

BANK BRADESCO
Form 6-K
February 16, 2007

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

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 February, 2007

Commission File Number 1-15250

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

Main Indicators (%)

Indicators	2005			2006		
	3 rd Qtr.	4 th Qtr.	Year	3 rd Qtr.	4 th Qtr.	Year
CDI	4.74	4.31	19.00	3.51	3.12	15.03
IBOVESPA	26.08	5.93	27.71	(0.49)	22.01	32.93
USD Commercial Rate	(5.45)	5.33	(11.82)	0.46	(1.66)	(8.66)
IGP-M	(1.51)	0.99	1.20	0.84	1.54	3.83
IPCA IBGE	0.77	1.67	5.69	0.45	1.12	3.14
TJLP	2.35	2.35	9.75	1.82	1.67	7.87
TR	0.87	0.63	2.83	0.57	0.47	2.04
Savings Deposits	2.39	2.15	9.18	2.09	1.98	8.33
Number of Business Days	65	62	251	64	61	249

Closing Amount

Indicators	2005		2006	
	September	December	September	December
Commercial U.S. Dollar for Sale - (R\$)	2.2222	2.3407	2.1742	2.1380
Euro (R\$)	2.6718	2.7691	2.7575	2.8202
Country Risk (Points)	344	305	233	193
SELIC COPOM Base Rate (% p.a.)	19.50	18.00	14.25	13.25
Pre-BM&F Rate 1 year (% p.a.)	17.92	16.40	13.56	12.53

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

Deposits	2005				2006				Items	2005				2006			
	3 rd Qtr.	4 th Qtr.	3 rd Qtr.	4 th Qtr.	3 rd Qtr.	4 th Qtr.	3 rd Qtr.	4 th Qtr.		3 rd Qtr.	4 th Qtr.	3 rd Qtr.	4 th Qtr.	3 rd Qtr.	4 th Qtr.		
Demand Deposits ⁽¹⁾	45	45	45	45	Income Tax	25	25	25	25								
Additional ⁽²⁾	8	8	8	8	Social Contribution	9	9	9	9								
	15	15	15	15	PIS ⁽¹⁾	0.65	0.65	0.65	0.65								

Time Deposits (3)									
Additional (2) Savings Account (4)	8	8	8	8	COFINS (2) Legal Reserve on Net Income	4	4	4	4
Additional (2)	20	20	20	20	Maximum Fixed Assets (3) Capital Adequacy Ratio Basel (4)	5	5	5	5
	10	10	10	10		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 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 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, evaluates, 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 and any other delays 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.

<p>The Report on Economic and Financial Analysis is available on the Bradesco Website at www.bradesco.com.br in Portuguese, English and Spanish.</p>

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 the risk factors and the critical accounting 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 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, 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 a significant 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 December 31, 2006 Cidade de Deus Companhia Comercial de Participações held 48.46% of our common stocks and Fundação Bradesco directly and indirectly held 47.06% 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 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 1.0% in delinquency ratio expected for our loan operations portfolio in full performance on December 31, 2006, the allowance for loan losses would increase approximately R\$41 million. Such sensitivity analysis is hypothetical and intends to illustrate the risk rating and loss severity impact on our 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 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.

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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 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 our decision to classify them 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 the note 8 included in the 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 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 taxes on income, 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 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 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.

V

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;
- 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 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, 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 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 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 that 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 with the increase of revenues and profitability in our banking operations, with the following measures:

carry 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;
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 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.

VIII

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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.

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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 Index of Stocks with Differentiated Corporate Governance
ABM	Activity-Based Management	IGC	
	Advances on Foreign Exchange	IGP-DI	General Price Index Internal Availability
ACC	Contracts	IGP-M	General Price Index Market
ADR	American Depositary Receipt	INSS	Social Security National Institute
ADS	American Depositary Share	IPCA	Extended Consumer Price Index
	Association of Sales and Marketing Managers of Brazil	IPO	Initial Public Offering
ADVB		IPTU	Municipal Real Estate Tax
AMCHAM	American Chamber of Commerce	IR	Income Tax
	National Association of Private Pension Plan Companies	IRRF	Withholding Income Tax
ANAPP		ISO	International Standard Organization
	National Association of Investment Banks	ISE	Corporate Sustainability Index
ANBID		ISS	Tax on Services
	National Agency for Supplementary Healthcare	ITAG	Index of Stocks with Differentiated Tag Along
ANS		JCP	Interest on Own Capital
AP	Personal Accident	LATIBEX	Latin American Stock Exchange Market in Euros (Spain)
	Association of the Capital Markets Investment Analysts and Professionals	MBA	Master of Business Administration
APIMEC		MUFG	Mitsubishi UFJ Financial Group
BACEN	Brazilian Central Bank	NBR	Registered Brazilian Rule
BDR	Brazilian Depositary Receipt	NPL	Non-Performing Loans
BM&F	Mercantile and Futures Exchange		
	National Bank for Economic and Social Development		
BNDES			
BOVESPA	São Paulo Stock Exchange		
	Brazilian Settlement and Custody Company		
CBLC			
CDB	Bank Deposit Certificate		

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CDC	Consumer Sales Financing	NYSE	New York Stock Exchange
CDI	Interbank Deposit Certificate	OHSAS	Occupational Health and Safety Assessment Series
CEF	Federal Savings Bank	OIT	International Labor Organization
CETIP	Clearing House for the Custody and Financial Settlement of Securities	ON	Common Stocks
CFPTM	Certified Financial Planner	ONG	Non-Governmental Organization
CIAB	Information Technology Congress and Exposition of the Financial Institutions	ONU	UN (United Nations)
CMN	National Monetary Council	PAA	Advanced Service Branch
CNSP	National Private Insurance Council	PAB	Banking Service Branch
COBIT	Control Objectives for Information and Related Technology	PAE	Electronic Service Branch in Companies
COFINS	Contribution for Social Security Financing	PDD	Allowance for Doubtful Accounts
COPOM	Monetary Policy Committee	PGBL	Unrestricted Benefits Generating Plan
COSIF	Chart of Accounts for National Financial System Institutions	PIS	Social Integration Program
COSO	Committee of Sponsoring Organizations	PL	Stockholders Equity
CPMF	Provisory Contribution on Financial Transactions	PLR	Employee Profit Sharing
CRI	Certificate of Real Estate Receivables	PLR	Employee Profit Sharing
CS	Social Contribution	PN	Preferred Stocks
CVM	Brazilian Securities Commission	PPNG	Unearned Premiums Provisions
DJSI	Dow Jones Sustainability World Index	PRGP	Plan with Performance and Guaranteed Compensation
DPVAT	Compulsory Vehicle Insurance	PTRB	Online Tax Payment
DR	Depositary Receipt	RCF	Optional Third-Party Liability
DRE	Statement of Income for the Year	RE	Basic lines (of Insurance Products)
DTVM	Securities Dealer	ROA	Return on Assets
DVA	Value-Added Statement	ROAA	Return on Average Assets
EPE	Specific Purpose Entities	ROAE	Return on Average Equity
		ROE	Return on Stockholders Equity
		SA 8000	Social Accountability 8000
		SAP	Systems Applications and Products
		SBPE	Brazilian Savings and Loan System

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ERP	Enterprise Resource Planning	SEBRAE	Brazilian Micro and Small Business Support Service
EXIM	Export and Import BNDDES Financing Line	SEC	U.S. Securities and Exchange Commission
FGV	Getulio Vargas Foundation	SELIC	Special Clearance and Custody System
FIA	Management Institute Foundation	SESI	National Industry Social Service
FIDC	Credit Right Funds	SFH	National Housing System
FIE	Exclusive Investment Fund	SIPAT	Internal Week of Labor Accident Prevention
FINABENS	Financing Line of other Assets and Services	SPB	Brazilian Payment System
FINAME	Fund for Financing the Acquisition of Industrial Machinery and Equipment	SUSEP	Superintendence of Private Insurance
FIPE	Economic Research Institute Foundation	TED	Instant Online Transfer
FIPECAFI	Accounting, Actuarial and Financial Research Institute Foundation	TI	Information Technology
FIRN	Floating Rate Note	TJLP	Long-term Interest Rate
FxRN	Fixed Rate Note	TR	Reference Rate
IBGE	Brazilian Institute of Geography and Statistics	TVM	Securities
IBMEC	Brazilian Capital Markets Institute	UNESCO	United Nations Educational, Scientific and Cultural Organization
IBNR	Incurred But Not Reported	VaR	Value at Risk
IBOVESPA	São Paulo Stock Exchange Index	VGBL	Long-term Life Insurance
		VRGP	Life with Performance and Guaranteed Compensation

1 - Bradesco Line by Line

Net Income

The Reported Net Income is impacted by some extraordinary events occurred in the 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), as well as Goodwill Amortizations in the 1st half of 2006.

	R\$ million	
	2006	
	4th Quarter	Year
Reported Net Income	1,703	5,054
Extraordinary Events in the Period:		
(+) Full Goodwill Amortization (3 rd quarter/06)		2,109
(-) Sale of investment in Usiminas	(219)	(219)
(+) Supplementary Labor Provision	-	309
(+) Extraordinary Non-Technical Health Insurance Provision	387	387
(-) Activated Tax Credit of Previous Periods	(194)	(398)
(-) Fiscal Effects	(57)	(879)
Recurring Net Income	1,620	6,363
(+) Goodwill Amortization (1 st half/06)		433
(-) Fiscal Effect of Goodwill Amortization		(147)
Recurring Net Income Adjusted by Goodwill Amortizations of 1st half of 2006	1,620	6,649

Recurring Net Income Adjusted by Goodwill Amortizations in the 1st half of 2006 was R\$6,649 million in 2006 and R\$1,620 million in the 4th quarter of 2006.

Returns on Stockholders Equity Recurring Net Income Adjusted by Goodwill Amortizations of the 1st half of 2006 (Annualized)

	2006	
	4th Quarter	Year
Return on Equity ROE	29.0%	27.0%
Return on Average Equity ROAE	32.3%	31.4%
Return on Assets ROA	2.5%	2.5%
Return on Average Assets ROAA	2.6%	2.8%

Reported Net Income x Recurring Net Income Adjusted by Goodwill Amortizations of the 1st half of 2006
R\$ million

For comparability and analysis purposes, in this Report on Economic and Financial Analysis, we are considering the Recurring Net Income of the year and of the 4th quarter of 2006, in the amount of R\$6,363 million and R\$1,620 million, respectively.

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Summarized Analysis of the Statement of Recurring 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 Adjusted Income, the respective reclassifications/adjustments and the Statement of Recurring Income.

Year/05 x Year/06 R\$ million

	2005									
	Reported Statement of Income	Adjustments			Adjusted Statement of Income	Reported Statement of Income	Adjustments			
	(1)	Belgo - Mineira (2)	Health Provision (3)			Fiscal Hedge (1)	Labor (4)	Health Provision (5)	Usimina (6)	
Net Interest Income (a)	17,281	(406)	(327)	16,548	20,394	(337)				(219)
Allowance for Doubtful Accounts PDD (b)	(2,507)			(2,507)	(4,412)					
Intermediation Gross Income	14,774	(406)	(327)	14,041	15,982	(337)				(219)
Insurance, Private Pension Plan and Certificated Savings Plans Operating Income (c)	294		327	621	638			387		
Fee and Commission Income (d)	7,349			7,349	8,898					
Personnel Expenses (e)	(5,312)			(5,312)	(5,932)					
Supplementary Labor Provisions (3)						(309)	309			
Other Administrative Expenses (e)	(5,142)			(5,142)	(5,870)					
Tax Expenses (e)	(1,878)	51		(1,827)	(2,192)	42				
Other Operating Income/Expenses	(2,232)			(2,232)						