>	Unrestricted Benefits Generating Plan
<b>COPOM</b>	Monetary Policy Committee	<b>PIS</b>	Social Integration Program
	Chart of Accounts for National Financial		
<b>COSIF</b>	System Institutions	<b>PL</b>	Stockholders' Equity
<b>COSO</b>	Committee of Sponsoring Organizations	<b>PLR</b>	Employee Profit Sharing
	Provisory Contribution on Financial		
<b>CPMF</b>	Transactions	<b>PN</b>	Preferred Stocks
<b>CRI</b>	Certificate of Real Estate Receivables	<b>PTRB</b>	Online Tax Payment
<b>CS</b>	Social Contribution	<b>RCF</b>	Optional Third-Party Liability
<b>CVM</b>	Brazilian Securities Commission	<b>RE</b>	Basic lines (of Insurance Products)
<b>DPVAT</b>	Compulsory Vehicle Insurance	<b>ROA</b>	Return on Assets
<b>DR</b>	Depository Receipt	<b>ROE</b>	Return on Stockholders' Equity
<b>DRE</b>	Statement of Income	<b>SANA</b>	Automatic System of Stocks Negotiation
<b>DTVM</b>	Securities Dealer	<b>SAP</b>	Systems Applications and Products
<b>DVA</b>	Value-Added Statement	<b>SBPE</b>	Brazilian Savings and Loan System
	(Directors and Officers) Insurance		Brazilian Micro and Small Business
<b>D&amp;O</b>	Specific for the Board of	<b>SEBRAE</b>	Support Service
	Director's Members, Directors and		U.S. Securities and Exchange
	Officers	<b>SEC</b>	Commission
<b>EPE</b>	Specific Purpose Entities	<b>SELIC</b>	Special Clearance and Custody System
<b>ERP</b>	Enterprise Resource Planning	<b>SESI</b>	National Industry Social Service
	Export and Import BNDES Financing		
<b>EXIM</b>	Line	<b>SFH</b>	National Housing System
	Brazilian Symposium of Science and		Internal Week of Labor Accident
<b>FEBRACE</b>	Engineering	<b>SIPAT</b>	Prevention
	Government Severance Indemnity Fund		
<b>FGTS</b>	for Employees	<b>SPB</b>	Brazilian Payment System
<b>FGV</b>	Getulio Vargas Foundation	<b>SPE</b>	Specific Purpose Entity
<b>FIA</b>	Management Institute Foundation	<b>SUSEP</b>	Superintendence of Private Insurance
<b>FIDC</b>	Credit Right Funds	<b>TED</b>	Instant Online Transfer
<b>FIE</b>	Exclusive Investment Fund	<b>TJLP</b>	Long-term Interest Rate
	Financing Line of other Assets and		
<b>FINABENS</b>	Services	<b>TR</b>	Reference Rate
<b>FINAME</b>	Fund for Financing the Acquisition of	<b>TVM</b>	Marketable Securities
	Industrial Machinery		
	and Equipment		
<b>FIPE</b>	Economic Research Institute Foundation	<b>VaR</b>	Value at Risk
<b>FIPECAFI</b>	Accounting, Actuarial and Financial	<b>VGBL</b>	Long-term Life Insurance
	Research		
	Institute Foundation		

**1 - Bradesco Line by Line**

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**Summarized Statement of Income Analysis**1<sup>st</sup> Quarter/05 x 1<sup>st</sup> Quarter/06 R\$ million

	Statement of Income		Adjustments (1)		Adjusted Statement of Income		Variation	
	1 <sup>st</sup> Qtr.		1 <sup>st</sup> Qtr.		1 <sup>st</sup> Qtr.		Amount	%
	2005	2006	2005	2006	2005	2006		
Net Interest Income (2)	3,999	5,260	(337)	(285)	3,662	4,975	1,313	35.9
Allowance for Doubtful Accounts PDD (3)	(635)	(938)			(635)	(938)	(303)	47.7
<b>Intermediation Gross Income</b>	<b>3,364</b>	<b>4,322</b>	<b>(337)</b>	<b>(285)</b>	<b>3,027</b>	<b>4,037</b>	<b>1,010</b>	<b>33.4</b>
Insurance Operating Income (4)	(214)	115	327		113	115	2	1.8
Fee Income (5)	1,661	2,040			1,661	2,040	379	22.8
Personnel Expenses (6)	(1,221)	(1,419)			(1,221)	(1,419)	(198)	16.2
Other Administrative Expenses (6)	(1,192)	(1,317)			(1,192)	(1,317)	(125)	10.5
Tax Expenses (6)	(405)	(544)	1	36	(404)	(508)	(104)	25.7
Other Operating Income/Expenses	(409)	(700)			(409)	(700)	(291)	71.1
<b>Operating Income</b>	<b>1,584</b>	<b>2,497</b>	<b>(9)</b>	<b>(249)</b>	<b>1,575</b>	<b>2,248</b>	<b>673</b>	<b>42.7</b>
Non-Operating Income	(6)	(32)			(6)	(32)	(26)	433.3
Income Tax, Social Contribution and Minority Interest	(373)	(935)	9	249	(364)	(686)	(322)	88.5
<b>Net Income</b>	<b>1,205</b>	<b>1,530</b>			<b>1,205</b>	<b>1,530</b>	<b>325</b>	<b>27.0</b>

In the quarter ended on March 31, 2006, Bradesco's net income reached R\$ 1,530 million, accounting for an 27.0% growth in relation to net income of the same period of the previous year. Bradesco's stockholders' equity amounted to R\$ 20,375 million as of March 31, 2006, equivalent to a 23.2% increase compared to the balance as of March 31, 2005. Consequently, the annualized return on stockholders' equity (ROE) reached 33.6%. Total consolidated assets reached R\$ 216,391 million at the end of the first quarter of 2006, a 13.1% growth in relation to the balance of same date of the previous year. The annualized return on total assets (ROA), in the 1<sup>st</sup> quarter of 2006, was 2.9%. Earnings per stock reached R\$ 1.56.

**(1) Adjustments**

The effects outlined below were annulled between items:

(i) partial income from derivatives used for hedge effects of investments abroad, which in terms of net income simply annuls the fiscal and tax effect (IR/CS and PIS/COFINS) of such hedge strategy of R\$ 10 million and R\$ 285 million in the 1<sup>st</sup> quarter of 2005 and 2006, respectively; and

(ii) extraordinary provision in the amount of R\$ 324 million was recorded in the Individual Health portfolio, to bring to the same level the premiums for insurance holders over 60 years of age whose health insurance plans are prior to the Law 9,656/98 and for benefits related to fully settled plans whose holders are still entitled to their benefits ( *planos remidos* ), which was offset by a positive result verified in the partial sale of our stake in Belgo-Mineira, R\$ 327

million in the 1<sup>st</sup> quarter of 2005.

Excluding these adjustments, the main items, which influenced the net income in the 1<sup>st</sup> quarter of 2006 compared to the 1<sup>st</sup> quarter of 2005 are outlined below:

**(2) Net Interest Income R\$ 1,313 million**

Such growth is basically due to interest component, with a share of R\$ 1,048 million, caused by an increment in the business volume, pointing out a 50.6% increase in the volume of loan operations for individuals in the 12-month period ended on March 31, 2006, mainly concerned with consumer sales and personal loan financing, the spread of which is higher when compared to the corporate portfolio. In the non-interest component, with a share of R\$ 265 million, the highlight was for the largest gains of TVM and treasury in the 1<sup>st</sup> quarter of 2006.

**(3) Allowance for Doubtful Accounts R\$ 303 million**

The variation is mostly due to a 28.0% increase in the volume of loan operations in the 12-month period ended on March 31, 2006, pointing out the individual client operations, under the type personal loan, climbing 73.5%, which in view of its specific characteristic requires a higher volume of provision.

**(4) Income from Insurance, Private Pension Plan and Savings Bonds Operations R\$ 2 million**

The Result of Operations of Insurance, Private Pension Plan and Savings Bonds remained practically stable in the 1<sup>st</sup> quarter of 2006 compared to the 1<sup>st</sup> quarter of 2005.

**(5) Fee Income R\$ 379 million**

The increase in the period is mainly due to a higher average volume of operations, combined with the improvement in the segmentation process.

**(6) Personnel, Administrative and Tax Expenses R\$ 427 million**

Out of such amount, R\$ 198 million of personnel expenses basically due to the increase in salary levels resulting from the collective bargaining agreement of 2005, for higher PLR expenses, for higher expenses with provision for labor proceedings in the 1<sup>st</sup> quarter of 2006, and for the acquisition of Banco BEC; and R\$ 125 million of other administrative expenses basically referring to effects on increased volume of business, for the acquisition of BEC in the 1<sup>st</sup> quarter of 2006 and for contractual adjustments in the period; and R\$ 104 million of tax expenses derive basically from the increase of PIS/COFINS expenses, due to the increase in taxable income in the 1<sup>st</sup> quarter of 2006 compared to the same period of 2005.

4<sup>th</sup> Quarter/05 x 1<sup>st</sup> Quarter/06 R\$ million

	Statement of Income		Adjustments (1)		Adjusted Statement of Income		Variation	
	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	Amount	%
	2005	2006	2005	2006	2005	2006		
Net Interest Income (2)	4,429	5,260	174	(285)	4,603	4,975	372	8.1
Allowance for Doubtful Accounts PDD (3)	(770)	(938)			(770)	(938)	(168)	21.8
<b>Intermediation Gross Income</b>	<b>3,659</b>	<b>4,322</b>	<b>174</b>	<b>(285)</b>	<b>3,833</b>	<b>4,037</b>	<b>204</b>	<b>5.3</b>
Insurance Operating Income (4)	263	115			263	115	(148)	(56.3)
Fee Income (5)	2,010	2,040			2,010	2,040	30	1.5
Personnel Expenses (6)	(1,361)	(1,419)			(1,361)	(1,419)	(58)	4.3
Other Administrative Expenses (6)	(1,439)	(1,317)			(1,439)	(1,317)	122	(8.5)
Tax Expenses (6)	(501)	(544)	(22)	36	(523)	(508)	15	(2.9)
Other Operating Income/Expenses	(757)	(700)			(757)	(700)	57	(7.5)
<b>Operating Income</b>	<b>1,874</b>	<b>2,497</b>	<b>152</b>	<b>(249)</b>	<b>2,026</b>	<b>2,248</b>	<b>222</b>	<b>11.0</b>
Non-Operating Income	(69)	(32)			(69)	(32)	37	(53.6)
Income Tax, Social Contribution and Minority Interest	(342)	(935)	(152)	249	(494)	(686)	(192)	38.9
<b>Net Income</b>	<b>1,463</b>	<b>1,530</b>			<b>1,463</b>	<b>1,530</b>	<b>67</b>	<b>4.6</b>

In the 1<sup>st</sup> quarter of 2006, Bradesco's net income reached R\$ 1,530 million, which corresponds to a 4.6% increase when compared to the 4<sup>th</sup> quarter of 2005. Bradesco's stockholders' equity amounted to R\$ 20,375 million on March 31, 2006, corresponding to a 5.0% increase in relation to the balance as of December 31, 2005. Total consolidated assets reached R\$ 216,391 million at the end of March 2006, growing 3.7% in the quarter.

### (1) Adjustments

The partial income from derivatives used for hedge effects of investments abroad, which in terms of net income simply annuls the fiscal and tax effect (IR/CS and PIS/COFINS) of such hedge strategy was R\$ (174) million and R\$ 285 million in the 4<sup>th</sup> quarter of 2005 and in the 1<sup>st</sup> quarter of 2006, respectively. Excluding these adjustments, main items, which influenced the net income in the 1<sup>st</sup> quarter of 2006 are outlined below:

### (2) Net Interest Income R\$ 372 million

Such growth is basically due to non-interest component, with a share of R\$ 311 million, motivated by higher treasury and TVM gains in the quarter. The interest component, with a share of R\$ 61 million was the result of a business volume expansion in the quarter, pointing out a 7.5% increase in the volume of loan operations.