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 ___X___ 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 ___X____

**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 | | |
|---|---|---|---|---|---|---|
| | 3rd Qtr. | 4th Qtr. | Year | 3rd Qtr. | 4th 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 (%)**

| Deposits | 2005 | | 2006 | |
|---|---|---|---|---|
| | 3rd Qtr. | 4th Qtr. | 3rd Qtr. | 4th Qtr. |
| Demand Deposits (1) | 45 | 45 | 45 | 45 |
| Additional (2) | 8 | 8 | 8 | 8 |
| | 15 | 15 | 15 | 15 |

**Rates and Limits (%)**

| Items | 2005 | | 2006 | |
|---|---|---|---|---|
| | 3rd Qtr. | 4th Qtr. | 3rd Qtr. | 4th Qtr. |
| Income Tax | 25 | 25 | 25 | 25 |
| Social Contribution | 9 | 9 | 9 | 9 |
| PIS (1) | 0.65 | 0.65 | 0.65 | 0.65 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Time Deposits [3] | | | | | | | | | |
| Additional [2] | 8 | 8 | 8 | 8 | COFINS [2] | 4 | 4 | 4 | 4 |
| Savings Account [4] | 20 | 20 | 20 | 20 | Legal Reserve on Net Income | 5 | 5 | 5 | 5 |
| Additional [2] | 10 | 10 | 10 | 10 | Maximum Fixed Assets [3] | 50 | 50 | 50 | 50 |
| | | | | | Capital Adequacy Ratio Basel [4] | 11 | 11 | 11 | 11 |

(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

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

Factors which could modify actual results include, among others, changes in regional, national and international commercial and economic conditions; inflation rates; increase in customer delinquency on the account of borrowers 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.

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

**Risk Factors and Critical Accounting Practices**

To assure Bradesco s adhesion 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.

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**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.

III

**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;

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.

VII

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.

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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

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

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

| | |
|---|---|
| **ERP** | Enterprise Resource Planning |
| **EXIM** | Export and Import BNDES Financing Line |
| **FGV** | Getulio Vargas Foundation |
| **FIA** | Management Institute Foundation |
| **FIDC** | Credit Right Funds |
| **FIE** | Exclusive Investment Fund |
| **FINABENS** | Financing Line of other Assets and Services |
| **FINAME** | Fund for Financing the Acquisition of Industrial Machinery and Equipment |
| **FIPE** | Economic Research Institute Foundation |
| **FIPECAFI** | Accounting, Actuarial and Financial Research Institute Foundation |
| **FlRN** | Floating Rate Note |
| **FxRN** | Fixed Rate Note |
| **IBGE** | Brazilian Institute of Geography and Statistics |
| **IBMEC** | Brazilian Capital Markets Institute |
| **IBNR** | Incurred But Not Reported |
| **IBOVESPA** | São Paulo Stock Exchange Index |
| **SEBRAE** | Brazilian Micro and Small Business Support Service |
| **SEC** | U.S. Securities and Exchange Commission |
| **SELIC** | Special Clearance and Custody System |
| **SESI** | National Industry Social Service |
| **SFH** | National Housing System |
| **SIPAT** | Internal Week of Labor Accident Prevention |
| **SPB** | Brazilian Payment System |
| **SUSEP** | Superintendence of Private Insurance |
| **TED** | Instant Online Transfer |
| **TI** | Information Technology |
| **TJLP** | Long-term Interest Rate |
| **TR** | Reference Rate |
| **TVM** | Securities |
| **UNESCO** | United Nations Educational, Scientific and Cultural Organization |
| **VaR** | Value at Risk |
| **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 (3rd 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 (1st 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.

**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 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Adjustments | | | | | Adjustments | | | |
| | Reported Statement of Income | Fiscal Hedge (1) | Belgo - Mineira (2) | Health Provision (3) | Adjusted Statement of Income | Reported Statement of Income | 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) | (2,731) | | | | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Full Goodwill Amortization (4) | | | | | | (2,109) | | | | |
| Operating Income | 7,853 | (355) | (327) | 327 | 7,498 | 6,375 | (295) | 309 | 387 | (219 |
| Non-Operating Income | (106) | | | | (106) | (9) | | | | |
| Income Tax/Social Contribution and Minority Interest | (2,233) | 355 | 111 | (111) | (1,878) | (1,312) | 295 | (105) | (132) | 7 |
| Net Income | 5,514 | | (216) | 216 | 5,514 | 5,054 | | 204 | 255 | (144 |

(1) the partial result of derivatives used for hedge effect of investments Abroad, which in terms of Net Income, simply annuls the fiscal and tax effect (IR/CS and PIS/COFINS) of the hedge strategy;
(2) the positive result reached in the disposal of part of our stake in Belgo-Mineira in the period of 2005;
(3) the extraordinary provision in the Individual Health portfolio related to the level of premiums for insurance holders above 60 years old of plans prior to Law 9,656/98 and for the benefits related to *planos remidos* ;
(4) the supplementary constitution of provision for labor proceedings, due to CVM Resolution 489;
(5) extraordinary non-technical provision in the Individual Health portfolio related to the differences between the restatement of the plans and the corresponding medical and hospital costs;
(6) positive result recorded in the sale of our share in Usiminas in the 4th quarter of 2006;
(7) activation of fiscal credits of previous periods; and
(8) full goodwill amortization in subsidiaries made in 3Q06.

Bradesco s recurring net income in 2006 reached R$6,363 million, accounting for a 15.4% increase in relation to net income of 2005. Bradesco s Stockholders Equity amounted to R$24,636 million as of December 31, 2006, equivalent to a 26.9% increase compared to the balance as of December 31, 2005. Consequently, the annualized return on Average Stockholders Equity (ROAE) reached 30.0% . Total consolidated assets reached R$265,547 million as of December 31, 2006, accounting for a 27.2% growth in relation to the balance of same date of the previous year. The annualized return on Average Assets (ROAA), in 2006, was 2.7% . Earnings per stock reached R$6.36.

The main items influencing net income in 2006, compared to the previous year, can be seen below:

**(a) Net Interest Income R$3,290 million**

Such growth is basically due to interest component, with a share of R$2,538 million, mainly caused by an increment in the business volume, pointing out a 19.2% increase in the volume of loan operations for individuals in 2006, mainly concerned with consumer sales and personal loan financing, the spread of which is higher . In the non-interest component, with a share of R$752 million, the highlight was for the largest gains of TVM and treasury in 2006.

**(b) Allowance for Doubtful Accounts R$1,905 million**

The variation is mostly due to an 18.6% increase in the volume of loan operations in the 12-month period ended on December 31, 2006, pointing out the individual client operations, with an increase of 19.2%, mainly under the type personal loan , which in view of its specific characteristic requires a higher volume of provision, as well as the increase of the delinquency ratio, as noticed in all Brazilian Financial System.

**(c) Income from Insurance,Private Pension Plans and Certificated Savings Plans Operations R$404 million**

The evolution is mostly due to: (i) the recovery in sales of private pension products; and (ii) the increase in the result of Auto/RCF segment.

**(d) Fee and Commission Income R$1,549 million**

The increase in the period is mainly due to a higher volume of operations, combined with the improvement in the segmentation process and BEC and Amex Brasil consolidation, pointing out the items Income from Cards R$457 million, Checking Accounts R$326 million, Loan Operations R$253 million and Fund Management R$198 million.

**(e) Personnel, Administrative and Tax Expenses R$(1,671) million**

Out of such amount, R$620 million of personnel expenses is basically due to: (i) the increase in salary levels resulting from the collective bargaining agreement of 2005, which had an impact of 8 months compared to 2005; (ii) the increase in the salary levels resulting from the 2006 collective bargaining agreement; (iii) the higher expenses with provision for labor proceedings (normal) in the period of 2006; and (iv) the consolidation of BEC and Amex Brasil.

The R$728 million of other administrative expenses basically refer to: (i) the effects on increased volume of business; (ii) the consolidation of BEC and Amex Brasil; (iii) the investments in the improvement and optimization of the technological platform; and (iv) contractual adjustments in the period.

The R$323 million of tax expenses derive basically from the increase of R$220 million in PIS/COFINS expenses and of R$47 million with ISS, due to the increase in taxable income.

3rd Quarter/06 x 4th Quarter/06 R$ million

| | 3rd Qtr./06 | | | | | | 4th Qtr./06 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Adjustments | | | | | | Adjustments | | |
| | Reported Statement of Income | Fiscal Hedge (1) | Labor (2) | Tax Credit (3) | Goodwill (4) | Adjusted Statementof Income | Reported Statement of Income | Fiscal Hedge (1) | Health Provision (5) | Usimina (6) |
| Net Interest Income (a) | 4,852 | 15 | | | | 4,867 | 5,321 | (57) | | (219 |
| Allowance for Doubtful Accounts PDD (b) | (1,169) | | | | | (1,169) | (1,189) | | | |
| **Intermediation Gross Income** | **3,683** | **15** | | | | **3,698** | **4,132** | **(57)** | | **(219** |
| Insurance, Private Pension Plans and Certificated Savings Plans Operating Income (c) | 326 | | | | | 326 | (43) | | 387 | |
| Fee and Commission Income (d) | 2,343 | | | | | 2,343 | 2,424 | | | |
| Personnel Expenses (e) | (1,584) | | | | | (1,584) | (1,460) | | | |
| Supplementary Labor Provisions (2) | (309) | | 309 | | | | | | | |
| Other Administrative Expenses (e) | (1,507) | | | | | (1,507) | (1,671) | | | |
| Tax Expenses (e) | (530) | (2) | | | | (532) | (584) | 7 | | |
| Other Operating Income/Expenses | (587) | | | | | (587) | (737) | | | |
| Full Goodwill Amortization (3) | (2,109) | | | | 2,109 | | | | | |
| **Operating Income** | **(274)** | **13** | **309** | | **2,109** | **2,157** | **2,061** | **(50)** | **387** | **(219** |
| Non-Operating Income | 41 | | | | | 41 | (29) | | | |
| Income Tax/Social Contribution and Minority Interest | 452 | (13) | (105) | (204) | (717) | (587) | (329) | 50 | (132) | 75 |
| **Net Income** | **219** | | **204** | **(204)** | **1,392** | **1,611** | **1,703** | | **255** | **(144** |

(1) partial result of derivatives used for hedge effect of investments abroad, which in terms of Net Income, simply annuls the fiscal and tax effect (IR/CS and PIS/COFINS) of this hedge strategy;
(2) extraordinary constitution of provisions for labor proceedings, according to CVM Resolution no. 489 made in the 3rd quarter of 2006;
(3) activation of the fiscal credits of previous periods;
(4) full goodwill amortization in subsidiaries made in 3Q06;
(5) extraordinary non-technical provision in the Individual Health portfolio related to the differences between the restatement of the plans and the corresponding medical and hospital costs;
(6) positive result recorded in the sale of our share in Usiminas in the 4th quarter of 2006;

In the 4th quarter of 2006, Bradesco s Recurring Net Income reached R$1,620 million, which corresponds to a 0.6% growth when compared to the 3rd quarter of 2006. Bradesco s Stockholders Equity amounted to R$24,636 million on December 31, 2006, a 13.1% increase in relation to September 31, 2006. Total consolidated assets reached R$265,547 million as of December 31, 2006, growing 9.2% in the quarter.

The main items influencing net income in the 4th quarter of 2006 compared to the previous quarter can be seen below:

**(a) Net Interest Income R$178 million**

Such variation is basically due to non-interest component, with an increase of R$225 million, motivated by lower treasury and TVM gains in the 3rd quarter, partially due to the negative adjustment of mark-to-market of derivative financial instruments used as hedge of loan operations market risk in the country adversely affected by the interest component in the amount of R$47 million resulting, basically, from the drop recorded in the spreads.

**(b)Allowance for Doubtful Accounts R$(20) million**

The variation is due to the slight growth of the delinquency ratio, mitigated by the increase of 6.4% in the volume of loan operations businesses of corporate clients, which require a lower volume of provision.

**(c) Income from Insurance, Private Pension Plans and Certificated Savings Plans Operations R$18 million**

The evolution is basically due to the improvement in the result of Pension Plans products.

**(d)Fee and Commission Income R$81 million**

The increase is mostly due to an expansion in the volume of operations in the quarter, reflecting substantially in Income from Cards R$27 million, Checking Accounts R$15 million, Loan Operations R$17 million and Charging R$7 million.

**(e) Personnel, Administrative and Tax Expenses R$(85) million**

Out of this amount, the increase of R$164 million in administrative expenses is basically due to the seasonal increase of advertising expenses in R$109 million. The growth of R$45 million of tax expenses derives mostly from higher CPMF expenses, R$32 million. The decrease in personnel expenses of R$124 million is related basically to lower PLR expenses in the amount of R$85 million and labor proceedings R$13 million, offset by the increased salary levels resulting from the 2006 collective bargaining agreement (3.5%), which had an impact in expenses of R$6 million, with R$30 million of increase in payroll in 4Q06, against R$10 million of increase in payroll and R$14 million of restatement of labor liabilities in 3Q06.

**Highlights**

Recurring Income

| | R$ million | | | | | |
|---|---|---|---|---|---|---|
| | Years | | Variation | 2006 | | Variation |
| | 2005 | 2006 | % | 3rd Qtr. | 4th Qtr. | % |
| Adjusted Net Interest Income | 16,548 | 19,838 | 19.9 | 4,867 | 5,045 | 3.7 |
| Allowance for Doubtful Accounts Expenses | 2,507 | 4,412 | 76.0 | 1,169 | 1,189 | 1.7 |
| Fee and Commission Income | 7,349 | 8,898 | 21.1 | 2,343 | 2,424 | 3.5 |
| Insurance, Private Pension Plans and Certificated Savings Plans | | | | | | |
| Retained Premiums | 13,647 | 15,180 | 11.2 | 3,807 | 4,627 | 21.5 |
| Personnel Expenses | 5,312 | 5,932 | 11.7 | 1,584 | 1,460 | (7.8) |
| Other Administrative Expenses | 5,142 | 5,870 | 14.2 | 1,507 | 1,671 | 10.9 |
| Operating Income | 7,498 | 8,666 | 15.6 | 2,157 | 2,179 | 1.0 |
| **Recurring Net Income** | **5,514** | **6,363** | **15.4** | **1,611** | **1,620** | **0.6** |

Balance Sheet

| | R$ million | | | | | |
|---|---|---|---|---|---|---|
| | December | | Variation | 2006 | | Variation |
| | 2005 | 2006 | % | September | December | % |
| Total Assets | 208,683 | 265,547 | 27.2 | 243,192 | 265,547 | 9.2 |
| Securities and Derivative Financial Instruments | 64,451 | 97,250 | 50.9 | 73,022 | 97,250 | 33.2 |
| Loan and Leasing Operations | 81,130 | 96,219 | 18.6 | 92,013 | 96,219 | 4.6 |
| Permanent Assets | 4,358 | 3,492 | (19.9) | 3,713 | 3,492 | (6.0) |
| Deposits | 75,406 | 83,905 | 11.3 | 78,853 | 83,905 | 6.4 |
| Borrowings and Onlendings | 16,563 | 17,419 | 5.2 | 16,640 | 17,419 | 4.7 |
| Technical Provisions | 40,863 | 48,742 | 19.3 | 45,719 | 48,742 | 6.6 |
| Stockholders Equity | 19,409 | 24,636 | 26.9 | 21,773 | 24,636 | 13.1 |

Change in Number of Outstanding Stocks

| | Common stocks | Preferred stocks | Total |
|---|---|---|---|
| **Number of Outstanding Stocks on December 31, 2005** | **489,450,004** | **489,938,838** | **979,388,842** |
| Stocks Acquired and Cancelled | | (30,000) | (30,000) |
| Stocks Acquired and not Cancelled | (287,700) | (6,400) | (294,100) |

| | | | |
|---|---|---|---|
| Capital Increase by Subscription | 10,909,152 | 10,909,030 | 21,818,182 |
| **Number of Outstanding Stocks on December 31, 2006** | **500,071,456** | **500,811,468** | **1,000,882,924** |

Stock Performance

**R$**

| | **Years** | | **Variation** | **2006** | | **Variation** |
|---|---|---|---|---|---|---|
| | **2005** | **2006** | **%** | **3rd Qtr.** | **4th Qtr.** | **%** |
| Net Income per Stock (*) | 5.63 | 6.36 | 13.0 | 1.65 | 1.62 | (1.8) |
| Dividends/JCP per Stock common (after income tax) (*) | 1.605 | 1.876 | 16.9 | 0.889 | 0.038 | (95.7) |
| Dividends/JCP per Stock preferred (after income tax) (*) | 1.766 | 2.063 | 16.8 | 0.978 | 0.042 | (95.7) |
| Book Value per Stock (common and preferred) (*) | 19.82 | 24.61 | 24.2 | 22.23 | 24.61 | 10.7 |
| Last Business Day Price common | 64.49 | 82.95 | 28.6 | 68.70 | 82.95 | 20.7 |
| Last Business Day Price preferred | 67.70 | 86.50 | 27.8 | 71.99 | 86.50 | 20.2 |
| Market Value (R$ million) (**) | 64,733 | 84,801 | 31.0 | 68,883 | 84,801 | 23.1 |

(*) For purposes of comparison, the amounts were adjusted by 100% due to stocks bonus occurred as of 11.22.2005.
(**) Number of stocks (disregarding the treasury stocks) x closing price of Common and Preferred stocks of the last day of the period. N.B. In 4th quarter of 2006 and in the fiscal year of 2006, the calculation comprises the capital increase occurred as of 12.7.2006.

Cash Generation

| | R$ million | | | | | |
|---|---|---|---|---|---|---|
| | 2005 | | | 2006 (*) | | |
| | 3rd Qtr. | 4th Qtr. | Year | 3rd Qtr. | 4th Qtr. | Year |
| Net Income | 1,430 | 1,463 | 5,514 | 1,611 | 1,620 | 6,363 |
| Equity in the Earnings of Affiliated Companies | (64) | (7) | (76) | (7) | (30) | (72) |
| Allowance for Doubtful Accounts | 540 | 770 | 2,507 | 1,169 | 1,189 | 4,412 |
| Allowance/Reversal for Mark-to-Market Adjustment | 3 | 8 | (19) | | (42) | 9 |
| Depreciation and Amortization | 109 | 134 | 469 | 128 | 130 | 481 |
| Goodwill Amortization | 86 | 183 | 453 | | | 433 |
| Other | 34 | 3 | 110 | 16 | 7 | 26 |
| **Total** | **2,138** | **2,554** | **8,958** | **2,917** | **2,874** | **11,652** |

(*) It considers the Recurring Net Income.

Added Value with Hedge Adjustment and without Extraordinary Events

| | R$ million | | | | | |
|---|---|---|---|---|---|---|
| | 2005 | | | 2006 | | |
| | 3rd Qtr. | 4th Qtr. | Year | 3rd Qtr. | 4th Qtr. | Year |
| **Added Value (A+B+C)** | **4,034** | **3,835** | **14,522** | **4,311** | **4,187** | **16,731** |
| A Gross Income from Financial Intermediation | 3,797 | 3,833 | 14,041 | 3,698 | 3,856 | 15,426 |
| B Fee and Commission Income | 1,918 | 2,010 | 7,349 | 2,343 | 2,424 | 8,898 |
| C Other Operating Income/Expenses | (1,681) | (2,008) | (6,868) | (1,730) | (2,093) | (7,593) |
| **Distribution of Added Value (D+E+F+G)** | **4,034** | **3,835** | **14,522** | **4,311** | **4,187** | **16,731** |
| D Employees | 1,315 | 1,185 | 4,649 | 1,391 | 1,273 | 5,196 |
| E Government | 1,289 | 1,187 | 4,359 | 1,309 | 1,294 | 5,172 |
| F JCP/Dividends to Stockholders (paid and provisioned) (*) | 612 | 344 | 1,881 | 972 | 40 | 2,160 |
| G Profit Reinvestment | 818 | 1,119 | 3,633 | 639 | 1,580 | 4,203 |
| **Distribution of Added Value percentage** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** |
| Employees | 32.6 | 30.9 | 32.0 | 32.4 | 30.4 | 31.1 |
| Government | 32.0 | 30.9 | 30.0 | 30.4 | 30.9 | 30.9 |
| JCP/Dividends to Stockholders (paid and provisioned) (*) | 15.2 | 9.0 | 13.0 | 22.5 | 1.0 | 12.9 |
| Profit Reinvestments | 20.2 | 29.2 | 25.0 | 14.7 | 37.7 | 25.1 |

(*) In the 3rd quarter of 2006, the Board of Directors Meeting resolutions of 10.05.2006 are considered.

Fixed Assets to Stockholders Equity Ratio Calculation

| | R$ million | | | |
|---|---|---|---|---|
| | 2005 | | 2006 | |
| | September | December | September | December |
| **Stockholders Equity + Minority Stockholders** | **18,316** | **19,467** | **21,829** | **24,694** |
| Subordinated Debts | 6,077 | 6,290 | 10,265 | 10,411 |
| Tax Credits | (82) | (99) | (149) | (59) |
| Exchange Membership Certificates | (66) | (69) | (80) | (84) |
| **Reference Equity (A) (*)** | **24,245** | **25,589** | **31,865** | **34,962** |
| Permanent Assets | 7,576 | 7,817 | 8,642 | 8,912 |
| Fixed Assets and Leasing | (2,960) | (3,370) | (4,844) | (5,334) |
| Unrealized Leasing Losses | (96) | (99) | (100) | (102) |
| Other Adjustments | (66) | (69) | 92 | 799 |
| **Total Fixed Assets (B) (*)** | **4,454** | **4,279** | **3,790** | **4,275** |
| **Fixed Assets to Stockholders Equity Ratio (B/A) - %** | **18.4** | **16.7** | **11.9** | **12.2** |
| **Margin** | **7,669** | **8,516** | **12,143** | **13,206** |

(*) For the calculation of Fixed Assets to Stockholders Equity Ratio, the Exchange Membership Certificates are excluded from the Reference Equity and Fixed Assets, as per BACEN s resolution 2,283.

Performance Ratios (annualized) in percentage (*)

| | 2005 | | | 2006 | | |
|---|---|---|---|---|---|---|
| | 3rd Qtr. | 4th Qtr. | Year | 3rd Qtr. | 4th Qtr. | Year |
| Return on Stockholders Equity (total) | 35.2 | 33.7 | 28.4 | 33.0 | 29.0 | 25.8 |
| Return on Stockholders Equity (average) | 36.5 | 35.3 | 32.1 | 32.7 | 32.3 | 30.0 |
| Return on Total Assets (total) | 2.9 | 2.8 | 2.6 | 2.7 | 2.5 | 2.4 |
| Return on Total Assets (average) | 2.9 | 2.9 | 2.8 | 2.7 | 2.6 | 2.7 |
| Stockholders Equity on Total Assets | 9.0 | 9.3 | 9.3 | 9.0 | 9.3 | 9.3 |
| Capital Adequacy Ratio (Basel) Financial Consolidated | 17.7 | 17.3 | 17.3 | 18.4 | 18.8 | 18.8 |
| Capital Adequacy Ratio (Basel) Total Consolidated | 15.5 | 15.2 | 15.2 | 16.2 | 16.5 | 16.5 |
| Fixed Assets to Stockholders' Equity Ratio Financial Consolidated | 42.8 | 45.3 | 45.3 | 46.0 | 48.0 | 48.0 |
| Fixed Assets to Stockholders' Equity Ratio Total Consolidated | 18.4 | 16.7 | 16.7 | 11.9 | 12.2 | 12.2 |
| Expanded Combined Ratio | 86.9 | 91.8 | 89.8 | 82.5 | 86.9 | 84.9 |
| Efficiency Ratio (12 months accumulated) | 47.0 | 45.6 | 45.6 | 42.4 | 42.1 | 42.1 |

(*) Recurring net income was used for calculations involving the 3rd and 4th quarter of 2006 as well as the fiscal year of 2006.

Market Share Consolidated in percentage

| | 2005 | | 2006 | |
|---|---|---|---|---|
| | September | December | September | December |
| **Banks Source: BACEN** | | | | |
| Time Deposit | 10.0 | 9.8 | 9.6 | ND |
| Savings Deposit | 15.3 | 15.5 | 14.6 | ND |
| Demand Deposit | 17.5 | 15.9 | 17.4 | ND |
| Loan Operations | 12.7 | 12.6 | 12.5 | 12.3 (*) |
| Number of Branches | 16.7 | 16.5 | 16.8 | 16.6 |
| Banks Source: ANBID | | | | |
| Investment Funds + Portfolios | 15.2 | 15.2 | 14.7 | 14.9 |
| **Banks Source: Federal Revenue Secretariat** | | | | |
| CPMF | 20.0 | 20.0 | 19.8 | 19.8 |
| **Insurance, Private Pension Plans and Certificated Savings Plans Source: SUSEP and ANS** | | | | |
| Insurance, Private Pension Plans and Certificated Savings Plans Premiums | 25.0 | 25.6 | 25.1 | 25.5 (*) |
| Insurance Premiums (including VGBL) | 25.3 | 26.1 | 25.3 | 25.8 (*) |
| | 27.2 | 26.7 | 28.6 | 25.8 (*) |

| | | | | |
|---|---|---|---|---|
| Revenues from Pension Plans Contributions (excluding VGBL) | | | | |
| Revenues from Certificated Savings Plans | 20.3 | 20.5 | 19.8 | 20.0 (*) |
| Technical Provisions for Insurance, Private Pension Plans and Certificated Savings Plans | 38.0 | 37.9 | 37.1 | 37.1 (*) |
| | | | | |
| **Insurance and Private Pension Plans Source: ANAPP** | | | | |
| Revenues from VGBL Premiums | 43.5 | 44.8 | 42.5 | 42.9 (*) |
| Revenues with PGBL Contributions | 25.2 | 27.6 | 32.8 | 31.7 (*) |
| Private Pension Plans Investment Portfolios (including VGBL) | 44.7 | 43.9 | 42.6 | 42.3 (*) |
| | | | | |
| **Credit Card Source: ABECS** | | | | |
| Credit Card Revenue | 10.7 | 10.7 | 14.8 | 15.5 |
| | | | | |
| **Leasing Source: ABEL** | | | | |
| Active Operations | 11.4 | 11.5 | 11.8 | 11.5 (*) |
| | | | | |
| **Banco Finasa Source: BACEN** | | | | |
| Finabens (Portfolio) | 20.9 | 21.7 | 20.7 | 20.6 (*) |
| Auto (Portfolio) This includes Banco Bradesco | 27.2 | 22.9 | 25.8 | 25.7 (*) |
| | | | | |
| **Consortia Source: BACEN** | | | | |
| Real Properties | 21.4 | 24.1 | 26.3 | 27.3 |
| Auto | 15.2 | 16.2 | 17.1 | 20.2 |
| Trucks, Tractors and Agricultural Implements | 2.9 | 3.2 | 5.8 | 6.3 |
| | | | | |
| **International Area Source: BACEN** | | | | |
| Export Market | 20.1 | 20.2 | 22.8 | 22.3 (**) |
| Import Market | 14.7 | 14.5 | 15.0 | 15.4 (**) |

(*) Reference date: November 2006
(**) Previous data
ND Not available

Other Information

| | | **2006** | | **Variation** | **December** | | **Variation** |
|---|---|---|---|---|---|---|---|
| | | **September** | **December** | **%** | **2005** | **2006** | **%** |
| Assets under Management | in R$ million | 358,557 | 386,586 | 7.8 | 309,048 | 386,586 | 25.1 |
| Number of Employees | | 78,319 | 79,306 | 1.3 | 73,881 | 79,306 | 7.3 |
| Number of Branches | | 3,002 | 3,008 | 0.2 | 2,921 | 3,008 | 3.0 |
| Checking Account Holders | million | 16.8 | 16.8 | | 16.5 | 16.8 | 1.8 |
| Savings Account Holders | million | 32.8 | 35.2 | 7.3 | 35.1 | 35.2 | 0.3 |
| Debit and Credit Card Base | million | 53.3 | 58.0 | 8.8 | 47.6 | 58.0 | 21.8 |

**Bradesco s Stocks**

Number of Stocks (in thousands) Common and Preferred Stocks (*)

| | December | | | | 2006 | |
|---|---|---|---|---|---|---|
| | **2002** | **2003** | **2004** | **2005** | **September** | **December** |
| Common | 431,606 | 479,018 | 476,703 | 489,450 | 489,296 | 500,071 |
| Preferred | 425,122 | 472,164 | 472,163 | 489,939 | 489,903 | 500,812 |
| **Subtotal Outstanding Stocks** | **856,728** | **951,182** | **948,866** | **979,389** | **979,199** | **1,000,883** |
| Treasury Stocks | 5,878 | 344 | | 464 | 624 | 758 |
| **Total** | **862,606** | **951,526** | **948,866** | **979,853** | **979,823** | **1,001,641** |

(*) For comparison purposes, 100% stock bonus occurred in 2005, which was applied for previous years. Until 2004, the number of stocks was adjusted at 200% due to their splitting and for the years prior to 2003, they were divided by 10,000 in view of their reverse split.

On December 31, 2006, Bradesco s capital stock was R$14.2 billion, composed of 1,001,641,324 stocks, of which 500,823,456 are common and 500,817,868 are preferred, non-par and book-entry stocks. The largest stockholder is the holding company Cidade de Deus Participações, which directly holds 48.46% of our voting capital and 24.32% of our total capital. Cidade de Deus Participações is controlled by the Aguiar Family, Fundação Bradesco and another holding company, Nova Cidade de Deus Participações. Nova Cidade de Deus is basically owned by Fundação Bradesco and Elo Participações e Investimento. Elo Participações e Investimento has as stockholders the majority of members of Bradesco s Board of Directors and Statutory Executive Board (see page 130).

Quantity of Stockholders Resident in the Country and Abroad

| | December | | | | 2006 | |
|---|---|---|---|---|---|---|
| | **2002** | **2003** | **2004** | **2005** | **September** | **December** |
| Individuals | 2,153,800 | 2,158,808 | 1,254,044 | 1,244,572 | 1,253,294 | 1,248,275 |
| Corporate | 179,609 | 180,559 | 116,894 | 116,225 | 116,398 | 116,040 |
| **Subtotal Residents in the Country** | **2,333,409** | **2,339,367** | **1,370,938** | **1,360,797** | **1,369,692** | **1,364,315** |
| Residents Abroad | 373 | 465 | 3,780 | 3,701 | 3,697 | 3,689 |
| **Total** | **2,333,782** | **2,339,832** | **1,374,718** | **1,364,498** | **1,373,389** | **1,368,004** |

Concerning Bradesco s stockholders, domiciled in the country and overseas, on December 31, 2006, 1,364,315 stockholders were domiciled in Brazil, accounting for 99.73% of total stockholders base and holding 71.35% of the Bradesco s outstanding stocks.

Whereas the number of stockholders living abroad was 3,689, representing 0.27% of total stockholders base and holding 28.65% of Bradesco s outstanding stocks.

Market Value R$ million

N.B.: the market value considers the closing quotation of the Preferred and Common stocks multiplied by the respective number of stocks.

Market Value / Stockholders Equity

Market Value/Stockholders Equity: indicates the number of times Bradesco s market value is higher than its book value.
Formula used: quantity of common and preferred stocks multiplied by the closing price of Common and Preferred stocks of the last business day of the period. The amount is divided by the book value of the period.

Dividend Yield in percentage (accumulated over the past 12 months)

Dividend Yield: is the ratio of the stock price and dividends and/or interest on own capital distributed to stockholders over the past 12 months, indicating the investors return related to profit sharing. Formula used: amount received by stockholder as dividend and/or interest on own capital over the past 12 months, which is divided by preferred stock closing price of the last business day of the period.
(*) The Board of Directors Meeting resolutions of 10.5.2006 are considered.

Payout Index in percentage

Payout Index: indicates the percentage of net income paid as dividends/interest on own capital.
Formula used: amount received by stockholders as dividends and/or interest on own capital, which is divided by net income adjusted by legal reserve (5% of net income).

Financial Volume Bradesco PN x IBOVESPA R$ billion (except percentage)

Source: Economática

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Earnings per Share R$ (accumulated over the past 12 months) (*)

(*) For comparison purposes, 100% stock bonus occurred in 2005, which was applied for previous years. Until 2004, the number of stocks was adjusted at 200% due to their splitting and for the years prior to 2003, they were divided by 10,000 in view of their reverse split.
(**) Recurring Net Income was used.

Bradesco PN (BBDC4) x IBOVESPA Appreciation Index (in percentage)

Source: Economática

Bradesco Stock Performance

Bradesco s preferred stocks appreciated by 33.1% (adjusted by dividends) at the end of 2006, whereas Ibovespa appreciated by 32.9% .

The year of 2006 was highlighted by the volatility of the worldwide markets, in particular the emerging ones, mainly due to concerns in relation to the performance of the US economy, which lead to a movement of income realization during the second quarter. At the end of the year the perception that the tightening cycle of the North American monetary policy was ending allowed a strong recovery of greater part of the worldwide markets, including the Brazilian market.

In its turn, the banking sector continued presenting a positive performance, however with no surprises as in previous years. During the year the main concern was the delinquency, which showed a slowdown in growth at the end of 2006.

**Statement of Recurring Income**

**R$ million**

| | Years | | | 2006 | | |
|---|---|---|---|---|---|---|
| | **2005** | **2006** | **Variation %** | **3rd Qtr.** | **4th Qtr.** | **Variation %** |
| **Revenues from Financial Intermediation** | **32,967** | **37,665** | **14.3** | **9,623** | **9,566** | **(0.6)** |
| Loan Operations | 16,704 | 20,055 | 20.1 | 5,258 | 5,113 | (2.8) |
| Leasing Operations | 444 | 653 | 47.1 | 174 | 193 | 10.9 |
| Securities Transactions | 5,552 | 6,090 | 9.7 | 1,794 | 1,716 | (4.3) |
| Financial Income on Insurance, Private Pension Plans and Certificated Savings Plans | 6,171 | 6,888 | 11.6 | 1,591 | 1,841 | 15.7 |
| Derivative Financial Instruments | 1,983 | 1,923 | (3.0) | 303 | 291 | (4.0) |
| Foreign Exchange Transactions | 618 | 730 | 18.1 | 168 | 98 | (41.7) |
| Compulsory Deposits | 1,495 | 1,326 | (11.3) | 335 | 314 | (6.3) |
| **Expenses From Financial Intermediation (not including PDD)** | **16,419** | **17,827** | **8.6** | **4,756** | **4,521** | **(4.9)** |
| Market Funding Operations | 11,285 | 11,995 | 6.3 | 3,431 | 3,011 | (12.2) |
| Price-Level Restatement and Interest on Technical Provisions for Insurance, Private Pension Plans and Certificated Savings Plans | 3,765 | 4,005 | 6.4 | 908 | 1,139 | 25.4 |
| Borrowings and Onlendings | 1,360 | 1,819 | 33.8 | 415 | 369 | (11.1) |
| Leasing Operations | 9 | 8 | (11.1) | 2 | 2 | |
| **Net Interest Income** | **16,548** | **19,838** | **19.9** | **4,867** | **5,045** | **3.7** |
| Allowance for Doubtful Accounts | (2,507) | (4,412) | 76.0 | (1,169) | (1,189) | 1.7 |
| **Gross Income from Financial Intermediation** | **14,041** | **15,426** | **9.9** | **3,698** | **3,856** | **4.3** |
| **Other Operating Income (Expenses)** | **(6,543)** | **(6,760)** | **3.3** | **(1,541)** | **(1,677)** | **8.8** |
| Fee and Commission Income | 7,349 | 8,898 | 21.1 | 2,343 | 2,424 | 3.5 |
| **Operating Income from Insurance, Private Pension Plans and Certificated Savings Plans** | **621** | **1,025** | **65.1** | **326** | **344** | **5.5** |
| **(+) Net Premiums Written** | **16,825** | **19,022** | **13.1** | **4,714** | **5,662** | **20.1** |
| **( - ) Reinsurance Premiums and Redeemed Premiums** | **(3,178)** | **(3,842)** | **20.9** | **(907)** | **(1,035)** | **14.1** |
| **(=) Retained Premiums from Insurance, Private Pension Plans and Certificated Savings Plans** | **13,647** | **15,180** | **11.2** | **3,807** | **4,627** | **21.5** |
| Retained Premiums from Insurance | 7,394 | 8,083 | 9.3 | 2,074 | 2,110 | 1.7 |
| Private Pension Plans Contributions | 4,833 | 5,679 | 17.5 | 1,381 | 2,117 | 53.3 |
| Income on Certificated Savings Plans | 1,420 | 1,418 | (0.1) | 352 | 400 | 13.6 |
| **Variation in Technical Provisions for Insurance,** | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Private Pension Plans and Certificated Savings Plans** | **(2,429)** | **(3,515)** | **44.7** | **(901)** | **(1,569)** | **74.1** |
| Variation in Technical Provisions for Insurance | (325) | (622) | 91.4 | (151) | (85) | (43.7) |
| Variation in Technical Provisions for Private Pension Plans | (2,105) | (2,880) | 36.8 | (747) | (1,480) | 98.1 |
| Variation in Technical Provisions for Certificated Savings Plans | 1 | (13) | | (3) | (4) | 33.3 |
| Retained Claims | (5,825) | (6,127) | 5.2 | (1,490) | (1,652) | 10.9 |
| Certificated Savings Plans Draws and Redemptions | (1,229) | (1,222) | (0.6) | (305) | (344) | 12.8 |
| **Insurance, Private Pension Plans and Certificated Savings Plans Selling Expenses** | **(961)** | **(1,023)** | **6.5** | **(260)** | **(269)** | **3.5** |
| Insurance Products Selling Expenses | (774) | (816) | 5.4 | (206) | (209) | 1.5 |
| Private Pension Plans Selling Expenses | (169) | (190) | 12.4 | (48) | (56) | 16.7 |
| Certificated Savings Plans Selling Expenses | (18) | (17) | (5.6) | (6) | (4) | (33.3) |
| Expenses with Private Pension Plans Benefits and Redemptions | (2,582) | (2,268) | (12.2) | (525) | (449) | (14.5) |
| Personnel Expenses | (5,312) | (5,932) | 11.7 | (1,584) | (1,460) | (7.8) |
| Other Administrative Expenses | (5,142) | (5,870) | 14.2 | (1,507) | (1,671) | 10.9 |
| Tax Expenses | (1,827) | (2,150) | 17.7 | (532) | (577) | 8.5 |
| Equity in the Earnings of Affiliated Companies | 76 | 72 | (5.3) | 7 | 30 | 328.6 |
| Other Operating Income | 1,097 | 1,420 | 29.4 | 419 | 430 | 2.6 |
| Other Operating Expenses | (3,405) | (4,223) | 24.0 | (1,013) | (1,197) | 18.2 |
| **Operating Income** | **7,498** | **8,666** | **15.6** | **2,157** | **2,179** | **1.0** |
| **Non-Operating Income** | **(106)** | **(9)** | **(91.5)** | **41** | **(29)** | |
| **Income before Taxes and Profit Sharing** | **7,392** | **8,657** | **17.1** | **2,198** | **2,150** | **(2.2)** |
| Taxes on Income | (1,869) | (2,285) | 22.3 | (585) | (528) | (9.7) |
| Minority Interest in Consolidated Subsidiaries | (9) | (9) | | (2) | (2) | |
| **Net Income** | **5,514** | **6,363** | **15.4** | **1,611** | **1,620** | **0.6** |
| **Annualized Return on Stockholders Equity (%)** | **28.4** | **25.8** | | **33.0** | **29.0** | |

**Analysis of the Statement of Recurring Income R$ million**

Income from Loan Operations and Leasing Result

| Years | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **3rd Qtr.** | **4th Qtr.** | **Variation %** |
| **17,139** | **20,700** | **20.8** | **5,430** | **5,304** | **(2.3)** |

In the year, income was up mainly as a result of: (i) the increase in the volume of the loan portfolio, which totaled R$96,219 in December/06 against R$81,130 in December/05, i.e., a 18.6% increase, particularly in the individual client portfolio, up by 19.2%, which shows higher profitability, pointing out Auto and Personal Loan products, while in the corporate portfolio there was an increase of 18.2%, pointing out BNDES Onlending Operations Abroad and Working Capital products; (ii) lower exchange loss variation of 8.7% in the year/06, against an exchange loss variation of 11.8% in the year/05, affecting foreign currency indexed and/or denominated operations, which comprise 9.5% of total Loan and Leasing Operations, basically derived from corporate portfolio (excluding Advances on Foreign Exchange Contracts (ACC) ); which was partially affected: (iii) by the decrease in average interest rates, observing the 15.0% CDI variation in the year/06, against 19.0% in the year/05.

The variation in income in the quarter was mainly due to: (i) the drop in the average interest rates, observing the 3.1% CDI variation in 4Q06, against 3.5% in 3Q06; and (ii) by exchange loss variation of 1.7% in 4Q06, against exchange gain variation of 0.5% in 3Q06, affecting our foreign currency indexed and/or denominated operations, comprising 9.5% of total Loan and Leasing Operations, basically derived from the corporate portfolio (excluding Advances on Foreign Exchange Contracts (ACC)); which was partially mitigated: (iii) by an increase of 4.6% in the loan portfolio volume, which reached the amount of R$96,219 in December/06, against R$92,013 in September/06, considering that the individual client portfolio had a growth of 2.0%, which shows higher profitability than the corporate portfolio, pointing out the products connected to the consumer financing, while in the c orporate portfolio, there was an increase of 6.4%, pointing out Operations Abroad , Working Capital and BNDES Onlending products.

Income from Operations with Securities (TVM) and Derivative Financial Instruments

| Years | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **3rd Qtr.** | **4th Qtr.** | **Variation %** |
| **7,535** | **8,013** | **6.3** | **2,097** | **2,007** | **(4.3)** |

The increase in income in the year is practically due to: (i) higher non-interest income gains of R$558; (ii) lower exchange loss variation of 8.7% in the year/06, against an exchange loss variation of 11.8% in the year/05, impacting on the foreign currency indexed and/or denominated operations, comprising 6.2% of the portfolio; which was partially offset: (iii) by the reduction in the average interest rates, observing the 15.0% CDI variation in the year/06, against 19.0% in the year/05.

The variation in income in the quarter is mainly due to: (i) the exchange gain variation of 1.7% in 4Q06, against exchange gain variation of 0.5% in 3Q06, impacting on the foreign currency indexed and/or denominated operations, comprising 6.2% of the portfolio; (ii) a reduction in the average interest rates, observing the 3.1% CDI variation in 4Q06, against 3.5% in 3Q06; partially offset: (iii) by higher non-interest income gain R$57, basically with treasury.

Financial Income on Insurance, Private Pension Plans and Certificated Savings Plans

| Years | | | 2006 | | |
|---|---|---|---|---|---|
| 2005 | 2006 | Variation % | 3rd Qtr. | 4th Qtr. | Variation % |
| 6,171 | 6,888 | 11.6 | 1,591 | 1,841 | 15.7 |

The growth in the year was basically due to: (i) an increase in the volume of the securities portfolio, mainly comprising federal government bonds, which are linked to technical provisions, especially VGBL and PGBL products; (ii) a higher IGP-M variation of 3.8% in the year/06, against 1.2% in the year/05; (iii) higher non-interest income of R$461 in the year/06, against R$254 in the year/05, arising from higher gains of securities; partially mitigated by: (iv) the reduction in the average interest rates, observing the 15.0% CDI variation in the year/06, against 19.0% in the year/05.

The growth in the quarter was substantially due to: (i) higher non-interest income of R$147 in 4Q06, against R$28 in 3Q06; (ii)higher IGP-M variation of 1.5% in 4Q06, against 0.8% in 3Q06; and (iii) increase in the volume of securities portfolio, mainly comprising federal government bonds, which are linked to technical provisions, especially VGBL and PGBL products.

Foreign Exchange Transactions

| Years | | | 2006 | | |
|---|---|---|---|---|---|
| 2005 | 2006 | Variation % | 3rd Qtr. | 4th Qtr. | Variation % |
| 618 | 730 | 18.1 | 168 | 98 | (41.7) |

This item should be analyzed deducted from expenses with foreign funding, used for import/export operation financing, in accordance with Note 11a. After the deductions, the result would be R$244 in the year/05 and R$345 in the year/06, mostly influenced by an increase

This item should be analyzed deducted from expenses with foreign funding, used for import/export operation financing, in accordance with Note 11a. After such deductions, the result had a drop, being R$96 in 3Q06 and R$90 in 4Q06, for the reduction in the average

in the average volume of foreign exchange portfolio in the year.

volume of the foreign exchange portfolio in the quarter.

Compulsory Deposits

| Years | | | 2006 | | |
|---|---|---|---|---|---|
| 2005 | 2006 | Variation % | 3rd Qtr. | 4th Qtr. | Variation % |
| 1,495 | 1,326 | (11.3) | 335 | 314 | (6.3) |

The variation in the year is basically due to: (i) a reduction in the CDI rate of 15.0% in the year/06, against 19.0% in the year/05, used to remunerate the additional compulsory deposit; (ii) a reduction in Reference Rate TR from 2.0% in the year/06 against 2.8% in the year/05, which composes the remuneration of compulsory deposit over savings deposits; which was offset: (iii) by the increase in the average volume of deposits in the year.

The variation in the quarter is essentially due to: (i) the decrease in Reference Rate TR from 0.6% in 3Q06 to 0.5% in 4Q06; (ii) the reduction in CDI rate from 3.5% in 3Q06 to 3.1% in 4Q06, used to remunerate the additional compulsory deposit; offset: (iii) by an increase in the average volume of deposits in the quarter.

Market Funding Operations Expenses

| Years | | | 2006 | | |
|---|---|---|---|---|---|
| 2005 | 2006 | Variation % | 3rd Qtr. | 4th Qtr. | Variation % |
| 11,285 | 11,995 | 6.3 | 3,431 | 3,011 | (12.2) |

The variation in the year is mostly due to: (i) the increase in the average funding balance; (ii) lower exchange loss variation of 8.7% in the year/06, against exchange loss variation of 11.8% in the year/05, impacting the foreign currency indexed and/or denominated funding; which was

The reduction in the quarter mainly derives from: (i) the reduction in the average interest rates, observing the 3.1% CDI variation in 4Q06, against 3.5% in 3Q06, mainly affecting the time deposits expenses and purchase and sale commitments; and (ii) the exchange loss variation

offset by: (iii) reduction in the average interest rates, observing the 15.0% CDI variation in the year/06, against 19.0% in the year/05, mainly affecting the time deposits expenses and purchase and sale commitments; and (iv) a reduction in Reference Rate TR from 2.8% in the year/05 to 2.0% in the year/06, impacting on the remuneration of savings deposits.

of 1.7% in 4Q06, against exchange gain variation of 0.5% in 3Q06, impacting on the foreign currency indexed and/or denominated funding; which was partially offset: by the increase in the average funding balance in 4Q06.

Price-level Restatement
and Interest on Technical Provisions for Insurance, Private Pension Plans and Certificated Savings Plans

| Years | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **3rd Qtr.** | **4th Qtr.** | **Variation %** |
| **3,765** | **4,005** | **6.4** | **908** | **1,139** | **25.4** |

The increase in the year is basically due to: (i) higher average balance of technical provisions, especially PGBL and VGBL products; (ii) higher IGP-M variation of 3.8% in the year/06, against 1.2% in the year/05, one of the indexes which also remunerates the technical provisions; partially mitigated: (iii) by the reduction in the average interest rates, observing the 15.0% CDI variation in the year/06, against 19.0% in the year/05.

The variation in the quarter is mainly due to: (i) higher average balance of technical provisions, especially PGBL and VGBL products; and (ii) higher IGP-M variation of 1.5% in 4Q06, against 0.8% in 3Q06, one of the indexes which also remunerates the technical provisions; partially mitigated: (iii) by the drop in the average interest rates, observing the 3.1% CDI variation in 4Q06, against 3.5% in 3Q06.

Borrowings and Onlendings Expenses

| Years | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **3rd Qtr.** | **4th Qtr.** | **Variation %** |
| **1,360** | **1,819** | **33.8** | **415** | **369** | **(11.1)** |

The variation in the year is mainly due to the lower exchange loss variation of 8.7% in the year/06, against exchange loss variation of 11.8% in the year/05, impacting on foreign currency indexed and/or denominated borrowings and onlendings, which represent 35.0% of the Borrowings and Onlendings portfolio.

The decrease in the quarter is mainly due to: (i) the lower expense with bankers abroad of R$66, due to the lower volume of these operations; and (ii) the exchange loss variation of 1.7% in 4Q06, against exchange gain variation of 0.5% in 3Q06, impacting on foreign currency indexed and/or denominated borrowings and onlendings, which represent 35.0% of the Borrowings and Onlendings

portfolio.

Net Interest Income

| Years | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **3rd Qtr.** | **4th Qtr.** | **Variation %** |
| **16,548** | **19,838** | **19.9** | **4,867** | **5,045** | **3.7** |

The variation of R$3,290 in net interest income is composed of: (i)increase in interest income operations of R$2,538, mainly due to a growth in the business volume; and (ii) higher non-interest income of R$752, basically due to higher securities and treasury gains.

The variation of R$178 in net interest income is composed of: (i) the increase in non-interest income of R$225, partially due to the mark-to-market negative adjustment of derivative financial instruments, used as market risk hedge of loan operations in the country occurred in 3Q06, partially affected (ii) by the reduction in interest income operations of R$47, mainly for the drop verified in spreads.

Allowance for Doubtful Accounts Expenses

| Years | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **3rd Qtr.** | **4th Qtr.** | **Variation %** |
| **2,507** | **4,412** | **76.0** | **1,169** | **1,189** | **1.7** |

The increase in the year of R$1,905 is compatible with the performance of our loan portfolio, which evolved 18.6%, that is, R$15,089, over the last 12 months, pointing out to the strong growth of the individual client portfolio with 19.2% or R$6,390 in the year, jointly

The variation in the quarter is due to the slight growth of the delinquency ratio, mitigated by the increase of 6.4% in the volume of loan operations businesses of corporate clients, which require a lower volume of provision.

with the deterioration of the payment capacity of our clients-individuals.

Fee and Commission Income

| Years | | | 2006 | | |
|---|---|---|---|---|---|
| 2005 | 2006 | Variation % | 3rd Qtr. | 4th Qtr. | Variation % |
| 7,349 | 8,898 | 21.1 | 2,343 | 2,424 | 3.5 |

The increase in the year is mainly due to a hike in the volume of operations, combined with a growth in the client base and improvement in the segmentation process, pointing out: (i) card income R$457, which includes the consolidation of Amex Brasil as of 2H/06 R$235; (ii) checking account R$326; (iii) loan operations R$253; (iv) assets under management R$198; (v) collection R$65; (vi) consortium management R$53; and (vii) collection of taxes R$49.

The variation in the quarter is mostly due to expansion of businesses, substantially reflecting on: (i) card income R$27; (ii) loan operations R$17; (iii) checking account R$15; (iv) collection R$7.

Retained Premiums from Insurance, Private Pension Plans and Certificated Savings Plans

| Years | | | 2006 | | |
|---|---|---|---|---|---|
| 2005 | 2006 | Variation % | 3rd Qtr. | 4th Qtr. | Variation % |
| 13,647 | 15,180 | 11.2 | 3,807 | 4,627 | 21.5 |

The growth in the year is detailed in the charts below:

The variation in the quarter is detailed in the charts below:

a) Retained Premiums from Insurance

| Years | | | 2006 | | |
|---|---|---|---|---|---|
| 2005 | 2006 | Variation % | 3rd Qtr. | 4th Qtr. | Variation % |
| 7,394 | 8,083 | 9.3 | 2,074 | 2,110 | 1.7 |

The growth in the year basically resulted from: (i) the increase in Health insurance production R$329, substantially to the corporate plan, due to the annual readjustment of the premiums by the variation of medical costs and due to the readjustment of management taxes; (ii) the increase in Life insurance production R$170; (iii) the increase in DPVAT premiums volume R$114; (iv) the recording, in the year/06 of premiums of effective and non-issued risks, which had its accounting system changed by means of the Circular SUSEP 314 in the Auto segment R$83 and in the Basic Lines R$23; partially mitigated: (v) by the reduction of Auto insurance production, due to the fee policy adjustment in search for a better profile of the insured, with the purpose of making the product more competitive R$34.

The growth in the quarter is mainly due to: (i) the increase in the production of Health Insurance segment R$48, substantially due to the corporate plan; (ii) the increase of Life insurance business volume R$26; and partially mitigated (iii) by the lower volume of premiums in the Auto segment R$35.

b) Private Pension Plans Contributions

| Years | | | 2006 | | |
|---|---|---|---|---|---|
| 2005 | 2006 | Variation % | 3rd Qtr. | 4th Qtr. | Variation % |
| 4,833 | 5,679 | 17.5 | 1,381 | 2,117 | 53.3 |

The increase in the year is mainly due to: (i) the recovery in the sales of VGBL product R$1,468; mitigated by: (ii) the increase in the volume of redemption of VGBL

The growth in the quarter is mainly due to the higher sale of VGBL product R$734, due to the seasonality of the period in which there is an injection of resources in

R$584. The year/05 was influenced by uncertainties generated by changes in the tax legislation, affecting business in that period.
N.B.: according to SUSEP, the recording of VGBL redemptions reduces the retained contributions.



economy (13th salary).
N.B.: according to SUSEP, the recording of VGBL redemptions reduces the retained contributions.

c) Income on Certificated Savings Plans

| Years | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **3rd Qtr.** | **4th Qtr.** | **Variation %** |
| **1,420** | **1,418** | **(0.1)** | **352** | **400** | **13.6** |

The income of certificated savings plans remained practically steady.

The growth in the quarter is mainly due to the larger volume of sale of Pé Quente GP Ayrton Senna (in partnership with Instituto Ayrton Senna), Pé Quente Bradesco SOS Mata Atlântica (in partnership with Fundação SOS Mata Atlântica) and Pé Quente Bradesco 1000 products, as well as the launching of Pé Quente Bradesco SOS Mata Atlântica 300 product.

Variation in Technical Provisions for Insurance, Private Pension Plans and Certificated Savings Plans

| Years | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **3rd Qtr.** | **4th Qtr.** | **Variation %** |
| **(2,429)** | **(3,515)** | **44.7** | **(901)** | **(1,569)** | **74.1** |

The variation in the year is detailed in the charts below:

The variation in the quarter is detailed in the charts below:

a) Variation in Technical Provisions for Insurance

| Years | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **3rd Qtr.** | **4th Qtr.** | **Variation %** |
| **(325)** | **(622)** | **91.4** | **(151)** | **(85)** | **(43.7)** |

The variation in technical provisions is directly related to the sale of insurance in their respective effectiveness periods. The main variations occurred in the year/06 were comprised of: (i) higher constitution of premium provisions in the Health portfolio R$357, Life R$132, Auto R$20 and Basic Lines R$15 segments; (ii) constitution of provision of effective and non-issued risks (PPNG), previously recorded in memorandum accounts in compliance with the Circular SUSEP 314 in the Auto segment R$76 and Basic Lines R$22.

The variation in technical provisions is directly related to the sale of insurance in their respective effectiveness periods. The main variation of provisions in 4Q06 occurred in the Auto segment R$45, Health segment R$36 and Life segment R$21.

b) Variation in Technical Provisions for Private Pension Plans

| Years | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **3rd Qtr.** | **4th Qtr.** | **Variation %** |
| **(2,105)** | **(2,880)** | **36.8** | **(747)** | **(1,480)** | **98.1** |

Variations in technical provisions are directly related to production, combined with benefits and redemptions. The variations in the year are mainly due to the increase in production of VGBL R$765.

Variations in technical provisions are directly related to production, combined with benefits and redemptions. The variations in the quarter are mainly due to the higher sale of VGBL product R$657.

c) Variation in Technical Provisions for Certificated Savings Plans

| Years | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **3rd Qtr.** | **4th Qtr.** | **Variation %** |
| **1** | **(13)** | | **(3)** | **(4)** | **33.3** |

The variation is mainly due to the constitution of administrative technical provision.

There were no material variations.

Retained Claims

| Years | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **3rd Qtr.** | **4th Qtr.** | **Variation %** |
| **(5,825)** | **(6,127)** | **5.2** | **(1,490)** | **(1,652)** | **10.9** |

The growth in the year is due to: (i) an increase in reported claims in the Life R$112, Health R$71, Auto R$4 and DPVAT R$140 segments, this last one influenced by the IBNR provision complement, to comply with the CNSP Resolution 138, which mentions that the difference between the amount accumulated by the assets ensuring the IBNR provision and the balance of this provision must be fully recorded in IBNR expenses; mitigated: (ii) by the reduction of reported claims of Basic Lines R$25.
N.B.: Despite the nominal increase, the claims ratio decreased from 82.3% to 79.1%.

The variation in the quarter is due to: (i) the increase in Health segment R$139, Basic Lines R$20 and Life segment R$15; mitigated: (ii) by the decrease in reported claims of the Auto R$8 and DPVAT R$4 segments.
N.B.: Between the quarters, we recorded an increase in the claims ratio from 77.8% to 81.5%.

Certificated Savings Plans Draws and Redemptions

| Years | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **3rd Qtr.** | **4th Qtr.** | **Variation %** |
| **(1,229)** | **(1,222)** | **(0.6)** | **(305)** | **(344)** | **12.8** |

The redemptions are directly related to revenue. The variation in the year is due to the decrease in revenues from certificated savings plans.

The redemptions are directly related to revenue. The variation in the quarter is due to increase in revenues from certificated savings plans.

Insurance, Private Pension Plans and Certificated Savings Plans Selling Expenses

| Years | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **3rd Qtr.** | **4th Qtr.** | **Variation %** |
| **(961)** | **(1,023)** | **6.5** | **(260)** | **(269)** | **3.5** |

The variation in the year is detailed in the charts below:

The variation in the quarter is detailed in the charts below:

a) Insurance Products Selling Expenses

| Years | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **3rd Qtr.** | **4th Qtr.** | **Variation %** |
| **(774)** | **(816)** | **5.4** | **(206)** | **(209)** | **1.5** |

The increase in the year basically results from the growth in insurance sales, specially in the Auto R$22 and Life R$11 segments. In the sale/received premium ratio, there was a slight drop in the indexes (11.6% in the year/05 and 11.2% in the year/06).

In nominal terms, selling expenses remained practically steady in 4Q06 when compared to 3Q06. In the sale/received premiums ratio, there was a slight drop in the indexes (11.3% in 3Q06 and 11.0% in 4Q06).

b) Private Pension Plans Selling Expenses

| Years | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **3rd Qtr.** | **4th Qtr.** | **Variation %** |
| **(169)** | **(190)** | **12.4** | **(48)** | **(56)** | **16.7** |

The variation in the year is basically a result of the increase in selling expenses of the traditional plans R$21.

The variation in the quarter is mainly a result of the increase in selling expenses of the traditional plans R$5.

c) Certificated Savings Plans Selling Expenses

| Years | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **3rd Qtr.** | **4th Qtr.** | **Variation %** |
| **(18)** | **(17)** | **(5.6)** | **(6)** | **(4)** | **(33.3)** |

In nominal terms, selling expenses remained steady in the year/06 in relation to the year/05.

The variation in the quarter derives from higher selling expenses occurred in 3Q06 due to the use of Fundação SOS Mata Atlântica brand.

Private Pension Plans Benefits and Redemptions Expenses

| Years | | | 2006 | | |
|---|---|---|---|---|---|
| 2005 | 2006 | Variation % | 3rd Qtr. | 4th Qtr. | Variation % |
| (2,582) | (2,268) | (12.2) | (525) | (449) | (14.5) |

The variation in the year was derived from: (i) lower volume of redemptions in traditional plans R$235 and in PGBL R$116; mitigated: (ii) by the higher volume of benefits granted R$37.

The variation in the quarter is mainly due to (i) the lower volume of redemptions in traditional plans R$51 and PGBL R$10; and (ii) the higher volume of benefits granted R$15.

Personnel Expenses

| Years | | | 2006 | | |
|---|---|---|---|---|---|
| 2005 | 2006 | Variation % | 3rd Qtr. | 4th Qtr. | Variation % |
| (5,312) | (5,932) | 11.7 | (1,584) | (1,460) | (7.8) |

The variation in the year is mainly due to: (i) the increase in salary levels, resulting from the 2006 collective bargaining agreement (3.5%) which had an impact of R$54, of which labor liabilities restatement was R$14 and increase in payroll was R$40; (ii) the higher expenses with provision for labor proceedings R$105; (iii) the consolidation of BEC/Fidelity/ Amex Brasil R$157; (iv) higher expenses of PLR R$127, which comprises supplementary PLR R$63, in conformity with the collective bargaining agreement of 2006; and (v) the increase in salary levels resulting from the 2005 collective bargaining agreement (6.0%), benefits and other R$177.

The variation in the quarter is basically due to: (i) the increase in salary levels, resulting from the 2006 collective bargaining agreement (3.5%)which had an impact of R$6 on expenses, and the increase in payroll in 4T06 was R$30, against an increase in payroll of R$10 and labor liabilities restatement of R$14 in 3Q06; (ii) the lower PLR expenses R$70 in 4Q06 against R$155 in 3Q06, which includes supplementary PLR R$63; and (iii) lower expenses with provisions for labor proceedings R$13.

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Other Administrative Expenses

| Years | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **3rd Qtr.** | **4th Qtr.** | **Variation %** |
| **(5,142)** | **(5,870)** | **14.2** | **(1,507)** | **(1,671)** | **10.9** |

The increase in the year is basically due to: (i) the increase in the client base and businesses; (ii) the consolidation of BEC/Amex Brasil in the year/06; (iii) the contractual adjustments; and (iv) the investments in the improvement and optimization of the technological platform (IT).

The variation in the quarter mainly derives from: (i) seasonal increase of advertising expenses R$109; (ii) data processing R$22; and (iii) transport R$13.

Tax Expenses

| Years | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **3rd Qtr.** | **4th Qtr.** | **Variation %** |
| **(1,827)** | **(2,150)** | **17.7** | **(532)** | **(577)** | **8.5** |

The increase in the year mainly derives from: (i) PIS/COFINS increased expenses by R$220 in view of the increase of taxable income; and (ii) ISS increased expenses R$47.

The variation in the quarter is essentially due to: (i) the increase in CPMF expenses R$32, which refers mainly to the investment of funds obtained in debentures and the payment of dividends/JCP.

Equity in the Earnings of Affiliated Companies

| Years | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **3rd Qtr.** | **4th Qtr.** | **Variation %** |
| **76** | **72** | **(5.3)** | **7** | **30** | **328.6** |

The variation in the year is substantially due to: (i) lower results obtained in IRB Brasil-Resseguros R$29; which was partially offset: (ii) by the positive result reached in Bradesco Templeton R$24.

The variation in the quarter mainly derives from higher results obtained in the affiliated companies in 4Q06, basically the IRB-Brasil Resseguros R$22.

Other Operating Income

| Years | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **3rd Qtr.** | **4th Qtr.** | **Variation %** |
| **1,097** | **1,420** | **29.4** | **419** | **430** | **2.6** |

The increase in the year is basically due to: (i) higher net interest income R$190; and (ii) higher revenues of recovery of charges and expenses R$24.

The increase in the quarter is basically due to: (i) the reversal of operating provisions R$52; (ii) higher net interest income R$6; mitigated: (iii) by the reduction of charges and expenses recovery R$37.

Other Operating Expenses

| Years | | | 2006 | | |
|---|---|---|---|---|---|
| 2005 | 2006 | Variation % | 3rd Qtr. | 4th Qtr. | Variation % |
| (3,405) | (4,223) | 24.0 | (1,013) | (1,197) | 18.2 |

The increase in the year is mostly due to: (i) higher financial expenses R$467; (ii) increase in sundry losses R$130; (iii) higher costs of services rendered R$106; and (iv) higher operating provisions R$44.

The variation in the quarter basically derives from: (i) higher interest expenses R$72; (ii) higher costs of services rendered R$40; and (iii) higher expenses with operating provisions R$13.

Operating Income

| Years | | | 2006 | | |
|---|---|---|---|---|---|
| 2005 | 2006 | Variation % | 3rd Qtr. | 4th Qtr. | Variation % |
| 7,498 | 8,666 | 15.6 | 2,157 | 2,179 | 1.0 |

The increase in the year derives from: (i) higher net interest income R$3,290; (ii) increased fee and commission income R$1,549; (iii) increase in contribution margin of insurance, private pension plans and certificated savings plans operations R$404; partially affected by: (iv) higher allowance for doubtful accounts expenses R$1,905; (v) higher tax expenses R$323; (vi) increased personnel and administrative expenses R$1,348; and (vii) increased operating expenses (net of income) R$495; and (viii) the decrease in the equity in the earnings of affiliated companies R$4.

**N.B.:** For a more detailed analysis of the variation of each item, we recommend the reading of each specific item.

The variation in the quarter derives from: (i) higher net interest income R$178; (ii) increased fee and commission income R$81; (iii) increase in contribution margin of insurance, private pension plans and certificated savings plans operations R$18; (iv) lower personnel expenses R$124 (v) increase in the equity in the earnings of affiliated companies R$23; partially affected by: (vi) increased administrative expenses R$164; (vii) higher tax expenses R$45; (viii) increased operating expenses (net of income) R$173; and (ix) higher expenses with allowance for doubtful accounts R$20.

**N.B.:** For a more detailed analysis of the variation of each item, we recommend the reading of each specific item.

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Non-Operating Income

| Years | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **3rd Qtr.** | **4th Qtr.** | **Variation %** |
| **(106)** | **(9)** | **(91.5)** | **41** | **(29)** | |

The variation in the year is mainly due to higher recording of non- operating provisions in 2005, mainly related to non-operating assets.

The variation in the quarter is substantially due to higher reversals of non-operating provisions carried out in 3Q06.

Taxes on Income

| Years | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **3rd Qtr.** | **4th Qtr.** | **Variation %** |
| **(1,869)** | **(2,285)** | **22.3** | **(585)** | **(528)** | **(9.7)** |

The variation on taxes on income expenses in the year reflects tax charge over earnings before taxes, adjusted of additions and exclusions, according to Note 34.

The variation on taxes on income expenses in the quarter reflects tax charge over earnings before taxes, adjusted of additions and exclusions, according to Note 34.

**Comparative Balance Sheet**

**R$ million**

| **Assets** | **December** | | **Variation %** | **2006** | | **Variation %** |
|---|---|---|---|---|---|---|
| | **2005** | **2006** | | **September** | **December** | |
| **Current and Long-Term Assets** | **204,325** | **262,055** | **28.3** | **239,479** | **262,055** | **9.4** |
| **Funds Available** | **3,363** | **4,762** | **41.6** | **3,947** | **4,762** | **20.6** |
| **Interbank Investments** | **25,006** | **25,989** | **3.9** | **34,363** | **25,989** | **(24.4)** |
| **Securities and Derivative Financial Instruments** | **64,451** | **97,250** | **50.9** | **73,022** | **97,250** | **33.2** |
| **Interbank and Interdepartmental Accounts** | **17,095** | **19,311** | **13.0** | **17,949** | **19,311** | **7.6** |
| Restricted Deposits: | | | | | | |
| Brazilian Central Bank | 16,445 | 18,665 | 13.5 | 16,993 | 18,665 | 9.8 |
| Other | 650 | 646 | (0.6) | 956 | 646 | (32.4) |
| **Loan and Leasing Operations** | **70,740** | **83,467** | **18.0** | **79,907** | **83,467** | **4.5** |
| Loan and Leasing Operations | 75,546 | 90,012 | 19.1 | 86,041 | 90,012 | 4.6 |
| Allowance for Doubtful Accounts | (4,806) | (6,545) | 36.2 | (6,134) | (6,545) | 6.7 |
| **Other Receivables and Assets** | **23,670** | **31,276** | **32.1** | **30,291** | **31,276** | **3.3** |
| Foreign Exchange Portfolio | 6,937 | 7,946 | 14.5 | 8,620 | 7,946 | (7.8) |
| Other Receivables and Assets | 16,886 | 23,431 | 38.8 | 21,752 | 23,431 | 7.7 |
| Allowance for Other Doubtful Accounts | (153) | (101) | (34.0) | (81) | (101) | 24.7 |
| **Permanent Assets** | **4,358** | **3,492** | **(19.9)** | **3,713** | **3,492** | **(6.0)** |
| **Investments** | **985** | **697** | **(29.2)** | **1,019** | **697** | **(31.6)** |
| **Property, Plant and Equipment in Use and Leased Assets** | **1,995** | **2,152** | **7.9** | **2,082** | **2,152** | **3.4** |
| **Deferred Charges** | **1,378** | **643** | **(53.3)** | **612** | **643** | **5.1** |
| Deferred Charges | 531 | 643 | 21.1 | 612 | 643 | 5.1 |
| Goodwill on Acquisition of Subsidiaries, Net of Amortization | 847 | | | | | |
| **Total** | **208,683** | **265,547** | **27.2** | **243,192** | **265,547** | **9.2** |
| | | | | | | |
| **Liabilities** | | | | | | |
| **Current and Long-Term Liabilities** | **189,164** | **240,673** | **27.2** | **221,190** | **240,673** | **8.8** |
| **Deposits** | **75,406** | **83,905** | **11.3** | **78,853** | **83,905** | **6.4** |
| Demand Deposits | 15,956 | 20,527 | 28.6 | 17,598 | 20,527 | 16.6 |
| Savings Deposits | 26,201 | 27,612 | 5.4 | 25,415 | 27,612 | 8.6 |
| Interbank Deposits | 146 | 290 | 98.6 | 173 | 290 | 67.6 |
| Time Deposits | 32,837 | 34,925 | 6.4 | 35,376 | 34,925 | (1.3) |
| Other Deposits | 266 | 551 | 107.1 | 291 | 551 | 89.3 |
| **Federal Funds Purchased and Securities Sold under Agreements to Repurchase** | **24,639** | **47,676** | **93.5** | **36,264** | **47,676** | **31.5** |
| **Funds from Issuance of Securities** | **6,204** | **5,636** | **(9.2)** | **6,097** | **5,636** | **(7.6)** |
| Securities Issued Abroad | 2,731 | 2,175 | (20.4) | 2,521 | 2,175 | (13.7) |
| Other Funds | 3,473 | 3,461 | (0.3) | 3,576 | 3,461 | (3.2) |
| **Interbank and Interdepartmental** | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Accounts** | **2,040** | **2,232** | **9.4** | **1,914** | **2,232** | **16.6** |
| **Borrowings and Onlendings** | **16,563** | **17,419** | **5.2** | **16,640** | **17,419** | **4.7** |
| Borrowings | 7,135 | 5,778 | (19.0) | 5,767 | 5,778 | 0.2 |
| Onlendings | 9,428 | 11,641 | 23.5 | 10,873 | 11,641 | 7.1 |
| **Derivative Financial Instruments** | **239** | **519** | **117.2** | **508** | **519** | **2.2** |
| **Provisions for Insurance, Private Pension Plans and Certificated Savings Plans** | **40,863** | **49,129** | **20.2** | **45,719** | **49,129** | **7.5** |
| **Other Liabilities** | **23,210** | **34,157** | **47.2** | **35,195** | **34,157** | **(2.9)** |
| Foreign Exchange Portfolio | 2,207 | 2,387 | 8.2 | 3,290 | 2,387 | (27.4) |
| Taxes and Social Security Contributions, Social and Statutory Payables | 6,296 | 8,206 | 30.3 | 8,305 | 8,206 | (1.2) |
| Subordinated Debt | 6,719 | 11,949 | 77.8 | 11,767 | 11,949 | 1.5 |
| Sundry | 7,988 | 11,615 | 45.4 | 11,833 | 11,615 | (1.8) |
| **Future Taxable Income** | **52** | **181** | **248.1** | **173** | **181** | **4.6** |
| **Minority Interest in Consolidated Subsidiaries** | **58** | **57** | **(1.7)** | **56** | **57** | **1.8** |
| **Stockholders Equity** | **19,409** | **24,636** | **26.9** | **21,773** | **24,636** | **13.1** |
| **Total** | **208,683** | **265,547** | **27.2** | **243,192** | **265,547** | **9.2** |

**Equity Analysis R$ million**

Funds Available

| December | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **September** | **December** | **Variation %** |
| **3,363** | **4,762** | **41.6** | **3,947** | **4,762** | **20.6** |

The variation in the year is due to: (i) the increased volume of funds available in domestic currency R$1,347; and (ii) the increase in the volume in foreign currency R$52.

The variation in the quarter is due to: (i) the increased volume in domestic currency R$1,055; offset: (ii) by the decreased volume of funds available in foreign currency R$240.

Interbank Investments

| December | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **September** | **December** | **Variation %** |
| **25,006** | **25,989** | **3.9** | **34,363** | **25,989** | **(24.4)** |

The growth in the year derives mainly from: (i) the increase in open market investments, own portfolio position, in the amount of R$9,971; partially offset by (ii) the decrease in third-party portfolio position in the amount of R$8,978; and (iii) the decrease in investments in interbank deposits of R$18.

The reduction in the quarter is basically due to: (i) the decrease in third- party portfolio position in the amount of R$14,103; and (ii) the reduction in interbank deposits of R$1,232; partially offset: (iii) by the increase in open market investments, own portfolio position, in the amount of R$6,954.

Securities (TVM) and Derivative Financial Instruments

| December | | | 2006 | | |
|---|---|---|---|---|---|
| 2005 | 2006 | Variation % | September | December | Variation % |
| 64,451 | 97,250 | 50.9 | 73,022 | 97,250 | 33.2 |

The increase in the year is substantially due to: (i) additional funds derived from the increase in funding, particularly technical provisions for insurance, private pension plans and certificated savings plans, as well as the issuance of subordinated debt of R$4,504; (ii) the variation in average interest rates, observing the 15.0% CDI variation in the year/06; partially mitigated by: (iii) exchange loss variation of 8.7% in the year/06, impacting on foreign currency indexed and/or denominated securities, which comprise 6.2% of the portfolio; and (iv) the redemption/maturity of securities. The portfolio profile (excluded from purchase and sale commitments), based on Management s intent, is distributed as follows: Trading Securities 66.1%; Securities Available for Sale 30.2%; and Securities Held to Maturity 3.7%. In December/06, 58.2% of the tota l portfolio (excluded from purchase and sale commitments) was represented by Government Bonds, 16.8% by Private Securities and 25.0% by PGBL and VGBL fund quotas.

The variation in the quarter partially reflects: (i) additional funds arising from increased funding, especially the technical provisions for insurance, private pension plans and certificated savings plans and demand and time deposits; (ii) the variation in average interest rates, observing the 3.1% CDI variation in 4Q06; which was partially mitigated by: (iii) the redemption/maturity of securities; and (iv) exchange loss variation of 1.7% in 4Q06, impacting on foreign currency indexed and/or denominated securities, which comprise 6.2% of the portfolio.

Interbank and Interdepartmental Accounts

| December | | | 2006 | | |
|---|---|---|---|---|---|
| 2005 | 2006 | Variation % | September | December | Variation % |
| 17,095 | 19,311 | 13.0 | 17,949 | 19,311 | 7.6 |

The variation in the year is mainly due to: (i) the increase in volume of compulsory demand deposits of R$1,157, due to an expansion in average balance of these deposits, basis for payment in respective periods, from R$16,731 in December/2005 to R$21,304 in December/2006; (ii) the increase in the volume of the compulsory of savings accounts deposits of R$227 referring to the increase in the balance of these deposits by 5.4% in the year; and (iii) the increase in the additional compulsory on deposits R$837.

The variation in the quarter is basically due to: (i) the increase in volume of compulsory demand deposits of R$914, due to an expansion in average balance of these deposits, basis for payment in respective periods, from R$18,540 in September/2006 to R$21,304 in December/2006; (ii) the increase in the volume of the compulsory of savings accounts deposits of R$323; and (iii) the increase in the additional compulsory on deposits R$435; offset: (iv) by the decrease in the item Checks Clearing and Relationship with Correspondents Services in the amount of R$379, in view of accounts balance, represented by checks and other documents, at the end of the year.

Loan and Leasing Operations

| December | | | 2006 | | |
|---|---|---|---|---|---|
| 2005 | 2006 | Variation % | September | December | Variation % |
| 81,130 | 96,219 | 18.6 | 92,013 | 96,219 | 4.6 |

The increase in the year is basically due to: (i) the individual client portfolio, with a 19.2% growth, in particular in the Auto products, up by 18.6% and Personal Loan, up by 20.4%. In the corporate portfolio, the growth rate was of 18.2%, as a result of the 23.8% increase in micro, small and medium-sized companies portfolio, coupled with a 12.8% increase in the portfolio of large companies (Corporate). In the corporate portfolio we point out the products Operations Abroad, up by 49.2% BNDES Onlending up by 26.1% and Working Capital with an increase of 20.7%, as a result of the maintenance of the economic activity level; partially offset by: (ii) exchange loss variation of 8.7% in the year/06, impacting on foreign currency indexed and/or denominated contracts, comprising 9.5% of the total portfolio. In December/06, the portfolio was distributed at 58.8% for corporate (26.3% of which was directed to industry, public and private sectors, 13.9% to commerce, 16.7% to services, 1.4% to agribusiness and 0.5% to financial intermediation) and 41.2% for individuals. In terms of concentration, the 100 largest borrowers accounted for 22.4% of the portfolio in December/05 and for 21.4% in December/06.

The Loan Portfolio under Normal Course reached the amount of R$87,947 in December/06. Out of this total, 32.3% is falling due within up to 90 days.

**N.B.:** this item includes advances on foreign exchange contracts and other receivables and does not include the allowance for doubtful accounts, as described in Note 10.

The variation in the quarter is mainly due to: (i) the 6.4% growth recorded in the corporate portfolio resulting from the 7.0% increase in the portfolio of small and medium-sized companies (SME) and the increase of 5.9% in the portfolio of large companies (Corporate). It is worth pointing out the increase of 17.0% in Working Capital and of 11.8% in Operations Abroad, as a result of the maintenance of the economic activity level. The 2.0% growth in the individual client portfolio, especially in the Auto products, with a 3.2% increase, is reflected by a stable economic scenario; offset: (ii) by the exchange loss variation of 1.7% in 4Q06, impacting foreign currency indexed and/or denominated contracts, which account for 9.5% of total portfolio. In terms of concentration, the 100 largest borrowers accounted for 22.6% of the portfolio in September/06 and 21.4 % in December/06.

**N.B.:** this item includes advances on exchange contracts and other receivables and does not take into account the allowance for doubtful accounts, as described in Note 10.

Allowance for Doubtful Accounts (PDD)

| December | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **September** | **December** | **Variation %** |
| **(4,959)** | **(6,646)** | **34.0** | **(6,215)** | **(6,646)** | **6.9** |

The variation in the PDD balance for the year was mostly due to: (i) an 18.6% increase in the volume of loan operations, pointing out individual clients operations, with a 19.2% increase, which due to its specific feature, requires a higher volume of provisioning. PDD ratio in relation to the loan portfolio increased from 6.1% in December/05 to 6.9% in December/06. Provision coverage ratio in relation to the loan portfolio under abnormal course, respectively, rated between E and H, decreased from 182.7% in December/05 to 151.4% in December/06, and between D and H, reduced from 150.1% in December/05 to 127.2% in December/06. However, the preventive maintenance of high provision levels made all performance indicators remain in adequate levels. In the year, PDD in the amount of R$4,412 was recorded, R$102 was incorporated arising from acquired institutions and R$2,82 7 was written off. The exceeding PDD volume in relation to the minimum required increased from R$1,014 in December/05 to R$1,100 in December/06.

The increase in the PDD balance in the quarter basically reflects a 4.6% growth of the loan portfolio in the quarter, particularly, the individual client portfolio with a 2.0% growth, with a slight growth in the delinquency ratio. The PDD ratio in relation to the loan portfolio increased from 6.8% in September/06 to 6.9% in December/06, and the provision coverage ratios in relation to the loan portfolio under abnormal course, respectively, rated from E to H, decreased from 156.0% in September/06 to 151.4% in December/06, and those rated from D to H increased from 131.1% in September/06 to 127.2% in December/06. However, the preventive maintenance of high provision levels made all performance indicators remain in adequate levels. In the quarter, PDD in the amount of R$1,189 was recorded, and R$758 was written off. The exceeding PDD volume in relation to the minimum required incr eased from R$1,092 in September/06 to R$1,100 in December/06.

Other Receivables and Assets

| December | 2006 |
|---|---|

| 2005 | 2006 | Variation % | September | December | Variation % |
|---|---|---|---|---|---|
| 23,256 | 30,873 | 32.8 | 29,887 | 30,873 | 3.3 |

The variation in the year is mainly due to: (i) a R$2,368 increase in the balance of credit card operations, not included in loan operations, basically for the consolidation of Amex Brasil R$1,344, acquired in 2Q06; (ii) the increase in tax credits R$2,055, basically as a result of temporary provisions; (iii) deposits in guarantee R$1,297; and (iv) the increase in foreign exchange operations R$1,009;

**N.B.:** balances are deducted (net of corresponding PDD) of R$414 in December/05 and of R$403 in December/06, allocated to the Loan and Leasing Operations and Allowance for Doubtful Accounts items.

The increase in the quarter is basically due to: (i) credit card operations R$751, not included in loan operations; (ii) the Negotiation and Intermediation of Amounts item R$238; partially offset: (iii) by the reduction in the foreign exchange portfolio R$674.

**N.B.:** balances are deducted (net of corresponding PDD) of R$404 in September/06 and of R$403 in December/06, allocated to the Loan and Leasing Operations and Allowance for Doubtful Accounts items.

Permanent Assets

| December | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **September** | **December** | **Variation %** |
| **4,358** | **3,492** | **(19.9)** | **3,713** | **3,492** | **(6.0)** |

The variation in the year is mostly due to: (i) the full goodwill amortization; (ii) the transfer of Banco Espírito Santo (BES) investment to current assets; mitigated by: (iii) the increase in property, plant and equipment and leased assets and deferred charges.

The variation in the quarter is mostly due to: (i) the transfer of Banco Espírito Santo (BES) investment to current assets R$398, mitigated by: (ii) the increase in property, plant and equipment and leased assets R$70 and deferred charges R$31.

Deposits

| December | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **September** | **December** | **Variation %** |
| **75,406** | **83,905** | **11.3** | **78,853** | **83,905** | **6.4** |

The increase of the year is detailed in the charts below:

The variation in the quarter is detailed in the charts below:

a) Demand Deposits

| December | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **September** | **December** | **Variation %** |
| **15,956** | **20,527** | **28.6** | **17,598** | **20,527** | **16.6** |

The increase in the year is due to the growth in client base. The evolution of R$4,571 is composed of: individuals R$1,669 and corporations R$2,902.

The variation in the quarter is due to funds stemming from individuals R$1,045 and funds from corporate clients R$1,884.

b) Savings Deposits

| December | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **September** | **December** | **Variation %** |
| **26,201** | **27,612** | **5.4** | **25,415** | **27,612** | **8.6** |

The increase in the year is mainly due to: (i) the remuneration of deposits (TR + 0.5% p.m.) reaching 8.3%, in the year; which was mitigated: (ii) by withdrawals occurred in the year.

The increase in the quarter is basically due to: (i) the remuneration of deposits (TR + 0.5% p.m.) reaching 2.0% in the quarter; (ii) deposits in the quarter, due to the seasonality of the period; which was mitigated: (iii) by withdrawals occurred in the quarter.

c) Time Deposits

| December | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **September** | **December** | **Variation %** |
| **32,837** | **34,925** | **6.4** | **35,376** | **34,925** | **(1.3)** |

The increase in the year is basically due to (i) the deposit remuneration; which was mitigated: (ii) by migration of funds to other forms of investment by institutional investors, mainly by means of issuance of debentures and subordinated debts.

The decrease in the quarter is substantially due to (i) migration of funds to other forms of investment by institutional investors, mainly by means of issuance of debentures; which was mitigated: (ii) by the deposit remuneration in 4Q06.

d) Interbank Deposits and Other Deposits

| December | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **September** | **December** | **Variation %** |
| **412** | **841** | **104.1** | **464** | **841** | **81.3** |

The variation in the year results from: (i) a hike in the volume of the Interbank Deposits item R$144; and (ii) increase in the Other Deposits Investment Account item R$285.

The variation in the quarter is due to: (i) the increase in the volume of Interbank Deposits item R$117; and (ii) the increase in the Other Deposits Investment Account item R$260.

Federal Funds Purchased and Securities Sold under Agreements to Repurchase

| December | | | 2006 | | |
|---|---|---|---|---|---|
| 2005 | 2006 | Variation % | September | December | Variation % |
| 24,639 | 47,676 | 93.5 | 36,264 | 47,676 | 31.5 |

The variation of balance in the year derives substantially from: (i) an increase in funding volume, using the funds backed by debentures issued R$9,874; and (ii) the increase in the unrestricted portfolio R$7,609.
**N.B.:** include investment funds applied in purchase and sale commitments with Bradesco, whose owners are subsidiaries included in the consolidated financial statements, at the amount of R$5,882 in December/05 and R$8,771 in December/06.

The increase of balance in the quarter mostly derives from: (i) an increase in funding volume, using the own portfolio R$17,402 (which includes funds backed by debentures issued R$4,539); (ii) the increase in the unrestricted portfolio R$7,607; offset: (iii) by the reduction of third-party portfolio R$13,597.
**N.B.:** include investment funds applied in purchase and sale commitments with Bradesco, whose owners are subsidiaries included in the consolidated financial statements, in the amount of R$6,187 in September/06 and R$8,771 in December/06.

Funds from Issuance of Securities

| December | | | 2006 | | |
|---|---|---|---|---|---|
| 2005 | 2006 | Variation % | September | December | Variation % |
| 6,204 | 5,636 | (9.2) | 6,097 | 5,636 | (7.6) |

The variation in the year basically derives from: (i) decreased balance of securities issued abroad, mainly in view of the redemptions of Eurobonds, overdue and not renewed; and (ii) exchange loss variation of 8.7% in the year/06, which impacted on the funds from issuance of securities abroad, the balances of which were R$2,731

In the quarter, the variation mostly derives from: (i) the decrease in the balance of securities issued abroad by R$346, basically due to the maturity of MTN Program Issues R$273; and (ii) the reduction of funds issued in the country R$115.

in December/05 and R$2,175 in December/06, as per Note 16c.

Interbank and Interdepartmental Accounts

| December | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **September** | **December** | **Variation %** |
| **2,040** | **2,232** | **9.4** | **1,914** | **2,232** | **16.6** |

The variation in the year is mostly due to higher volume of foreign currency payment orders.

The variation in the quarter is mostly due to higher volume of foreign currency payment orders.

Borrowings and Onlendings

| December | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **September** | **December** | **Variation %** |
| **16,563** | **17,419** | **5.2** | **16,640** | **17,419** | **4.7** |

The variation in the year is basically due to: (i) the increase in the volume of funds from domestic loans and onlendings, mainly by means of BNDES R$1,294, and FINAME R$864; which was offset: (ii) by exchange loss variation of 8.7% in the year, which impacted on the foreign currency indexed and/or denominated loans and onlendings liabilities, the balances of which were R$7.533 in December/05 and R$6,096 in December/06.

The variation in the quarter mainly results from: (i) the increase in the volume of funds from domestic loans and onlendings, mainly by means of BNDES R$267 and FINAME R$496; which was offset: (ii) by the exchange loss variation of 1.7% in the quarter, which impacted on the foreign currency indexed and/or denominated loans and onlendings liabilities, the balances of which were R$6,040 in September/06 and R$6,096 in December/06.

Provisions for Insurance, Private Pension Plans and Certificated Savings Plans

| December | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **September** | **December** | **Variation %** |
| **40,863** | **49,129** | **20.2** | **45,719** | **49,129** | **7.5** |

The increase in the year is basically due to: (i) the growth in sales of supplementary private pension plans and insurance policies, and (ii) the restatement and interest of technical provisions. The largest variations recorded were: (a) in the private pension segment, VGBL plans at R$5,217 and PGBL plans at R$1,583; and (b) in the insurance segment, in the provisions for the Life segment at R$457, as well as in the provisions of the Health segment R$394.

The increase in the quarter is mainly due to: (i) the monetary restatement and interest of technical provisions; and (ii) the sales of supplementary private pension plans and insurance policies. The largest variations recorded were: (a) in the private pension segment, in VGBL plans at R$2,110 and PGBL plans at R$497; and (b) in the insurance segment, in Auto/RCF segment provisions at R$57, as well as in the provisions for the Life segment R$120.

Other Liabilities, Derivative Financial Instruments and Future Taxable Income

| December | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **September** | **December** | **Variation %** |
| **28,518** | **40,560** | **42.2** | **41,363** | **40,560** | **(1.9)** |

The variation in the year mostly derives from: (i) the issuance of Subordinated Debt R$4,504; (ii) the increase in the balance of items Tax and Social Security R$2,973; and (iii) the increase in Credit Cards operations R$2,337, which includes R$1,236 from Amex Brasil.
**N.B.:** excludes advances on foreign exchange contracts of R$5,017 and R$5,703, allocated to the specific item in loan operations in December/05 and December/06, respectively.

The variation in the quarter is mainly due to the decrease in the item: (i) Collection of Taxes and Other Contributions R$1,413; (ii) Loan Portfolio R$688; partially offset: (iii) by Credit Cards operations R$1,197.
**N.B.:** excludes advances on foreign exchange contracts of R$5,487 and R$5,703, allocated to the specific item in loan operations in September/06 and December/06, respectively.

Minority Interest in Consolidated Subsidiaries

| December | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **September** | **December** | **Variation %** |
| **58** | **57** | **(1.7)** | **56** | **57** | **1.8** |

In the year, the Minority Interest in Consolidated Subsidiaries item remained practically steady.

In the quarter, the Minority Interest in Consolidated Subsidiaries item remained practically steady.

Stockholders Equity

| December | | | 2006 | | |
|---|---|---|---|---|---|
| **2005** | **2006** | **Variation %** | **September** | **December** | **Variation %** |
| **19,409** | **24,636** | **26.9** | **21,773** | **24,636** | **13.1** |

The variation in the year is due to: (i) the appropriation of recorded net income R$5,054; (ii) the increase in the reserve for securities and derivatives mark-to-market adjustment R$1,138; (iii) capital increase of R$1,200; (iv) premium in stock subscription R$18; which was partially offset by: (v) interest on own capital/dividends paid and provisioned R$2,160; and (vi) treasury stock buyback R$23.

The variation in the quarter is due to: (i) the appropriation of recorded net income R$1,703; (ii) increase in reserve for securities and derivatives mark-to-market adjustment R$743; (iii) capital increase of R$1,200; (iv) premium in stock subscription R$18; which was offset by: (v) interest on own capital paid and provisioned R$791; and (vi) treasury stock buyback R$10.

**2 - Main Statement of Income Information**

**Consolidated Statement of Recurring Income** R$ thousand

| | Years | | | | |
|---|---|---|---|---|---|
| | **2006** | **2005** | **2004** | **2003** | **2002** |
| **Revenues from Financial Intermediation** | **37,666,266** | **33,701,225** | **26,203,227** | **28,033,866** | **31,913,379** |
| Loan Operations | 20,055,120 | 16,704,318 | 12,731,435 | 12,294,528 | 15,726,929 |
| Leasing Operations | 653,260 | 444,389 | 300,850 | 307,775 | 408,563 |
| Operations with Securities | 6,090,822 | 5,552,008 | 4,921,179 | 7,832,965 | 9,527,663 |
| Financial Income on Insurance, Private Pension Plans and Certificated Savings Plans | 6,887,472 | 6,498,435 | 5,142,434 | 5,359,939 | 3,271,913 |
| Derivative Financial Instruments | 1,923,358 | 2,389,002 | 1,238,890 | 55,192 | (2,073,247) |
| Foreign Exchange Transactions | 729,647 | 617,678 | 691,302 | 797,702 | 4,456,594 |
| Compulsory Deposits | 1,326,587 | 1,495,395 | 1,177,137 | 1,385,765 | 594,964 |
| **Expenses from Financial Intermediation** | **17,827,105** | **16,419,196** | **12,972,347** | **14,752,199** | **20,441,257** |
| Market Funding Operations | 11,994,711 | 11,285,324 | 8,486,003 | 10,535,497 | 10,993,327 |
| Price-level Restatement and Interest on Technical Provisions for Insurance, Private Pension Plans and Certificated Savings Plans | 4,004,823 | 3,764,530 | 3,215,677 | 3,120,342 | 2,241,283 |
| Borrowings and Onlendings | 1,819,413 | 1,360,647 | 1,253,175 | 1,083,379 | 7,194,161 |
| Leasing Operations | 8,158 | 8,695 | 17,492 | 12,981 | 12,486 |
| **Net Interest Income** | **19,839,161** | **17,282,029** | **13,230,880** | **13,281,667** | **11,472,122** |
| Allowance for Doubtful Accounts | 4,412,413 | 2,507,206 | 2,041,649 | 2,449,689 | 2,818,526 |
| **Gross Income from Financial Intermediation** | **15,426,748** | **14,774,823** | **11,189,231** | **10,831,978** | **8,653,596** |
| **Other Operating Income (Expenses)** | **(6,759,505)** | **(6,921,319)** | **(7,071,120)** | **(7,278,870)** | **(6,343,850)** |
| Fee and Commission Income | 8,897,882 | 7,348,879 | 5,824,368 | 4,556,861 | 3,711,736 |
| Operating Income on Insurance, Private Pension Plans and Certificated Savings Plans | 1,025,221 | 293,769 | (60,645) | (148,829) | 658,165 |
| Insurance, Private Pension Plans and Certificated Savings Plans Retained Premiums | 15,179,418 | 13,647,089 | 13,283,677 | 11,726,088 | 10,134,873 |
| Net Premiums Written | 19,021,852 | 16,824,862 | 15,389,170 | 13,111,896 | 10,687,384 |
| Reinsurance Premiums and Redeemed Premiums | (3,842,434) | (3,177,773) | (2,105,493) | (1,385,808) | (552,511) |
| Variation in Technical Provisions for Insurance, Private Pension Plans and Certificated Savings Plans | (3,515,047) | (2,755,811) | (3,964,106) | (3,670,163) | (2,784,647) |
| Retained Claims | (6,126,664) | (5,825,292) | (5,159,188) | (3,980,419) | (3,614,963) |
| Certificated Savings Plans Draws and Redemptions | (1,221,626) | (1,228,849) | (1,223,287) | (1,099,554) | (720,932) |
| Insurance, Private Pension Plans and Certificated Savings Plans Selling Expenses | (1,022,737) | (961,017) | (867,094) | (762,010) | (667,527) |
| Private Pension Plans Benefits and Redemptions Expenses | (2,268,123) | (2,582,351) | (2,130,647) | (2,362,771) | (1,688,639) |
| Personnel Expenses | (5,932,406) | (5,311,560) | (4,969,007) | (4,779,491) | (4,075,613) |
| Other Administrative Expenses | (5,870,030) | (5,142,329) | (4,937,143) | (4,814,204) | (4,028,377) |
| Tax Expenses | (2,149,905) | (1,878,248) | (1,464,446) | (1,054,397) | (847,739) |
| Equity in the Earnings of Affiliated Companies | 72,324 | 76,150 | 163,357 | 5,227 | 64,619 |
| Other Operating Income | 1,420,217 | 1,096,968 | 1,198,532 | 1,697,242 | 1,320,986 |
| Other Operating Expenses | (4,222,808) | (3,404,948) | (2,826,136) | (2,741,279) | (3,147,627) |
| **Operating Income** | **8,667,243** | **7,853,504** | **4,118,111** | **3,553,108** | **2,309,746** |

| | | | | | |
|---|---|---|---|---|---|
| **Non-Operating Income** | **(8,964)** | **(106,144)** | **(491,146)** | **(841,076)** | **186,342** |
| **Income before Taxes on Profit and Interest** | **8,658,279** | **7,747,360** | **3,626,965** | **2,712,032** | **2,496,088** |
| **Taxes on Income** | **(2,286,765)** | **(2,224,455)** | **(554,345)** | **(396,648)** | **(460,263)** |
| **Minority Interest in Consolidated Subsidiaries** | **(9,007)** | **(8,831)** | **(12,469)** | **(9,045)** | **(13,237)** |
| **Net Income** | **6,362,507** | **5,514,074** | **3,060,151** | **2,306,339** | **2,022,588** |
| | | | | | |
| **Profitability on Stockholders' Equity** | **25.83%** | **28.41%** | **20.11%** | **17.02%** | **18.65%** |
| **Net Interest Income/Total Assets** | **7.47%** | **8.28%** | **7.15%** | **7.54%** | **8.03%** |

| | 2006 | | | | 2005 | | | |
|---|---|---|---|---|---|---|---|---|
| | 4th Qtr. | 3rd Qtr. | 2nd Qtr. | 1st Qtr. | 4th Qtr. | 3rd Qtr. | 2nd Qtr. | 1st Qtr. |
| **Revenues from Financial Intermediation** | **9,566,436** | **9,624,065** | **9,678,900** | **8,796,865** | **10,114,120** | **8,371,118** | **6,710,887** | **7,772,028** |
| Loan Operations | 5,112,754 | 5,258,086 | 5,166,814 | 4,517,466 | 5,220,326 | 4,296,030 | 3,478,848 | 3,709,114 |
| Leasing Operations | 192,898 | 174,990 | 151,474 | 133,898 | 128,647 | 133,604 | 95,551 | 86,587 |
| Operations with Securities | 1,716,957 | 1,793,642 | 1,532,264 | 1,047,959 | 2,236,854 | 1,357,055 | 302,896 | 1,655,203 |
| Financial Income on Insurance, Private Pension Plans and Certificated Savings Plans | 1,840,259 | 1,591,834 | 1,622,810 | 1,832,569 | 1,748,960 | 1,515,755 | 1,464,488 | 1,442,010 |
| Derivative Financial Instruments | 290,601 | 303,403 | 528,246 | 801,108 | 118,208 | 586,559 | 923,238 | 355,147 |
| Foreign Exchange Operations | 98,051 | 167,557 | 349,797 | 114,242 | 296,868 | 89,974 | 58,759 | 172,077 |
| Compulsory Deposits | 314,916 | 334,553 | 327,495 | 349,623 | 364,257 | 392,141 | 387,107 | 351,890 |
| **Expenses from Financial Intermediation** | **4,520,722** | **4,756,794** | **4,729,262** | **3,820,327** | **5,510,528** | **4,034,524** | **2,763,910** | **4,110,234** |
| Market Funding Operations | 3,010,976 | 3,430,965 | 3,016,360 | 2,536,410 | 3,713,534 | 2,897,471 | 1,864,385 | 2,809,934 |
| Price-level Restatement and Interest on Technical Provisions for Insurance, Private Pension Plans and Certificated Savings Plans | 1,138,529 | 907,865 | 915,781 | 1,042,648 | 1,050,944 | 872,695 | 901,840 | 939,051 |
| Borrowings and Onlendings | 369,088 | 415,788 | 794,801 | 239,736 | 744,611 | 262,910 | (4,863) | 357,989 |
| Leasing Operations | 2,129 | 2,176 | 2,320 | 1,533 | 1,439 | 1,448 | 2,548 | 3,260 |
| **Net Interest Income** | **5,045,714** | **4,867,271** | **4,949,638** | **4,976,538** | **4,603,592** | **4,336,594** | **3,946,977** | **3,661,794** |
| Allowance for Doubtful | 1,189,941 | 1,168,044 | 1,115,986 | 938,442 | 770,560 | 539,900 | 562,149 | 634,597 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Accounts | | | | | | | | |
| **Gross Income from Financial Intermediation** | **3,855,773** | **3,699,227** | **3,833,652** | **4,038,096** | **3,833,032** | **3,796,694** | **3,384,828** | **3,027,197** |
| **Other Operating Income (Expenses)** | **(1,675,438)** | **(1,542,072)** | **(1,752,656)** | **(1,789,339)** | **(1,807,520)** | **(1,688,151)** | **(1,595,371)** | **(1,452,144)** |
| Fee and Commission Income | 2,423,752 | 2,342,847 | 2,090,735 | 2,040,548 | 2,009,563 | 1,918,367 | 1,759,600 | 1,661,349 |
| Operating Income of Insurance, Private Pension Plans and Certificated Savings Plans | 345,135 | 325,144 | 239,400 | 115,542 | 263,092 | 146,207 | 99,316 | 112,376 |
| Insurance, Private Pension Plans and Certificated Savings Plans Retained Premiums | 4,626,761 | 3,807,017 | 3,287,286 | 3,458,354 | 4,303,785 | 3,546,484 | 3,001,125 | 2,795,695 |
| Net Premiums Written | 5,662,096 | 4,714,041 | 4,249,174 | 4,396,541 | 5,083,889 | 4,314,294 | 3,810,957 | 3,615,722 |
| Reinsurance Premiums and Redeemed Premiums | (1,035,335) | (907,024) | (961,888) | (938,187) | (780,104) | (767,810) | (809,832) | (820,027) |
| Variation of Technical Provisions of Insurance, Private Pension Plans and Certificated Savings Plans | (1,568,675) | (901,468) | (465,746) | (579,158) | (1,318,642) | (739,487) | (279,264) | (91,196) |
| Retained Claims | (1,651,421) | (1,489,845) | (1,476,763) | (1,508,635) | (1,533,502) | (1,462,742) | (1,456,990) | (1,372,058) |
| Certificated Savings Plans Draws and Redemptions | (343,384) | (305,545) | (288,144) | (284,553) | (331,479) | (337,735) | (313,144) | (246,491) |
| Insurance, Private Pension Plans and Certificated | (268,731) | (259,861) | (251,020) | (243,125) | (263,324) | (244,611) | (224,258) | (228,824) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Savings Plans Selling Expenses | | | | | | | | |
| Private Pension Plans Benefits and Redemption Expenses | (449,415) | (525,154) | (566,213) | (727,341) | (593,746) | (615,702) | (628,153) | (744,750) |
| Personnel Expenses | (1,460,199) | (1,584,533) | (1,468,665) | (1,419,009) | (1,361,355) | (1,483,256) | (1,246,226) | (1,220,723) |
| Other Administrative Expenses | (1,671,274) | (1,506,957) | (1,374,340) | (1,317,459) | (1,439,655) | (1,270,824) | (1,239,471) | (1,192,379) |
| Tax Expenses | (577,132) | (532,175) | (532,474) | (508,124) | (523,037) | (454,201) | (446,760) | (403,339) |
| Equity in the Earnings of Affiliated Companies | 30,257 | 7,587 | 29,786 | 4,694 | 7,281 | 64,227 | 10,283 | (5,641) |
| Other Operating Income | 430,410 | 418,941 | 316,150 | 254,716 | 299,948 | 237,711 | 259,469 | 299,840 |
| Other Operating Expenses | (1,196,387) | (1,012,926) | (1,053,248) | (960,247) | (1,063,357) | (846,382) | (791,582) | (703,627) |
| **Operating Income** | **2,180,335** | **2,157,155** | **2,080,996** | **2,248,757** | **2,025,512** | **2,108,543** | **1,789,457** | **1,575,053** |
| **Non-Operating Income** | **(29,038)** | **40,570** | **11,330** | **(31,826)** | **(69,388)** | **(10,149)** | **(20,757)** | **(5,850)** |
| **Income before Taxes on Profit and Interest** | **2,151,297** | **2,197,725** | **2,092,326** | **2,216,931** | **1,956,124** | **2,098,394** | **1,768,700** | **1,569,203** |
| **Taxes on income** | **(530,168)** | **(584,759)** | **(490,445)** | **(681,393)** | **(488,742)** | **(665,871)** | **(350,848)** | **(364,055)** |
| **Minority Interest in Consolidated Subsidiaries** | **(1,580)** | **(2,393)** | **245** | **(5,279)** | **(4,829)** | **(2,294)** | **(1,985)** | **277** |
| **Net Income** | **1,619,549** | **1,610,573** | **1,602,126** | **1,530,259** | **1,462,553** | **1,430,229** | **1,415,867** | **1,205,425** |
| | | | | | | | | |
| **Profitability on Stockholders' Equity (Annualized)** | **29.00%** | **33.04%** | **33.88%** | **33.60%** | **33.72%** | **35.20%** | **36.63%** | **32.50%** |
| **Net Interest Income/Total Assets (Annualized)** | **7.82%** | **8.25%** | **8.80%** | **10.09%** | **8.77%** | **9.21%** | **9.26%** | **8.63%** |

**Recurring Profitability**

Bradesco s Recurring Net Income reached R$6,363 million in 2006, against R$5,514 million reached in 2005, which corresponds to a 15.4% increase. Stockholders Equity amounted to R$24,636 million on December 31, 2006, with a growth of 26.9% compared to the balance of December 31, 2005. Accordingly, the annualized Return on Average Stockholders Equity (ROAE) reached 30.0% . Total Assets added up to R$265.547 million until December 31, 2006, growing 27.2% when compared to the balance of December 31, 2005. The annualized Return on Average Assets (ROAA) in 2006 was 2.7% . Earnings per stock reached R$6.36.

In the 4th quarter of 2006, the Recurring Net Income was R$1,620 million, representing an increase of R$9 million or 0.6% compared to the Net Income of the 3rd quarter of 2006. The annualized Return on Average Stockholders Equity (ROAE) reached 32.3% and the Return on Average Assets (ROAA) was 2.6% . Earnings per stock reached R$1.62.

The 4Q06 showed growth in the income composing the Net Interest Income, composed mainly by higher non-interest results, reaching the amount of R$543 million, a R$225 million increase, compared to 3Q06, deriving, basically from results obtained in Securities and Treasury operations, partly, in 3Q06, from the mark-to-market negative adjustment of the derivative financial instruments used as market risk hedge for loans operations in the country. On the other hand, the result with interest reached the amount of R$4,502 million, a R$47 million decrease in relation to the previous quarter. That decrease is mainly due to the fall in the interest rates, which had a negative impact on the result of several of Bradesco s assets and liabilities, and whose main effect was felt on the demand and savings deposits, effect that was partly offset by the increase in the funding volumes.

The Operating Income from Insurance, Private Pension Plans and Certificated Savings Plans contributed in 4Q06 with an increase of R$18 million, due basically to the improvement in the result of private pension products.

In the 4th quarter of 2006, we could see a slight increase of the general delinquency ratio, which was mitigated by the 6.4% increase in business volume of loan operations of corporate clients, which require a lower level of provisioning. As a result, there was recording of Allowance for Doubtful Accounts, in the amount of R$1,189 million in 4Q06, which results in a R$20 million increase when compared to the recording of R$1,169 million in 3Q06, reaching a level of Allowance for Doubtful Accounts of R$6,646 million on December 31, 2006.

In the 4th quarter of 2006, some extraordinary events occurred (not considered in the Recurring Net Income), such as: we recorded an additional provision in the health portfolio in the amount of R$387 million (R$255 million, net of tax effects), in order to balance the differences between the readjustments in the plans and the correspondent medical and hospital costs, whose effect in the Net Income was mitigated by the activation of fiscal credits of previous periods in the amount of R$194 million and by the result obtained in the sale of our stake in Usiminas in the amount of R$219 million (R$144 million, net of tax effects).

The Operating Efficiency Ratio, in the 12-month period ended on December 31, 2006 was of 42.1%, an increase of 0.3 percentage point when compared to the 12-month period ended on September 30, 2006, which was of 42.4%, and an improvement of 3.5 percentage points when compared to the period ended on December 31, 2005, principally as a result of the combination of strict expense control with permanent efforts for increase in revenue.

The Coverage Ratio in the last 12 months [(fee and commission income)/(personnel expenses + administrative expenses)] improved 1.4 percentage point, increasing from 74.0% in September 2006 to 75.4% in December 2006, and 5.1 percentage points when compared to the 70.3% of December 2005.

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**Results by Business Segment**

Income Breakdown in percentage

N.B: The Balance Sheet and the Statement of Income by Business Segment can be found in Note 5.

**Variation in the Main Statement of Income Items**

2006 compared to 2005 R$ million

(1) Composition: Premiums and Net Contributions of variations in Technical Provisions for Insurance, Private Pension Plans and Certificated Savings Plans deducted from Claims, Redemptions, Benefits and Commissions, not including Financial Income on Insurance activities and price-level restatement and interest on Technical Provisions, which are included in the Net Interest Income.

(2) Composition: Tax Expenses, Equity in the Earnings of Affiliated Companies, Other Operating Income, Other Operating Expenses, Non-Operating Income and Minority Interest in Subsidiaries.

4th Quarter of 2006 compared to the 3rd Quarter of 2006 R$ million

(1) Composition: Premiums and Net Contributions of variations in Technical Provisions for Insurance, Private Pension Plans and Certificated Savings Plans deducted from Claims, Redemptions, Benefits and Commissions, not including Financial Income on Insurance activities and price-level restatement and interest on Technical Provisions, which are included in the Net Interest Income.

(2) Composition: Tax Expenses, Equity in the Earnings of Affiliated Companies, Other Operating Income, Other Operating Expenses, Non-Operating Income and Minority Interest in Subsidiaries.

**Variation in Items Composing the Net Interest Income with Exchange Adjustment**

2006 compared to 2005 R$ million

(1) Includes Revenues from Loan Operations + Income on Leasing Operations + Income on Foreign Exchange Transactions (Note 11a).

(2) Includes Funding Expenses in the Market, excluding Expenses for Purchase and Sale Commitments + Expenses for Borrowings and Onlendings + Income on Compulsory Deposits + Adjustments to Income on Foreign Exchange Transactions (Note 11a).

(3) Includes Result of Operations with Securities, less expenses with Purchase and Sale Commitments + Financial Income on Insurance, Private Pension Plans and Certificated Savings Plans + Income on Derivative Financial Instruments + Adjustments to Income on Foreign Exchange Transactions (Note 11a).

(4) This refers to price-level restatement and interest of Technical Provisions for Insurance, Private Pension Plans and Certificated Savings Plans.

4th Quarter of 2006 compared to the 3rd Quarter of 2006 R$ million

(1) Includes Revenues from Loan Operations + Income on Leasing Operations + Income on Foreign Exchange Transactions (Note 11a).

(2) Includes Market Funding Expenses, excluding Expenses for Purchase and Sale Commitments + Expenses for Borrowings and Onlendings + Income on Compulsory Deposits + Adjustments to Income on Foreign Exchange Transactions (Note 11a).

(3) Includes Result of Operations with Securities, less expenses with Purchase and Sale Commitments + Financial Income on Insurance, Private Pension Plans and Certificated Savings Plans + Income on Derivative Financial Instruments + Adjustments to Income on Foreign Exchange Transactions (Note 11a).

(4) This refers to price-level restatement and interest of Technical Provisions for Insurance, Private Pension Plans and Certificated Savings Plans.

**Analysis of the Adjusted Net Interest Income and Average Rates**

Loan Operations x Income

| R$ million | Years | | 2006 | |
|---|---|---|---|---|
| | 2005 | 2006 | 3rd Qtr. | 4th Qtr. |
| Loan Operations | 63,423 | 79,267 | 80,737 | 84,283 |
| Leasing Operations | 2,027 | 3,185 | 3,377 | 3,743 |
| Advances on Foreign Exchange Contracts | 4,986 | 5,483 | 5,627 | 5,595 |
| 1 Total Average Balance (Quarterly) | 70,436 | 87,935 | 89,741 | 93,621 |
| 2 Income (Loan Operations, Leasing and Exchange) (*) | 17,278 | 20,864 | 5,489 | 5,368 |
| 3 Average Rate Annualized Exponentially (2/1) | 24.5% | 23.7% | 26.8% | 25.0% |

(*) Includes Income from Loan Operations, Net Results from Leasing Operations and adjusted Results on Foreign Exchange Transactions (Note 11a).

Securities (TVM) x Income on TVM

| R$ million | Years | | 2006 | |
|---|---|---|---|---|
| | 2005 | 2006 | 3rd Qtr. | 4th Qtr. |
| Securities | 64,081 | 74,727 | 71,631 | 85,136 |
| Interbank Investments | 23,298 | 27,328 | 30,942 | 30,176 |
| Purchase and Sales Commitments/Liabilities | (22,976) | (32,374) | (32,761) | (41,970) |
| Derivative Financial Instruments | (912) | (558) | (452) | (514) |
| 4 Total Average Balance (Quarterly) | 63,491 | 69,123 | 69,360 | 72,828 |
| 5 Income on Securities (Net of Purchase and Sales Commitments Expenses) (*) | 9,622 | 10,408 | 2,489 | 2,677 |
| 6 Average Rate Annualized Exponentially (5/4) | 15.2% | 15.1% | 15.1% | 15.5% |

(*) Includes Financial Income on Insurance, Private Pension Plans and Certificated Savings Plans, Derivative Financial Instruments and Foreign Exchange adjustment (Note 11a).

Total Assets x Income from Financial Intermediation

| R$ million | Years | | 2006 | |
|---|---|---|---|---|
| | 2005 | 2006 | 3rd Qtr. | 4th Qtr. |
| 7 Total Assets Average Balance (Quarterly) | 196,273 | 232,982 | 237,143 | 254,369 |
| 8 Income from Financial Intermediation | 32,967 | 37,665 | 9,623 | 9,566 |
| 9 Average Rate Annualized Exponentially (8/7) | 16.8% | 16.2% | 17.2% | 15.9% |

Funding x Expenses

| R$ million | Years | | 2006 | |
|---|---|---|---|---|
| | 2005 | 2006 | 3rd Qtr. | 4th Qtr. |
| Deposits | 71,634 | 78,168 | 78,524 | 81,379 |
| Funds from Acceptance and Issuance of Securities | 5,827 | 6,089 | 6,149 | 5,867 |
| Interbank and Interdepartmental Accounts | 1,725 | 1,915 | 1,938 | 2,073 |
| Subordinated Debt | 6,361 | 10,191 | 11,335 | 11,858 |
| 10 Total Funding Average Balance (Quarterly) | 85,547 | 96,363 | 97,946 | 101,177 |
| 11 Expenses (*) | 5,809 | 6,357 | 1,929 | 1,561 |
| 12 Average Rate Annualized Exponentially (11/10) | 6.8% | 6.6% | 8.1% | 6.3% |

(*) Funding Expenses without Repurchase Agreements, less Income on Compulsory Deposits and Foreign Exchange Adjustment (Note 11a).

Provisions for Insurance, Private Pension Plans and Certificated Savings Plans x Expenses

| R$ million | Years | | 2006 | |
|---|---|---|---|---|
| | 2005 | 2006 | 3rd Qtr. | 4th Qtr. |
| 13 Provisions for Insurance, Private Pension Plans and Certificated Savings Plans Average Balance (Quarterly) | 36,925 | 44,441 | 44,833 | 47,421 |
| 14 Expenses (*) | 3,765 | 4,005 | 908 | 1,139 |
| 15 Average Rate Annualized Exponentially (14/13) | 10.2% | 9.0% | 8.3% | 10.0% |

(*) Price-Level Restatement and Interest of Technical Provisions for Insurance, Private Pension Plans and Certificated Savings Plans.

Borrowings and Onlendings (Local and Foreign) x Expenses

| R$ million | Years | | 2006 | |
|---|---|---|---|---|
| | 2005 | 2006 | 3rd Qtr. | 4th Qtr. |
| Borrowings | 7,013 | 6,039 | 5,619 | 5,772 |
| Onlendings | 8,667 | 10,299 | 10,428 | 11,257 |
| 16 Total Borrowings and Onlendings Average Balance (Quarterly) | 15,680 | 16,338 | 16,047 | 17,029 |
| 17 Expenses for Borrowings and Onlendings (*) | 777 | 1,071 | 274 | 300 |
| 18 Average Rate Annualized Exponentially (17/16) | 5.0% | 6.6% | 7.0% | 7.2% |

(*) Includes Foreign Exchange adjustment (Note 11a).

Total Assets x Net Interest Income

| R$ million | Years | | 2006 | |
|---|---|---|---|---|
| | 2005 | 2006 | 3rd Qtr. | 4th Qtr. |
| 19 Total Assets Average Balance (Quarterly) | 196,273 | 232,982 | 237,143 | 254,369 |
| 20 Net Interest Income (*) | 16,548 | 19,838 | 4,867 | 5,045 |
| 21 Average Rate Annualized Exponentially (20/19) | 8.4% | 8.5% | 8.5% | 8.2% |

(*) Gross Income from Financial Intermediation excluding PDD.

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Financial Market Indicators

**Analysis of Net Interest Income**

a) Net Interest Income Adjustment

We show separately the hedge fiscal effect referring to investments abroad in the compared periods, which in terms of Net Income, simply annuls the fiscal effect (IR/CS and PIS/COFINS) of this hedge strategy.

The fiscal effect is caused for the foreign exchange variation of investments abroad is not deductible when there is loss and not taxable when there is gain, while the derivatives result is taxable when it generates gain and deductible when it generates loss.

Thus, the gross hedge result is reflected in the Net Interest Income, in the Results of Derivative Financial Instruments account, and in the Tax Expenses and Taxes on Income accounts, the respective taxes, as shown below:

Hedge Fiscal Effect of Investments Abroad R$ million

| | **Effect in 2005** | | | | **Effect in 2006** | | | |
|---|---|---|---|---|---|---|---|---|
| **Effect in the Accounts** | **Net Interest Income** | **Tax Expenses** | **IR/CS** | **Net Income** | **Net Interest Income** | **Tax Expenses** | **IR/CS** | **Net Income** |
| Partial Result of the Hedge of Investments Abroad | 1.095 | (51) | (355) | 689 | 907 | (42) | (295) | 570 |
| Foreign Exchange Variation of Investments Abroad | (689) | | | (689) | (570) | | | (570) |
| **Total** | **406** | **(51)** | **(355)** | | **337** | **(42)** | **(295)** | |

| | **Effect in the 3rd Quarter of 2006** | | | | **Effect in the 4th Quarter of 2006** | | | |
|---|---|---|---|---|---|---|---|---|
| **Effect in the Accounts** | **Net Interest Income** | **Tax Expenses** | **IR/CS** | **Net Income** | **Net Interest Income** | **Tax Expenses** | **IR/CS** | **Net Income** |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Partial Result of the Hedge of Investments Abroad | (40) | 2 | 13 | (25) | 154 | (7) | (50) | 97 |
| Foreign Exchange Variation of Investments Abroad | 25 | | | 25 | (97) | | | (97) |
| Total | (15) | 2 | 13 | | 57 | (7) | (50) | |

For a better evaluation of Net Interest Income evolution in the periods, the effects of this hedge and the foreign exchange variation of investments abroad in net interest income were excluded, according to the table above, as well as the result of R$327 million reached in the sale of our stake in Belgo-Mineira, occurred in 2005, and the R$219 million result obtained in the sale of stake in Usiminas, occurred in 4Q06, as follows:

Adjusted Net Interest Income

**R$ million**

| | Years | | | 2006 | | |
|---|---|---|---|---|---|---|
| | **2005** | **2006** | **Variation** | **3rd Qtr.** | **4th Qtr.** | **Variation** |
| **Reported Net Interest Income** | **17,281** | **20,394** | **3,113** | **4,852** | **5,321** | **469** |
| (-) Sale Belgo-Mineira | (327) | | 327 | | | |
| (-) Sale Usiminas | | (219) | (219) | | (219) | (219) |
| (-) Hedge/Exchange Variation | (406) | (337) | 69 | 15 | (57) | (72) |
| **Adjusted Net Interest Income** | **16,548** | **19,838** | **3,290** | **4,867** | **5,045** | **178** |
| **% Adjusted over Average Assets** | **8.4%** | **8.5%** | | **8.5%** | **8.2%** | |

b) Comments on the Adjusted Net Interest Income Variation

In the period ended on December 31, 2006, the adjusted net interest income reached R$19,838 million, representing an increase of R$3,290 million or 19.9% compared to the same period of the previous year (R$16,548 million). In 4Q06, the result of the adjusted net interest income reached R$5,045 million, against R$4,867 million in 3Q06, representing a R$178 million increase, or 3.7% in the comparison between quarters.

The analytical opening of the net interest income result among interest and non-interest results is shown below:

Adjusted Net Interest Income Breakdown

**R$ million**

| | | Years | | | 2006 | | |
|---|---|---|---|---|---|---|---|
| | | **2005** | **2006** | **Variation** | **3rd Qtr.** | **4th Qtr.** | **Variation** |
| Net Interest Income | Interest | 15,130 | 17,668 | 2,538 | 4,549 | 4,502 | (47) |
| Net Interest Income | Non-Interest | 1,418 | 2,170 | 752 | 318 | 543 | 225 |
| **Adjusted Net Interest Income** | | **16.548** | **19.838** | **3.290** | **4.867** | **5.045** | **178** |

The adjusted interest net interest income year-to-date result, in relation to the year of 2005, grew by R$2,538 million or 16.8% . Comparing the same result in 4Q06 in relation to the quarter immediately before that, we can observe a slight decrease of R$47 million. Below we detail the products and their respective impacts, trying to highlight the effects of the fall in the spread and of the increment in volumes.

During 2006, the decrease in the CDI rate of 19% in 2005 to 15% in 2006 had a negative impact on the result of several of Bradesco s assets and liabilities, but the main effect took place in the demand and savings deposits. However, a great part of that decrease was offset by the increase in these fundings volumes, since in 2006 the demand deposits and the savings deposits grew by 28.6% and 5.4%, respectively. In the quarterly analysis the same negative spread effect takes place in these fundings, as the CDI rate in 3Q06 was 3.5% and fell to 3.1% in 4Q06, but the growth in the volumes partly offset that decrease, since the demand deposits and the savings deposits grew by 16.6% and 8.6%, respectively.

The growth in the balance of loan operations also contributed to the increase in the net interest income, since at the end of 4Q06 the amount of the loan operations reached R$96.2 billion, representing a 4.6% expansion in 4Q06 and an 18.6% growth in the last twelve months.

In 4Q06, the growth in the credits granted to companies was superior to the ones granted to individuals (the contrary happened in the year-to-date), i.e., the operations with companies grew by 6.4%, whereas those with individuals grew by 2.0% in this quarter. The portfolios aimed at companies that showed the best performances and contributed positively to the increase in the net interest income are: the guaranteed checking account operations, working capital, securities cashing, leasing and onlendings from the National Bank for Economic and Social Development (BNDES).

Although credits for individuals in the last quarters presented a growth pace slowdown, when analyzing the year-to-date figures we can observe a 19.2% growth (without considering the acquired loan portfolios, the growth would be 27.1%), whereas the operations aimed at companies grew by 18.2% . The operations with individuals that stood out this year were the consumption financing operations, especially vehicle financing operations, personal credit, leasing, credit card and assets financing, which showed a 4.9% growth in the quarter, reaching the amount of R$35.4 billion in December 2006.

The growth of these operations is a lot associated to the growth of the client base that during 2006 started integrating 333 thousand new individuals accounts and 28 thousand new companies accounts, product of the strong presence of Bradesco brand name in the Brazilian market and result of a good management focusing on the clients, basically due to ripening the segmentation process of client base, where Bradesco tries to cater for all market niches in a personalized manner, respecting the characteristics of each client segment.

The increase in the volume of operations has been a fundamental factor for the restructuring of the net interest income due to the global decrease of spreads. Thus, Bradesco constantly searches for strategic positioning by means of the expansion of the client base and consequent growth of operating volumes, focused on the sustainable extension of the net interest income.

Comparing the quarterly history since 2005, it can be observed that the interest net interest income result showed a constant growth during the last seven quarters, despite the slight reduction in 4Q06. The annualized net interest income rate of interest in the last two quarters of 2006 has presented a retraction due, mostly, to the CDI rate drop, as observed, which directly influenced the remuneration of own working capital, technical provisions of insurance, private pension plans and certificated savings plans, funding and floating. Another factor that reduced the margin rate was the largest contribution of corporate entities in the loan operation that present spreads smaller when compared to individual clients, but, on the other hand, require a lower provisioning level.

The result of the adjusted net interest income coming from non-interest results in 4Q06 showed an increase of R$225 million motivated by lower gains with TVM and treasury in 3Q06, resulting, partly, from the mark-to-market negative adjustment of the derivative financial instruments used as market risk hedge for loan operations in the country. When analyzing the evolution of the twelve-month period of 2006 compared to the same period of the previous year, we can see an increase of R$ 752 million, basically due to gains with TVM and treasury in 2006.

**Allowance for Doubtful Accounts (PDD)**

PDD Evolution

**R$ million**

| | 2005 | | | 2006 | | |
|---|---|---|---|---|---|---|
| | **3rd Qtr.** | **4th Qtr.** | **Year** | **3rd Qtr.** | **4th Qtr.** | **Year** |
| **Opening Balance** | **4,450** | **4,647** | **4,145** | **5,833** | **6,215** | **4,959** |
| Amount Recorded | 540 | 770 | 2,507 | 1,168 | 1,190 | 4,412 |
| Amount Written-off | (343) | (458) | (1,693) | (786) | (759) | (2,827) |
| Balance Derived from Acquired Institutions | | | | | | 102 |
| **Closing Balance** | **4,647** | **4,959** | **4,959** | **6,215** | **6,646** | **6,646** |
| Specific Allowance | 2,053 | 2,288 | 2,288 | 3,290 | 3,635 | 3,635 |
| Generic Allowance | 1,642 | 1,657 | 1,657 | 1,833 | 1,911 | 1,911 |
| Exceeding Allowance | 952 | 1,014 | 1,014 | 1,092 | 1,100 | 1,100 |
| **Credit Recoveries** | **174** | **193** | **682** | **166** | **197** | **638** |

PDD on Loan and Leasing Operations

**R$ million**

| | 2005 | | 2006 | |
|---|---|---|---|---|
| | **September** | **December** | **September** | **December** |
| PDD (A) | 4,647 | 4,959 | 6,215 | 6,646 |
| Loan Operations (B) | 75,244 | 81,130 | 92,013 | 96,219 |
| PDD over Loan Operations (A/B) | 6.2% | 6.1% | 6.8% | 6.9% |

Coverage Ratio PDD/Abnormal Course Loans (E to H)

**R$ million**

| | 2005 | | 2006 | |
|---|---|---|---|---|
| | **September** | **December** | **September** | **December** |
| (1) Total Allowance | 4,647 | 4,959 | 6,215 | 6,646 |
| (2) Abnormal Course Loans (E-H) | 2,426 | 2,714 | 3,983 | 4,390 |
| Coverage Ratio (1/2) | 191.5% | 182.7% | 156.0% | 151.4% |

Coverage Ratio Non Performing Loans (NPL) (*)

**R$ million**

| | 2005 | | 2006 | |
|---|---|---|---|---|
| | **September** | **December** | **September** | **December** |
| (1) Total Allowance | 4,647 | 4,959 | 6,215 | 6,646 |
| (2) Non Performing Loans | 2,341 | 2,702 | 3,889 | 4,284 |
| NPL Ratio (1/2) | 198.5% | 183.5% | 159.8% | 155.1% |

(*) Loan Operations Overdue for more than 59 days and which do not generate income under the accrual method of accounting.

For further information on Allowance for Doubtful Accounts (PDD), see pages 82 to 86 of this Report.

**Fee and Commission Income**

| | R$ million | | | | | |
|---|---|---|---|---|---|---|
| | 2005 | | | 2006 | | |
| | 3rd Qtr. | 4th Qtr. | Year | 3rd Qtr. | 4th Qtr. | Year |
| Checking Accounts | 454 | 490 | 1,758 | 532 | 547 | 2,084 |
| Card Income | 335 | 371 | 1,301 | 514 | 541 | 1,758 |
| Loan Operations | 334 | 348 | 1,289 | 393 | 411 | 1,543 |
| Assets under Management | 276 | 275 | 1,048 | 327 | 309 | 1,245 |
| Charging | 178 | 180 | 687 | 191 | 198 | 752 |
| Interbank Fees | 69 | 71 | 271 | 70 | 76 | 289 |
| Collection | 54 | 56 | 206 | 66 | 68 | 254 |
| Consortium Purchase Plan Management | 40 | 45 | 148 | 52 | 58 | 202 |
| Custody and Brokerage Services | 35 | 34 | 126 | 39 | 42 | 158 |
| Other | 143 | 140 | 515 | 159 | 174 | 613 |
| **Total** | **1,918** | **2,010** | **7,349** | **2,343** | **2,424** | **8,898** |

Fee and Commission Income increased 21.1 % in the nine-month period of 2006, or a R$1,549 million growth when compared to the same period of the previous year, amounting to R$8,898 million.

Major components for growth of Fee and Commission Income were in the periods:

- the growth of 35.1%, represented by the increase of R$457 million in the item Cards (including R$235 related to the consolidation of Amex Brasil) is directly related to the increase of 21.8% of the cards base, from 47.6 million to 58.0 million, influenced by the consolidation of Amex Brasil;

- the strategy of client segmentation (Private, Prime, Corporate, Middle Market and Retail), jointly with the tariff realignment and client base growth boosted the item Checking Accounts , up by R$326 million;

- the increase in the volume of Loan Operations, especially to individuals, with highlights to the products Personal Loan and Vehicles , which was the major factor for the increase in the item Revenues from Loan Operations , with a R$253 million improvement; and

- the volume growth of 21.4% in managed funds, from R$121.2 billion on December 31, 2005 to R$147.1 billion on December 31, 2006, which was the main reason for the growth in the item Assets under Management , which increased by R$198 million.

When compared to the previous quarter, Fee and Commission Income showed an expansion of 3.5%, with a R$81 million growth, as a result of the increased volume of businesses in 4Q06, pointing out increases of 5.3%, 4.3%, 3.7% and 2.8%, respectively, in the items Credit Cards R$27 million, Loan Operations R$17 million, Charging R$7 million and Checking Accounts R$15 million.

**Administrative and Personnel Expenses**

| | R$ million | | | | | |
|---|---|---|---|---|---|---|
| | 2005 | | | 2006 | | |
| | 3rd Qtr. | 4th Qtr. | Year | 3rd Qtr. | 4th Qtr. | Year |
| **Administrative Expenses** | | | | | | |
| Third-Party Services | 251 | 252 | 950 | 334 | 344 | 1,200 |
| Communications | 183 | 187 | 727 | 203 | 213 | 792 |
| Transportation | 104 | 111 | 420 | 135 | 148 | 535 |
| Advertising and Promotions | 79 | 203 | 439 | 114 | 223 | 534 |
| Depreciation and Amortization | 108 | 134 | 469 | 129 | 130 | 481 |
| Financial System Services | 105 | 110 | 416 | 113 | 121 | 458 |
| Rentals | 81 | 83 | 320 | 92 | 94 | 350 |
| Maintenance and Repairs | 71 | 67 | 275 | 75 | 74 | 291 |
| Data Processing | 50 | 58 | 196 | 67 | 87 | 268 |
| Leasing of Assets | 55 | 51 | 236 | 53 | 52 | 215 |
| Security and Vigilance | 37 | 38 | 148 | 46 | 45 | 173 |
| Materials | 48 | 45 | 174 | 45 | 45 | 172 |
| Water, Electricity and Gas | 34 | 37 | 143 | 37 | 41 | 160 |
| Travel | 14 | 16 | 56 | 17 | 19 | 71 |
| Other | 51 | 47 | 173 | 47 | 35 | 170 |
| **Total** | **1,271** | **1,439** | **5,142** | **1,507** | **1,671** | **5,870** |
| | | | | | | |
| **Personnel Expenses** | | | | | | |
| Remuneration | 650 | 671 | 2,575 | 754 | 709 | 2,857 |
| Social Charges | 236 | 243 | 954 | 269 | 257 | 1,031 |
| Benefits | 285 | 312 | 1,136 | 316 | 344 | 1,261 |
| Bonus Lump-sum payment | 103 | | 103 | | | |
| Employee Profit Sharing | 80 | 64 | 287 | 155 | 70 | 415 |
| Provision for Labor Proceedings | 114 | 59 | 205 | 74 | 61 | 310 |
| Training | 15 | 13 | 52 | 16 | 19 | 58 |
| **Total** | **1,483** | **1,362** | **5,312** | **1,584** | **1,460** | **5,932** |
| | | | | | | |
| **Total Administrative and Personnel Expenses** | **2,754** | **2,801** | **10,454** | **3,091** | **3,131** | **11,802** |

In 2006, the Administrative and Personnel Expenses showed a R$1,348 million increase when compared to 2005, reaching the amount of R$11,802 million against R$10,454 million in the same period of 2005. The nominal variation of Administrative Expenses between 2005 and 2006 shows a R$728 million increase, reaching the amount of R$5,870 million, mainly due to: (i) the increase in the client base; (ii) the consolidation of BEC/Amex in 2006; (iii) the contractual adjustments in the period; and (iv) the investments in the improvement and optimization of the technological platform.

Personnel Expenses increased R$620 million when compared to the same period of 2005, reaching R$5,932 million, mainly: (i) the increase in the salary levels, resulting from the Collective Bargaining Agreement of 2006, which impacted expenses in R$54 million, of which R$14 million to labor liabilities, and R$40 million to payroll increase;

(ii) higher expenses with provision for labor proceedings R$105 million; (iii) the consolidation of BEC/Fidelity/Amex Brasil R$157 million; (iv) higher PLR expenses R$127 million, including R$63 million referring to supplementary PLR; and (v) the increase in salary levels coming from the collective bargaining agreement of 2005 (6.0%), benefits and other R$177 million.

When compared to the previous quarter, Administrative and Personnel Expenses increased R$40 million, with a growth of 1.3%, from R$3,091 million in 3Q06 to R$3,131 million in 4Q06.

Administrative Expenses increased by R$164 million compared to the previous quarter, basically due to higher expenses with: (i) seasonal increase of advertising expenses R$109 million; (ii) data processing R$ 22 million; and (iii) transportation R$13 million.

Personnel Expenses in 4Q06 decreased by R$124 million, basically due to: (i) lower PLR expenses of R$70 million in 4Q06 against R$155 million in 3Q06, including R$63 million referring to supplementary PLR (ii) lower expenses with provisions for labor proceedings of R$13 million; and offset: (iii) by the increase in salary levels resulting from the 2006 collective bargaining agreement (3.5%) which affected expenses by R$6 million, R$30 million of payroll increase in 4Q06, against R$10 million of payroll increase and R$14 million of labor liabilities restatement in 3Q06.

**Operating Efficiency**

| | R$ million | | | | | |
|---|---|---|---|---|---|---|
| | Years | | | | 2006 (*) | |
| | **2002** | **2003** | **2004** | **2005** | **September** | **December** |
| Personnel Expenses | 4,076 | 4,779 | 4,969 | 5,312 | 5,834 | 5,932 |
| Employee Profit Sharing | (140) | (170) | (182) | (287) | (409) | (415) |
| Other Administrative Expenses | 4,028 | 4,814 | 4,937 | 5,142 | 5,638 | 5,870 |
| **Total (1)** | **7,964** | **9,423** | **9,724** | **10,167** | **11,063** | **11,387** |
| Net Interest Income | 11,472 | 13,282 | 13,231 | 16,550 | 19,396 | 19,838 |
| Fee and Commission Income | 3,712 | 4,557 | 5,824 | 7,349 | 8,484 | 8,898 |
| **Subtotal Insurance, Private Pension Plans and Certificated Savings Plans** | **658** | **(149)** | **(60)** | **621** | **944** | **1,025** |
| Insurance, Private Pension Plans and Certificated Savings Plans Retained Premiums | 10,135 | 11,726 | 13,284 | 13,647 | 14,857 | 15,180 |
| Variation in Technical Provisions for Insurance, Private Pension Plans and Certificated Savings | (2,785) | (3,670) | (3,964) | (2,429) | (3,265) | (3,515) |
| Retained Claims | (3,615) | (3,980) | (5,159) | (5,825) | (6,008) | (6,127) |
| Certificated Savings Plans Draws and Redemptions | (721) | (1,100) | (1,223) | (1,229) | (1,210) | (1,222) |
| Insurance, Private Pension Plans and Certificated Savings Plans Selling Expenses | (667) | (762) | (867) | (961) | (1,018) | (1,023) |
| Expenses with Private Pension Plan Benefits and Redemptions | (1,689) | (2,363) | (2,131) | (2,582) | (2,412) | (2,268) |
| Equity in the Earnings of Affiliated Companies | 65 | 5 | 163 | 76 | 49 | 72 |
| Other Operating Expenses | (3,148) | (2,741) | (2,826) | (3,405) | (4,090) | (4,223) |
| Other Operating Income | 1,321 | 1,697 | 1,198 | 1,097 | 1,290 | 1,420 |
| **Total (2)** | **14,080** | **16,651** | **17,530** | **22,288** | **26,073** | **27,030** |
| **Operating Efficiency Ratio (%) = (1/2)** | **56.6** | **56.6** | **55.5** | **45.6** | **42.4** | **42.1** |

(*) Year-to-date amounts based on the statement of recurring income.

Operating Efficiency Ratio in percentage

The Operating Efficiency Ratio (year-to-date) up to December 2006 was 42.1%, an improvement of 0.3 percentage point compared to the 12-month period ended in September 2006. Such improvement is basically explained as a result of the expense control, especially administrative and personnel expenses, coupled with the permanent efforts for increase in revenues. It is also worth mentioning the higher net interest income in the amount of R$442 million, basically stemming from the interest component, stimulated by an increment in business volume, with highlights to an increase in the volume of loan operations for individuals, mainly focused on consumer sales and personal loan financing, the profitability of which is higher if compared to the corporate loans, and increased fee and commission income, in the amount of R$414 million, as a result of increase in the average volume of transactions of fee realignment and the segmentation process.

The Operating Efficiency Ratio (year-to-date) up to December 2006 posted a significant improvement of 3.5 percentage points, from 45.6% in December 2005 to 42.1% in December 2006, due to, basically, the effective control of expense accounts, especially, personnel and administrative expenses, which in the last 12 months evolved 12.9% . Another factor worth highlighting in the improvement of the efficiency ratio was the 19.9% evolution of net interest income in the period under comparison, mainly the higher revenues from loan operations at 20.8%, boosted by an increase in the loan portfolio volume, particularly, the individual client portfolio.

The Coverage Ratio accumulated in the last 12 months (fee and commission income)/(personnel expenses + administrative expenses) improved 1.4 percentage point, increasing from 74.0% in September 2006 to 75.4% in December 2006.

Administrative + Personnel Expenses and Fee and Commission Income (year-to-date)

**Other Indicators**

## 3 - Main Balance Sheet Information

**Consolidated Balance Sheet** R$ thousand

| Assets | December | | | | |
|---|---|---|---|---|---|
| | **2006** | **2005** | **2004** | **2003** | **2002** |
| **Current and Long-term assets** | **262,054,823** | **204,325,065** | **180,038,498** | **171,141,348** | **137,301,711** |
| **Funds Available** | **4,761,972** | **3,363,041** | **2,639,260** | **2,448,426** | **2,785,707** |
| **Interbank Investments** | **25,989,190** | **25,006,158** | **22,346,721** | **31,724,003** | **21,472,756** |
| Open Market Investments | 20,617,520 | 19,615,744 | 15,667,078 | 26,753,660 | 19,111,652 |
| Interbank Deposits | 5,372,658 | 5,390,726 | 6,682,608 | 4,970,343 | 2,370,345 |
| Allowance for Losses | (988) | (312) | (2,965) | | (9,241) |
| **Securities and Derivative Financial Instruments** | **97,249,959** | **64,450,808** | **62,421,658** | **53,804,780** | **37,003,454** |
| Own Portfolio | 72,052,850 | 59,324,858 | 51,255,745 | 42,939,043 | 29,817,033 |
| Subject to Repurchase Agreements | 15,352,073 | 1,051,665 | 4,807,769 | 5,682,852 | 1,497,383 |
| Derivative Financial Instruments | 549,065 | 474,488 | 397,956 | 232,311 | 238,839 |
| Restricted Deposits - Brazilian Central Bank | 440,235 | 2,506,172 | 4,512,563 | 3,109,634 | 3,536,659 |
| Privatization Currencies | 70,716 | 98,142 | 82,487 | 88,058 | 77,371 |
| Subject to Collateral Provided | 765,129 | 995,483 | 1,365,138 | 1,752,882 | 1,836,169 |
| Securities Purpose of Unrestricted Purchase and Sale Commitments | 8,019,891 | | | | |
| **Interbank Accounts** | **19,124,806** | **16,922,165** | **16,087,102** | **14,012,837** | **12,943,432** |
| Unsettled Receipts and Payments | 50,945 | 39,093 | 22,075 | 20,237 | 16,902 |
| Restricted Credits: | | | | | |
| Restricted Deposits - Brazilian Central Bank | 18,664,706 | 16,444,866 | 15,696,154 | 13,580,425 | 12,519,635 |
| National Treasury - Rural Credit | 578 | 578 | 578 | 578 | 578 |
| SFH | 405,465 | 396,089 | 335,320 | 391,871 | 374,177 |
| Correspondent Banks | 3,112 | 41,539 | 32,975 | 19,726 | 32,140 |
| **Interdepartmental Accounts** | **186,338** | **172,831** | **147,537** | **514,779** | **191,739** |
| Internal Transfer of Funds | 186,338 | 172,831 | 147,537 | 514,779 | 191,739 |
| **Loan Operations** | **79,714,969** | **68,328,802** | **51,890,887** | **42,162,718** | **39,705,279** |
| Loan Operations: | | | | | |
| Public Sector | 784,870 | 821,730 | 536,975 | 186,264 | 254,622 |
| Private Sector | 85,315,248 | 72,205,630 | 55,242,348 | 45,768,970 | 42,842,693 |
| Allowance for Doubtful Accounts | (6,385,149) | (4,698,558) | (3,888,436) | (3,792,516) | (3,392,036) |
| **Leasing Operations** | **3,751,558** | **2,411,299** | **1,556,321** | **1,306,433** | **1,431,166** |
| Leasing Receivables | | | | | |
| Public Sector | 152,125 | 66,237 | | | 45 |
| Private Sector | 7,231,519 | 4,896,717 | 3,237,226 | 2,859,533 | 3,141,724 |
| Unearned Income from Leasing | (3,472,246) | (2,444,596) | (1,576,690) | (1,438,534) | (1,560,278) |
| Allowance for Leasing Losses | (159,840) | (107,059) | (104,215) | (114,566) | (150,325) |
| **Other receivables** | **29,302,217** | **22,106,013** | **21,664,592** | **24,098,765** | **20,690,054** |
| Receivables on Sureties and Guarantees Honored | 38 | | 811 | 624 | 1,577 |
| Foreign Exchange Portfolio | 7,946,062 | 6,937,144 | 7,336,806 | 11,102,537 | 10,026,298 |
| Receivables | 175,570 | 183,015 | 197,120 | 331,064 | 249,849 |

| | | | | | |
|---|---|---|---|---|---|
| Negotiation and Intermediation of Amounts | 709,034 | 1,124,197 | 357,324 | 602,543 | 175,185 |
| Insurance Premiums Receivable | 1,257,298 | 1,073,002 | 988,029 | 889,358 | 718,909 |
| Sundry | 19,315,264 | 12,941,687 | 12,937,408 | 11,324,857 | 9,640,966 |
| Allowance for Other Doubtful Accounts | (101,049) | (153,032) | (152,906) | (152,218) | (122,730) |
| **Other Assets** | **1,973,814** | **1,563,948** | **1,284,420** | **1,068,607** | **1,078,124** |
| Other Assets | 369,099 | 367,688 | 477,274 | 586,994 | 679,515 |
| Provisions for Devaluations | (189,591) | (180,941) | (230,334) | (257,185) | (243,953) |
| Prepaid Expenses | 1,794,306 | 1,377,201 | 1,037,480 | 738,798 | 642,562 |
| **Permanent Assets** | **3,492,450** | **4,357,865** | **4,887,970** | **4,956,342** | **5,483,319** |
| **Investments** | **696,582** | **984,970** | **1,101,174** | **862,323** | **512,720** |
| Interest in Affiliated Companies: | | | | | |
| Local | 403,033 | 438,819 | 496,054 | 369,935 | 395,006 |
| Other investments | 651,568 | 895,836 | 971,311 | 857,985 | 439,342 |
| Allowance for losses | (358,019) | (349,685) | (366,191) | (365,597) | (321,628) |
| **Property, Plant and Equipment in Use** | **2,136,783** | **1,985,571** | **2,270,497** | **2,291,994** | **2,523,949** |
| Buildings in Use | 1,055,640 | 1,115,987 | 1,357,063 | 1,398,735 | 1,748,409 |
| Other Fixed Assets | 4,101,918 | 3,644,874 | 3,604,741 | 3,480,636 | 3,459,950 |
| Accumulated Depreciation | (3,020,775) | (2,775,290) | (2,691,307) | (2,587,377) | (2,684,410) |
| **Leased Assets** | **16,136** | **9,323** | **18,951** | **34,362** | **34,323** |
| Leased Assets | 25,142 | 23,161 | 58,463 | 63,812 | 51,198 |
| Accumulated Depreciation | (9,006) | (13,838) | (39,512) | (29,450) | (16,875) |
| **Deferred Charges** | **642,949** | **1,378,001** | **1,497,348** | **1,767,663** | **2,412,327** |
| Organization and Expansion Costs | 1,593,771 | 1,315,881 | 1,170,866 | 1,124,058 | 1,037,559 |
| Accumulated Amortization | (950,822) | (785,364) | (699,710) | (572,620) | (568,525) |
| Goodwill on Acquisition of Subsidiaries, Net of Amortization | | 847,484 | 1,026,192 | 1,216,225 | 1,943,293 |
| **Total** | **265,547,273** | **208,682,930** | **184,926,468** | **176,097,690** | **142,785,030** |

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| Liabilities | December | | | | |
|---|---|---|---|---|---|
| | 2006 | 2005 | 2004 | 2003 | 2002 |
| **Current and Long-term liabilities** | **240,673,011** | **189,163,465** | **169,596,632** | **162,406,307** | **131,652,394** |
| **Deposits** | **83,905,213** | **75,405,642** | **68,643,327** | **58,023,885** | **56,363,163** |
| Demand Deposits | 20,526,800 | 15,955,512 | 15,297,825 | 12,909,168 | 13,369,917 |
| Savings Deposits | 27,612,587 | 26,201,463 | 24,782,646 | 22,140,171 | 20,730,683 |
| Interbank Deposits | 290,091 | 145,690 | 19,499 | 31,400 | 23,848 |
| Time Deposits | 34,924,541 | 32,836,656 | 28,459,122 | 22,943,146 | 22,238,715 |
| Other Deposits | 551,194 | 266,321 | 84,235 | | |
| **Federal Funds Purchased and Securities Sold under Agreements to Repurchase** | **47,675,433** | **24,638,884** | **22,886,403** | **32,792,725** | **16,012,965** |
| Own Portfolio | 36,595,268 | 12,690,952 | 8,248,122 | 6,661,473 | 915,946 |
| Third-party Portfolio | 3,471,383 | 11,947,932 | 14,430,876 | 17,558,740 | 12,188,054 |
| Unrestricted Portfolio | 7,608,782 | | 207,405 | 8,572,512 | 2,908,965 |
| **Acceptances and issuance of securities** | **5,636,279** | **6,203,886** | **5,057,492** | **6,846,896** | **3,136,842** |
| Exchange Acceptances | | | | | 1,214 |
| Mortgage Notes | 857,697 | 847,508 | 681,122 | 1,030,856 | 384,727 |
| Debentures Funds | 2,603,194 | 2,624,899 | | 7,291 | 100,369 |
| Securities Issued Abroad | 2,175,388 | 2,731,479 | 4,376,370 | 5,808,749 | 2,650,532 |
| **Interbank Accounts** | **5,814** | **139,193** | **174,066** | **529,332** | **606,696** |
| Interbank Onlendings | | | | 159,098 | 35,686 |
| Correspondent Banks | 5,814 | 139,193 | 174,066 | 370,234 | 571,010 |
| **Interdepartmental Accounts** | **2,225,711** | **1,900,913** | **1,745,721** | **1,782,068** | **1,337,729** |
| Third-party Funds in Transit | 2,225,711 | 1,900,913 | 1,745,721 | 1,782,068 | 1,337,729 |
| **Borrowings** | **5,777,906** | **7,135,327** | **7,561,395** | **7,223,356** | **9,390,630** |
| Local Borrowings Official Institutions | 778 | 1,088 | 1,376 | 2,070 | 3,368 |
| Local Borrowings Other Institutions | 44,447 | 18 | 11,756 | 4,010 | 216,812 |
| Foreign Currency Borrowings | 5,732,681 | 7,134,221 | 7,548,263 | 7,217,276 | 9,170,450 |
| **Local Onlending official institutions** | **11,640,969** | **9,427,571** | **8,355,398** | **7,554,266** | **7,000,046** |
| National Treasury | 99,073 | 52,318 | 72,165 | 51,398 | 62,187 |
| BNDES | 5,532,018 | 4,237,973 | 3,672,007 | 3,403,462 | 3,437,319 |
| CEF | 69,909 | 59,588 | 395,820 | 459,553 | 453,803 |
| FINAME | 5,938,037 | 5,075,232 | 4,211,762 | 3,638,966 | 3,045,176 |
| Other institutions | 1,932 | 2,460 | 3,644 | 887 | 1,561 |
| **Foreign Onlendings** | **170** | **183** | **42,579** | **17,161** | **47,677** |
| Foreign Onlendings | 170 | 183 | 42,579 | 17,161 | 47,677 |
| **Derivative Financial Instruments** | **519,004** | **238,473** | **173,647** | **52,369** | **576,697** |
| **Provisions for Insurance, Private Pension Plans and Certificated Savings Plans** | **49,129,214** | **40,862,555** | **33,668,654** | **26,408,952** | **19,155,479** |
| **Other Liabilities** | **34,157,298** | **23,210,838** | **21,287,950** | **21,175,297** | **18,024,470** |
| Collection of Taxes and Other Contributions | 175,838 | 156,039 | 204,403 | 130,893 | 108,388 |
| Foreign Exchange Portfolio | 2,386,817 | 2,206,952 | 3,011,421 | 5,118,801 | 5,002,132 |
| Social and Statutory Payables | 190,916 | 1,254,651 | 900,266 | 851,885 | 666,409 |
| Fiscal and Pension Plans Activities | 8,014,520 | 5,041,312 | 4,495,387 | 4,781,458 | 4,376,031 |

| | | | | | |
|---|---|---|---|---|---|
| Negotiation and Intermediation of Amounts | 422,232 | 893,957 | 312,267 | 595,958 | 109,474 |
| Financial and Development Funds | 876 | | | | |
| Subordinated Debt | 11,949,457 | 6,719,305 | 5,972,745 | 4,994,810 | 3,321,597 |
| Sundry | 11,016,642 | 6,938,622 | 6,391,461 | 4,701,492 | 4,440,439 |
| **Future Taxable Income** | **180,460** | **52,132** | **44,600** | **31,774** | **15,843** |
| Future Taxable Income | 180,460 | 52,132 | 44,600 | 31,774 | 15,843 |
| **Minority Interest in Consolidated Subsidiary** | **57,440** | **58,059** | **70,590** | **112,729** | **271,064** |
| **Stockholders' equity** | **24,636,362** | **19,409,274** | **15,214,646** | **13,546,880** | **10,845,729** |
| Capital: | | | | | |
| Local Residents | 13,162,481 | 11,914,375 | 6,959,015 | 6,343,955 | 4,960,425 |
| Foreign Residents | 1,037,519 | 1,085,625 | 740,985 | 656,045 | 239,575 |
| Realizable capital | | | (700,000) | | |
| Capital Reserves | 55,005 | 36,032 | 10,853 | 8,665 | 7,435 |
| Profit Reserves | 8,787,106 | 5,895,214 | 7,745,713 | 6,066,640 | 5,715,317 |
| Mark-to-market adjustment Securities and Derivatives | 1,644,661 | 507,959 | 458,080 | 478,917 | 9,152 |
| Treasury Stock | (50,410) | (29,931) | | (7,342) | (86,175) |
| **Stockholders' equity managed by parent company** | **24,693,802** | **19,467,333** | **15,285,236** | **13,659,609** | **11,116,793** |
| **Total** | **265,547,273** | **208,682,930** | **184,926,468** | **176,097,690** | **142,785,030** |

The Notes are an integral part of the Financial Statements.

**Total Assets by Currency and Maturity**

Total Assets by Currency R$ million

Total Assets by Maturity R$ million

**Securities**

Summary of the Classification of Securities

| | R$ million | | | | | |
|---|---|---|---|---|---|---|
| | **Financial** | **Insurance/ Certificated Savings Plans** | **Private Pension Plans** | **Other Activities** | **Total** | **%** |
| Trading Securities | 28,861 | 5,813 | 23,354 | 466 | 58,494 | 66.1 |
| Securities Available for Sale | 7,607 | 4,964 | 14,160 | 26 | 26,757 | 30.2 |
| Securities Held to Maturity | 1,040 | | 2,188 | | 3,228 | 3.7 |
| **Subtotal** | **37,508** | **10,777** | **39,702** | **492** | **88,479** | **100.0** |
| Purchase and Sale Commitments | 2,956 | 624 | 5,191 | | 8,771 | |
| **Total on December 31, 2006** | **40,464** | **11,401** | **44,893** | **492** | **97,250** | |
| **Total on September 30, 2006** | **19,866** | **11,002** | **41,696** | **458** | **73,022** | |
| **Total on December 31, 2006** | **17,777** | **9,545** | **36,765** | **364** | **64,451** | |

Composition of Securities by Issuance

| | R$ million | | | |
|---|---|---|---|---|
| **Securities** | **2005** | | **2006** | |
| | **September** | **December** | **September** | **December** |
| Government | 30,967 | 28,449 | 31,957 | 51,479 |
| Private | 13,623 | 13,944 | 13,117 | 14,831 |
| PGBL/VGBL | 11,420 | 16,176 | 21,761 | 22,169 |
| **Subtotal** | **56,010** | **58,569** | **66,835** | **88,479** |
| **Purchase and Sale Commitments:** | **8,238** | **5,882** | **6,187** | **8,771** |
| Funds | 2,102 | 1,914 | 3,611 | 3,996 |
| PGBL / VGBL | 6,136 | 3,968 | 2,576 | 4,775 |
| **Total** | **64,248** | **64,451** | **73,022** | **97,250** |

Classification of Securities by Segment in percentage

N.B.: The Composition of Securities Portfolio consolidated by: issuer, maturity, business segment and by category can be found in Note 8.

**Loan Operations**

The consolidated balance of loan operations (according to the concept defined by BACEN which does not include debentures, guarantees, credit letters, interbank deposit certificates etc.) reached at the end of 4Q06 a total of R$96.2 billion, representing a 4.6% increase compared to 3Q06 and an 18.6% growth in 2006. Growth in the total loan portfolio was negatively impacted by the reduction of the balances of the loan acquisition and operating agreements operations, taking into consideration the reduction of the demand of this kind of product, once the market has found other financing alternatives outside the banking market. If the effect of such modalities is not considered, the evolution of the loan portfolio in 2006 would be 1.9 p.p higher.

Growth in the loan portfolio of Bradesco Conglomerate continued to be more intense in operations for individual clients in 2006, especially in the vehicle financing and personal loan portfolios. In the corporate businesses, it is worth highlighting the long-term financings and business turnover.

Loan Operations Total Portfolio

Loan Operations by Currency (in percentage)

The loans and onlendings balance indexed and/or denominated in foreign currency (excluding ACCs) reached the amount of U$4.3 billion in December 2006, showing a growth of 9.4% in dollars in the last quarter and of 7.6% in Reais, due mainly to the higher volume of operations carried out in Branches and Subsidiaries abroad. In 2006, the growth was 39.3% and 27.3%, respectively.

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Loan Operations By Purpose

The loan expansion for individuals continued showing a reduction in intensity, with evolution of 2.0% in 4Q06, accruing 19.2% in 2006. The main reason for the portfolio growth this quarter was the vehicles financing type.

Loan Operations Individual

We highlight in the loan portfolio for individuals the consumer financing (vehicles, personal loan, leasing, credit card and assets financing), which reached the amount of R$35.3 billion in December 2006, showing a 4.6% growth in the quarter and 26.6% in the year.

Vehicle financing, which remained with the highest volume of loans, aligned to the consigned loans that are linked to payroll charges, for its guarantees and characteristics, provided the portfolio with an adequate loan risk level.

Loan Operations Consumer Financing

(*) Credit Card: involves revolving credit, installments paid by the establishment, and uninvoiced cash payments.

The growth pace of loans granted to companies was higher, in 4Q06, than loans granted to individuals (contrarily to the year-to-date), with an evolution of 6.4%, of which 18.2% occurred in 2006. Such behavior was influenced by the good performance of the working capital and onlending operations portfolios of BNDES.

Loan Operations Corporate

It is possible to notice the decrease in the relative share in the Large Companies loan portfolio in the last twelve months, not only due to the increase of loans to micro, small and medium-sized companies (SME) and individuals, but also of the negative effect in the balance of the dollar depreciation of 8.7% in this period and 1.7% in the last quarter, since a great portion of operations with the Large Companies is indexed to foreign currency.

Loan Operations Client Characteristic (in percentage)

In the table below, we can observe the evolution in the representativeness of the Bank s business segments, in which it is worth highlighting, in 4Q06, the Corporate and Companies segments, which showed an evolution higher than the total portfolio, reflecting on the increase of its shares in the total loans of Bradesco Conglomerate.

Loan Operations per Business Segment (in percentage)

Loan Operations By Activity Sector

In 4Q06, the distribution by activity sector had as highlight the industry (mainly ore extraction, agroindustry and steel, metallurgy and automobile industries) and Services (mainly civil construction and telecommunications services). The industry remained with higher loan volume and share of the portfolio (25.3%), followed by the Services (16.7%) and Commerce (13.9%) sectors.

**R$ million**

| **Items** | **2005** | | | | **2006** | | | |
|---|---|---|---|---|---|---|---|---|
| | **September** | **%** | **December** | **%** | **September** | **%** | **December** | **%** |
| **Public Sector** | **795** | **1.1** | **891** | **1.1** | **963** | **1.0** | **940** | **1.0** |
| **Private Sector** | **74,449** | **98.9** | **80,239** | **98.9** | **91,050** | **99.0** | **95,279** | **99.0** |
| **Corporate** | **43,860** | **58.2** | **47,018** | **58.0** | **52,216** | **56.8** | **55,668** | **57.8** |
| Industry | 18,849 | 25.1 | 20,396 | 25.1 | 22,789 | 24.8 | 24,393 | 25.3 |
| Commerce | 11,324 | 15.0 | 12,077 | 14.9 | 13,144 | 14.3 | 13,452 | 13.9 |
| Financial Intermediary | 236 | 0.3 | 259 | 0.3 | 757 | 0.8 | 462 | 0.5 |
| Services | 12,363 | 16.4 | 13,193 | 16.3 | 14,319 | 15.6 | 16,054 | 16.7 |
| Agribusiness, Cattle Raising, Fishing, Silviculture e Forest Exploitation | 1,088 | 1.4 | 1,093 | 1.4 | 1,207 | 1.3 | 1,307 | 1.4 |
| **Individuals** | **30,589** | **40.7** | **33,221** | **40.9** | **38,834** | **42.2** | **39,611** | **41.2** |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Total** | **75,244** | **100.0** | **81,130** | **100.0** | **92,013** | **100.0** | **96,219** | **100.0** |

Loan Operations By Type

The evolution of balance and share in the type of loans and securities discounted in 4Q06 is deservedly recorded by its performance, which is higher than the growth of the portfolio.

We present below the total loan operations, including sureties and guarantees and credit card (cash and credit purchases store owners:

| | R$ million | | | |
|---|---|---|---|---|
| **Items** | **2005** | | **2006** | |
| | **September** | **December** | **September** | **December** |
| Borrowings and Discounted Trade Receivables (1) | 33,988 | 36,483 | 40,773 | 43,155 |
| Financings | 28,055 | 30,142 | 34,472 | 35,347 |
| Rural and Agribusiness Loans | 5,733 | 6,403 | 7,221 | 7,599 |
| Leasing operations | 2,208 | 2,518 | 3,575 | 3,911 |
| Advances on Foreign Exchange Contracts | 4,730 | 5,017 | 5,487 | 5,703 |
| **Subtotal of Loans Operations** | **74,714** | **80,563** | **91,528** | **95,715** |
| Other Loans | 530 | 567 | 485 | 504 |
| **Total Loan Operations (2)** | **75,244** | **81,130** | **92,013** | **96,219** |
| Sureties and Guarantees Recorded in Memorandum Accounts | 8,674 | 9,630 | 13,820 | 14,791 |
| Credit Card (3) | 2,205 | 2,847 | 4,464 | 5,215 |
| **Total** | **86,123** | **93,607** | **110,297** | **116,225** |

(1) It includes revolving credit of credit card.
(2) According to concept defined by Brazilian Central Bank.
(3) Cash and credit purchases establishments.

Loan Operations Portfolio Quality

Compared to the previous quarter, it was possible to notice a slight change in the loan portfolio profile, whose share of credits rated between AA and C compared to the total was of 92.1%, as a consequence of the impact of the change on the breakdown of the portfolio, more focused on consumer financing, and the growth in delinquency of loans for individual clients in this quarter.

Loan Operations by Rating (in percentage)

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Loan Operations Delinquency and Provision Sufficiency

In December 2006, a slight growth in the delinquency ratio of the consolidated portfolio compared to the previous quarter can be verified. The deterioration of their payment capacity, mainly for loans granted to individuals, was responsible for the maintenance of ratios higher than those of previous periods. As already mentioned in other reports, the increase in the delinquency indicators was expected and was already duly priced in our products and services.

Loan Operations Delinquency up to 90 days x PDD (in percentage)

The total volume of allowance for doubtful accounts reached R$6,646 million, representing 6.9% of the total loan portfolio (6.8% in September 2006), ensuring the maintenance of adequate coverage levels for future losses in the current profile of the loan portfolio.

In this regard, we point out the strength of the provision criteria adopted, which may be evidenced through the analysis of historical data of allowances for doubtful accounts and losses effectively occurred in the subsequent period of twelve months throughout the analyzed period we mention, for example: in December 2005, for an existing provision of 6.1% of the portfolio, the loss in the following twelve months was 3.5% of the portfolio, i.e. the provision covered the actual loss with a great margin.

| Loan Operations | PDD x Delinquency x Losses | Percentage over Loan Operation Balance |
|---|---|---|

| Loan Operations | Portfolio Distribution by Maturity |
|---|---|

The terms of operations to mature have been extending, mainly due to consumer financing operations, which by their nature have a longer term. The operations with maturity exceeding 180 days represented 51.6% of total portfolio in December 2006, against 48.8% one year ago. It is worth mentioning that the increase in the average term of the portfolio has been occurring in low credit risk products, i.e., vehicle financing and consigned loan.

| Loan Operations | Distribution of the Loan Portfolio Falling Due by Terms (in percentage) |
|---|---|

Loan Operations Portfolio Movement

The movement of the consolidated loan portfolio in the last twelve months shows the adequacy and consistency of the loan evaluation instruments used in the concession process, maintaining its good quality, as shown in the tables below:

Loan Operations Portfolio Movement by Rating between December 2005 and 2006

Loan Operations Portfolio Movement by Rating between December 2005 and 2006

| Rating | Borrowers Remaining from December 2005 | | New Borrowers between December 2005 and 2006 | | Total Loans in December 2006 | |
|---|---|---|---|---|---|---|
| | R$ million | % | R$ million | % | R$ million | % |
| AA C | 73,414 | 91.7 | 15,217 | 94.1 | 88,631 | 92.1 |
| D | 1,524 | 1.9 | 307 | 1.9 | 1,831 | 1.9 |
| E H | 5,116 | 6.4 | 641 | 4.0 | 5,757 | 6.0 |
| **Total** | **80,054** | **100.0** | **16,165** | **100.0** | **96,219** | **100.0** |

Loan Operations - Concentration of Loan Portfolio

The concentration levels of loan operations showed an increase at the end of 2006 compared to December 2005, in spite of the slight growth of the largest borrower, as indicated in the chart below:

Loan Operations Portfolio Concentration without Guarantee (in percentage)

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Loan Operations Portfolio Indicators

In order to facilitate the follow-up of the quantitative and qualitative performance of Conglomerate s loan portfolio, we present below a comparative summary of the main figures and indicators:

| | R$ million (except for percentages) | | | |
|---|---|---|---|---|
| **Items** | **2005** | | **2006** | |
| | **September** | **December** | **September** | **December** |
| Total Loan Operations | 75,244 | 81,130 | 92,013 | 96,219 |
| Individual | 30,589 | 33,221 | 38,834 | 39,611 |
| Corporate | 44,655 | 47,909 | 53,179 | 56,608 |
| Existing Provision | 4,647 | 4,959 | 6,215 | 6,646 |
| Specific | 2,053 | 2,288 | 3,290 | 3,635 |
| Generic | 1,642 | 1,657 | 1,833 | 1,911 |
| Additional | 952 | 1,014 | 1,092 | 1,100 |
| Specific Provision/Existing Provision (%) | 44.2 | 46.1 | 52.9 | 54.7 |
| Existing Provision/ Loan Operations (%) | 6.2 | 6.1 | 6.8 | 6.9 |
| AA C Rated Loan Operations / Loan Operations (%) | 93.1 | 93.2 | 92.3 | 92.1 |
| D Rated Operations under Risk Management / Loan Operations (%) | 2.0 | 2.0 | 1.9 | 1.9 |
| E H Rated Loan Operations / Loan Operations (%) | 4.9 | 4.8 | 5.8 | 6.0 |
| D Rated Loan Operations | 1,496 | 1,578 | 1,733 | 1,831 |
| D Rated Existing Provision for Loan Operations | 352 | 407 | 455 | 483 |
| D Rated Provision/ Loan Operations (%) | 23.5 | 25.8 | 26.2 | 26.4 |
| D H Rated Loan Operations Overdue | 2,911 | 3,303 | 4,742 | 5,225 |
| Total Provision/D H Rated Loan Operations Overdue (%) | 159.6 | 150.1 | 131.1 | 127.2 |
| E H Rated Loan Operations | 3,681 | 3,905 | 5,329 | 5,757 |
| Existing Provision for E H Rated Loan Operations | 3,159 | 3,401 | 4,647 | 5,041 |
| Provision/ E H Rated Loan Operations (%) | 85.8 | 87.1 | 87.2 | 87.6 |
| E H Rated Loan Operations Overdue | 2,426 | 2,714 | 3,984 | 4,389 |
| Total Provision/E H Rated Loan Operations Overdue (%) | 191.5 | 182.7 | 156.0 | 151.4 |
| Total Provision / Non Performing Loans (*) (%) | 198.5 | 183.5 | 159.8 | 155.1 |

(*) Loan Operations Overdue for more than 59 days and which do not generate income under the accrual method of accounting.

In the 4th quarter, the evolution of the loan portfolio of Bradesco Conglomerate was also followed by the slight growth of the delinquency ratio, which had already been estimated in our models, and the allowances for doubtful accounts remained adequate to the portfolio profile.

For 2007, Bradesco remains prepared to take full advantage of all business opportunities, focused on increasing the loan portfolio, while respecting the established loan granting parameters, based on the traditional concepts of security, consistency, selectivity, diversification and adequate assessment of the risk/return ratio.

**Funding**

Composition of Deposits by Maturity

| | R$ million | | | | | |
|---|---|---|---|---|---|---|
| | 2006 | | | | | |
| **Deposits** | **September** | **December** | | | | |
| | **Total** | **Up to 30 days** | **From 31 to 180 days** | **From 181 to 360 days** | **More than 360 days** | **Total** |
| Demand | 17,599 | 20,527 | | | | 20,527 |
| Savings | 25,415 | 27,613 | | | | 27,613 |
| Interbank | 173 | 202 | 67 | 21 | | 290 |
| Time | 35,375 | 2,352 | 5,740 | 3,456 | 23,376 | 34,924 |
| Other Deposits | 291 | 551 | | | | 551 |
| **Total** | **78,853** | **51,245** | **5,807** | **3,477** | **23,376** | **83,905** |

Demand Deposits R$ billion

**Checking Accounts**

The balance of the Checking Accounts of Bradesco Organization at the end of 2006 was R$20.5 billion, with a growth in deposits volume of R$4.5 billion representing an increase of 28.1% in the year compared to the balance in December 2005.

We had 17.7% of market share in October 2006 (last ranking of funding disclosed by the Brazilian Central Bank), representing the leadership among private banks.

Number of Checking Accounts Individuals and Corporate in million

**Savings Accounts**

The balance of Bradesco Organization Savings Accounts, at the end of 2006, was R$27.6 billion in deposits, corresponding to an 18.3% market share in the Brazilian Savings and Loan System (SBPE) and secured the leadership of Bradesco among all private Banks in the Brazilian Financial System.

Savings Account Deposits R$ billion

New investment opportunities offered by Bradesco aroused its clients interest, leading them to channel their resources to other products inside the Bradesco Organization itself, such as Investment Funds and CDB.

Share of SBPE in percentage

Number of Savings Accounts thousand

**Asset Management**

**2006 Highlights**

Best Manager by GazetaInvest magazine

Bradesco was the manager with the highest number of 5-diamond Funds in the ranking of GazetaInvest magazine, disclosed in 1Q06. The total was 29 diamond Funds, criterion which classified Bradesco as the Best Manager in 2005. In a survey carried out by Austin Rating, Bradesco was highlighted with Funds awarded in all categories analyzed DI, Fixed Income, Multimarket, Foreign Exchange, Floating Rate and Private Pension Plan.

The achievement of the leadership took place in view of Bradesco s capacity to operate in all market segments, with products designed to meet the needs and characteristics of each type of investor Bradesco works with. Such acknowledgement reflects the Bank s efficiency of managing funds, a result of the focus on management quality, effort and endeavor of all teams in the placement of investment products.

Highlight as Fund Manager in Exame Magazine

Guia Exame Investimentos Pessoais 2006, the most traditional award of investment fund managers of the Brazilian market pointed out Bradesco as the best fund manager of stock funds.

Guia Exame is published by Exame magazine with technical support of Fundação Getulio Vargas.

Besides being considered as the best stock fund manager, Bradesco totaled 16 funds in the best rating of 5 stars. The analyzed period was between July 1, 2005 and June 30, 2006.

Best Funds for Institutional Investors

Bradesco was the manager with the highest number of funds classified as excellent in the ranking of the Best Institution s Funds of Investidor Institucional magazine, of September 2006. The funds were analyzed and classified by PPS Consultoria according to their profitability and volatility, in a 12-month period (August 2005 to July 2006).

**Asset Management**

Stockholders Equity

| | R$ million | | | |
|---|---|---|---|---|
| | 2005 | | 2006 | |
| | **September** | **December** | **September** | **December** |
| Investment Funds | 101,697 | 107,540 | 127,572 | 135,837 |
| Managed Portfolios | 7,782 | 8,162 | 7,337 | 6,938 |
| Third-party Fund Quotas | 5,177 | 5,480 | 5,313 | 4,333 |
| **Total** | **114,656** | **121,182** | **140,222** | **147,108** |

Asset Distribution

| | | R$ million | | | |
|---|---|---|---|---|---|
| | | 2005 | | 2006 | |
| | | **September** | **December** | **September** | **December** |
| Investment Funds | Fixed Income | 98,387 | 104,183 | 123,645 | 130,609 |
| Investment Funds | Floating Rate | 3,310 | 3,357 | 3,927 | 5,228 |
| Investment Funds | Third-Party | 4,922 | 5,103 | 5,269 | 4,068 |
| **Total** | | **106,619** | **112,643** | **132,841** | **139,905** |
| Managed Portfolio | Fixed Income | 5,996 | 6,340 | 5,246 | 4,265 |
| Managed Portfolio | Floating Rate | 1,786 | 1,822 | 2,091 | 2,673 |
| Managed Portfolios | Third-Party Funds | 255 | 377 | 44 | 265 |
| **Total** | | **8,037** | **8,539** | **7,381** | **7,203** |
| Total Fixed Income | | 104,383 | 110,523 | 128,891 | 134,874 |
| Total Floating Rate | | 5,096 | 5,179 | 6,018 | 7,901 |
| Total Third-Party Funds | | 5,177 | 5,480 | 5,313 | 4,333 |
| **Overall Total** | | **114,656** | **121,182** | **140,222** | **147,108** |

Total Assets under Management according to ANBID s Global Ranking R$ million (*)

(*) Considering third-party fund quotas.

Number of Funds, Portfolios and Quotaholders

| | December 2005 | | September 2006 | | December 2006 | |
|---|---|---|---|---|---|---|
| | **Quantity** | **Quotaholders** | **Quantity** | **Quotaholders** | **Quantity** | **Quotaholders** |
| Investment Funds | 516 | 3,392,016 | 550 | 3,376,350 | 563 | 3,333,002 |
| Managed Portfolios | 110 | 390 | 102 | 446 | 104 | 449 |
| **Total** | **626** | **3,392,406** | **652** | **3,376,796** | **667** | **3,333,451** |

## 4 - Operating Companies

**Grupo Bradesco de Seguros e Previdência**

**Insurance Companies (Consolidated)**

Consolidated Balance Sheet (*)

| | R$ million | | | |
|---|---|---|---|---|
| | 2005 | | 2006 | |
| | **September** | **December** | **September** | **December** |
| **Assets** | | | | |
| **Current and Long-Term Assets** | **45,511** | **49,169** | **56,044** | **59,267** |
| Securities | 42,380 | 46,423 | 52,445 | 55,297 |
| Insurance Premiums Receivable | 1,008 | 1,041 | 1,144 | 1,232 |
| Other Receivables | 2,123 | 1,705 | 2,455 | 2,738 |
| **Permanent Assets** | **662** | **585** | **1,154** | **1,291** |
| **Total** | **46,173** | **49,754** | **57,198** | **60,558** |
| | | | | |
| **Liabilities** | | | | |
| **Current and Long-Term Liabilities** | **41,229** | **43,880** | **50,386** | **53,249** |
| Tax, Civil and Labor Contingencies | 1,131 | 1,208 | 1,555 | 1,629 |
| Payables on Operations of Insurance, Private Pension Plans and Certificated Savings Plans | 483 | 455 | 436 | 440 |
| Other Liabilities | 1,380 | 1,355 | 2,676 | 2,438 |
| Technical Provisions for Insurance | 3,526 | 3,703 | 4,272 | 4,397 |
| Technical Provisions for Life and Private Pension Plans | 32,574 | 35,020 | 39,166 | 42,038 |
| Technical Provisions for Certificated Savings Plans | 2,135 | 2,139 | 2,281 | 2,307 |
| **Minority Interest** | **74** | **83** | **60** | **59** |
| **Stockholders Equity** | **4,870** | **5,791** | **6,752** | **7,250** |
| **Total** | **46,173** | **49,754** | **57,198** | **60,558** |

Consolidated Statement of Income (*)

| | R$ million | | | | | |
|---|---|---|---|---|---|---|
| | 2005 | | | 2006 | | |
| | **3rd Qtr.** | **4th Qtr.** | **Year** | **3rd Qtr.** | **4th Qtr.** | **Year** |
| Net Premiums Written | 4,314 | 5,084 | 16,825 | 4,714 | 5,662 | 19,022 |
| Reinsurance Premiums and Redeemed Premiums | (768) | (780) | (3,178) | (907) | (1,035) | (3,842) |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Insurance, Private Pension Plans and Certificated Savings Plans Retained Premiums** | **3,546** | **4,304** | **13,647** | **3,807** | **4,627** | **15,180** |
| Variation in Technical Provisions | (739) | (1,319) | (2,756) | (901) | (1,569) | (3,515) |
| Fee and Commission Income | 109 | 110 | 414 | 139 | 139 | 531 |
| Retained Claims | (1,463) | (1,533) | (5,825) | (1,490) | (1,653) | (6,128) |
| Certificated Savings Plans Draws and Redemptions | (338) | (331) | (1,229) | (306) | (344) | (1,222) |
| Private Pension Plans Benefits and Redemptions | (615) | (593) | (2,582) | (525) | (449) | (2,268) |
| Selling Expenses | (249) | (267) | (975) | (261) | (269) | (1,032) |
| Other Operating Income (Expenses) | (12) | (77) | (77) | (85) | 79 | (158) |
| Personnel and Administrative Expenses | (246) | (269) | (918) | (255) | (277) | (1,025) |
| Tax Expenses | (46) | (52) | (175) | (36) | (57) | (193) |
| Financial Result | 702 | 688 | 2,427 | 654 | 851 | 2,995 |
| **Operating Income** | **649** | **661** | **1,951** | **741** | **1,078** | **3,165** |
| Equity Result | 18 | (42) | 396 | 82 | 50 | 176 |
| Non-Operating Income | 28 | (50) | (71) | (9) | (428) | (327) |
| Minority Interest | (1) | (6) | (9) | (8) | (70) | (81) |
| **Income before Taxes and Contributions** | **694** | **563** | **2,267** | **806** | **630** | **2,933** |
| Taxes and Contributions on Income | (269) | (191) | (670) | (256) | (62) | (774) |
| **Net Income** | **425** | **372** | **1,597** | **550** | **568** | **2,159** |

(*) Information prepared in accordance with the accounting policies established by CNSP, SUSEP and ANS.

Performance Ratios in percentage

| | 2005 | | | 2006 | | |
|---|---|---|---|---|---|---|
| | 3rd Qtr. | 4th Qtr. | Year | 3rd Qtr. | 4th Qtr. | Year |
| Claims Ratio (1) | 79.9 | 84.9 | 82.3 | 77.8 | 81.5 | 79.1 |
| Selling Ratio (2) | 11.4 | 12.1 | 11.6 | 11.3 | 11.0 | 11.2 |
| Administrative Expense Ratio (3) | 11.9 | 13.3 | 11.2 | 11.0 | 11.5 | 11.3 |
| Combined Ratio (4) | 101.5 | 109.1 | 103.4 | 95.3 | 101.3 | 99.0 |
| Expanded Combined Ratio (5) | 86.9 | 91.8 | 89.8 | 82.5 | 86.9 | 84.9 |

N.B.: For the purposes of comparison, in 2005 we excluded the additional provision for Health Insurance, at the amount of R$324 million and R$244 million in 2006. We also excluded in 2006 the exceeding provision (IBNR DPVAT), at the amount of R$32 million.
(1) Retained Claims/Earned Premiums.
(2) Selling Expenses/Earned Premiums.
(3) Administrative Expenses/Earned Premiums.
(4) (Retained Claims + Selling Expenses + Administrative Expenses + Taxes + Other Operating Expenses)/ Earned Premiums.
(5) (Retained Claims + Selling Expenses + Administrative Expenses + Taxes + Other Operating Expenses)/ (Earned Premiums + Financial Result).

Insurance Premiums Market Share (%)

Source: SUSEP and ANS

According to information published by SUSEP and ANS data, up to November 2006, in the insurance segment, Bradesco collected R$13.6 billion in premiums and maintained its leadership in the ranking with a 25.8% market share. The insurance sector obtained a total of R$52.9 billion in premiums up to November 2006.

Increase in Technical Provisions for Insurance R$ million

The exhibits presenting the technical provisions of Bradesco Vida e Previdência and Bradesco Capitalização are presented in the section specifically related to these companies.

Earned Premiums (Retained Premiums less Variation of Technical Provisions) by Insurance Line R$ million

| Insurance Line | 2005 | | | 2006 | | |
|---|---|---|---|---|---|---|
| | 3rd Qtr. | 4th Qtr. | Year | 3rd Qtr. | 4th Qtr. | Year |
| Health | 885 | 888 | 3,428 | 955 | 999 | 3,807 |
| Auto/RCF | 520 | 525 | 1,998 | 517 | 523 | 2,078 |
| Life/AP/VGBL | 337 | 300 | 1,246 | 346 | 364 | 1,334 |
| Basic Lines | 94 | 92 | 365 | 88 | 114 | 371 |
| DPVAT | 28 | 25 | 137 | 57 | 57 | 251 |
| **Total** | **1,864** | **1,830** | **7,174** | **1,963** | **2,057** | **7,841** |

In 2006, there was an increase of 9.3% in premiums earned in the insurance segment, if compared to the 2005.

Earned Premiums (Retained Premiums less Variation of Technical Provisions) by Insurance Line (%)

N.B.: For the purposes of comparison, in 2005 we excluded the additional provision for Health Insurance, at the amount of R$324 million and R$244 million in 2006.

Retained Claims by Insurance Line R$ million

| Insurance Line | 2005 | | | 2006 | | |
|---|---|---|---|---|---|---|
| | 3rd Qtr. | 4th Qtr. | Year | 3rd Qtr. | 4th Qtr. | Year |
| Health | 805 | 854 | 3,244 | 800 | 939 | 3,315 |
| Auto/RCF | 400 | 417 | 1,524 | 383 | 375 | 1,528 |
| Life/AP/VGBL | 212 | 209 | 802 | 246 | 249 | 944 |
| Basic Lines | 53 | 56 | 237 | 47 | 67 | 212 |
| DPVAT | 20 | 17 | 96 | 51 | 47 | 204 |
| **Total** | **1,490** | **1,553** | **5,903** | **1,527** | **1,677** | **6,203** |

Claims Ratio by Insurance Line (%)

N.B.: For the purposes of comparison, in 2005 we excluded the additional provision for Health Insurance, at the amount of R$324 million and R$244 million in 2006. We also excluded in 2006 the exceeding provision (IBNR DPVAT), at the amount of R$32 million.

Selling Expenses by Insurance Line R$ million

| Insurance Line | 2005 | | | 2006 | | |
|---|---|---|---|---|---|---|
| | 3rd Qtr. | 4th Qtr. | Year | 3rd Qtr. | 4th Qtr. | Year |
| Health | 25 | 26 | 102 | 28 | 29 | 110 |
| Auto/RCF | 93 | 95 | 358 | 94 | 98 | 380 |
| Life /AP/VGBL | 74 | 83 | 298 | 80 | 77 | 312 |
| Basic Lines | 21 | 17 | 73 | 19 | 23 | 74 |
| DPVAT | | 1 | 2 | 1 | | 2 |
| **Total** | **213** | **222** | **833** | **222** | **227** | **878** |

Selling Ratios by Insurance Line (%)

N.B.: For the purposes of comparison, in 2005 we excluded the additional provision for Health Insurance, at the amount of R$324 million. In 2006, we excluded R$244 million.

Number of Insured in thousands

In 2006, there was an increase of 8.7% in the client base.

**Operating Risk**

Grupo Bradesco de Seguros, integrating Bradesco Organization, in permanent commitment to comply with the laws and regulations, has adapted its processes and activities, by means of the utilization of methodologies and resources aligned with the best market practices, mainly those related to risk management.

Within this aspect, in order to comply with the guidelines established by the New Capital Basel Agreement (Basel II), provisions of the monetary authority, and alignment to future definitions related to Solvability II, we carried out the survey and analysis of the events related to operating risk, enabling the improvement in the management and knowledge of losses and their causes. Thus, the account plan of the companies of the Insurance Group was fully reviewed and specific and intern accounting accounts were opened for the registration of events of operating risk loss, resulting from business interruption, failure of systems, errors, omissions, frauds or external events, thus enabling the determination for the regulatory capital calculation for Operating Risk according to the methodology adopted by Bradesco Organization. The disseminations of the operating risk management culture on several levels, the disclosure of corporate policies and establishment of continuous monitoring procedure of exposure levels are inserted in this context.

**Awards/Recognition**

1 Bradesco Seguros was elected the most remembered brand and the preferred one in the Insurance category in the eighth edition of Pesquisa Marcas de Quem Decide (Brands of People Who Decide Survey), conducted by Jornal do Comércio RS in partnership with QualiData Institute. The survey was carried out with 330 businessmen and self-employed professionals of Rio Grande do Sul and recognized as the most complete study about brands in the south region of the country.

2 The Chairman of Grupo Bradesco Seguros e Previdência, Luiz Carlos Trabuco Cappi, was elected 2005 National Business Leader in the Finance Sector - Insurance and Private Pension Plans of the 29th edition of the Gazeta Mercantil Forum of Business Leaders. Promoted by Gazeta Mercantil newspaper, the members of the Forum are elected by subscribers, businessmen and executives, in a free voting basis and without pre-candidature. The main purpose is, by means of the main business leaderships, to discuss and analyze structural themes of high relevance for the Brazilian development.

3 Bradesco Seguros received The Best Insurance Companies of Brazil award, from Conjuntura Econômica magazine, of Fundação Getulio Vargas, as the Largest Insurance Company by Net Income and Stockholders Equity . The award is promoted by the Brazilian Institute of Economy (IBRE) of Fundação Getulio Vargas, which considers the companies economic-financial performance in 2005, according to a study prepared by the Data Management Division of the own Institute.

4 Bradesco Seguros e Previdência received, for the fifth consecutive year, the iBEST 2006 award, the maximum award granted to a website in Brazil. The insurance company was the winner in the Insurance category according to the public vote (popular jury).

5 Bradesco Seguros e Previdência received the 2006 Top of Marketing award. The Association of Sales and Marketing Managers of Brazil (ADVB) granted the award to the case Christmas Tree of Bradesco Seguros e Previdência 10 Years of Light and Emotion . The award is one of the most important ones in the market, and its purpose is to reward the organizations that care for the best sustenance of their product, service or brand, by means of innovative and consistent marketing strategies.

6 Bradesco Seguros received the trophy *Gaivota de Ouro 2006* , granted by Seguro Total magazine. The company was a highlight at the Excellence in Total Insurance category in the VI 2006 Insurance Market Award , which recognizes companies, products, services, innovative actions and people that have contributed to the growth and strengthening of the insurance market.

7 Bradesco Seguros e Previdência was awarded as the Best Insurance Company , for the third consecutive year, by the Balanço Financeiro Yearbook, published by Gazeta Mercantil. The publication took into consideration the study made by the consulting firm Austin Asis Rating, in which the growth, performance and results achieved in 2005 were considered.

8 Bradesco Seguros e Previdência received the Top Quality Brazil award, granted by the National Organization of Events and Research, carried out annually with the purpose of recognizing the high quality standard of services and products of companies operating with distinction and credibility.

9 Bradesco Seguros received the award SegNews 2006 in the category Best General Performance , granted by the SegNews news agency, which awards the most remembered companies in the surveys carried out with insurers, insurance brokers and service providers.

10 Bradesco Seguros e Previdência received the award Highlights of the Year in the category Insurance Company of the Year , granted by Clube de Vida em Grupo do Rio de Janeiro (CVG-RJ). The 30th edition of the award, considered the Insurance Oscar , chose the highlights through research carried out with more than 700 associates of the entity.

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11 For the fifth consecutive year, Bradesco Seguros e Previdência received the award Folha Top of Mind in the category Insurance . For 16 years, the award is granted annually to the most remembered brands by consumers, by means of a research carried out by Datafolha Institute among thousands of people nationwide, which is considered as the most important in Brazil.

12 Bradesco Seguros e Previdência received the award Joinville of Brands, promoted by Síntese Pesquisas e Assessoria, in the category Insurance Company . In six years of award, Bradesco Seguros e Previdência was the winner of all editions.

13 Bradesco Seguros e Previdência received two trophies in the IX Edition of the Cobertura Award Performance 2006, promoted by Cobertura magazine Insurance Market. The company was chosen as the Insurance Company of the Year and The Best Performance in Total Insurance .

14 Bradesco Seguros e Previdência received the award Top of Mind Paraná 2006, as the most remembered brand in the Insurance category. The study, carried out by Amanhã magazine in 22 consumer centers of Paraná, is one of the most important of the region and is designed to measure the strength of brands in the consumer market.

**Sponsorships**

1 Bradesco Seguros was the official insurance company of the 19th edition of the International Book Biennial carried out in the Exhibition Lodge of Anhembi, in São Paulo, in the period from March 9 to 19.

2 Bradesco Seguros e Previdência was one of the sponsors of the Pennacchi 100 anos exhibition, carried out in the Pinacoteca of the State of São Paulo, from May 13 to June 25. The work of Pennacchi, one of the masters of the Brazilian plastic arts, was divided into sacred themes, scenes, people, sculptures and advertising sketches produced in Italy and Brazil. The event paid homage to the centenary of the great artist s birth.

3 Bradesco Seguros e Previdência was the sponsor of the 7th Regional Meeting of Insurance Brokers of Rio Grande do Sul (ENCOR), carried out in the Event Center ExpoGramado, in the city of Gramado, on May 25 and 26. The 7th ENCOR was promoted by the Union of Brokers of Rio Grande do Sul (SINCOR-RS).

4 Bradesco Seguros e Previdência sponsors the 2006 edition of the Social Calendar of SINCOR-RS (Union of Insurance Brokers of the State of Rio Grande do Sul).

5 Bradesco Seguros e Previdência was one of the sponsors of the 32nd edition of CONARH (National Congress on People Management) carried out at Transamérica Expo Center in São Paulo. CONARH is considered the largest and the most important Brazilian congress of this sector.

6 Bradesco Seguros e Previdência was one of the sponsors of the 12th CONEC (State Congress of Insurance Brokers), carried out from September 22 to 24 at Palácio de Convenções do Anhembi, in São Paulo. This year, the event organized by SINCOR-SP (Union of Insurance Brokers of the State of São Paulo), gathered around 5 thousand professionals of the sector.

7 Bradesco Seguros sponsored the VIII Meeting of the Best Companies to Work for, carried out on October 25, in the American Chamber of Commerce (AMCHAM) in São Paulo. The event counted on the participation of the main businessmen of the companies rated in *GUIA EXAME VOCÊ S/A* The Best Companies to Work for 2006 and opinion makers who decide more and more the trend of business management.

8 Bradesco Seguros e Previdência sponsored the editions of the 16th Forum of Debates of the Insurance Brokers of Minas Gerais. The meetings visited many cities of the state during the year and were organized by the Union of Insurance Brokers of the State of Minas Gerais (SINCOR-MG).

**Bradesco Saúde**

Health Insurance Premiums Market Share (%)

Source: ANS

Net Premiums Written R$ million

| Insurance Line | 2005 | | | 2006 | | |
|---|---|---|---|---|---|---|
| | 3rd Qtr. | 4th Qtr. | Year | 3rd Qtr. | 4th Qtr. | Year |
| Corporate Plan | 677 | 696 | 2,636 | 739 | 782 | 2,937 |
| Individual Plan | 256 | 237 | 953 | 246 | 251 | 981 |
| **Total** | 933 | 933 | 3,589 | 985 | 1,033 | 3,918 |

Growth in Technical Provisions for Health R$ million

Number of Insured of the Health Insurance Lines in thousands

When comparing 2006 to the same period of the previous year, Bradesco Saúde maintained its noteworthy market position (source: ANS). Brazilian companies are increasingly convinced that Health and Dental Insurance are the best alternatives for meeting their medical, hospital and dental care needs. At present, Bradesco Saúde has more than 2.6 million customers, of which 2.3 million pertain to the corporate segment.

The large share of corporate insurance in the total portfolio of Bradesco Saúde (88.93% in December/2006) confirms the insurance company s high level of expertise and personalization in the corporate insurance services, a distinct advantage in the Supplementary Health Insurance market.

More than 12 thousand companies in Brazil have acquired Bradesco Saúde insurance products. Out of Brazil s 100 largest companies in terms of revenues, 29 are Bradesco s insurance clients and out of the country s 50 largest companies, 30% are Bradesco Saúde s clients. (source: *Exame magazine s Maiores e Melhores de julho de 2006* Biggest and Best List, July 2006).

Finally, emphasis should also be given to the user-friendly nature of the Bradesco Saúde Portal (www.bradescosaude.com.br), which, in addition to providing information on available products, also offers access to a number of services for the insured, prospects and brokers.

**Awards/Recognition**

1 Bradesco Saúde received the Seg News 2006 award in the category Best Performance in the Health Portfolio , granted by SegNews news agency, which awards the most remembered companies in the surveys carried out with insurers, insurance brokers and service providers.

2 Bradesco Saúde received the award Top of Mind HR Suppliers, promoted by Fênix Central de Negócios em RH Editora & Marketing in the category Health Insurance . The award aims to acknowledge the level of remembrance of organizational brands rendering services or trading products for professionals operating in the Human Resources areas of organizations.

3 Bradesco Saúde received the Alvorada Trophy as the Best Insurance Company of the Year in an electronic vote election promoted by the Union of Insurance Brokers of the Federal District (SINCOR-DF) with insurance brokers of the region. The insurance company was recognized for its performance in health segment.

**Highlight**

Bradesco Saúde was pointed out as The Companies Best Option in Health Benefit in the 2006 edition of GUIA EXAME VOCÊ S/A 150 Best Companies to Work for.

**Bradesco Auto/RE**

Insurance of Auto/RE Premiums Market Share (%)

Source: SUSEP

Growth in Technical Provisions of Auto/RE R$ million

N.B.: In 2004, the Auto/RE portfolio of Bradesco Seguros was merged

Net Premiums Written R$ million

| Insurance Line | 2005 | | | 2006 | | |
|---|---|---|---|---|---|---|
| | 3rd Qtr. | 4th Qtr. | Year | 3rd Qtr. | 4th Qtr. | Year |
| Auto/RE | 719 | 719 | 2.889 | 764 | 774 | 2.916 |
| 101 | | | | | | |

Number of Auto/RE Insured in thousands

Until November 2006, the Bradesco Group maintained an outstanding position among the main insurance companies in the Brazilian Basic Line (RE) Insurance Market, with an 8.2% share of total market sales in this area.

The Asset Risks segment was characterized by intense competition. Bradesco Auto/RE insures the assets of a significant number of large companies of the country related to the home-building, steel, petrochemical, pulp and paper, aircraft, automotive and food sectors by means of issuances of insurance policies for Operating Risks, Named, Oil, Port Operator, Civil Liability, Engineering Risks, (Domestic and International) Transport, Hull and Aircraft.

In the area of Domestic and International Transport insurance, due to the implementation of several visits to clients of the Corporate and Companies segments, maintained the trading frequency with some important corporate groups.

We also point out that the strengthening of the relationship between Bradesco Auto/RE and Bradesco Corporate and Bradesco Empresas (Middle Market), including with own structure, has allowed greater closeness with Banco Bradesco s clients and enabled the achievement and renewal of policies of large companies operating in the country.

In the mass market insurance segment of Basic Lines, whose products designed to individuals, small and medium-sized companies, we have maintained a meaningful number of customers, in particular those of Bradesco Residential Ticket.

Another segment we point out was the RD Equipment designed to machinery and equipment from different economy sectors, such as home-building, agriculture, services and industries, arising from market Brokers and Banco Bradesco s operations of leasing, FINAME and CDC.

The continuous upgrading of products has allowed the improvement of the services rendered to our clients and contributed significantly for the increase in income of the current period.

In the Auto/RCF line, the market was characterized by intense competition in big metropolitan areas, aggravated by the small growth of the insured vehicle market and by the entrance of new competitors.

During the period, we have maintained our technically adequate pricing policy aiming at reaching balanced portfolio results and we have consolidated our pricing policy based on the insured characteristics, one year after it was launched. In addition, the product was improved with the inclusion of new aggregated benefits Spare Car and Windshield Wipers Repair in the pursuit of making it more competitive in view of the competition. Actions of electronic relationships with brokers and those insured, which are carried out via the Internet, were also encouraged.

Bradesco Group s market share of the Auto/RCF portfolio, up to November 2006, was 16.2% .

**Awards/Recognition**

1 Bradesco Auto/RE Companhia de Seguros received the award Segurador Brasil 2006 as a highlight in the Auto segment. The award is promoted by Segurador Brasil magazine and its purpose is to acknowledge the leadership, performance and achievements of the companies of the sector in 2005, in addition to showing a scenario involving the importance of companies and entities in the implementation and development of concepts, products and services for the Brazilian insurance market.

2 Bradesco Auto/RE Companhia de Seguros received the award The Best Insurance Companies of Brazil from Conjuntura Economica magazine, of Fundação Getulio Vargas, as the Largest Growth of Awards Received among the Largest Companies . The award is promoted by the Brazilian Institute of Economy (IBRE) of the Getulio Vargas Foundation, which considers the economic-financial performance of companies in 2005, according to a study prepared by the Data Management Division of the same Institute.

3 Bradesco Auto/RE Companhia de Seguros received the award Preference in Transportation 2006, annually granted by the Union of the Cargo Transportation Companies of the State of Rio Grande do Sul (SETCERGS). The company conquered the award for the third consecutive time as it is the best insurance company according to businessmen of the sector.

4 Bradesco Auto/RE Companhia de Seguros received the award SegNews 2006 in the category Best Performance in the Auto Portfolio , granted by SegNews news agency, which awards the most remembered companies in the surveys carried out with insurers, insurance brokers and service providers.

5 Bradesco Auto/RE Companhia de Seguros received three awards from the Association of Insurance Brokers of the State of Ceará (ASCOR). The company was chosen as the Best Auto Insurance Company of 2006 and had the Best Insurance Company Manager and the Best Commercial Assistant , which enabled it to be the main winner of the edition this year. The ASCOR award is a tradition in the insurance market in Ceará. The election is annually promoted with insurance brokers all over the state.

6 Bradesco Auto/RE Companhia de Seguros received the Alvorada Trophy as the Best Insurance Company of the Year in an electronic vote election promoted by the Union of Insurance Brokers of the Federal District (SINCOR-DF) with insurance brokers of the region. The Company was recognized for its performance in Basic Lines and Claims Regulation.

**Highlights**

1 Bradesco Auto/RE was the official insurance company of *Cirque du Soleil* during the performances of its first Brazilian tour. The Canadian circus is known worldwide by its artistic quality.

2 Bradesco Auto/RE was the official insurance company of the 2006 edition of Casa Cor in Rio de Janeiro, one of the country s most important events of architecture and design.

**Bradesco Vida e Previdência**

Income from Private Pension Plans and VGBL Market Share (%)

Source: SUSEP

In 2006, total income from private pension plans totaled R$8.7 billion.

Insurance Premiums (Life and Personal Accidents) Market Share (%)

Source: SUSEP

In 2006, total income from net premiums written amounted to R$1.5 billion.

Growth in Technical Provisions (Life and Pension Plans) (R$ million)

Total technical provisions of Bradesco Vida e Previdência in December 2006 was of R$42.0 billion. That amount was comprised of R$21.7 billion for supplementary private pension plans; R$18.7 billion for VGBL, VRGP and PRGP; and R$1.6 billion for life and personal accident, DPVAT, and retro assignment.

Private Pension Plans and VGBL Investment Portfolios Market Share (%)

Source: ANAPP

In December 2006, the Investment Portfolio reached R$42.7 billion.

Increase in Number of Participants in thousands

Increase in Life Insurance and Personal Accidents Insured in thousands

Thanks to its solid structure, innovative product policy and trusted market standing, Bradesco Vida e Previdência maintained its leadership of both markets in which it operates, with a 38.4% share of income from private pension plans and VGBL and a 15.9% share of life insurance premiums and personal accident.

Bradesco is also sole leader in VGBL plans, with a 42.9% share, and a 31.7% share in PGBL (source: ANAPP (Brazilian Association of Private Pension Plan) November/2006 accumulated data).

The number of Bradesco Vida e Previdência clients reached 10.2%, in December 2006, compared to December 2005, surpassing the record of 1.7 million private pension plan and VGBL participants and 9.3 million life insurance and personal accident insured. This significant increase was prompted by the strength of the Bradesco Brand name and by the use of an appropriate management and sales policies.

Technical provisions totaled R$42.0 billion in December 2006, an increase of 20% as compared to December 2005. The Portfolio of Investments in Private Pensions Plans and VGBL totaled R$42.7 billion, comprising 42.3% of all market resources.

**Highlights of Bradesco Vida e Previdência in 2006**

In March, Bradesco Vida e Previdência celebrated 25 years of existence. During the year, the company developed several activities focusing on the increase of the market share and quality of services.

It was the first company of its market to implement the ISO 9001 system in the Life Claims area. Fundação Carlos Alberto Vanzolini, responsible for the certification, carried out an auditing in the Claims Department of the company and conducted the implementation of the Quality Management System based on the NBR ISO 9001:2000 Rule. This is the third certification of the benefits payment department of the company.

Focusing on the quality of services and processes, the company invested in the professional qualification of its employees and developed a wide training process for the SUSEP, ANBID and LOMA (Life Office Management Association) certifications. During the year, the company had a 47% growth in the participation in courses in general.

Bradesco Vida e Previdência amplified its post-sale quality control structure, focusing on service and relationship and had a drop of more than 27% in the number of complaints of Alô Bradesco and Ombudsman.

In the same year, Bradesco Vida e Previdência became a leader in Plans for Youngsters, by means of a wide campaign of the Prev Jovem Product, reaching R$420 million from January to November, with a 40.1% market share.

Bradesco Vida e Previdência innovatively promoted the I Forum of Longevity, which offered the discussion of relevant issues about Life Quality, Safety, Health and Financial Planning.

**Awards/Recognition**

The quality of services rendered by Bradesco Vida e Previdência was recognized with the achievement of the following awards:

**Prêmio Segurador Brasil ( Brazil Insurer Award)**

Ranking 2005 Best Performance in Private Pension Plan ;

Performance/Category Highlight Highest Leverage and Results Group Life ;

Marketing 10 Prev Jovem; and

Marketing Best.

**Best and Biggest Companies 2006 Yearbook, Exame magazine**

The Best Supplementary Private Pension Company;

The Biggest Brazilian Insurer in Net Premiums;

The Biggest Insurer in Net Income;

The Highest Net Equity Profitability; and

The Biggest Wealth Created.

**Top of Mind Brazil** Mato Grosso do Sul

**Gaivota de Ouro Award Seguro Total Magazine**

Best Life and Private Pension Plans Company;

Best Product Marketing Campaign; and

Best Product Marketing Campaign with Prev Jovem .

**Valor 1000 Magazine**

The Largest Life and Private Pension Plans Company.

**Awards granted by the Association of Sales and Marketing Managers of Brazil (ADVB)**

Top Sales;

*Bradesco Vida e Previdência* case Corporate Plans; and

*Prev Jovem Bradesco* case.

**Highlight in the year of 2005/2006**

CVG Clube Vida em Grupo (Life in Group Club) of Rio de Janeiro.

**Bradesco Capitalização**

Bradesco Capitalização s outstanding position in the certificated savings plans market is the result of its transparent operating policy, which is focused on adjusting its products to meet the potential consumer demand.

Regionally, the company holds a leadership position in two Brazilian states, according to the latest figures for November 2006 published by SUSEP. The company s market share was of 29.75% in Amazonas and 27.42% in São Paulo.

Aiming at offering the bond that best suits its clients different profiles and budgets, a number of products were developed, which vary in accordance with the type of payment (single or monthly), contribution terms, regularity of draws and related prize amounts. That phase was important due to the closeness to the public, by means of the consolidation of Pé Quente Bradesco family products.

Continuing the consolidation process of products with a social-environmental character, in September 2006 the products Pé Quente Bradesco SOS Mata Atlântica Empresarial and Pé Quente Bradesco GP Ayrton Senna Empresarial, both designed to corporate clients, were launched. The new products require lump-sum payment of R$10 thousand, and offer monthly raffles of R$100 thousand, gross, and part of the amount collected is given to Fundação SOS Mata Atlântica and Instituto Ayrton Senna, respectively.

We also point out the performance of other social environmental products, such as Pé Quente Bradesco SOS Mata Atlântica which, in addition to enabling the formation of a financial reserve, contributes for reforestation projects of Fundação SOS Mata Atlântica, Pé Quente Bradesco GP Ayrton Senna, whose great differential is the destination of a percentage of the amount collected with bonds to social projects of Instituto Ayrton Senna and O Câncer de Mama no Alvo da Moda (the Breast Cancer in the Fashion Target). Upon acquiring this last product, the client contributes to the development of projects of prevention, early diagnosis and treatment of cancer in Brazil, since part of the amount collected is given to IBCC Brazilian Institute of Cancer Control.

Rating

Standard & Poor s increased from brAA+/Stable to brAA+/Positive the rating of Bradesco Capitalização, which is the only company of the certificated savings plans segment with this rating. The solid financial and equity protection standard that Bradesco Capitalização ensures to its clients contributed to the result.

Quality Management System

Bradesco Capitalização S.A. was the first private certificated savings plans company in Brazil to receive ISO 9002 Certification. In December 2005, it received again the certification of its quality management system, in the ISO 9001:2000 version within the scope of Bradesco Certificated Savings Plans Management . Granted by Fundação Vanzolini, it shows the quality of its internal processes and confirms the principle which is the origin of Bradesco Certificated Savings Plans: good products, good services and permanent evolution.

Income from Certificated Savings Plans Market Share (%)

Source: SUSEP

Technical Provisions for Certificated Savings Plans Market Share (%)

Source: SUSEP

Growth in Technical Provisions for Certificated Savings Plans R$ million

Due to the growing strengthening of the Technical Provisions volume, Bradesco Capitalização reached the amount of R$2.3 billion in December 2006, and, according to November 2006 data, released by SUSEP, it holds 20.6% of the total volume of Technical Provisions in the market.

All these results convey safety and reaffirm the financial solidity and the ability to honor the commitments assumed with clients.

Number of Clients of Certificated Savings Plans in thousands

As a result of a customer loyalty building policy, focused on the quality of the customer service and on the offer of innovative products, Bradesco Capitalização ended 2006 amounting to 2.3 million clients.

Outstanding Traditional Certificated Savings Plans in thousands

Outstanding Certificated Savings Plans With Transfer of Draw Participation Rights in thousands

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Outstanding Certificated Savings Plans in thousands

The outstanding certificated savings plans portfolio increased from 12.8 million in December 2005 to 14.2 million in December 2006. Out of this total, 68.3% comprise bonds with Transfer of Draw Participation Rights modality, including: Bradesco Cartões, Bradesco Vida e Previdência, Banco Finasa, etc.

Considering that the purpose of this type of certificated savings plans is to add value to partners products or even to provide incentives for customer due payments, these bonds are low-priced and they are sold with reduced terms and grace periods and at a lower unit purchase price.

**Awards/Recognition**

1 Bradesco Capitalização received the Segurador Brasil 2006 award, as a highlight in the Certificated Savings Plans segment. The award is promoted by Segurador Brasil magazine and its purpose is to acknowledge the leadership, performance and achievements of the companies of the sector, in addition to showing a scenario involving the importance of companies and entities in the implementation and in the development of concepts, products and services for the Brazilian insurance market.

2 Bradesco Capitalização received two Top Social 2006 awards, promoted by the Association of Sales and Marketing Managers of Brazil (ADVB-SP). The cases awarded were Pé Quente Bradesco SOS Mata Atlântica and Pé Quente Bradesco GP Ayrton Senna . The award is one of the most important ones in the sector and has as purpose to evaluate and highlight the socially responsible actions.

3 Bradesco Capitalização received three Gaivota de Ouro 2006 trophies, granted by Seguro Total magazine. The company was highlighted in the Best Certificated Savings Plans Company , Certificated Savings Plans Product highlighted in 2005 and Companies which have contributed to Entities in Social Works categories in the VI 2006 Insurance Market Award , which acknowledge companies, products, services innovative actions and people that have contributed to the growth and strengthening of the insurance market.

4 Bradesco Capitalização was awarded with the Best Certificated Savings Plans Company , by Balanço Financeiro Yearbook, published by Gazeta Mercantil. The publication took into consideration the study made by the consulting firm Austin Asis Rating, in which the growth, performance and results achieved in 2005 were considered.

5 Bradesco Capitalização received two Top Social ADVB RJ awards for the cases Pé Quente Bradesco SOS Mata Atlântica and Pé Quente Bradesco GP Ayrton Senna . The award, given by the Association of Sales and Marketing Managers of Brazil, was in its eighth edition this year and is addressed to companies with important socially responsible projects.

6 Bradesco Capitalização received the award Marketing Best de Responsabilidade Social for the case Pé Quente Bradesco GP Ayrton Senna: in 6 months, Pé Quente Bradesco GP Ayrton Senna sold 580 thousand bonds, doubled its sales goal and helped to ensure quality education and build a better Brazil. The 5th edition of the award, organized by Editora Referência through Marketing magazine and MadiaMundoMarketing, is addressed to Companies, Foundations, Institutes and Associations which deserve to be awarded due to public acknowledgement and use of social practices and actions developed for both the organization s internal public and the communities they relate to.

7 Bradesco Capitalização received two awards SegNews 2006 in the category Best Performance in Certificated savings plans and Best in Social Marketing for the case Título Pé Quente Bradesco O Câncer de Mama no Alvo da Moda/ IBCC Instituto Brasileiro de Controle do Câncer (the Breast Cancer in the Fashion Target Brazilian Institute of Cancer Control), granted by SegNews news agency, which awards the most remembered companies in the surveys carried out with insurers, insurance brokers and service providers.

8 Bradesco Capitalização received the award Top of Sales 2006 with the case In three years, the company grew 22.84% in sales, reached a net income of 42.75% and continues to be a leader among private companies . The ADVB s award acknowledges successful companies which surpass their goals and become good examples for the market.

9 Bradesco Capitalização received the award Performance 2006 as the best company in the category Financial Intermediations . Miguel Calmon Institute Foundation (IMIC), which promoted the event, carries out studies to obtain, join, classify and assess basic information about companies comprising the social-economic nature of our local reality and its regional and state scenario.

10 Bradesco Capitalização received the award Marketing Best 2006 with the case Bradesco Capitalização consolidates its Share and Increases its Premiums Income . The 19 edition of the award, one of the most important marketing awards of the country, organized by Editora Referência, Getulio Vargas Foundation and MadiaMundoMarketing, has the purpose to promote and diffuse the most remarkable companies in the planning and implementation of marketing strategies.

11 Bradesco Capitalização received the trophy of the IX Edition of Cobertura Award Performance 2006, promoted by Cobertura magazine Insurance Market. The company was awarded for the case Best Products lead to the consolidation of the leadership among private certificated savings plans companies .

**Banco Finasa**

Consolidated Balance Sheet

| | R$ million | | | |
|---|---|---|---|---|
| | 2005 | | 2006 | |
| | **September** | **December** | **September** | **December** |
| **Assets** | | | | |
| **Current and Long-Term Assets** | **14,015** | **15,819** | **18,479** | **19,492** |
| Funds Available | 7 | 3 | 13 | 1 |
| Interbank Investments | 232 | 407 | 277 | 466 |
| Securities and Derivative Financial Instruments | 53 | 50 | 63 | 78 |
| Interbank Accounts | 29 | 32 | 34 | |
| Loan and Leasing Operations | 13,249 | 14,837 | 17,533 | 18,455 |
| Allowance for Doubtful Accounts | (432) | (501) | (863) | (986) |
| Other Receivables and Other Assets | 877 | 991 | 1,422 | 1,478 |
| **Permanent Assets** | **1,785** | **1,800** | **1,739** | **1,770** |
| **Total** | **15,800** | **17,619** | **20,218** | **21,262** |
| | | | | |
| **Liabilities** | | | | |
| **Current and Long-Term Liabilities** | **15,034** | **16,652** | **19,191** | **20,177** |
| Demand, Time and Interbank Deposits | 14,620 | 16,313 | 18,788 | 19,753 |
| Borrowings and Onlendings | 9 | 7 | 3 | 2 |
| Derivative Financial Instruments | 52 | 31 | 4 | 2 |
| Other Liabilities | 353 | 301 | 396 | 420 |
| **Future Taxable Income** | **47** | **43** | **26** | **22** |
| **Stockholders Equity** | **719** | **924** | **1,001** | **1,063** |
| **Total** | **15,800** | **17,619** | **20,218** | **21,262** |

Consolidated Statement of Recurring Income

| | R$ million | | | | | |
|---|---|---|---|---|---|---|
| | 2005 | | | 2006 | | |
| | **3rd Qtr.** | **4th Qtr.** | **Year** | **3rd Qtr.** | **4th Qtr.** | **Year** |
| Income from Financial Intermediation | 1,028 | 1,159 | 3,772 | 1,378 | 1,424 | 5,328 |
| Financial Intermediation Expenses | (629) | (696) | (2,259) | (809) | (844) | (3,135) |
| **Net Interest Income** | **399** | **463** | **1,513** | **569** | **580** | **2,193** |
| Allowance for Doubtful Accounts | (138) | (150) | (469) | (256) | (289) | (1,014) |
| **Gross Income from Financial Intermediation** | **261** | **313** | **1,044** | **313** | **291** | **1,179** |
| Other Operating Income (Expenses) | (180) | (219) | (717) | (232) | (233) | (906) |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Operating Income** | **81** | **94** | **327** | **81** | **58** | **273** |
| Non-Operating Income | (1) | | | | (4) | (5) |
| **Income before Taxes and Contributions** | **80** | **94** | **327** | **81** | **54** | **268** |
| Taxes and Contributions on Income | (6) | (17) | (44) | (13) | (3) | (30) |
| **Recurring Net Income (*)** | **74** | **77** | **283** | **68** | **51** | **238** |

(*) The corporate result for 3Q06 and for 2006 was adjusted by the full goodwill amortization in the amount of R$238 million (R$158 million net of tax effects).

Profile

Banco Finasa offers financing lines of direct loan to consumer for acquisition of passenger vehicles, transportation and other goods and services, in addition to leasing and personal loan operations, operating as the financing company of Bradesco.

For that purpose, Banco Finasa contracts the services of Finasa Promotora de Vendas Ltda., its wholly-owned subsidiary, responsible for the business prospect, through its 381 branches established nationwide, which rely on a structure of business partners, represented in December 2006 by 16,839 auto dealers and 23,054 stores selling furniture and home décor, auto parts, IT programs and equipment, home improvement material, tires, tourism and telephony, amongst others. At the end of 2006, Finasa Promotora de Vendas recorded 4,821 employees, 78% of which were directly performing in new businesses prospect.

As a strategy to add more potential to Bradesco s solid operation in the granting of financing, Banco Finasa continued with the policy to enter into operational agreements with large car makers, auto and truck resale and implements, in addition to important retail chains.

We can highlight, in the period, the acquisition of Capital Promotora de Vendas Ltda., which belonged to American Express Group, by Finasa Promotora, with a structure of 6 branches, 1,046 registered stores and 172 employees, operating preponderantly in the acquisition of financings in the areas of Mobile Telephony, Tourism, Tires and Furniture and Home Décor. On September 30, 2006, Finasa Promotora incorporated Capital Promotora de Vendas Ltda.

In addition, in the 3rd quarter of 2006, goodwill was fully amortized in the acquisition of the companies of Zogbi (in February 2004) and of Morada (in April 2005), totaling R$157.904 million, net of taxes.

In compliance with the concepts in the New Basel Capital Accord, Banco Finasa, Finasa Promotora de Vendas and Bradesco s Risk Management and Compliance Department (DGRC) started, in June 2005, the identification and collection works of operating losses resulting from events of Operating Risk within the scope of both Banco Finasa and Finasa Promotora. This joint work provides for the treatment of historical data in statistical studies, conducted with the purpose of risk mitigation.

Operating Performance

The differentiated way of trading products, with a specialized and focused team, enabled Finasa a loan portfolio growth of 24.38% in 2006. The production of new businesses increased, on average, from R$1.185 billion/ month in 2005 to R$1.310 billion/month in 2006, with a growth of 10.568% .

The balances of Bradesco s loan operations in December 2006 showed the following growth:

Finasa Portfolio (R$ million)

| | December | | | |
|---|---|---|---|---|
| **Line of Business** | | | **Evolution (%)** | **Share (*)** |
| | **2005** | **2006** | | |

| | | | | |
|---|---|---|---|---|
| **Individuals** | **13,376** | **16,157** | **20.8** | |
| CDC Vehicles | 10,701 | 13,309 | 24.4 | 20.8 |
| CDC Other Assets | 2,072 | 1,937 | (6.5) | 19.4 |
| Personal Loan | 437 | 642 | 46.9 | |
| Leasing | 166 | 269 | 62.0 | |
| **Corporate** | **1,461** | **2,298** | **57.3** | |
| CDC | 1,073 | 1,223 | 14.0 | |
| Vehicles | 917 | 1,080 | 17.8 | |
| Other Assets | 156 | 143 | (8.3) | |
| Leasing | 388 | 1,075 | 177.1 | |
| **Overall Total** | **14,837** | **18,455** | **24.4** | |

(*) Source: BACEN Reference date: November 2006

The share of balance of Allowance for Doubtful Accounts on Loan and Leasing Operations, in December 2006, was 5.34%, above the 3.38% reached in the same period of 2005, due to the larger share of products of Personal Loan and Financing Other Assets and Services in the portfolio composition, to the market behavior in 2006 and to the conservative provision criterion of the Organization, above the minimum required by BACEN which grants a higher coverage level to assets.

In the 3rd quarter of 2006, a stabilization in the provision curve was observed.

In 2006, the Bank reached a Recurring Net Income of R$237.623 million against the R$283.373 million recorded in the same period of 2005, which takes into account:

the impact of strong investments made in acquisitions and physical expansion in the last 15 months, from 224 to 381 branches, which will naturally provide a return in the medium and long term; and

the generalized increase in delinquency in the market in 2006, jointly with the criterion already mentioned of the Organization concerning additional provisions.

The corporate result, in 2006, was R$79.719 million, which takes into account the full amortization of goodwill in the acquisition of the Companies Zogbi and Morada.

Banco Finasa ended 2006 with a Stockholders Equity of R$1.063 billion, which includes the full goodwill amortization in September 2006.

**Leasing Companies**

On December 31, Bradesco Organization controlled the following leasing companies: Bradesco Leasing S.A. Arrendamento Mercantil, Zogbi Leasing S.A. Arrendamento Mercantil and Bankpar Arrendamento Mercantil S.A., besides the leasing portfolio of Banco Finasa S.A., which is directly shown in its financial statements.

On June 28, 2006, under no. CVM/SRE/PRO/2006/003, The Second Program of Public Distribution of Debentures of Bradesco Leasing S.A. Arrendamento Mercantil was filed at the CVM, limited to the amount of R$10.0 billion with duration term of up to 2 years, from which the following issuance was registered:

Under no. CVM/SRE/DEB/2006/024, 65,000,000 simple debentures (4th issuance), with unit value of R$100.00, with issuance date on February 1, 2005, in the total amount of the issuance of R$6.5 billion with the use of the surplus of 35% totaling R$8.8 billion, with a 20-year term, with payment of compensation interest on the maturity date of the debentures, 50.0% of which were traded on July 27, 2006 and the remaining on December 18, 2006 restated by CDI totaling R$11.8 billion.

**Leasing Companies *(Leasing)***

Aggregated Balance Sheet

| | R$ million | | | |
|---|---|---|---|---|
| | 2005 | | 2006 | |
| | **September** | **December** | **September** | **December** |
| **Assets** | | | | |
| **Current and Long-Term Assets** | **13,558** | **18,546** | **24,572** | **32,610** |
| Funds Available | | 8 | | |
| Interbank Investments | 10,558 | 15,310 | 20,626 | 28,428 |
| Securities and Derivative Financial Instruments | 725 | 760 | 886 | 911 |
| Leasing Operations | 1,785 | 1,964 | 2,437 | 2,568 |
| Allowance for Doubtful Accounts | (91) | (94) | (104) | (106) |
| Other Receivables and Other Assets | 581 | 598 | 727 | 809 |
| **Permanent Assets** | **97** | **92** | **59** | **60** |
| **Total** | **13,655** | **18,638** | **24,631** | **32,670** |
| | | | | |
| **Liabilities** | | | | |
| **Current and Long-Term Liabilities** | **11,296** | **16,238** | **22,092** | **30,033** |
| Federal Funds Purchased and Funds Received from Issuance of Securities | 9,916 | 14,798 | 20,503 | 28,376 |
| Borrowings and Onlendings | 185 | 185 | 210 | 252 |
| Derivative Financial Instruments | 2 | 1 | | |
| Subordinated Debt | 629 | 627 | 622 | 620 |
| Other Liabilities | 564 | 627 | 757 | 785 |
| **Stockholders' Equity** | **2,359** | **2,400** | **2,539** | **2,637** |
| **Total** | **13,655** | **18,638** | **24,631** | **32,670** |

Aggregated Statement of Income

| | R$ million | | | | | |
|---|---|---|---|---|---|---|
| | 2005 | | | 2006 | | |
| | **3rd Qtr.** | **4th Qtr.** | **Year** | **3rd Qtr.** | **4th Qtr.** | **Year** |
| Income from Financial Intermediation | 843 | 1,010 | 2,851 | 1,087 | 1,111 | 4,151 |
| Financial Intermediation Expenses | (699) | (866) | (2,351) | (960) | (982) | (3,644) |
| **Net Interest Income** | **144** | **144** | **500** | **127** | **129** | **507** |
| Allowance for Doubtful Accounts Expenses | (10) | (3) | 2 | (6) | (2) | (13) |
| Gross Income from Financial Intermediation | **134** | **141** | **502** | **121** | **127** | **494** |
| Other Operating Income (Expenses) | (17) | (46) | (128) | (37) | (36) | (132) |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Operating Income** | **117** | **95** | **374** | **84** | **91** | **362** |
| Non-Operating Income | | (3) | (2) | | (2) | (7) |
| **Income before Taxes and Contributions** | **117** | **92** | **372** | **84** | **89** | **355** |
| Taxes and Contributions on Income | (41) | (40) | (134) | (28) | (21) | (113) |
| **Recurring Net Income (*)** | **76** | **52** | **238** | **56** | **68** | **242** |

(*) The result for 3Q06 and for 2006 was adjusted by the full goodwill amortization in the amount of R$27 million (R$18 million net of tax effects).

Leasing Performance Aggregated Bradesco

Leasing operations are carried out by Bradesco Leasing S.A. Arrendamento Mercantil and Banco Finasa S.A.

On December 31, leasing operations brought to present value totaled R$3.9 billion.

Bradesco Organization s leasing companies are positioned amongst sector leaders, according to ABEL (Brazilian Association of Leasing Companies), with an 11.5% share of this market (reference date: November 2006). This good performance is rooted in its Branch Network integrated operations and the maintenance of its diversified business strategies in various market segments, in particular, the implementation of operating agreements with major industries, mainly in the transportation vehicles and machinery/equipment industries.

The following graph presents the breakdown of Bradesco's aggregated leasing portfolio by type of asset:

Portfolio by Type of Asset

**Bradesco Consórcios**

**Management Company**

Balance Sheet

| | R$ thousand | | | |
|---|---|---|---|---|
| | 2005 | | 2006 | |
| | **September** | **December** | **September** | **December** |
| **Assets** | | | | |
| **Current and Long-Term Assets** | **142,513** | **158,824** | **235,932** | **256,159** |
| Funds Available | | | 350 | |
| Securities | 140,332 | 154,138 | 230,876 | 248,735 |
| Other Receivables | 2,181 | 4,686 | 4,706 | 7,424 |
| **Permanent Assets** | **715** | **1,618** | **4,892** | **5,483** |
| **Total** | **143,228** | **160,442** | **240,824** | **261,642** |
| | | | | |
| **Liabilities** | | | | |
| **Current and Long-Term Liabilities** | **44,976** | **50,681** | **65,241** | **70,305** |
| Dividends Payable | | | 29,039 | 25,409 |
| Amounts Refundable to Former Groups Now Closed | 6,234 | 6,330 | 6,749 | 6,888 |
| Other Liabilities | 38,742 | 44,351 | 29,453 | 38,008 |
| **Stockholders Equity** | **98,252** | **109,761** | **175,583** | **191,337** |
| **Total** | **143,228** | **160,442** | **240,824** | **261,642** |

Statement of Income

| | R$ thousand | | | | | |
|---|---|---|---|---|---|---|
| | 2005 | | | 2006 | | |
| | **3rd Qtr.** | **4th Qtr.** | **Year** | **3rd Qtr.** | **4th Qtr.** | **Year** |
| Fee and Commission Income | 39,674 | 45,666 | 148,560 | 52,308 | 57,956 | 202,331 |
| Taxes Payable | (4,056) | (4,761) | (15,065) | (5,592) | (6,220) | (21,483) |
| Financial Revenues | 5,700 | 6,435 | 19,956 | 7,187 | 7,418 | 27,513 |
| Administrative Expenses (Including Personnel Expenses) | (5,538) | (6,667) | (19,630) | (6,094) | (7,439) | (24,505) |
| Selling Expenses | (6,297) | (9,530) | (24,070) | (5,839) | (9,283) | (28,597) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Other Operating Income (Expenses) | 837 | 973 | 2,985 | 1,685 | 1,339 | 5,175 |
| **Income before Taxes and Contributions** | **30,320** | **32,116** | **112,736** | **43,655** | **43,771** | **160,434** |
| Taxes and Contributions on Income | (10,930) | (10,982) | (39,490) | (15,213) | (14,252) | (53,449) |
| **Net Income** | **19,390** | **21,134** | **73,246** | **28,442** | **29,519** | **106,985** |

**Consortium Groups**

Balance Sheet

| | R$ thousand | | | |
|---|---|---|---|---|
| | 2005 | | 2006 | |
| | **September** | **December** | **September** | **December** |
| **Assets** | | | | |
| Current and Long-Term Assets | 437,245 | 1,441,060 | 2,043,187 | 2,283,343 |
| Amount Offset | 10,263,261 | 10,636,448 | 12,232,279 | 13,195,593 |
| **Total** | **10,700,506** | **12,077,508** | **14,275,466** | **15,478,936** |
| **Liabilities** | | | | |
| Current and Long-Term Liabilities | 437,245 | 1,441,060 | 2,043,187 | 2,283,343 |
| Amount Offset | 10,263,261 | 10,636,448 | 12,232,279 | 13,195,593 |
| **Total** | **10,700,506** | **12,077,508** | **14,275,466** | **15,478,936** |

Operating Overview

Bradesco Consórcios started to sell consortium purchase plan quotas to its employees on December 9, 2002, and on January 21, 2003, started to sell to its account holders and non-account holders, both for individual and corporate clients.

Bradesco Consórcios sells automobile, trucks, tractors, agricultural implements and real properties plans, according to the rules of the Brazilian Central Bank.

Referring to the sale of plans offered, the company relies on Banco Bradesco Branches network, liable for higher Bradesco Consórcios share in the consortium purchase plan market. The extensive nature and security associated with the Bradesco Brand name are added advantages for expanding consortium purchase plan sales.

Segmentation

Banco Bradesco s entry into this market is part of its strategy to offer the most complete range of product and services options to its clients, with a view to providing all social classes with the opportunity to purchase items at accessible prices through the consortium quota system, and filling a market gap, especially taking into account that, in relation to real estate product, there is currently high housing deficit in the country.

Operating Performance

The differentiated way of trading products (Real State, Automobiles and Trucks), with a specialized and focused team, provided Bradesco Consórcios with a growth of 46% in 2006 when compared to the previous year.

Operating Risk

Bradesco Consórcios and DGRC (Department of Risk Management and Compliance) started in February 2005 the works related to the identification and collection of operating losses. Accounting accounts specific for accounting of losses resulting from operating risk events were opened. We understand that these actions meet the concepts introduced by the New Basel Capital Agreement, and this work aims to establish a statistic basis for modeling of the operating risk, with the purpose of lower allocation of capital required, as well as increase the mitigation capacity of risks identified.

Representation

Market Share Real Estate Consortium in percentage

Source: Brazilian Central Bank
N.B.: The market share of Ademilar as of December 2005 was not disclosed.

Market Share Automobile Consortium in percentage

Source: Brazilian Central Bank.

Market Share Truck, Tractors and Agricultural Implements Consortium in percentage

Source: Brazilian Central Bank

Bradesco has been playing an important role in the consortium purchase plan industry, providing the population with access to loan for the acquisition of personal and real property. The freedom to select an asset is one of the main characteristics of the plans sold by Bradesco Consórcios, since the consortium member is free to choose, according to value of the letter of credit, the automobile, real property, truck, tractor or agricultural implement of his/her preference when he/she wins the draw.

In 4Q06, 112 groups were inaugurated and 38.2 thousand consortium quotas were sold. Until December 2006, we recorded total accumulated sales exceeding 289.4 thousand consortium quotas, achieving sales in excess of R$8.9 billion and recording 98.5 thousand draws, with 74.2 thousand properties delivered and 1,496 active groups.

Active Consortium Quotas

Total Active Consortium Quotas

Leadership

According to a strategy defined by the Organization, Bradesco Consórcios leads the automobile and real estate segments, and searches for a highlighting position in the segment of Trucks, Tractors and Agricultural Implements.

In the real estate segment, Bradesco ended December 2006 with 108,617 active quotas. In the Automobile segment, Bradesco ended with 157,284 active quotas, surpassing consortium management companies associated with car makers, consolidated in the market, such as Volkswagen, Fiat and General Motors.

In the Trucks, Tractors and Agricultural Implements segment, Bradesco ended December with 8,323 active quotas. In this 4Q06, we conquered significant positions, in which the public is getting to know the advantages to acquire an asset by means of a consortium, and went from the 12$^{th}$ to the 7$^{th}$ place in BACEN s ranking. Thus, Bradesco Consórcios has shown that it has strength to be among the first ones in 2007.

Leadership (Real Estate and Auto) is conquered and consolidated as a result of ongoing and determined efforts, motivated by the enthusiasm and strength of the Bradesco Branch Network.

Consortium Quotas Sold

Total Consortium Quotas Sold

Number of active participants comprising the 10 largest real estate consortium management companies

Source: Brazilian Central Bank
N.B.: Ademilar was not in the ranking of December 2005 of the ten largest management companies.

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Number of active participants comprising the 10 largest auto segment consortium management companies

Source: Brazilian Central Bank

Number of active participants of the ten largest consortium management companies in the truck, tractor and agricultural implement segment

Source: Brazilian Central Bank

Balance Sheet

| | R$ thousand | | | |
|---|---|---|---|---|
| | 2005 | | 2006 | |
| | September | December | September | December |
| **Assets** | | | | |
| **Current and Long-Term Assets** | **492,199** | **850,862** | **259,214** | **406,501** |
| Funds Available | 33 | 42 | 33 | 206 |
| Interbank Investments | 8,670 | 27,698 | 67,632 | 81,748 |
| Securities | 61,523 | 51,667 | 80,764 | 66,821 |
| Other Loans | 421,877 | 771,399 | 110,623 | 257,666 |
| Other Receivables | 96 | 56 | 162 | 60 |
| **Permanent Assets** | **29,955** | **31,016** | **35,352** | **36,886** |
| **Total** | **522,154** | **881,878** | **294,566** | **443,387** |
| | | | | |
| **Liabilities** | | | | |
| **Current and Long-Term Liabilities** | **445,194** | **797,477** | **185,563** | **351,702** |
| Other Liabilities | 445,194 | 797,477 | 185,563 | 351,702 |
| **Stockholders' Equity** | **76,960** | **84,401** | **109,003** | **91,685** |
| **Total** | **522,154** | **881,878** | **294,566** | **443,387** |

Statement of Income

| | R$ thousand | | | | | |
|---|---|---|---|---|---|---|
| | 2005 | | | 2006 | | |
| | 3rd Qtr. | 4th Qtr. | Year | 3rd Qtr. | 4th Qtr. | Year |
| Income from Financial Intermediation | 3,379 | 3,583 | 11,812 | 4,220 | 5,015 | 23,946 |
| Financial Intermediation Expenses | | (46) | (46) | | | |
| Other Operating Income (Expenses) | 3,596 | 5,086 | 16,010 | 3,520 | 6,579 | 19,648 |
| **Operating Income** | **6,975** | **8,623** | **27,776** | **7,740** | **11,594** | **43,594** |
| Non-Operating Income | | (83) | (90) | | | (3) |
| **Income before Taxes and Contributions** | **6,975** | **8,540** | **27,686** | **7,740** | **11,594** | **43,591** |
| Taxes and Contributions on Income | (2,357) | (2,605) | (9,852) | (2,657) | (3,893) | (15,140) |
| **Net Income** | **4,618** | **5,935** | **17,834** | **5,083** | **7,701** | **28,451** |

Bradesco Corretora ended 2006 in the 14th position of the São Paulo Stock Exchange BOVESPA among the 97 participant brokers. 57,091 investors were served in such period, executing 853,414 stock calls and put orders, summing up a volume corresponding to R$25,852 million. Bradesco Corretora has been participating with BOVESPA in the event *Bovespa vai até você* (Bovespa reaches you), with a view to popularizing the stock market.

In 2006, Bradesco Corretora traded 2,550 thousand contracts at the Brazilian Mercantile & Futures Exchange BM&F, with a financial volume of R$207,890 million, reaching the 27th position in the ranking among the 72 participant

brokers. It has been driving its efforts to proceed with the expansion of businesses, as well as to disseminate future markets. Concerning the agricultural sector, Bradesco Corretora has been directly acting in the main producing regions of the country, through visits, lectures, and participation in agribusiness fairs and exhibitions. Jointly with BM&F, it has been sponsoring the clients visit from various regions of the country to São Paulo, for visits to BM&F and Bradesco Corretora. It has also been receiving producers, teachers, opinion makers and dealers of goods physical market. It also takes part in the trading of future mini-contracts of Bovespa Index, U.S. dollar and *boi gordo* (live cattle) and coffee through the Web Trading system, with a view to offering an alternative to carry out derivative operations of price protection, directly at the trading floor. The intermediation of futures markets operations is certified by NBR ISO 9001:2000.

**Bradesco S.A. Corretora de Títulos e Valores Mobiliários**

In operations made through the Internet we obtained a volume of R$1,298 million in 4Q06, with an average daily traded volume of R$22.1 million, against R$16.1 million in the previous quarter, showing a 38% growth. The client base evolved 28%, with 5,794 new registrations, and 15,957 e-mails received. The executed orders were 185,608, showing a 22% increase. Overall, in 2006 we obtained a R$4,296 million volume, with a 134% growth as compared to the previous year, and a client base increase of 64%, totaling 62,369 clients. The investor s interest in the stock market is growing every day, due to an increasingly favorable economic scenario, and the Internet has been the easiest and least expensive channel, which makes it attractive to those investors. Home Broker intermediation of stocks through the Internet (Shopinvest) is certified by NBR ISO 9001:2000 and GoodPriv@cy Data Protection Label (2002 edition).

Bradesco Corretora maintained a highlighting position in the market, operating in Public Offerings for Share Purchase, Primary and Secondary Public Distribution and Special Operations and Privatization Auctions. The total volume traded was R$1,482 million, assisting a total of 11,238 clients among individuals and legal entities, in the Public Distributions.

Bradesco Corretora offers to its clients a complete investment analysis service with coverage of the main sectors and companies of the Brazilian market. Our team of analysts is comprised of sector specialists who disclose their opinions to clients in an equitable way by means of follow-up reports and guides of stocks. Moreover, clients also count on analyses of the team of economists of Banco Bradesco, one of the most important ones of the Brazilian market.

In addition, it offers non-resident investors representation service in operations conducted in the financial and capital markets, under the terms of the CMN (Brazilian Monetary Council) Resolution no. 2,689, of January 26, 2000.

It also offers the *Tesouro Direto* (Direct Treasury) Program, which allows the individual client to invest in federal government bonds via the Internet; he/she just has to register at Bradesco Corretora via the Website www.bradesco.com.br.

In compliance with the concepts introduced by the New Basel Capital Agreement, Bradesco S.A. Corretora de Títulos e Valores Mobiliários, in partnership with the Department of Risk Management and Compliance (DGRC), started in 2005 a work of identification and registration of events of operating losses taking place in the intermediation of operations carried out in the capital markets as well as other events classified as Operating Risk. The development of this work provides the treatment of historic data and the performance of statistic studies with the purpose of risk mitigation and constant improvement of internal controls.

The Net Income recorded in 2006 amounted to R$ 28,451 thousand.

The Stockholders Equity, at the end of 2006, amounted to R$91,685 thousand, equivalent to 20.7% of total assets, which added up to R$443,387 thousand.

Information - Trading on BM&F and BOVESPA

| | 2005 | | | 2006 | | |
|---|---|---|---|---|---|---|
| | 3rd Qtr. | 4th Qtr. | Year | 3rd Qtr. | 4th Qtr. | Year |
| **BM&F** | | | | | | |
| Ranking | 20th | 24th | 20th | 27th | 27th | 27th |

| | | | | | | |
|---|---|---|---|---|---|---|
| Contracts Traded (thousand) | 1,145 | 940 | 3,877 | 615 | 737 | 2,550 |
| Financial Volume (R$ million) | 111,997 | 94,228 | 402,874 | 45,682 | 57,594 | 207,890 |
| | | | | | | |
| **Stock Exchange** | | | | | | |
| Ranking | 12th | 12th | 12th | 13th | 12th | 14th |
| Number of Investors | 16,358 | 16,495 | 49,841 | 21,801 | 24,309 | 57,091 |
| Number of Orders Executed | 143,441 | 134,165 | 539,552 | 213,444 | 258,304 | 853,414 |
| Financial Volume (R$ million) | 5,048 | 5,218 | 18,056 | 5,908 | 8,657 | 25,852 |
| | | | | | | |
| **Home Broker** | | | | | | |
| Ranking | 8th | 8th | 8th | 6th | 6th | 6th |
| Number of Registered Clients | 35,021 | 37,973 | 37,973 | 56,575 | 62,369 | 62,369 |
| Number of Orders Executed | 75,012 | 75,344 | 286,208 | 152,352 | 185,608 | 603,559 |
| Financial Volume (R$ million) | 502 | 510 | 1,832 | 1,029 | 1,298 | 4,296 |

Balance Sheet

| | R$ thousand | | | |
|---|---|---|---|---|
| | 2005 | | 2006 | |
| | September | December | September | December |
| **Assets** | | | | |
| **Current and Long-Term Assets** | **50,893** | **53,212** | **48,759** | **48,238** |
| Funds Available | 7,428 | 7,758 | 7,327 | 7,227 |
| Interbank Investments | | | 248 | 247 |
| Securities and Derivative Financial Instruments | 43,418 | 45,412 | 41,059 | 40,426 |
| Other Receivables and Other Assets | 47 | 42 | 125 | 338 |
| **Permanent Assets** | **12** | **10** | **542** | **545** |
| **Total** | **50,905** | **53,222** | **49,301** | **48,783** |
| | | | | |
| **Liabilities** | | | | |
| **Current and Long-Term Liabilities** | **404** | **475** | **611** | **413** |
| Other Liabilities | 404 | 475 | 611 | 413 |
| **Stockholders' Equity** | **50,501** | **52,747** | **48,690** | **48,370** |
| **Total** | **50,905** | **53,222** | **49,301** | **48,783** |

Statement of Income

| | R$ thousand | | | | | |
|---|---|---|---|---|---|---|
| | 2005 | | | 2006 | | |
| | 3rd Qtr. | 4th Qtr. | Year | 3rd Qtr. | 4th Qtr. | Year |
| **Gross Income from Financial Intermediation** | **710** | **514** | **2,866** | **1,387** | **908** | **3,037** |
| Other Operating Income (Expenses) | (529) | (917) | (2,454) | (907) | (413) | (2,847) |
| **Operating Income** | **181** | **(403)** | **412** | **480** | **495** | **190** |
| **Net Income (Loss)** | **181** | **(403)** | **412** | **480** | **495** | **190** |

Bradesco Securities, Inc., a wholly-owned subsidiary of Banco Bradesco, operates as a broker dealer in the United States. The company's activities are focused on the intermediation of stock purchases and sales, with emphasis on ADR operations. The company is also authorized to operate with Bonds, Commercial Paper and Deposit Certificates, among others, and to provide Investment Advisory services. This Bradesco initiative was motivated by the more than 90 ADR programs of Brazilian companies traded in New York and by the growing interest of foreign investors in the emerging markets, which is designed to offer support for global economy investors who invest part of this flow in countries such as Brazil.

Banco Bradesco obtained the Financial Holding Company status from the Board of Governors of the Federal Reserve System, on January 30, 2004, which will allow the expansion of Bradesco Securities activities.

This status is given following a rigorous analysis of various aspects determined in US banking legislation, including Banco Bradesco s high level of capitalization and the quality of its Management, which will allow the Bank, either directly or through its subsidiaries, to operate in the US market, whenever considered convenient, carrying out financial activities under the same conditions as local banks, in particular the following:

Securities trading (underwriting, private placement and market-making);

Acquisitions, mergers, portfolio management and financial services (merchant banking);

Mutual funds portfolio management; and

Sale of insurance.

Thus, Banco Bradesco has strengthened its role in the Investment Banking segment, expanding its opportunity to explore various financial activities in the US market, and contributing to the increase in the volume of transactions carried out with Brazilian companies.

## 5 - Operating Structure

**Corporate Organization Chart**

Major Stockholders

(1) Bradesco s management (Board of Executive Officers and Board of Directors) comprises the Presiding Board of Fundação Bradesco, maximum Deliberative Body of this Entity. Reference date: 12.31.2006.

Main Subsidiaries and Affiliated Companies

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**Administrative Body**

Reference Date: 2.2.2007

**Risk Ratings Bank**

| Fitch Ratings | | | | | | | | M | | |
|---|---|---|---|---|---|---|---|---|---|---|
| International Scale | | | | | | Domestic Scale | | International | | |
| Individual | Support | Foreign Currency (1) | | Local Currency (1) | | Domestic (1) | | Foreign Currency Deposit | | Foreign Currency Debt |
| | | IDR - Delinquency Probability of Issuer Long-term | Short-term | IDR - Delinquency Probability of Issuer Long-term | Shor-term | Long-term | Short-term | Long-term (2) | Short-term | Long-term (2) |
| A | 1 | AAA | F1 | AAA | F1 | AAA (bra) | F1+ (bra) | Aaa | P-1 | Aaa |
| A/B | 2 | AA | F2 | AA | F2 | AA+ (bra) | F2 (bra) | Aa | P-2 | Aa |
| B | 3 | A | F3 | A | F3 | F3 A (bra) | F3 (bra) | A | P-3 | A |
| B/C | 4 | BBB | B | BBB | B | BBB (bra) | B (bra) | Baa | NP | Baa3 |
| C | 5 | BB+ | C | BB | C | BB (bra) | C (bra) | Ba3 | | Ba |
| C/D | | B | D | B | D | B (bra) | D (bra) | B1 | | B |
| D | | CCC | | CCC | | CCC (bra) | | Caa | | Caa |
| D/E | | CC | | CC | | CC (bra) | | Ca | | Ca |
| E | | C | | C | | C (bra) | | C | | C |
| | | RD | | RD | | DDD (bra) | | | | |
| | | D | | D | | DD (bra) | | | | |
| | | | | | | D (bra) | | | | |
| | | | | | | | | | | |

N.B.: Bradesco´s risk ratings are among the highest attributed to Brazilian banks.

(1) Signs of plus (+) and minus ( ) are used to identity a better or worse position within a same rating scale.

(2) Numeric modifiers 1, 2 and 3 are added to each generic rating from Aa to Caa, meaning lower or higher risk in the same category.

(3) This is the first governance rating granted in Latin America. The evaluation recognizes that Bradesco adopts great corporate governance practices, with a relationships policy highlighted by a high quality, transparency and ethics level.

**Main Ratings Insurance and Certificated Savings Plans Companies**

| Insurance | | | | | Certified Savings Plans |
|---|---|---|---|---|---|
| Fitch ratings | | Standard & Poor s | SR Rating | | Standard & Poor s |
| Domestic Scale | International Scale | Domestic Scale (1) | | | Domestic Scale (1) |
| Domestic Rating of Financial Strength of Insurance Company (1) | International Rating of Financial Strength of Insurance Company (1) | Counterparty Rating | International Scale | Domestic Scale | Counterparty Rating |
| AAA (bra) | AAA | brAAA | AAA$^{SR}$ | brAAA | brAAA |
| **AA+ (bra)** | AA | **brAA+** | AA+$^{SR}$ | **brAA+** | **brAA+** |
| A (bra) | A | brA | AA$^{SR}$ | brAA | brA |
| BBB (bra) | **BBB-** | brBBB | AA$^{SR}$ | brAA | brBBB |
| BB (bra) | BB | brBB | A+$^{SR}$ | brA+ | brBB |
| B (bra) | B | brB | **A$^{SR}$** | brA | brB |
| CCC (bra) | CCC | brCCC | A$^{SR}$ | brA | brCCC |
| CC (bra) | CC | brCC | BBB+$^{SR}$ | brBBB+ | brCC |
| C (bra) | C | brSD | BBB$^{SR}$ | brBBB | brSD |
| DDD (bra) | DDD | brD | BBB$^{SR}$ | brBBB | brD |
| DD (bra) | DD | | BB+$^{SR}$ | brBB+ | |
| D (bra) | D | | BB$^{SR}$ | brBB | |
| | | | BB$^{SR}$ | brBB | |
| | | | B+$^{SR}$ | brB+ | |
| | | | B$^{SR}$ | brB | |
| | | | B$^{SR}$ | brB | |
| | | | CCC$^{SR}$ | brCCC | |
| | | | CC$^{SR}$ | brCC | |
| | | | C$^{SR}$ | brC | |
| | | | D$^{SR}$ | brD | |

(1) Signs of plus (+) and minus ( ) are used to identity a better or worse position within a same rating scale.

**Major Rankings**

| Source | Criterion | Position | Reference Date |
|---|---|---|---|
| Forbes the World s Leading Companies Research | Banks/Forbes 2000* | 2nd (Brazil) | March 2006 |
| Forbes the World s Leading Companies Research | | 40th (Worldwide) | March 2006 |

| | | | | |
|---|---|---|---|---|
| | | Banks/Forbes 2000* | | |
| | | Overall/Forbes | | |
| Forbes the World s Leading Companies | Research | 2000* | 3rd (Brazil) | March 2006 |
| | | Overall/Forbes | | |
| Forbes the World s Leading Companies | Research | 2000* | 187th (Worldwide) | March 2006 |

(*) Forbes 2000: companies comprising World s Leading Companies list are rated based on a combination of criteria which takes into consideration income, profit, assets and market value.

**Market Segmentation**

Focusing its actions on relationship, the segmentation process in Bradesco is aligned to the market trend of grouping together customers with similar profiles, allowing a personalized customer service and increasing gains of productivity and quickness. It provides the Bank with larger flexibility and competitiveness in the execution of its business strategy, providing dimension to operations for both individual and corporate customers, concerning quality and specialization, in specific demands of sundry customer profiles.

**Bradesco Corporate Banking**

Mission and Values

Bradesco Corporate's mission is to meet client s needs, developing long-term ethical and innovative relationship in harmony with stockholders' interest.
The area s main values that permeate its day-to-day activities comprise the following:

- teamwork;
- ongoing pursuit of innovation and excellence in customer service;
- transparency in all its actions;
- commitment to self-development;
- adherence to strategic guidelines;
- creativity, flexibility and initiative; and
- agile delivery to clients.

Background and Achievements

The Corporate Banking segment was introduced in 1999, designed to serve companies from its target market based on a customer, rather than product standpoint, under a centralized relations management, offering as well as traditional products, structured, Tailor-made and Capital Markets solutions, through specific Managers who have a clear vision of risk, market, economic industries and relationship.

Bradesco s absolute commitment with quality, the essence of a long-term effort, started to take shape in 2000, when the company was granted the ISO 9002:1994 certification and, subsequently, the ISO 9001:2000 certification, which are references for efficiency in the service providing, evaluated by clients. Its Management System is being improved with the adoption of practices acknowledged by the market, resulting in the achievement of the Banas Quality Management Award in 2006, which indicate companies with the best management practices, for its efficiency and quality.

**Bradesco Corporate Banking**

The concern about seeking solutions with significant added value for the Institution is reflected in the partnerships entered into with major retail networks for consumer sales financing, made feasible as a result of the relationship and familiarity with this industry's production chain and the synergy which exists among the Bank's segments.
The resources comprising assets (credit, bonds and guarantees) and liabilities (deposits, funds and portfolios) amount to R$85.3 billion.

Target Market

The 1,286 Economic Groups comprising Bradesco Corporate s target market, which is mostly comprised of large corporations which record sales results in excess of R$180 million per annum, are located in the states of São Paulo, both the capital and inner state, Rio de Janeiro, Minas Gerais, Paraná, Rio Grande do Sul, Santa Catarina, Goiás, Pernambuco and Bahia.

**Bradesco Empresas (Middle Market)**

Bradesco's Middle Market segment (Bradesco Empresas) was implemented with a view to offering services to companies with sales results from R$15 million to R$180 million/year, through 66 exclusive branches in the main Brazilian capitals.
Bradesco Empresas aims at offering the best business management, such as: Loans, Financings, Investments, Foreign Trade, Derivatives, Cash Management and Structured Operations, targeting customers satisfaction and results to Bradesco.

The 66 branches are strategically distributed throughout Brazil as follows: Southeast (41), South (16), Mid-West (4), Northeast (3) and North (2).

Bradesco Empresas is formed by a team of 360 Relationship Managers, who are included in the ANBID Certification Program, serving on average 31 economic groups per Manager, on a tailor-made concept, encompassing 22,729 companies from all sectors of the economy.

Bradesco Empresas manages funds, among loan operations, guarantees, deposits, funds and collections, of approximately R$31.4 billion.

**Bradesco Private Banking**

Bradesco Private Banking, through its highly qualified and specialized professionals, offers the Bank's high-income individual customers with minimum funds available for investment of R$1 million, an exclusive line of products and services aimed at increasing their equity by maximizing returns. Therefore, the most appropriate financial solution is sought, considering each client s profile, under the Tailor-Made concept, providing advisory services for asset allocation and fiscal, tax and successor advisory services. Aiming the proximity to its customer base, Bradesco Private Banking has two offices in the cities of São Paulo and Rio de Janeiro, as well as 9 service units in Porto Alegre, Blumenau, Curitiba, Belo Horizonte, Brasília, Salvador, Recife, Fortaleza and Uberlândia. Bradesco Private Banking is also certified by ISO 9001:2000 with scope on the Relationship Management of High Net Income Individuals Clients , as well as with the certification GoodPriv@cy (Data Protection Label 2002 Edition) granted by IQNet ( The International Quality Network), in the Management of Privacy of Data Used in the Relationship with High Net Wealth Clients .

**Bradesco Prime**

Background

The Prime Segment started its activities in May 2003 with 109 exclusive branches distributed around the country, aiming at offering clients complete solutions by means of financial auditing and a differentiated portfolio of products and channels.

Since 2005, the Bradesco Prime Department has been certified by Fundação Carlos Alberto Vanzolini, rule NBR ISO 9001:2000, under the scope Bradesco Prime Segment Management , enhancing Bradesco s commitment to continuously improving processes and pursuing clients satisfaction.

Along its 3 years and a half of existence, Prime has achieved a highlighting position in the Brazilian high-income market and has consolidated its position as the largest segment in customer service network, with 208 Branches, strategically located.

Mission and Values

Bradesco Prime s Mission is to be the first Bank for the client, focusing on relationship quality and in offering appropriate solutions to their needs, with prepared staff, adding value to stockholders and employees, within high ethical and professional standards.

When developing their activities, the employees of the Prime Segment are guided by Bradesco Organization s values, which are as follows:

Client as the Organization s reason of existence;

Ethical and transparent relationship with clients, stockholders, investors, partners and employees;

Belief in people s values and their capacity for development;

Respect for the human being s dignity, by preserving the individuality and the privacy and not admitting the practice of discriminatory acts due to social condition, creed, color, race, sex, faith or political ideology;

Pioneering work in technology and solutions for clients;

Social responsibility, especially investments in education; and

Ability to face with determination different economic cycles and the dynamics of social changes.

Target-market and Main Competitive Advantage

Aligned with the commitment to providing all its clients with a Complete Bank, Bradesco Prime operates in the segment of High Income Clients, having as target-public individuals with income of R$4 thousand or higher or with investments of R$50 thousand or higher.

Bradesco Prime s customers are provided with:

VIP facilities specifically designed to provide comfort and privacy;

Personalized products and services, such as Bradesco Prime Checking Account , a loyalty program which aims to encourage the relationship of clients with the Bank, by means of the offer of increasing benefits, such as the on-line chat in which a financial consultant interacts with the Client in real time, besides the Investment Funds exclusively created for Bradesco Prime clients.

Customized service by the Relationship Managers who, due to their small client portfolios, are able to dedicate special attention to each client;

Client Relationship Managers who are continually enhancing their professional qualifications to meet the needs of their Clients; all of them take part in the Certification Program of ANBID.

Furthermore, clients use unique Internet Banking and Call Center facilities, in addition to the extensive Bradesco Customer Service Network, which includes its nationwide branches and ATM equipment.

Some Prime branches also offer distinguished services, such as:

Prime Digital Branch: focused on customer service via call center with a team of managers available at extended business hours (from 8:00 am to 8:00 pm, 7 days-a-week, including bank holidays).

Prime Branch at Cidade de Deus, Latin America's first Wireless Branch, where managers use remote connected equipment, enabling client to conduct his/her business from his/her own facilities.

**Bradesco Retail**

Bradesco maintains its Retail specialty, serving with high quality service all segments of the Brazilian population regardless of income level. The Bank has more than 16 million individuals and corporate customers account holders, who carry out millions of transactions daily at our Branches, Service Branches, Banco Postal (Postal Bank) Branches and Bradesco Expresso, comprising Brazil's largest Customer Service Network, besides thousands of teller machines, providing ease and convenient services over extended hours.

In addition to the extensive service network, clients are offered the comfort of alternative service channels such as Fone Fácil (Easy Phone) service and Internet Banking, which are already used for a significant portion of daily transactions.

Micro, small and medium-sized companies (SME), as well as individuals, are given special attention through oriented management.

The Retail segment has been focusing on the development of financial products, tailor-made to meet the customers' profile in an ongoing effort to offer quality, agile and reliable services to all customers, in particular, bearing in mind the value of customer relations.

The main focus of this segment is directed towards meeting the diverse customer demands, which include the offer of microcredit, onlending, foreign exchange and a complete range of financing products for individuals, which allied with the Bradesco Brand Name and nationwide Branch Network comprise an important source for increasing Bradesco's results.

Significant investments have been made in staff training, aiming at qualifying employees for customized and efficient customer service, seeking to preserve relations and increase the customers' loyalty to the Bank.

Bradesco Retail not only has more than 2,700 Branches and 2,400 Service Branches (PAB/PAE), but also makes available a Digital Branch, operating in a virtual environment and offering courier service. The Digital Branch has a team of managers who serve its clients, regardless of location, from 8:00 am to 10:00 pm, seven days a week.

**Banco Postal (Postal Bank)**

Banco Postal is a brand through which Bradesco offers its products and services in all the Brazilian cities, in a partnership with the Brazilian Post Office Company (ECT). It is an example of success of Correspondent Banks, due to its large scope, products and services portfolio, and the social role it plays in society.

Instrument of Social Insertion

Banco Postal is present in more than 4.8 thousand cities of Brazil, with 5,585 Branches located in the most diverse regions of Brazil. Around 1.7 thousand of these branches were set up in cities which, until then, were devoid of banks, benefiting a population of approximately 18 million people, who had the opportunity to, for the first time in their lives, obtain a check book, make a deposit in a savings account, or contracting a loan. These people now rely on the convenience and on the high-quality services of the biggest private Bank in the Country.

Thanks to Banco Postal, thousands of beneficiaries of the Brazilian Social Security Institute (INSS) can now receive their benefits in the comfort of a Branch close to their homes, without having to go long distances on boats or along unsafe roads, and without spending a good part of their earnings on the trip.

Banco Postal s expansion has also disseminated, in the municipalities where it was set up, the use of credit and debit cards, and the affiliation of the commercial establishments to the VISA Network, providing more options for the local population to make their payments, besides allowing improvements in the very Postal Branches customer service, and the reduction in operating costs and in the risks of transporting cash to the Relationship Branches.

A Benchmark in Services for the Low-Income Population

Banco Postal is known worldwide as being a benchmark in services for the low-income population for developing countries. Financial institutions from several countries, as well as international bodies, have come to Bradesco in order to get to know this model.

A Success also in the Large Urban Centers

Besides turning million of low-income people and informal economy workers into bank users, Banco Postal, with its wide customer service network, present also in large urban centers, has contributed to the improvement of Bradesco Branches services, by reducing the flow of people who can now use the customer service network of Banco Postal.

Available Services

- Reception and handling of proposals for the opening of accounts;
- Withdrawals from checking and savings accounts;
- Deposits in checking and savings accounts;
- Supply of balances and statements of checking, savings and INSS accounts;
- Receiving of bank collection slips;
- Receiving of consumption bills (water, electricity, telephone, etc.);
- Payment of INSS benefits;

Requests for debit cards;

Receiving of federal (Document for the Collection of Federal Revenues DARF), state and municipal taxes;

Employment Security Fund (FGTS) collection;

Receiving of the Social Security Contribution slip (GPS);

Reception and handling of loan, financing and credit card proposals.

Numbers of Branches

Bradesco Expresso

Bradesco has been seeking to increase its share in the correspondent bank segment with the expansion of Bradesco Expresso Network, by means of partnerships entered into with supermarkets, drugstores, department stores and other retail chains.

For clients and community in general, Bradesco Expresso offers a convenient banking service, closer to the residence or workplace. For Bradesco, this is the best way to reach low-income clients, especially the population deprived of bank services, and promoting the banking inclusion, which would not be possible by means of traditional banking branches, in view of high installation and operating costs. Concerning shopkeepers, Bradesco Expresso foments a higher flow of clients and encourages them to visit the establishment many times, opening possibilities for loyalty and sales increase.

Number of Transactions Made in Correspondent Banks (Banco Postal + Bradesco Expresso) in thousands

**Customer Service Network**

| Customer Service Network | 2005 | | 2006 | |
|---|---|---|---|---|
| | **September** | **December** | **September** | **December** |
| **Service Branches Own** | | | | |
| Branches (Include 1 Banco Finasa Branch) | **2,916** | **2,921** | **3,002** | **3,008** |
| PABs | 937 | 1,001 | 1,040 | 1,056 |
| PAEs | 1,453 | 1,450 | 1,415 | 1,415 |
| PAAs | | | | 71 |
| Finasa Promotora de Vendas (Finasa Branches) | 224 | 239 | 330 | 381 |
| ATM Network Outplaced Terminals (Exclude PAAs) | 2,164 | 2,235 | 2,413 | 2,540 |
| **Total Service Branches Own** | **7,694** | **7,846** | **8,200** | **8,471** |
| **Service Branches Third Parties** | | | | |
| ATM Network Assisted Terminals | | 2,559 | 2,796 | 2,990 |
| Banco Postal | 5,439 | 5,461 | 5,548 | 5,585 |
| Bradesco Expresso (Correspondent Banks) | 4,317 | 4,752 | 7,039 | 8,113 |
| **Total Service Branches Third Parties** | **9,756** | **12,772** | **15,383** | **16,688** |
| **Total Service Branches in the Country (Own + Third Parties)** | **17,450** | **20,618** | **23,583** | **25,159** |
| Branches Abroad | 3 | 3 | 3 | 3 |
| Subsidiaries Abroad | 5 | 5 | 5 | 5 |
| **Overall Total Service Branches (Country + Abroad)** | **17,458** | **20,626** | **23,591** | **25,167** |
| **Finasa Associated Stores and Auto Dealers** | **40,580** | **40,439** | **41,224** | **39,893** |
| **Total Branches Containing ATMs in the Country Own Network + Banco24Horas (included in the total) (*)** | **7,271** | **9,958** | **10,476** | **10,919** |
| **ATMs** | | | | |
| Own | 22,658 | 23,036 | 23,716 | 24,099 |
| Banco24Horas | | 2,748 | 2,986 | 3,201 |
| **Total ATMs** | **22,658** | **25,784** | **26,702** | **27,300** |

PAB (Posto de Atendimento Bancário) branch located in a company, with an employee from the Bank.
PAE (Posto de Atendimento Eletrônico em Empresas) branch located in a company, with an ATM.
PAA (Posto Avançado de Atendimento) branch located in a city where there isn t a Bank branch.
(*) In December 2006, there were 872 overlapping branches
between the Own Network and the Banco24Horas Network.

Customer Service Network Branches

Client/Branch Ratio thousand

Bradesco and Market Share

| Region/State | December 2005 | | | December 2006 | | |
|---|---|---|---|---|---|---|
| | Bradesco | Total Banks in Market (1) | Market Share (%) | Bradesco | Total Banks in Market (1) | Market Share (%) |
| **North** | | | | | | |
| Acre | 5 | 35 | 14.3 | 5 | 35 | 14.3 |
| Amazonas | 59 | 137 | 43.1 | 59 | 148 | 39.9 |
| Amapá | 4 | 24 | 16.7 | 4 | 27 | 14.8 |
| Pará | 49 | 282 | 17.4 | 49 | 299 | 16.4 |
| Rondônia | 18 | 89 | 20.2 | 18 | 89 | 20.2 |
| Roraima | 2 | 18 | 11.1 | 2 | 19 | 10.5 |
| Tocantins | 13 | 84 | 15.5 | 13 | 87 | 14.9 |
| **Total** | **150** | **669** | **22.4** | **150** | **704** | **21.3** |
| **Northeast** | | | | | | |
| Alagoas | 11 | 120 | 9.2 | 11 | 126 | 8.7 |
| Bahia | 208 | 717 | 29.0 | 207 | 762 | 27.2 |
| Ceará | 29 | 363 | 8.0 | 92 | 369 | 24.9 |
| Maranhão | 67 | 222 | 30.2 | 67 | 226 | 29.6 |
| Paraíba | 17 | 157 | 10.8 | 18 | 173 | 10.4 |
| Pernambuco | 63 | 453 | 13.9 | 62 | 482 | 12.9 |
| Piauí | 8 | 112 | 7.1 | 8 | 117 | 6.8 |
| Rio Grande do Norte | 14 | 144 | 9.7 | 14 | 149 | 9.4 |
| Sergipe | 12 | 158 | 7.6 | 12 | 162 | 7.4 |
| **Total** | **429** | **2,446** | **17.5** | **491** | **2,566** | **19.1** |
| **Mid-West** | | | | | | |
| Federal District | 30 | 312 | 9.6 | 31 | 314 | 9.9 |
| Goiás | 106 | 555 | 19.1 | 106 | 566 | 18.7 |
| Mato Grosso | 62 | 241 | 25.7 | 62 | 246 | 25.2 |
| Mato Grosso do Sul | 56 | 225 | 24.9 | 57 | 227 | 25.1 |
| **Total** | **254** | **1,333** | **19.1** | **256** | **1,353** | **18.9** |
| **Southeast** | | | | | | |
| Espírito Santo | 40 | 343 | 11.7 | 40 | 369 | 10.8 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Minas Gerais | 275 | 1,815 | 15.2 | 281 | 1,860 | 15.1 |
| Rio de Janeiro | 255[2] | 1,683 | 15.2 | 257[2] | 1,709 | 15.0 |
| São Paulo | 1,078 | 5,801 | 18.6 | 1,086 | 5,915 | 18.4 |
| **Total** | **1,648** | **9,642** | **17.1** | **1,664** | **9,853** | **16.9** |
| **South** | | | | | | |
| Paraná | 172 | 1,276 | 13.5 | 175 | 1,289 | 13.6 |
| Rio Grande do Sul | 158 | 1,448 | 10.9 | 159 | 1,467 | 10.8 |
| Santa Catarina | 110 | 845 | 13.0 | 113 | 855 | 13.2 |
| **Total** | **440** | **3,569** | **12.3** | **447** | **3,611** | **12.4** |
| **Overall Total** | **2,921** | **17,659** | **16.5** | **3,008** | **18,087** | **16.6** |

(1) Source: UNICAD Information on Entities of Interest to the Brazilian Central Bank.
(2) It includes 1 Banco Finasa s branch.

**Customer Service Network**

Customer Service Network Branches Market Share

**Bradesco Dia&Noite (Day&Night) Customer Service Channels**

Bradesco s Clients are able to consult their banking transactions, carry out financial transactions and purchase products and services available via state-of-the-art technology through the following alternative channels: Auto-Atendimento (ATM Network), Fone Fácil (Easy Phone) and Internet Banking.

Reassuring the commitment with social responsibility, the Assistance Channels Bradesco Dia&Noite (Day&Night) provide access to people with special needs, as follows:

Internet Banking for visually impaired people;

Personalized assistance for hearing impaired people, by means of the digital language in Fone Fácil (Easy Phone); and

Access to visually impaired people and wheelchair users in Auto-Atendimento (ATM Network).

Bradesco Dia&Noite (Day&Night) ATM Network

This ATM network is distributed in strategic points throughout Brazil, with 24,099 machines on 12.31.2006, providing fast and practical access to diverse range of products and services. Besides, Bradesco s clients who have debit cards in checking or savings accounts can use 3,201 Banco24Horas machines for withdrawal, balance and bank statement transactions.

Banking Service Outlets

| Items | 2005 | | 2006 | |
|---|---|---|---|---|
| | September | December | September | December |
| **Total Bradesco** | **7,271** | **7,399** | **7,680** | **7,929** |
| Branches, PABs and PAEs | 5,107 | 5,164 | 5,267 | 5,332 |
| Outplaced Terminals (include PAAs) | 2,164 | 2,235 | 2,413 | 2,597 |
| **Total Banco24Horas (*)** | | **2,559** | **2,796** | **2,990** |

(*) Includes outlets overlapping with own network, 872 in December/2006.

Distribution of Own ATM Network Productivity in 2006

ATM Network Number of Transactions thousands (*)

(*) Includes the transactions performed in Banco24horas network.

ATM Network Financial Movement Evolution R$ million

ATM Network Highlights millions

| Items | 2005 | | | 2006 | | |
|---|---|---|---|---|---|---|
| | 3rd Qtr. | 4th Qtr. | Year | 3rd Qtr. | 4th Qtr. | Year |
| Number of Cash Withdrawal Transactions | 111.8 | 118.1 | 446.6 | 113.0 | 123.5 | 454.4 |
| Number of Deposit Transactions | 49.1 | 49.5 | 194.3 | 46.6 | 47.5 | 185.0 |

**2006 Highlights**

Growth of 37.6% in the values of personal loans compared to 2005;
Replacement of 1,828 machines for technological update and increase in the number of machines by 1,063;
Pilot project with technology of biometrical identification through the palm vein pattern;
Sucesu Award (Society of Computer and Telecommunications Users) 40 years: First Brazilian ATM ; and
Relatório Bancário Magazine Award: Winner in the Self-Service Network Service category.

Bradesco Dia&Noite (Day&Night) Fone Fácil (Easy Phone Service)

24-hour call-center access, 7 days a week, providing the Client with Electronic and Personalized Assistance can obtain information, make transactions and acquire products and services related to his/her Checking Account, Savings Account, Credit Cards and other products available in this channel.

By means of specific numbers, the Client has access to other centers. The main ones are: Internet Banking, Net Empresa, Consortium, Private Pension Plan, Finasa, Collection and also Alô Bradesco to make complaints, criticisms and compliments.

Fone Fácil Calls Evolution million

Fone Fácil Number of Transactions thousands

Fone Fácil Financial Movement Evolution R$ million

**2006 Highlights**

40.5% growth in the amounts handled when compared to 2005, through the implementation of new services and increase of transactions in the channel; and

Consumidor Moderno Magazine Award in the Premium Bank category in the Fone Fácil Bradesco Prime service.

Bradesco Dia&Noite (Day&Night) Internet Banking

Bradesco Dia&Noite (Day&Night) Internet Banking manages a Portal, which contains links to 43 related websites, 30 of which are institutional, and 13 are transactional. Since it was first launched, Bradesco Internet Banking has innovated and made available the largest number of online services as possible to its Clients.

Bradesco Internet Banking currently offers its Clients 681 different services, of which 380 for individuals and 301 for corporate clients.

Internet Banking thousands of registered users

Internet Banking Number of Transactions in thousands (*)

(*) Number of transactions made via Internet Banking, ShopInvest, Cards, ShopCredit, Net Empresa and Net Empresa WebTA (Web File Transmission) and Cidadetran.

Internet Banking Financial Movement Evolution R$ million (*)

(*) Financial Volume transacted through the Internet Banking, ShopInvest, Cards, ShopCredit, Net Empresa and Net Empresa WebTA (File Web Transmission) and Cidadetran.

| Services | 2006 |
|---|---|
| **Bradesco Internet Banking**<br>(www.bradesco.com.br) | 7.8 million registered users.<br>302.8 million transactions carried out. |
| **ShopInvest Bradesco**<br>(www.shopinvest.com.br) | 1,124 thousand registered users.<br>1,942 thousand transactions carried out. |
| **ShopCredit**<br>(www.shopcredit.com.br) | 17.8 million transactions/operations carried out. |
| **Bradesco Net Empresa**<br>(www.bradesco.com.br) | 439,841 registered companies.<br>41.4 million transactions/operations carried out. |
| **Bradesco Cartões**<br>(www.bradescocartoes.com.br) | 36.8 million transactions carried out. |
| **Net Empresa WebTA**<br>(Web File Transmission) | 482.4 million transactions/operations carried out. |
| **Bradesco Cidadetran**<br>(www.cidadetran.com.br) | 7.1 million transactions/operations carried out. |

**2006 Highlights**

Launch of Bradesco Electronic Commerce, Bradesco Social-Environmental Responsibility websites and Bradesco Cell Phone;

Launch of Canal Bradesco Celular with banking transaction services via Cellular Phone; and

Available on Bradesco Net Empresa the Identified Deposit and Check Management Service Check Custody Portfolio.

**Global Finance Award** Best Internet Banks:

Best Internet Banking for Individuals in Brazil;

Best Website for Individuals in Security Initiative in Latin America;

Best Corporate Internet Banking in Brazil; and

Best Corporate Internet Banking in Latin America.

**e-Finance Award:**

**Best Websites:**

Bradesco Internet Banking;

Bradesco Net Empresa;

Bradesco ShopInvest Home Broker; and

B2C Comércio Eletrônico Bradesco / ShopFácil.

**Best Implementation of Electronic Data Transference:** Bradesco Net Empresa WebTA.

**Best Safety Solution for Internet Access:** Bradesco Safety Key Cellular Phone.

**iBest Award:**

Banks Category: Bradesco website;

Financial Services Category: Bradesco Cartões website; and

iBest Grand Prix Category: Bradesco website.

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**2006 Highlights**

**Quality Standard in B2B Award:** implementation of the best practices and strategies in Web and Information Technology:

Pubon Award User of Digital Media;
Corporate Digital Responsibility Private Sector;
Retail Bank; and
Corporate Bank.

**Sucesu Award (Society of Computer and Telecommunications Users) 40 years:** First Internet Banking in Brazil.

**INFO Award:** Financial Services.

**Investments in Infrastructure, Information Technology and Telecommunications**

The investments for expanding the capacity of infrastructure, IT and telecommunications at Bradesco Organization are designed to maintain a modern, practical and secure customer service network, characterizing Bradesco as one of the world's most contemporary companies and creating a unique advantage for its clients and users at home and abroad.

Investments Evolution

**R$ million**

**Years**

| | **2002** | **2003** | **2004** | **2005** | **2006** |
|---|---|---|---|---|---|
| Infrastructure | 613 | 469 | 230 | 245 | 354 |
| IT/Telecommunications | 947 | 1,225 | 1,302 | 1,215 | 1,472 |
| **Total** | **1,560** | **1,694** | **1,532** | **1,460** | **1,826** |

**Risk Management and Compliance**

**Credit Risks, Operating Risks, Market Risks, Internal Controls and Compliance**

Activity and Structure

The risk management is considered of great relevance, due to the growing complexity of services and products offered by the Organization, and also in view of the globalization of its activities. Therefore, Bradesco is constantly improving its risk management-related activities, in pursuit of the best internationally used practices, however duly adjusted to Brazil s reality.

Bradesco deems the risk management a strategic factor which provides a competitive advantage to the Organization, as its use is focused on adding value to Bradesco Brand name, to the extent this enables support to the business areas in the planning of their activities, maximizing the utilization of own funds and of third parties, in benefit of

stockholders and the company. In this regard, Bradesco foments the technical improvement of its team, and, particularly, the professionalization of those connected with the risk management and control.

The organizational structure of the Risk Management and Compliance Department DGRC reflects the Organization s commitment to the issue, since the treatment and the integration of the three risks into one independent Department brings great advantages to risk management, meeting the concepts enacted by the New Capital Accord (Basel II) and the best Corporate Governance practices.

Organizational Structure of the Risk Management and Compliance Department:

The Organization constantly carries out substantial investments in activities related to Risk Management and Compliance, especially in the qualification of employees, aiming to enhance the quality of risk management of the Conglomerate, and to ensure the necessary focus on these activities, which produce a strong added value.

Additionally, the Risk Management and Compliance Department coordinates all the actions necessary to comply with the regulations issued by the Brazilian Central Bank, as regards the New Capital Accord (Basel II). These works are directed by an Executive Committee designated by the Board of Directors, under the coordination of the Organization s CEO.

The Department also has as attribution the responsibility for the compliance with the Resolutions no. 2,554 (Internal Control) and 3,380 (Operating Risk) of the Brazilian Central Bank, and with the provisions of the Sarbanes-Oxley Act, Section 404.

Risk Management Process

Bradesco approaches the management of all the risks inherent to its activities in an integrated manner, based on the support from its Internal Controls and Compliance structure. This multi-disciplinary view allows the improvement of its risk management models, avoiding gaps that could jeopardize the correct identification and assessment.

Credit Risk Management

Credit Risk is the possibility of a counterparty of a loan or financial operation might neither intend nor suffer any change in its ability to comply with its contractual liabilities, thus may generate any loss for the Organization.

Aiming at mitigating the Credit Risk, Bradesco is continuously following up the processes of loan activities, in the improvement, examination and preparation of inventories of concession models and credit recovery, on the monitoring of credit concentration and on the identification of new components that offer credit risks.

In addition, the efforts, which are focused on the utilization of advanced models of measuring risks and on the continuous improvement of processes, have reflected on the quality and performance of the credit portfolio, both in terms of results and solidity, to various past and future scenarios.

We also point out the following actions and events:

The Executive Committee of Credit Risk Management holds a monthly meeting, enabling the follow-up and the participation of the Top Management in the major facts and decisions referring to credit risk;

active participation in the process of improving risk rating models of clients, respecting the particular characteristics of the business and product segments in which Bradesco operates;

participation in the evaluation of credit risks upon creation or review of products;

implementation of expected and unexpected losses calculation system, besides the allocation of corresponding capital;

backtesting and gauging of the models used for measuring loan portfolio s risks;

optimization of the manageable information systems in order to meet the current approach of department and customers segmentation, emphasizing decision-making process and loan portfolio s management;

follow-up of critical risks: periodical monitoring of the main events of default, by means of individual analysis based on the growth of clients balances and recovery estimates;

continuous review and restructuring of the internal processes, including roles and responsibilities, qualification, organizational structures review and IT demands; and

a periodical review of projects related to the compliance with best practices and requirements of New Capital Basel Accord, by monitoring actions in progress and identifying new gaps and needs emerged for the improvement of management process, preparing action plans.

Operating Risk Management

Under the corporate scope, Bradesco Organization defines operational risk as the risk of loss resulting from inadequate or faulty internal processes, people and systems and from external events which may or may not cause the interruption of businesses.
The operating risk management is based on the preparation and implementation of methodologies and tools that standardize the format of collection and treatment of the loss historical data and is aligned to the best practices of operating risk management. We point out that we are under the conditions to meeting the guidelines enacted by the New Capital Basel Accord and to the schedule set forth by the Brazilian Central Bank, by means of Notice #12,746, issued in December 2004.

The Brazilian Central Bank published, on June 29, 2006 the Resolution 3,380 which provides for the implementation of the operating risk management structure. Since 2003, the Bank is aligned with the requirements comprised in this Resolution.

In December 2006, we took part in an impact study specific of Operating Risk requested by the Brazilian Central Bank, with reference-date of 2005. This study contemplated the calculations referring to the Basic Indicator Approach (BIA), the Alternative Standardized Approach (ASA), and the one called Aggregated Alternative Approach, provided for in the New Capital Agreement, paragraph 652, footnote 97, which consists in the segregation of the products into only two lines of businesses, over which coefficients of 15% and 18% are applied, therefore resulting in alterations in the composition of the gross result.

We show below the results obtained with this study. The Alternative Standardized method requires a lower capital allocation when compared to the other ones.

Participation among Approaches in the Calculation of Capital Allocation for Operating Risk

| **Approach** | **2005 (*)** | **2006 (*)** |
|---|---|---|
| Basic Indicator (BIA) | 100.0% | 100.0% |
| Standardized (STA) | 93.4% | 91.2% |
| Alternative Standardized (ASA) | 48.6% | 43.9% |
| Alternative Standardized 2 (ASA 2) | 51.4% | 46.9% |

(*) Calculated according to the Brazilian Central Bank criteria, considering the Financial Consolidated.
In 2006, the process of reviewing the record of events of the companies that comprise the Insurance Group was concluded. That process resulted in the opening of specific accounting items, focusing on improving the records, the knowledge and the analysis of loss events related to operating risk, in compliance with the same standardization adopted for the Bank and for financial companies connected.

This effort aims at the synergy and rationalization of resources, for the convergence of implementation of concepts of Basel II and Solvability II, focused on the development of the advanced (operating losses) and intermediate (based on gross result) methodology, unifying the criteria within Bradesco Organization, in conformity with Resolution 3,380 in what concerns the financial economic consolidated statement.

Bradesco Organization s goal is to obtain qualification for the Advanced Measurement Approach (AMA). The preparation of the calculations for the Advanced Method is obtained by means of book accounts opened for

registration of Operating Risk loss events. This structure enables a better understanding of the events, as well as a detailed evaluation of their occurrences by means of inferences about the operating data base.

When determining the regulatory capital for Operating Risk, we use the LDA (Loss Distribution Approach) methodology, which comprises the estimate of distribution of severity (loss amount), frequency (number of loss events) and the calculation of VaR ( Value at Risk), considering a trust level of 99.9% .

That methodology allows the measuring of the expected loss (EL), not only in compliance with Basel II rules, but also in assistance, with statistical focus, for the establishment of necessary provisions for possible operating losses. The losses not classified as expected (EL), i.e., the unexpected losses (UL) are calculated by the difference obtained between the expected loss and the VaR measure, which will be reflected on future capital allocations.

In addition, a new systemic business platform is under validation process, which will integrate into a single data base, the Operating Risk and Internal Controls information (quantitative and qualitative portion of the risk), and will comprise the requirements set forth by the U.S. Sarbanes-Oxley Act.

Market Risk Management

Market risk is related to the possibility of the loss of income from fluctuating rates caused by mismatched maturities, currencies and indexes of the Institution's asset and liability portfolios. This risk has been accompanied by growing strictness by the market, with significant technical evolvement over the past years, with a view to avoiding, or at least, minimizing, eventual losses to institutions, due to higher complexity in operations carried out domestically and internationally.
At Bradesco, market risks are managed through methodologies and models, which are consistent with local and international market realities, ensuring that the Organization's strategic decisions are implemented with speed and a high level of reliability.

The Organization adopts a conservative policy regarding market risk exposure; VaR (Value at Risk) limits are defined by Senior Management, and compliance therewith is daily monitored by an independent area to the portfolio management. The methodology used to determine VaR has a reliability level of 97.5% . The volatilities and correlations used by the models are calculated on a statistical basis and used in processes based on future prospects in accordance with economic studies. The methodology applied and current statistical models are validated daily using backtesting techniques.

**R$ million**

| **Risk Factors** | **2005** | | | | **2006** | | | |
|---|---|---|---|---|---|---|---|---|
| | **March** | **June** | **September** | **December** | **March** | **June** | **September** | **December** |
| Pre-fixed | 8,806 | 18,621 | 7,172 | 13,589 | 4,527 | 15,114 | 13,402 | 6,729 |
| IGP-M | 2,689 | 3,808 | 3,942 | 2,152 | 12,038 | 10,343 | 7,401 | 5,865 |
| IPCA | 731 | 624 | 975 | 21,866 | 40,900 | 40,855 | 45,753 | 17,108 |
| TR | 5,226 | 3,297 | 12,481 | 10,961 | 7,223 | 6,164 | 4,036 | 2,292 |
| Domestic Exchange Coupon | 33,051 | 11,673 | 44,659 | 28,767 | 3,410 | 8,609 | 745 | 2,714 |
| Foreign Currency | 9,699 | 3,100 | 7,133 | 10,129 | 8,331 | 851 | 5,734 | 3,154 |
| Variable Income | 839 | 773 | 183 | 149 | 2,053 | 2,935 | 1,198 | 1,552 |
| Sovereign/Eurobonds and Treasuries | 57,844 | 30,361 | 26,456 | 36,695 | 32,251 | 41,098 | 16,998 | 9,420 |
| Other | 810 | 436 | 775 | 5,267 | 3,413 | 1,002 | 250 | 73 |
| Correlated Effect | (41,466) | (24,862) | (39,901) | (59,897) | (50,799) | (41,206) | (18,765) | (15,976) |
| **VaR** | **78,229** | **47,831** | **63,875** | **69,678** | **63,347** | **85,765** | **76,752** | **32,931** |
| **Average VaR in the Quarter** | **70,082** | **58,896** | **63,357** | **69,371** | **60,495** | **71,419** | **75,632** | **62,887** |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Minimum VaR in the Quarter** | **59,765** | **36,923** | **43,873** | **58,796** | **44,856** | **37,556** | **52,850** | **32,931** |
| **Maximum VaR in the Quarter** | **78,229** | **78,036** | **80,911** | **82,457** | **74,138** | **100,305** | **107,750** | **82,635** |

Investments abroad protected by hedge operations are not considered in the VaR calculation, since these are strategically managed differently, with amounts taking into account the tax effects, which minimize the sensitivity to risks and corresponding impacts on results, as well as foreign securities positions, which are funding-matched.

Besides the follow-up and control via VaR, a Sensitivity Analysis is made daily, which measures the effect on domestic interest rate curve portfolio and exchange coupon curve movement (differential of interest paid above the exchange variation), as well as possible impacts on stress scenarios positions are periodically assessed.

Complementing the market risk monitoring, control and management structure and in accordance with Central Bank regulations, a daily verification is made of the values at risk for the pre-fixed and foreign exchange positions of the Organization's entire portfolio and of remaining capital requirements.

Management of Internal Controls and Compliance

The Organization is continually developing policies, systems and internal controls to mitigate possible potential losses generated by its exposure to risk, destined to optimize processes and procedures, among which we point out the following:

Internal Control System based on 25 Basel Internal Control Principles and in the methodology of Committee of Sponsoring Organizations COSO, in the businesses areas, referring to control environment components, risk assessment, control activities, information, communication and monitoring and Control Objectives for Information and related Technology COBIT, for the information technology areas. This system reinforces the ongoing improvement in the identification process and assessment of controls used in risks mitigation, also in compliance with the Sarbanes-Oxley Act, Section 404.

SPB Management Brazilian Payment System has the purpose of ensuring the execution of the messages among the Banks of the Organization and all the entities participating in this system.

The activity is supported by monitoring tools of the Organization s information systems, aligned with the continuous training and professional qualification, with the purpose of ensuring full operationality and availability of the system. Additionally, the Organization has a PCN Business Continuity Plan for SPB, documented in a specific tool and with corporate access, comprising predefined scenarios and actions, which enables the reduction of systemic unavailability risk. The areas involved in the process also count on a physical environment located in Alphaville, for operational continuity of the SPB processes, in the occurrence of a possible claim (fire, landslide, strike etc.), in the facilities of the Headquarters or Nova Central, which hinder the performance of activities.

PCN SPB is continuously tested and the evidences are published in standard reports disclosed in our corporate intranet.

Measures preventing and combating Money Laundering observe the best market practices and are based on the policy Conheça seu Cliente (Know your Client). Training and awareness programs are exhaustively provided to all employees and the use of technological tools to monitor financial transactions are constantly upgraded, with a view to protecting the Institution and Management, Stockholders, Clients and Employees and avoid the use of Organization in transactions or situations, which may be directly or indirectly related to crimes preceding money laundering , characterized in Law 9,613/98.

Information Security Management, consolidated in the Security Policy, is designed to protect client and corporate information. Bradesco Organization has a formal structure, with specific objectives and responsibilities, for defining, maintaining and improving information security in the corporate environment, which is based on the Corporate Information Security Policy and Standards approved by the Executive Information Security Committee. The following policies are adopted in relation to client information:

Information is collected ethically and legally and under the clients awareness, for specific purposes and are duly informed;

The information received by Bradesco are treated and stored safely and fully, with cryptography methods or digital certification, when applicable;

The information will only be accessed by persons legally authorized and qualified;

The information may be available to companies contracted for services rendering, however it is required that such organizations comply with our guidelines for security and privacy of data;

Clients information only will be provided to third parties, by means of previous authorization of the client or to comply with a legal or regulatory requirement;

The information for the purposes of evaluation of credit, checking and risk management, may only be exchanged with respectable reference sources and clearing services; and

The information and data included in our records, as well as other requests to ensure legal or contractual rights will only be provided to those interested, by means of formal request, observing the prevailing legal requirements.

**Liquidity Risk Management**

Liquidity risk management is designed to control the different mismatched settlement terms of the Institution's rights and obligations, as well as the liquidity of the financial instruments used to manage the financial positions.

Knowledge and monitoring of this risk are critical since they enable the Organization to settle transactions on a timely and secure manner.

At Bradesco, liquidity risk management involves a series of controls, mainly with respect to the establishment of technical limits, with constant assessment of the positions assumed and the financial instruments used.

**Capital Risk Management**

The Organization's capital is managed to optimize the risk to return ratio, in such a way to minimize losses through the implementation of well-defined business strategies and maximizing efficiency in the combination of factors which impact on the Capital Adequacy Ratio (Basel).

**Risk Management and Compliance**

Capital Adequacy Ratio (Basel) December 2006 R$ million

Calculation Statement

| Calculation Basis | Financial Consolidated (1) | Total Consolidated (2) |
|---|---|---|
| **Stockholders' Equity** | **24,636** | **24,636** |
| **Minority Interest/Other** | **121** | **56** |
| Decrease in Tax Credits pursuant to BACEN Resolution 3,059 | (59) | (59) |
| **Reference Stockholders Equity Level I** | **24,698** | **24,633** |
| **Reference Stockholders Equity Level II (Subordinated Debt/Others)** | **10,411** | **10,412** |
| **Total Reference Stockholders Equity (Level I + Level II)** | **35,109** | **35,045** |
| **Risk-Weighted Assets** | **187,173** | **212,720** |
| **Capital Adequacy Ratio (%)** | | |
| Tier I | 13.20 | 11.58 |
| Tier II | 5.56 | 4.90 |
| | | |
| **Ratio Variation (in percentage)** | | |
| **Ratio in December 2005** | **17.26** | **15.23** |
| **Movement in the Reference Stockholders Equity:** | **6.40** | **5.57** |
| Net Income for the Year | 3.40 | 3.00 |
| Interest on Own Capital/Dividends | (1.45) | (1.28) |
| Mark-to-Market Adjustment Securities and Derivatives | 0.77 | 0.67 |
| Capital Increase through Subscription, Stock Merger and Goodwill | 0.82 | 0.72 |
| Subordinated Debt | 2.77 | 2.45 |
| Other | 0.09 | 0.01 |
| **Variation in Weighted Assets:** | **(4.90)** | **(4.32)** |
| Securities | (0.38) | (1.29) |
| Loan Operations | (1.52) | (1.08) |
| Tax Credit | (0.41) | (0.53) |
| Risk (Swap, Market, Interest Rate and Foreign Exchange) | (0.54) | (0.41) |
| Memorandum Accounts | (0.56) | (0.44) |
| Other Assets | (1.49) | (0.57) |
| **Ratio in December 2006** | **18.76** | **16.48** |

(1) Financial companies only.
(2) Financial and non-financial companies.

Loan Policy

The Organization's Loan Policy complies with resolutions of the Board of Executive Officers and Brazilian Central Bank, besides guiding their actions by goals of security, quality, liquidity and diversification in the assets utilization.

In a continuous search to offer agile and profitable business, we apply appropriate methodology directed to each Bradesco s business segment, as well as guiding the establishment of operating limits and the granting of loan operations.

Within rules and Loan Policy, the Branches maintain their limit values variable, according to the size and guarantees of operations, and the automatic classification is verified against global risk of client / economic group.

The loan proposals pass through an automated system and under parameters in a continuous improvement process, with a view to supplying indispensable subsidies for analysis, granting and follow-up of loans granted, minimizing the risks inherent to loan operations.

For the granting of mass loan, the specialized Credit Scoring systems enable to attain greater agility and reliability, besides the standardization of procedures in the credit analysis and granting processes.

The Executive Loan Committee located at Bradesco's Headquarters aims at joint decision-making processes within its skills referring to consultations about limits or operations proposed by the Branches (Prime, Private, Varejo (Retail) and Corporate) and by the Departments (Corporate and Exchange), including External Branches, previously analyzed and with opinion of the Loan Department.

Operations are diversified, non-selective and focused on individuals and corporate customers with sound payment capacity and proven creditworthiness. Care is taken to ensure that the underlying guarantees are sufficient to cover the risks assumed, considering the purpose and terms of the loan granted.

Methodology Used for Loan Portfolio and Client Classification

The credit risk assessment methodology, besides delivering data to establish minimum parameters in the loan granting and risk management, also enables to define differentiated loan policies in view of characteristics and size of client, providing grounds not only for the correct pricing of operations, but also the definition of adequate guarantees according to each situation.

Concerning the internal policy, the risk ratings of Bradesco s clients are given on a corporate basis and periodically followed-up, with a view to preserving the quality of loan portfolio, according to the following levels:

Classification Corporate

| Rating | Bradesco | % Provision | Concept |
|---|---|---|---|
| AA | Excellent | 0.0 | Premium clients, with size, tradition and market leadership, with excellent reputation and economic and financial position. |
| A | Very good | 0.5 | Clients with size, sound economic and financial position, operating in markets with good prospects and/or potential for expansion. |
| B | Good | 1.0 | Clients, which, regardless of size, have a good economic and financial position. |
| C | Acceptable | 3.0 | Clients with a satisfactory economic and financial position but with performance sensitive to economic scenario variations. |
| D | Fair | 10.0 | Clients with economic and financial position in decline or unsatisfactory accounting information, under risk management. |
| E | Deficient | 30.0 | |
| F | Bad | 50.0 | Loan operations with any expectation of not being paid or in default, classified under the possibility of loss. |
| G | Critical | 70.0 | |
| H | Uncollectible | 100.0 | |

In the case of individuals, the risk ratings mentioned above are mainly defined based on their registered reference variables which include: income, equity, restrictions and indebtedness, besides standard and past relationship with

Bradesco.

**Cards**

**Million**

| | 2005 | | | 2006 | | |
|---|---|---|---|---|---|---|
| | 3rd Qtr. | 4th Qtr. | Year | 3rd Qtr. | 4th Qtr. | Year |
| **Cards Base** | **50.9** | **47.6** | **47.6** | **53.3** | **58.0** | **58.0** |
| Credit | 7.8 | 8.6 | 8.6 | 10.9 | 13.0 | 13.0 |
| Debit | 41.7 | 37.4 | 37.4 | 38.8 | 40.1 | 40.1 |
| Private Label | 1.4 | 1.6 | 1.6 | 3.6 | 4.9 | 4.9 |
| **Sales Result R$** | **6,519.6** | **7,847.7** | **26,272.1** | **10,612.8** | **12,328.1** | **38,719.8** |
| Credit | 3,490.0 | 3,967.4 | 13,802.7 | 6,881.5 | 7,492.0 | 23,233.2 |
| Debit | 2,953.1 | 3,747.5 | 12,248.7 | 3,441.6 | 4,240.7 | 14,243.1 |
| Private Label | 76.5 | 132.8 | 220.7 | 289.7 | 595.4 | 1,243.5 |
| **Number of Transactions** | **123.9** | **141.9** | **495.0** | **159.5** | **181.7** | **619.2** |
| Credit | 54.5 | 60.5 | 217.2 | 78.9 | 86.6 | 293.8 |
| Debit | 68.1 | 79.5 | 274.5 | 76.3 | 88.1 | 309.5 |
| Private Label | 1.3 | 1.9 | 3.3 | 4.3 | 7.0 | 15.9 |

Credit Cards

In 2006, Banco Bradesco entered into a partnership with American Express Company, in 2006, in order to take over its credit card operations and similar activities in Brazil.

The partnership comprises the transfer of American Express subsidiaries in Brazil that operate in the credit card sector, and other similar ones. Bradesco has exclusive rights, for the minimum period of 10 years, for the issuance of Credit Cards of the Centurion line in Brazil, including the Membership Rewards Program and the management of the establishment network for acceptance of American Express Cards in Brazil.

The partnership represents a strategic step for Bradesco, and allows the expansion of its client base in a highly competitive segment, besides complementing its positioning in the card market and providing greater comfort to its clients. In addition, it allows important scale gains, adding value to stockholders from both institutions.

Also in 2006 Banco Bradesco, Fidelity National Information Services, Inc. and Banco ABN AMRO Real executed an agreement to establish a partnership with the purpose of providing card processing services, setting up a new company called Fidelity Processadora e Serviços S.A. This partnership turned Fidelity into one of the largest Card processing companies in the country.

Through these actions, Bradesco has been increasing its share in the segment making available the most complete line of cards in the country. It provides Visa, American Express, Mastercard and Private Label Credit Cards, which are pointed out for the range of benefits and convenience offered to its associates.

In 2006, Bradesco increased by 51.2% its credit card base in relation to 2005 and the number of transactions climbed 35.3% in relation to the previous year.

Sales result for 2006 reached the amount of R$23,233.2 million, a growth of 68.3% as compared to the same period of 2005, and the average ticket (sales result per transaction) increased by 24.4% compared to the previous year.

In 2006, Bradesco launched Cartão Transportes Bradesco, focused on transportation, shipping, and risk management companies, and truck drivers.

Cartão Transportes Bradesco is the first card in the market to have several products and services in only one card: Vale Pedágio ( Toll Voucher), freight reception, purchases in the Visa Electron network, withdrawals in Bradesco Dia&Noite Self-Service network, and Credit Card.

**Cards**

Credit Cards Base million

Credit Cards Sales Result R$ million

Debit Cards

Bradesco closed 2006 with 40.1 million Debit Cards, 7.2% higher than the base in the same period of 2005. The average quantity of transactions per card grew 5.2% compared to the same period of the previous year, and the total quantity of transactions made by debit card in 2006 was 309.5 million, a 12.8% growth compared to 2005.

In terms of sales results, there was an increase of 16.3% over the same period of 2005. The financial volume reached R$14,243.1 million, versus R$12,248.7 million in 2005.

These two indicators clearly demonstrate that Brazilians are changing their payment habits, replacing checks and cash for the use of cards, especially debit cards.

**Cards**

Debit Cards Base million

Debit Cards Sales Result R$ million

Cards Private Label

In this market, Bradesco operates in the segments of supermarkets through partnerships with the stores Comper, Dois Irmãos, and Coop; in the segment of Retail stores in partnerships with Casas Bahia, LeaderCard and Lojas Esplanada (Grupo Deib Otoch); and in the Clothing segment in partnership with Lojas Hering and Luigi Bertolli.
The Bank entered into one more partnership this year with Rede de Supermercados Carone, with stores located in Vitória and Vila Velha, both in the State of Espírito Santo, and launched the Private Label Card Panvel in partnership with Panvel drugstore chain, which has stores in Rio Grande do Sul and in Santa Catarina.

Bradesco also concluded negotiations with the fifth largest supermarket chain of Brazil, Grupo G. Barbosa, and launched the Private Label Credi-Hiper card.

It ended the year of 2006 with 4.9 million cards, with revenue of R$1,243.5 million and 15.9 million transactions.

Meal and Food Cards

In partnership with other issuers and Visa International, Bradesco actively participated in the distribution of Visa Vale cards.
The value proposal for this business, besides reducing the operational cost with 100% of electronic transactions, it offers higher security and agility for companies and workers.

**Cards**

Bradesco contributed with a base of 1.2 million Visa Vale cards in 2006, representing a growth of 22.4% compared to the same period of 2005. Sales result in the year added up to R$1,672.3 million, a growth of 36.6% compared to the same period of 2005.
Visa Vale, taking advantage of the end-of-year season, made two new Cards available for trading: Cartão Cesta Alimentação Visa Vale and Cartão Natal Alimentação Visa Vale.

Income from Cards

Card services revenue reached, from January to December 2006, R$1,757.9 million, with a growth of 35.2% compared to the same period of 2005, mainly in revenues of commissions on purchases made with Credit and Debit Cards and several fees of services provided to clients which are card holders and affiliated establishments.
From January to December 2006, interest income increased 33.7% compared to the same period of 2005, reaching R$1,306.9 million.

Credit Card Assets

In 2006, Credit Card assets, which include financings to the bearer, advances to establishments and credits for cash purchases and by installments, increased by 76.8% compared to the same period in 2005, ending the year with R$8,063.5 million.

Credit Card Assets R$ million

Operating Risk

The Card Department, jointly with the Risk Management and Compliance Department, has been working continuously towards identifying the operating risks with the purpose of knowing the expected, unexpected, VaR and TVaR losses per type of credit card, determining actions that might mitigate risks. These actions comply with the guidelines from the New Basel Capital Accord (Basel II) and from Local Regulatory Bodies for purposes of allocating capital for Operating Risk, since we understand they constitute a competitive advantage with the market and add value to stockholders.

Social-environmental Responsibility

Since 1993, Bradesco Cartões promotes social-environmental and humanitarian actions, transferring to philanthropic entities part of the annual fees of cards. It is worth to point out the issuance of SOS Mata Atlântica, AACD, APAE and Casas André Luiz Cards, transferring in 2006 the amount of R$6.9 million.

**International Area**

The International Area operates under the following framework:

**7 Units Abroad (Branches and Subsidiaries)**

Branches:

New York Bradesco
Grand Cayman Bradesco
Nassau Boavista

Subsidiaries:

Buenos Aires Banco Bradesco
Argentina S.A. Luxembourg Banco Bradesco
Luxembourg S.A. Tokyo Bradesco Services Co., Ltd.
Grand Cayman Cidade Capital Markets Ltd.

**12 Operating Units in Brazil**

Belo Horizonte (with a subsidiary in Brasília), Blumenau, Campinas (with a subsidiary in Franca, Ribeirão Preto and Sorocaba). Curitiba, Fortaleza, Manaus (with a subsidiary in Belém), Porto Alegre, Recife, Rio de Janeiro, Salvador, São Paulo (with a subsidiary in Guarulhos and Santos) and Vitória.

In addition to this geography, it is important to point out that in the other cities of the Country, the International Area is represented by the business units of Bradesco Corporate, Middle Market and Retail segments, as to the prospection of businesses and opportunities with clients or potential clients, reporting to the closest exchange unit.

The support of the increment to the Brazilian foreign trade reinforces yet again the importance attached by Bradesco Organization to the Country s constant search for an even greater share of the worldwide foreign trade flow. The figures obtained throughout 2006 do more than bear witness to this statement.

Export Market

The volume of export contracts closed through mediation of Bradesco s International Area amounted to US$33.1 billion in 2006, surpassing by 29.3% the volume recorded in 2005, against a market evolution of 16.8% in that period. Taken in isolation, we recorded in November 2006 an absolute record of closings of export exchanges, with US$3.2 billion.

Consequently, the market share, which in 2005 was 20.2%, evolved 2.1 percentage points in 2006, reaching 22.3% .

Financings to Brazilian Exports

2006 recorded the highest value of financings in dollar, reaching the mark of US$12.9 billion, a 32.9% growth over the US$9.7 billion amount allocated to this product in 2005.

Import Market

With the same increasing trend seen in exports, the performance obtained in the import modality was even better. The volume of exchange closed was US$13.4 billion, 30% above the total closed in 2005, which was US$10.3 billion, whereas the market showed a 21.8% evolution.
As a result of that performance, the records of closings/month volumes in that modality were broken, reaching the record amount of US$1.6 billion in October 2006, 27% beyond the best mark obtained until then, which was US$1.3 billion in August of this year.

The market share recorded in this market in 2006 was 15.4%, surpassing the 2005 market share, which was 14.5% .

Financings to Brazilian Imports

The amount financed by Bradesco in 2006 reached US$810 million, accounting for an evolution of approximately 33% when compared to the US$609 million allocated to financings in 2005.

**International Area**

Volume of Foreign Currency Trade US$ billion

Export Market

Import Market

**International Area**

At the end of 2006, the International Area showed, in its asset portfolio, the significant balance of US$8.5 billion, taking into consideration the totals of Financings to Exporting and Importing, International Guarantees granted, including confirmations of Export Letters of Credit, Loans to Brazilian companies headquartered Abroad and Committed Lines.

The evolution showed in the Portfolio balance between December 2005 and December 2006 was, in dollars, 62.4% .

Analytically, the following table demonstrates the balances of the several products in dollars and in reais on the reference dates of 12.31.2005 and 12.31.2006.

| **Foreign Trade Portfolio** | **December 2005** | | **December 2006** | |
|---|---|---|---|---|
| | **US$ million** | **R$ million** | **US$ million** | **R$ million** |
| **Export Financing** | | | | |
| Advance on Foreign Exchange Contracts Undelivered Bills | 1,772.0 | 4,146.2 | 2,035.0 | 4,349.3 |
| Advance on Foreign Exchange Contracts Delivered Bills | 532.0 | 1,244.7 | 717.9 | 1,534.2 |
| Export Prepayments | 1,368.0 | 3,202.1 | 1,827.9 | 3,906.5 |
| Onlending of Funds Borrowed from BNDES/EXIM | 536.5 | 1,255.3 | 1,183.0 | 2,528.3 |
| Exports Credit Note NCE | 87.3 | 204.4 | 167.3 | 357.5 |
| Documentary Drafts and Bills of Exchange in Foreign Currency | 10.9 | 25.5 | 3.8 | 8.1 |
| Indirect Exports | 6.0 | 14.1 | 8.2 | 17.5 |
| **Total Export Financing** | **4,312.7** | **10,092.3** | **5,943.1** | **12,701.4** |
| **Import Financing** | | | | |
| Foreign Currency | 293.5 | 686.7 | 320.7 | 685.5 |
| Imports Draft Discounted | 176.6 | 413.5 | 393.6 | 841.3 |
| Open Import Credit | 58.7 | 137.4 | 113.0 | 241.5 |
| **Total Import Financing** | **528.8** | **1,237.6** | **827.3** | **1,768.3** |
| **Collateral** | | | | |
| Foreign Collateral Provided | 135.5 | 317.2 | 420.1 | 897.8 |
| **Total Foreign Collateral Provided** | **135.5** | **317.2** | **420.1** | **897.8** |
| **Total Foreign Trade Portfolio** | **4,977.0** | **11,647.1** | **7,190.5** | **15,367.5** |
| Loans via Branches Abroad | 251.1 | 587.7 | 822.5 | 1,757.7 |
| Committed Lines | | | 476.3 | 1,017.9 |
| **Overall Total** | **5,228.1** | **12,234.8** | **8,489.3** | **18,143.1** |

With the purpose of intensively supporting companies operating in the foreign trade, and, mainly, those intending to enter this market, Bradesco, through its International Area, is investing in the expansion of its structure, through exchange platforms to be installed in the main export centers of the Country. These platforms, added to the 3

platforms already installed with the segment Bradesco Empresas, reinforce the synergy in the prospect of new clients, as well as in the increment to business with existing clients.

It is also worth pointing out that Bradesco already uses a digital certification system for foreign exchange contracts, allowing the customer to electronically sign contracts, which, besides making the transactions easier, speeds up the exchange operation contracting flow, reduces costs and operating risks.

The funding for the foreign trade financing is obtained with the international financial community, by means of credit lines from correspondent banks abroad. At the end of December 2006, 89 banks, especially U.S., European and Asian Banks had extended credit lines to Bradesco.

**International Area**

The spreads paid by Bradesco in these fundings were, throughout 2006, between 10 and 18 basis points above Libor for a period between 180 days and 360 days. It is important to point out that this spread level had never been recorded in fundings performed by Brazilian banks.

The low demand for working capital loans in foreign currency led Bradesco to not access the international capital market by means of public placements in 2006.

The following table lists the outstanding operations on the reference date December 2006.

Foreign Public Issuances Outstanding Reference Date: December/2006 (Amounts exceeding US$50.0 million)

| Issuances | Currency | Million | Date issued | Maturity |
|---|---|---|---|---|
| Subordinated Debt | US$ | 150.0 | 12.17.2001 | 12.15.2011 |
| Subordinated Debt (US$133.2 million) | Yen | 17,500.0 | 4.25.2002 | 4.17.2012 |
| Subordinated Debt | US$ | 500.0 | 10.24.2003 | 10.24.2013 |
| Subordinated Debt (US$ 275.9 million) | Euro | 225.0 | 4.15.2004 | 4.15.2014 |
| FIRN | US$ | 125.0 | 12.11.2004 | 12.11.2014 |
| FIRN | US$ | 100.0 | 8.8.2005 | 8.4.2015 |
| FxRN | US$ | 100.0 | 2.3.2004 | 1.3.2007 |
| FxRN BRL (US$225.9 million) | R$ | 577.7 | 12.10.2004 | 12.10.2007 |
| FxRN BRL (US$100.0 million) | R$ | 226.8 | 10.3.2005 | 1.4.2010 |
| FxRN | US$ | 100.0 | 2.10.2005 | 1.2.2008 |
| Securitization MT 100 Series 2003-1 Fixed (1) | US$ | 156.1 | 8.20.2003 | 8.20.2010 |
| Securitization MT 100 Series 2004-1 Fixed (1) | US$ | 96.0 | 7.28.2004 | 8.20.2012 |
| Perpetual Securities (2) | US$ | 300.0 | 6.3.2005 | Perpetual |
| **Public Issuance** | **US$** | **2,396.8** | | |
| **Private Issuance** | **US$** | **342.6** | | |
| **Overall Total (equivalent in US$)** | **US$** | **2,739.4** | | |

(1) International Diversified Payment Rights Company.
(2) Perpetual Non-cumulative Junior Subordinated Securities.

The main activity of the agencies and subsidiaries abroad is the support to financing of the Brazilian foreign trade, as well as funding with the international financial community and Brazilian companies with units abroad.

The following table shows the book balances of assets and stockholders equity of the units abroad:

| | US$ million | |
|---|---|---|
| **Foreign Branches and Subsidiaries** | **December 2005** | **December 2006** |

| | Total Assets | Stockholders Equity | Total Assets | Stockholders Equity |
|---|---|---|---|---|
| Bradesco New York | 1,303.6 | 148.8 | 1,070.2 | 158.8 |
| Bradesco Grand Cayman | 7,126.9 | 2,570.8 | 8,387.5 | 3,783.4 |
| Boavista Nassau | 8.4 | 8.4 | 8.8 | 8.8 |
| Cidade Capital Markets Ltd. Grand Cayman | 32.3 | 32.2 | 34.0 | 34.0 |
| Bradesco Services Co., Ltd. Tokyo | 0.6 | 0.6 | 0.4 | 0.3 |
| Banco Bradesco Argentina S.A. | 21.1 | 16.6 | 20.9 | 16.7 |
| Banco Bradesco Luxembourg S.A. | 404.9 | 136.1 | 525.6 | 143.4 |
| **Total** | **8,897.8** | **2,913.5** | **10,047.4** | **4,145.4** |

**Capital Markets**

Underwriting Transactions

In 2006, Bradesco coordinated public distributions of stock, debentures and promissory notes transactions, which amounted to R$30.0 billion, accounting for 28.60% of the total amount recorded by the Brazilian Securities and Exchange Commission (CVM) in the same period.

Among the public distributions we took part in, we can highlight the Initial Public Offering (IPO) of stocks issued by Abyara Planejamento Imobiliário S.A., in the amount of R$188.0 million, the 1st issuance of debentures of BNDES Participações BNDESPAR, in the amount of R$600.0 million, the 7th issuance of debentures of Cia. Vale do Rio Doce in the amount of R$5.5 billion, the 5th issuance of debentures of

Brasil Telecom S.A., in the amount of R$1.080 billion, the 1st issuance of debentures of Tam S.A., in the amount of R$500.0 million, and the 3rd issuance of debentures of BV Leasing Arrendamento Mercantil S.A., in the amount of R$2.0 billion, besides the 1st issuance of promissory notes of Sociedade para Participação em Rodovias S.A SPR, in the amount of R$220.0 million.

In addition to the local market, Bradesco operates in the international capital markets, originating and structuring underwriting transactions of fixed income (commercial papers, notes and bonds) for placement with foreign investors.

Special Operations Mergers, Acquisitions, Corporate Reorganizations and Privatization Operations

Bradesco s Special Operations team is responsible for financial advisory services in mergers, acquisitions, spin-offs, joint ventures, privatizations, corporate and financial restructuring.

In the National Association of Investment Banks (ANBID) latest ranking of merger and acquisition operations, related to the first half of 2006, Bradesco was ranked 1st in number of operations (four), and 5th when the value of the operations was considered.

In 2006, Bradesco provided advisory services to Satélite Distribuidora de Petróleo S.A., on its association with ALE Combustíveis S.A.; to Açúcar Guarani (Tereos Group) on the acquisition of Cia. Energética São José; and on the operations of acquisition of the American Express subsidiary in Brazil and of Banco do Estado do Ceará (BEC) by Bradesco.

Project Finance Operations

In 2006, Bradesco was commissioned to be financial advisor for structured projects in the Public Private Partnership ( PPP ), since it was one of the pioneers in the development of projects in that modality. It acted as Financial Advisor for Consórcio Ocidental, sponsored by the companies Eletronorte and Neoenergia, in the auction of transmission lines held in November, and for Energias do Brasil S.A. in the new energy auction held in October. In addition, advised Itumbiara Energy Transmitter, sponsored by Elecnor S.A., Grupo Isolux Corsán S.A., and Cobra Instalaciones y Servicios S.A., on the structuring of a R$489.0 million financing with BNDES, for the implementation of the Transmission Line between
Cuiabá, in the State of Mato Grosso, and Itumbiara, in the State of Minas Gerais. It enabled, with BNDES, a financing for PHC Santa Rosa, a 30 MW hydroelectric plant of Engevix Engenharia S.A., in the amount of R$80.0 million, started a financial advisory service to Foz do Chapecó Energia S.A., an 855 MW hydroelectric plant sponsored by CPFL, Chapecoense and CEEE in the attainment of a long-term financing, and was commissioned to be the union leader for the financing of a plant with annual capacity of 475 thousand tons of PET undertaken by Mossi & Ghisolfi.

It is worth pointing out the continuing advisory service to Ceará Steel, as well as sugar and alcohol, road and sanitation projects.

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Structured Operations

The Structured Operations area is responsible for the development of structures used to segregate credit risks, through securitization, using Special Purpose Entities (SPEs), Loan Grants, Credit Right Investment Funds (FIDCs) and Certificates of Real Estate Receivables (CRIs).

In addition, this area is capable of structuring models of properly protected medium and long-term financings based on pre-defined cash flows pursuant to specific covenants and guarantees, which minimize the risks of each transaction, and seeking solutions with the purpose of meeting the specific needs of the companies, such as decrease in the use of working capital, increase in liquidity, optimization of the financial and tax costs, demobilization, and structured financings. It coordinates syndicated loan processes, including the extension of debts, which can be refinanced, structured by the Bank or by third parties.

Within this context, it creates efficient solutions of specific structures focused on the financing and the execution of acquisition finance operations.

We can highlight Bradesco s performance in the public distribution of FIDCs quotas in 2006, in the total amount of R$1.638 billion: FIDC Cemig Conta CRC of R$900.0 million; FIDC CESP III of R$650.0 million; FIDC Quero-Quero Financeiro of R$51.0 million, and FIDC Marcopolo of R$37.4 million. Bradesco was ranked 2nd in the ANBID ranking of origination, senior quotas in the shape of closed condominium, based on November/06.

In 2006, it structured the Built to Suit Financing of Confidere Imobiliária e Incorporadora Ltda., in the amount of R$97.0 million, and the syndicalized loan operation of Camil Alimentos S.A. in the amount of R$95.0 million as structurer, creditor and administrative agent.

**Cash Management Solutions**

Cash management solutions are structured by an area composed of experts who conduct analysis and implementation of customized, parameterized and converging solutions, taking into account the company, its suppliers, its clients, employees, and stakeholders, conditioned to the needs of cash management of the companies, maximizing results in the mutual view of businesses offered and operated with clients, with a technological synergy of the products and channels involved.

Among the key product and service solutions made available by Bradesco, we point out the following:

**Receivables Solutions**

Bradesco Online Collection

The high efficiency standards of Bradesco's online collection service generate confidence, minimizing costs and maximizing customer returns, covering all of their Accounts Receivable management needs.
As a result of these features, Bradesco Collection is the market leader, generating other business opportunities for the Organization.

Tax Payment and Collections

Developed based on high standards of efficiency and quality, Bradesco's tax payment and collections serve a dual

purpose. On the one hand, they seek to provide customer satisfaction with appropriate and innovative solutions for the settlement of taxes, duties and contributions. On the other hand, they effectively interact with the different Government Departments in the federal, state and local scope and with Public Utility concessionaires. These are emphasized for the speed and security in processed information and amounts collected.

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**Cash Management Solutions**

**Payment Solutions**

Pag-For (Suppliers Payment), Bradesco Net Empresa and PTRB (Electronic Payment of Taxes)

Based on the same efficiency commitment, Bradesco's payment solutions available via the Net Empresa, Pag-For and PTRB products, meet all clients needs, enabling supplier payments, tax settlements and wire transfers, via online or through the transmission of files with speed and security.

In 2006, payment solutions accounted for R$549.7 billion, corresponding to 144.0 million payment transactions, enabling the management of Accounts Payable of more than 400 thousand companies.

**Corporate Solutions**

Bradesco Digital Certificate

Attentive to the market trends, Bradesco is accredited as Register Authority to issue the Digital Certificate, which is an electronic identification document ensuring integrity, authenticity and the irreversibility of any transaction or message, assisting to maintain the confidential data protected, in addition to allowing documents storage.

Bradesco Digital Certificate is legally valid and is digitally signed by a Certifying Authority, and may be used for documents digital signature.

**Government Authority Solutions**

The activities of the Government Authority area comprise a differentiated service to Entities and bodies of the Executive, Legislative and Judiciary Branches, within the federal, state and municipal scopes, in addition to Independent Governmental Agencies, Public Foundations, Government and Mixed Companies, Public Prosecutor Office, Armed Forces (Army, Navy and Air Force) and Auxiliary Forces (Federal, Military and Civil Police), identifying business opportunities and structuring customized solutions, also counting on a portal on the Internet (www.bradescopoderpublico.com.br), which shows the solutions of accounts receivable, payable and administrative, in addition to a place exclusive for Public Servants and Military Policemen, detailing products and services Bradesco also makes available to these clients.

**Statistical Data**

| | **R$ billion** | | | | | |
|---|---|---|---|---|---|---|
| | **2005** | | | **2006** | | |
| | **3rd Qtr.** | **4th Qtr.** | **Year** | **3rd Qtr.** | **4th Qtr.** | **Year** |
| Receipt Solutions (1) | 234.6 | 241.5 | 921.9 | 250.5 | 272.3 | 995.7 |
| Payment Solutions | 118.7 | 124.6 | 470.3 | 141.4 | 155.6 | 549.7 |
| **Total** | **353.3** | **366.1** | **1,392.2** | **391.9** | **427.9** | **1,545.4** |
| Taxes | 27.5 | 30.6 | 113.2 | 30.7 | 35.9 | 126.3 |
| Water, Electricity, Telephone and Gas | 5.6 | 5.8 | 22.0 | 6.3 | 5.7 | 23.7 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Social Security Payments | 6.1 | 8.0 | 25.5 | 8.0 | 8.2 | 28.8 |
| **Total Public Sector (*)** | **39.2** | **44.4** | **160.7** | **45.0** | **49.8** | **178.8** |

**Cash Management Solutions**

| | **Number of Transactions million** | | | | | |
|---|---|---|---|---|---|---|
| | **2005** | | | **2006** | | |
| | **3rd Qtr.** | **4th Qtr.** | **Year** | **3rd Qtr.** | **4th Qtr.** | **Year** |
| Receipt Solutions (1) | 234.7 | 228.6 | 919.2 | 245.4 | 273.5 | 979.2 |
| Payment Solutions | 33.0 | 34.1 | 128.4 | 37.6 | 39.2 | 144.0 |
| **Total** | **267.7** | **262.7** | **1,047.6** | **283.0** | **312.7** | **1,123.2** |
| Taxes | 18.8 | 17.4 | 75.1 | 20.8 | 19.5 | 81.2 |
| Water, Electricity, Telephone and Gas | 36.8 | 37.7 | 144.7 | 45.3 | 48.2 | 173.4 |
| Social Security Payments (2) | 13.0 | 13.2 | 52.0 | 14.0 | 14.3 | 55.0 |
| **Total Public Sector (*)** | **68.6** | **68.3** | **271.8** | **80.1** | **82.0** | **309.6** |

(1) Total movement (funding, written-off, credits etc.).

(2) Total of beneficiaries: more than 4.710 million of retirees and pensioners (corresponds to 19.03% of the population subject to INSS).

(*) Includes public and privatized utility service concessionaires:

Payments by means of automatic debit

50.115 million 2005.

50.418 million 2006.

Growth Receipt and Payment Solutions

Growth Public Sector

**Qualified Services to the Capital Markets**

Bradesco is one of main suppliers of Qualified Services for the Capital Markets. By means of modern infrastructure and specialized team, Bradesco proposes innovative solutions, expanding services options and generating operating flexibility to its clients.

**Our services:**

Assets Bookkeeping

In this segment, Bradesco offers Bookkeeping Services for Stocks, Debentures, Investment Fund Quotas and Brazilian Depositary Receipt BDR. We point out the participation of Bradesco as the Depository Financial Institution of the Companies Stocks, in the going public operations Public Offering of Stocks (IPO), whose market share was 38% share among the operations structured in 2006. In the operations of issuance of debentures and promissory notes we reached a 40% market share, with volume of issuances in the amount of R$30 billion.

**Main Indicators in 2006:**

| | |
|---|---|
| Book-Entry Stocks | 178 Companies, with market value of R$386.4 billion, combining 2.5 million stockholders. |
| Book-Entry Debentures | 50 companies with 69 issues, totalizing an amount of R$60.6 billion. |
| Book-Entry Quotas | 48 Closed Funds, with restated amount of R$22.7 billion. |
| Brazilian Depositary Receipt BDR | 2 Programs, with market value of R$222.4 million. |

The investors have access to Bradesco s branch network, besides the online access, via the Internet Banking, related to their positions under custody at Bradesco and CBLC (Brazilian Clearing and Depositary Corporation).

Custody, Controllership and Asset Management

Targeted at Companies, Assets, Foundations, Insurance Companies and Private Pension Plan Entities, the provision of service for this segment has continuously grown. Part of this growth may be verified in the evolution graphic of Assets under Custody, whose increase was 18.5% in the 4th quarter.

**Main Indicators in 2006:**

| | |
|---|---|
| Custody | R$278.4 billion in assets under custody (Funds, Portfolios, DRs and Receivable Funds). |
| Controllership | R$319.8 billion distributed in 920 Investment Funds and Portfolios under Management. |
| Depositary Receipt DR | R$62.9 billion in 9 Programs. |

Assets under Custody Growth R$ billion

**Business Processes**

Ombudsman Area

Bradesco Organization always had the philosophy of giving voice to its clients and users of banking products and services, innovatively creating in April 1985, the service Alô Bradesco (Hello Bradesco), which was the first financial market communication channel for suggestions and complaints, five years prior to the launching of Consumer Defense Code. This channel contributed to enhance these relations and has been an important strategic tool for relations transparency.

We implemented the Ombudsman area, dealing with all manifestations, whether these stem from Alô Bradesco service, which answers by phone and e-mail, or those deriving from Brazilian Central Bank, Procon (Consumer Protection Agency) and Press. It is incumbent upon the Ombudsman to manage these manifestations, follow-up term and quality of answers offered, provide the managers of products, services and processes with updated information so that they can learn from these warnings received and anticipate compatible solutions with needs and demands of our clients.

Quality Management NBR ISO 9001:2000 Certifications

To successfully conduct and operate an organization it is necessary to direct it and control it in a transparent and systematic manner. The success may result in the implementation and maintenance of a management system.

The Organization counts on a group of highly qualified professionals, responsible for the methodology definition of Bradesco Quality Management System (SGQB) and implementation process management.

Bradesco Quality Management System has as purpose to continuously improve the performance of processes, taking into consideration, at the same time, the needs of all interested parties. By means of SGQB, the Premises show their capacity to provide products/services that meet the client s requirements and the applicable regulatory requirements, aiming to increase the client s satisfaction.

Bradesco Organization, in the permanent search to provide its clients and users with the easiness and commodity that only a Complete Bank can offer, reached this acknowledgement in 185 processes certified in NBR ISO 9001:2000 related to Products and Services.

**Business Processes**

The ISO 9001:2000 certifications are formal evidences that all the activities related to the quality of the product or service certified were planned, implemented and controlled according to an international acknowledgment rule.

Accordingly, the certifications are important competitiveness instruments ensured only to companies that show their commitment to quality.

The ISO 9001:2000 certifications motivated the Organization to advance in the quality management practices, thus adopting the Excellence Criteria Worldwide Class, which, undoubtedly represent a great differential in business management, as well as they highly contribute to issues of sustainability and corporate governance.

Protection Seal and Data Privacy GoodPriv@cy

GoodPriv@cy Data Protection and Privacy Seal is a standard established internationally, comprising requirements for the management of data protection and privacy at the organizations.

Bradesco Data Protection Management System has as purpose to standardize data protection management at Bradesco Organization and minimize risks related to violation in data protection and failures in information security, by means of the compliance with the legal and internal requirements and the continuous improvement of data protection and privacy processes.

As Bradesco Organization is a pioneer in technological innovation, it constantly invests in IT, concerning about information security in all levels, establishing procedures in the ethical treatment of personal data collected for any purpose, including the establishment of Information Security Corporate Rules and Policy. The certifications show this practice and reassure the Organization s permanent concern about data protection of its clients and users.

At present, Bradesco Organization has 15 certifications:

Fax Fácil
Fone Fácil
Home Broker
Internet Banking
Private
Custody Liabilities Dockets
Custody Assets Dockets
Custody Report Data Privacy
WebTA File Transference
NetEmpresa
Shopcredit
Electronic Commerce Individuals
Electronic Commerce Corporate
Cards
Password Privacy Management

**Business Processes**

Methodology for Mapping and Documentation Processes

This methodology is designed to codify and standardize processes mapping and documentation works carried out by the Organization's different departments on a stage-by-stage basis which, in conjunction with the information on related products, services and activities, ensures that these processes are effectively analyzed, in the pursuit for ongoing improvement, as well as meeting the demand generated by the needs of the documentation required by the Internal Controls and Compliance System, the Bradesco Quality Management System based on the NBR ISO 9001:2000, the Activity-Based Costing System ABC and Section no. 404 of the Sarbanes-Oxley Act.

Activity-Based Costing ABC

Designed to support the Bank in its actions to improve processes and optimize production resources, such as practices recommended for decreasing costs, Bradesco adopts the Activity-Based Costing System ABC, which measures the cost and performance of its activities, resources and cost centers.
Thus, the knowledge of the Bank's activities, as well as the correct measurement of the resources consumed by these activities, allows a more accurate analysis of the cost/benefit ratio of each of the Organization's productive processes and results centers.

We stress that as a result of the application of Activity-Based Costing, the Bank is now meeting the following targets: improved allocation of costs to products, channels and customers; support to qualification studies and negotiation of bank fees; subsidy to product, unit and client profitability systems; support to studies concerning outsourcing, incorporation and equipment sharing; as well as support to cost rationalization studies.

Activity-Based Management Program

Seeking to explore the potential applications of the information base of the Activity-Based Cost , we are to adopt a Cost Management model by means of the Activity-Based Management ABM, which will rapidly lead to the prevention of costs and a proactive approach regarding the identification of opportunities.
Accordingly, as processes are improved, operating performances can be seamlessly integrated with Bradesco's strategic goals, designed to create and/or sustain Bradesco's competitive advantages and add value both for clients and stockholders.

Thus, the future mission of Activity-Based Management is to provide permanent support to the planning and control of the Bank's business processes, ensuring that tactical and operational issues are continually improved, as well as supporting their strategic gearing.

Integrated Management System ERP

For purposes of providing permanent and appropriate support for its operations and in the pursuit of improving results, as well as extending its capacity to manage the Organization's resources, Bradesco adopts one of the most modern concepts for integrating organizational processes, using SAP's Integrated Management System, mySAP Business Suite solution.
This system s implementation represents an innovation in the treatment of the value chain supporting Bradesco's financial industry, comprising analyses dimensions focused on Processes, People, Organizational Structure and Technology.

Initially, the system will integrate processes in the Human Resources, Training, Material and Service Purchases, Accounts Payable, Physical and Fiscal Receiving, Fixed Assets and Accounting, in addition to the Availability Control process, for the effective follow-up of the Bank s administrative expenses.

Currently, the processes of Works Management, Maintenance Management, Currency Management, Real Estate Management, Supplies Management (Auction and Electronic Quotation), Banking Accounting and Consolidation of Financial Statements are being implemented.

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**Business Processes**

The adoption of the Integrated Management Systems by the areas integrated through this technology enabled them to renew processes and review organizational structures and nearly 79 thousand system users will be qualified via presence and e-learning training.

As a result of the implementation of the Integrated Management System, Bradesco will benefit most from the organization and standardization of the processes carried out in different areas, agile decision-making, secure data processing, as well as decreased operating costs and increased productivity. These factors are crucial for the Organization's growth, especially in view of current fierce competition in the financial area, prompting us to pursue increasingly effective management methods designed to ensure that all of Bradesco's business potential is properly leveraged.

**Corporate Governance**

The adoption of best Corporate Governance practices has enabled a greater emphasis on the improvement of internal controls and a rigid establishment of professional conduct standards, whose effort to maintain the image of safety, confidence and dynamism has been evident throughout all the segments of performance, improving the relationship and the transparency with Investors, at same time, this is an incentive to the Managers so that their decisions aim the best interest of the Company and its stockholders, consolidating Bradesco s positive perception in the market.

The results have been evidenced by the figures recorded up to date, ensuring that such purpose has been achieved, both in terms of operating efficiency and in the increase of Bradesco s deposit capacity in Brazil and abroad.

Bradesco always sought to be present in the acts aiming at reinforcing the capital markets. Bradesco s stocks were listed on the Stock Exchange in Brazil in 1946, three years after its foundation, when Bradesco s operations were restricted to the São Paulo state.

As from June 1997, the Company started to be listed on the New York Stock Exchange (NYSE) to trade ADRs Level I and, in November 2001, ADRs Level II.

In Spain, Bradesco started to trade preferred stocks at Madrid Stock Exchange (LATIBEX) as from February 2001.

Bradesco s stocks, since June 2001, started to integrate Level I of São Paulo Stock Exchange Corporate Governance, reiterating its commitment to achieve the appreciation of its stockholders equity, always using instruments generating conditions of higher stock liquidity.

With stocks traded at foreign stock exchanges, Bradesco started to prepare its Financial Statements also in US GAAP, the U.S. accounting practices.

Bradesco Organization in 2006 did neither contract nor had services rendered by PricewaterhouseCoopers Auditores Independentes not related to the external audit in levels higher than 5% of total external audit costs. The policy adopted meets the principles preserving the auditor s independence, pursuant to the accepted international criteria.

The Annual Stockholders Meeting held on March 27, 2006, resolved to maintain the Fiscal Council, composed of 3 sitting members and 3 deputy members, with term of office until 2007, 1 sitting member and respective deputy selected among preferred stockholders.

Among the initiatives adopted until now, which reassert Bradesco Organization s commitment to the best Corporate Governance Practices, we point out:

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**Corporate Governance**

the Tag Along is incorporated into the Company s Bylaws, which, in an eventual sale of the Company s control, this shall ensure the minority common stockholders to receive 100% of the price paid per stock composing the control block, and 80% of such reference value to the preferred stocks;

the attendance of 2 independent board members at the Board of Directors;

the advance in the transparency of information to the market, released in 3 languages (Portuguese, English and Spanish);

under the influence of Sarbanes-Oxley Act, the internal controls and the procedures to disclose information to the market were improved and the Corporate and Sector Codes of Ethics were set up, specific for the Accounting and Finance Administration Departments, applicable to all employees involved in the activities of respective areas, through which all of them declare to be personally responsible for the effectiveness of controls and disclosure procedures;

Committee of Ethical Conduct, which aims at proposing actions as to the dissemination of and compliance with Corporate and Sector Codes of Ethics of Bradesco Organization, so as to ensure their efficiency and effectiveness;

Audit Committee, which has the attribute to advising the Board of Directors concerning the performance of their duties related to the follow-up of accounting practices adopted in the preparation of the financial statements of the Company and its subsidiaries, in the appointment and the assessment of independent auditors efficiency;

Internal Control and Compliance Committee to advise the Board of Directors in the performance of their duties related to the adoption of strategies, policies and measures concerned with the dissemination of a culture of internal controls, mitigation of risks and compliance with the rules applicable to the Bradesco Organization;

Compensation Committee to propose to the Board of Directors the policies and guidelines for Statutory Management compensation, based on the performance targets set forth by the Board;

Disclosure Executive Committee, which established the Disclosure Policy for Material Act or Fact, with a view to ensuring the control, consistency, quality and transparency in the disclosure of information;

Expenses Assessment Executive Committee to advise the Board of Executive Officers in the follow-up and control of costs and the adoption of strategies, polices and measures concerned with the expenses cutback of Bradesco Organization s companies;

Social-environmental Responsibility Executive Committee, with a view to analyzing the issues related to the social and environmental responsibility and fomenting corporate sustainability strategies, by harmonizing economic development issues and social-environmental responsibility, according to the guidelines of the Bradesco Organization s Corporate Policy of Social-environmental Responsibility ;

Corporate Governance Executive Committee, aiming at advising the Executive Committee on how to perform their duties related to the compliance with the guidelines established by the Board of Directors in the Bradesco s Organization Corporate Governance Policy ;

Calendar of Corporate Events, available at Bradesco s Website, containing dates of main corporate events;

Instrument of Disclosure Policies for Material Act or Fact and Trading of Securities to be observed by all the managers;

As a consequence of the adoption of good practices, the Bank received from Austin Rating the AA rating (Optimum Corporate Governance Practices), becoming the first Brazilian company to release the complete report mainly based on the ethical values of the Organization, i.e., transparency, solid corporate culture and control mechanisms, contributing to increase the stockholders confidence as to the protection of investment and sustainability of operations.

We can still point out other results originating from Bradesco Organization s adoption of good practices:

the Bank s stocks were once again selected to integrate Bovespa s Corporate Sustainability Index (ISE), which acts as conductor of good practices in the Brazilian corporate environment, evidencing the Organization s commitment to the relationship with stockholders, clients, investors, employees and the public in general;

Standard & Poor s Services assigned Bradesco, in their Global Scale, the BB+/B counterparty credit ratings in foreign currency and in local currency, and, in their National Scale Brazil, the brAA+ counterparty credit rating. On the same scale, the counterparty credit ratings of its subsidiaries Bradesco Seguros S.A. and Bradesco Capitalização S.A. were raised from brAA to brAA+ ;

Fitch Ratings raised Bradesco s Individual Rating from C to B/C , which reflects the consistent improvement in the Bank s performance since the half of 2004;

Bradesco is the firs Brazilian bank to receive the ISO 140001 Certificate and the OHSAS 18001;

it is the first Latin American company to receive, from Management & Excellence, the highest rating (AAA+), for complying with the worldwide standards in sustainability, corporate governance, social responsibility, ethics and transparency;

it has started to take part in the Dow Jones Sustainability World Index, composed of a select group of companies worldwide which prove to have corporate sustainability rooted in its initiatives, practices and corporate management;

it has started to take part in the FTSE LATIBEX BRASIL, a new LATIBEX index, which is the only euro-denominated index that rates the Country s main stocks by market capitalization, calculated according to the amount of stocks being traded; and

according to an article published in Jornal Gazeta Mercantil of 10.20.2006, with data from Economática consulting company, whose survey listed the five stocks traded on Bovespa that paid the highest dividends since 1990, Bradesco is the leader in the dividend payment ranking, with highlight to the Bradesco PN stocks.

Practices for the Payment of Dividends and Interest on Own Capital

Banco Bradesco S.A. ( Bradesco ) has distributed monthly dividends since 1970, which makes it the pioneering financial institution in the adoption of that practice.
Since January 1, 1996, when Law no. 9,249/95 entered into force, the companies have been allowed to pay interest on own capital to their stockholders, to be credited, net of Withholding Income Tax, in the amount of the minimum mandatory dividend.

Minimum Mandatory Dividend

According to section III of Article 28 of Bradesco s Bylaws, it is ensured to the stockholders, each year, as a minimum mandatory dividend, thirty percent (30%) of the net income, adjusted according to the decrease or increase of the

values specified in sections I, II and III of Article 202 of Law no. 6,404/76 (Brazilian Corporate Law).

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Therefore, the minimum percentage of thirty percent (30%) stated in the Bylaws is above the minimum percentage set forth by Law no. 6,404/76, of twenty-five percent (25%).

Over the past years, R$ 849 million was distributed in 2001 (41.17% of the adjusted net income), R$ 947 million in 2002 (49.28% of the adjusted net income), R$ 1.347 billion in 2003 (61.48% of the adjusted net income), R$ 1.325 billion in 2004 (45.58% of the adjusted net income), R$1.881 billion in 2005 (35.91% of the adjusted net income) and R$2.160 billion in 2006 (44.98% of the adjusted net income).

Interim Dividends

The Executive Committee, upon approval by the Board of Directors, is authorized to state and pay interim dividends, half-yearly or monthly, to the Retained Earnings or to the Existing Profit Reserves account (paragraph 1 of Article 28 of the Bylaws).

Stockholders Owning Preferred Stocks

Preferred stocks shall yield their owners dividends ten percent (10%) higher than those assigned to common shares (letter b of paragraph 2 of Article 6 of the Bylaws).

System of Monthly Payment of Interest on Own Capital

For the purposes provided for in Article 205 of Law no. 6,404/76, the dividend shall be paid to the stockholders who are registered in the Company s books on the date the dividend is declared, which takes place on the first business day of each month.

The payments are made on the first business of the subsequent month, through monthly advancement of the compulsory dividend, by means of credit on the account given by the stockholder, or made available to them at the Company.

Reinvestment of Dividends or Interest on Own Capital

The reinvestment of Dividends and/or Interest on Own Capital is a product that allows the stockholder who also holds a checking account at Bradesco and is registered at Bradesco Corretora, be them individuals or corporations, to reinvest the amount credited in their checking account in new stocks, thus increasing their stockholding.

The stockholder has the option to reinvest the monthly and/or special dividends (supplementary and interim). There is no maximum limit for this reinvestment, and the minimum limit shall be enough for the acquisition of at least one (1) stock.

**Acknowledgments**

Bradesco was acknowledged as the Brazilian Bank of the Year by The Banker magazine, in its traditional publication The Banker Awards.
Bradesco was the world champion in market valuation, according to the traditional ranking FT Global 500 ranking, prepared by the English newspaper Financial Times.

The Institution was acknowledged as the best Brazilian bank in the Best Emerging Market Banks 2006 Latin America research, published by Global Finance magazine.

Bradesco is the Country s first Bank in the ranking of Fortune magazine, which shows a list of the world s 500 largest companies in 2006.

Bradesco headed the ranking of Latin American Banks by the stockholders equity criterion, according to Bank Atlas 2006, from Euromoney magazine.

A research conducted by The Banker magazine and Brand Finance evaluated Bradesco as the banking sector s most valuable brand in Latin America.

Bradesco Organization headed the survey carried out by Valor Financeiro yearbook, published by Valor Econômico newspaper, that identifies the banks and insurance companies with the best performance in the market.

Bradesco received the award of the best Retail Bank of Conjuntura Econômica magazine. Bradesco Seguros e Previdência was awarded as the Largest Insurance Company by Net Income and Stockholders Equity.

Bradesco Organization maintained the position of the largest Brazilian private business group in the Melhores e Maiores yearbook, published by Exame magazine.

**Acknowledgments**

According to a study conducted by Standard & Poor s (S&P), published in Valor Econômico newspaper, Bradesco is the leader in market share in all performance indicators.

Bradesco consolidated its leadership of the private financial system, according to the Valor 1000 yearbook, of Valor Econômico newspaper. Bradesco Seguros e Previdência kept the leadership of the ranking of open supplementary pension plans and of the health segment.

Bradesco received the award of Best Retail Bank, in a study published in the Financial Balance Yearbook, of Gazeta Mercantil newspaper. It also received the award of Best Insurance Company and Best Certified Savings Plans Company.

Guia Exame 2006 pointed out Bradesco as the winner in the category Best Fund Manager in the Stock Segment.

Bradesco is the best company in financial management, according to a survey published in IstoÉ Dinheiro magazine the 500 Best Companies in Brazil.

Bradesco was given the title of company with the best financial solidity in the survey As Mais Admiradas (the Most Admired Companies), conducted by CartaCapital/InterScience.

Bradesco Organization was honored by the New York Stock Exchange (NYSE) for the five years it has been trading its stocks in those sessions.

Bradesco was acknowledged as the best publicly-held company in the Brazilian market, according to the Capital Aberto magazine ranking.

Bradesco is the leader in the ranking of the 20 largest institutions of the Valor Grandes Grupos yearbook, published by Valor Econômico newspaper.

Bradesco s Internet Banking was the winner in three categories in an award promoted by the American magazine Global Finance.

Once again, Bradesco was the big winner of the As 100 Empresas Mais Ligadas do Brasil (Brazil s 100 Most Connected Companies) research, promoted by INFO Exame magazine.

Bradesco is, for the seventh time, in the list of Guia Exame Você S.A. The Best Companies to Work and, for the fourth time, among the Best Companies for Woman to Work.

According to the evaluation of Great Place to Work Institute, published in Época magazine, Bradesco is one of the 100 Best Companies to Work in Brazil.

In the research As Melhores na Gestão de Pessoas (The Best in People Management), published by Valor Carreira, of Valor Econômico newspaper, Bradesco was ranked 1st among banks.

Bradesco was the winner of the Valor Social Award promoted by Valor Econômico newspaper, which acknowledges the best social-environmental responsibility programs.

Bradesco is the Bank which has evolved the most in the sustainability and corporate ethics ranking prepared by the Spanish consulting company Management & Excellence (M&E) and by the Latin Finance magazine.

Bradesco Organization is the financial group that is most present in the Brazilians minds, according to the Top of Mind survey, conducted by Folha de São Paulo newspaper.

The most remembered brand of the banking sector, according to the Top of Mind survey, carried out by the Brazilian Association of Advertisers (ABA), was also Bradesco s.

Bradesco won the Caboré Award 2006, promoted by Meio & Mensagem newspaper, in the category Marketing Professional.

## 6 - Social-environmental Responsibility

**Bradesco Organization and the Social-environmental Responsibility**

Bradesco believes that successful companies are those that generate good results for all the community, adopting long-term policies whose purpose is to foment the country s sustainable development and the better wealth distribution.

The Organization also understands that environmental preservation and social inclusion are great challenges of the modern world, crucial for the human development and for the corporate continuity.

In conformity with these premises and, sensible to this condition, Bradesco consolidates its social-environmental policy, showing the concern with the sustainable development of the planet, the respect to the ecosystems and human dignity, also undertaking to disseminate a culture based on actions of social-environmental responsibility.

Bradesco Organization s Social-environmental Responsibility Corporate Policy has as purpose:

a) to define the social-environmental guidelines which must be complied with in Bradesco Organization environment;

b) to be a permanent consultation source for implementation of all and any measure or action that may impact the social-environmental matter, by means of ensuring principles adopted by the Organization; and

c) to be a guidance source to our staff, as well as its awareness as to Bradesco Organization s social-environmental role.

**1. Principles**

1.1 As to Sustainable Development

a) Bradesco Organization, aware of the importance of the country s development, is aligned with the best world practices of sustainability and corporate governance. Thus, it considers sustainable growth, represented by economic, environmental and social development, an important component of corporate responsibility, adding value in corporate management and fomenting Social-environmental Responsibility.

b) Bradesco Organization shows its firm commitment to practicing, encouraging and valuing Social-environmental Responsibility, searching for convergence of its corporate goals with the desires and interests of the community in which it has a presence, exercising sustainable growth in a healthy environment and using ethical and transparent methods.

c) Bradesco Organization will make all efforts for the preservation of the ecosystems and for the optimization of the use of resources, mainly non-renewable ones.

1.2 As to Social-environmental Responsibility

a) Values

Bradesco Organization considers Social-environmental Responsibility one of its corporate values.

b) Vocation/Citizenship

b.1) Bradesco Organization exercises its corporate citizenship to value Social-environmental Responsibility.

b.2) The valuation of educational, sport and social work activities are really important for Bradesco Organization, for instance the work done by Fundação Bradesco, reaching different regions of the country, providing children, youngsters and adults with free and professional education, being a social-cultural reference to the communities where it has a presence.

b.3) Bradesco Organization repudiates slave and child labor.

1.3. As to the Social-environmental Legislation

Bradesco Organization considers as a fundamental responsibility the compliance with the applicable legislation.

1.4. As to Social-environmental Commitments

Bradesco Organization also considers indispensable the compliance with the commitments, guidelines and safeguards set forth in national and international Principles , Protocols , Agreements and Treaties , related to social and environmental responsibility, to which Bradesco Organization has been signatory or has adhered to their terms.

**2. Guidelines**

The Guidelines in the Principles already detailed, which must guide all social-environmental actions or measures at Bradesco Organization, are:

a) to search for convergence of its business goals with social-environmental responsibility aspects, adding value to all interested parties;

b) to develop and sell products and services, as well as offer credit facilities to clients who respect the social-environmental awareness spirit, in order to ratify the Organization s corporate responsibility commitment;

c) to encourage partnerships, supports and cooperation with governmental entities, NGOs and market entities aiming at developing and promoting social-environmental responsibility actions in several segments of the civil society;

d) to consider, when choosing suppliers and service providers, those who are engaged and practice social-environmental responsibility, in conformity with the principles defined in this document;

e) to maintain and promote an ethical and transparent posture on all levels of activities and business relationships, repudiating and fighting against any means of illegality, such as corruption or bribery;

f) to ensure conformity of the applicable legislation with the social-environmental issues in the development and performance of Bradesco Organization s economic activities;

g) to adopt responsible policies of loan concession to clients and respective internal procedures, imposing, when deemed necessary, preventive, reconstructing or repairing measures of environmental impacts, rating, in these cases, risks in financing of business projects;

h) to estipulate, for borrowers of funds whose projects have potential social-environmental risks, the obligation to maintain an action plan of risk mitigation, following the stages of the project while the respective financing lasts;

i) to adopt internal policies with a view to rationalizing the use of non-renewable resources, use recycled material, give adequate treatment to scrap and disposable material and encourage the environment preservation;

j) to promote awareness and provide training to employees, and guide service providers through social-environmental issues, reinforcing citizenship, ecology and responsibility concepts;

k) to make all efforts for the society to share globalization benefits, by means of a more inclusive and equal market;

l) to defend social justice principles and human rights, repudiating exploitation of people through labor, in particular child labor;

m) to support education and professionalization of children, youngsters and adults, increasing job opportunities and citizenship;

n) to adopt internal policies of diversity valuation, aiming at promoting balance in the Organization s relations with its different publics;

o) to propagate, value and support projects targeted at the practice of sport activities in the communities it has a presence, providing, through sport, respect to each other, union, teamwork, dedication, persistence and overcoming;

p) to develop, implement and maintain a social-environmental management system that normalizes, dimensions and follows the performance of social-environmental actions of Bradesco Organization; and

q) to disclose its achievements by means of the social balance sheet and make available to interested parties relevant information related to possible happenings and social and environmental actions carried out by the Organization.

And, ratifying the premises of its policy, Bradesco structured the Social-environmental Responsibility Executive Committee, which is permanent and has decision-making powers.

This Committee is comprised of nine (9) Directors and representatives of the following Facilities: Fiscal Audit Department; Operating Control Department; Risk Management and Compliance Department; General Inspectorate Department; Marketing Department; Organization and Methods Department; Assets Department; Human Resources Department; Market Relations Department; General Secretariat; and Fundação Bradesco.

The Social-environmental Responsibility Area, which composes the Market Relations Department, was created to assist the Executive Committee and has as main mission to interact and integrate the several Areas of Bradesco Organization in order to sensitize them as to social-environmental issues, in addition to encouraging and following initiatives related to the matter, considering the premises of Bradesco Organization s Social-environmental Responsibility Corporate Policy and the best market practices.

**Equator Principles**

In September 2004, Bradesco adhered to Equator Principles, a set of social-environmental measures based on criteria defined by the International Finance Corporation (IFC), used in the evaluation and concession of financing of infrastructure projects known as Project Finance.

Bradesco ratified, in July 2006, its adhesion to the new version of Equator Principles, whose scope comprises all Project Finance, its assistance, new ones or in expansion, with total capital cost higher or equal to US$10 million.

It is important to point out that the adoption of these principles is voluntary, with no dependence or support of IFC or the World Bank. Thus, the institutions which will adopt them must take them as basis for the development of practices and internal and individual policies.

By adhering to Equator Principles, Bradesco increases its commitment to the sustainable development and reaffirms its role as one of the largest financing companies of the country s economic activity.

**Global Compact**

Bradesco, at the beginning of November 2005, aligned with the corporate responsibility guidelines, adhered to Global Compact principles, assuming the commitment to promote actions to contribute for the development of an inclusive and sustainable economy, increasing its performance within the social-environmental scope.

Global Compact is a result of an invitation made by United Nations (UN), at the World Economic Forum in Davos, in January 1999, to companies, NGOs and other governmental and civil entities, to follow and disclose the ten principles that guide it, concerning Human and Labor Rights, Environmental Protection and corruption combat.

**ISE Corporate Sustainability Index**

Bradesco, on November 2006, started integrating ISE new portfolio, Sustainability Index of BOVESPA.

ISE is comprised of stocks issued by companies which have a high level of commitment to sustainability and social responsibility.

To evaluate the performance of the companies eligible to ISE, the Sustainability Study Center of FGV EAESP was contracted and developed a questionnaire with the triple bottom line concept, which comprises the evaluation of economic, social and environmental elements in an integrated way.

The choice of Bradesco s common and preferred stocks to comprise ISE strengthens the Organization s commitment to the good corporate governance practices in the relationship with stockholders, clients, investors, employees and the general public.

**DJSI Dow Jones Sustainability World Index**

In September 2006, Banco Bradesco started taking part in the selected group which comprises the Dow Jones Sustainability World Index portfolio.

Currently, DJSI is comprised of 318 companies that materially demonstrate having corporate sustainability rooted in their initiatives, practices and business management.

In this context, Bradesco s social-environmental actions are integrated in its business strategies and result in the conviction that a good company is that which works and grows in a society and develops itself with harmony.

**Rating in Sustainability (Management & Excellence)**

Banco Bradesco is Latin America s first company to receive AAA+ rating in Sustainability, from Management & Excellence (M&E).

The largest Brazilian private Bank, Banco Bradesco obtained the best possible rating, AAA+, as it met the 433 sustainability, corporate governance, social responsibility, ethics and transparency criteria. This evaluation, subject to annual reviews and with a three-year validity, was made by Management & Excellence (M&E), a respected sustainability research and evaluation company, based in Madrid.

M&E s evaluation reflects the conformity with most standards established in Brazil and Abroad, which classified more than 100 companies in the whole world and is a pioneer in the sustainability area.

**Launch of the Social-environmental Responsibility website**

Bradesco launched its Social-environmental responsibility website, one more important tool in the availability of key information and in the construction of a more and more positive relationship with the market.

A result of months of work and of the effective interaction among several areas, departments and suppliers, the new website brings a detailed outlook of the Organization s operation in all the segments of the social-environmental responsibility, showing a Bradesco beyond leadership, pioneer in technology and innovation in the offer of products, services and financial solutions.

To facilitate the attainment of information, the website makes available the best in navigation solutions, ideas that bring agility, easiness and creativity. Also to speed up the research of Internet users, Bradesco s several initiatives were

structured in eight large areas: values, stockholders and investors, clients, employees, community, government, suppliers and environment.

Permanently updated, soon it intends to be one of the main references of the Country in the availability of information about social-environmental responsibility.

Visit the new site at www.bradesco.com.br/rsa.

**Bradesco Suppliers Meeting**

In 2006, Bradesco carried out two events with representatives of more than 100 suppliers of products and services from sundry segments from furniture to security companies in order to stimulate the commitment to social-environmental responsibility practices.

The commitment will be a preference factor for contracting new suppliers and in the continuity of existing contracts.

Quarterly meetings should be held to reach all the 1.5 thousand Bank s suppliers in two years.

**Social Stock Exchange Program of BOVESPA**

Aiming at the social and banking inclusion Bradesco collaborates with the Social Stock Exchange Program of BOVESPA, which was launched in June 2003 by BOVESPA and its brokers as a social initiative to raise funds for non-governmental organizations, acknowledged by UNESCO as the first one in the world. The idea is to gather institutions of the Third Sector that need financial resources and investors (donors) willing to provide them. Thus, the NGOs strengthen investments as social profit , i.e. making society fairer, where thousands of children and youngsters may enjoy better opportunities.

**ISO 14001 and OHSAS 18001 Certifications Building**

In May 2006, Bradesco obtained ISO 14001 (the first bank in Brazil to receive such certification) and OHSAS 18001 certifications for the building at Avenida Paulista, in the city of São Paulo. This is a 12-story building with four basements totally refurbished and adapted, aiming at complying with all the specifications and rules required for the referred certificates.

ISO 14001 is a rule internationally accepted which defines the requirements for establishment and operation of an Environmental Management System. OHSAS 18001 defines the requirements for an Occupational Safety and Health Management System.

**Social Value Award (Prêmio Valor social)**

Bradesco was the winner of Valor Social 2006 award in the categories Sustainable Management and Great Award, by the choice of the popular jury.

The category Sustainable Management takes into account issues such as ethics in business conduct and the alignment of economic, social and environmental results. The Great Award Category acknowledges the quality of the best project among the finalists in all categories.

The Organization competed with its Sustainable Management Program, which comprises from Fundação Bradesco to Bank products, whose part of their income is destined to entities such as SOS Mata Atlântica and Instituto Ayrton Senna.

**Bradesco s Contribution to Preserve the Environment**

Aware of the need of maintaining adequate facilities, without disregarding the social and environmental aspects, Bradesco has adopted practical measures contributing to preserve the environment.

With this purpose, we permanently seek to apply new technologies minimizing the impact on ecosystems. In addition, the contracted companies commitment to our social and environmental goal and a continued awareness of our staff in pursuit of eco-efficiency, reinforces our commitment to foment sustainability.

**1) Program for the Neutralization of Carbon Emission**

Bradesco was the first Bank to launch a measurement program of its direct and indirect participation in carbon dioxide (CO2) emission in the atmosphere, aiming at neutralizing this production.

The proposal is that all Bradesco s business chain, which includes clients, suppliers and other relationship areas, takes part in this effort in the medium term.

To compensate the environmental impact caused by this index, the Bank shall plant trees in partnership with SOS Mata Atlântica, buy carbon credits or enter into partnerships to generate carbon credits.

This is the first step of the program, which started being structured one year ago. In this phase, a survey of all carbon dioxide emissions caused by activities performed in Cidade de Deus (Company s headquarters building) and other administrative buildings was carried out. In a next phase, the measurements of emissions caused by the Branch Network will be included.

**2) Resources Consumption Rationalization**

With a view to rationing electricity and water consumption, an area to manage the consumption of these strategic resources is maintained. Its attributions consist of managing agreements of demand for electricity with the concessionaires and permanent research of efficient and intelligent new technologies for our equipment, observing the environment preservation policy.

The Branches Network awareness about this issue has been deserved continual attention by indicating energy consumption targets for our units, based on size, quantity of equipment installed and headcount, as well as release of articles about the rational use of electricity and water.

a. Electricity

Timing machines were installed in our branches for the automatic turning-off of lights, allowing an easy utilization at scheduled hours. The turning-off of illuminations, non-used areas, and the employment of natural light have been encouraged.

Similar care is adopted in the acquisition and installation of air-conditioning systems, such as thermo-accumulation devices, which reduce the energy consumption in peak hours, and water treatment in its towers, without using chemical products.

We recommend the optimization in the use of lifts and air conditioning, as well as in the use of other energy consuming equipment.

The replacement of 80% of 255 mercury lamps by other sodium steam lamps, in 200 posts installed on the streets of Cidade de Deus (headquarters), and the exchange over the past 3 years of approximately 30,000 40 Watts lamps for 32 Watts has substantially reduced the energy consumption, without loosing the lighting efficiency.

b. Water

Same concern is expressed as to the rational use of water. Thus, our Premises are periodically guided concerning the monthly follow-up of consumption and maintenance aiming at correcting possible leakage in valves, flushings and faucets. In addition, technical measures contributing to the water consumption reduction have been adopted, for instance, the replacement of mechanical faucets with automatic ones for use at headquarters premises.

The adequate garden watering, observing the best hour and periodicity, has also been deserving attention. There is a feasibility study related to the reuse of water that comes from the partial sewage treatment generated at headquarters, with the purpose of watering and usage in the air conditioning towers.

**3) Solid Residues Destination**

a. Solid Residues derived from Civil Works

Due to the great impact on environment caused by residues produced in site office (debris, wood, plastic, metal etc.), all contracted construction companies undertake to comply with Resolution 307, of the Environment National Council concerning the correct destination of residues, upon refurbishments and alterations in layouts of our premises. Referring to the maintenance of buildings at the headquarters and Avenida Paulista, the agreements were added with a specific clause on the correct destination of painting residues (inks, glue, paint brush used etc.)

This responsibility includes the submission of a document recording that residues were deposited in licensed landfills, in the cities served thereby.

b. Paper and Cardboard

Currently, approximately 100 tons of paper and cardboard are collected monthly in some of our administrative centers, which are submitted to a selective process. The possibility of its implementation in other regions has been examined. Methods to assess the quantity of paper consumed by the Organization is under study, both office paper and forms, with a view to knowing which are the possible measures that may be adopted aiming at reducing such consumption.

Measures aiming at the standardization of dispensers and respective consumption products used in bathrooms of the Headquarters and Administrative Buildings are in progress. Besides the economic aspects and quality improvement, such measure will contribute to the aware consumption, since the new liberation system of toilet paper and paper towel inhibits the waste and reduces the consumption.

c. Metal, Glass and Plastics

At the headquarters and in administrative centers the selective collection of metal, glass and plastics is implemented. This year, approximately 20 tonnes of these materials were recycled, arising from the maintenance process carried out at the Headquarters and in Administrative Buildings. This practice has been encouraged and improved by means of in-house campaigns and actions, in the expectation of increasing to other centers, as well as to increase the quantity of recycled products. In order to improve our concern in this regard, we have been using at the headquarters and main administrative centers biodegradable plastic bags with colors corresponding to waste collected. The use of these plastic bags by other facilities is estimated for the beginning of 2007.

A measure adopted nearly 5 years ago is the utilization of remanufactured cartridges as consumption items for our premises, aiming besides cost savings, the benefits of reducing pollution. Out of the 51 types of toner cartridges composing our consumption list, 34 are remanufactured products.

d. Lamps

We have more than 36 thousand lamps in our headquarters buildings, and more than 600 lamps are replaced monthly. Concerned with the appropriate destination of this material, the maintenance agreements contain a specific clause about the service company s obligation to conduct the ecologically correct discard. As a result, both at the Headquarters and in the Administrative Buildings, approximately 30 thousand lamps were sent to recycling in 2006.

e. Other Residues

In Cidade de Deus (Headquarters), we maintain approximately 115,000 $m^2$ of green area, with more than 4 thousand trees cataloged under the replacement and planting program. We have been using equipment for grind of dried leaves, which are used in gardening, totaling nearly 1.5 tonne/month. We have also been reintegrating the parings of grass to the soil as input.

**4) Recycled Paper Usage Program**

This is a special initiative, whether due to its dimension and comprehensiveness, or due to a positive standing towards the environment preservation: Recycled Paper Usage Program at Bradesco Organization.

This Program, a result of Bradesco s belief that it is able to contribute to the dissemination of the practice of environmental responsibility, has been implemented gradually in our Organization. The option to use Recycled Paper was made after long negotiations with suppliers, and even if it does not mean costs optimization, we are aware that the result will be beneficial for the environmental. Recycled paper is used in the production of internal and external communication material, such as posters, magazines, business cards and statements distributed to clients and in check

books.

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**5) Certified Wood**

Recently pencils manufactured with certified wood were authorized to be available in our facilities as from the beginning of 2007. The raw material used contributes to the fight against exploration of illegal wood with a predatory origin, as well as minimizing the environment degradation.

In 2006, 100 cubic meters of wood used at the Headquarters and Administrative Buildings for maintenance and small works, 60% of the services were executed with wood coming from reforestation and with a sustainable management.

**6) Biodegradable Products for Cleaning**

At Bradesco s headquarters, biodegradable products are used in cleaning and maintenance services. Contracted companies are being encouraged to use products of such type, which then will be one of the requirements to be considered in a further agreement renewal. Such measure integrates an improvement program seeking to standardize the biodegradable products, the appropriate dilution, in conformity with the manufacturer s guidance and the obligation to present information about chemical products used on our premises.

**Bradesco s Contributions to Social Issues**

Finasa Sports Program

Bradesco Organization demonstrates its support to sports activities through the FINASA ESPORTES (Finasa sports) program, successor of the BCN Sports Program. This initiative, with almost 20 years of activity, gained momentum as from 1997, following its integration with Bradesco's other social projects. Along its history, the program was known by its seriousness and has become a benchmark for assistance in the education of young people, using volleyball and basketball as instruments for social inclusion. At present, 2,800 girls from 9 to 17 years of age, enrolled at school and attending classes on a regular basis are included in the program. Approximately 60% of these girls derive from deprived backgrounds and are considered to be in a social risk situation.

Presently, FINASA ESPORTES, in accordance with its new concept, is structured in 51 training centers, which comprise a total of 138 classes, consisting of 69 classes for sports initiation practice, 20 for basketball and 49 for volleyball, installed on the premises of state and local schools, at Osasco's city hall sports centers, at Fundação Bradesco school, at a SESI unit and at three private schools, all located in the municipality of Osasco, in Greater São Paulo. Acting in partnership with the local government, Bradesco Organization offers a full support structure which includes the supply of sports and learning materials, as well as a team of more than 73 professional instructors, including local and state coordinators and teachers.

The community integration has been the outstanding feature of this work. The PROGRAM is designed to transform sports practice into a powerful tool for strengthening the ties with citizenship values. At the FINASA ESPORTES training centers, 2 classes every week are dedicated to counseling on various topics, such as notions of hygiene, teen pregnancy, stress, drug abuse and adolescence, always emphasizing the importance of team spirit. The training centers are also used to disseminate values that favor healthy living in society, including respect for others, union, dedication, persistence and excellence. Classes also stress the importance of having a positive and participative attitude, emphasizing the need to foster activities related to the recycling of materials, the rational use of water and electricity and the promotion of campaigns related to social issues, such as collecting donations in food and clothing.

The FINASA ESPORTES program considers the sports practice much more than a way to discover vocations or create athletes, it also lays the basis for the formation of citizens, who are the essence of a better country for everyone.

Social-cultural Events

Bradesco Organization had an important participation in the support to events which highlight and enrich the Brazilian culture, besides maintain a strong relationship with institutions, foundations and cultural centers. The bank has also been a great supporter of actions that preserve the regional traditions of communities where its service branches are established, distributed throughout Brazil. Only in 2006, 532 events were carried out.

Bradesco sponsored the coming of the Canadian group Cirque du Soleil to the Country, the world s most important and respected circus. For the first time in Brazil, the troupe presented the spectacle Saltimbanco, already seen by more than nine million people in 19 countries. During five months, around 400 thousand people saw the spectacle in São Paulo and Rio de Janeiro.

For the second consecutive year, Bradesco sponsored the Winter Festival of Campos do Jordão, São Paulo. During the event opening there was a performance of the Choir of Students from Fundação Bradesco School of Osasco-SP.

Bradesco also sponsored the Summer Festival and the Carnival of Salvador (State of Bahia); Roça in Rio Arraial da Providência, in Rio de Janeiro (State of Rio de Janeiro); the Folkloric Festival of Parintins (State of Amazonas); the Di Casaluce Party, in São Paulo (State of São Paulo); the Maior São João do Mundo (The greatest São João Party of the World), of Campina Grande (State of Paraíba); the Symphonic Series at Hebraica, in São Paulo (State of São Paulo); the play Rapunzel, in São Paulo (State of São Paulo); the play Mademoiselle Chanel, performed in Salvador (State of Bahia), Belo Horizonte (State of Minas Gerais), Brasília (FederalDistrict),Curitiba(StateofParaná)andPortoAlegre (State of Rio Grande do Sul); and the Edgar Degas Cultural Exhibition, in MASP, in São Paulo (State of São Paulo).

It also supported many other events, such as the Book Biennal of Ceará, in Fortaleza-CE; the Quadro de Luz Exhibition, by Jô Soares, in Rio de Janeiro-RJ; the spectacles for children *O Pequeno Príncipe* and *O Senhor do Tempo*, both in São Paulo-SP. Bradesco Seguros e Previdência was one of the sponsors of the *Pennacchi 100 anos* Exhibition, carried out in Pinacoteca of the State of São Paulo.

Bradesco also participated in Teleton, a TV marathon with a 27-hour duration, receiving donations to the Association of Assistance to Disabled Children (AACD); in IV GIFE Congress on Private Social Investment, in Curitiba (State of Paraná); in Viva a Mata event, of Fundação SOS Mata Atlântica, in São Paulo (State of São Paulo); the 22nd World Conference of Open and Distance Education, in Rio de Janeiro-RJ; in Expointer International Exposition of Animals, in Esteio-RS; in Coopavel Rural Show, in Cascavel (State of Paraná); in Expogrande Expo Agropecuária de Campo Grande (State of Mato Grosso do Sul) and in the editions of Agrishow of Rio Verde (State of Goiás), Rondonópolis (State of Mato Grosso) and Ribeirão Preto (State of São Paulo) and Petrolina Agrishow (State of Pernambuco).

**Human Resources**

Since the inception of Bradesco s activities, the Company acknowledges the value of its team s performance and achievement potential as the foundation to sustain Bradesco Organization s businesses.

The Company offers its employees ongoing professional development opportunities, in a healthy, safe and ethical environment, with transparent commitments and goals.

Bradesco believes in its ability to promote a sustained growth for people and through these people.

The Company seeks to maintain an excellence model in Human Resources Management, guided by respect and transparency in its relations, continuous development investment, sharing of information and human being value, without discrimination.

Bradesco maintains a closed-career policy, whereby the admission occurs at apprentice levels. All the growth opportunities are destined to employees, allowing access to all hierarchical levels.

This assurance of opportunity of professional development and growth, where employees see the possibility of holding all the positions: leadership, supervision, management and also the high management, is a motivational factor for all the staff, stimulating creativity, innovation and the ceaseless search for knowledge and updating.

We may say that when a youngster joins our Organization, whose closed career system privileges, incentives and strongly invests in the growth and development of its employees, this professional starts a career full of opportunities, connected with his/her effort and dedication.

To encourage our professionals to exceed their limits and stimulate their creativity in search for solutions, aiming at the self satisfaction, clients satisfaction and business expansion, have been a priority for the Bank and is one of the assumptions of our Human Resources Management Policy.

Only creative and innovative teams, highly skilled, with ensured career opportunities, can surpass the achievement of goals and show excellent results that have highlighted our Organization.

The stimulus to creativity and investment in the professional and personal qualification of our employees are essential for Bradesco s success, strongly contributing to its brand solidity and the accomplishment of its market strategies.

Bradesco s performance is disseminated and is continuously expanded throughout the country, enabling job opportunities in all the operation segments.

Bradesco is a bank which takes into account, by means of its clients and partners, the diversity which is the own expression of the Brazilian social structure, with a fundamental commitment to respecting cultural and ethnical diversity. The respect to the Brazilian diversity is part of the Company s strategic vision towards good performance, since Bradesco is inserted throughout the Brazilian territory.

Certification in International Rules

Searching for what is best done in the worldwide level, we achieved the certification of Rule OHSAS 18001 of Occupational Safety and Health that allows establishing and developing conditions that contribute to a safe and healthy work environment.

Aligned with the sustainability concept added to our business strategy, we are implementing the Bradesco Social Responsibility Management System based on the SA 8000®: 2001 International Rule.

This Rule establishes requirements in conformity with the Human Resources Management Policy of Bradesco Organization and has the purpose of promoting a continuous improvement of relations and the work environment, including the commitment of respect to Human Rights, Children s Rights and Labor Fundamental Rights to its suppliers.

Thus, Bradesco Organization gives another step towards the guarantee of its sustainability by showing total commitment to its socially responsible management.

Great Place to Work

Over the last years, the Organization has shared with all its employees the satisfaction and importance of being included in indexes based on the quality of relations and the work environment.

Every year, around 4,000 employees, in all structure levels, from all lines of businesses and activities, voluntarily answer to surveys about the organizational environment through questionnaires and interviews, assessing items such as the work environment, benefits, remuneration, professional development opportunities, ethics, citizenship values and social responsibility of companies.

The Company seeks to promote transparency, so that to ensure a motivating and challenging organizational environment. Evidence is that Bradesco is currently recognized in several rankings.

The Company was listed for the seventh time in Guia Exame-Você S/A As Melhores Empresas para Você Trabalhar (The Best Companies to Work for), and in addition to being part of this selected group, Bradesco was also acknowledged among the 50 Best Companies for Women to Work for, for the forth consecutive year.

This research is considered the best and most comprehensive study on the work environment in Brazil and introduced this year the index of happiness at work, in which we are highlighted as we provide our employees a positive corporate environment, in the pursuit of everybody s well-being.

Bradesco was also elected one of the 100 Best Companies to Work in Brazil, in a research prepared by Great Place To Work Institute, published in a special edition of Época magazine.

For the third consecutive year, Bradesco stood out in the survey As Melhores na Gestão de Pessoas (The Best Companies in People Management) of Valor Carreira magazine, edited by Valor Econômico newspaper. It was the first bank to be in the ranking.

These results show the acknowledgment to our commitment not only to clients, but also to our employees. Improving talents with professional training, stimulating education and maintaining a fair and dynamic organizational structure, we try to offer conditions so that each employee can grow and build a solid career, from a relationship policy based on respect and valuation.

Human Resources Management Policy of Bradesco Organization

We reaffirmed the commitment with our employees formalizing guidelines for the management and development of our human resources, by means of the Human Resources Management Policy of Bradesco Organization. Basic assumptions:

1. To comply with all the requirements, regulating rules and legal conventions concerning work relations and environment, applicable to our activities;

2. To assume the public commitment of defense and protection of Human Rights, Children s Rights and Labor Fundamental Rights, in line with national and international Principles, Standards and Treaties;

3. To respect the diversity and dignity of the human being, preserving the individuality and privacy, not admitting the practice of discriminatory acts of any nature in the work environment in all our relations, with the internal and external public;

4. To ensure the good relationship among all professionals of the Organization, maintain a safe and healthy work environment and provide conditions for great performance and productivity levels;

5. To contribute to the improvement in the quality of life of employees, offering conditions for the balance among work, health and family;

6. To encourage our professionals to surpass their limits and stimulate creativity in search for solutions, aiming at the self-achievement, clients satisfaction and business expansion;

7. To promote the constant development and improvement of technical and behavioral potentialities of our employees and make available favorable mechanisms which allow them to manage their personal and professional plan growth, in order to ensure the continuous improvement of management processes; and

8. To ensure opportunity priority for the professional growth of people, by the permanent investment and development of internal competences, by the valuation and respect to knowledge and professional qualification acquired during the career.

Besides our principles set forth in our Human Resources Management Policy, we are implementing Bradesco Social Responsibility Management System, based on SA 8000®: 2001 Rule, whose requirements aim at promoting a continuous improvement of relations and the work environment, including the commitment of respect to Human Rights, Children s Rights and Labor Fundamental Rights and to its suppliers.

Social Responsibility Requirements SA 8000®: 2001 Rule

1. Child Labor 2. Forced Labor

3. Occupational Health and Safety

4. Freedom of Association and Collective Bargaining Rights

5. Discrimination 6. Disciplinary Practices

7. Working Hours 8. Compensation

9. Management System

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Internal Communication

We strongly invest in our internal communication so that our employees are effective participants of the Organization s expansion strategy of results.

Simultaneously and from any location in the country, Bradesco s employees receive key information via Intranet and e-mail.

The Company makes available, day to day, the newsletter Sempre em Dia (Always Updated), with issues about the Bank s strategic direction, launch of products, quality practices and business focus.

Brochures and magazines are periodically published and addressed to each employee.

Produced according to the best quality standards, the editions in video of Bradesco TV approach, monthly, institutional messages and technical guidance.

Created in 1990, Bradesco TV is one of the country s oldest corporate television projects.

The annual goals and strategies are disclosed at meetings with the Presidency, where Directors, Regional Managers, Managers of Branches and Departments of the Organization take part. All the issues are referred to respective teams.

With the purpose of making the communication between the Human Resources Department and the staff closer, more agile and transparent, we have created ALÔ RH, an effective and fast communication channel that guides about benefits, legislation, policies and practices of human resources, in addition to suggestions and complaints.

In 2006, ALÔ RH recorded around 50 thousand calls, including clarification of doubts, suggestions and complaints.

People Management

Bradesco maps the human capital through individual interviews with employees and their leaders, aiming at identifying corporate and essential competencies by supporting professional growth and the search for goals and results by means of the development of the competencies of the Organization s human resources.

The Company also currently records 22 thousand employees profiles in this process.

Based on this knowledge, leaders and employees are gained conditions to share actions focused on improving their individual and team performance and make effective the practice of feedback by generating professional improvement and short, medium and long-term results.

The maintenance of such work is the management of competencies with the employees and their leaders involvement, by means of constant follow-up, guidance and technical and behavioral development.

Respect to Diversity Social Inclusion

Bradesco respects the diversity and self-respect of human being, by preserving the individuality and privacy, not accepting the practice of discriminatory acts of any nature: at the work environment and in all the Company s relations with internal and external public.

The diversity appreciation is incorporated in the Human Resources Management Policy of Bradesco Organization. The guidelines of relationship with employees are based on appreciation of professionals and are in accordance with the Global Compact principles, among other international regulations concerning human rights.

With a view to effectively contributing to an improved relationship of the Company with different people, as well as to maintaining a balanced internal demography, both in the admission and retention of talents, Bradesco created the Diversity Appreciation Work Group, composed of representatives of different areas.

The issue is also broadly supported in the Code of Ethics and Social-environmental Policy of the Organization.

Ethnical Groups

We ended 2006 with 9,754 afro-descendent employees, and 4,907 of them hold managerial positions.

Bradesco entered into a partnership with Faculdade Cidadania Zumbi dos Palmares Unipalmares, by means of a professional qualification program which

aims to contract interns, to work in important business areas of the Bank. Unipalmares mission, by means of NGO Afrobrás, is to promote the inclusion of black people into higher education of the country.

The program is divided into various modules, with 2-year duration and also relies on a partnership with renowned institutions, such as FGV, USP, FIPE, FIPECAFI and FIA.

The program, which started with 30 interns, was increased and currently counts on 58 students.

Inclusion Policy for Disabled People

Aiming at the contracting and retention of disabled people at the Organization, Bradesco set forth partnerships with specialized entities and focused on inclusion of such professionals, qualifying them and creating job opportunities in the Organization. We have in our Call Center a specific part with visually impaired employees.

Bradesco was one of the Banks which sponsored Febraban Professional Qualification Program which qualified professionals with deficiency to exercise activities in the job market.

By means of Bradesco s Website, in the link Career Opportunities, the Company offers an exclusive channel for the collection of disabled people s curriculums.

Bradesco has a staff of 860 disabled people.

Opportunities for Women

Bradesco ended 2006 with a quota of 37,738 women employees, corresponding to approximately 48% of the staff.

In the Prime segment, 72% of staff is women.

In leading positions, Bradesco has 15,944 women, including in the Board of Executive Officers and the Board of Directors.

Internship Program

Aiming at providing real professional development opportunities, Bradesco Organization offers an internship program to all operation and business areas, allowing the student to relate the academic learning with the practical activity. The program currently benefits 676 students.

Traineeship Programs

Information Technology students of Fundação Bradesco have the opportunity to start their professional career as employees in the Systems Development Department of the Organization by means of a structure program addressed to technical and behavioral approaches with theoretical experience in the classroom and practice in the department. All students approved in the selection process have been contracted.

In 2006, the first Traineeship Program was established, specific for Bradesco Prime segment, aiming at the technical, practical and behavioral qualification of future Relationship Managers of this segment.

The program carried out in 8 months, comprised employees from different areas and outside candidates, currently totaling 21 new Prime Managers.

This program aims at:

- Integrating new competencies into the Organization, with high level of academic qualifications to develop future leaderships;
- Qualifying and developing professionals through in-class training and practical internship, allowing fast return as services and businesses with the qualification of the staff;
- Offering the segments a systematic qualification program which meets the strategic needs established; and
- Forming, qualifying and accelerating the professional development of new talents.

Youth Apprentice Program

The Youth Apprentice Program was implemented by Bradesco Organization in 2004, executed in partnership with Fundação Bradesco and other qualified entities, encompassing the administrative centers throughout the country.

The program estimates the contracting of youngsters from 15 to 18 years old, having as purpose to provide personal and professional development to adolescents.

We ended 2006 with 871 Apprentices and we have already provided the program for about 1,265 youngsters.

Young Citizen Program

With a view to reinforcing Bradesco s actions in the Social Responsibility area, as from October 2005, the Company entered into a partnership with São Paulo State Government by means of the Young Citizen Program My First Job.

The purpose is to provide students with their first professional experience opportunity, those students originated from families with higher social vulnerability, between 18 and 21 years old, regularly enrolled and effectively attending high school classes of the state public school system, preparing them to exercise the citizenship, by means of paid internship.

Currently we count on 152 contracted youngsters, with the participation of around 323 youngsters in the program.

Occupational Health and Safety Policies

Bradesco is a company that develops actions in health, disease prevention, safety and work conditions.

We offer to our employees an adequate work environment with conditions for a complete physical, mental and emotional well-being.

Bradesco invests in programs and methodologies allowing mapping and identifying the causes of symptoms and diseases occurred in the work environment and relations, viewing to promoting health and disease prevention, on a broad basis.

The issues addressed include Repetitive Stress Injury, Stress, Chemical addiction (Alcoholism/ Drugs/ Tobacco), Obesity, Cardiovascular Diseases, Sexually Transmitted Diseases, AIDS and others. Those campaigns are carried out monthly through Interação magazine and in the SIPAT (Internal Week of Occupational Accident Prevention).

Since contracting, Bradesco s employees receive information and guidance on behavior and conduct adequate to the maintenance of health and improvement of life quality.

Bradesco has been an active member of the National Business Council for HIV-AIDS Prevention CEN, which is destined to promote and strengthen the combat against such epidemic in the work environment, diffusing information to a considerable portion of workers, family members and the community as a whole about the safe ways to prevent the infection by HIV virus.

Another outstanding issue related to life quality is the balance between the employee s personal and professional life. We are permanently concerned with the working hours, so that the contract time is not surpassed, guaranteeing that employees have time for their personal commitments and leisure.

In order to offer an appropriate environment and extra emotional support to employees, the Bank created in its Call Center at the Santa Cecília building, in the city of São Paulo, a room for winding down. It is a reserved room with a

different infrastructure from all other Organization environments, offering comfort and material that help to relax and soften the impact caused by the day-to-day activities in and out of the call center. The room is available to all the employees of that section in case they go through situations related to psychological and emotional aspects.

In 2006, we conquered the certification of Rule OHSAS 18001, internationally recognized, which establishes an Occupational Safety and Health System Management. Thus, we reassure the commitment to the safety and health of our employees, with the adoption of ergonomic management and awareness programs about the importance of safety and health in the work environment.

Benefits

The concession of benefits is based on the Organization s Human Resources Management Policy.

Transmitting safety and trust to our employees, this management strategy contributes to a healthier, more productive and participative work environment,

providing conditions for great performance levels and better results.

Besides the aspects provided for by the law, Bradesco s employees and their dependents enjoy a combination of benefits aiming to ensure them a better quality of life.

Health and Dental Care Insurance

Our employees and their dependents have access to health and dental care plans paid for in full by the Bank. The healthcare insurance includes non-traditional treatments, such as dialysis, organ transplants, acupuncture, homeopathy, myopia correction, GPR (Global Postural Re-education), heart valve, physiotherapy and also treatment for AIDS (with reimbursement of expenses for medicine prescriptions).

The Dental Care Insurance includes preventive and surgical treatment, oral rehabilitation, child dentistry, endodontics, periodontology and prosthodontics. Implants are offered at costs lower than the market, by means of agreements.

During 2006, there were 3,894,080 medical/hospital consultations and 645,042 dental consultations.

Supplementary Private Pension Plan

Bradesco makes available for all its employees a Supplementary Private Pension Plan, which Bradesco contributes with 50% of the monthly installments, including in the 13$^{th}$ salary.

The plan guarantees coverage to the retiree, the retiree s widow or widower and their children under the age of 21, or up to the age of 24, if they are undergraduates.

Group Life Insurance

All Bradesco s employees have access to Group Life and Personal Accidents Insurance, with subsidized costs. The employees retired by INSS, who left the company without cause, are offered the option to maintain the policy, with subsidized costs.

Social Service and Psychological Assistance

Bradesco s employees and dependents are provided with follow-up of Social Service and Psychological Assistance under situations of need and emergency.

Services are offered in most varied situations: medical treatment, accidents, decease in the family and release of special loans.

In 2006, nearly 9 thousand social and psychological assistances were provided.

Such initiative shows Bradesco s concern with its employees well-being when facing personal problems.

Snack Supply

Bradesco s employees receive snacks on a free basis all working days.

Up to the end of 2006, we invested R$33.2 million, distributing approximately 25.4 million snacks.

Medicine

For the states of São Paulo and Rio de Janeiro, Bradesco offers agreements with the drugstores Drogasil and Drogasmil, for the acquisition of medicine at a cost lower than that practiced in the market.

Influenza Vaccination

Bradesco carries out a vaccination campaign against influenza, offering the vaccination free of charge to all its employees and at subsidized prices to their dependents. This year 54,098 doses of the vaccine were applied during the campaign, with a cost higher than R$1.3 million.

Leisure Activities

Bradesco maintains in Cidade de Deus, in the city of Osasco, an area with swimming pools, racetrack, soccer field, basketball, volleyball, soccer, tennis and squash courts, destined to leisure and recreation activities to employees and dependents.

During 2006, around 49 thousand people attended the facilities.

Social Loan

By means of Caixa Beneficente (Benefits Fund), the Company offers financial assistance to its employees, granting loans with subsidized fees, destined to emergency conditions, education expenditures, acquisition of orthopedic instruments, glasses, funerals, psychologists, psychiatrists, and phonoaudiologists, among others.

Credit Facilities for Acquisition of Computers, Vehicles, Real Properties and Personal Expenses

Bradesco offers loans to its employees with subsidized fees for acquisition of computers, vehicles and personal expenses. Employees and their first relatives may also finance the acquisition of residential real properties with lower interest rates.

Fee Exemption

Bradesco exempts its employees to pay various fees, such as: check account maintenance, fee to open credit, issuance and annuity of credit and debit cards, financial transactions on teller machines, access to Fone Fácil, issuance of bank statements in electronic terminals and utilization of single check sheets.

Online Shopping Channel

The ShopFácil Funcionário is a differentiated online shopping channel, by which Bradesco negotiates special discounts directly with various products suppliers.

Other Benefits provided for in the Collective Convention of Bank Employees:

- Day Care/Baby Sitter Assistance
- Transportation Voucher
- Meal Voucher
- Food Voucher
- Funeral Assistance
- Professional Requalification Allowance

Human Resources December 2006

On December 31, 2006, Bradesco's employees, including staff at the subsidiaries, totaled 79,306. In evolution of staff, we point out the acquisitions of Banco BEC and companies of Amex Brasil, with absorption of the respective employees.

The following table presents the variation in the last years:

| | December | | | | |
|---|---|---|---|---|---|
| | **2002** | **2003** | **2004** | **2005** | **2006** |
| **Banco Bradesco** | 53,732 | 59,430 | 62,013 | 61,347 | 63,163 |
| Subsidiaries | 8,729 | 9,407 | 11,631 | 12,534 | 16,143 |
| **Subtotal Bradesco** | **62,461** | **68,837** | **73,644** | **73,881** | **79,306** |
| **Banco BCN** | 6,105 | 5,203 | | | |
| Subsidiaries | 1,504 | 1,741 | | | |
| **Subtotal BCN** | 7,609 | 6,944 | | | |
| **Banco Mercantil** | **3,970** | | | | |
| Subsidiaries | 353 | | | | |
| **Subtotal Mercantil** | **4,323** | | | | |
| **Total** | **74,393** | **75,781** | **73,644** | **73,881** | **79,306** |

**December 2006**

| Age | | Gender | | Educational Background | | Years of Service with Bradesco | | Managerial Position | |
|---|---|---|---|---|---|---|---|---|---|
| Younger than 30 | 48% | | | | | Less than 5 years | 42% | | |
| From 31 to 40 | 31% | Men | 52% | High School | 20% | From 6 to 10 years | 16% | Non-commissioned | 52% |
| From 41 to 50 | 18% | Women | 48% | University | 79% | From 11 to 20 years | 27% | Commissioned | 48% |
| Older than 50 | 3% | | | Other | 1% | More than 20 years | 15% | | |

Personnel Expenses

In 2006, Bradesco s personnel expenses reached R$5,932 million, including in such total expenses related to salaries, social charges, benefits, training, employees profit sharing, among others.

The following pie graph shows the percentage share of each item in relation to total Bradesco s personnel expenditure in the periods.

Breakdown of Personnel Expenses

Personnel Expenses by Business Segment

Training

The Staff Training Department is responsible for the training actions of Bradesco Organization, aligned to the corporate and appropriate strategies to the quickness of changes required by the market. The training programs meet Bradesco s commitment to provide development opportunities to all its employees regardless the hierarchical level, essential for Bradesco s generation of results.

The Bradesco Organization Training Management process was granted the NBR ISO 9001:2000 certification in December 2002 and the Company was certified again in December 2005, which ensures an ongoing improvement of processes and the quality of actions of training, reinforcing its commitment to contributing to the development and appreciation of the staff and the employees.

In 2006, R$58 million was invested both in presence and distance courses, 12% higher than what was invested in 2005, providing the continuity of the main training programs targeted at several areas of the Organization and at the implementation of new programs aimed at meeting corporate business strategies.

In this different context of knowledge management, Bradesco Organization has strongly invested in training programs that contribute to the strengthening of internal competences and to the development of talents, as a support to the mission described in the internal policy of people management:

Recognizing that people are the sustaining basis of our business, we have as mission to attract, develop, recognize, manage, esteem and stimulate Bradesco Organization s talents, by means of the permanent construction of an integrated value relation among corporate activities.

From January to December 2006, trainings had 1,167,743 participations in the 1,577 different courses made available, generating an average of 117 hours of training per capita. In this period, 93% of the staff was trained in at least one course and, on average, 16 courses were carried out by employee.

Presence Courses

This year, with a strong growth mainly in the second half, we reached more than 114 thousand participations in presence courses, mainly actions for Retail comprising nearly 35 thousand participants in several programs. We highlight the Client Management course, which comprises themes such as analysis of the profile, potential and needs of the portfolio for the adequate relationship, planning of strategic actions and presentation of financial alternatives that may meet the clients expectations and that generate loyalty and increase of assets and results of Branches.

We also point out the Loan in Retail program, in partnership with SEBRAE, focused on loan analysis and grant for micro and small-sized companies, with a view to contribute with the financial growth and strengthening of such public in the competitive market. The Real Estate Loan course provides conceptual knowledge for the sale of the product, as well as operating aspects of contracting, with the purpose of meeting the current needs and demands of the market, and facilitating the achievement of goals of investment of funds proposed by the Organization, as well as the increase of results of Branches.

Other highlights are the courses Assistance - A New Business View and Pre-Assistance Techniques with specific focus on the quality of Assistance and on the preparation and awareness of the teams directly connected to the assistance of new clients, concerning the continuous search for excellence in the provision of our services. It is worth mentioning the Assistance for Opening of Accounts and Businesses course, which aims at training employees to conduct the business process with quality and professionalism, aiming at clients loyalty and the increase in Branches results.

With the purpose of implementing enterprising actions and behaviors aligned to strategic goals and target programs of the Segment, by identifying business opportunities and improvements in results, we carried out the Enterprising Leadership program, in partnership with IBMEC, involving the participation of Regional Officers and Managers.

The process of qualifying Managers of the Prime segment continued with the Managerial Development Program which comprises, among other aspects, the improvement of the business and relationship management process, the optimization of funds and the leverage of results for the clients and segments. In August, the first group of Trainees Assistant Managers Program was concluded, which promoted integration of participants at Bradesco Organization, specially at the Prime Segment, facilitating the understanding of culture and several focuses of operation in the market and in the segment. The program qualified participants for the development of activities related to their attributions, by means of the improvement of skills and technical and behavioral competences and abilities. We also point out the courses of Stocks and Futures Markets, Investments, in addition to the Loan Products that rescue technical and commercial aspects essential to trading, so that clients see Bradesco as a Complete Bank.

The Business and Financial Consulting Program, developed by FIA, qualified and trained the teams of Prime Relationship Managers with techniques and methodologies favoring the performance as financial and business consultant, identifying and stimulating the clients needs aiming to present viable solutions or profitable investments, taking into account the ethical and social elements, as well as the focus on results for the client and the Organization.

The continuity of assistance to the Companies Segment (middle market) was made with the participation of employees in courses of Managerial Development and also in the course of Certification in Investment Products, in addition to other operating programs.

In the Corporate segment we qualified the Assistant Managers with the purpose of promoting the integration with the Organization s departments involved in the operations of the segment and loan management focused on the corporate client.

The course Development of the Administrative Management for the Corporate Segments was also carried out with the purpose of qualifying administrative management professionals of the Branches of the two segments, Companies and Corporate, to exercise in an adequate manner the people, processes, risks and assistance management functions, aiming at the administrative efficiency, increase of results, optimization of resources and quality in assistance.

The training actions to the Bank s Departments and its Affiliated Companies were also shown by means of attendances in external and internal events, made available by specialized companies, which offer vacancies to the general public and also by teams of instructors, employees of the Organization, which provided 74,555 participations in several courses.

The assistance to the needs of Finasa Promotora de Vendas generated 2,590 participations in 62 managerial and operational programs, such as: Professional Management in Sales, targeted at managers and assistants; and Corporate Tune, Supervisors and Assistants, with focus on the assistance for results and the Sensibilization program Project 5S. Aiming at contributing to the qualification and development of athletes of teams for youngsters of Finasa Esportes, we developed the SAC project Sensitization for the Ongoing Learning, involving 44 athletes of volleyball teams, in which lectures about the introduction to SAC and Financial Control were provided.

For the Support team of Scopus Tecnologia we carried out an event with the purpose of developing and stimulating the behavior of leaders. Several meetings were conducted and at the end we noticed that there was a greater commitment, aligned vision and mission, in addition to a more enterprising posture of each participant, fully achieving the goal.

Intensifying the relationship with Fundação Bradesco, we developed a program with the purpose of improving the management skills in the team of principals of 40 schools distributed throughout Brazil, considering each one of them a business unit, valuing their characteristics and adding value in the community where they are inserted.

Training for Information Technology areas continued, with some highlights such as: IT Improvement Project, with technical, operational and behavioral training, comprising themes about service management, commitment and alignment of professionals, in the implementation of this large project of the Organization, which may assist 1,240 participations and OBB - PLUS training, which aims to qualify professionals in the new architecture tool of Office Banking Bradesco and which comprised 228 employees.

Also in the IT areas, the certification processes were implemented, maintaining the staff qualification and qualifying them among the most modern techniques of the market. In this context, we can highlight the Software Quality Certification, which is new in the country and has several software engineering techniques and concepts about product quality, involving 40 professionals. We also highlight the Specialist in Function Points Certification, which qualifies employees for measurement of systems according to the standard technique of the international market, in which 45 employees have already been certified. Moreover, 30 professionals from the Data Processing area are in the preparatory phase to obtain Certifications MCSA (Network Management  Windows Server 2003) MCSE (IT Security), MCDBA (SQL Database), which involved, during 2006, specific technical trainings provided by Microsoft and will grant Microsoft Certified Professional (MCP) certification to employees enrolled, representing a market differential for both the Organization and professionals.

In this continuous search for professional improvement and technological updating, 97 professionals participated in the event CIAB  Information Technology Congress and Exposition of the Financial Institutions, with a view at knowing and using the best market practices in IT. Participations in international events, which in 2006 involved 60 professionals, are part of the qualification strategy of IT teams, highlighting events such as Expomanagement, Just Java and Futurecom. Moreover, to provide solutions that ensure quality to the technology systems, we qualified 133 professionals in the training about Management of IT Projects. We also qualified 240 employees in the mainframe platform to give support and develop systems in large computers. In order to align and renew the motivation of employees involved in the IT Improvement Project, 900 employees participated in a motivational event promoting the opening of the Technical and Behavioral Qualification Plan to this public. Currently 30 trainees participate in IT Qualification Programs, coming from Fundação Bradesco and 10 interns from renowned universities.

Evolution of Presence Participation in 2006

Partnership with University and Colleges

Since 1996, in partnership with educational institutions, such as FIA, FIPE, FIPECAFI, FGV and IBMEC, 1,648 Bradesco s employees obtained MBAs, Post-Graduate, Specialization courses and Masters Degree certificates, important for the maintenance of quality of information provided and for the qualification of the staff to be aligned with the most modern management practices. Two classes of MBA Negócios Bancários (FGV ) and one class of MBA Negócios Bancários on-line (FGV-RJ) were concluded, in groups made exclusively for Bradesco, and one class of MBA Controller (FIPECAFI), three new classes of MBA Negócios Bancários (FGV), (two in São Paulo and one in Rio de Janeiro), two new classes of MBA Negócios Bancários on-line (FGV-RJ), one class of MBA Gestão dos Processos da Organização Bradesco (FIA) and one class of MBA Comércio Exterior e Operações Internacionais (FIPE) are in progress, amounting to 402 professionals of different areas of the Organization.

Insurance Group

Projects for Bradesco Seguros e Previdência were continuous and supported by the UniverSeg (Insurance Knowledge Universe) brand, which aims to provide all the action of training for employees, insurance brokers and dealerships, targeted at the insurance segment, as a single, corporate project, contributing to the Insurance Company to be the best place for the broker set his/her production, the best place for the insured insure his/her life, health, assets and the best place to work for.

We highlight the projects From Broker to Broker , an initiative that aims to provide brokers that sell products of Bradesco Auto/RE with the main sales arguments that differentiate our product from competitors and add value to the insured; and Auto/RE Seminar Leadership through Distribution in which the commercial area shared knowledge about the team management by means of leadership, planning, control and organization.

This year, more than 90,000 professionals were qualified in programs developed by means of several training media: TreiNet, Videotraining, Brochures, Presence and Post-university Courses (MBA), in addition to qualification to third parties, where we had more than 37,000 participations of brokers/ dealerships and 1,100 of other service providers. The emphasis of the projects developed was on the assistance of Branches with the following projects: Education of Production Assistants Task Force and Perception & Creativity and for Assistance Center for the Insurance Group with the training Performance in Assistance by Telephone. In all proposals, we search for specific alternatives to align the development needs of the employees and brokers with the satisfaction of the client/insured, in the continuous search for efficiency of our service provision.

Supported by SUSEP (Superintendence of Private Insurance) and pursuant to CNSP Resolution no. 115, issued by the National Private Insurance Council, Bradesco s Staff Training Department was accredited as certifying entity for enabling professionals to perform in Insurance, Supplementary Private Pension Plans and Certificated Savings Plans segments, in areas of Customer Service, Claims Regulation and Settlement, Internal Controls and Direct Sale, and certified more than 600 employees, by the period in function and by means of preparatory courses, as well as 130 other employees (outsourced employees who render services to the Insurance Company), by means of exams prepared strictly for this purpose.

New projects are under development for UniverSeg, highlighting the first MBA in Company for the Insurance Group Business Management Emphasizing Insurance and UniverSeg on the Stage for Company s employees, using the interactive theater methodology, widely approved in the project developed for insurance brokers and dealerships, which works with themes connected to the performance of our employees in their daily activities, mainly related to customer service and improvement of the professional performance.

We also continued with the Movere Project, started in October 2005, resulting from a mapping carried out in the team of managers of the Headquarters. The work is being focused on the development of competences: guidance for Learning and Change, Strategic View and Planning, and People Management and Leadership, using as methodology courses, lectures, workshops and meetings. The project is innovative in view that it was exclusively designed for the development of teams with training and development actions are always focused on the sales team.

Certification in Investment Products

Programs that prepare for the exam of Certification in Investment Products are in progress and are specially prepared for employees who need to obtain a certification, after study of the material previously made available. From January to December of 2006, four certification exams were made in which 3,716 professionals were certified.

The average approval index reached by Bradesco in all exams was 78%, while the market index stood at 69%. This fact consolidates the concern the Organization has to adequately prepare professionals and also the involvement shown by employees during the certification process.

These figures enabled the certification, until the end of this year, of more than 11,200 professionals directly involved in the assistance to clients of the Branches Network and to qualified investors in conformity with the compliance with the Resolution no. 3,158/03, of the Brazilian Monetary Council.

The CFP™ Certified Financial Planner exam was also performed and 15 professionals were approved in the Private Banking area and had their ratification processes concluded, assuring the quality of assistance also in this segment.

TreiNet Training Through Internet / Intranet

In June, TreiNet was the winner of e-Learning Brazil 2006 award, in the Corporate Diamond category, reinforcing that the resources offered by the tool make possible the dissemination of a new knowledge in an indistinct way, becoming a difference for our employees, who in addition to meeting the Organization s interests, may plan their learning actions according to their needs, respecting their personal preferences of time, places and time of assimilation of contents.

Bradesco reached more than 1.6 million participations in the 77 courses available, since its implementation in 2000. In 2006, 24 new titles were launched, with 264 thousand participations in financial, operational and information technology issues, highlighting courses for Loan Analysis, Real Estate Loan, Information Security and Loan Recovery.

On-line training is also used in the implementation of new business or back-office tools, for example the recent implementation of SAP, which this year recorded nearly 649 thousand participations in the 27 courses made available for the use of the tool. It would not be possible to adequately train 79 thousand presence employees in the same period and the use of other distance training media, such as videotraining or even brochures, would not allow the same results.

In English learning, on-line training has also been a differential, enabling the participation of around 1,000 employees in courses from basic to advanced level.

By means of Fundação Bradesco Portal, some TreiNet courses are available for clients who hold a Bradesco University Account. Moreover, by means of the website 100% broker of Bradesco Seguros e Previdência, TreiNet is also available for brokers and dealerships who sell the Organization s insurance products.

Evolution of courses launched in TreiNet

Brochures and Videotraining

Based on the demands of Bradesco areas of standard and operational issues, with a view at the awareness of employees, in 2006 we made available eight Brochures about the following themes:

Alert System (SALE), with the purpose of providing employees with a basic view of the Alert Systems, in order to facilitate the understanding of how the system organizes information coming from the data base and how to use this information for loan analysis and management;

Management of Administrative Expenses, pointing out the importance of the effective follow-up and control of administrative expenses in all premises of Bradesco;

Pé Quente Certificated Savings Plans Products;

Banking Client Defense Code, which was reedited with the purpose of training employees about the main rules and procedures defined in Resolution no. 2,878;

Real Estate Financing, also reedited to guide employees about operations which, due to their long term, allow to increase our clients loyalty;

Social Responsibility SA 8000, which had as purpose to inform employees about the conditions of the work environment and of the Organization s relations with all the parties involved: employees, community, suppliers, clients and other publics, aiming at the commitment to human being valuation;

OBS Plus, guiding employees about Office Banking Bradesco Plus, which will provide our Individual and Corporate clients, users of Collection, Automatic Debit and Discount services, with more dynamism in their operations; and

STGM Brochure, highlighting the functionalities and operationalization of System for Treatment and Management of Manifestations from Clients and Users of Bank Services.

Four new videotrainings were also launched:

A Matter of Posture, which makes employees aware of the importance of posture in the prevention of occupational diseases;

Code of Defense of the Bank Client - New Edition, which was reedited with the purpose of training employees about the main rules and procedures defined in the Resolution no. 2,878 Code of Defense of the Bank Client;

ISO 14001, OHSAS 18001 and SA 8000 Management System, which was prepared comprising the main items of the certifications mentioned, searching for a language that makes the employee aware of the importance of the commitment and participation of each one, in their contexts, for issues of environmental management, occupational safety and health management and the social responsibility system; and

OBB Plus, which aimed at complementing the orientation to employees about Office Banking Bradesco Plus.

Social and Corporate Responsibility

We continued with the projects that focus on human valuation with the projects Youth Apprentice Program, Young Citizen Program and Internship Programs, among them, the Bradesco Program -Unipalmares (Universidade Zumbi dos Palmares). These programs benefit youngsters in the beginning of their careers, with qualification, social inclusion, as well as personal and professional development. Also under this context, Bradesco developed preparatory training in Libras (the sign language for deaf-mute people), for employees providing direct services to disabled clients, in order to guarantee this public accessibility to our Branches.

Evolution in Employee Training Participation thousands

Total Amount Invested in Training R$ million

**Fundação Bradesco The Bradesco Organization s Social Action**

Background

Fundação Bradesco, a non-profit entity, headquartered at Cidade de Deus, Osasco - SP, was founded in 1956 and declared to be of Federal Public Utility by Decree no. 86,238, on July 30, 1981.

Aware that education lies on the roots of equal opportunities and personal and collective fulfillment, Fundação Bradesco currently holds 40 schools installed as priority in the country's most underprivileged regions, in all Brazilian states and in the Federal District.

Objectives and Goals

Through the pioneer action of private social investment, the main mission of Fundação Bradesco is to provide formal quality education to children, young people and adults, so that they achieve personal fulfillment through their work and the effective exercise of citizenship.

Accordingly, the reach of Fundação Bradesco has been expanded yearly, increasing the number of enrolled students from 13,080 to 108,151 over the last twenty-six years. The schools of Fundação Bradesco run free education for Kindergarten, Primary School and High School, Continued and Preliminary Education of Workers as well as High School Technical Professional Education in IT, electronics, industry, management and agribusiness. Distance learning is also offered as part of the Youth and Adult Basic Education Equivalency programs via Teleeducation and the Virtual Classroom site.

**Areas and Methods of Action**

Basic Education

Basic Education comprises the Kindergarten, Elementary School (first to eighth grades) and High School, comprising more than 43.20% of all students on courses provided on a free basis by Fundação Bradesco each year. In addition, the students receive free school materials, uniforms, meals and health and dental care assistance.

Fundação Bradesco is always evaluating the contemporary learning trends and, therefore, is always bringing new challenges for learning practices so that the conclusions are spread throughout all school units and that propose ongoing interactions among them.

The schools are understood as a privileged environment for citizenship values and for regarding students as original and creative human beings, who learn through experiences in both school and society. Hence, their potential and needs to interact and reflect on the diversity of knowledge are essential.

The multi-disciplinary learning seeks to provide students with access to practical and theoretical cognitive content, based on the principle that the development process is both dialectic and constructive and that their role in learning is faced as a producer of knowledge.

On this intent, Fundação Bradesco offers various continued education opportunities to educators, including long-distance courses.

These resources have resulted in the compilation of diverse learning materials, including text books used up to the fourth grade of Primary School, Philosophy for High School and Cultural Diversity as well as other supporting materials.

Technical Professional Education

Based on the commitment of offering technical professional education capable of guaranteeing to the student the continuous right to develop their skills for a fruitful and social life, Fundação Bradesco is in consonance to a new model of technical education in force in Brazil. Bradesco structured the subjects of the course, prioritizing the demands from the market and the society from a brand new perspective, offering work preparation.

High School Technical Education

Based on the professional areas of Agribusiness, Management, Industry (Electronics) and Information Technology, a number of courses were developed and offered according to the specific needs of the communities in which the school units are located.

The content of these courses aims to ensure a close relationship among work, knowledge and citizenship. The final target is to bring out creative, productive and business-minded citizens, as well as showing students the importance of permanent education.

Through offering students, who arise from underprivileged backgrounds, courses whose content will facilitate their entry and re-entry into the labor market, Fundação Bradesco provides access to the emerging and fast-changing business world.

Preliminary and Continued Qualification of Workers

Fundação Bradesco offers on a free of charge basis this mode of education, designed for the needs of update, qualification and re-qualification of workers with different school levels. There are more than 100 options for free courses, presenting flexible programs, in the same track of the labor market conditions, in the following professional areas: Management, Personal Image, (Fashion and Personal Beauty Care), Industry (Electrical, Electronics and Printing Technology), IT, Leisure and Social Development, Tourism and Hospitality (Tourism, Hospitality and Catering Services). In the Agribusiness Area, Fundação Bradesco offers courses which include Artificial Insemination techniques.

Youth and Adult Education

These students come from different regions but often have similar life histories and comprise in their majority, workers and housewives who were unable to attend or remain at school when they were supposed to. At Fundação Bradesco, they are given adult literacy courses and graduate at both Elementary and High School levels, apply for university entry, in order to improve their employment prospects and most importantly to increase their skills.

Youth and Adult Education courses are given in two segments: Youth and Adult Literacy and Tele-education for Elementary and High School Equivalency.

The Tele-education courses are offered in the own schools of the Fundação or on the premises of the companies that have entered into operating agreements with it, with flexible timetables to suit the different work shifts, once the classrooms are taken up to the companies, respecting the different working hours and avoiding the need for students to travel to the school units. Another reason for the good performance is related to the investments made by Fundação Bradesco in learning technology resources.

Developed for the parents of students who attend the schools of Fundação Bradesco, the Adult Literacy Course is structured around a socio-constructive concept, whereby the student becomes an active subject in the learning process. The topics addressed during classes arouse interest and motivate learners, guaranteeing the success of the course.

The main purpose of the Fundação Bradesco is to prepare students to improve their life conditions, based on the acquisition of organized knowledge, since according to Bradesco s philosophy education alone is capable of forming citizens who are participative and aware of their role in society.

Material Facts

The agreement for support renewal to Alfabetização Solidária program was entered into, with investments of R$1 million. In 2006, nearly six thousand students and 240 teachers were benefited with funds from Fundação Bradesco in 16 cities of the northeast region with high illiteracy indexes.

Among 700 finalists from schools throughout Brazil, five students of Fundação Bradesco from school units of Boa Vista, Cacoal, Paragominas, Rio Branco and São Luís were selected to take part in the II Youth Environment Conference. The students helped to write the Letter of Responsibilities about the Environment , delivered to the President of Brazil.

On March 19, all the school units of Fundação Bradesco promoted the National Day of the Voluntary Action . More than 1 million services were rendered in citizenship, education, leisure, sports and environment areas. Such action gathered approximately 21 thousand volunteers in more than 150 service centers which included public schools, Digital Inclusion Centers CIDs and Fundação Bradesco s schools.

To celebrate the month of the environment, Fundação Bradesco took part in Viva a Mata event, promoted by Fundação SOS Mata Atlântica at Parque do Ibirapuera-SP. Results of the partnership, which ensures the maintenance of nurseries for production of native seedlings in schools and qualification program for teachers for development of projects in environmental education, were presented.

The school unit of Laguna-SC promoted the International Seminar The Guarani Culture with presentation of projects made by teachers and students involved in the Karay Ouá (Rebirth of the Sun) Project. The event aimed at discussing issues related to ethical matters and cultural plurality and counted on the participation of experts in studies about diversity in Latin America.

Fundação Bradesco participated in the 5th Voluntary Action Show, sponsored by Banco Bradesco and promoted by GIFE Group of Institute Foundations and Companies, which took place in Curitiba-PR simultaneously to the 14th Congress about Private Social Investment. The Organization s social-environmental responsibility actions were presented, highlighting the 50 years of the Foundation.

The Foundation presented projects carried out in its farm-schools of Canuanã-TO and Bodoquena-MS during the V Exposition of Farming Technology Science for Life . Carried out by EMBRAPA, the Brazilian Farming Research Company, it is considered the largest event of the sector in Brazil, strategically created for the promotion of the agribusiness and development of science and technology.

A partnership was entered into between Fundação Bradesco and Bovespa, to offer Educar Bovespa Program, whose goal is to enable students to ponder about financial, school and family education, relating them to the theme Work and Consumption in Basic Education and with Financial Management in High School Technical Professional Education, making possible the development of citizenship in a conscious and critical way and the preparation of personal and economic improvement plans.

A total of 36,500 students from Elementary to High School and High School Technical Professional Education will be assisted.

Fundação Bradesco sponsored Expo T&C (Technology and Science Exposition), an event which took place simultaneously with the 58th SBPC Annual Meeting. Works from schools of Laguna-SC, Maceió-AL, Osasco Unit I and Teresina-PI were shown in Florianópolis-SC.

The School Unit of Conceição do Araguaia-PA placed the Social Forum The UN and the Indigenous People during the II Indigenous Traditional Games of Pará. The event was aimed at discussing matters related to Digital Inclusion, Human Rights, Environment, Cultural Identity, and others.

Five nurseries for the production of seedlings from the atlantics forest were inaugurated in the schools of Gravataí-RS, João Pessoa-PB, Laguna-SC, Maceió-AL and Paranavaí-PR, adding up to those already built in Osasco-SP, Registro-SP, Campinas-SP, Marília-SP and Vila Velha-ES. Teachers and students of Fundação Bradesco received technical qualification from Fundação SOS Mata Atlântica for the management of the species and promotion of environmental education and reforestation actions in partnership with local social actors.

The Board of Executive Officers of Fundação Bradesco participated in the official launch of Everybody for Education Commitment at Museu do Ipiranga, in São Paulo, which counted on the presence of political, corporate and third-sector leaderships.

The event also counted on the participation of the Choir from Fundação Bradesco Osasco Unit.

The purpose of the commitment is to move the population and encourage it to reclaim a improvement in the quality of education in the country, from the fact that nowadays school for everybody still does not mean education for everybody and from the principle that every person must play his/her part in an integrated and synergic manner so that by 2022, the bicentennial of Brazil s Independence, every child and youngster have a quality education.

On November 22, employees and students of all schools celebrated together Fundação Bradesco s 50th anniversary. This half-century represents a milestone of celebrations and acknowledgement for the participation of all employees in this great project. Among the celebrations, we highlight: The Conference with the theme If life goes through changes, school must also change presented by Domenico de Masi, Work Sociology teacher at University of Rome.

The event, carried out on September 27 at Grand Hyatt Hotel, in São Paulo, counted on the presence of officers and employees from Fundação Bradesco, businessmen and managers from social and educational organizations.

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De Masi talked about the importance of school in life and society transformation. The public could also see the Choir of Osasco School live, which presented for the first time the repertoire of its second album, with important hits of MPB (Brazilian Popular Music).

On October 21, Fundação Bradesco celebrated its 50 years with a joyful party, full of emotion, at Cidade de Deus, in Osasco. It was a morning full of enchantment: nearly 8 thousand students from schools of Osasco represented the 108 thousand students assisted during 2006.

Among the attractions, we highlight the presence of great artists, such as Cirque du Soleil, the duo Sandy & Júnior, the Pias Fraus theatrical group, the song writer Toquinho, who prepared a special presentation with 80 students of Fundação Bradesco s Choir, as well as the artists Mariana Ximenes, Eliana, Marcio Garcia, Serginho Groisman and Luana Piovani, dressed as The Little Prince. The party also counted on the presence of authorities, businessmen and former students.

On November 20, the Black Consciousness Day, Fundação Bradesco inaugurated its 41th Digital Inclusion Center (CID), in partnership with Universidade Zumbi dos Palmares. The inauguration of CID at Unipalmares highlighted the celebrations for the Black Consciousness Day and for the fight of Everyone for Education. The Inclusion Center will make available 180 distance courses and might assist nearly one thousand people, on a free of charge basis. Fundação Bradesco installed 35 computers, connected to network and satellite which will allow interested people to have presence or distance courses. Some computers will have keyboards in braille language to include visually impaired people, who also take part in literacy courses in Unipalmares.

High school students from public schools of Osasco were selected to take part in the Adolescent Apprentice Program of Fundação Bradesco. The project enables youngsters from 15 to 16 years old to take their first steps in the job market. Contracted as apprentices during 2 years, the adolescent attends a 720-hour duration course, in which professionals who hold a bachelor s degree and practical vision of the management area are teachers.

Fundação Bradesco entered into a partnership with the Regional Superintendence of the Federal Revenue 8th Fiscal Region/São Paulo, aiming at offering fiscal education, as a result of the joint work of the Ministry of Finance and of Education and the Secretariat of Finance, of Treasury and of Education, to students and people from communities where the schools are established. Initially, units of Campinas, Jardim Conceição, Marília, Posto Osasco, Osasco I, Osasco II, Registro and Centro Educacional will be assisted. To start the project, 50 teachers of Fundação Bradesco attended the course Fiscal Education Disseminators, via Web, provided by professionals from the Federal Revenue.

Bradesco and Fundação Bradesco launched the project Educ + Action, which aims at integrating the private initiative and the municipal public sector in the effort to improve the educational standard of Brazilian children. In this initial phase, nearly one thousand elementary school students, from municipal schools from eight cities of Vale do Ribeira, in the countryside of São Paulo, will be benefited. The purpose is to take the project gradually to other regions of Brazil by means of the Bank s Branch Networks and Fundação Bradesco s schools.

Bradesco will implement in these schools the teaching methodology used in 40 schools of Fundação Bradesco. For such purpose, more than 1,000 pedagogical kits will be distributed, including Math, Portuguese Language, History, Geography and Science books, class library with 45 titles, CDS with songs for children, video library and support educational material.

Teachers will have access to a large material to apply the methodology in the classroom and will be trained by means of presence and distance courses, provided by teachers of Fundação Bradesco. The cities benefited are: Registro, Juquiá, Jacupiranga, Eldorado, Iguape, Sete Barras, Pariquera-Açu and Cajati, whose population totaled 206 thousand inhabitants. The region counts on a school unit of Fundação Bradesco, which will work as a center of support and guide to the project developed. The project Educ + Action is integrated with the Everyone for Education Commitment movement, which has as one of its goals the literacy of children under the age of 8.

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Main Acknowledgments

**International Championship of Robotics First Lego League FLL:** ten High School students of Osasco school, Unit I, took part in the championship, carried out in April in Atlanta, USA. The championship involved 83 teams of students from 16 countries, who use science and technology to study and explore relevant themes to society. Fundação Bradesco ranked 2nd in the Scientific Research Category.

**VII National Contest of Posters:** a project of the School Unit of Paragominas, State of Pará, ranked 3rd, and was awarded in solemnity in Palácio da Alvorada in Brasília.

**2006 E-Learning Brazil Award:** Fundação Bradesco was acknowledged in the Educational Category Star and as a National Material Contribution Diamond, for the results of its work in distance education in consecutive years.

**Race and Gender Award:** an educational project carried out by the School Unit of Cuiabá, State of Mato Grosso, was honored with Race and Gender seal and diploma, an action of the local government, which acknowledges institutions, entities and people involved in the fight against racial and gender discrimination and in the construction of a culture of peace and social justice.

**Treasures of Brazil Contest:** Fundação Bradesco of Laguna, State of Santa Catarina, was awarded with the project Kuaray Ouá (Sunrise) developed by Elementary School students, chosen to be part of the Book Treasures of Brazil. The School Unit of Manaus will also be part of the publication with the project Ruins of Paricatuba , developed by High School students.

**49th Scientists of Tomorrow Contest:** Fundação Bradesco of Teresina, State of Piauí, conquered the Fiocruz Award with the project Factors that Contribute to Self-medication , developed by Elementary School students. The School Unit of Maceió, State of Alagoas, received an Honorable Mention for the project Bus Stops: Technology and Accessibility , developed by High School students.

**Victor Civita 2006 Award Grade A Educator:** Teacher Marli Aparecida Salum Benjamin Melillo, from the School Unit of Laguna, State of Santa Catarina, was elected one of the ten Grade A Educators, with the project Mullets in Laguna .

**IT Leaders 2006 Award:** the sixth edition of the award pointed out IT professionals who conquered a place in the corporate environment. Fundação Bradesco ranked 2nd in the education segment.

**Literacy Week:** Fundação Bradesco was honored during the opening of the 2006 Literacy Week for the partnership with Alfabetização Solidária Program, focused on the reduction of illiteracy in Brazil.

**Innovative Teachers Microsoft Award:** Teachers of Osasco School Unit II won the national contest with the project Web class Read and write? With a computer! . The team was one of those selected to represent Brazil in Microsoft World Wide Innovative Teachers Forum in United States and ranked 2nd.

**Pátio-Isme Award:** Fundação Bradesco was awarded with the project A damn question , prepared by teachers. The purpose of the award is to identify successful experiences in progress in the public and private school network, aiming at improving students performance and contributing to their complete education.

**Educare National Award of Excellence in Education:** Fundação Bradesco received the Highlight in Education award, special category based on the indication of a judging commission which considered the impact and importance of the institution for Brazil.

**Bovespa 2006 Highlight Award:** Fundação Bradesco was awarded in the category Bovespa Vai até Você (Bovespa reaches you), as acknowledgement of its 50 years of operation and partnership entered into in 2006 for implementation of Bovespa Educar Program.

School s Location

The majority of the Fundação Bradesco s educational units are located in the outskirts of major cities or in rural areas where there is a significant lack of educational and welfare assistance. Thousands of students all over Brazil are given the opportunity to study at these schools.

| **Schools** | **Students** |
|---|---|
| Aparecida de Goiânia GO | 2,242 |
| Bagé RS | 2,237 |
| Boa Vista RR | 2,438 |
| Bodoquena MS | 1,193 |
| Cacoal RO | 2,440 |
| Campinas SP | 4,510 |
| Canuanã TO | 1,372 |
| Caucaia CE | 2,286 |
| Ceilândia DF | 3,203 |
| Cidade de Deus Osasco SP | |
| Unit I | 4,024 |
| Unit II | 2,793 |
| Education Offices of Youngsters and Adults | 4,768 |
| Preliminary and Continued Qualification of Workers | 4,667 |
| Conceição do Araguaia PA | 2,542 |
| Cuiabá MT | 2,552 |
| Feira de Santana BA | 968 |
| Garanhuns PE | 837 |
| Gravataí RS | 3,413 |
| Irecê BA | 2,561 |
| Itajubá MG | 2,864 |
| Jaboatão PE | 2,551 |
| Jardim Conceição SP | 2,797 |
| João Pessoa PB | 2,273 |
| Laguna SC | 2,113 |
| Macapá AP | 2,084 |
| Maceió AL | 2,286 |
| Manaus AM | 2,438 |
| Marília SP | 3,916 |
| Natal RN | 2,279 |
| Paragominas PA | 2,840 |
| Paranavaí PR | 1,887 |
| Pinheiro MA | 2,142 |
| Propriá SE | 2,029 |
| Registro SP | 2,372 |
| Rio Branco AC | 2,871 |
| Rio de Janeiro RJ | 4,016 |
| Rosário do Sul RS | 1,138 |
| Salvador BA | 2,206 |
| São João Del Rei MG | 2,235 |
| São Luis MA | 2,490 |
| Teresina PI | 2,483 |
| Vila Velha ES | 2,681 |
| **Preliminary and Continued Qualification of Workers Rural Area Artificial Insemination** | |
| Campo Grande MS | 114 |
| **Total** | **108,151** |

Fundação Bradesco An Educational Project as large as Brazil

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Financing

Funds for the financing of activities of Fundação Bradesco derive from income, exclusive of its own Stockholders Equity.

**Investments in the last 10 years:** R$1.271 billion, in nominal value, not readjusted, equivalent to R$3,033 billion, restated by SELIC/CDI rate in the period.

**Investments in 2006:** R$183.917 million.

Courses Grades

| | **Assistance in 2006** | |
|---|---|---|
| | **Students** | **% of Total** |
| Kindergarten | 477 | 0.44 |
| Elementary School | 33,375 | 30.86 |
| High School | 12,874 | 11.90 |
| Youth and Adult Education | 21,511 | 19.89 |
| Preliminary and Continued Qualification of Workers | 36,339 | 33.60 |
| High School Technical Professional Education | 3,575 | 3.31 |
| **Total** | **108,151** | **100** |

Student Profile Rendering of Services Basis in 2006

Increase in the Number of Students

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1) Calculation basis

| | 2006 R$ thousand | 2005 R$ thousand |
|---|---|---|
| Net revenue (NR) [1] | 15,982,117 | 14,774,823 |
| Operating income (OI) [2] | 6,375,943 | 7,853,504 |
| Gross payroll (GP) | 5,932,406 | 5,311,560 |

2) Internal social indicators

| | R$ thousand | % on GP | % on NR | R$ thousand | % on GP | % on NR |
|---|---|---|---|---|---|---|
| Meals | 498,780 | 8.4 | 3.1 | 455,151 | 8.6 | 3.1 |
| Compulsory social charges | 1,032,134 | 17.4 | 6.5 | 954,061 | 17.9 | 6.4 |
| Private pension plans | 319,046 | 5.4 | 2.0 | 279,687 | 5.3 | 1.9 |
| Healthcare insurance | 298,200 | 5.0 | 1.9 | 259,502 | 4.9 | 1.8 |
| Occupational health and safety | | | | | | |
| Education | | | | | | |
| Culture | | | | | | |
| Professional qualification and training | 57,872 | 1.0 | 0.4 | 52,306 | 1.0 | 0.3 |
| On-site child care and child-care benefit | 41,156 | 0.7 | 0.2 | 44,701 | 0.8 | 0.3 |
| Employee profit sharing | 414,260 | 7.0 | 2.6 | 286,632 | 5.4 | 1.9 |
| Other | 103,508 | 1.7 | 0.6 | 96,877 | 1.8 | 0.7 |
| **Total Internal social indicators** | **2,764,956** | **46.6** | **17.3** | **2,428,917** | **45.7** | **16.4** |

3) External social indicators

| | R$ thousand | % on OI | % on NR | R$ thousand | % on OI | % on NR |
|---|---|---|---|---|---|---|
| Education (*) | 5,654 | 0.1 | | 4,253 | 0.1 | |
| Culture | 41,005 | 0.6 | 0.3 | 13,448 | 0.2 | 0.1 |
| Health and basic sanitation | 3,614 | 0.1 | | 591 | | |
| Sports | 33 | | | 5 | | |
| Prevention of hunger and food security | 64 | | | 100 | | |
| Other | 17,052 | 0.3 | 0.1 | 9,226 | 0.1 | 0.1 |
| **Total contribution to society** | **67,422** | **1.1** | **0.4** | **27,623** | **0.4** | **0.2** |
| Taxes (excluding social charges) | 4,926,563 | 77.3 | 30.8 | 4,102,704 | 52.2 | 27.8 |
| **Total External social indicators** | **4,993,985** | **78.4** | **31.2** | **4,130,327** | **52.6** | **28.0** |

4) Environmental indicators

| | R$ thousand | % on OI | % on NR | R$ thousand | % on OI | % on NR |
|---|---|---|---|---|---|---|

| | | |
|---|---|---|
| Investments related to company production/operation | | |
| Investments in external programs and/or projects | | |
| **Total investments in environmental protection** | | |
| As regards the establishment of "annual goals" for minimizing waste, general production/operation consumption and the efficient use of natural resources, the company: | ( ) has no established goals ( ) complies 51 to 75%<br>( ) complies 0 to 50% ( ) complies 76 to 100% | ( ) has no established goals ( ) complies 51 to 75%<br>( ) complies 0 to 50% ( ) complies 76 to 100% |

5) Employees indicators

| | **2006** | **2005** |
|---|---|---|
| Employees at the end of the period | 79,306 | 73,881 |
| Admissions during the period | 8,624 | 7,290 |
| Outsourced employees | 7,293 | 7,670 |
| Trainees/interns | 676 | 628 |
| Employees older than 45 | 7,336 | 5,945 |
| Women employees | 37,738 | 34,260 |
| % of management positions held by women | 41.9 | 41.3 |
| Black employees | 9,754 | 6,108 |
| % of management positions held by blacks | 12.9 | 7.2 |
| Disabled employees or employees with special needs | 860 | 769 |

6) Key information regarding the level of business citizenship

| | **2006** | | | **Targets 2007** | | |
|---|---|---|---|---|---|---|
| Ratio between maximum and minimum salary: | 20.8 | | | N/A | | |
| Total number of occupational accidents: | 461 | | | Staff awareness for avoiding accidents in the work place | | |
| The company's social and environmental projects were established by: | ( ) directors | ( x ) directors and managers | ( ) all employees | ( ) directors | ( x ) directors and managers | ( ) all employees |
| Occupational safety and health standards were defined by: | ( ) directors | ( ) all employees | ( x ) all + Cipa | ( ) directors | ( ) all employees | ( x ) all + Cipa |

| | | | | | | |
|---|---|---|---|---|---|---|
| As regards freedom of trade union activities, collective bargaining rights and internal employee representation, the company: | ( x ) does not interfere | ( ) complies with OIT rules | ( ) encourages activities and complies with OIT rules | ( x ) does not interfere | ( ) complies with OIT rules | ( ) encourages activities and complies with OIT rules |
| Private pension plans are offered to: | ( ) directors | ( ) directors and managers | ( x ) all employees | ( ) directors | ( ) directors and managers | ( x ) all employees |
| The company's profit sharing plan is distributed to: | ( ) directors | ( ) directors and managers | ( x ) all employees | ( ) directors | ( ) directors and managers | ( x ) all employees |
| When selecting suppliers, the ethical, social and environmental responsibility standards adopted by the company: | ( ) are not considered | ( ) are suggested | ( x ) are required | ( ) are not considered | ( ) are suggested | ( x ) are required |
| As regards the participation of employees in voluntary work programs, the company: | ( ) does not interfere | ( x ) gives support | () organizes and encourages participation | ( ) does not interfere | ( x ) gives support | ( ) organizes and encourages participation |
| Total number of consumer s complaints and critics: | In company: 115,908 | At Procon: 4,362 | At court: 43,668 | In company: Prepare and make our employees aware, thus, reducing the number of complaints | At Procon: | At court: |
| % of complaints solved: | In company: 100% | At Procon: 100% | At court: 99% | In company: 100% | At Procon: 100% | At court: 100% |
| Total added value to be distributed (in R$ thousand): | **2006: R$14,791,383** | | | **2005: R$14,928,337** | | |
| Distribution of added value (DVA): | 28.6% government<br>14.6% stockholders | 37.2% taxpayers<br>19.6% withheld | | 32.0% government<br>12.6% stockholders | 31.1% taxpayers<br>24.3% withheld | |

7) Other information

The information contained in the Social Report was reviewed by PricewaterhouseCoopers Auditores Independentes.

* The information above does not include funds invested by Fundação Bradesco (one of Bradesco s parent companies), which totaled R$167.1 million in education in 2005 and R$183.9 million in 2006.

(1) Net Revenue (NR) is considered Gross Income from Financial Intermediation.

(2) Adjusted by the extraordinary items in 2006.

N/D Not available

N/A Non-applicable.

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## 7 - Report of Independent Auditors

(A free translation from the original in Portuguese)

**Independent Auditors' Report on the Review of Supplementary Accounting Information presented in the Report on Economic and Financial Analysis and in the Statement of Social Responsibility**

To the Board of Directors
Banco Bradesco S.A.

1. In connection with our audit of the financial statements of Banco Bradesco S.A. and its subsidiaries (consolidated) as of December 31, 2006, on which we expressed an unqualified opinion in our report dated February 9, 2007, we carried out a review of the supplementary accounting information presented in the Report on Economic and Financial Analysis and in the Statement of Social Responsibility. This supplementary information was prepared by the Bank's management and is presented to permit additional analysis and should not be considered as an integral part of the financial statements.

2. Our work was carried out in accordance with the specific standards established by the Institute of Independent Auditors of Brazil – IBRACON, in conjunction with the Federal Accounting Council – CFC, for purposes of our review of the supplementary accounting information described in paragraph one and mainly comprised: (a) inquiries of and discussions with management responsible for the accounting, financial and operating areas of the Bank with regard to the main criteria used for the preparation of this supplementary accounting information and (b) a review of the significant information and the subsequent events which have, or could have, significant effects on the financial position and operations of the Bank and its subsidiaries.

3. Based on our review, we are not aware of any material modifications which should be made to the supplementary information referred to above in order that such information be fairly stated, in all material respects, in relation to the financial statements taken as a whole, referred to in paragraph one.

4. As described in Note 15, the goodwill on investments in associated and subsidiary companies was fully amortized in 2006.

5. The supplementary accounting information, referred to in paragraph one, also includes accounting information presented for comparison purposes for the year ended December 31, 2005. The review of the supplementary accounting information for that year was conducted by other independent auditors, who issued an unqualified report on the special review dated February 21, 2006.

São Paulo, February 9, 2007

Auditores Independentes
CRC 2SP000160/O-5

Washington Luiz Pereira Cavalcanti
Contador
CRC 1SP172940/O-6

**8 - Financial Statements, Independent Auditors' Report, Summary of the Audit Committee Report and Report of the Fiscal Council**

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**Message to Stockholders**

A year of many achievements, 2006 also brought gains of special magnitude in the image Bradesco has been building since its creation, 63 years ago. The inclusion among the six Brazilian companies which integrate the select world group of 318 of Dow Jones Sustainability World Index meant, together with the large number of stockholders and employees of the Company, the most categorized acknowledgment that collective and solidary effort is in the right direction and produces intended results in the economic, environmental and social fields.

The commitment to perpetuity had already motivated the inclusion of its stocks in ISE Bovespa s Corporate Sustainability Index, as well as the adhesion to UN s Global Compact and to the Equator Principles, decisively influencing the development and the supply of sustainable products to the market. In this line, the AAA+ rating of Management & Excellence was also important, and the Bank was the first company of Latin America to receive it, for meeting worldwide standards of sustainability, corporate governance, social responsibility, ethics and transparency.

Now, with great motivation and inspiration power, we face the challenge of maintaining, over the next years, the ratings reached. However, the year also gave larger substance to two predicates through which Bradesco, in the financial private sector, projects itself in the Brazilian business scenario: as *leader*, for the aspects of highest profit, highest capitalization in the concept of own funds, for the volume of consolidated assets, for the wide Customer Service Network; and *complete*, when evaluated based on the extent and diversity of services provided to the market in all its segments and under the most different social-economic conditions, in addition to many other achievements and accomplishments framing its more than six decades of existence.

Thus, *Leader* and *Complete* overflow, from the domination of advertising slogans to become a genuine synthesis of strategic planning, for Bradesco is prepared to maintain itself as a solid, productive, profitable undertaking, and follow, with a larger share, the predictable expansion of the financial market in the context of the domestic economy.

The Net Income for the year reached the significant level of R$6.363 billion, which, adjusted by the non-recurring events, basically the anticipation of the existing Goodwill amortization, stood at R$5.054 billion, pointing out, for distribution to stockholders, dividends and interest on own capital in the amount of R$2.160 billion, 44.98% of the result adjusted by non-recurring events. Total assets added up to R$265.547 billion and Stockholders Equity to R$24.636 billion. It is worth mentioning the contribution, in the income for the year, brought by Grupo Bradesco de Seguros e Previdência.

In addition to these results, we have the appreciation of Bradesco s Stocks on the Stock Exchange, with a growth of over 30% in the market value during the year. The significant volume of 2/3 of stocks held by minority stockholders is a clear evidence of the commitment to the capital markets and a factor to consider in its tradability on the Stock Exchange.

2006 also highlights, as a special registration, the celebration of 50 Years of Fundação Bradesco. A pioneer action of social investment, it is the greatest effort within the private initiative, and, certainly, one of the world s largest ones. The Foundation, with 40 Schools distributed all over Brazil, provides free and quality education to more than 108 thousand students.

It is also worth pointing out, among the events that highlighted the period, the partnership with American Express Company, by which Bradesco took over the operations of AMEX Credit Cards and related activities in Brazil, giving the Bank a great progress in the segment.

The tradition of Bradesco in ethics and transparency has guided Management in the insistent pursuit of the best Corporate Governance practices. The effort to build this image of safety, reliability and dynamism has its success reflected in the following figures: R$386.586 billion of funding and assets managed, 16.846 million checking accounts, 57.942 million credit, debit and ´private label cards and 18.273 million insured persons and participants in its plans.

Bradesco will remain in its strategic planning, in the light of the Organization s perpetuity, with realistic and consistent goals, built around conservative projections, founded on substantial initiatives in the field of prudent investments, growth in its presence in the market, supply of products, innovation and all indicators of operating efficiency.

A word of acknowledgment to our body of officers, employees and other collaborators, as to the decisive role this cohesive, integrated and motivated work force has in the materialization of goals set: it is certainly the Organization s most competitive edge.

Emerging, with tranquility and safety, from an electoral period in which, once more, Brazilian people showed its respect for the democratic regime, the Country has now, in the *development* concept, a conducting wire for the next years, supported by the unanimity of living powers of the Nation and above any considerations of political order.

*It is either grow or grow*! In this scenario, we face the National Financial System with the challenge of making feasible, with its unique financial intermediation capacity, the increase of the Country s productive potential, financing investments, expanding the provision of services that optimize time and resources of people and companies, democratizing credit and promoting the distribution of wealth generated.

Bradesco will be ahead of this mobilization, with assurance and conviction of meeting the fair expectations of its numerous stockholders and clients, to whom Management renews its acknowledgment for their trust, support and preference.

Cidade de Deus, February 9, 2007

**Lázaro de Mello Brandão**
Chairman of the Board of Directors

**Management Report**

We are pleased to present the Financial Statements for the year ended on December 31, 2006, of Banco Bradesco S.A., pursuant to the Corporate Legislation.

2006 was favored by public policies of income transfer and inflation fall, in addition to the strong decrease of interest in the country, thus Selic rate reached its lowest level in nominal terms, since 1975, and also as a result of inflation well below the target, breaking the inflationary inertia noticed since 2003.

The Brazilian monetary policy enjoyed the fruits of the previous monetary tightness and the foreign exchange appreciation favored by the high trade balance and abundant international liquidity. In spite of that, the country grew little due to the changes which have been taking place in the Brazilian productive structure, going from a dynamics influenced by the export sector in the years 2003-2004 to a dynamics more focused on the domestic market. The country has noticed a higher competition with imported products and, thus, it has tried to adapt its productive structure towards a more open economy and with faster advances in the increase of productivity. The electoral process was a milestone for the markets, for the commitment to austere economic policies set the tone of the electoral campaign, evidencing political maturity. External accounts continued favorable, with increase in employment and actual yield, as well as expansion of loan operations.

2007 must be distinguished by the discussion about the mechanisms necessary to speed up the country s growth, in particular those focused on the fiscal adjustment and on the increase of investment in the economy. With interest reduction in 2006 and the continuity of the inflation fall, it is expected that interest may continue to fall and economy grows pushed by the domestic market. Agriculture must record better results and industry will have adjusted itself to changes coming with the foreign exchange appreciation, increasing investment with the import of capital goods. The slowdown of the world growth and liquidity, already incorporated to our scenario, must not hinder a stronger growth of the Brazilian economy, exactly because the domestic variables must determine the GDP. Credit, after the expressive evolution in 2005 which continued in 2006, must remain in 2007, however, at rates slightly more reduced. With interest going down, and confidence and salaries going up, there are good outlooks for the banking business this year.

At Bradesco Organization, the main events in the period were:

- **on March 20, a partnership was entered into with American Express Company,** by which Bradesco took over credit card operations and similar activities in Brazil. It started having exclusive right for the issuance of cards of the Centurion line, for a minimum term of 10 years, in addition to the management of the network of authorized establishments of Amex Cards;

- **on March 28, a partnership between Bradesco, Fidelity National Information Services, Inc. and Banco ABN AMRO Real S.A.,** for the creation of Fidelity Processadora e Serviços S.A., which provides services related to card activities, such as processing, management of Call Centers, back office support, collection and risk management services;

- **on May 15, integration of Banco BEC S.A. (new denomination of Banco do Estado do Ceará S.A.) to Bradesco, with the change of BEC Branches into Bradesco Branches.** The initiative optimized resources, gathering specialties and the dedication of the work force;

- **on August 25, Bradesco received the AAA+ rating from Management & Excellence,** an important sustainability evaluation and research company, with headquarters in Madrid, Spain. The Bank was Latin America s first company to receive this rating, for complying with the world standards of sustainability, corporate governance, social responsibility, ethics and transparency;

- **on September 18, the Bank started taking part in the portfolio of Dow Jones Sustainability World Index,** comprised of a select group of 318 companies all around the world, of which six are Brazilian, showing a concrete commitment to corporate sustainability;

- **on October 2, it started taking part in FTSE LATIBEX BRASIL, the new index launched by Spanish Exchanges and Markets (BME) and FTSE Group (FTSE),** comprised of 13 companies with the highest capitalization of the market, and Bradesco s share is 20.06%, the largest one of private capital;

- **on October 27, Moody s Investor Service, considered one of the most respected rating agencies of the world, increased the risk rating of foreign currency debt securities issued by Bradesco to level Baa3 .** With this change, Bradesco starts integrating the select group of companies (and countries) with attribution of credit risk considered as investment grade , i.e. the implicit risk of issuer is considered low;

- **on January 23, 2007, the execution of the transfer covenant, to Bradesco, of the share ownership of Banco BMC S.A. and its subsidiaries.** BMC, with a Network of 14 Branches, 749 bank correspondents and around 7,000 agents distributed throughout Brazil, is one of the largest private banks in payroll deductible loans for retirees and pensioners of Brazil s National Social Security Institute (INSS).
With Assets adding up to R$2.345 billion, it held on September 30 a loan portfolio of nearly R$2 billion. The operation, subordinated to the approval of proper authorities and to the results of the due diligence to be carried out, reinsures Bradesco s goals to strengthen its presence in the Country s consumer financing market; and

- **partnerships entered into in the Private Label Cards segment: with Supermercados Carone,** and important supermarket chain of the State of Espírito Santo, for the issuance and management of Carone Private Label Card with the Visa flag; **with Luigi Bertolli,** a traditional clothing store, for the launch and management of Luigi Bertolli Private Label Card; **with GBarbosa**, one of the main retail chains of Northeastern Brazil, to manage Credi- Hiper Private Label Credit Card; **with COOP Cooperativa de Consumo,** Latin America s largest cooperative, for the launch and management of Coop Fácil Private Label Card; and **with Panvel Farmácias,** a leader in the Pharmaceutical sector of the State of Rio Grande do Sul, for the launch of Panvel Private Label and Panvel Clube do Aposentado Cards. The agreements also enable the access to Bradesco s products and services.

**1. Net Income for the Year**

The performance in 2006 was very significant, in terms of result and compensation to stockholders. An analysis of these figures, as to the origin and evolution, is also presented in the Report on Economic and Financial Analysis available on the website www.bradesco.com.br.

R$5.054 billion was the Net Income for the year, adjusted by non-recurring events, net of taxes, in the total of R$1.309 billion, basically represented by the anticipation of the existing Goodwill amortization, which would be affected during the periods until 2016. Thus, the Recurring Net Income amounted to R$6.363 billion, representing R$6.36 per stock, annualized profitability of 25.83% on the final Stockholders Equity and of 30.02% on the average Stockholders Equity. The annualized return on Total Assets stood at 2.40%, compared to 2.64% in the previous year.

The anticipation of Goodwill amortization of R$1.392 billion, net of taxes, extraordinarily carried out in the 3rd quarter, besides not being recorded in the calculation of Dividends and/or Interest on Own Capital distributed in the year, will bring positive reflections on future results, once it will not affect these results and, consequently, the capital compensation of stockholders, in those periods.

From January 1 to June 30, 2006, Goodwill was amortized which, net of taxes, totaled R$286 million. Not considering these effects, we would reach an adjusted Recurring Net Income of R$6.649 billion, representing an annualized profitability of 26.99% on the final Stockholders Equity and of 31.37% on the average Stockholders Equity.

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R$2.160 billion was attributed to stockholders, as monthly, interim and complementary Interest on Own Capital and Dividends, recorded in the calculation of mandatory dividends. Thus, for each stock, R$2.309531 (R$2.063259 net of Withholding Income Tax), was attributed, which includes a 10% additional, for preferred stocks and R$2.099574 (R$1.875690 net of Withholding Income Tax) for common stocks. Interest and dividends distributed account for 44.98% (net of withholding income tax 40.19%) of the adjusted net income for the year and 35.73% (net of Withholding Income Tax 31.92%) of the adjusted net income for the year. In order to restate Interest on Own Capital monthly paid, in May its amount was increased by 15% and, as from March 2007, it will be increased by a further 10%.

**Taxes and Contributions**

In direct proportion to the volume of activities it develops and results it obtained, Bradesco Organization destined a significant portion to public coffers.

R$5.959 billion was the amount of taxes and contributions, including private pension plan taxes and contributions, paid or provisioned, in the year.

**2. Business Strategy**

As a vision of future, Bradesco has as goal to maintain its leadership among the private Financial Institutions, positioning its Brand as a synonym of quality, quickness and safety. It faces, with determination, the challenge of consolidating its outstanding presence in the Brazilian economic environment and of being the Complete Bank , having the position of "1 Bank of its clients .

It has also as goal to offer the most comprehensive range of services, always creating new products and with the support of technological innovations, by means of its wide Customer Service Network, which includes Branches, Corporate Site Branches, Banco Postal, Bradesco Expresso and ATMs, in addition to Internet Banking.

With focus on the Brazilian market, in particular on Retail, it intends to be highlighted and noticed by clients as a leader in the performance and efficiency of each one of the segments in which it operates.

It promotes the growth of the client base, whose expansion potential is very significant among the population who does not have access to a bank, mainly for the operation of Banco Postal and other Correspondent Banks. And now, with the creation of Bradesco BBI, it strengthens its attentions to the expansion of the investment bank businesses, capital markets, private banking and corporate, and, with Amex, the high-income assistance in the market of cards.

In a scenario of declining interest rate, which tends to be maintained in 2007, it has the ambition of increasing the loan portfolio between 20% and 25%, with emphasis on operations focused on individuals, consumption and production. At the same time, it pursues to increase revenues of the other banking activities in satisfactory profitability indexes.

In the placement of similar products, it will remain supported in the segments of supplementary private pension, certificated savings plans and in the insurance area, to consolidate the leadership of Grupo Bradesco de Seguros e Previdência.

For the concretion of its continued growth plan, Bradesco makes high investments in infrastructure and information technology higher than R$1.5 billion a year, in addition to staff training programs, in order ensure motivation, creativity and focus on the client.

With the purpose of refreshing the Organization s IT environment, preparing it for the next decades, with the best existing practices and technologies, Bradesco has developed since 2003 the IT Improvement Project, which will be concluded by 2009. Thus, it intends to become a world benchmark in technology applied to the banking activity, fully able to meet all the demand of services, from a base which shall exceed 20 million account holders, with agility, convenience, productivity and safety.

Three goals of the highest extent will be maintained as priorities:

a) to grow organically and always evaluating the opportunities of acquisitions and partnerships, without compromising the customer service quality and safety of products and services, pursuing constant improvement of the Operating Efficiency Ratio;

b) to identify and evaluate the risks intrinsic to the activities, practicing adequate controls and acceptable levels in the operations; and

c) partnership with the capital markets, through total transparency and adequate compensation to investors.
Social and environmental responsibility actions also have an important role in the Bank s strategic planning, present for at least 50 years with the creation of Fundação Bradesco.

Bradesco feels ready to take part in the expansion of the role of the Financial System in the Country, at this moment stimulated by factors of different nature, such as: solidity of the System in its successful consolidation path; decline of informality in the economy; growth of families income and their demand for more banking services; strong housing deficit, which provides real estate loan with a role of special relevance; and a conjuncture of economic stability, appropriate to loan expansion, currently in volumes of low representativeness in relation to the Gross Domestic Product.

**3. Bradesco s Stocks**

Bradesco s Stocks were present, with high liquidity level, in all trading floors of the São Paulo Stock Exchange Bovespa, from whose Index preferred stocks participated with 4.54% . The appreciation in the year of 2006 was 33.66% for common stocks and 33.05% for preferred stocks, compared to 32.93% of Ibovespa. Abroad, they are traded on the Madrid Stock Exchange, in Spain, comprising Latibex Index. Also, through ADR American Depositary Receipt Level 2, on the New York Stock Exchange, which completed, in 2006, five years of trading, we celebrated on November 20, with Bradesco Day , in that Institution.

Bradesco Stocks participation is outstanding in almost all indexes of Bovespa: Corporate Sustainability Index ISE, Index of Stocks with Differentiated Tag Along ITAG, Index of Stocks with Differentiated Corporate Governance IGC and Brazil Indexes IBrX50 and IBrX100 (most traded stocks). In addition to these references on the Brazilian Exchange, Bradesco is present in Dow Jones Sustainability World Index of the New York Stock Exchange and in FTSE Latibex Brazil of the Madrid Stock Exchange.

At the Special Stockholders Meeting held on October 5, it was resolved to increase the Bank s Capital Stock by R$1.200 billion, by means of the issuance of 21,818,182 new book-entry registered stocks, at the price of R$55.00 per stock, by means of the private subscription in the period from 10.19 to 11.21.2006, in the proportion of 2.226746958% on the stock position held on the date of the Meeting. The payment was made in cash, on 12.7.2006, the same date of the payment of Complementary Interest on Own Capital and Dividends declared on October 5, in an amount higher than the referred subscription.

R$22.608 billion was the amount traded in Bradesco Stocks during the year, on Bovespa, represented by 14,293,000 common stocks and 284,773,200 preferred stocks.

US$12.866 billion was traded as ADR, in the North American market (New York Stock Exchange - NYSE), guaranteed by 116,431,407 preferred stocks of the Bank.

**4. Operating Efficiency Ratio IEO**

The use of the ABC Activity-Based Costing methodology at Bradesco Organization, among other results, has been improving criteria of formation and negotiation of fees, the supply of costs to GDAD Decision Support and Performance Management and to the determination of the Profitability of Clients, also establishing a safe base for permanent rationalization analyses.

In the control of costs, the methodology which is being adopted is ABM Activity-Based Management, enabling to quickly evolve to cost preservation, with a proactive posture in the identification of opportunities. Thus, it is possible to integrate operating performances to strategic goals, simultaneously to the improvement of processes.

It is important to point out that the strictness in the control of expenses, improved with the creation of the Committee for Evaluation of Expenses, connected to the synergy process of Institutions acquired and the permanent effort for the increase in revenues, has been positively reflecting in the behavior of IEO.

42.13% was the ratio reached on 12.31.2006, against 45.62% in 2005 and 55.47% in 2004.

**Integrated Management System**

Implemented at the entire Bradesco Organization, the Integrated Management System ERP aims to integrate the information flow of processes between the several departments and connected companies. A data bank, interacting with a set of applications consolidated of integrated management, provides quality improvement, organization and availability of data and information, resulting in integration, optimization and control of processes.

The results reached in the processes already implemented of Human Resources, Training, Accounts Payable, Fixed Assets, Purchases and Accounting are excellent. Nearly 79 thousand users were qualified by means of presence training and e-learning, with more than 718 thousand participations.

**5. Capital and Reserves**

R$14.200 billion was the Capital Stock at the end of the year.

R$10.436 billion totaled Equity Reserves.

R$24.636 billion Stockholders Equity, with a 26.93% growth in the year. Concerning Consolidated Assets, which add up to R$265.547 billion, the Managed Stockholders Equity is equivalent to 9.30%. The book value was R$24.61 per stock.

In the consolidated financial result, the capital adequacy ratio reached 18.76%, and in the consolidated economic-financial result 16.48%, higher than the minimum of 11% regulated by Resolution no. 2,099, as of 8.17.1994, of the National Monetary Council, in conformity with the Basel Committee. Comparatively to the Consolidated Reference Stockholders Equity, the permanent assets to stockholders' equity ratio (maximum of 50%, according to the Brazilian Central Bank) stood at 12.23% in the consolidated economic-financial result and at 48.01% in the consolidated financial result.

At the end of the year, Bradesco Organization s Subordinated Debt added up to R$11.949 billion (abroad, R$2.975 billion and in Brazil, R$8.974 billion), already considered in the Stockholders Equity for purposes of determination of the ratios mentioned in the previous paragraph.

In compliance with the provisions in Article 8 of Circular no. 3,068, as of 11.8.2001, of the Brazilian Central Bank, Bradesco declares to have financial capacity and intention to hold to maturity securities classified in the category securities held to maturity .

**6. Operating Performance**

**6.1. Funding and Asset Management**

The total volume of funding and assets managed by Bradesco Organization, at the end of the year, totaled R$386.586 billion, a 25.09% growth compared to the previous year. The Bank manages, together, 16.846 million checking accounts and holds 18.29% of the SBPE Brazilian Savings and Loan System.

R$131.581 billion in Demand Deposits, Time Deposits, Interbank Deposits, Other Deposits, Open Market and Savings Account.

R$147.108 billion in assets under management, comprising Investment Funds, Managed Portfolios and Quotas of Third-Party Funds, a 21.39% growth compared to the same period of the previous year.

R$54.004 billion registered at the Exchange Portfolio, Borrowings and Onlendings, Own Working Capital, Tax Payment and Collection and Related Taxes, Funds From Issuance of Securities, Subordinated Debt in the Country and Other Funding.

R$48.742 billion in Technical Provisions for Insurance, Supplementary Private Pension and Certificated Savings Plans, with an increase of 19.28% when compared to the previous year.

R$5.151 billion in Foreign Funding, by means of public and private issuances, Subordinated Debt and Securitization of Future Financial Flows, representing US$2.409 billion.

**6.2. Loan Operations**

Based on the Credit democratization strategy, Bradesco continuously work for the expansion and diversification of financing offer by means of its wide Network of Branches, Stations and Banco Postal, increasing its volumes of operations, both in financings directly made and in partnerships with market agents, and in other lines focused on Individuals, such as Payroll Charges, thus ensuring the leadership among Private Institutions.

R$96.219 billion was the balance at the end of the year, of the consolidated loan operations, including Advances on Exchange Contracts and Leasing, with an increase of 18.60% in the period.

R$6.646 billion was the consolidated balance of allowance for doubtful accounts, equivalent to 6.91% of the total volume of loan operations.

**Real Estate Loan**

A partner in the commitment to stimulate the generation of jobs and social-economic development, Bradesco considers a priority to meet the demands of final borrowers and the civil construction industry. As a way to push activities of the sector, it significantly increased the volume of operations carried out in the year, thus highlighting its Real Estate Loan portfolio.

R$2.118 billion was the total of funds directed to the area, enabling the construction and purchase of 19,358 properties.

**Onlending Operations**

Participating, in 2006, with 19.93% of the system operations, Bradesco maintained the leadership in the ranking of BNDES onlendings, totaling the equivalent to R$5.819 billion and 22,568 contracts, a 31.14% growth compared to the previous year. It maintained, for the fourth consecutive year, the position of the Financial Institution with the largest onlending disbursement for the micro, small and medium-size companies, with the amount of R$2.252 billion and 21.12% of the entire system. It also counts on guarantees rendered to BNDES in the total of R$1.783 billion, and R$981.148 million contracted in the year.

R$9.694 billion was the balance of onlending portfolios, with internal and external funds, at the end of the year, mainly destined to small and medium-size companies, with 107,573 registered contracts.

**Rural Loan**

A traditional partner of the agribusiness industry, Bradesco intensified financing initiatives of means of production, processing and trading of crops. It contributed to increase the productivity and quality of national products, providing support for the domestic market supply and for the growth of exports, in addition to identifying opportunities and supporting business start-up operations.

R$7.599 billion was the balance of investment at year-end, represented by 78,785 transactions.

**Consumer Financing**

As an incentive to the productivity chain growth, in its different stages, Bradesco operates, during the years, including through partnerships in consumer financing with an expressive share in operations destined to the acquisition of second-hand and new vehicles, in the wide chain which gathers car makers, car dealers and consumers. Thus it contributes to employment and income generation, as part of the expansion process of the economic activity.

R$35.254 billion was the balance of operations destined to consumer financing.

**Loan Policy**

Diversified and distributed businesses, supported by suitable guarantees and destined to individuals and companies evidencing ability to pay and credibility, are carried out with agility, safety, profitability, ensuring quality and liquidity in the investment of assets, requirements that are the base of the Loan Policy adopted by Bradesco.

With operating limits for loan granting to minimize risks, the Branches provide variable levels, defined to the size and type of guarantee, while specialist systems of Credit Scoring enable to speed up and support the decision process with specific safety standards. The Loan Executive Committee, instated at the Headquarters, centralizes, analyzes and discusses the loans going beyond the competence of the branches, having a fundamental role in this process.

**Loan Portfolio Quality**

The good quality of loans was confirmed, at the end of the year, by the significant volume of loans rated between AA and C , in relation to the total of the Portfolio, a consequence of the higher participation of operations destined to consumption of individuals, despite the slight growth in delinquency of these portfolios.

**7. International Area**

With a diversified line of products and services, Bradesco Organization s Foreign Trade and Exchange area operates in multiple markets. It is present abroad with Branches in New York, Grand Cayman and Nassau, subsidiaries in Buenos Aires and Luxembourg, in addition to a wide Network of International Bank Correspondents. In the country, it operates with a structure which gathers 12 specialized units and more 7 supporting offices.

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| R$5.703 | billion was the balance at the end of the year on Advances on Exchange Contracts, for a Portfolio of US$5.943 billion of Export Financing, a growth of 37.80% when compared to the previous year. |
| US$827.375 | million in Import Financing in Foreign Currency. |
| US$33.076 | billion traded in Export Deals, a performance 29.25% higher than 2005 and a market share of 22.35%. |
| US$13.355 | billion of import contracted, a 29.87% growth compared to the previous year, with a 15.41% market share. |

**8. Products and Services**

**8.1. Bradesco Cards**

In March, Bradesco entered into a partnership with American Express Company, by which it took over its credit card operations and similar activities in Brazil, starting to hold exclusive right for the issuance of cards of the Centurion line, for the minimum term of 10 years, automatically renewable, and the management of the network of authorized establishments of Amex Cards, which includes the Membership Rewards Program.

Thus, Bradesco provides the most complete line of market products with Visa, American Express, MasterCard and Private Label Credit Cards, this last one for exclusive use in retail chain. Bradesco gradually increases its share in this market segment and increases services it provides to card holders.

With Fidelity National Information Services, Inc. and Banco ABN AMRO Real, Bradesco created Fidelity Processadora e Serviços S.A., which provides services related to Card activities, mainly processing, management of Call Centers, support and back office, risk management and collection services, resulting in one of the largest processors in the country.

It is worth pointing out the pioneer launch of Bradesco Visa Transportation Card in the market destined to transportation companies, shipping companies, risk managers and truck drivers, which has several products and

services in a single card, such as Toll Ticket, freight receipt, purchases in the Visa Electron network, withdrawals in Bradesco Dia&Noite Self-Service Network and Credit Card.

In the Mastercard flag there was the launch of Bradesco-CPB Mastercard Airplane Ticket Card, a virtual card exclusive for purchases of airplane tickets in the travel agencies authorized by the Bank, and of Cred Mais Mastercard Card, for employees of companies with Payroll processed at Bradesco and mainly characterized as a Financing Card, with minimum payment debited in the account on the day of the salary credit.

In partnership with other issuers and Visa International, Bradesco actively participated in the distribution of Visa Vale Cards of the sector of Benefit-Tickets, contributing with 44.10% of all sales in the year of 2006.

Bradesco s presence in the market of Private Label Cards was increased with the inclusion of the Supermarket Chain Carone, in the State of Espírito Santo; of Luigi Bertolli, a traditional clothing store; of GBarbosa Group, Brazil s fifth largest supermarket chain; of Coop Cooperativa de Consumo, Latin America s largest cooperative; and of the drugstore chain Panvel, a leader in the pharmaceutical sector in the State of Rio Grande do Sul.

R$38.720 billion was the total sales of the Organization s Cards, of which R$23.233 billion of Credit Cards and R$14.243 billion of Bradesco Visa Electron Debit Card and R$1.244 billion of Private Label Cards, accounting for, respectively, an increase of 68.32%, 16.28% and 463.43% over the previous year.

57.942 million is the number of Credit, Debit and Private Label Cards being transacted, with an increase of 21.85% as compared to 2005, with 12.980 million Credit Cards 40.076 million Debit Cards and 4.886 million Private Label Cards.

R$8.063 billion were the Assets generated by the card business, encompassing financing to the bearer, advances to commercial establishments and loans for cash or credit purchase, surpassing the balance of December/2005 by 76.77%.

R$1.758 billion in fee income, mainly commission income on purchases made with Debit and Credit Cards and various fees.

1.226 million Visa Vale Meal and Food cards represented Bradesco s contribution to the total portfolio of Visa Vale, with an increase of 22.36% over December 2005 and sales in 2006 at the amount of R$1.672 billion, an increase of 36.60%, when compared to the previous year.

**8.2. Receipt, Payments and Collections Solutions**

The Bank offers Companies and Government Bodies, within the scope of the Federal Government, States and Municipalities, in addition to Public Service Concessionaires, by means of high technology and innovative processes that facilitate and make agile, the receipt of collection, bills and payments, payment of taxes, fees and contributions, allowing them gains in the management of Accounts Receivable and Payable, and greater efficiency in the collection of funds. The entire structure is also made available for Retirees and Pensioners of INSS for the receipt of their benefits.

R$995.667 billion was transacted by Bradesco online collection, check custody, identified deposit and OCT - Credit Order by Teleprocessing, in 2006, which corresponds to 979.157 million of processed transactions.

R$549.691 billion, which correspond to 144.019 million of payment operations made during the year by Pag-For Bradesco - Book Payment to Suppliers, Bradesco Net Empresa and PTRB - Electronic Tax Collection, enabling the management of Accounts Payable to over 400 thousand companies.

R$126.298 billion collected during the year relative to federal, state and local taxes and other contributions, processed by means of 81.218 million slips.

R$6.377 billion was the consolidated volume of collected CPMF, representing 19.75% of the contribution, thus, demonstrating the significant volume of funds transacted under the scope of Bradesco

Organization.

R$23.674 billion received from utility bills, such as electricity, water, gas and telephone, amounting to 173.378 million processed documents, 50.418 million of which were paid by the Automatic Debit in Checking and Savings Account, a system which offers broad convenience to the client.

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R$28.830 billion paid to over 4.710 million retirees and pensioners of the Social Security System, 19.03% of the population registered at the INSS, 55.021 million operations, by means of the Instant Benefit Card and credit into the account.

**8.3. Stock, Custody and Controllership Services**

By means of adequate infrastructure and specialized staff, high standard services are offered in the Custody of Securities, Controllership, Receivable Funds, DR Depositary Receipt, BDR Brazilian Depositary Receipt, Stock Bookkeeping, Debentures and Investment Fund Quotas.

**Assets Bookkeeping**

178 companies integrate Bradesco s Bookkeeping Stocks System, comprising 2.469 million stockholders.

50 companies comprise Bradesco s Bookkeeping Debentures System, with restated value of R$60.596 billion.

48 Investment Funds comprise Bradesco s Bookkeeping Quota System, with restated value of R$22.723 billion.

2 Registered BDR programs, with market value of R$222.436 million.

**Custody and Controllership**

R$278.410 billion in assets under custody, of clients who use the Custody Services (Funds, Portfolios, DR and Receivable Funds).

R$319.833 billion is the total Managed Portfolio and Investment Funds which use the Controllership Services.

9 Registered DR Programs, with market value, at the amount of R$ 62.918 billion.

**9. Market Segmentation**

Focusing its actions on relationship, the segmentation process at Bradesco lines up to the market trend to gather groups of clients with the same profile, which allows differentiated assistance and growing gains of productivity and quickness. It provides the Bank with greater flexibility and competitiveness in the execution of its business strategy, giving dimension to operations, for both individuals and legal entities, in terms of quality and specialization, in specific demands of the most different levels of clients.

**9.1. Bradesco Corporate**

Present in the main Brazilian cities, by means of its platforms, it develops specialized relationship to large economic groups, whose annual sales exceed R$180 million. The principle of the partnership is an important differential not only to Corporate itself as to its area Asian Desk, generating the best results.

R$85.304 billion is the total of funds managed by the area, comprising 1,286 economic groups.

**9.2. Bradesco Empresas (Middle Market)**

Focused on companies with annual sales between R$15 million and R$180 million, it offers business management, such as Loans, Financings, Investments, Foreign Trade, Derivatives, Cash Management and Structured Operations.

R$31.367 billion is the total of funds managed by the area, among the loan operations, guarantees, deposits, funds and collection, comprising 22,729 companies in all the sectors of the economy.

**9.3. Bradesco Private Banking**

Specialized structure to assist wealthy individuals, with minimum availability of R$1 million for investments, Bradesco Private Banking provides customized assistance and fully focused on equity appreciation, advising as to the best alternatives for each type of client. In December 2006, this division managed R$22 billion, out of a total of 4 thousand clients.

**9.4. Bradesco Prime**

Directed to individuals with monthly income as from R$4 thousand or availability of investment higher than R$50 thousand, Bradesco Prime provides customized assistance, full financial advisory services, as well as distinguished Products and Services. With a Customer Service Network exclusive for the segment, at the end of the year there were 208 Prime Branches distributed all over the country, especially projected to provide comfort and privacy to over 344 thousand clients.

**9.5. Bradesco Varejo (Retail)**

By keeping the vocation cultivated since its beginning, the Bank maintains the Retail segment as strategic and a priority, with quality assistance to the entire population. In this traditional operation field the interests of the Brazilian society converge with Bradesco s, which reaches the possible largest number of companies and people, in all regions of the country, including those with lower development level, reflecting the effort it makes in the democratization of banking products and services. In December 2006, the segment served more than 16 million account holders.

**9.6. Banco Postal**

Banco Postal is the brand by means of which Bradesco offers its products and services in almost all Brazilian municipalities, in partnership with the Brazilian Postal Company. It contributes to the progress of local populations, especially in places with no Banking Network, becoming a dynamic conductor of market expansion in view of its capacity to include new consumers of financial services, including as financing and loan takers, in addition to becoming an important support to Bradesco s Clients all around Brazil. Since is creation, in 2002, more than 4,800 cities in all regions of the Country started having access to these services.

**9.7. Bradesco Expresso**

Always focused on democratization of banking products and services, Bradesco also holds a partnership with several commercial establishments, such as Supermarkets, Drugstores, Department Stores, Bakeries and other retail chains, offering clients and the community in general the convenience of customer services closer to their home or work place.

**10. Organizational Structure**

**10.1. Bradesco s Customer Service Network**

Designed to provide suitable standards of efficiency and quality, Bradesco Organization s Customer Service Network is present all over Brazil.

With large and modern Self-Service Offices, with extended working hours and diversified equipment, Bradesco s Branches stand out for the functionality and comfort of their environment, saving the client s time, facilitating and speeding up his/her operations. At Bradeco Prime Branches, with personalized treatment and an exclusive environment, clients have customized service and complete financial advisory service. Bradesco Empresas (middle market) offers similar assistance, provided with quality and specialization.

With 24,099 machines, 22,896 of them operating also on the weekends and holidays, distributed in strategic parts of the country, Bradesco Dia&Noite Self-Service Network provides fast and practical access to a diversified range of products and services. Holders of debit cards in checking or savings accounts may also make withdrawal operations, issuance of statements and balance consultation in the 3,201 machines of Banco24Horas, in 2,990 outlets.

Bradesco Dia&Noite also enables access for people with special needs by means of Internet Banking, customized service to the hearing impaired with digital language in Fone Fácil, access to wheelchair users and visually-impaired individuals in the Self-Service.

Bradesco Portal, comprised by a set of 43 websites, with 30 institutional ones and 13 transactional ones, provides high technology to over 7.763 million registered users, also with the Bradesco Security Keys System Electronic and Card. It allows access to 681 modalities of operations.

With services exclusively focused on Corporations, Bradesco Net Empresa provides wide safety for banking transactions, by means of a Digital Certificate with electronic signature and Bradesco Electronic Safety Keys System. The 439,841 registered companies optimize the financial management of their businesses, with 301 types of operations, such as transactions in checking and savings account, payments, collections and file transfers.

Bradesco ShopInvest website allows, among several options, to make investments on the Stock Exchanges, with online quotations, and also investments and redemptions, calculation simulations, acquisition of certificated savings plans, supplementary private pension plans and it also provides information for the follow-up of the financial market.

With detailed information about the lines offered, the Loans and Financings website ShopCredit provides clients (individual and corporate clients) with the Bank s complete portfolio. It also allows the use of calculation simulators for operations of Individual Loan, CDC, Leasing, Real Estate Loan, Rural Loan, Finame, among others.

By means of Bradesco Celular channel, the mobile technology, the client can interact with the Bank and make payments of bills, transfers between accounts, cell phone recharge, consultations of balances and obtain information about insurance, certificated savings plans, indexes, financial market quotations and profitability and Investment Funds.

Focused on serving the Executive, Legislative and Judiciary Powers, within the Federal, State and Municipal scope, Bradesco Poder Público website comprises the Bank s products and services, with solutions of payments and receipts and in the Human Resources area, providing access to Bradesco Net Empresa.

With economic information and specialized analyses that facilitate the management of funds of Brazilians who intend to go to Japan, or who are living there and intend to go back to Brazil, Bradesco Nikkei website provides solutions of products and services to these clients and users.

In addition to the website which hosts all its products, www.bradesco.com.br, the Bank has specific websites to serve clients of the Bradesco Prime, Private, Empresas and Corporate segments.

Fone Fácil Bradesco enables phone access day and night, seven days a week, with convenience, quickness and safety, in which the client, by means of electronic and customized service, may obtain information, make transactions and acquire products and services related to his/her checking account, savings account and credit cards. In the year, it reached 284.335 million calls and 5.064 million items traded.

The capacity and efficiency of this wide and integrated structure may be evaluated by the daily average of 11.879 million transactions made by clients and users. There are 2.420 million on the Counters and 9.459 million (79.62%) through convenience channels, such as Bradesco Dia&Noite Self-Service, Internet and Fone Fácil.

Bradesco Organization s Network, on December 31, was comprised of 22,177 service branches, as follows:

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| 3,008 | Branches in the country (3,007 Bradesco and 1 Banco Finasa); |
| 3 | Branches Overseas, 1 in New York, 1 in Grand Cayman, and 1 in Nassau, in the Bahamas (Boavista); |
| 5 | Subsidiaries Overseas (Banco Bradesco Argentina S.A., in Buenos Aires; Banco Bradesco Luxembourg S.A., in Luxembourg; Bradesco Securities, Inc., in New York; Bradesco Services Co., Ltd., in Tokyo; and Cidade Capital Markets Ltd., in Grand Cayman); |
| 5,585 | Banco Postal branches; |

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| 8,113 | Bradesco Expresso Outlets; |
| 2,540 | Outplaced terminals of Bradesco Dia&Noite (self-service network); |
| 2,542 | Corporate site branches; and |
| 381 | Finasa Promotora de Vendas branches, a company present in 16,839 car dealers and 23,054 stores trading furniture and home décor, tourism, autoparts and information technology equipment and programs, home building material, telephony, among others. |

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**10.2. Bradesco Ombudsman**

A natural evolution of pioneer Alô Bradesco", created in April 1985, the Bank established, in 2005, the Ombudsman Area to make the open and direct dialogue with clients and users even more decisive in the definition of relationship strategies. A special emphasis is given to the capture of trends that enable to anticipate procedures compatible with new market demands.

Five years before the edition of the Consumer Defense Code, Alô Bradesco , the Financial Market s first Communication Channel with the public, already recorded and gave appropriate treatment to suggestions and complaints, affirming the Organization s option for transparency and conciliation of interests. The Ombudsman, in addition to direct contact, is responsible for the manifestations received by means of the Brazilian Central Bank, Procon, the press and letters, a new step ahead, strengthening commitments to client s satisfaction.

136,383 contacts registered in 2006.

**11. Bradesco s Companies**

**11.1. Insurance, Private Pension Plans and Certificated Savings Plans**

With its path connected to innovation, in the launch and improvement of several products in the Areas of Insurance, Supplementary Private Pension Plans and Certificated Savings Plans, Grupo Bradesco de Seguros e Previdência, managed by Bradesco Seguros S.A., has a leading position among the conglomerates that operate in the sector in Latin America.

R$2.159 billion was the Net Income of the Insurance, Supplementary Private Pension Plans and Certificated Savings Plans segment in 2006, with a 29.78% profitability and stockholders equity of R$ 7.250 billion.

R$60.558 billion amounted the total assets.

R$55.297 billion amounted the free investments and for coverage of Technical Provisions.

R$17.604 billion were the Net Revenues from the Insurance and Private Pension Plans activities.

R$1.418 billion was the sales from the Certificated Savings Plans activity, distributing premiums at the total amount of R$40.468 million, related to 3,524 bonds drawn in a portfolio which, at the end of the year, recorded 14.169 million active bonds.

**11.2. BEM Distribuidora de Títulos e Valores Mobiliários Ltda.**

With a high level of specialization, BEM is devoted to the asset management in the institutional segment.

R$18.031 billion as of December 31, was distributed into 147 Investment Funds and 6 Managed Portfolios, amounting to 2,749 investors.

**11.3. Banco Finasa S.A.**

It operates as Bradesco Organization s financing company, making operations of Consumer Direct Lending and Personal Loan and promoting, by means of its wholly-owned subsidiary, Finasa Promotora de Vendas Ltda., the relationship with car dealers and stores commercializing durable and semi-durable goods and services.

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| R$237.623 | million was the Recurring Net Income for 2006. |
| R$21.262 | billion were the Consolidated Assets, 20.68% increase over the previous year. |
| R$18.455 | billion was the balance of loan operations, up 24.38% over December 2005. |

**11.4. Leasing Bradesco**

In a competitive way, it holds a place in the market among the leaders of the sector, with experience in the implementation of operational agreements with large manufacturers and resellers, especially focused on businesses with vehicles, machines and equipment.

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| R$3.920 | billion was the balance invested on 12.31.2006, from 71,857 operations contracted in 2006. |
| 111,154 | leasing agreements were in force, at the end of 2006, characterizing a high level of distribution of businesses. |

**11.5. Bradesco Administradora de Consórcios Ltda.**

Bradesco Consórcios, which has in the safety of the Bradesco Branch a strong competitive edge, consolidated its leadership in the segments of Automobiles and Real Estate and has been building an outstanding position in the segment of Trucks and Tractors. The growth, which started in 2003, of the total quotas placed, reflects the result of the continuous and determined work of the wide Customer Service Network.

289,453 quotas were traded until December 31, ensuring Bradesco s leadership in the real estate and automobile segments.

R$8.912 billion was the sales amount in 2006.

**11.6. Bankpar (Operations with American Express Credit Card)**

A result of the partnership with American Express Company, Bradesco, by means of the acquisition of Bankpar, took over all the operations, in Brazil, related to credit cards and similar activities, with the exclusive right for the issuance of cards of the Centurion line, for the minimum term of 10 years, and the management of the network of authorized establishments of Amex Cards.

**11.7. Banco Bradesco BBI S.A.**

With the strong purpose to consolidate, focus and develop new niches in the activities related to the domestic and foreign capital markets, Bradesco established in February 2006 BBI, the Investment Bank, which has as mission to operate the areas of Capital Markets, Mergers and Acquisitions, Project Financing, Structured Operations and Treasury, taking care of the structure, origination, distribution and asset management businesses, financial flows and stocks of clients. In addition to these activities, BBI coordinates the operations of Bram Asset Management, Bradesco Corretora de Títulos e Valores Mobiliários, Bradesco Securities and Bradesco Private.

Specialized in the pursuit of the best alternatives for capitalization of companies and expansion of their businesses, along with high quality services to investors, it coordinated, in 2006, 28.60% of the volume of issuances registered at the CVM Brazilian Securities and Exchange Commission.

R$30.014 billion was the total funds coordinated in 2006, in primary and secondary operations of stocks, debentures and promissory notes, and R$1.697 billion the amount in operations of Investment Funds in Credit Rights.

**BRAM Bradesco Asset Management S.A. DTVM**

With an outstanding share in the asset management market, BRAM uses all its experience and specialization in several segments, such as Bradesco Prime, Bradesco Empresas, Corporate, Private, Retail and Institutional Investors.

R$129.077 billion, on December 31, distributed in 416 Investment Funds and 98 Managed Portfolios, reaching 3.331 million investors.

**Bradesco S.A. Corretora de Títulos e Valores Mobiliários**

Structured to serve clients from all over the country, Bradesco Corretora is an outstanding brokerage firm in the Brazilian market, with significant participation in Bovespa s trading floors and an expressive growth in its operations through the Internet (Home Broker). It also holds a privileged position on BM&F Brazilian Mercantile and Futures Exchange, as one of the brokers with the largest trading volume.

The services of investment analysis and economic conjuncture are among its competitive advantages. It also represents non-resident investors in the country in operations made in the financial and capital markets, in the management of investment clubs and in the custody for individuals and non-institutional legal entities.

It has an exclusive Automatic System for Trading of Stocks SANA which is structured to facilitate the participation of the small investor in the stock market, making it easier to buy and sell stocks on the Exchange, in small lots, through computer terminals in Bradesco Branches Network. It also operates in the intermediation of public offerings.

With the provision of Market Maker services, it ensures minimum liquidity and price reference of stocks of companies traded on Bovespa and offers the Direct Treasury Program, which allows individuals to invest in Federal Government Bonds through the Internet, by registering at Bradesco Corretora by means of the website www.bradesco.com.br.

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| R$25.852 | billion was the total traded by Bradesco Corretora at Bovespa s trading floors, corresponding to 853,414 stock call and put orders, serving in the year 57,091 investors. |
| 2.550 | million of contracts were traded on BM&F, representing a financial volume of R$ 207.890 billion. |
| R$4.296 | billion was the amount traded at Home Broker, corresponding to 603,559 stock call and put orders. There were 62,369 clients registered on December 31. |
| 24,804 | clients were registered on 12.31.2006 in the Fungible Custody Portfolio. |

**Bradesco Securities, Inc.**

It operates as broker dealer in the North American market, in the distribution of government and private bonds to international investors. It also serves local clients in the intermediation of stocks, through ADRs, as well as stocks listed on North American Exchanges.

**Private Banking**

With customized assistance, by means of highly qualified and specialized professionals, it provides its clients, wealthy individuals, with minimum availability of R$1 million for investments, an exclusive line of products and services, complemented by asset allocation advisory services, fiscal, tax and successory guidance.

**12. Corporate Governance**

Bradesco has been constantly improving its Corporate Governance practices, aiming at the quality of management, in order to pursue the satisfaction of its stockholders, investors, clients, suppliers, employees, the community and other stakeholders, always under the support of the Organization s sustainability.

Stockholders are ensured, as mandatory minimum dividend, 30% of the adjusted net income, a percentage higher than the minimum percentage of 25% set forth in Law no. 6,404/76. Preferred stocks are ensured dividends 10% higher than the ones attributed to common stocks. Over the past years, the Bank paid a percentage higher than the mandatory percentage of 30%.

The initial milestone of its Governance was the listing of stocks on the Bovespa, in November 1946, a little more than three years after its foundation.

There are several initiatives that show the respect of Bradesco for all those it has a relationship, such as:

- first Bank to distribute monthly dividends, as from January 1970;
- in April 1985, it launched the Alô Bradesco service, currently Bradesco Ombudsman;
- preferred stocks started being traded on the New York Stock Exchange in June 1997, through Level I ADRs, and, in November 2001, through Level II ADRs;
- in February 2001, its preferred stocks also started being listed on LATIBEX Madrid Stock Exchange Spain;
- in June 2001, it voluntarily adhered to Level I of Bovespa s Differentiated Corporate Governance Practices;
- in June 2003, it established the Codes of Corporate and Sector Ethics for the Areas of Accounting and Financial Management and the Committees of Ethical Conduct and Disclosure;

- the presence, since June 2003, of 2 independent members in the Board of Directors, representing the minority stockholders Banco Bilbao Viscaya Argentaria (BBVA), from Spain, and Banco Espírito Santo (BES), from Portugal;
- in December 2003, it established 100% Tag Along for common stocks and 80% for preferred stocks, as well as the Audit, Internal Controls and Compliance and Compensation Committees; and
- in June 2005, it received the AA rating Great Corporate Governance Practices from Austin Rating.

In May 2006, the Board of Directors formalized the Corporate Governance Policy and established the Corporate Governance Executive Committee of Bradesco Organization.

While the Policy draws the initiatives to make effective the Corporate Responsibility, Ethics, Transparency, Equity and Accountability, so that Bradesco ranks among the leading companies that practice good Governance in the domestic and foreign markets, pursuing solidity and sustainability of businesses, the Committee has as purpose to advise the Board of Executive Officers as to the compliance with the referred Policy.

It is worth pointing out that in October 2006 Bradesco s stocks started integrating FTSE LATIBEX BRASIL, new index launched by Spanish Exchanges and Markets (BME) and FTSE Group (FTSE).

At the Annual Stockholders Meeting held on March 27, it was resolved on the maintenance of the Fiscal Council, composed of 3 sitting and alternate members, with term of office until 2007, with 1 sitting member and his/her alternate chosen among preferred stockholders.

The Organization has focused on the quality of its controls and, given the importance of the internal audit in this sense, it decided, in the context of the best practices, to formalize the establishment of the International Audit Area, dedicated to the Premises Abroad and to the relationship with local Regulatory Bodies.

In the period, it is also important to mention that Bradesco Organization, in compliance with Instruction no. 381, of the Brazilian Securities and Exchange Commission, did not contract or had services provided by PricewaterhouseCoopers Auditores Independentes not related to external audit on levels higher than 5% of the total costs. The policy adopted complies with the principles preserving the Auditor s independence, in accordance with internationally accepted criteria, which are: the auditor must neither audit his/her own work, nor exercise managerial functions in his/her client or promote his/her client s interests.

**12.1. Internal Controls and Compliance**

The Internal Controls and Compliance System adopted by Bradesco Organization is an important instrument for risk management and Corporate Governance.

In the wide sense, it is a structured process that comprises the Board of Directors, the Committees that advise it, the Board of Executive Officers, the Managers and all the Organization s employees, with the purpose of allowing a safer, more adequate and efficient conduction of businesses and in line with the regulation set forth by the National Monetary Council.

The Organization has evaluated the flows of its processes and systems and at the same time it has regularly made adherence tests to measure the effectiveness of existing controls, with full involvement of the Areas, the Internal Controls and Compliance and Audit Committees and, with occasional reports, to the Board of Directors. The work is aligned with the main control frameworks, such as COSO Committee of Sponsoring Organizations of the Treadway Commission and COBIT Control Objectives for Information and Related Technology, which comprise Business and Technology aspects, respectively, as well as meeting the requirements set forth by PCAOB Public Company Accounting Oversight Board and fully complies with the requirements of Sarbanes-Oxley Act.

The designs of the internal controls processes are adequate and deficiencies that compromise its certification, as set forth in Sarbanes-Oxley Act, have not been identified, and adherence tests to the processes have been made, for the issuance of a report with reference date as of December 31, 2006, to be filed at the Securities and Exchange Commission SEC, jointly with the related financial statements in US GAAP.

**Money Laundering Prevention**

Bradesco adopts a series of measures to fight against cases of corruption and use of the Financial System for illegal businesses, including terrorism. To avoid the use of its structure for these purposes, it maintains a policy, specific process and systems of control and money laundering prevention.

The Know you Client policy, the strong investments in training, processes and systems of control and monitoring of operations enable the appropriate identification of atypical situations which, after analyzed by a team of specialists,

are not sent for evaluation of a Commission as to the relevance of submission of the cases to the proper authorities, whether the operation has been carried out or not, once the business units have all the autonomy to refuse businesses and operations considered suspicious or atypical, and the refused proposal of atypical businesses is, at any rate, reported to the Commission. An Executive Committee meets at least quarterly to evaluate the progress of works and the adoptions of measures required for the maintenance of works, in line with the best international practices concerning the prevention and fight against money laundering and terrorism.

These actions are also in line with the policy defined by the Senior Management and enable to protect the Institution, managers, stockholders, clients and employees.

**SPB (Brazilian Payment System) Management**

The SPB has as purpose to ensure the execution of the messages transmitted between Bradesco Institutions and the entities participating in this System. The control is exercised in real time, by means of applications in Mainframe and Low Platform, which allow the identifications of the conclusion of any message traded by the System. It is provided with contingency instruments, including a second operational environment in a different place than the main site.

To attribute greater safety and reliability in the transactions and reduce operating risk represented by the undue outflow of funds, Bradesco also has a Transactions Legitimation System through TED Available Electronic Transfer. It also has a PCN Business Continuity Plan, documented in a specific tool and with corporate access, comprising scenarios and predefined actions, which enable the reduction of systemic unavailability risk.

**Information Security**

The effective protection of information assets, constituted by data bases, by information technology environments, documents, files, safety copies of systems, controlled accesses to systems and information and protection in data generation and traffic, among other safety management tools, are covered in Bradesco s Corporate Policy and Rules for Information Security.

The restricted information and with exclusive interest of clients, as well as the Organization s strategic information, are internally treated with absolute secrecy and receive total protection by means of internal controls and computerized systems. With the purpose of preserving total adherence to these procedures, programs of training, awareness and reviews of the policies are continuously maintained.

**12.2. Transparency and Disclosure of Information Policies**

Aiming at the relationship with the general market, based on the disclosure of transparent and quality information, Bradesco Organization produces a series of periodical publications.

The Bank publishes, each quarter, the Report on Economic and Financial Analysis, a compilation of the information most required by specialized readers, and, annually, the Management Report and the Sustainability Report. It also distributes, on a quarterly basis, Acionista Sempre em Dia , with 35 thousand copies; Bradesco Magazine , 26 thousand; and Bradesco Rural Magazine , 5 thousand, all of them focused on the external public; as well as the newsletter Cliente Sempre em Dia , with 700 thousand monthly copies.

**12.3. Investor Relations IR**

Transparency is the fundamental milestone in Bradesco s relation with stockholders, investors and market professionals. In this context, it provides clear, timely and abundant information, available on its Investor Relations website, www.bradesco.com.br/ri, in the Portuguese, English and Spanish versions. Besides benefiting the market in the right evaluation of Bradesco, it maintains the Bank s Management informed on opinions of the financial community about its performance.

The active profile of the area allows a fast, transparent and quality assistance to investors, clients and all those searching for information on Bradesco, providing a high-level relationship with national and international individuals and corporations.

Stockholders, investors and market analysts also count on the option of getting to know better the Bank s performance at Apimec Meetings, which are carried out during the year. In 2006, 14 meetings were promoted.

In the period, 128 internal and external meetings with analysts were promoted, in addition to 5 conference calls, 7 events abroad and 900 assistances by means of Fale com o RI , on the webpage.

**13. Risk Management**

Directly subordinated to an Executive Officer and to the Presidency of the Bank and exercised independently, risk management involves an integrated set of controls and processes, comprising credit risk, market risk and operational risk. As a principle, the Organization adopts a conservative policy in terms of exposure to risks, and the guidelines and limits are defined by the Senior Management.

**13.1. Credit Risk**

The Credit Risk management at the Organization, in line with the best practices, always recognizing the Brazilian market reality, is a continuous and evolutional process of mapping, standardization and diagnosis of models, instruments, policies and procedures in force, requiring a high level of discipline and control in the analyses of operations carried out, preserving the integrity and the independence of the processes. It also aims to comply with the requirements proposed in the New Basel Accord.

**13.2. Market Risk**

Based on methodologies and models aligned with the best practices of the domestic and foreign markets, market risk is carefully followed, evaluated and managed, also complying with the recommendations and rules of the regulatory bodies. The market risk management policy is conservative, and the VaR ( Value at Risk) limits are defined by the Senior Management and monitored, daily, in an independent manner.

**13.3. Operating Risk Management**

Bradesco Organization considers the Operating Risk management activity fundamental for the generation of added value, and its success is based on the dissemination of the culture, availability of tools, disclosure of policies and implementation of corporate methodologies. These assumptions enable the improvement of internal processes, as well the support to business areas, with the purpose of improving operating efficiency and reducing capital committal.

With continuous alignment work to the best market practices in operating risk management, Bradesco is ready to comply with the orientations of the New Basel Capital Accord, according to the schedule established by the Brazilian Central Bank. The Organization s goal is to be qualified for the Capital Allocation Model by the Advanced Internal Measurement Approach (AMA), for the adoption of this method will result in a smaller capital allocation.

It is important to mention the development process of a new corporate systemic platform, which will integrate in a single data base information of Operating Risk and Internal Controls, also comprising the requirements established by Sarbanes-Oxley Act, Section 404.

**13.4. Risk Factors and Critical Accounting Policies**

To ensure the constant tune with the best international transparency and corporate governance practices, Bradesco has disclosed risk factors and critical accounting practices, in conformity with the financial statements in the North American format US GAAP, related to probable political-economic situations sensitive to the domestic and foreign markets and which can directly impact the day-today of operations and, consequently, the Bank s financial condition, in the Report on Economic and Financial Analysis available on the website www.bradesco.com.br/ri.

**14. Intangible Assets**

Although the Organization does not record its intangible assets, there are evidences of the perception of their magnitude by investors and that can be found in the significant difference between Bradesco s Equity Book Value at the end of the year, R$24.636 billion, and its Market Value, R$84.801 billion, calculated based on the quotation of its stocks on Bovespa, representing 3.44 times the Stockholders Equity.

All the strategic planning developed takes into account, for the establishment of realistic goals, the trust that the Bradesco Brand inspires; its image of solidity, tradition, reliability and good governance; a strong corporate culture; the scale reached in its businesses; the range of relationship channels existing between the different publics and the Organization; an innovative Information Technology policy; the wide diversification of products and

services offered and its wide Customer Service Network, which covers the entire country and transcends its frontiers; a dynamic and responsible social-environmental responsibility policy; a vigorous Human Resources policy; and the well known closed career , in force since its origins and that: a) provides a more solid relationship among all employees; b) increases, as a consequence, the level of trust among them; c) shows professional development opportunities; d) substantially reduces the personnel turnover index and costs linked to it; and e) sows, on all levels, a long-term vision, a necessary sustainability introduction.

**14.1. Bradesco Brand**

A research of The Banker magazine, the world s most prestigious publication of the financial sector, and of Brand Finance, the largest international branch consulting firm, evaluated Bradesco as Latin America s most valuable brand of the banking sector, with the very strong , AA rating, higher than the other Brazilian banks evaluated.

**14.2. Human Resources Intellectual Capital**

The characteristics of service provider and market leader, present at Bradesco Organization, ensure a vital importance to its human capital, in terms of qualification, motivation and commitment, virtues that guide the action of the Human Resources Management Policy, by developing, permanently, training and qualification programs, with focus on the diversification and excellence in service provision. The courses are mainly focused on the operational, technical and behavioral areas, serving everyone with the same quality standard.

The Human Resources Management Policy permanently involves 63,163 employees at Banco Bradesco and 16,143 in the Subsidiaries.

With the purpose of improving and deepening the study of themes related to the demands of the markets, economic scenarios and requirements of technological advances, they count on teams of specialized instructors and on the support of the appropriate infrastructure.

One outstanding initiative is TreiNet Training through the Internet/Intranet which provides employees with the possibility of acquiring new distance knowledge, in a comprehensive manner. In 2006, it gathered more than 940 thousand participations, showing the incentive to its dissemination.

At the same time, Management Development programs are conducted through specialization courses in the Economics, Business Administration and Law areas, including on post-graduate level. These programs, in partnership with Consulting Companies, Universities and Business Schools, allow the updating and advancing of learning.

Bradesco s internal communication deserves special emphasis, since it is the link with all the process of strengthening the communication culture. It discloses, objectively and consistently, strategic positions, information, concepts, and, above all, the values and advances of the organizational structure. In this context, TV Bradesco stands out on all levels, for its efforts to constitute, integrate and motivate the staff, in addition to the publications Interação , which is sent in a personalized manner to each employee, and Sempre em Dia a daily paper; both are also available in electronic format on the Intranet the Bank s Internal Services.

The benefits aiming at improving the employees and their dependents quality of life, welfare and safety covered, at the end of the year, 175,916 lives. Among these benefits, the main are:

- Health Care Insurance;
- Dental Care Insurance;
- Supplementary Private Pension Plan;

- Group Life and Personal Accidents Insurance; and
- Group Car Insurance.

As a result of that work, Bradesco was listed for the seventh time in Guia Exame Você S/A 2006 The Best Companies to Work for and for the fourth consecutive time in the ranking The Best Companies for Women to Work for, both promoted by Exame and Você S/A magazines, in partnership with Fundação Instituto de Administração FIA, in addition to being listed in the ranking of the 100 Best Companies to Work for in Brazil, of Época magazine, in partnership with Great Place to Work Institute Brazil. For the third year, Bradesco was also highlighted in the survey The Best in People Management conducted by Valor Carreira magazine, published by Valor Econômico newspaper, with technical support of Hay Group, directly listening to employees. Once again, these acknowledgments reaffirm all the employees motivation in their place of work, the efficiency of the management model, the benefits offered and the opportunities of career advancement.

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| R$57.873 | million invested in 2006 in Training Programs, with 1,167,743 participants. |
| R$494.387 | million invested in the Food Program, with daily supply of 102,405 snacks and 73,538 meal vouchers. |
| 3.894 | million medical and hospital consultations. |
| 645,042 | dental consultations during the year. |

**14.3. Information Technology**

Characterized by its pioneering work, Information Technology is one of the core pillars of Bradesco Organization s strategy to give sustainability and boost the business, allowing the clients easy access to innovative, easy-to-use, quality services, with safety.

With a fully secured infrastructure, relying on a highly technological standard and guided by the best practices, it has a processing capacity, in its central computers, higher than 76,000 Mips (million instructions per second). There are more than 5,000 application program servers processed in other platforms and almost 12,000 telecommunications services, whose data storage capacity is close to 3 Petabyts (three quadrillion characters), recording the average of 163 million transactions, in addition to 8.7 billion registrations processed in the managements systems, a day, with measured availability above 99.7% .

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| R$1.826 | billion investments aiming at its maintenance, expansion and innovation amounted to in the year. |

**15. Marketing**

The marketing strategy adopted by Bradesco along the year showed outstanding innovations and significant results. The Complete Bank concept, adopted in the previous year, established itself in the competitive financial market. The mission of being a bank that can help make its clients lives equally complete, projected itself in the product and service positioning, such as Loans, Investments, Insurance and Private Pension Plans.

That concept went beyond the traditional parameters of the Bank s campaigns, and evolved into segmented actions, with Prime, Verão Completo Bradesco and the remarkable Social-environmental Responsibility work developed over 50 years ago by the Organization. As from March, with the Complete slogan also in the social area, the campaign had a national visibility, extending the disclosure, to several publics, of the Institution s work in areas such as education, sports and environment, showing a modern, human and multifunctional Bank, committed to sustainability.

In July, the commercial with Cirque Du Soleil generated a new impact for the Complete Bradesco campaign, becoming the most efficient advertisement of the month and the most remembered Brand of the sector. The communication strategy adopted with the exclusive sponsorship to the first tour of the Canadian troupe in Brazil, helped to place Bradesco as the Country s most remembered brand, according to the Top of Mind research, of the Brazilian Association of Advertisers (ABA)/Top Brands.

In December, for the eleventh consecutive year, Grupo Bradesco de Seguros e Previdência offered its Christmas Tree to the city of Rio de Janeiro. Strategically set up in Lagoa Rodrigo de Freitas, the Tree already takes part in the calendar of tourist attractions of the municipality and had as innovation, in line with the social-environmental

responsibility principles, the use of a generator operated with Biodiesel.

With a language joining creativity and emotion, the end-of-the-year movie of Bradesco showed basic values of society, both in the personal field as well as related to social and environmental issues, always searching for a better world.

531 regional, sector and professional events all around the Country, including business fairs, seminars, congresses and cultural and communitarian events, which counted on the participation of Bradesco in 2006.

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**16. Bradesco Organization s Social-environmental Action**

**16.1. Social-environmental Responsibility**

The social-environmental issue and its impacts on the Country s economic development play an important role in Bradesco s strategic planning. The Bank adopted the revised version of the Equator Principles, confirming the commitment to evaluate every project financing higher than US$10 million. It was the first Bank to launch the measurement program of its direct and indirect participation in the emission of carbon dioxide (CO2) in the atmosphere, with the purpose of neutralizing this production, and, among its consumption materials, it started using recycled paper also to make check books, printed with the same safety, quality and reliability already proved by all the market. Currently, around 90% of the consumed paper is recycled.

Bradesco also obtained ISO 14001 Certification, granted to companies with proved support practices to the planet sustainability preservation, and Certification of Rule OHSAS 18001 of Occupational Safety and Health, which enables to establish and develop conditions that contribute to a safe and healthy work environment, both for Bradesco Avenida Paulista Building, in the city of São Paulo.

In 2006, Bradesco continued to enter into partnerships, supporting several initiatives, such as Teleton, a TV marathon focused on raising funds to AACD Association for Assistance to Disabled Children, and Fundação Dorina Nowill, which promotes social inclusion of the visually impaired. Thus, it has increased the scope of its actions and contributions in the social filed, emphasizing the values of citizenship.

By means of products, such as credit card, certificated savings plans and supplementary private pension plans, plus donations, Bradesco invested approximately R$49 million in programs led by Fundação Bradesco SOS Mata Atlântica, an entity with the mission to maintain the natural, historic and cultural heritages in remaining areas of Mata Atlântica. The partnership has already allowed the planting of more than 17 million trees.

The Bank also became the first Company of Latin America to receive AAA+ rating from the highly respected Spanish company of research and evaluation Management & Excellence and started integrating the Dow Jones Sustainability Index of the New York Stock Exchange. It was also selected to integrate the new stock portfolio of ISE Bovespa s Corporate Sustainability Index, of which it has taken part since its creation.

At the same time, in order to contribute to the dissemination of the social-environmental responsibility practices, Bradesco has been holding, within the scope of its relationships, meetings with suppliers of products and services it consumes, of the most different segments, aiming at the diffusion and awareness about the vital importance of this issue. With this program, the Bank foresees to reach its more than 1.5 thousand suppliers in two years.

The Social-environmental Responsibility Corporate Policy, which sets forth the guidelines on the theme, is available on the Bank s new Social-environmental Responsibility website, www.bradesco.com.br/rsa, increasing the visibility of the Organization s actions directed towards sustainable development.

**16.2. Fundação Bradesco**

Present in all Brazilian States and the Federal District, Fundação Bradesco celebrated its 50th anniversary in November as the Organization s main instrument of social action, Brazil s largest private social project and one of the largest ones of the world. Its 40 Schools, set up mainly in regions with social-economic needs, provide free and quality education to children, youngsters and adults, graduating more than 662 thousand students.

Increasing its operation each year, in 2006 it assisted more than 108 thousand students, including those attending courses of education for youngsters and adults and professional education. It ensured, also on a free basis, food, uniform, school supply and medical-dental care to preschool, elementary school, middle school, high school and

technical professional education students, totaling more than 50 thousand students.

The approval rate at Fundação Bradesco s Schools has reached, on the average of the last six years, 96%, equivalent to the best international parameters.

With the purpose of meeting the constant challenges of updating, qualification and requalification of workers, with different education levels, Fundação Bradesco offers courses focused on Initial and Continuing Formation of Workers, increasing solid bonds with regional markets and the specific interests of the communities. There are more than 100 options of free courses, with flexible programs, modeled with the purpose of qualifying participants to undertake their own business or conquer better positions in the job market. In this outlook, we can point out the courses in the area of Graphics Technology, Agribusiness, Business Management, Information Technology, Fashion, Leisure and Development.

On March 19, all units of Fundação Bradesco promoted the National Day of the Volunteering Action , involving around 21 thousand volunteers in more than 150 stations, which included Public Schools and Digital Inclusion Centers CIDs, serving more than 1 million people in the areas of citizenship, education, leisure, sports and environment.

The alliances consolidated over the years allowed Fundação Bradesco to increase its achievements, focusing on special programs aimed at democratizing and updating knowledge. We point out the partnerships in the Digital Inclusion Program, which in the year served more than 25 thousand people in 48 CIDs, 3 of which in Indian communities. With the Media Lab, Research Center of MIT Massachusetts Institute of Technology, it developed projects of technology integration with social issues. ID Lab (Development Laboratory) is another project in which students of MIT, USP and Fundação Bradesco work together to implement technologies in the Javaés Indian community, in Canuanã, State of Tocantins. With Fundação Roberto Marinho, of Organizações Globo, it has maintained, since 1997, as founding partner, Canal Futura The Knowledge Channel , currently reaching around 20 million TV viewers.

With Bovespa it entered into a partnership for the assistance of 36,500 elementary school, middle school, high school and technical professional education students in Educar program, focused on financial, school and family education. And with the Secretariat of the Federal Revenue of the State of São Paulo (8th RF), for the implementation of the National Fiscal Education Program, a result of the joint work of the Ministries of Finance and Education and of the Secretariats of Revenue, of the National Treasury and of Education, to offer fiscal education courses to students, their families and communities where their Schools are.

In the E-Learning system, the Virtual School of Fundação Bradesco provides, jointly with the Companies NIIT and ABAN, from India, and Micropower, around 184 information technology courses for more than 60 thousand students. Cisco Networking Academy Project, developed in partnership with Cisco Systems, provided qualification for 13 thousand students, for installation, projects and management of computer networks.

The Information Technology Program for the Visually Impaired, implemented eight years ago, has already assisted more than 7.4 thousand students, and the Programs "Intel Educação para o Futuro" and Intel Aprender complete the list of initiatives in the technology area, serving more than 46 thousand educators and 12 thousand youngsters, respectively. In the Alfabetização Solidária Program , it has contributed, since 1998, for the literacy of around 6 thousand Brazilians each year in the North and Northeast regions.

Consolidating the work with Fundação SOS Mata Atlântica, it counts on ten nurseries for the seedling production in schools, aiming at the promotion of environmental education and reforestation actions.

The depth and reach of Fundação Bradesco s social actions deserve acknowledgment in several awards, such as E-Learning Brasil 2006, in the Star Educational Category and as a Relevant National Contribution Diamond, for the work in distance education for consecutive years; projects that took part in IV FEBRACE Brazilian Science and Engineering Fair, promoted by USP, awarded and accepted for the international Science exhibition in Mexico; 2nd place in the Scientific Research Category conquered by high school students in the International Robotics Championship First Lego League FLL, held in Atlanta, USA; Victor Civita 2006 Educador Nota 10 award for a

teacher from the School of Laguna, State of Santa Catarina; 2nd place, in the education segment, in the 2006 IT Leaders Award.

Fundação Bradesco develops a work of proven influence in the increase of the life quality level of the communities where it operates, being a socially responsible investment, in the best meaning of the term. Furthermore, it represents an unmistakable form of wealth distribution generated within the scope of the Organization, since its main source of funds comes from its interest as stockholder of Bradesco.

R$183.917 million summed up the budget of Fundação Bradesco used in 2006, and in 2007, the amount of R$189.851 million is estimated to assist more than 108 thousand students. The investment accumulated over the past ten years was R$3.033 billion in restated amounts.

R$71.646 million was the other investments made in 2006 by Bradesco Organization, in social projects destined to the communities, concerned with education, arts, culture, sports, health, sanitation, action against hunger and food safety.

**16.3. Finasa Sports Program**

Developed by Bradesco Organization, Finasa Sports Program, with more than 19 years of existence, was consolidated by its seriousness and became a benchmark in the qualification of youngsters, using volleyball and basketball as social inclusion instruments. Currently it assists 2,800 girls, from 9 to 17 years old, duly enrolled in schools and with proven frequency to classes.

It is structured in 51 qualification centers in the city of Osasco, distributed trough public Schools, sport centers of the municipality, at Fundação Bradesco s School, among others.

The interaction with the community has been one of the main milestones of this work, which considers sports much more than a path to find vocations or create athletes, but a base for the full exercise of citizenship.

**17. Acknowledgments**

**Ratings** In 2006, Bradesco was distinguished with the highest evaluation indexes attributed to Brazilian Banks, by national and international rating agencies. We point out the improvement of the ratings attributed by: Standard & Poor s Rating Services, which is one level above the sovereign credit rating and one level below the Investment Grade ; Fitch Ratings, which increased the individual rating and its IDR (Issuer Default Rating Rating of delinquency probability of the Issuer) of the long-term foreign currency debt; and Moody's Investors Service, which also increased the rating for bonds issued, placing them as Investment Grade .

**Rankings** Bradesco s leadership was pointed out by renowned national and international publications, such as:

- 2006 Bank of the Year, in the category Bank in Brazil, and Latin America s largest capitalization Bank by the concept of own funds, according to The Banker magazine;
- Best Brazilian Bank in the research Best Emerging Market Banks 2006 Latin America, of Global Finance magazine;
- World champion in market valuation, according to ranking FT Global 500, of Financial Times;
- Best publicly-held company of the Brazilian market for stockholders, according to the ranking of Capital Aberto magazine;
- Total leader in the ranking Valor Grandes Grupos, of the yearbook edited by Valor Econômico newspaper;
- First Bank of the Country in the list of the world s 500 largest companies, according to the ranking of Fortune magazine;

- Bank which evolved the most in the corporate ethics and sustainability ranking, published in Latin Finance magazine;
- Leader in the ranking of Latin American Banks by the stockholders equity criterion, of Euromoney magazine;
- Bradesco Brand is the most valuable one of the Brazilian private banking sector, according to an evaluation of Brand Finance;
- The most remembered brand of the banking sector, according to the research Top of Mind, of the Brazilian Association of Advertisers (ABA)/Top Brands Consultoria;
- Winner of the research Brazil s 100 Most Connected Companies, 2006 edition, of INFO Exame magazine;
- The largest Brazilian private business group, according to the yearbook Best and Largest, of Exame magazine;

- Leader in market share in all performance indicators, according to a study of Standard & Poor s (S&P), published in Valor Econômico newspaper;
- Leader of the private financial system of Valor 1000 Yearbook, 2006 edition, of Valor Econômico newspaper, which also shows Bradesco Seguros e Previdência in the general leadership of the raking of private pension plan companies and in the health segment;
- Best Asset Management Company in the Stock Segment, according to Guia Exame 2006.

**Awards** the Bank achieved 20 awards in 2006, emphasizing the quality of its products and services, from independent opinions, pointing out:

- Bradesco was the winner of Grande Prêmio Valor Social 2006, and also in the category Sustainable Management Program , of Valor Econômico newspaper, carried out with the support of Instituto Ethos de Empresas de Responsabilidade Social and Instituto Akatu;
- 2006 Caboré Award, in the Marketing Professional category, of Meio & Mensagem newspaper;
- Best Retail Bank award, of Conjuntura Econômica newspaper, of Fundação Getulio Vargas (FGV-RJ);
- Best Retail Bank Award, for the third consecutive year, in a study of the consulting firm Austin Rating, published in Gazeta Mercantil newspaper;
- Internet Bradesco was the winner of the award promoted by the US magazine Global Finance in three categories;
- Highlight in IR Global Rankings (IRGR), which evaluates Investor Relations (IR) websites of companies all over the world, in the categories TOP5 Websites and TOP5 Disclosure of Quarterly Results.

**ISO 9001:2000 Certification** Bradesco Organization, at the end of the year, had 185 Products and Services qualified with this high distinction, emphasizing the purpose of ensuring, in all its initiatives, a growing easiness and convenience to clients and users.

**GoodPriv@cy Certificate Data Protection and Privacy Seal** 15 products and services of Bradesco Organization were attested by FCAV Fundação Carlos Alberto Vanzolini with a seal that ensures that its management systems adopt an internationally established standard, comprising requirements for data protection and privacy. The achievement reassures Bradesco s commitment to the continuous improvement of information security, strengthening its image in the market.

**ISO 14001:2004 Certification** Bradesco was Brazil s first Financial Institution to receive this certification, related to environmental aspects, pointing out the works of reeducation of generation of solid residues of civil works and input consumptions, over which the Organization has control, in addition to those that may influence, for example selective collection, treatment of residues and saving of natural resources, such as water and electric power.

**OHSAS 18001 Certification** This certification comprises matters related to occupational health and safety, such as ergonomics, prevention of accidents and quality of life. The integration of this Management System with ISO 14001 shows the concern of Bradesco Organization to align economic growth with respect to the environment and health and safety preservation of its employees and third parties, reflecting the importance attributed to the Social Responsibility issue.

The certifications of the ISO 14001:2004 and OHSAS 18001 management systems were granted to Bradesco Building at Avenida Paulista, in the city of São Paulo.

The achievements of the period are a result of the constant pursuit of Bradesco Organization for efficiency and quality of its operations, products and services, always focused on the expectation to serve the highest number of clients and users and reflect the continuous effort to remain as the first Bank of people and companies.

Bradesco believes in the existence of a favorable environment for new progresses in 2007 and renews its endeavor and commitment to the construction of an increasingly fair and developed Nation.

Cidade de Deus, February 9, 2007

**Board of Directors and Board of Executive Officers**

**Financial Statements, Independent Auditors' Report, Summary of the Audit Committee Report and Report of the Fiscal Council**

**Consolidated Balance Sheet** R$ thousand

(A free translation from the original in Portuguese)

| **Assets** | **2006** | | **2005** |
|---|---|---|---|
| | **December** | **September** | **December** |
| **Current assets** | **197,385,329** | **179,391,216** | **157,441,469** |
| **Funds available (Note 6)** | **4,761,972** | **3,947,307** | **3,363,041** |
| **Interbank investments (Notes 3b and 7)** | **25,538,077** | **33,945,665** | **24,531,483** |
| Investments in federal funds purchased and securities sold under agreements to repurchase | 20,617,520 | 27,757,919 | 19,615,744 |
| Interbank deposits | 4,921,545 | 6,187,773 | 4,916,051 |
| Allowance for losses | (988) | (27) | (312) |
| **Securities and derivative financial instruments (Notes 3c, 3d, 8 and 32b)** | **72,854,434** | **50,691,832** | **49,687,290** |
| Own portfolio | 53,523,157 | 48,748,054 | 47,808,982 |
| Subject to repurchase agreements | 12,258,492 | 430,306 | 75,692 |
| Derivative financial instruments | 520,635 | 495,997 | 426,658 |
| Restricted deposits - Brazilian Central Bank | 440,235 | 182,083 | 667,735 |
| Privatization currencies | | 1 | 1 |
| Subject to collateral provided | 750,260 | 835,391 | 708,222 |
| Securities purpose of unrestricted purchase and sale commitments | 5,361,655 | | |
| **Interbank accounts** | **18,726,069** | **17,434,782** | **16,536,263** |
| Unsettled receipts and payments | 50,945 | 388,405 | 39,093 |
| Restricted credits: (Note 9) | | | |
| Restricted deposits Brazilian Central Bank | 18,664,706 | 16,992,847 | 16,444,866 |
| National treasury rural credit | 578 | 578 | 578 |
| SFH | 6,728 | 8,657 | 10,187 |
| Correspondent banks | 3,112 | 44,295 | 41,539 |
| **Interdepartmental accounts** | **186,338** | **120,170** | **172,831** |
| Internal transfer of funds | 186,338 | 120,170 | 172,831 |
| **Loan Operations (Notes 3e, 10 and 32b)** | **51,697,772** | **50,197,314** | **45,702,437** |
| Loan operations: | | | |
| Public sector | 73,840 | 103,049 | 205,302 |
| Private sector | 56,258,898 | 54,499,653 | 48,826,756 |
| Allowance for doubtful accounts (Notes 3e, 10f, 10g and 10h) | (4,634,966) | (4,405,388) | (3,329,621) |
| **Leasing operations (Notes 2, 3e, 10 and 32b)** | **1,798,326** | **1,658,568** | **1,247,560** |
| Leasing receivables: | | | |
| Public sector | 44,017 | 43,114 | 13,217 |
| Private sector | 3,461,812 | 3,228,289 | 2,498,772 |
| Leasing receivables | (1,632,031) | (1,544,112) | (1,212,355) |
| Provision for leasing losses (Notes 3e, 10f, 10g and 10h) | (75,472) | (68,723) | (52,074) |
| **Other receivables** | **20,626,867** | **20,181,052** | **15,122,737** |
| Receivables on sureties and guarantees honored (Note 10a-2) | 38 | 15 | |
| Foreign exchange portfolio (Note 11a) | 7,946,062 | 8,620,302 | 6,937,144 |

| | | | |
|---|---|---|---|
| Receivables | 174,072 | 220,705 | 181,369 |
| Negotiation and intermediation of amounts | 598,350 | 412,324 | 1,082,467 |
| Insurance premiums receivable | 1,257,298 | 1,180,921 | 1,073,002 |
| Sundry (Note 11b) | 10,744,251 | 9,819,647 | 5,990,720 |
| Allowance for other doubtful accounts (Notes 3e, 10f, 10g and 10h) | (93,204) | (72,862) | (141,965) |
| **Other assets (Note 12)** | **1,195,474** | **1,214,526** | **1,077,827** |
| Other assets | 360,925 | 372,169 | 359,082 |
| Provision for depreciations | (188,825) | (191,732) | (179,394) |
| Prepaid Expenses (Note 3g and 12b) | 1,023,374 | 1,034,089 | 898,139 |
| **Long-term receivables** | **64,669,494** | **60,087,082** | **46,883,596** |
| **Interbank investments (Notes 3b and 7)** | **451,113** | **416,964** | **474,675** |
| Interbank deposits | 451,113 | 416,964 | 474,675 |
| **Securities and derivative financial instruments (Notes 3c, 3d, 8 and 32b)** | **24,395,525** | **22,330,036** | **14,763,518** |

| Assets | 2006 | | 2005 |
|---|---|---|---|
| | December | September | December |
| Own portfolio | 18,529,693 | 17,629,194 | 11,515,876 |
| Subject to repurchase agreements | 3,093,581 | 1,940,449 | 975,973 |
| Derivative financial instruments | 28,430 | 28,746 | 47,830 |
| Restricted deposits Brazilian Central Bank | | 1,185,566 | 1,838,437 |
| Privatization currencies | 70,716 | 70,386 | 98,141 |
| Subject to collateral provided | 14,869 | 1,475,695 | 287,261 |
| Securities purpose of unrestricted purchase and sale commitments | 2,658,236 | | |
| **Interbank accounts** | **398,737** | **393,762** | **385,902** |
| Restricted credits: (Note 9) | | | |
| SFH | 398,737 | 393,762 | 385,902 |
| **Loan operations (Notes 3e, 10 and 32b)** | **28,017,197** | **26,280,022** | **22,626,365** |
| Loan operations: | | | |
| Public sector | 711,030 | 699,842 | 616,428 |
| Private sector | 29,056,350 | 27,163,760 | 23,378,874 |
| Allowance for doubtful accounts (Notes 3e, 10f, 10g and 10h) | (1,750,183) | (1,583,580) | (1,368,937) |
| **Leasing operations (Notes 2, 3e, 10 and 32b)** | **1,953,232** | **1,771,508** | **1,163,739** |
| Leasing receivables: | | | |
| Public sector | 108,108 | 102,399 | 53,020 |
| Private sector | 3,769,707 | 3,479,564 | 2,397,945 |
| Unearned income from leasing | (1,840,215) | (1,733,800) | (1,232,241) |
| Allowance for leasing losses (Notes 3e, 10f, 10g and 10h) | (84,368) | (76,655) | (54,985) |
| **Other assets** | **8,675,350** | **8,235,947** | **6,983,276** |
| Receivables | 1,498 | 1,623 | 1,646 |
| Negotiation and intermediation of amounts | 110,684 | 58,602 | 41,730 |
| Sundry (Note 11b) | 8,571,013 | 8,183,707 | 6,950,967 |
| Allowance for other doubtful accounts (Notes 3e, 10f, 10g and 10h) | (7,845) | (7,985) | (11,067) |
| **Other assets (Note 12)** | **778,340** | **658,843** | **486,121** |
| Other assets | 8,174 | 8,174 | 8,606 |
| Provision for depreciations | (766) | (765) | (1,547) |
| Prepaid expenses (Note 3g and 12b) | 770,932 | 651,434 | 479,062 |
| **Permanent assets** | **3,492,450** | **3,713,339** | **4,357,865** |
| **Investments (Notes 3h, 13 and 32b)** | **696,582** | **1,019,427** | **984,970** |
| Ownership in affiliated and subsidiary companies: | | | |
| Local | 403,033 | 404,365 | 438,819 |
| Other investments | 651,568 | 1,015,915 | 895,836 |
| Allowance for losses | (358,019) | (400,853) | (349,685) |
| **Property, plant and equipment in use (Notes 3i and 14)** | **2,136,783** | **2,067,028** | **1,985,571** |
| Buildings in use | 1,055,640 | 1,062,948 | 1,115,987 |
| Other property, plant and equipment in use | 4,101,918 | 3,977,945 | 3,644,874 |
| Accumulated depreciation | (3,020,775) | (2,973,865) | (2,775,290) |
| **Leased assets (Note 14)** | **16,136** | **15,109** | **9,323** |
| Leased assets | 25,142 | 33,238 | 23,161 |
| Accumulated depreciation | (9,006) | (18,129) | (13,838) |

| | | | |
|---|---|---|---|
| **Deferred charges (Notes 2, 3j and 15)** | **642,949** | **611,775** | **1,378,001** |
| Organization and expansion costs | 1,593,771 | 1,533,796 | 1,315,881 |
| Accumulated amortization | (950,822) | (922,021) | (785,364) |
| Goodwill on acquisition of subsidiaries, net of amortization (Note 15a) | | | 847,484 |
| **Total** | **265,547,273** | **243,191,637** | **208,682,930** |

The Notes are an integral part of the Financial Statements.

| Liabilities | 2006 | | 2005 |
|---|---|---|---|
| | December | September | December |
| **Current liabilities** | **161,255,812** | **139,901,103** | **124,738,113** |
| **Deposits (notes 3k and 16a)** | **60,529,761** | **54,363,143** | **54,566,799** |
| Demand deposits | 20,526,800 | 17,598,600 | 15,955,512 |
| Savings deposits | 27,612,587 | 25,415,133 | 26,201,463 |
| Interbank deposits | 290,091 | 172,912 | 145,690 |
| Time deposits (Note 32b) | 11,549,089 | 10,885,657 | 11,997,813 |
| Other deposits | 551,194 | 290,841 | 266,321 |
| **Federal funds purchased and securities sold under agreements to repurchase (Notes 3k and 16b)** | **32,423,179** | **21,295,955** | **14,708,546** |
| Own portfolio | 21,343,014 | 4,226,432 | 2,760,614 |
| Third-party portfolio | 3,471,383 | 17,067,469 | 11,947,932 |
| Unrestricted portfolio | 7,608,782 | 2,054 | |
| **Issuance of securities (Notes 16c and 32b)** | **1,964,401** | **1,778,268** | **1,406,972** |
| Mortgage notes | 856,490 | 854,692 | 847,223 |
| Debentures | 51,094 | 156,757 | 72,799 |
| Securities issued abroad | 1,056,817 | 766,819 | 486,950 |
| **Interbank accounts** | **5,814** | **173,892** | **139,193** |
| Correspondent banks | 5,814 | 173,892 | 139,193 |
| **Interdepartmental accounts** | **2,225,711** | **1,739,834** | **1,900,913** |
| Third-party funds in transit | 2,225,711 | 1,739,834 | 1,900,913 |
| **Borrowings (Notes 17a and 32b)** | **5,545,094** | **5,449,804** | **6,560,882** |
| Local borrowings official institutions | 267 | 293 | 319 |
| Local borrowings other institutions | 44,438 | 67,180 | 9 |
| Borrowings abroad | 5,500,389 | 5,382,331 | 6,560,554 |
| **Local onlendings official institutions (Notes 17b and 32b)** | **4,702,433** | **4,238,106** | **3,412,767** |
| National treasury | 99,073 | 95,885 | 52,318 |
| BNDES | 2,188,507 | 1,968,926 | 1,369,947 |
| CEF | 10,065 | 9,883 | 8,627 |
| FINAME | 2,404,019 | 2,162,739 | 1,981,394 |
| Other institutions | 769 | 673 | 481 |
| **Foreign onlendings (Notes 17b and 32b)** | **170** | **341** | **183** |
| Foreign onlendings | 170 | 341 | 183 |
| **Derivative financial instruments (Notes 3d and 32)** | **510,881** | **503,301** | **232,714** |
| Derivative financial instruments | 510,881 | 503,301 | 232,714 |
| **Provisions for insurance, private pension plans and certificated savings plans (Notes 3l and 21)** | **38,427,352** | **33,607,135** | **29,751,941** |
| **Other liabilities** | **14,921,016** | **16,751,324** | **12,057,203** |
| Collection and collection of taxes and other contributions | 175,838 | 1,588,482 | 156,039 |
| Foreign exchange portfolio (Note 11a) | 2,386,817 | 3,290,222 | 2,206,952 |
| Social and statutory payables | 190,916 | 881,272 | 1,254,651 |
| Fiscal and pension plans (Note 20a) | 2,800,684 | 2,426,705 | 1,386,430 |
| Negotiation and intermediation of amounts | 422,232 | 251,648 | 893,957 |
| Financial and development funds | 876 | 2,051 | |

| | | | |
|---|---|---|---|
| Subordinated debts (Notes 19 and 32b) | 59,411 | 114,332 | 69,472 |
| Sundry (Note 20b) | 8,884,242 | 8,196,612 | 6,089,702 |
| **Long-term liabilities** | **79,417,199** | **81,288,317** | **64,425,352** |
| **Deposits (Notes 3k and 16a)** | **23,375,452** | **24,490,025** | **20,838,843** |
| Long-term deposits (Note 32b) | 23,375,452 | 24,490,025 | 20,838,843 |
| **Federal funds purchased and securities sold under agreements to repurchase (Notes 3k and 16b)** | **15,252,254** | **14,967,873** | **9,930,338** |
| Own portfolio | 15,252,254 | 14,967,873 | 9,930,338 |

| Liabilities | 2006 | | 2005 |
|---|---|---|---|
| | December | September | December |
| **Funds from issuance of securities (Notes 16c and 32b)** | **3,671,878** | **4,318,994** | **4,796,914** |
| Mortgage notes | 1,207 | 12,335 | 285 |
| Debentures | 2,552,100 | 2,552,100 | 2,552,100 |
| Liabilities of securities abroad | 1,118,571 | 1,754,559 | 2,244,529 |
| **Borrowings (Notes 17a and 32b)** | **232,812** | **316,759** | **574,445** |
| Local borrowings official institutions | 511 | 555 | 769 |
| Local borrowings other institutions | 9 | 9 | 9 |
| Borrowings abroad | 232,292 | 316,195 | 573,667 |
| **Local onlendings official institutions (notes 17b and 32b)** | **6,938,536** | **6,635,097** | **6,014,804** |
| BNDES | 3,343,511 | 3,295,608 | 2,868,026 |
| CEF | 59,844 | 58,655 | 50,961 |
| FINAME | 3,534,018 | 3,279,476 | 3,093,838 |
| Other institutions | 1,163 | 1,358 | 1,979 |
| **Derivative financial instruments (Notes 3d and 32)** | **8,123** | **4,879** | **5,759** |
| Derivative financial instruments | 8,123 | 4,879 | 5,759 |
| **Provisions for insurance, private pension plans and certificated savings plans (notes 3l and 21)** | **10,701,862** | **12,111,573** | **11,110,614** |
| **Other liabilities** | **19,236,282** | **18,443,117** | **11,153,635** |
| Fiscal and pension plans (Note 20a) | 5,213,836 | 4,997,649 | 3,654,882 |
| Negotiation and intermediation of amounts | | 17,751 | |
| Subordinated debts (Notes 19 and 32b) | 11,890,046 | 11,652,801 | 6,649,833 |
| Sundry (Note 20b) | 2,132,400 | 1,774,916 | 848,920 |
| **Future taxable income** | **180,460** | **172,941** | **52,132** |
| Future taxable income | 180,460 | 172,941 | 52,132 |
| **Minority interest in consolidated subsidiaries (Note 22)** | **57,440** | **55,921** | **58,059** |
| **Stockholders' equity (Note 23)** | **24,636,362** | **21,773,355** | **19,409,274** |
| Capital: | | | |
| Local residents | 13,162,481 | 12,007,879 | 11,914,375 |
| Foreign residents | 1,037,519 | 992,121 | 1,085,625 |
| Capital reserves | 55,005 | 36,550 | 36,032 |
| Profit reserves | 8,787,106 | 7,875,574 | 5,895,214 |
| Mark-to-market adjustment- securities and derivatives | 1,644,661 | 901,786 | 507,959 |
| Treasury stock (Notes 23e and 32b) | (50,410) | (40,555) | (29,931) |
| **Stockholders' equity managed by parent company** | **24,693,802** | **21,829,276** | **19,467,333** |
| **Total** | **265,547,273** | **243,191,637** | **208,682,930** |

The Notes are an integral part of the Financial Statements.

| | 2006 | | | 2005 |
|---|---|---|---|---|
| | 4th Quarter | 3rd Quarter | Year | Year |
| **Revenues from financial intermediation** | **9,842,128** | **9,608,986** | **38,221,635** | **33,701,225** |
| Loan operations (Note 10j) | 5,112,754 | 5,258,086 | 20,055,120 | 16,704,318 |
| Leasing operations (Note 10j) | 192,898 | 174,990 | 653,260 | 444,389 |
| Securities operations (Note 8f) | 1,833,231 | 1,793,642 | 6,207,096 | 5,552,008 |
| Financial result on insurance, private pension plans and certificated savings plans (Note 8f) | 1,942,738 | 1,591,834 | 6,989,951 | 6,498,435 |
| Derivative financial instruments (Note 8f) | 347,540 | 288,324 | 2,259,974 | 2,389,002 |
| Foreign exchange results (Note 11a) | 98,051 | 167,557 | 729,647 | 617,678 |
| Compulsory deposits (Note 9b) | 314,916 | 334,553 | 1,326,587 | 1,495,395 |
| **Expenses from financial intermediation** | **5,710,663** | **5,924,838** | **22,239,518** | **18,926,402** |
| Funding operations (Note 16e) | 3,010,976 | 3,430,965 | 11,994,711 | 11,285,324 |
| Price-level restatement and interest on technical provisions for insurance, private pension plans and certificated savings plans (Note 16e) | 1,138,529 | 907,865 | 4,004,823 | 3,764,530 |
| Borrowings and onlendings (Note 17c) | 369,088 | 415,788 | 1,819,413 | 1,360,647 |
| Leasing operations (Note 10j) | 2,129 | 2,176 | 8,158 | 8,695 |
| Allowance for doubtful accounts (Notes 3e, 10g and 10h) | 1,189,941 | 1,168,044 | 4,412,413 | 2,507,206 |
| **Gross result from financial intermediation** | **4,131,465** | **3,684,148** | **15,982,117** | **14,774,823** |
| **Other operating income (expenses)** | **(2,069,426)** | **(3,957,779)** | **(9,606,174)** | **(6,921,319)** |
| Fee and commission income (Note 24) | 2,423,752 | 2,342,847 | 8,897,882 | 7,348,879 |
| Retained premiums from insurance, private pension plans and certificated saving plans (Notes 3l and 21d) | 4,626,761 | 3,807,017 | 15,179,418 | 13,647,089 |
| Net premiums written | 5,662,096 | 4,714,041 | 19,021,852 | 16,824,862 |
| Reinsurance premiums and redeemed premiums | (1,035,335) | (907,024) | (3,842,434) | (3,177,773) |
| Change in provisions for insurance, private pension plans and certificated savings plans (Note 3l) | (1,955,521) | (901,468) | (3,901,893) | (2,755,811) |
| Retained claims (Note 3l) | (1,651,421) | (1,489,845) | (6,126,664) | (5,825,292) |
| Certificated savings plans draws and redemptions (Note 3l) | (343,384) | (305,545) | (1,221,626) | (1,228,849) |
| Insurance, private pension plans and certificated savings plans selling expenses (Note 3l) | (268,731) | (259,861) | (1,022,737) | (961,017) |
| Expenses with private pension plans benefits and redemptions (Note 3l) | (449,415) | (525,154) | (2,268,123) | (2,582,351) |
| Personnel expenses (Note 25) | (1,460,199) | (1,584,533) | (5,932,406) | (5,311,560) |
| Supplementary provision for labor proceedings (Note 18b) | | (308,875) | (308,875) | |
| Other administrative expenses (Note 26) | (1,671,274) | (1,506,957) | (5,870,030) | (5,142,329) |
| Tax expenses (Note 27) | (584,274) | (530,284) | (2,192,130) | (1,878,248) |
| Equity in the earnings of affiliated companies (Note 13c) | 30,257 | 7,587 | 72,324 | 76,150 |

| | | | | |
|---|---|---|---|---|
| Other operating income (Note 28) | 430,410 | 418,941 | 1,420,217 | 1,096,968 |
| Other operating expenses (Note 29) | (1,196,387) | (1,012,926) | (4,222,808) | (3,404,948) |
| Full goodwill amortization (Note 15) | | (2,108,723) | (2,108,723) | |
| **Operating income** | **2,062,039** | **(273,631)** | **6,375,943** | **7,853,504** |
| **Non-operating income (Note 30)** | **(29,038)** | **40,570** | **(8,964)** | **(106,144)** |
| **Income before taxes on profit and interest** | **2,033,001** | **(233,061)** | **6,366,979** | **7,747,360** |
| **Income on taxes (Notes 34a and 34b)** | **(328,582)** | **454,270** | **(1,303,932)** | **(2,224,455)** |
| **Minority interest in consolidated subsidiaries** | **(1,580)** | **(2,393)** | **(9,007)** | **(8,831)** |
| **Net income** | **1,702,839** | **218,816** | **5,054,040** | **5,514,074** |

The Notes are an integral part of the Statements of Income.

**Consolidated Statement of Changes in Stockholdesr`s Equity** R$ thousand (A free translation from the original in Portuguese)

| Events | Restated Paid-Up Capital | | Capital Reserves | | Profit Reserves | | Mark-To-Market Adjustment-TVM and Derivatives | | Trea Sto |
|---|---|---|---|---|---|---|---|---|---|
| | Capital Stock | Unrealized Capital | Tax Incentives From Income Tax | Other | Legal | Statutory | Own | Affiliated and Subsidiaries | |
| **Balances as of 6.30.2006** | **13,000,000** | | **2,103** | **34,353** | **1,191,509** | **6,685,913** | **(108,071)** | **693,643** | **(38** |
| Capital increase through subscription | 1,200,000 | | | | | | | | |
| Restatement of exchange membership certificates | | | | 254 | | | | | |
| Acquisition of treasury stocks | | | | | | | | | (11 |
| Goodwill in stock subscription | | | | 18,295 | | | | | |
| Mark-to-market adjustment securities available for sale | | | | | | | 120,833 | 938,256 | |
| Net income | | | | | | | | | |
| Allocations: | | | | | | | | | |
| Reserves | | | | | 96,083 | 813,601 | | | |
| Interest on own capital | | | | | | | | | |
| Proposed dividends | | | | | | | | | |
| **Balances as of 12.31.2006** | **14,200,000** | | **2,103** | **52,902** | **1,287,592** | **7,499,514** | **12,762** | **1,631,899** | **(50** |
| **Balances as of 12.31.2004** | **7,700,000** | **(700,000)** | **2,103** | **8,750** | **1,067,637** | **6,678,076** | **(48,013)** | **506,093** | |
| Capital increase through subscription | | 700,000 | | | | | | | |
| Capital increase | 11,856 | | | | | | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| through stock merger | | | | | | | | |
| Capital increase with reserves | 2,288,144 | | | (308,451) | (1,979,693) | | | |
| Capital increase | 3,000,000 | | | | (3,000,000) | | | |
| Restatement of exchange membership certificates | | | 929 | | | | | |
| Acquisition of treasury stocks | | | | | | | | (225 |
| Goodwill in stock subscription | | | 24,250 | | | | | |
| Cancellation of treasury stocks | | | | | (195,429) | | | 195 |
| Mark-to-market adjustment securities available for sale | | | | | | (23,084) | 72,963 | |
| Net income | | | | | | | | |
| Allocations: | | | | | | | | |
| Reserves | | | | 275,704 | 3,357,370 | | | |
| Interest on own capital | | | | | | | | |
| Proposed dividends | | | | | | | | |
| **Balances as of 12.31.2005** | **13,000,000** | | **2,103** | **33,929** | **1,034,890** | **4,860,324** | **(71,097)** | **579,056** | **(29** |
| **Balances as of 12.31.2005** | **13,000,000** | | **2,103** | **33,929** | **1,034,890** | **4,860,324** | **(71,097)** | **579,056** | **(29** |
| Capital increase through subscription | 1,200,000 | | | | | | | |
| Restatement of exchange membership certificates | | | 678 | | | | | |
| Acquisition of treasury stocks | | | | | | | | (23 |
| Goodwill in stock subscription | | | 18,295 | | | | | |
| Cancellation of treasury stocks | | | | | (2,577) | | | 2 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Mark-to-market adjustment securities available for sale | | | | | | 83,859 | 1,052,843 | |
| Net income | | | | | | | | |
| Allocations: | | | | | | | | |
| Reserves | | | | 252,702 | 2,641,767 | | | |
| Interest on own capital | | | | | | | | |
| Proposed dividends | | | | | | | | |
| **Balances as of 12.31.2006** | **14,200,000** | **2,103** | **52,902** | **1,287,592** | **7,499,514** | **12,762** | **1,631,899** | **(50** |

The Notes are an integral part of the Financial Statements.

**Consolidated Statement of Changes in Financial Position** R$ thousand (A free translation from the original in Portuguese)

| | 2006 | | | 2005 |
|---|---|---|---|---|
| | 4th Quarter | 3rd Quarter | Year | Year |
| **Financial resources were provided by :** | **33,378,098** | **14,793,879** | **63,195,967** | **27,555,692** |
| **Net income** | **1,702,839** | **218,816** | **5,054,040** | **5,514,074** |
| **Adjustments to net income** | **64,826** | **2,246,714** | **2,986,108** | **936,659** |
| Depreciation and amortization | 129,850 | 128,675 | 481,046 | 469,310 |
| Goodwill amortization | | 2,108,723 | 2,542,225 | 452,863 |
| Provision (reversal) for interbank investment losses and investments | (41,873) | 432 | 9,010 | (19,159) |
| Equity in the earnings of affiliated companies | (30,257) | (7,587) | (72,324) | (76,150) |
| Other | 7,106 | 16,471 | 26,151 | 109,795 |
| **Change in future taxable income** | **7,519** | **14,667** | **128,328** | **7,532** |
| **Change in minority interest** | **1,519** | **866** | **(619)** | **(12,531)** |
| **Mark-to-market adjustment securities available for sale** | **742,875** | **316,214** | **1,136,702** | **49,879** |
| **Stockholders** | **1,218,295** | | **1,218,295** | **736,106** |
| Capital increase through subscription | 1,200,000 | | 1,200,000 | 700,000 |
| Capital increase through stock merger | | | | 11,856 |
| Goodwill stock subscription | 18,295 | | 18,295 | 24,250 |
| **Third parties' funds provided by:** | | | | |
| **Increase in liabilities sub-items** | **21,149,795** | **10,541,982** | **52,193,617** | **19,599,868** |
| Deposits | 5,052,045 | 497,347 | 8,499,571 | 6,762,315 |
| Federal funds purchased and securities sold under agreements to repurchase | 11,411,605 | 7,006,174 | 23,036,549 | 1,752,481 |
| Funds from issuance of securities | | | | 1,146,394 |
| Interdepartmental accounts | 485,877 | | 324,798 | 155,192 |
| Borrowings and onlendings | 778,938 | 1,154,655 | 855,964 | 603,709 |
| Derivative financial instruments | 10,824 | 111,636 | 280,531 | 64,826 |
| Provisions for insurance, private pension plans and certificated savings plans | 3,410,506 | 1,772,170 | 8,266,659 | 7,193,901 |
| Other liabilities | | | 10,929,545 | 1,921,050 |
| **Decrease in assets sub-items** | **8,372,478** | **1,312,079** | | |
| Interbank investments | 8,372,478 | | | |
| Interbank accounts | | 222,960 | | |
| Interdepartmental accounts | | 40,250 | | |
| Other receivables | | 1,048,869 | | |
| **Sale (write-off) of assets and investments** | **90,747** | **141,229** | **400,212** | **644,257** |
| Non-operating assets | 46,044 | 53,846 | 191,976 | 202,053 |
| Property, plant and equipment in use and leased assets | 15,271 | 53,714 | 78,123 | 282,369 |
| Investments | 6,232 | 32,868 | 76,280 | 151,113 |
| Sale (write-off) of deferred charges | 23,200 | 801 | 53,833 | 8,722 |
| **Interest on own capital and dividends received from affiliated companies and subsidiaries** | **27,205** | **1,312** | **79,284** | **79,848** |
| **Financial resources were used for** | **32,563,433** | **14,007,860** | **61,797,036** | **26,831,911** |

| | | | | | |
|---|---|---|---|---|---|
| **Interest on own capital paid/dividends paid and/or proposed** | | **791,307** | **220,664** | **2,159,571** | **1,881,000** |
| **Stock buyback** | | **9,855** | **1,795** | **23,056** | **225,360** |
| **Capital expenditures in** | | **258,330** | **193,968** | **999,015** | **640,960** |
| Non-operating assets | | 37,975 | 41,755 | 189,189 | 132,812 |
| Property, plant and equipment in use and leased assets | | 185,567 | 149,089 | 628,017 | 388,650 |
| Investments | | 34,788 | 3,124 | 181,809 | 119,498 |
| **Deferred charges** | | **98,863** | **117,650** | **1,996,361** | **420,112** |
| **Increase in assets sub-items** | | **29,738,733** | **12,860,158** | **55,918,047** | **23,629,606** |
| Interbank investments | | | 6,793,187 | 983,708 | 2,656,784 |
| Securities and derivative financial instruments | | 23,821,676 | 2,639,720 | 32,380,728 | 2,029,150 |
| Interbank accounts | | 1,296,262 | | 2,202,641 | 835,063 |
| Interdepartmental accounts | | 66,168 | | 13,507 | 25,294 |
| Loan operations | | 3,237,633 | 2,846,500 | 11,386,167 | 16,437,915 |
| Leasing operations | | 321,482 | 382,780 | 1,340,259 | 854,978 |
| Other receivables | | 808,841 | | 7,011,908 | 356,448 |
| Insurance premiums receivable | | 76,377 | 57,321 | 184,296 | 84,973 |
| Other assets | | 110,294 | 140,650 | 414,833 | 349,001 |
| **Decrease in liabilities sub-items** | | **1,666,345** | **613,625** | **700,986** | **34,873** |
| Funds from issuance of securities | | 460,983 | 103,778 | 567,607 | |
| Interbank accounts | | 168,078 | 18,837 | 133,379 | 34,873 |
| Interdepartmental accounts | | | 29,999 | | |
| Other liabilities | | 1,037,284 | 461,011 | | |
| **Increase in funds available** | | **814,665** | **786,019** | **1,398,931** | **723,781** |
| **Changes in financial position** | At the beginning of the period | 3,947,307 | 3,161,288 | 3,363,041 | 2,639,260 |
| | At the end of the period | 4,761,972 | 3,947,307 | 4,761,972 | 3,363,041 |
| | **Increase in funds available, net** | **814,665** | **786,019** | **1,398,931** | **723,781** |

The Notes are an integral part of the Financial Statements.

**Additional Information** Consolidated Cash Flow R$ thousand (A free translation from the original in Portuguese)

| | 2006 | | | 2005 |
|---|---|---|---|---|
| | 4th Quarter | 3rd Quarter | Year | Year |
| **Operating activities:** | | | | |
| **Net income** | **1,702,839** | **218,816** | **5,054,040** | **5,514,074** |
| **Adjustments to reconcile net income to net funds from (used in) operating activities:** | **1,254,767** | **3,414,758** | **7,398,521** | **3,443,865** |
| Allowance for doubtful accounts | 1,189,941 | 1,168,044 | 4,412,413 | 2,507,206 |
| Provision (Reversal of) for losses on interbank investments and investments | (41,873) | 432 | 9,010 | (19,159) |
| Depreciation and amortization | 129,850 | 128,675 | 481,046 | 469,310 |
| Goodwill amortization | | 2,108,723 | 2,542,225 | 452,863 |
| Equity in the earnings of affiliated companies | (30,257) | (7,587) | (72,324) | (76,150) |
| Other | 7,106 | 16,471 | 26,151 | 109,795 |
| **Adjusted net income** | **2,957,606** | **3,633,574** | **12,452,561** | **8,957,939** |
| **Change in assets and liabilities:** | **(17,614,422)** | **(11,830,835)** | **(42,407,588)** | **(16,777,153)** |
| Decrease (increase) in interbank investments | 8,372,478 | (6,793,187) | (983,708) | (2,656,784) |
| Decrease (increase) in securities and derivative financial instruments | (23,810,852) | (2,528,084) | (32,100,196) | (1,964,324) |
| Decrease (increase) in interbank accounts | 207,519 | 248,492 | (116,180) | (121,224) |
| Decrease (increase) in interdepartmental accounts | 419,709 | 10,251 | 311,291 | 129,898 |
| Decrease (increase) in loan operations | (3,633,812) | (3,272,687) | (12,972,530) | (17,248,037) |
| Decrease (increase) in leasing operations | (335,943) | (397,710) | (1,393,039) | (857,822) |
| Decrease (increase) in insurance premiums receivable | (76,377) | (57,321) | (184,296) | (84,973) |
| Decrease (increase) in other receivables | (829,043) | 1,107,991 | (6,958,587) | (356,574) |
| Decrease (increase) in other assets | (110,294) | (140,650) | (414,833) | (349,001) |
| Amounts written-off against the allowance for doubtful accounts | (759,096) | (786,049) | (2,826,589) | (1,694,114) |
| Increase (decrease) in provisions for insurance, private pension plans and certificated savings plans | 3,410,506 | 1,772,170 | 8,266,659 | 7,193,901 |
| Increase (decrease) in other liabilities | (1,219,611) | (1,324,932) | 5,699,390 | 1,174,490 |
| Increase (decrease) in future taxable income | 7,519 | 14,667 | 128,328 | 7,532 |
| Mark-to-market adjustment securities available for sale | 742,875 | 316,214 | 1,136,702 | 49,879 |
| **Net cash provided by (used in) operating activities** | **(14,656,816)** | **(8,197,261)** | **(29,955,027)** | **(7,819,214)** |
| **Investment activities:** | | | | |
| | (1,671,859) | (44,369) | (2,219,840) | (748,712) |

| | | | | | |
|---|---|---|---|---|---|
| Decrease (increase) in compulsory deposits | Brazilian Central Bank | | | | |
| Sale of non-operating assets | | 46,044 | 53,846 | 191,976 | 202,053 |
| Sale of investments | | 6,232 | 32,868 | 76,280 | 151,113 |
| Sale of property, plant and equipment in use and leased assets | | 15,271 | 53,714 | 78,123 | 282,369 |
| Decrease in deferred charges | | 23,200 | 801 | 53,833 | 8,722 |
| Acquisition of non-operating assets | | (37,975) | (41,755) | (189,189) | (132,812) |
| Acquisition of investments | | (34,788) | (3,124) | (181,809) | (119,498) |
| Acquisition of property, plant and equipment in use and leased assets | | (185,567) | (149,089) | (628,017) | (388,650) |
| Deferred charges | | (98,863) | (117,650) | (1,996,361) | (420,112) |
| Interest on own capital / dividends received from affiliated companies | | 27,205 | 1,312 | 79,284 | 79,848 |
| **Net cash provided by (used in) investing activities** | | **(1,911,100)** | **(213,446)** | **(4,735,720)** | **(1,085,679)** |
| Financing activities: | | | | | |
| Increase (decrease) in deposits | | 5,052,045 | 497,347 | 8,499,571 | 6,762,315 |
| Increase (decrease) in federal funds purchased and securities sold under agreements to repurchase | | 11,411,605 | 7,006,174 | 23,036,549 | 1,752,481 |
| Increase (decrease) in funds from issuance of securities | | (460,983) | (103,778) | (567,607) | 1,146,394 |
| Increase (decrease) in borrowings and onlendings | | 778,938 | 1,154,655 | 855,964 | 603,709 |
| Subordinated debt | | 182,324 | 863,921 | 5,230,152 | 746,560 |
| Capital increase through subscription | | 1,200,000 | | 1,200,000 | 700,000 |
| Goodwill in the stock subscription | | 18,295 | | 18,295 | 24,250 |
| Interest on own capital paid/dividends paid and/or proposed | | (791,307) | (220,664) | (2,159,571) | (1,881,000) |
| Stock buyback | | (9,855) | (1,795) | (23,056) | (225,360) |
| Variation/acquisition in minority interest | | 1,519 | 866 | (619) | (675) |
| **Net cash provided by (used in) financing activities** | | **17,382,581** | **9,196,726** | **36,089,678** | **9,628,674** |
| **Increase in funds available, net** | | **814,665** | **786,019** | **1,398,931** | **723,781** |
| **Changes in funds available, net** | At the beginning of the period | 3,947,307 | 3,161,288 | 3,363,041 | 2,639,260 |
| | At the end of the period | 4,761,972 | 3,947,307 | 4,761,972 | 3,363,041 |
| | **Increase in funds available, net** | **814,665** | **786,019** | **1,398,931** | **723,781** |

**Additional Information** Consolidated Value Added Statement R$ thousand (A free translation from the original in Portuguese)

| | Consolidated Bradesco | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2006 | | | | | | 2005 | |
| | 4th Quarter | | 3rd Quarter | | December | | December | |
| | R$ | % | R$ | % | R$ | % | R$ | % |
| **Value Added Breakdown** | | | | | | | | |
| Gross Income from Financial Intermediation | 4,131,465 | 101.3 | 3,684,148 | 168.4 | 15,982,117 | 108.1 | 14,774,823 | 99.0 |
| Fee and Commission Income | 2,423,752 | 59.5 | 2,342,847 | 107.1 | 8,897,882 | 60.2 | 7,348,879 | 49.1 |
| Other Operating Income/Expenses | (2,479,323) | (60.8) | (3,838,757) | (175.5) | (10,088,616) | (68.3) | (7,195,365) | (48.1) |
| **Total** | **4,075,894** | **100.0** | **2,188,238** | **100.0** | **14,791,383** | **100.0** | **14,928,337** | **100.0** |
| **Value Added Distribution** | | | | | | | | |
| **Employees** | **1,273,375** | **31.2** | **1,700,736** | **77.7** | **5,505,287** | **37.2** | **4,648,293** | **31.2** |
| Remuneration | 708,882 | 17.4 | 754,360 | 34.5 | 2,857,037 | 19.3 | 2,678,248 | 17.9 |
| Benefits | 344,065 | 8.4 | 315,929 | 14.4 | 1,260,690 | 8.5 | 1,135,918 | 7.6 |
| FGTS | 70,683 | 1.7 | 76,527 | 3.5 | 296,140 | 2.0 | 290,794 | 2.0 |
| Other Charges | 149,745 | 3.7 | 553,920 | 25.3 | 1,091,420 | 7.4 | 543,333 | 3.7 |
| **Government** | **1,099,680** | **27.0** | **268,686** | **12.3** | **4,232,056** | **28.6** | **4,765,970** | **31.9** |
| Tax Expenses | 584,274 | 14.3 | 530,284 | 24.3 | 2,192,130 | 14.8 | 1,878,248 | 12.6 |
| Taxes on Income | 328,582 | 8.1 | (454,270) | (20.8) | 1,303,932 | 8.8 | 2,224,455 | 14.9 |
| INSS | 186,824 | 4.6 | 192,672 | 8.8 | 735,994 | 5.0 | 663,267 | 4.4 |
| **Interest on own capital paid/dividends paid and/or proposed (1)** | **40,000** | **1.0** | **971,971** | **44.4** | **2,159,571** | **14.6** | **1,881,000** | **12.6** |
| **Profit Reinvestment** | **1,662,839** | **40.8** | **(753,155)** | **(34.4)** | **2,894,469** | **19.6** | **3,633,074** | **24.3** |
| **Total** | **4,075,894** | **100.0** | **2,188,238** | **100.0** | **14,791,383** | **100.0** | **14,928,337** | **100.0** |

(1) Interest on own capital/supplementary dividends approved at the special meeting of the Board of Directors on October 5, 2006 are included in the 3rd quarter of 2006 (Note 23c).

**Notes to the Financial Statements** (A free translation from the original in Portuguese)

We present below the Notes to the Consolidated Financial Statements of Banco Bradesco S.A. subdivided as follows:


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(A free translation from the original in Portuguese)

**Notes to the Consolidated Financial Statements**

**1) Operations**

Banco Bradesco S.A. (Bradesco) is a private-sector publicly-held company which, operating as a Multiple Bank, carries out all types of authorized banking activities through its commercial, foreign exchange, consumer financing, housing loan and credit card portfolios. The Bank also operates in a number of other activities through its direct and indirect subsidiary companies, particularly in Leasing, Investment Bank, Consortium Management, Insurance, Private Pension Plan and Certificated Savings Plans activities. Operations are conducted within the context of the companies comprising the Bradesco Organization, working in an integrated manner in the market.

In this context, Bradesco carried out the following operations in 2006:

- On December 21, 2005 Bradesco acquired the stock control of Banco do Estado do Ceará S.A. BEC and its subsidiary, whose process was concluded on January 3, 2006.

- On March 28, 2006, Bradesco, Fidelity National Information Services, Inc. (Fidelity National) and Banco ABN AMRO Real S.A. (Banco Real) entered into a partnership for the creation of Fidelity Processadora e Serviços S.A., which provides card activity services.

- On March 20, 2006 a partnership was entered into with American Express Company, by means of which Bradesco took over its credit card operations and similar activities in Brazil (Amex Brasil), starting to have exclusivity right for the issuance of cards of the Centurion line for a minimum term of 10 years, and the management of the network of accredited establishments of Amex Cards. The operation was ratified by the Brazilian Central Bank (BACEN) on 6.28.2006.

- On May 15, 2006, Bradesco and Bradespar entered into a Purchase and Sale Agreement of Stocks Issued by Bradesplan Participações S.A., by means of which Bradespar sold to Bradesco 100% of the stocks issued by Bradesplan Participações S.A.

**2) Presentation of the Financial Statements**

The financial statements of Bradesco include the financial statements of Banco Bradesco, its foreign branches and its direct and indirect subsidiaries and jointly controlled investments, in Brazil and abroad, and Special Purpose Entities (SPEs). They were prepared based on accounting policies determined by Brazilian Corporate Law for the recording of operations, as well as the rules and instructions of the National Monetary Council (CMN), BACEN, Brazilian Securities Commission (CVM), Brazilian Council of Private Insurance (CNSP), Superintendence of Private Insurance (SUSEP) and the National Agency for Supplementary Healthcare (ANS), and comprise the financial statements of the leasing companies based on the capital leasing method of accounting, whereby leased assets are reclassified to the leasing operations account, reduced from the residual amount received in advance.

Accordingly, for preparation purposes, intercompany investments, asset and liability account balances, revenue, expenses and unrealized profit were eliminated from these financial statements, as well as the portions of the net income and the stockholders equity referring to the interest of minority stockholders were highlighted. In the case of investments which are jointly controlled with other stockholders, asset, liability and income components were included in the consolidated financial statements in proportion to the percentage capital ownership of each investee. Goodwill on the acquisition of investments in subsidiaries and in the jointly controlled investments was presented in deferred assets until June 30, 2006, and was fully amortized in 3Q06 (Note 15a). The exchange variation arising from transactions of foreign branches and subsidiaries was allocated to the statement of income accounts according to the corresponding assets and liabilities from which it was originated.

The financial statements include estimates and assumptions, such as the calculation of the allowance for loan losses, the estimation of the fair value of certain financial instruments, provision for contingencies, other provisions, the quantification of provisions for insurance, supplementary pension plans and certificated savings plans and the determination of the useful economic life of specific assets. Actual results could differ from these estimates and assumptions.

**Notes to the Consolidated Financial Statements**

We highlight the main ownerships included in the Consolidated Financial Statements:

| | Activity | Total Ownership | | |
|---|---|---|---|---|
| | | 2006 | | 2005 |
| | | December 31 | September 30 | December 31 |
| **Financial area local** | | | | |
| Banco Alvorada S.A. (1) | Banking | 99.88% | 99.88% | 99.88% |
| Banco Bankpar S.A. (2) (3) | Banking | 99.99% | 99.99% | |
| Banco Bradesco BBI S.A. (1) (4) | Investment Bank | 100.00% | 100.00% | 100.00% |
| Banco BEC S.A. (5) (6) (7) | Banking | | 100.00% | |
| Banco Boavista Interatlântico S.A. (1) | Banking | 100.00% | 100.00% | 100.00% |
| Banco Finasa S.A. (1) | Banking | 100.00% | 100.00% | 100.00% |
| Banco Mercantil de São Paulo S.A. (1) (7) | Banking | | 100.00% | 100.00% |
| Bankpar Arrendamento Mercantil S.A. (2) (8) | Leasing | 99.99% | 99.99% | |
| Bankpar Banco Múltiplo S.A. (2) (9) | Banking | 99.99% | 99.99% | |
| Bradesco Administradora de Consórcios Ltda. (1) (10) | Consortium Management | 99.99% | 99.99% | 99.99% |
| Bradesco Leasing S.A. Arrendamento Mercantil (1) | Leasing | 100.00% | 100.00% | 100.00% |
| Bradesco S.A. Corretora de Títulos e Valores Mobiliários (1) (11) | Brokerage | 100.00% | 100.00% | 99.99% |
| BRAM Bradesco Asset Management S.A. DTVM (1) | Assets under Management | 100.00% | 100.00% | 100.00% |
| Bradesco Templeton Asset Management Ltda. (1) (12) | Assets under Management | | | 50.10% |
| Companhia Brasileira de Meios de Pagamento VISANET (1) (13) (14) (15) | Service Provision | 39.67% | 39.67% | 39.67% |
| **Financial area abroad** | | | | |
| Banco Bradesco Argentina S.A. | Banking | 99.99% | 99.99% | 99.99% |
| Banco Bradesco Luxembourg S.A. (1) | Banking | 100.00% | 100.00% | 100.00% |
| Banco Boavista Interatlântico S.A. Nassau Branch (1) | Banking | 100.00% | 100.00% | 100.00% |
| Banco Bradesco S.A. Grand Cayman Branch (1) (16) | Banking | 100.00% | 100.00% | 100.00% |
| Banco Bradesco S.A. New York Branch (1) | Banking | 100.00% | 100.00% | 100.00% |

| | | | | |
|---|---|---|---|---|
| Bradesco Securities, Inc. (1) | Brokerage | 100.00% | 100.00% | 100.00% |
| **Insurance, private pension and certificated savings plans area** | | | | |
| Atlântica Capitalização S.A. (1) | Certificated savings plans | 100.00% | 100.00% | 100.00% |
| Áurea Seguros S.A. (1) (13) (14) | Insurance | 27.50% | 27.50% | 27.50% |
| Bradesco Argentina de Seguros S.A. | Insurance | 99.90% | 99.90% | 99.90% |
| Bradesco Auto/RE Companhia de Seguros (1) | Insurance | 100.00% | 100.00% | 100.00% |
| Bradesco Capitalização S.A. (1) | Certificated savings plans | 100.00% | 100.00% | 100.00% |
| Bradesco Saúde S.A. (1) | Insurance/Health | 100.00% | 100.00% | 100.00% |
| Bradesco Seguros S.A. (1) | Insurance | 100.00% | 100.00% | 100.00% |
| Bradesco Vida e Previdência S.A. (1) | Private Pension Plans/Insurance | 100.00% | 100.00% | 100.00% |
| Finasa Seguradora S.A. (1) | Insurance | 100.00% | 100.00% | 100.00% |
| Indiana Seguros S.A. (1) (14) (17) | Insurance | 40.00% | 40.00% | 40.00% |
| Seguradora Brasileira de Crédito à Exportação S.A. (1) (13) (14) | Insurance | 12.09% | 12.09% | 12.09% |
| **Other activities** | | | | |
| Átria Participações Ltda. (1) (18) | Holding | 100.00% | 100.00% | 100.00% |
| Bankpar Participações Ltda. (2) | Holding | 99.99% | 99.99% | |
| Bradescor Corretora de Seguros Ltda. (1) | Insurance Brokerage | 99.87% | 99.87% | 99.87% |
| Bradesplan Participações Ltda. (19) (20) | Holding | 99.98% | 99.98% | |
| Cia. Securitizadora de Créditos Financeiros Rubi (1) | Credit Acquisition | 100.00% | 100.00% | 100.00% |
| Cibrasec Companhia Brasileira de Securitização (1) (13) (14) | Credit Acquisition | 9.08% | 9.08% | 9.08% |
| CPM Holdings Limited (13) | Holding | 49.00% | 49.00% | 49.00% |
| Nova Paiol Participações Ltda. (1) (21) (22) | Holding | 99.88% | 99.88% | 100.00% |
| Scopus Tecnologia Ltda. (1) | Information Technology | 99.87% | 99.87% | 99.87% |
| Serasa S.A. (13) (23) | Services Provision | 26.41% | 26.41% | 26.36% |
| Tempo Serviços Ltda. (2) (24) | Service Provision | 99.99% | 99.99% | |
| União Participações Ltda. (1) | Holding | 99.99% | 99.99% | 99.99% |

(1) Companies whose audit services in 2005 were carried out by other independent auditors;
(2) Company acquired in June 2006 Amex Brasil (Note 1);
(3) Current name of Banco American Express S.A. Amex Brasil (Note 1);
(4) Current name of Banco BEM S.A.;
(5) Company acquired in December 2005 and consolidated as from January 2006 (Note 1);
(6) Company became wholly-owned subsidiary in the 3rd quarter of 2006;
(7) Company incorporated by Alvorada Cartões, Crédito, Financiamento e Investimento S.A. in November 2006;

(8) Current name of Inter American Express Arrendamento Mercantil S.A. (Note 1);
(9) Current name of American Express Bank (Brazil) Banco Múltiplo S.A. (Note 1);
(10) Current name of Bradesco Consórcios Ltda.;
(11) Increase in the share due to the transfer of stocks of minority stockholders;
(12) The company is no longer consolidated as from April 2006 due to the partial sale of the investment, and to the sale, in July 2006, of the remaining balance;
(13) Companies proportionally consolidated, in conformity with Resolution 2,723 of CMN and CVM Instruction 247;
(14) Companies whose audit/review services in 2006 were carried out by other independent auditors;
(15) The entity of specific purpose called Brazilian Merchant Voucher Receivables Limited is being consolidated, a company which takes part in the securitization operation of the future flow of credit card bills receivables of clients domiciled abroad (Note 16d);
(16) The specific purpose entity called International Diversified Payment Rights Company is being consolidated, a company which takes part in the securitization operation of future flow of payment orders received from overseas (Note 16d);
(17) Company considered subsidiary in view of equity interest of 51% in the voting capital;
(18) Current name of Átria Participações S.A.;
(19) Company acquired in May 2006 (Note 1);
(20) Current name of Bradesplan Participações S.A.;
(21) Interest decrease due to the sale of the investment to Banco Alvorada S.A.;
(22) Current name of Nova Paiol Participações S.A.;
(23) Interest increase due to the acquisition of Banco BEC S.A. (Note 1); and
(24) Current name of American Express do Brasil Tempo Ltda. (Note 1).

**Supplementary Information to Financial Statements:**

With the purpose of providing supplementary information, we present the cash flow statement by the indirect method and the value added statement, not required by the accounting practices adopted in Brazil and by BACEN, which have been prepared in conformity with the structure set forth in the Chart of Accounts for National Financial System Institutions (COSIF).

**3) Significant Accounting Policies**

**a) Determination of net income**

Income and expenses are determined on the accrual basis of accounting. Transactions with prefixed rates are recorded at their redemption amounts and income and expenses for the future period are recorded as a discount to the corresponding asset and liability accounts. Income and expenses of a financial nature are prorated daily and calculated based on the exponential method, except when relating to discounted notes or to cross-border transactions which are calculated based on the straight-line method. Post-fixed or foreign-currency-indexed transactions are adjusted to the balance sheet date.

The insurance and coinsurance premiums and commissions, net of premiums assigned in coinsurance and reinsurance and corresponding commissions, are appropriated to results upon issuance of the corresponding insurance policies and invoices and are deferred for appropriation on a straight-line basis over the terms of the insurance policies, during the risk coverage period, by means of recording and reversal of unearned premiums reserve and deferred selling expenses. The accepted coinsurance and retrocession operations are recorded based on the information received from other companies and the Brazilian Institute of Reinsures (IRB), respectively.

The supplementary private pension plans contributions and life insurance premiums covering survival are recognized in income when effectively received.

The revenue from certificated savings plans is recognized at the time it is effectively received. The expenses for placement of bonds, classified as Selling Expenses , are recorded as they are incurred. Brokerage expenses are recorded when the certificated savings plans contributions are effectively received. The payment for draw redemptions is considered as expenses of the month when these occur.

The expenses for technical provisions for private pension plans and certificated savings plans are recorded at the same time as the corresponding revenues there from are recognized.

**b) Interbank investments**

Purchase and sale commitments subject to unrestricted movement agreements are adjusted to mark-to-market. Other assets are recorded at acquisition cost, including income earned up to the balance sheet date, net of loss accrual, when applicable.

**c) Securities**

Trading securities securities which are acquired for the purpose of being actively and frequently traded are adjusted to mark-to-market as a counter-entry to income for the period;

Securities available for sale securities which are not specifically intended for trading purposes or as held to maturity are adjusted to mark-to-market as a counter-entry to a specific account in stockholders' equity, at amounts net of tax effects; and

Securities held to maturity securities for which there exists intention and financial capacity for maintenance in portfolio through to maturity are recorded at acquisition cost, plus income earned, as a counter-entry to income for the period.

**d) Derivative financial instruments (assets and liabilities)**

These are classified based on management s intended use thereof on the date of the operation and whether it was carried out for hedging purposes or not.

The derivative financial instruments, which do not comply with the hedging criteria established by BACEN, particularly derivatives used to manage general exposure to risk, are recorded at market values, with the corresponding mark-to-market adjustments taken directly to income for the period.

**e) Loan and leasing operations, advances on foreign exchange contracts, other receivables with characteristics of loan granting and allowance for doubtful accounts**

Loan and leasing operations, advances on foreign exchange contracts and other receivables with characteristics of loan granting are classified at their corresponding risk levels in compliance with: (i) the parameters established by CMN Resolution no. 2,682, at nine levels from AA (minimum risk) to H (maximum risk); and (ii) management s risk level assessment. This assessment, which is carried out on a periodic basis, considers current economic conditions, and past loan loss experience, as well as specific and general risks relating to operations, borrowers and guarantors. Moreover, the length of the delay in payment defined in CMN Resolution no. 2,682 is also taken into account for customer risk classification purposes as follows:

| Past-due period | Customer classification |
|---|---|
| From 15 to 30 days | B |
| From 31 to 60 days | C |
| From 61 to 90 days | D |
| From 91 to 120 days | E |
| From 121 to 150 days | F |
| From 151 to 180 days | G |
| More than 180 days | H |

The accrual of these operations past due up to 59th days is recorded in revenues and subsequent to the 60th day, in unearned income.

Past-due operations classified at H level remain at this level for six months, subsequent to which time they are written-off against the existing allowance and controlled over a five-year period in memorandum accounts, no longer being recorded in balance sheet accounts.

Renegotiated operations are maintained with a classification equal to their prior rating. Renegotiated loan operations, already written-off against the provision and which are recorded in memorandum accounts, are classified at H level and the possible revenues derived from their renegotiation are recognized as revenue only when they are effectively received.

In the case of mortgage loans, the contractual capitalization period (monthly or quarterly) is taken into account, and both the income appropriation (by the accrual method) and the end-borrower financings are adjusted to the present value of the installments receivable.

The allowance for doubtful accounts is recorded at an amount considered sufficient to cover estimated losses and considers BACEN requirements and instructions, as well as Management s appraisal of the related credit risks.

**f) Taxes on income (asset and liability)**

Tax credits on taxes on income, calculated on tax losses, negative basis of social contribution and temporary additions are recorded in Other receivables Sundry , and the provision for deferred tax liabilities on excess depreciation and mark-to-market adjustments of securities is recorded in Other liabilities Fiscal and pension plan activities .

Tax credits on temporary additions are carried out upon use and/or reversal of the corresponding provisions on which they were recorded. Tax credits on tax losses and negative basis of social contribution will be carried out as taxable income is generated. Such tax credits are recorded based on the current expectations for their realization, taking into account the technical studies and analyses carried out by the management.

The provision for federal income tax is calculated at the standard rate of 15% of taxable income, plus an additional rate of 10%. The provision for social contribution is recorded at the rate of 9% of pre-income tax. Provisions were recorded for other taxes on income in accordance with specific applicable legislation.

**g) Prepaid expenses**

These record investments of resources in prepayments, whose benefits or service provision will take place in future periods, therefore, they are recorded in assets considering the accrual method of accounting, which determines that income and expenses must be included in the determination of the income for the periods in which they occur, always simultaneously when they are correlated, regardless of receipt or payment.

Prepaid payments correspond to the installment already paid for service rights to be received or for the future use of financial assets or resources from third-parties.

This group is basically represented by: commission in the placement of financings, exclusive contracts in the rendering of banking services, insurance selling expenses, insurance expenses and other costs on funding abroad, advertising expenses, as described in Note 12b.

Thus, based on the accrual method of accounting and the confrontation between income and expense , incurred costs related to corresponding assets which will generate income in subsequent periods are recorded in prepaid expenses. These assets are appropriated to the income in accordance with terms and amounts of benefits which are expected and written-off in the income when corresponding assets and rights are no longer part of the institution s assets or the expected future benefits can not be realized.

**h) Investments**

The investments in subsidiaries, shared control subsidiaries and affiliated companies, when relevant, are valuated by the equity accounting method. The financial statements of the foreign branches and subsidiaries are adjusted to comply with the accounting practices adopted in Brazil, translated into Reais and their related effects recognized in income for the period.

The exchange membership certificates of Stock Exchanges, the Custody and Settlement Chamber (CETIP) and the Mercantile and Futures Exchange (BM&F) are recorded at their unaudited book values, informed by the corresponding exchanges, and fiscal incentives and other investments are recorded at acquisition cost, less the provision for losses, when applicable.

**i) Fixed assets**

This is shown at acquisition cost, net of respective accumulated depreciations, calculated by the straight-line method according to the estimated useful-economic life of assets of which: real estate in use 4% p.a.; furnishings and fixtures, machinery and equipment 10% p.a.; transport systems 20% p.a.; and data processing systems 20% to 50% p.a.

**j) Deferred charges**

Deferred charges are recorded at cost of acquisition or formation, net of the corresponding accumulated amortization at 20% per annum, calculated on the straight-line method.

Goodwill in the acquisition of investments in subsidiary companies and shared control subsidiaries, based on future profitability expectation, had an amortization of 10% to 20% per annum and was recorded in deferred assets, until June 30, 2006.

Goodwill was reviewed by the Management Bodies and was fully amortized in 3Q06, as mentioned in Note 15a.

**k) Deposits and federal funds purchased and securities sold under agreements to repurchase**

These are recorded at the amount of the liabilities and include, when applicable, related charges up to the balance sheet date, on a daily pro rata basis.

**l) Provisions relating to insurance, private pension plans and certificated savings plans activities**

Technical provisions are calculated according to actuarial technical notes approved by SUSEP and ANS, and criteria set forth by CNSP Resolution no. 120/2004.

- Insurance of basic lines, life and health

The provision of unearned premiums is comprised of retained premiums which are deferred during the term of effectiveness of the insurance agreements, determining the pro rata day value of the unearned premium of the period of the risk to accrue (future risk of policies in effect).

The provision of claims incurred but not reported (IBNR) is calculated on an actuarial basis to quantify the amount of claims incurred and not reported by those insured/beneficiaries. The provision is established net of recoveries of co-insurance and re-insurance.

The provision of unsettled claims is established based on the estimates of payments of indemnities, net of recoveries of co-insurance and re-insurance, pursuant to notices of claims received from those insured until the balance sheet date. The provision is monetarily restated and includes all the claims under litigation.

- Supplementary open private pension plans and life insurance covering survival

The mathematical provision of benefits to be granted refers to participants whose benefits have not started yet. The mathematical provision of benefits granted refers to participants already using the benefits. Mathematical provisions related to private pension plans known as traditional represent the difference between the current value of the future benefits and the current value of the future contributions, corresponding to the obligations assumed under the form of supplementary pension plans, disability, pension and savings funds. They are calculated according to the methodology and premises set forth in Actuarial Technical Notes. The provisions linked to life insurance covering survival (VGBL) and to the private pension plans of the unrestricted benefits generating (PGBL) category represent the amount of the contributions made by the participants, net of loadings and other contractual charges, plus financial earnings generated by the investment of resources in investment funds especially established (FIEs).

The contribution insufficiency provision is constituted to complement the mathematical provisions of benefits to be granted and granted, should they not be sufficient to guarantee future commitments. The provision is calculated on an actuarial basis and takes into consideration the actuarial table AT-2000.

The financial fluctuation provision is established until the limit of 15% of the mathematical provision of benefits to be granted related to the private pension plans in the category of variable contribution with guarantee of earnings to meet possible financial fluctuations.

The administrative expenses provision is constituted to cover administrative expenses of the defined benefit and variable contribution plans. It is calculated in conformity with the methodology set forth in the Actuarial Technical Note.

- Certificated savings plans

The mathematical provision for redemptions is calculated on nominal amounts of certificated savings plans and monetarily restated, when applicable, based on Actuarial Technical Notes approved by SUSEP.

The provisions for redemptions are established by the values of the expired certificated savings plans and also by the values of the certificated savings plans which have not expired but whose redemption has been early required by the clients. The provisions are monetarily restated based on the indexes estimated in each plan.

The provisions for unrealized and payable draws are constituted to meet premiums arising from future draws (unrealized) and also to premiums arising from draws in which clients were already selected (payable).

**m) Contingent Assets and Liabilities and Legal Liabilities Tax and Social Security**

The recognition, measuring and disclosure of contingent assets and liabilities and legal liabilities are made according to the criteria defined in CVM Resolution 489/05.

- Contingent Assets: They are not recognized on an accounting basis, except when the Management has total control of the situation or when there are real guarantees or favorable judicial decisions, on which more resources are not provided for, characterizing the gain as practically certain. The contingent assets with probability of probable success are only disclosed in the financial statements (Note 18a);

- Contingent Liabilities: They are established taking into consideration the opinion of the legal advisers; the nature of the lawsuits; similarity with previous processes; complexity; and, in the positioning of Courts, whenever the loss is evaluated as probable, what would cause a probable outflow of resources for the settlement of liabilities and when the amounts involved are measurable with enough safety. The contingent liabilities classified as possible losses are not recognized on an accounting basis, and they must only be

disclosed in the notes, and those classified as remote do not require provision and disclosure (Note 18b);

- Legal Liabilities Tax and Social Security: They result from judicial proceedings related to tax liabilities, whose purpose of contestation is their legality or constitutionality, which regardless of the evaluation about the probability of success, have their amounts fully recognized in the financial statements (Note 18b).

**n) Other assets and liabilities**

The assets are stated at their realizable amounts, including, when applicable, related income and monetary and exchange variations (on a daily pro rata basis), and provision for loss, when deemed appropriate. The liabilities include known or estimated amounts, plus related charges and monetary and exchange variations (on a daily pro rata basis).

**4) Information for Comparison Purposes**

As of June 30, 2006, Bradesco started consolidating Amex Brasil and subsidiaries in its financial statements (Note 1)

**a) We present the main balance sheet and statement of income:**

**R$ thousand**

| | **Amex Brasil and subsidiaries** | |
|---|---|---|
| | **12.31.2006** | **9.30.2006** |
| **Assets** | | |
| **Current and long-term assets** | **3,455,466** | **2,304,025** |
| Funds available | 94,860 | 70,585 |
| Interbank investments | 79,915 | 163,926 |
| Securities and derivative financial instruments | 1,375,582 | 121,074 |
| Interbank and interdepartmental accounts | 1,513 | 2,761 |
| Loan operations and other loans | 9,022 | 179,640 |
| Other receivables and other assets | 1,894,574 | 1,766,039 |
| **Permanent assets** | **51,714** | **62,958** |
| Investments | 480 | 484 |
| Property, plant and equipment | 48,720 | 59,386 |
| Deferred charges | 2,514 | 3,088 |
| **Total** | **3,507,180** | **2,366,983** |
| | | |
| **Liabilities** | | |
| **Current and long-term liabilities** | **1,882,414** | **1,956,118** |
| Demand, time and other deposits | 42,400 | 203,910 |
| Interbank and interdepartmental accounts | | 27 |
| Borrowings and onlendings | 50,318 | 76,770 |
| Derivative financial instruments | 315 | 1,834 |
| Other liabilities | 1,789,381 | 1,673,577 |
| **Future taxable income** | **55,181** | **52,596** |
| **Stockholders equity** | **1,569,585** | **358,269** |
| **Total** | **3,507,180** | **2,366,983** |

**R$ thousand**

| | **2006** | | |
|---|---|---|---|
| **Statement of Income** | **Amex Brasil and subsidiaries** | | |
| | **December 31 YTD** | **4th Quarter** | **3rd Quarter** |
| **Revenues from financial intermediation** | **85,867** | **50,550** | **35,317** |
| **Expenses from financial intermediation** | **3,883** | **13,484** | **(9,601)** |
| **Gross income from financial intermediation** | **89,750** | **64,034** | **25,716** |
| **Other operating income (expenses)** | **(84,330)** | **(55,093)** | **(29,237)** |

| | | | |
|---|---|---|---|
| **Operating income** | **5,420** | **8,941** | **(3,521)** |
| **Non-operating income** | **(340)** | **58** | **(398)** |
| **Income before taxes on profit and interests** | **5,080** | **8,999** | **(3,919)** |
| **Taxes on income** | **(22,717)** | **(11,282)** | **(11,435)** |
| **Loss** | **(17,637)** | **(2,283)** | **(15,354)** |

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**5) Adjusted Balance Sheet and Statement of Income by Business Segment**

The following information is presented in conformity with the definitions set forth in the Chart of Accounts for National Financial System Institutions (COSIF).

**a) Balance sheet**

**R$ thousand**

| | Financial (1) (2) | | Insurance group (2) (3) | | Other activities (2) | Amount eliminated (4) | Consolidated Total |
|---|---|---|---|---|---|---|---|
| | **Local** | **Foreign** | **Local** | **Foreign** | | | |
| **Assets** | | | | | | | |
| **Current and long-term assets** | **186,387,590** | **20,858,184** | **60,317,330** | **21,985** | **1,214,534** | **(6,744,800)** | **262,054,823** |
| Funds available | 4,647,844 | 37,532 | 57,004 | 20,673 | 57,076 | (58,157) | 4,761,972 |
| Interbank investments | 23,804,818 | 2,329,682 | | | | (145,310) | 25,989,190 |
| Securities and derivative financial instruments | 34,442,909 | 7,078,443 | 56,296,951 | 64 | 757,824 | (1,326,232) | 97,249,959 |
| Interbank and interdepartmental accounts | 19,299,068 | 12,076 | | | | | 19,311,144 |
| Loan and leasing operations | 76,831,702 | 10,961,138 | | | | (4,326,313) | 83,466,527 |
| Other receivables and other assets | 27,361,249 | 439,313 | 3,963,375 | 1,248 | 399,634 | (888,788) | 31,276,031 |
| **Permanent assets** | **20,312,641** | **18,698** | **1,234,519** | **27** | **195,366** | **(18,268,801)** | **3,492,450** |
| Investments | 17,967,150 | 15,357 | 951,936 | | 30,940 | (18,268,801) | 696,582 |
| Property, plant and equipment in use and leased assets | 1,751,309 | 3,198 | 234,462 | 27 | 163,923 | | 2,152,919 |
| Deferred charges | 594,182 | 143 | 48,121 | | 503 | | 642,949 |
| **Total on December 31, 2006** | **206,700,231** | **20,876,882** | **61,551,849** | **22,012** | **1,409,900** | **(25,013,601)** | **265,547,273** |
| **Total on September 30, 2006** | **184,927,545** | **20,752,378** | **57,600,892** | **23,519** | **1,363,881** | **(21,476,578)** | **243,191,637** |
| **Total on December 31, 2005** | **156,605,733** | **19,634,524** | **49,655,573** | **29,177** | **1,290,970** | **(18,533,047)** | **208,682,930** |
| | | | | | | | |
| **Liabilities** | | | | | | | |
| **Current and long-term liabilities** | **181,877,696** | **11,582,292** | **53,463,781** | **11,593** | **482,449** | **(6,744,800)** | **240,673,011** |
| Deposits | 80,464,862 | 3,643,990 | | | | (203,639) | 83,905,213 |
| Federal funds purchased and securities sold under agreements to repurchase | 47,019,614 | 922,054 | | | | (266,235) | 47,675,433 |
| Funds from issuance of securities | 4,969,773 | 1,960,546 | | | | (1,294,040) | 5,636,279 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Interbank and interdepartmental accounts | 2,230,105 | 1,420 | | | | | 2,231,525 |
| Borrowings and onlendings | 19,998,286 | 1,501,643 | 9 | | 9,514 | (4,090,407) | 17,419,045 |
| Derivative financial instruments | 476,104 | 44,332 | | | 259 | (1,691) | 519,004 |
| Provisions for insurance, private pension plans and certificated savings plans | | | 49,117,980 | 11,234 | | | 49,129,214 |
| Other liabilities: | | | | | | | |
| Subordinated debt | 8,974,049 | 2,975,408 | | | | | 11,949,457 |
| Other | 17,744,903 | 532,899 | 4,345,792 | 359 | 472,676 | (888,788) | 22,207,841 |
| **Future taxable income** | **180,460** | | | | | | **180,460** |
| **Stockholders equity/minority interest in consolidated subsidiaries** | **5,713** | **9,294,590** | **8,088,068** | **10,419** | **927,451** | **(18,268,801)** | **57,440** |
| **Stockholders equity, parent company** | **24,636,362** | | | | | | **24,636,362** |
| **Total on December 31, 2006** | **206,700,231** | **20,876,882** | **61,551,849** | **22,012** | **1,409,900** | **(25,013,601)** | **265,547,273** |
| **Total on September 30, 2006** | **184,927,545** | **20,752,378** | **57,600,892** | **23,519** | **1,363,881** | **(21,476,578)** | **243,191,637** |
| **Total on December 31, 2005** | **156,605,733** | **19,634,524** | **49,655,573** | **29,177** | **1,290,970** | **(18,533,047)** | **208,682,930** |

**b) Statement of income**

**R$ thousand**

| | Financial (1) (2) | | Insurance group (2) (3) | | Other activities (2) | Amount eliminated (4) | Consolidated Total |
|---|---|---|---|---|---|---|---|
| | **Local** | **Foreign** | **Local** | **Foreign** | | | |
| Revenues from financial intermediation | 29,976,638 | 1,402,590 | 6,999,175 | 984 | 93,720 | (251,472) | 38,221,635 |
| Expenses from financial intermediation | 17,623,556 | 862,046 | 4,004,823 | | 479 | (251,386) | 22,239,518 |
| **Gross income from financial intermediation** | **12,353,082** | **540,544** | **2,994,352** | **984** | **93,241** | **(86)** | **15,982,117** |
| Other operating income (expenses) | (9,344,736) | (39,066) | (200,644) | (3,530) | (18,284) | 86 | (9,606,174) |
| **Operating income** | **3,008,346** | **501,478** | **2,793,708** | **(2,546)** | **74,957** | | **6,375,943** |
| Non-operating income | (125,309) | 2,623 | 124,738 | (381) | (10,635) | | (8,964) |
| **Income before taxes on profit and interests** | **2,883,037** | **504,101** | **2,918,446** | **(2,927)** | **64,322** | | **6,366,979** |
| Taxes on income | (514,367) | (4,448) | (748,786) | (486) | (35,845) | | (1,303,932) |
| Minority interest in consolidated subsidiaries | (1,901) | | (6,719) | | (387) | | (9,007) |
| **Accumulated net income on December 31, 2006** | **2,366,769** | **499,653** | **2,162,941** | **(3,413)** | **28,090** | | **5,054,040** |
| **Accumulated net income on December 31, 2005** | **3,202,476** | **625,292** | **1,588,864** | **5,594** | **91,848** | | **5,514,074** |
| **Net income in the 4th quarter of 2006** | **987,593** | **126,610** | **569,918** | **(1,016)** | **19,734** | | **1,702,839** |
| **Net income in the 3rd quarter of 2006** | **(519,635)** | **240,583** | **547,842** | **(1,669)** | **(48,305)** | | **218,816** |

(1) The Financial segment comprises: financial institutions; holding companies (which are mainly responsible for managing financial resources), as well as credit card management and asset management companies;
(2) The balances of equity accounts, revenues and expenses are being eliminated among companies from the same segment;
(3) The Insurance Group segment comprises insurance, private pension plans and certificated savings plans companies, whose financial information is adapted to the accounting policies of the holding company; and
(4) Amounts eliminated among companies from different segments as well as operations carried out in the country and abroad.

**6) Funds Available**

**R$ thousand**

| | 2006 | | 2005 |
|---|---|---|---|
| | **December 31** | **September 30** | **December 31** |
| Local currency | 4,556,711 | 3,502,518 | 3,209,867 |

| | | | |
|---|---|---|---|
| Foreign currency | 205,215 | 444,744 | 153,133 |
| Investments in gold | 46 | 45 | 41 |
| **Total** | **4,761,972** | **3,947,307** | **3,363,041** |

**7) Interbank Investments**

**a) Composition and terms**

**R$ thousand**

| | 2006 | | | | | | 2005 |
|---|---|---|---|---|---|---|---|
| | **Up to 30 days** | **From 31 to 180 days** | **From 181 to 360 days** | **More than 360 days** | **December 31** | **September 30** | **December 31** |
| **Investments in the open market** | | | | | | | |
| **Own portfolio position** | **14,436,508** | **3,204,496** | | | **17,641,004** | **10,686,762** | **7,669,959** |
| Financial treasury bills | 645,838 | | | | 645,838 | 680,264 | 689,524 |
| National treasury notes | 1,399,980 | 414,638 | | | 1,814,618 | 1,141,967 | 187,422 |
| National treasury bills | 12,390,690 | 2,789,858 | | | 15,180,548 | 8,864,531 | 6,793,013 |
| **Third-party portfolio position** | **2,876,832** | | **91,428** | | **2,968,260** | **17,071,157** | **11,945,785** |
| Financial treasury bills | 154,357 | | | | 154,357 | 6,869,131 | 4,339,911 |
| National treasury bills | 2,597,487 | | 91,428 | | 2,688,915 | 7,698,354 | 6,883,548 |
| National treasury notes | 124,988 | | | | 124,988 | 2,503,672 | 722,326 |
| **Sold position** | | **8,256** | | | **8,256** | | |
| National treasury bills | | 8,256 | | | 8,256 | | |
| **Subtotal** | **17,313,340** | **3,212,752** | **91,428** | | **20,617,520** | **27,757,919** | **19,615,744** |

R$ thousand

| | 2006 | | | | | | 2005 |
|---|---|---|---|---|---|---|---|
| | Up to 30 days | From 31 to 180 days | From 181 to 360 days | More than 360 days | December 31 | September 30 | December 31 |
| **Interbank deposits:** | | | | | | | |
| Interbank deposits | 3,185,623 | 1,015,029 | 720,893 | 451,113 | 5,372,658 | 6,604,737 | 5,390,726 |
| Provisions for losses | (988) | | | | (988) | (27) | (312) |
| **Subtotal** | **3,184,635** | **1,015,029** | **720,893** | **451,113** | **5,371,670** | **6,604,710** | **5,390,414** |
| **Total on December 31, 2006** | **20,497,975** | **4,227,781** | **812,321** | **451,113** | **25,989,190** | | |
| **%** | **78.9** | **16.3** | **3.1** | **1.7** | **100.0** | | |
| **Total on September 30, 2006** | **25,587,238** | **7,371,991** | **986,436** | **416,964** | | **34,362,629** | |
| **%** | **74.5** | **21.4** | **2.9** | **1.2** | | **100.0** | |
| **Total on December 31, 2005** | **19,172,746** | **4,776,623** | **582,114** | **474,675** | | | **25,006,158** |
| **%** | **76.7** | **19.1** | **2.3** | **1.9** | | | **100.0** |

**b) Income from interbank investments**

Classified in the statement of income as income on securities transactions

R$ thousand

| | 2006 | | | 2005 |
|---|---|---|---|---|
| | 4th Quarter | 3rd Quarter | December 31 YTD | December 31 YTD |
| **Income on investments in purchase and sale commitments:** | | | | |
| Own portfolio position | 319,118 | 288,070 | 1,033,883 | 247,097 |
| Third-party portfolio position | 524,545 | 617,900 | 2,173,253 | 2,676,352 |
| Sold position | 3,882 | | 3,882 | |
| **Subtotal** | **847,545** | **905,970** | **3,211,018** | **2,923,449** |
| **Income from interbank deposits** | **128,857** | **128,524** | **498,197** | **450,927** |
| **Total (Note 8f)** | **976,402** | **1,034,494** | **3,709,215** | **3,374,376** |

**8) Securities and Derivative Financial Instruments**

Find below the information related to securities and derivative financial instruments:

a) Summary of the consolidated classification of securities by business and issuer segments;

b) Consolidated portfolio breakdown by issuer;
c) Consolidated classification by category, days to maturity and business segment:

I) Trading securities;

II) Securities available for sale; and

III) Securities held to maturity.

d) Breakdown of the portfolios distributed by publication items;

e) Derivative financial instruments:

I) Amounts of instruments recorded in balance sheet and memorandum accounts;

II) Breakdown of derivative financial instruments (assets and liabilities), stated at restated cost and market value;

III) Futures, option, forward and swap contracts;

IV) Types of margin granted as collateral for derivative financial instruments, comprising mainly futures contracts;

V) Net revenue and expense amounts; and

VI) Overall amounts of the derivative financial instruments, broken down by trading place.
f) Income on securities transactions, financial income on insurance, private pension plans and certificated savings plans and derivative financial instruments.

**a) Summary of the consolidated classification of securities by business and issuer segments**

**R$ thousand**

| | 2006 | | | | | | | | 2005 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Financial** | **Insurance/ Certificated savings plans** | **Private Pension Plans** | **Other Activities** | **December 31** | **%** | **September 30** | **%** | **December 31** | **%** |
| **Trading securities (4)** | **28,861,243** | **5,813,390** | **23,353,933** | **465,934** | **58,494,500** | **66.1** | **38,698,298** | **57.9** | **42,334,992** | **72.3** |
| Government securities | 22,911,566 | 3,326,836 | 268,230 | 391,818 | 26,898,450 | 30.4 | 9,079,932 | 13.5 | 15,847,298 | 27.1 |
| Corporate bonds | 5,400,612 | 2,486,554 | 916,273 | 74,116 | 8,877,555 | 10.0 | 7,333,074 | 11.0 | 9,837,522 | 16.8 |
| Derivative financial instruments (1) | 549,065 | | | | 549,065 | 0.6 | 524,743 | 0.8 | 474,488 | 0.8 |
| PGBL / VGBL restricted bonds | | | 22,169,430 | | 22,169,430 | 25.1 | 21,760,549 | 32.6 | 16,175,684 | 27.6 |
| **Securities available for sale (4)** | **7,606,736** | **4,964,082** | **14,160,496** | **25,488** | **26,756,802** | **30.2** | **23,822,742** | **35.6** | **11,926,959** | **20.3** |
| Government securities | 4,812,506 | 4,224,294 | 12,315,720 | | 21,352,520 | 24.1 | 18,563,883 | 27.7 | 8,338,195 | 14.2 |
| Corporate bonds | 2,794,230 | 739,788 | 1,844,776 | 25,488 | 5,404,282 | 6.1 | 5,258,859 | 7.9 | 3,588,764 | 6.1 |
| **Securities held to maturity (5)** | **1,039,990** | | **2,187,922** | | **3,227,912** | **3.7** | **4,313,538** | **6.5** | **4,307,283** | **7.4** |
| Government securities | 1,039,990 | | 2,187,922 | | 3,227,912 | 3.7 | 4,313,388 | 6.5 | 4,263,613 | 7.3 |
| Corporate bonds | | | | | | | 150 | | 43,670 | 0.1 |
| **Subtotal** | **37,507,969** | **10,777,472** | **39,702,351** | **491,422** | **88,479,214** | **100.0** | **66,834,578** | **100.0** | **58,569,234** | **100.0** |
| Purchase and sale commitments (2) | 2,955,238 | 624,724 | 5,190,783 | | 8,770,745 | | 6,187,290 | | 5,881,574 | |
| **Overall total** | **40,463,207** | **11,402,196** | **44,893,134** | **491,422** | **97,249,959** | | **73,021,868** | | **64,450,808** | |
| Government securities | 28,764,062 | 7,551,130 | 14,771,872 | 391,818 | 51,478,882 | 58.2 | 31,957,203 | 47.7 | 28,449,106 | 48.6 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Corporate bonds | 8,743,907 | 3,226,342 | 2,761,049 | 99,604 | 14,830,902 | 16.7 | 13,116,826 | 19.7 | 13,944,444 | 23.8 |
| PGBL / VGBL restricted bonds | | | 22,169,430 | | 22,169,430 | 25.1 | 21,760,549 | 32.6 | 16,175,684 | 27.6 |
| **Subtotal** | **37,507,969** | **10,777,472** | **39,702,351** | **491,422** | **88,479,214** | **100.0** | **66,834,578** | **100.0** | **58,569,234** | **100.0** |
| Purchase and sale commitments (2) | 2,955,238 | 624,724 | 5,190,783 | | 8,770,745 | | 6,187,290 | | 5,881,574 | |
| **Overall total** | **40,463,207** | **11,402,196** | **44,893,134** | **491,422** | **97,249,959** | | **73,021,868** | | **64,450,808** | |

**b) Consolidated portfolio breakdown by issuer**

| Securities (3) | 2006 December 31 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Up to 30 day | From 31 to 180 days | From 181 to 360 days | More than 360 days | Mark-to-market book value (6) (7) (8) | Restated cost value | Mark-to-market | Mark-to-book v (6) (7) |
| **Government securities** | **12,353,986** | **3,322,329** | **5,721,452** | **30,081,115** | **51,478,882** | **49,884,987** | **1,593,895** | **31,9** |
| Financial treasury bills | 596,074 | 649,376 | 918,867 | 1,694,865 | 3,859,182 | 3,858,559 | 623 | 4,2 |
| National treasury bills | 11,754,850 | 2,575,091 | 4,782,121 | 3,440,127 | 22,552,189 | 22,549,412 | 2,777 | 3,9 |
| National treasury notes | 1,034 | 8,042 | | 21,051,088 | 21,060,164 | 19,895,720 | 1,164,444 | 18,9 |
| Brazilian foreign debt notes | | | 16,174 | 3,693,654 | 3,709,828 | 3,282,203 | 427,625 | 4,5 |
| Privatization currencies | | | | 191,907 | 191,907 | 193,724 | (1,817) | 1 |
| Foreign government securities | | 89,820 | 4,290 | 9,381 | 103,491 | 103,227 | 264 | 1 |
| Other | 2,028 | | | 93 | 2,121 | 2,142 | (21) | |
| **Corporate bonds** | **6,372,333** | **1,267,810** | **499,364** | **6,691,395** | **14,830,902** | **13,881,323** | **949,579** | **13,1** |
| Certificates of bank deposit | 859,157 | 1,146,450 | 223,479 | 1,553,567 | 3,782,653 | 3,782,653 | | 5,5 |
| Stocks | 3,202,279 | | | | 3,202,279 | 2,323,132 | 879,147 | 2,2 |
| Debentures | 7,779 | | 25,696 | 2,842,745 | 2,876,220 | 2,894,695 | (18,475) | 1,5 |
| Foreign securities | 345 | 46,018 | 220,162 | 1,229,651 | 1,496,176 | 1,418,422 | 77,754 | 2,0 |
| Derivative financial instruments | 456,420 | 34,373 | 29,842 | 28,430 | 549,065 | 524,740 | 24,325 | 5 |
| Other | 1,846,353 | 40,969 | 185 | 1,037,002 | 2,924,509 | 2,937,681 | (13,172) | 1,1 |
| **PGBL / VGBL restricted bonds** | **1,228,994** | **5,368,959** | **3,951,101** | **11,620,376** | **22,169,430** | **22,169,430** | | **21,7** |
| **Subtotal** | **19,955,313** | **9,959,098** | **10,171,917** | **48,392,886** | **88,479,214** | **85,935,740** | **2,543,474** | **66,8** |
| Purchase and sale commitments (2) | 4,263,886 | 573,629 | 855,078 | 3,078,152 | 8,770,745 | 8,770,745 | | 6,1 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Overall Total** | **24,219,199** | **10,532,727** | **11,026,995** | **51,471,038** | **97,249,959** | **94,706,485** | **2,543,474** | **73,0** |

**c) Consolidated classification by category, days to maturity and business segment**

**I) Trading Securities**

| | 2006 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Securities (3) (4)** | **December 31** | | | | | | | **Sept** |
| | **Up to 30 day** | **From 31 to 180 days** | **From 181 to 360 days** | **More than 360 days** | **Mark-to-market book value (6) (7) (8)** | **Restated cost value** | **Mark-to-market** | **Mark-to-mark book value (6) (7) (8)** |
| **Financial** | **13,890,881** | **2,827,643** | **5,198,883** | **6,943,836** | **28,861,243** | **28,809,669** | **51,574** | **7,089,38** |
| National treasury bills | 11,252,710 | 2,346,807 | 4,727,074 | 2,529,378 | 20,855,969 | 20,853,192 | 2,777 | 2,304,50 |
| Financial treasury bills | 538,334 | 305,776 | 395,527 | 592,955 | 1,832,592 | 1,831,837 | 755 | 1,658,57 |
| Certificates of bank deposit | 131,401 | 35,020 | 712 | 999,476 | 1,166,609 | 1,166,609 | | 716,42 |
| Derivative financial instruments (1) | 456,420 | 34,373 | 29,842 | 28,430 | 549,065 | 524,740 | 24,325 | 524,74 |
| Debentures | | | 22,477 | 1,760,922 | 1,783,399 | 1,785,240 | (1,841) | 453,78 |
| Brazilian foreign debt notes | | | 13,862 | 41,627 | 55,489 | 48,784 | 6,705 | 135,09 |
| National treasury notes | 1,034 | | | 72,372 | 73,406 | 69,803 | 3,603 | 102,45 |
| Foreign corporate securities | 128 | 15,847 | 5,099 | 298,217 | 319,291 | 303,782 | 15,509 | 446,41 |
| Foreign government securities | | 89,820 | 4,290 | | 94,110 | 94,369 | (259) | 91,08 |
| Stocks | 19,491 | | | | 19,491 | 19,491 | | 12,37 |
| Other | 1,491,363 | | | 620,459 | 2,111,822 | 2,111,822 | | 643,93 |
| **Insurance and certificated savings plans** | **1,116,215** | **1,501,148** | **554,903** | **2,641,124** | **5,813,390** | **5,813,400** | **(10)** | **6,956,21** |
| | | 256,834 | 377,060 | 847,020 | 1,480,914 | 1,480,924 | (10) | 1,911,97 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Financial treasury bills | | | | | | | |
| National treasury bills | 408,726 | 210,109 | 45,654 | 752,218 | 1,416,707 | 1,416,707 | 1,473,26 |
| Certificates of bank deposit | 375,919 | 1,026,163 | 130,961 | 215,352 | 1,748,395 | 1,748,395 | 2,393,98 |
| National treasury notes | | 8,042 | | 421,173 | 429,215 | 429,215 | 844,40 |
| Stocks | 85,914 | | | | 85,914 | 85,914 | 67,32 |
| Debentures | | | 1,228 | 342,294 | 343,522 | 343,522 | 152,77 |
| Other | 245,656 | | | 63,067 | 308,723 | 308,723 | 112,48 |
| 263 | | | | | | | |

| Securities (3) (4) | 2006 December 31 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Up to 30 day | From 31 to 180 days | From 181 to 360 days | More than 360 days | Mark-to-market book value (6) (7) (8) | Restated cost value | Mark-to-market | Mark-to book (6) (7 |
| **Private pension plans** | **1,562,265** | **5,455,047** | **4,049,876** | **12,286,745** | **23,353,933** | **23,353,933** | | **24,** |
| Financial treasury bills | | 4,246 | 7,058 | 10,174 | 21,478 | 21,478 | | |
| National treasury notes | | | | 72,523 | 72,523 | 72,523 | | |
| Certificates of bank deposit | 266,425 | 64,476 | 91,717 | 259,530 | 682,148 | 682,148 | | 1, |
| National treasury bills | | 17,366 | | 35,672 | 53,038 | 53,038 | | |
| Stocks | 66,270 | | | | 66,270 | 66,270 | | |
| Privatization currencies | | | | 121,191 | 121,191 | 121,191 | | |
| Debentures | | | | 2,084 | 2,084 | 2,084 | | |
| PGBL / VGBL restricted bonds | 1,228,994 | 5,368,959 | 3,951,101 | 11,620,376 | 22,169,430 | 22,169,430 | | 21, |
| Other | 576 | | | 165,195 | 165,771 | 165,771 | | |
| **Other activities** | **130,242** | **41,356** | **69,823** | **224,513** | **465,934** | **465,934** | | |
| Financial treasury bills | 9,399 | 32,756 | 60,430 | 62,758 | 165,343 | 165,343 | | |
| Certificates of bank deposit | 11,703 | 7,791 | | 1,012 | 20,506 | 20,506 | | |
| National treasury bills | 93,414 | 809 | 9,393 | 122,859 | 226,475 | 226,475 | | |
| Debentures | 2,122 | | | 37,617 | 39,739 | 39,739 | | |
| National treasury notes | | | | | | | | |
| Other | 13,604 | | | 267 | 13,871 | 13,871 | | |
| **Subtotal** | **16,699,603** | **9,825,194** | **9,873,485** | **22,096,218** | **58,494,500** | **58,442,936** | **51,564** | **38,** |
| **Purchase and sale commitments (2)** | **4,263,886** | **573,629** | **855,078** | **3,078,152** | **8,770,745** | **8,770,745** | | **6,** |
| Financial | 2,912,935 | 23,010 | 5,698 | 13,595 | 2,955,238 | 2,955,238 | | 2, |
| Insurance and certificated savings plans | 24,830 | 12,036 | 235,615 | 352,243 | 624,724 | 624,724 | | |
| Private pension plans | 1,326,121 | 538,583 | 613,765 | 2,712,314 | 5,190,783 | 5,190,783 | | 3, |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Overall total** | **20,963,489** | **10,398,823** | **10,728,563** | **25,174,370** | **67,265,245** | **67,213,681** | **51,564** | **44,** |
| **Derivative financial instruments (Liabilities)** | **(500,135)** | **(6,641)** | **(4,105)** | **(8,123)** | **(519,004)** | **(546,750)** | **27,746** | **(** |

**II) Securities available for sale**

| | 2006 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Securities (4)** | **December 31** | | | | | | | **Septem** |
| | **Up to 30 day** | **From 31 to 180 days** | **From 181 to 360 days** | **More than 360 days** | **Mark-to-market book value (6) (7) (8)** | **Restated cost value** | **Mark-to-market** | **Mark-to-market book value (6) (7) (8)** |
| **Financial** | **1,218,245** | **71,140** | **219,551** | **6,097,800** | **7,606,736** | **6,753,397** | **853,339** | **9,581,315** |
| National treasury bills | | | | | | | | |
| Brazilian foreign debt notes | | | 2,312 | 2,612,037 | 2,614,349 | 2,193,429 | 420,920 | 3,336,855 |
| Foreign corporate securities | 217 | 30,171 | 215,063 | 931,434 | 1,176,885 | 1,114,640 | 62,245 | 1,645,780 |
| National treasury notes | | | | 2,027,328 | 2,027,328 | 1,930,434 | 96,894 | 2,876,510 |
| Financial treasury bills | 48,089 | | | 40,522 | 88,611 | 88,669 | (58) | 99,530 |
| Certificates of bank deposit | 52,242 | | | 78,197 | 130,439 | 130,439 | | 491,424 |
| Debentures | 1,639 | | 1,991 | 140,078 | 143,708 | 177,233 | (33,525) | 175,776 |
| Stocks | 1,070,087 | | | | 1,070,087 | 748,737 | 321,350 | 660,737 |
| Privatization currencies | | | | 70,716 | 70,716 | 72,533 | (1,817) | 70,387 |
| Foreign government securities | | | | 9,381 | 9,381 | 8,858 | 523 | 9,288 |
| Other | 45,971 | 40,969 | 185 | 188,107 | 275,232 | 288,425 | (13,193) | 215,028 |
| **Insurance and certificated savings plans** | **622,951** | **36,937** | **61,990** | **4,242,204** | **4,964,082** | **4,512,550** | **451,532** | **3,236,819** |
| Financial treasury bills | 94 | 23,937 | 61,990 | 75,143 | 161,164 | 161,276 | (112) | 202,565 |
| Stocks | 571,463 | | | | 571,463 | 319,505 | 251,958 | 496,240 |
| Debentures | 27 | | | 103,931 | 103,958 | 100,944 | 3,014 | 94,593 |
| | 7,635 | 13,000 | | | 20,635 | 20,635 | | 16,032 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Certificates of bank deposit | | | | | | | | |
| Foreign corporate securities | | | | | | | | 3,981 |
| National treasury notes | | | | 4,063,130 | 4,063,130 | 3,866,458 | 196,672 | 2,423,061 |
| National treasury bills | | | | | | | | 297 |
| Other | 43,732 | | | | 43,732 | 43,732 | | 50 |
| **Private pension plans** | **1,389,115** | **25,827** | **16,802** | **12,728,752** | **14,160,496** | **12,973,544** | **1,186,952** | **10,981,685** |
| Stocks | 1,388,949 | | | | 1,388,949 | 1,083,197 | 305,752 | 962,953 |
| Debentures | 8 | | | 455,819 | 455,827 | 441,950 | 13,877 | 475,454 |
| Financial treasury bills | 158 | 25,827 | 16,802 | 66,293 | 109,080 | 109,032 | 48 | 114,289 |
| National treasury notes | | | | 12,206,640 | 12,206,640 | 11,339,365 | 867,275 | 9,428,989 |
| Other | | | | | | | | |
| **Other activities** | **25,399** | | **89** | | **25,488** | **25,401** | **87** | **22,923** |
| Certificates of bank deposit | 13,832 | | 89 | | 13,921 | 13,921 | | 22,055 |
| Debentures | 3,983 | | | | 3,983 | 3,983 | | 783 |
| Stocks | 105 | | | | 105 | 18 | 87 | 85 |
| Other | 7,479 | | | | 7,479 | 7,479 | | |
| **Overall total** | **3,255,710** | **133,904** | **298,432** | **23,068,756** | **26,756,802** | **24,264,892** | **2,491,910** | **23,822,742** |

**III) Securities held to maturity**

**R$ thousand**

| Securities | 2006 December 31 | | | | | 2005 September 30 | 2005 December 31 |
|---|---|---|---|---|---|---|---|
| | Up to 30 days | From 31 to 180 days | From 181 to 360 days | More than 360 days | Restated cost value (6) (7) (8) | Restated cost value (6) (7) (8) | Restated cost value (6) (7) (8) |
| **Financial** | | | | **1,039,990** | **1,039,990** | **1,043,805** | **1,170,094** |
| Brazilian foreign debt notes | | | | 1,039,990 | 1,039,990 | 1,043,655 | 1,126,424 |
| Foreign corporate securities | | | | | | 150 | 43,670 |
| **Private pension plans** | | | | **2,187,922** | **2,187,922** | **3,269,733** | **3,137,189** |
| National treasury notes | | | | 2,187,922 | 2,187,922 | 3,269,733 | 3,137,189 |
| **Overall total (5)** | | | | **3,227,912** | **3,227,912** | **4,313,538** | **4,307,283** |

**d) Breakdown of the portfolios by publication items**

**R$ thousand**

| | 2006 | | | | | 2005 | |
|---|---|---|---|---|---|---|---|
| | Up to 30 days | From 31 to 180 days | From 181 to 360 days | More than 360 days | Total on December 31 (3) (6) (7) (8) | Total on September 30 (3) (6) (7) (8) | Total on December 31 (3) (6) (7) (8) |
| **Own portfolio** | **12,000,987** | **8,009,312** | **6,232,960** | **45,809,591** | **72,052,850** | **66,377,248** | **59,324,858** |
| **Fixed income securities** | **8,798,708** | **8,009,312** | **6,232,960** | **45,809,591** | **68,850,571** | **64,120,741** | **57,881,467** |
| Financial treasury bills | 593,115 | 519,802 | 855,598 | 974,354 | 2,942,869 | 3,908,401 | 5,541,892 |
| Purchase and sale commitments (2) | 4,263,886 | 573,629 | 855,078 | 3,078,152 | 8,770,745 | 6,187,290 | 5,881,574 |
| National treasury notes | 1,034 | 8,042 | | 18,952,336 | 18,961,412 | 16,325,585 | 10,501,866 |
| Brazilian foreign debt notes | | | 16,174 | 2,628,071 | 2,644,245 | 2,816,911 | 5,409,012 |
| Certificates of bank deposit | 859,157 | 1,146,450 | 223,479 | 1,553,567 | 3,782,653 | 5,037,070 | 7,395,078 |
| National treasury bills | | 215,623 | 81,197 | 1,762,672 | 2,059,492 | 3,060,560 | 2,437,162 |
| | 345 | 46,018 | 220,162 | 1,229,651 | 1,496,176 | 2,096,330 | 1,702,735 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Foreign corporate securities | | | | | | | |
| Debentures | 3,796 | | 25,696 | 2,842,745 | 2,872,237 | 1,541,006 | 1,650,197 |
| Foreign government securities | | 89,820 | 4,290 | 9,381 | 103,491 | 100,374 | 120,682 |
| Privatization currencies | | | | 121,191 | 121,191 | 117,448 | 134,538 |
| PGBL/VGBL restricted bonds | 1,228,994 | 5,368,959 | 3,951,101 | 11,620,376 | 22,169,430 | 21,760,549 | 16,175,684 |
| Other | 1,848,381 | 40,969 | 185 | 1,037,095 | 2,926,630 | 1,169,217 | 931,047 |
| **Equity securities** | **3,202,279** | | | | **3,202,279** | **2,256,507** | **1,443,391** |
| Stocks of listed companies (technical provisions) | 1,067,442 | | | | 1,067,442 | 963,610 | 678,693 |
| Stocks of listed companies (other) | 2,134,837 | | | | 2,134,837 | 1,292,897 | 764,698 |
| **Subject to commitments** | **5,525,356** | **2,286,852** | **4,163,854** | **4,652,091** | **16,628,153** | **6,119,877** | **4,651,462** |
| **Repurchase agreement** | **5,524,156** | **2,209,221** | **3,791,640** | **3,827,056** | **15,352,073** | **2,370,755** | **1,051,665** |
| National treasury bills | 5,518,396 | 2,140,299 | 3,733,444 | 621,757 | 12,013,896 | 169,736 | 13,439 |
| Brazilian foreign debt notes | | | | 1,065,583 | 1,065,583 | 1,698,692 | 639,666 |
| Certificates of bank deposit | | | | | | 492,466 | 348,158 |
| Financial treasury bills | 1,777 | 68,922 | 58,196 | 40,964 | 169,859 | 8,262 | 40,032 |
| National treasury notes | | | | 2,098,752 | 2,098,752 | | 8,925 |
| Debentures | 3,983 | | | | 3,983 | 1,599 | 1,445 |
| **Brazilian Central Bank** | | | **216,813** | **223,422** | **440,235** | **1,367,649** | **2,506,172** |
| National treasury bills | | | 216,813 | 223,422 | 440,235 | 159,425 | 5,566 |
| National treasury notes | | | | | | 1,168,135 | 2,500,606 |
| Financial treasury bills | | | | | | 40,089 | |

**R$ thousand**

| | 2006 | | | | | 2005 | |
|---|---|---|---|---|---|---|---|
| | **Up to 30 days** | **From 31 to 180 days** | **From 181 to 360 days** | **More than 360 days** | **Total on December 31 (3) (6) (7) (8)** | **Total on September 30 (3) (6) (7) (8)** | **Total on December 31 (3) (6) (7) (8)** |
| **Privatization currencies** | | | | **70,716** | **70,716** | **70,387** | **98,142** |
| **Collateral provided** | **1,200** | **77,631** | **155,401** | **530,897** | **765,129** | **2,311,086** | **995,483** |
| National treasury bills | 18 | 16,979 | 150,328 | 431,885 | 599,210 | 583,453 | 100,492 |
| Financial treasury bills | 1,182 | 60,652 | 5,073 | 99,012 | 165,919 | 263,461 | 574,224 |
| National treasury notes | | | | | | 1,464,172 | 320,189 |
| Foreign government securities | | | | | | | 578 |
| **Derivative financial instruments (1)** | **456,420** | **34,373** | **29,842** | **28,430** | **549,065** | **524,743** | **474,488** |
| **Securities purpose of unrestricted purchase and sale commitments** | **6,236,436** | **202,190** | **600,339** | **980,926** | **8,019,891** | | |
| National treasury bills | 6,236,436 | 202,190 | 600,339 | 400,391 | 7,439,356 | | |
| Financial treasury bills | | | | 580,535 | 580,535 | | |
| **Overall total** | **24,219,199** | **10,532,727** | **11,026,995** | **51,471,038** | **97,249,959** | **73,021,868** | **64,450,808** |
| **%** | **24.9** | **10.9** | **11.3** | **52.9** | **100.0** | **100.0** | **100.0** |

(1) For comparison purposes with the criterion adopted by Brazilian Central Bank s Circular no. 3068 and due to securities characteristics, we are considering the derivative financial instruments under the category Trading Securities ;

(2) These refer to assets under management funds applied in purchase and sale commitments with Bradesco, the owners of which are subsidiaries, included in the consolidated financial statements;

(3) The investment fund quotas were distributed according to instruments composing their portfolios and preserving the classification of funds category;

(4) On June 30, 2006, R$11,251,983 thousand of Trading Securities were transferred to Securities Available for Sale , in view of the management s intention as to their realization;

(5)

In compliance with the provisions of Article 8 of BACEN Circular no. 3068, Bradesco declares that it has both the financial capacity and the intention to hold to maturity the securities clas- sified in the securities held to maturity s category. This financial capacity is evidenced in Note 32a, which presents the maturities of asset and liability operations on the reference date of December 31, 2006;

(6) The number of days to maturity was based on the maturity of the securities, regardless of their accounting classification;

(7) This column reflects book value subsequent to mark-to-market, except for securities held to maturity, whose market value is higher than the restated cost value in the amount of R$998,798 thousand (September 30, 2006 R$829,243 thousand and December 31, 2005 R$793,018 thousand); and

(8) The market value of securities is determined based on the market price available on the balance sheet date. In case no market prices are available, amounts are estimated based on the prices quoted by dealers, on price definition models, quotation models or quotations for instruments with similar characteristics; in case of investment funds, the restated cost reflects the market value of respective quotas.

**e) Derivative financial instruments**

Bradesco carries out transactions involving derivative financial instruments, which are recorded in balance sheet or memorandum accounts, for its own needs and for customers. The derivative financial instruments, when used by the Bank, aim at hedging its asset and liability positions against the effect of exchange and interest rate variations. The derivatives generally represent future commitments for exchanging currencies or indices, or purchasing and selling other financial instruments according to the terms and dates set forth in the contracts. Under the option contracts, the purchaser is entitled, but not obliged, to purchase or sell a financial instrument at a specific strike price in the future.

**I) Amounts of the instruments recorded in balance sheet and memorandum accounts**

**R$ thousand**

| | 2006 | | | | 2005 | |
|---|---|---|---|---|---|---|
| | December 31 | | September 30 | | December 31 | |
| | Overall amount | Net amount | Overall amount | Net amount | Overall amount | Net amount |
| **Futures contracts** | | | | | | |
| **Purchase commitments:** | **4,724,181** | | **4,581,357** | | **7,479,822** | |
| Interbank market | 764,924 | | 705,874 | | 1,919,655 | |
| Foreign currency | 3,959,257 | | 3,875,483 | | 5,560,167 | |
| **Sale commitments:** | **51,950,138** | | **25,473,829** | | **31,344,456** | |
| Interbank market | 37,456,624 | 36,691,700 | 13,859,869 | 13,153,995 | 19,123,649 | 17,203,994 |
| Foreign currency | 14,439,408 | 10,480,151 | 11,598,959 | 7,723,476 | 12,216,762 | 6,656,595 |
| Other | 54,106 | 54,106 | 15,001 | 15,001 | 4,045 | 4,045 |
| **Option contracts** | | | | | | |
| **Purchase commitments:** | **540,316** | | **436,430** | | **198,816** | |
| Foreign currency | 540,316 | 67,920 | 436,430 | | 198,816 | |
| **Sale commitments:** | **472,396** | | **824,757** | | **219,540** | |
| Foreign currency | 472,396 | | 824,757 | 388,327 | 219,540 | 20,724 |

R$ thousand

| | 2006 | | | | 2005 | |
|---|---|---|---|---|---|---|
| | December 31 | | September 30 | | December 31 | |
| | Overall amount | Net amount | Overall amount | Net amount | Overall amount | Net amount |
| **Forward contracts** | | | | | | |
| **Purchase commitments:** | **1,242,719** | | **1,474,941** | | **888,308** | |
| Interbank market | | | | | 107,000 | 107,000 |
| Foreign currency | 1,242,669 | 768,001 | 1,460,543 | 891,329 | 781,308 | 280,136 |
| Other | 50 | | 14,398 | | | |
| **Sale commitments:** | **843,587** | | **893,082** | | **501,172** | |
| Foreign currency | 474,668 | | 569,214 | | 501,172 | |
| Other | 368,919 | 368,869 | 323,868 | 309,470 | | |
| **Swap contracts** | | | | | | |
| **Asset position:** | **13,284,372** | | **16,039,609** | | **15,848,571** | |
| Interbank market | 6,860,881 | 5,524,688 | 7,522,063 | 6,199,160 | 8,543,197 | 7,326,894 |
| Prefixed | 898,364 | 247,968 | 1,062,820 | 297,229 | 284,668 | |
| Foreign currency | 4,069,510 | | 5,840,873 | | 5,173,417 | |
| Reference rate TR | 816,019 | 715,886 | 818,787 | 712,960 | 794,105 | 788,843 |
| SELIC | 606,089 | 469,514 | 680,489 | 538,947 | 779,650 | 743,807 |
| IGP-M | 19,416 | | 51,643 | | 130,837 | |
| Other | 14,093 | | 62,934 | 41,380 | 142,697 | 142,014 |
| **Liability position:** | **13,183,001** | | **15,976,175** | | **15,580,767** | |
| Interbank market | 1,336,193 | | 1,322,903 | | 1,216,303 | |
| Prefixed | 650,396 | | 765,591 | | 661,650 | 376,982 |
| Foreign currency | 10,774,723 | 6,705,213 | 13,440,542 | 7,599,669 | 13,369,393 | 8,195,976 |
| Reference rate TR | 100,133 | | 105,827 | | 5,262 | |
| SELIC | 136,575 | | 141,542 | | 35,843 | |
| IGP-M | 135,296 | 115,880 | 178,216 | 126,573 | 291,633 | 160,796 |
| Other | 49,685 | 35,592 | 21,554 | | 683 | |

Derivatives include operations maturing in D+1.

**II) Breakdown of derivative financial instruments (assets and liabilities) stated at restated cost and market value**

R$

| | 2006 | | | | | 2005 | |
|---|---|---|---|---|---|---|---|
| | December 31 | | | September 30 | | December 31 | |
| | Related Cost | Mark-to-market adjustment | Market value | Restated cost | Mark-to-market adjustment | Market value | Restated cost | Mark-to-marke adjustment |

| | | value | | | value | | | value |
|---|---|---|---|---|---|---|---|---|
| Adjustment receivables swap | 140,682 | 24,254 | 164,936 | 175,677 | 8,668 | 184,345 | 317,664 | 45,365 |
| Receivable forward purchases | 50 | | 50 | 14,398 | | 14,398 | 107,000 | |
| Receivable futures sales | 382,506 | 84 | 382,590 | 323,868 | (93) | 323,775 | | |
| Premiums on exercisable options | 1,502 | (13) | 1,489 | 3,257 | (1,032) | 2,225 | 2,916 | 1,543 |
| **Total assets** | **524,740** | **24,325** | **549,065** | **517,200** | **7,543** | **524,743** | **427,580** | **46,908** |
| Adjustment payables swap | (73,091) | 9,526 | (63,565) | (119,774) | (1,137) | (120,911) | (93,479) | (1,746) |
| Payable forward purchases | (50) | | (50) | (14,398) | | (14,398) | (107,000) | |
| Payable futures sales | (452,598) | (84) | (452,682) | (323,868) | 93 | (323,775) | | |
| Premiums on written options | (21,011) | 18,304 | (2,707) | (54,564) | 5,468 | (49,096) | (59,328) | 23,080 |
| **Total liabilities** | **(546,750)** | **27,746** | **(519,004)** | **(512,604)** | **4,424** | **(508,180)** | **(259,807)** | **21,334** |

III) Futures, option, forward and swap contracts

**R$ thousand**

| | **2006** | | | | | | **2005** |
|---|---|---|---|---|---|---|---|
| | **Up to 90 days** | **From 91 to 180 days** | **From 181 to 360 days** | **More than 360 days** | **Total on December 31** | **Total on September 30** | **Total on December 31** |
| Future contracts | 34,092,031 | 7,240,272 | 8,561,654 | 6,780,362 | **56,674,319** | **30,055,186** | **38,824,278** |
| Option contracts | 981,102 | 30,315 | 270 | 1,025 | **1,012,712** | **1,261,187** | **418,356** |
| Forward contracts | 1,060,289 | 506,008 | 403,739 | 116,270 | **2,086,306** | **2,368,023** | **1,389,480** |
| Swap contracts | 3,796,307 | 1,638,706 | 2,439,902 | 5,244,521 | **13,119,436** | **15,855,264** | **15,485,542** |
| **Total on December 31, 2006** | **39,929,729** | **9,415,301** | **11,405,565** | **12,142,178** | **72,892,773** | | |
| **Total on September 30, 2006** | **25,580,478** | **6,924,467** | **6,106,646** | **10,928,069** | | **49,539,660** | |
| **Total on December 31, 2005** | **28,003,196** | **8,937,756** | **10,192,908** | **8,983,796** | | | **56,117,656** |

IV) Types of margin granted as collateral for derivative financial instruments, comprising mainly futures contracts

**R$ thousand**

| | **2006** | | **2005** |
|---|---|---|---|
| | **December 31** | **September 30** | **December 31** |
| **Government bonds** | | | |
| National treasury notes | 146,291 | 1,291,656 | 301,135 |
| National treasury bills | 1,045,516 | 53,832 | 1,320,615 |
| **Total** | **1,191,807** | **1,345,488** | **1,621,750** |

V) Net revenue and expenses amounts

**R$ thousand**

| | **2006** | | | **2005** |
|---|---|---|---|---|
| | **4th Quarter** | **3rd Quarter** | **December 31 YTD** | **December 31 YTD** |
| Swap contracts | 174,763 | 385,294 | 2,111,881 | 728,355 |
| Forward contracts | 31,854 | (23,592) | (71,897) | (14,723) |
| Option contracts | 1,800 | 10,973 | 20,734 | 70,888 |
| Futures contracts | 139,123 | (84,351) | 199,256 | 1,604,482 |
| **Total** | **347,540** | **288,324** | **2,259,974** | **2,389,002** |

VI) Overall amounts of the derivative financial instruments, broken down by trading place

**R$ thousand**

| | 2006 | | 2005 |
|---|---|---|---|
| | **December 31** | **September 30** | **December 31** |
| CETIP (over-the-counter) | 9,061,696 | 10,071,350 | 10,091,644 |
| BM&F (floor) | 63,831,077 | 39,468,310 | 46,026,012 |
| **Total** | **72,892,773** | **49,539,660** | **56,117,656** |

269

**f) Income on securities transactions, financial income on insurance, private pension plans and certificated savings plans and derivative financial instruments**

**R$ thousand**

| | 2006 | | | 2005 |
|---|---|---|---|---|
| | **4th Quarter** | **3rd Quarter** | **December 31 YTD** | **December 31 YTD** |
| Fixed income securities | 861,606 | 707,043 | 3,219,589 | 3,731,330 |
| Interbank investments (Note 7b) | 976,402 | 1,034,494 | 3,709,215 | 3,374,376 |
| Allocation of exchange variation of foreign branches and subsidiaries | (118,737) | 40,551 | (935,164) | (1,521,258) |
| Equity securities (1) | 113,960 | 11,554 | 213,456 | (32,440) |
| **Subtotal** | **1,833,231** | **1,793,642** | **6,207,096** | **5,552,008** |
| Financial income on insurance, private pension plans and certificated savings plans (1) | 1,942,738 | 1,591,834 | 6,989,951 | 6,498,435 |
| Income from derivative financial instruments | 347,540 | 288,324 | 2,259,974 | 2,389,002 |
| **Total** | **4,123,509** | **3,673,800** | **15,457,021** | **14,439,445** |

In the 4th quarter of 2006 our stake in Usiminas was sold, and the result of that operation was R$218,753 thousand.

**9) Interbank Accounts Restricted Deposits**

**a) Restricted deposits**

**R$ thousand**

| | | 2006 | | 2005 |
|---|---|---|---|---|
| | **Remuneration** | **December 31** | **September 30** | **December 31** |
| Compulsory deposits demand deposits | Not remunerated | 6,433,508 | 5,519,783 | 5,276,412 |
| Compulsory deposits savings account deposits | Savings index | 5,383,510 | 5,060,466 | 5,157,183 |
| Additional compulsory deposits | SELIC rate | 6,847,688 | 6,412,598 | 6,011,271 |
| Restricted deposits SFH | Reference rate TR | 405,465 | 402,419 | 396,089 |
| Funds from rural credit | Reference rate TR | 578 | 578 | 578 |
| **Total** | | **19,070,749** | **17,395,844** | **16,841,533** |

**b) Compulsory deposits**

**R$ thousand**

| | 2006 | | | 2005 |
|---|---|---|---|---|
| | **4th Quarter** | **3rd Quarter** | **December 31 YTD** | **December 31 YTD** |

| | | | | | |
|---|---|---|---|---|---|
| Restricted deposits | BACEN (compulsory deposits) | 306,264 | 325,679 | 1,292,468 | 1,463,755 |
| Restricted deposits | SFH | 8,652 | 8,874 | 34,119 | 31,640 |
| **Total** | | **314,916** | **334,553** | **1,326,587** | **1,495,395** |

**10) Loan Operations**

The information relating to loan operations, including advances on foreign exchange contracts, leasing operations and other receivables with characteristics of loan granting, is presented as follows:

a) By type and maturity;
b) By type and risk level;
c) Maturity ranges and risk level;
d) Concentration of loan operations;
e) By economic activity sector;
f) Breakdown of loan operations and allowance for doubtful accounts;
g) Movement of the allowance for doubtful accounts;
h) Recovery and renegotiation;
i) Movement of renegotiated portfolio; and
j) Income on loan and leasing operations.

**a) By type and maturity**

| | Normal Course | | | | | | | 2006 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Up to 30 days** | **From 31 to 60 days** | **From 61 to 90 days** | **From 91 to 180 days** | **From 181 to 360 days** | **More than 360 days** | **Total on December 31 (A)** | **% (5)** | **Total on September 30 (A)** | **%** |
| Discounted trade receivables and other loans | 8,441,384 | 5,384,645 | 4,154,801 | 5,709,438 | 4,808,588 | 10,477,899 | 38,976,755 | 38.0 | 36,745,543 | 3 |
| Financings | 2,230,324 | 2,067,318 | 1,710,453 | 4,997,985 | 6,833,213 | 14,021,404 | 31,860,697 | 31.0 | 31,188,000 | 3 |
| Rural and agribusiness loans | 294,531 | 232,819 | 218,766 | 1,435,087 | 1,641,911 | 3,446,303 | 7,269,417 | 7.1 | 7,030,403 | |
| **Subtotal** | **10,966,239** | **7,684,782** | **6,084,020** | **12,142,510** | **13,283,712** | **27,945,606** | **78,106,869** | **76.1** | **74,963,946** | **7** |
| Leasing operations | 217,442 | 179,832 | 150,587 | 438,601 | 779,781 | 1,941,051 | 3,707,294 | 3.6 | 3,407,626 | |
| Advances on foreign exchange contracts (1) | 1,061,035 | 1,016,168 | 871,168 | 1,482,100 | 1,250,758 | | 5,681,229 | 5.5 | 5,464,095 | |
| **Subtotal** | **12,244,716** | **8,880,782** | **7,105,775** | **14,063,211** | **15,314,251** | **29,886,657** | **87,495,392** | **85.2** | **83,835,667** | **8** |
| Other receivables (2) | 105,627 | 16,779 | 17,599 | 116,198 | 52,469 | 142,671 | 451,343 | 0.4 | 446,568 | |
| **Total loan operations (3)** | **12,350,343** | **8,897,561** | **7,123,374** | **14,179,409** | **15,366,720** | **30,029,328** | **87,946,735** | **85.6** | **84,282,235** | **8** |
| Sureties and guarantees (4) | 428,084 | 362,379 | 805,659 | 812,309 | 1,647,361 | 10,735,567 | 14,791,359 | 14.4 | 13,820,221 | 1 |
| **Overall total on December 31, 2006** | **12,778,427** | **9,259,940** | **7,929,033** | **14,991,718** | **17,014,081** | **40,764,895** | **102,738,094** | **100.0** | | |
| **Overall total on September 30, 2006** | **13,352,106** | **8,920,170** | **7,927,559** | **13,370,718** | **16,372,342** | **38,159,561** | | | **98,102,456** | **10** |
| **Overall total on December 31, 2005** | **12,723,405** | **8,350,044** | **7,510,895** | **11,528,280** | **13,853,598** | **31,182,789** | | | | |

**R$ thousand**

| | **Abnormal course** | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Past due installments** | | | | | | | | | | | |
| | | | | | | **2006** | | | | **2005** | | |
| | **Up to 30 days** | **From 31 to 60 days** | **From 61 to 90 days** | **From 91 to 180 days** | **From 181 to 720 days** | **Total on December 31 (B)** | **% (5)** | **Total on September 30 (B)** | **% (5)** | **Total on December 31 (B)** | **% (5)** |
| Discounted trade receivables and other loans | 423,645 | 317,373 | 404,701 | 569,296 | 663,431 | **2,378,446** | **73.3** | **2,256,399** | **74.3** | **1,657,519** | **72.7** |
| Financings | 207,143 | 138,182 | 65,791 | 141,641 | 144,356 | **697,113** | **21.5** | **651,104** | **21.4** | **434,881** | **19.1** |
| Rural and agribusiness loans | 8,017 | 13,339 | 4,892 | 8,432 | 36,204 | **70,884** | **2.2** | **56,025** | **1.9** | **54,677** | **2.4** |
| **Subtotal** | **638,805** | **468,894** | **475,384** | **719,369** | **843,991** | **3,146,443** | **97.0** | **2,963,528** | **97.6** | **2,147,077** | **94.2** |
| Leasing operations | 9,338 | 7,293 | 2,977 | 5,951 | 8,263 | **33,822** | **1.0** | **26,724** | **0.9** | **13,124** | **0.6** |
| Advances on foreign exchange contracts (1) | 6,382 | 6,152 | 196 | 1,426 | 7,765 | **21,921** | **0.7** | **22,582** | **0.7** | **86,873** | **3.8** |
| **Subtotal** | **654,525** | **482,339** | **478,557** | **726,746** | **860,019** | **3,202,186** | **98.7** | **3,012,834** | **99.2** | **2,247,074** | **98.6** |
| Other receivables (2) | 5,800 | 883 | 342 | 921 | 34,613 | **42,559** | **1.3** | **23,399** | **0.8** | **30,906** | **1.4** |
| **Overall total on December 31, 2006** | **660,325** | **483,222** | **478,899** | **727,667** | **894,632** | **3,244,745** | **100.0** | | | | |
| **Overall total on September 30, 2006** | **879,523** | **408,769** | **390,752** | **630,040** | **727,149** | | | **3,036,233** | **100.0** | | |
| **Overall total on December 31, 2005** | **483,066** | **364,249** | **300,529** | **478,414** | **651,722** | | | | | **2,277,980** | **100.0** |

**R$ t**

| | Abnormal course | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Installments falling due | | | | | | | | | | | |
| | | | | | | | 2006 | | | | 200 | |
| | **Up to 30 days** | **From 31 to 60 days** | **From 61 to 90 days** | **From 91 to 180 days** | **From 181 to 360 days** | **More than 360 days** | **Total on December 31 (C)** | **% (5)** | **Total on September 30 (C)** | **% (5)** | **Total on Decembe 31 (C)** |
| Discounted trade receivables and other loans | 206,504 | 205,689 | 173,175 | 322,096 | 405,417 | 486,465 | **1,799,346** | **35.8** | **1,771,316** | **37.7** | **1,151,21** |
| Financings | 196,600 | 192,416 | 168,603 | 454,841 | 685,002 | 1,091,709 | **2,789,171** | **55.5** | **2,632,528** | **56.1** | **2,064,42** |
| Rural and agribusiness loans | 1,394 | 172 | 267 | 4,126 | 8,730 | 243,600 | **258,289** | **5.1** | **134,986** | **2.9** | **33,36** |
| **Subtotal** | **404,498** | **398,277** | **342,045** | **781,063** | **1,099,149** | **1,821,774** | **4,846,806** | **96.4** | **4,538,830** | **96.7** | **3,249,00** |
| Leasing operations | 7,798 | 7,172 | 6,234 | 18,334 | 34,195 | 96,549 | **170,282** | **3.4** | **141,104** | **3.0** | **77,79** |
| Advances on foreign exchange contracts (1) | | | | | | | | | | | |
| **Subtotal** | **412,296** | **405,449** | **348,279** | **799,397** | **1,133,344** | **1,918,323** | **5,017,088** | **99.8** | **4,679,934** | **99.7** | **3,326,80** |
| Other receivables (2) | 4,662 | 288 | 286 | 737 | 938 | 3,674 | **10,585** | **0.2** | **14,723** | **0.3** | **6,45** |
| **Total loan operations (3)** | **416,958** | **405,737** | **348,565** | **800,134** | **1,134,282** | **1,921,997** | **5,027,673** | **100.0** | **4,694,657** | **100.0** | **3,333,25** |
| Sureties and guarantees (4) | | | | | | | | | | | |
| **Overall total on December 31, 2006** | **416,958** | **405,737** | **348,565** | **800,134** | **1,134,282** | **1,921,997** | **5,027,673** | **100.0** | | | |
| **Overall total on September 30, 2006** | **433,359** | **392,626** | **350,384** | **786,119** | **1,082,802** | **1,649,367** | | | **4,694,657** | **100.0** | |
| **Overall total on December 31, 2005** | **291,765** | **266,355** | **245,858** | **585,276** | **793,070** | **1,150,935** | | | | | **3,333,25** |

**R$ thousand**

| | **Overall total** | | | | | |
|---|---|---|---|---|---|---|
| | **2006** | | | | **2005** | |
| | **Total on December 31 (A+B+C)** | **% (5)** | **Total on September 30 (A+B+C)** | **% (5)** | **Total on December 31 (A+B+C)** | **% (5)** |
| Discounted trade receivables and other loans | **43,154,547** | **39.0** | **40,773,258** | **38.5** | **36,482,578** | **40.2** |
| Financings | **35,346,981** | **31.8** | **34,471,632** | **32.6** | **30,142,362** | **33.2** |
| Rural and agribusiness loans | **7,598,590** | **6.8** | **7,221,414** | **6.8** | **6,402,420** | **7.1** |
| **Subtotal** | **86,100,118** | **77.6** | **82,466,304** | **77.9** | **73,027,360** | **80.5** |
| Leasing operations | **3,911,398** | **3.5** | **3,575,454** | **3.4** | **2,518,358** | **2.8** |
| Advances on foreign exchange contracts (1) | **5,703,150** | **5.1** | **5,486,677** | **5.2** | **5,017,112** | **5.5** |
| **Subtotal** | **95,714,666** | **86.2** | **91,528,435** | **86.5** | **80,562,830** | **88.8** |
| Other receivables (2) | **504,487** | **0.5** | **484,690** | **0.4** | **567,564** | **0.6** |
| **Total loan operations (3)** | **96,219,153** | **86.7** | **92,013,125** | **86.9** | **81,130,394** | **89.4** |
| Sureties and guarantees (4) | **14,791,359** | **13.3** | **13,820,221** | **13.1** | **9,629,856** | **10.6** |
| **Overall total on December 31, 2006** | **111,010,512** | **100.0** | | | | |
| **Overall total on September 30, 2006** | | | **105,833,346** | **100.0** | | |
| **Overall total on December 31, 2005** | | | | | **90,760,250** | **100.0** |

(1) Advances on foreign exchange contracts are recorded as a reduction of the item Other liabilities ;
(2) Other receivables comprise receivables on sureties and guarantees honored, receivables on purchase of assets, securities and credit instruments receivable; income receivable on foreign exchange contracts and receivables arising from export contracts;
(3) Total loan operations includes financing of credit card operations and operations for prepaid credit card receivables in the amount of R$2,847,450 thousand (September 30, 2006 R$2,486,180 thousand and December 31, 2005 R$1,743,064 thousand), including Amex Brasil R$76,074 thousand (September 30, 2006 R$75,323 thousand) . Other receivables relating to credit cards in the amount of R$5,215,435 thousand (September 30, 2006 R$4,463,901 thousand and December 31, 2005 R$2,847,097 thousand), including Amex Brasil R$1,344,368 thousand (September 30, 2006 R$1,203,138 thousand) are classified in the item Other Receivables Sundry and presented in Note 11b;
(4) Amounts recorded in memorandum account, which include R$3,238,963 thousand referred to operations in which the beneficiary is Banco Bradesco S.A. Grand Cayman Branch; and
(5) Ratio between type and total portfolio with sureties and guarantees.

**b) By type and risk level**

| | Risk Levels | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Loan Operations** | | | | | | | | | | |
| | **AA** | **A** | **B** | **C** | **D** | **E** | **F** | **G** | **H** | **To De** |
| Discounted trade receivables and other loans | 9,405,047 | 19,591,900 | 3,380,356 | 5,975,723 | 944,662 | 569,584 | 411,164 | 509,903 | 2,366,208 | **43,** |
| Financings | 4,880,537 | 18,706,999 | 3,566,880 | 6,484,627 | 462,165 | 202,175 | 159,084 | 133,982 | 750,532 | **35,** |
| Rural and agribusiness loans | 268,303 | 3,197,703 | 910,808 | 2,398,142 | 341,485 | 37,426 | 184,417 | 152,331 | 107,975 | **7,** |
| **Subtotal** | **14,553,887** | **41,496,602** | **7,858,044** | **14,858,492** | **1,748,312** | **809,185** | **754,665** | **796,216** | **3,224,715** | **86,** |
| Leasing operations | 208,747 | 1,292,386 | 883,745 | 1,362,099 | 46,257 | 15,318 | 22,044 | 9,001 | 71,801 | **3,** |
| Advances on foreign exchange contracts | 3,652,737 | 918,442 | 770,038 | 334,220 | 15,631 | 485 | 320 | 585 | 10,692 | **5,** |
| **Subtotal** | **18,415,371** | **43,707,430** | **9,511,827** | **16,554,811** | **1,810,200** | **824,988** | **777,029** | **805,802** | **3,307,208** | **95,** |
| Other receivables | 124,005 | 108,583 | 139,659 | 69,494 | 20,700 | 526 | 27 | 722 | 40,771 | |
| **Total loan operations on December 31, 2006** | **18,539,376** | **43,816,013** | **9,651,486** | **16,624,305** | **1,830,900** | **825,514** | **777,056** | **806,524** | **3,347,979** | **96,** |
| **%** | **19.3** | **45.5** | **10.0** | **17.3** | **1.9** | **0.9** | **0.8** | **0.8** | **3.5** | |
| **Total loan operations on September 30, 2006** | **17,669,763** | **42,644,102** | **8,712,102** | **15,925,208** | **1,733,355** | **827,197** | **681,835** | **788,137** | **3,031,426** | |
| **%** | **19.2** | **46.3** | **9.5** | **17.3** | **1.9** | **0.9** | **0.7** | **0.9** | **3.3** | |
| **Total loan operations on December 31, 2005** | **15,076,434** | **39,226,453** | **6,815,101** | **14,529,208** | **1,578,039** | **557,849** | **561,156** | **489,515** | **2,296,639** | |
| **%** | **18.6** | **48.3** | **8.4** | **17.9** | **2.0** | **0.7** | **0.7** | **0.6** | **2.8** | |

**c) Maturity ranges and risk level**

| | Risk Levels | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Abnormal Course Operations | | | | | | | | | |
| | | | | | | | | 2006 | | |
| | AA A | B | C | D | E | F | G | H | Total on December 31 | % | Total Septem 30 |
| **Installments Falling Due** | **1,234,385** | **1,284,037** | **537,561** | **352,133** | **370,883** | **293,592** | **955,082** | **5,027,673** | **100.0** | **4,694,** |
| 1 to 30 | 112,215 | 116,947 | 44,777 | 26,726 | 19,405 | 18,468 | 78,420 | **416,958** | **8.3** | **433,** |
| 31 to 60 | 108,082 | 118,648 | 37,991 | 26,568 | 19,503 | 18,132 | 76,813 | **405,737** | **8.1** | **392,** |
| 61 to 90 | 86,308 | 100,476 | 34,704 | 23,425 | 17,824 | 16,659 | 69,169 | **348,565** | **6.9** | **350,** |
| 91 to 180 | 204,876 | 206,070 | 84,488 | 55,290 | 43,109 | 39,701 | 166,600 | **800,134** | **15.9** | **786,** |
| 181 to 360 | 287,365 | 302,655 | 116,585 | 77,226 | 58,183 | 55,007 | 237,261 | **1,134,282** | **22.6** | **1,082,** |
| More than 360 | 435,539 | 439,241 | 219,016 | 142,898 | 212,859 | 145,625 | 326,819 | **1,921,997** | **38.2** | **1,649,** |
| **Past Due Installments** | **169,637** | **359,528** | **297,830** | **251,610** | **210,396** | **332,159** | **1,623,585** | **3,244,745** | **100.0** | **3,036,** |
| 1 to 14 | 23,470 | 73,432 | 22,691 | 13,122 | 9,190 | 7,986 | 37,570 | **187,461** | **5.8** | **416,** |
| 15 to 30 | 137,839 | 106,514 | 48,375 | 22,338 | 14,088 | 88,248 | 55,462 | **472,864** | **14.6** | **463,** |
| 31 to 60 | 8,328 | 176,000 | 94,487 | 53,492 | 30,373 | 22,823 | 97,719 | **483,222** | **14.9** | **408,** |
| 61 to 90 | | 2,785 | 128,639 | 75,137 | 47,201 | 41,352 | 183,785 | **478,899** | **14.8** | **390,** |
| 91 to 180 | | 797 | 3,638 | 86,384 | 107,457 | 169,312 | 360,079 | **727,667** | **22.3** | **630,** |
| 181 to 360 | | | | 1,137 | 2,087 | 2,438 | 814,690 | **820,352** | **25.3** | **664,** |
| More than 360 | | | | | | | 74,280 | **74,280** | **2.3** | **62,** |
| **Subtotal** | **1,404,022** | **1,643,565** | **835,391** | **603,743** | **581,279** | **625,751** | **2,578,667** | **8,272,418** | | **7,730,** |
| Specific provision | 14,041 | 49,307 | 83,539 | 181,123 | 290,639 | 438,025 | 2,578,667 | **3,635,341** | | **3,290,** |

| | Risk Levels | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Normal Course Operations | | | | | | | | | |
| | **AA** | **A** | **B** | **C** | **D** | **E** | **F** | **G** | **H** | **Total on December 31** |
| **Installments Falling Due** | **18,539,376** | **43,816,013** | **8,247,464** | **14,980,740** | **995,509** | **221,771** | **195,777** | **180,773** | **769,312** | **87,946,7** |
| 1 to 30 | 2,200,672 | 7,319,541 | 823,199 | 1,793,682 | 82,931 | 25,672 | 14,576 | 12,380 | 77,690 | **12,350,3** |
| 31 to 60 | 1,657,687 | 4,674,080 | 815,226 | 1,591,517 | 62,679 | 15,883 | 13,309 | 7,573 | 59,607 | **8,897,5** |
| 61 to 90 | 1,479,094 | 3,516,622 | 666,587 | 1,329,654 | 50,702 | 14,123 | 10,227 | 6,877 | 49,488 | **7,123,3** |
| 91 to 180 | 3,531,889 | 6,454,973 | 1,639,670 | 2,251,706 | 102,637 | 35,680 | 22,647 | 22,978 | 117,229 | **14,179,4** |
| 181 to 360 | 3,202,074 | 7,700,936 | 1,357,824 | 2,695,462 | 126,414 | 42,125 | 24,645 | 18,689 | 198,551 | **15,366,7** |
| More than 360 | 6,467,960 | 14,149,861 | 2,944,958 | 5,318,719 | 570,146 | 88,288 | 110,373 | 112,276 | 266,747 | **30,029,3** |
| Generic Provision | | 219,080 | 82,464 | 449,422 | 99,551 | 66,531 | 97,889 | 126,541 | 769,312 | **1,910,7** |
| **Overall total on December 31, 2006** | **18,539,376** | **43,816,013** | **9,651,486** | **16,624,305** | **1,830,900** | **825,514** | **777,056** | **806,524** | **3,347,979** | **96,219,1** |
| Existing provision | | 219,762 | 125,835 | 775,941 | 483,106 | 407,605 | 513,845 | 771,965 | 3,347,979 | **6,646,0** |
| Minimum required provision | | 219,080 | 96,505 | 498,729 | 183,090 | 247,654 | 388,528 | 564,566 | 3,347,979 | **5,546,1** |
| Additional provision | | 682 | 29,330 | 277,212 | 300,016 | 159,951 | 125,317 | 207,399 | | **1,099,9** |
| **Overall total on September 30, 2006** | **17,669,763** | **42,644,102** | **8,712,102** | **15,925,208** | **1,733,355** | **827,197** | **681,835** | **788,137** | **3,031,426** | |
| Existing provision | | 213,899 | 112,597 | 786,333 | 454,921 | 404,881 | 460,831 | 750,305 | 3,031,426 | |
| Minimum required provision | | 213,221 | 87,121 | 477,751 | 173,324 | 248,159 | 340,917 | 551,696 | 3,031,426 | |
| Additional provision | | 678 | 25,476 | 308,582 | 281,597 | 156,722 | 119,914 | 198,609 | | |
| **Overall total on December 31, 2005** | **15,076,434** | **39,226,453** | **6,815,101** | **14,529,208** | **1,578,039** | **557,849** | **561,156** | **489,515** | **2,296,639** | |
| Existing provision | | 196,807 | 89,277 | 864,167 | 407,097 | 272,482 | 376,515 | 455,665 | 2,296,639 | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Minimum required provision | 196,101 | 68,148 | 435,875 | 157,804 | 167,355 | 280,577 | 342,660 | 2,296,639 |
| Additional provision | 706 | 21,129 | 428,292 | 249,293 | 105,127 | 95,938 | 113,005 | |

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**d) Concentration of loan operations**

**R$ thousand**

| | 2006 | | | | 2005 | |
|---|---|---|---|---|---|---|
| | **December 31** | **%** | **September 30** | **%** | **December 31** | **%** |
| Largest borrower | 1,143,049 | 1.2 | 725,312 | 0.8 | 921,735 | 1.1 |
| 10 largest borrowers | 5,979,499 | 6.2 | 5,194,987 | 5.6 | 5,762,250 | 7.1 |
| 20 largest borrowers | 9,287,341 | 9.7 | 8,662,278 | 9.4 | 8,668,385 | 10.7 |
| 50 largest borrowers | 15,473,148 | 16.1 | 15,367,275 | 16.7 | 13,904,433 | 17.1 |
| 100 largest borrowers | 20,597,433 | 21.4 | 20,813,853 | 22.6 | 18,187,234 | 22.4 |

**e) By economic activity sector**

**R$ thousand**

| | 2006 | | | | 2005 | |
|---|---|---|---|---|---|---|
| | **December 31** | **%** | **September 30** | **%** | **December 31** | **%** |
| **Public Sector** | **939,657** | **1.0** | **963,228** | **1.0** | **890,944** | **1.1** |
| **Federal Government** | **494,218** | **0.5** | **510,386** | **0.5** | **421,545** | **0.5** |
| Petrochemical | 342,093 | 0.3 | 332,762 | 0.3 | 272,519 | 0.4 |
| Financial intermediary | 152,125 | 0.2 | 157,491 | 0.2 | 66,237 | |
| Production and distribution of electric power | | | 20,133 | | 82,789 | 0.1 |
| **State Government** | **442,740** | **0.5** | **449,878** | **0.5** | **466,014** | **0.6** |
| Production and distribution of electric power | 442,740 | 0.5 | 449,878 | 0.5 | 466,014 | 0.6 |
| **Municipal Government** | **2,699** | | **2,964** | | **3,385** | |
| Direct administration | 2,699 | | 2,964 | | 3,385 | |
| **Private sector** | **95,279,496** | **99.0** | **91,049,897** | **99.0** | **80,239,450** | **98.9** |
| **Manufacturing** | **24,392,791** | **25.3** | **22,789,513** | **24.8** | **20,395,785** | **25.1** |
| Food and beverage | 5,679,747 | 5.9 | 5,105,029 | 5.6 | 5,309,376 | 6.5 |
| Steel, metallurgical and mechanical | 3,712,917 | 3.9 | 3,301,174 | 3.6 | 2,937,134 | 3.6 |
| Chemical | 2,894,033 | 3.0 | 3,076,633 | 3.3 | 2,129,672 | 2.6 |
| Pulp and paper | 1,949,233 | 2.0 | 1,864,883 | 2.0 | 915,768 | 1.1 |
| Light and heavy vehicles | 1,897,900 | 2.0 | 2,121,901 | 2.3 | 2,077,310 | 2.6 |
| Extraction of metallic and non-metallic ores | 1,602,554 | 1.7 | 919,616 | 1.0 | 834,392 | 1.0 |
| Textiles and clothing | 1,104,973 | 1.1 | 1,058,853 | 1.2 | 940,772 | 1.2 |
| Rubber and plastic articles | 1,061,282 | 1.1 | 953,343 | 1.0 | 914,259 | 1.1 |
| Electric and electronic products | 698,088 | 0.7 | 685,090 | 0.7 | 979,157 | 1.2 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Furniture and wood products | 677,558 | 0.7 | 649,399 | 0.7 | 649,510 | 0.8 |
| Automotive parts and accessories | 614,933 | 0.6 | 572,468 | 0.6 | 509,507 | 0.6 |
| Non-metallic materials | 489,006 | 0.5 | 443,224 | 0.5 | 398,589 | 0.5 |
| Leather articles | 466,570 | 0.5 | 447,265 | 0.5 | 399,003 | 0.5 |
| Oil refining and production of alcohol | 448,620 | 0.5 | 329,999 | 0.4 | 308,967 | 0.4 |
| Publishing, printing and reproduction | 427,068 | 0.4 | 421,316 | 0.5 | 525,202 | 0.7 |
| Other industries | 668,309 | 0.7 | 839,320 | 0.9 | 567,167 | 0.7 |
| **Commerce** | **13,452,314** | **13.9** | **13,143,583** | **14.3** | **12,077,594** | **14.9** |
| Products in specialty stores | 3,518,204 | 3.7 | 3,346,003 | 3.7 | 3,285,581 | 4.1 |
| Food products, beverage and tobacco | 1,686,150 | 1.8 | 1,655,603 | 1.8 | 1,469,437 | 1.8 |
| Grooming and household articles | 1,286,304 | 1.3 | 1,135,955 | 1.2 | 884,709 | 1.1 |
| Self-propelled vehicles | 1,005,201 | 1.0 | 939,227 | 1.0 | 799,782 | 1.0 |
| Clothing and footwear | 981,678 | 1.0 | 865,846 | 1.0 | 807,949 | 1.0 |
| Non-specialized retailer | 852,420 | 0.9 | 1,129,152 | 1.2 | 744,886 | 0.9 |
| Wholesale of goods in general | 745,462 | 0.8 | 733,008 | 0.8 | 854,953 | 1.1 |
| Repair, parts and accessories for self-propelled vehicles | 720,999 | 0.7 | 694,978 | 0.8 | 606,536 | 0.8 |
| Residues and scrap | 710,169 | 0.7 | 763,261 | 0.8 | 837,332 | 1.0 |
| Fuel | 616,158 | 0.6 | 607,298 | 0.7 | 589,511 | 0.7 |
| Agricultural and farming products | 533,766 | 0.6 | 562,434 | 0.6 | 517,376 | 0.6 |
| Trade intermediary | 462,627 | 0.5 | 402,606 | 0.4 | 442,580 | 0.5 |
| Other commerce | 333,176 | 0.3 | 308,212 | 0.3 | 236,962 | 0.3 |

**R$ thousand**

| | 2006 | | | | 2005 | |
|---|---|---|---|---|---|---|
| | **December 31** | **%** | **September 30** | **%** | **December 31** | **%** |
| Financial intermediaries | **462,348** | **0.5** | **756,622** | **0.8** | **259,567** | **0.3** |
| Services | **16,054,191** | **16.7** | **14,319,164** | **15.6** | **13,192,722** | **16.3** |
| Transport and storage | 4,388,032 | 4.6 | 4,211,185 | 4.6 | 3,542,009 | 4.4 |
| Real estate activities, rentals and corporate services | 2,502,301 | 2.6 | 2,270,268 | 2.5 | 2,001,984 | 2.5 |
| Civil construction | 2,457,171 | 2.6 | 1,974,891 | 2.1 | 1,721,691 | 2.1 |
| Production and distribution of electric power, gas and water | 1,768,549 | 1.8 | 1,662,164 | 1.8 | 1,196,202 | 1.5 |
| Telecommunications | 1,206,054 | 1.2 | 928,009 | 1.0 | 1,503,751 | 1.9 |
| Social services, education, health, defense and social security | 1,001,358 | 1.0 | 977,286 | 1.1 | 932,950 | 1.1 |
| Clubs, leisure, cultural and sports activities | 639,357 | 0.7 | 460,545 | 0.5 | 509,485 | 0.6 |
| Holding companies, legal, accounting and business advisory services | 551,728 | 0.6 | 441,072 | 0.5 | 378,154 | 0.5 |
| Hotel and catering | 406,554 | 0.4 | 386,108 | 0.4 | 327,796 | 0.4 |
| Other services | 1,133,087 | 1.2 | 1,007,636 | 1.1 | 1,078,700 | 1.3 |
| **Agribusiness, fishing, forestry development and management** | **1,306,664** | **1.4** | **1,207,266** | **1.3** | **1,092,775** | **1.4** |
| **Individuals** | **39,611,188** | **41.2** | **38,833,749** | **42.2** | **33,221,007** | **40.9** |
| **Total** | **96,219,153** | **100.0** | **92,013,125** | **100.0** | **81,130,394** | **100.0** |

**f) Breakdown of loan operations and allowance for doubtful accounts**

**R$ thousand**

| | **Portfolio balance** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Abnormal course** | | | | | **2006** | | **2005** |
| **Risk level** | **Past due** | **Falling due** | **Total abnormal course** | **Normal course** | **Total** | **%** | **% December 31 YTD** | **% September 30 YTD** | **% December 31 YTD** |
| AA | | | | 18,539,376 | **18,539,376** | 19.3 | 19.3 | 19.2 | 18.6 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| A | | | | 43,816,013 | **43,816,013** | 45.5 | 64.8 | 65.5 | 66.9 |
| B | 169,637 | 1,234,385 | 1,404,022 | 8,247,464 | **9,651,486** | 10.0 | 74.8 | 75.0 | 75.3 |
| C | 359,528 | 1,284,037 | 1,643,565 | 14,980,740 | **16,624,305** | 17.3 | 92.1 | 92.3 | 93.2 |
| **Subtotal** | **529,165** | **2,518,422** | **3,047,587** | **85,583,593** | **88,631,180** | **92.1** | | | |
| D | 297,830 | 537,561 | 835,391 | 995,509 | **1,830,900** | 1.9 | 94.0 | 94.2 | 95.2 |
| E | 251,610 | 352,133 | 603,743 | 221,771 | **825,514** | 0.9 | 94.9 | 95.1 | 95.9 |
| F | 210,396 | 370,883 | 581,279 | 195,777 | **777,056** | 0.8 | 95.7 | 95.8 | 96.6 |
| G | 332,159 | 293,592 | 625,751 | 180,773 | **806,524** | 0.8 | 96.5 | 96.7 | 97.2 |
| H | 1,623,585 | 955,082 | 2,578,667 | 769,312 | **3,347,979** | 3.5 | 100.0 | 100.0 | 100.0 |
| **Subtotal** | **2,715,580** | **2,509,251** | **5,224,831** | **2,363,142** | **7,587,973** | **7.9** | | | |
| **Total on December 31, 2006** | **3,244,745** | **5,027,673** | **8,272,418** | **87,946,735** | **96,219,153** | **100.0** | | | |
| **%** | **3.4** | **5.2** | **8.6** | **91.4** | **100.0** | | | | |
| **Total on September 30, 2006** | **3,036,233** | **4,694,657** | **7,730,890** | **84,282,235** | **92,013,125** | | | | |
| **%** | **3.3** | **5.1** | **8.4** | **91.6** | **100.0** | | | | |
| **Total on December 31, 2005** | **2,277,980** | **3,333,259** | **5,611,239** | **75,519,155** | **81,130,394** | | | | |
| **%** | **2.8** | **4.1** | **6.9** | **93.1** | **100.0** | | | | |

| | | Provision | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Minimum requirement | | | | | | 2006 | |
| Risk level | | Specific | | | | | | % | % |
| | % minimum required provision | Past due | Falling due | Total specific | Generic | Total | Additional | Existing | on December 31 (1) | on Septe 3 (1 |
| AA | 0.0 | | | | | | | | | |
| A | 0.5 | | | | 219,080 | 219,080 | 682 | 219,762 | 0.5 | |
| B | 1.0 | 1,696 | 12,345 | 14,041 | 82,464 | 96,505 | 29,330 | 125,835 | 1.3 | |
| C | 3.0 | 10,786 | 38,521 | 49,307 | 449,422 | 498,729 | 277,212 | 775,941 | 4.7 | |
| **Subtotal** | | **12,482** | **50,866** | **63,348** | **750,966** | **814,314** | **307,224** | **1,121,538** | **1.3** | |
| D | 10.0 | 29,783 | 53,756 | 83,539 | 99,551 | 183,090 | 300,016 | 483,106 | 26.4 | |
| E | 30.0 | 75,483 | 105,640 | 181,123 | 66,531 | 247,654 | 159,951 | 407,605 | 49.4 | |
| F | 50.0 | 105,198 | 185,441 | 290,639 | 97,889 | 388,528 | 125,317 | 513,845 | 66.1 | |
| G | 70.0 | 232,511 | 205,514 | 438,025 | 126,541 | 564,566 | 207,399 | 771,965 | 95.7 | |
| H | 100.0 | 1,623,585 | 955,082 | 2,578,667 | 769,312 | 3,347,979 | | 3,347,979 | 100.0 | |
| **Subtotal** | | **2,066,560** | **1,505,433** | **3,571,993** | **1,159,824** | **4,731,817** | **792,683** | **5,524,500** | **72.8** | |
| **Total on December 31, 2006** | | **2,079,042** | **1,556,299** | **3,635,341** | **1,910,790** | **5,546,131** | **1,099,907** | **6,646,038** | **6.9** | |
| **%** | | **31.2** | **23.4** | **54.6** | **28.9** | **83.5** | **16.5** | **100.0** | | |
| **Total on September 30, 2006** | | **1,905,520** | **1,384,846** | **3,290,366** | **1,833,249** | **5,123,615** | **1,091,578** | **6,215,193** | | |
| **%** | | **30.6** | **22.3** | **52.9** | **29.5** | **82.4** | **17.6** | **100.0** | | |
| **Total on December 31, 2005** | | **1,400,981** | **886,608** | **2,287,589** | **1,657,570** | **3,945,159** | **1,013,490** | **4,958,649** | | |
| **%** | | **28.3** | **17.9** | **46.2** | **33.4** | **79.6** | **20.4** | **100.0** | | |

(1) Ratio between existing provision and portfolio by risk level.

**g) Movement of allowance for doubtful accounts**

| | | | R$ thousand | |
|---|---|---|---|---|
| | 2006 | | | 2005 |
| | 4th Quarter | 3rd Quarter | December 31 YTD | September 30 YTD |

| | | | | |
|---|---|---|---|---|
| **Opening Balance** | **6,215,193** | **5,833,198** | **4,958,649** | **4,145,557** |
| Specific provision (1) | 3,290,366 | 3,053,611 | 2,287,589 | 1,785,474 |
| Generic provision (2) | 1,833,249 | 1,699,872 | 1,657,570 | 1,434,610 |
| Additional provision (3) | 1,091,578 | 1,079,715 | 1,013,490 | 925,473 |
| **Amount recorded** | **1,189,941** | **1,168,044** | **4,412,413** | **2,507,206** |
| **Amount written-off** | **(759,096)** | **(786,049)** | **(2,826,589)** | **(1,694,114)** |
| **Balance derived from acquired institutions (4)** | | | **101,565** | |
| **Closing balance** | **6,646,038** | **6,215,193** | **6,646,038** | **4,958,649** |
| Specific provision (1) | 3,635,341 | 3,290,366 | 3,635,341 | 2,287,589 |
| Generic provision (2) | 1,910,790 | 1,833,249 | 1,910,790 | 1,657,570 |
| Additional provision (3) | 1,099,907 | 1,091,578 | 1,099,907 | 1,013,490 |

(1) For operations with installments overdue for more than 14 days;
(2) Recorded based on the customer/transaction classification and accordingly not included in the preceding item;
(3) The additional provision is recorded based on Management's experience and expected collection of the loan portfolio, to determine the total provision deemed sufficient to cover specific and general risks, as well as the provision calculated based on risk level ratings and the corresponding minimum percentage of required provision established by CMN Resolution 2,682.
The additional provision per customer was classified according to the corresponding risk levels (Note 10f); and
(4) Comprises Banco BEC S.A. and Amex Brasil (Notes 1 and 4).

**h) Recovery and renegotiation**

Expense for allowance for doubtful accounts, net of recoveries of written-off credits.

R$ thousand

| | 2006 | | | 2005 |
|---|---|---|---|---|
| | 4th Quarter | 3rd Quarter | December 31 YTD | December 31 YTD |
| Amount recorded | 1,189,941 | 1,168,044 | 4,412,413 | 2,507,206 |
| Amount recovered (1) | (197,005) | (165,749) | (637,645) | (681,956) |
| **Expense net of recoveries** | **992,936** | **1,002,295** | **3,774,768** | **1,825,250** |

(1) Classified in income on loan operations (Note 10j).

**i) Movement of renegotiated portfolio**

R$ thousand

| | 2006 | | | 2005 |
|---|---|---|---|---|
| | 4th Quarter | 3rd Quarter | December 31 YTD | December 31 YTD |
| **Opening balance** | **2,594,312** | **2,370,270** | **2,020,341** | **1,714,589** |
| Amount renegotiated | 649,887 | 728,106 | 2,613,210 | 1,745,665 |
| Amount received | (419,235) | (379,828) | (1,436,867) | (1,033,643) |
| Amount written-off | (116,443) | (124,236) | (488,163) | (406,270) |
| **Closing balance** | **2,708,521** | **2,594,312** | **2,708,521** | **2,020,341** |
| Allowance for doubtful accounts | 1,732,083 | 1,602,829 | 1,732,083 | 1,255,248 |
| Percentage on portfolio | 63.9% | 61.8% | 63.9% | 62.1% |

**j) Income on loan and leasing operations**

R$ thousand

| | 2006 | | | 2005 |
|---|---|---|---|---|
| | 4th Quarter | 3rd Quarter | December 31 YTD | December 31 YTD |
| Discounted trade receivables and other loans | 3,010,755 | 3,034,072 | 11,805,508 | 9,914,845 |
| Financings | 1,800,510 | 1,856,255 | 7,274,885 | 5,998,765 |
| Rural and agribusiness loans | 189,004 | 175,602 | 690,432 | 563,298 |
| **Subtotal** | **5,000,269** | **5,065,929** | **19,770,825** | **16,476,908** |
| Recovery of credits written-off as loss | 197,005 | 165,749 | 637,645 | 681,956 |
| Allocation of exchange variation of foreign branches and subsidiaries | (84,520) | 26,408 | (353,350) | (454,546) |

| | | | | |
|---|---|---|---|---|
| **Subtotal** | **5,112,754** | **5,258,086** | **20,055,120** | **16,704,318** |
| Leasing, net of expenses | 190,769 | 172,814 | 645,102 | 435,694 |
| **Total** | **5,303,523** | **5,430,900** | **20,700,222** | **17,140,012** |

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**11) Other Receivables**

**a) Foreign exchange portfolio**

**Balance sheet accounts**

**R$ thousand**

| | 2006 | | 2005 |
|---|---|---|---|
| | **December 31** | **September 30** | **December 31** |
| **Assets Other receivables** | | | |
| Exchange purchases pending settlement | 6,691,337 | 7,008,563 | 5,917,638 |
| Foreign exchange acceptances and term documents in foreign currencies | 8,132 | 3,375 | 25,504 |
| Exchange sale receivables | 1,308,768 | 1,732,821 | 1,355,144 |
| (-) Advances in local currency received | (141,701) | (205,479) | (417,904) |
| Income receivable on advances granted | 79,526 | 81,022 | 56,762 |
| **Total** | **7,946,062** | **8,620,302** | **6,937,144** |
| **Liabilities Other liabilities** | | | |
| Exchange sales pending settlement | 1,308,476 | 1,732,315 | 1,360,794 |
| Exchange purchase payables | 6,754,564 | 7,028,848 | 5,849,124 |
| (-) Advances on foreign exchange contracts | (5,703,150) | (5,486,677) | (5,017,112) |
| Other | 26,927 | 15,736 | 14,146 |
| **Total** | **2,386,817** | **3,290,222** | **2,206,952** |
| **Net foreign exchange portfolio** | **5,559,245** | **5,330,080** | **4,730,192** |
| **Memorandum accounts** | | | |
| Imports loans | 241,508 | 201,528 | 137,369 |
| Confirmed exports loans | 20,168 | 35,223 | 35,107 |

**Exchange Results**

Breakdown of results of foreign exchange transactions adjusted to facilitate presentation

**R$ thousand**

| | 2006 | | | 2005 |
|---|---|---|---|---|
| | **4th Quarter** | **3rd Quarter** | **December 31 YTD** | **December 31 YTD** |
| **Foreign exchange result** | **98,051** | **167,557** | **729,647** | **617,678** |
| **Adjustments:** | | | | |
| Income on foreign currency financing (1) | 12,889 | 22,310 | 130,826 | 83,952 |
| Income on export financing (1) | 13,028 | 15,524 | 50,824 | 22,018 |
| Income on foreign investments (2) | 35,504 | 32,297 | 182,490 | 108,273 |
| Expenses from foreign securities (3) | | | | (4,546) |
| | (84,588) | (151,380) | (793,458) | (575,155) |

| | | | | |
|---|---|---|---|---|
| Expenses from liabilities with foreign bankers (4) (Note 17c) | | | | |
| Other | 15,260 | 9,383 | 44,801 | (8,373) |
| **Total adjustments** | **(7,907)** | **(71,866)** | **(384,517)** | **(373,831)** |
| **Adjusted foreign exchange operations result** | **90,144** | **95,691** | **345,130** | **243,847** |

(1) Classified in the item Income on loan operations ;
(2) Demonstrated in the item Income on securities transactions ;
(3) Presented in the item Expenses from federal funds purchased and securities sold under agreements to repurchase ; and
(4) Funds for financing advances on foreign exchange contracts and import financing, classified in the item Expenses for borrowings and onlendings .

**b) Sundry**

**R$ thousand**

| | 2006 | | 2005 |
|---|---|---|---|
| | **December 31** | **September 30** | **December 31** |
| Tax credits (Note 34c) | 7,265,972 | 7,116,622 | 5,210,628 |
| Credit card operations (1) | 5,215,435 | 4,463,901 | 2,847,097 |
| Borrowers by escrow | 3,621,636 | 3,593,509 | 2,324,566 |
| Prepaid taxes | 878,607 | 822,672 | 865,604 |
| Sundry borrowers | 756,215 | 570,634 | 362,030 |
| Receivable securities and credits | 623,681 | 518,771 | 506,414 |
| Payments to be reimbursed | 469,174 | 487,758 | 423,907 |
| Borrowers due to purchase of assets | 224,310 | 240,891 | 310,255 |
| Other | 260,234 | 188,596 | 91,186 |
| **Total** | **19,315,264** | **18,003,354** | **12,941,687** |

(1) The increase in the last 12 months includes Amex Brasil operations in the amount of R$1,344,368 thousand (Note 1).

**12) Other Assets**

**a) Non operating assets/Others**

**R$ thousand**

| | | | Residual value | | |
|---|---|---|---|---|---|
| | **Cost** | **Provission for losses** | **2006** | | **2005** |
| | | | **December 31** | **September 30** | **December 31** |
| Real estate | 155,926 | (54,609) | 101,317 | 109,532 | 104,437 |
| Goods subject to special conditions | 94,310 | (94,310) | | | |
| Vehicles and similar | 82,839 | (28,038) | 54,801 | 56,692 | 52,630 |
| Inventories/storehouse | 18,247 | | 18,247 | 16,736 | 20,518 |
| Machinery and equipment | 10,308 | (6,293) | 4,015 | 3,757 | 2,395 |
| Other | 7,469 | (6,341) | 1,128 | 1,129 | 6,767 |
| **Total on December 31, 2006** | **369,099** | **(189,591)** | **179,508** | | |
| **Total on September 30, 2006** | **380,343** | **(192,497)** | | **187,846** | |
| **Total on December 31, 2005** | **367,688** | **(180,941)** | | | **186,747** |

**b) Prepaid expenses**

**R$ thousand**

| | **2006** | **2005** |
|---|---|---|

| | December 31 | September 30 | December 31 |
|---|---|---|---|
| Commission on the placement of financing (1) | 789,433 | 782,151 | 622,274 |
| Exclusive partnership agreement in the rendering of banking services (2) | 406,850 | 301,516 | 247,243 |
| Insurance selling expenses (3) | 285,574 | 277,776 | 277,760 |
| Insurance expense and others costs on funding abroad (4) | 74,080 | 76,103 | 96,298 |
| Advertising expenses (5) | 50,951 | 60,681 | 38,455 |
| Other | 187,418 | 187,296 | 95,171 |
| **Total** | **1,794,306** | **1,685,523** | **1,377,201** |

(1) Commissions paid to storekeepers and car dealers;
(2) Amounts paid for acquisition of the exclusive right for the rendering of bank services;
(3) Commissions paid to insurance brokers on trade of insurance, private pension plans and certificated savings plans products;
(4) Prepaid insurance expenses and other costs when contracting funding from foreign bankers/investors; and
(5) Prepaid advertising expenses, whose disclosure in the media will occur in the future.

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**13) Investments**

**a) Movement of investments in foreign branches and direct and indirect subsidiaries, which were fully eliminated upon consolidation of the financial statements**

**R$ thousand**

| Investments in foreign branches and subsidiaries | Balance on 12.31.2005 | Movement in the period (1) | Balance on 12.31.2006 | Balance on 9.30.2006 |
|---|---|---|---|---|
| Banco Bradesco S.A. Grand Cayman Branch | 5,842,819 | 2,103,696 | 7,946,515 | 5,778,675 |
| Banco Bradesco S.A. New York Branch | 348,461 | (8,880) | 339,581 | 337,999 |
| Banco Bradesco Luxembourg S.A. | 318,776 | (12,259) | 306,517 | 307,949 |
| Bradport SGPS, Sociedade Unipessoal, Lda. | 294,855 | 111,998 | 406,853 | 397,830 |
| Cidade Capital Markets Limited | 75,261 | (2,512) | 72,749 | 72,778 |
| Bradesco Securities, Inc. | 52,747 | (4,378) | 48,369 | 48,690 |
| Banco Bradesco Argentina S.A. | 38,946 | (2,994) | 35,952 | 36,139 |
| Bradesco Argentina de Seguros S.A. | 14,691 | (4,283) | 10,408 | 11,434 |
| Bradesco International Health Service, Inc. | 231 | (54) | 177 | 179 |
| Banco Boavista S.A. Nassau Branch | 19,773 | (937) | 18,836 | 18,977 |
| Imagra Overseas Ltd. (Amex Brasil) (2) | | 1,842 | 1,842 | 1,876 |
| **Total** | **7,006,560** | **2,181,239** | **9,187,799** | **7,012,526** |

(1) Represented by exchange loss variation in the amount of R$571,445 thousand, equity accounting in the amount of R$438,140 thousand, mark-to-market adjustment on securities available for sale in the amount of R$65,059 thousand, capital increase in May 2006 in Bradport SGPS, Sociedade Unipessoal Lda, in the amount of R$103,908 thousand and in December 2006 in Banco Bradesco S.A. Grand Cayman Branch, in the amount of R$2,143,700 thousand and new acquisition in the amount of R$1,877; and

(2) Company acquired in June 2006 (Note 1).

**b) Breakdown of investments in the consolidated financial statements**

**R$ thousand**

| Affiliated companies | 2006 | | 2005 |
|---|---|---|---|
| | December 31 | September 30 | December 31 |
| IRB- Brasil Resseguros S.A. | 354,409 | 351,759 | 345,387 |
| American Banknote S.A. (1) | | | 38,158 |
| BES Investimento do Brasil S.A. Banco de Investimento | 22,742 | 21,738 | 19,235 |
| NovaMarlim Participações S.A. | 15,088 | 17,810 | 20,424 |
| Marlim Participações S.A. | 10,524 | 12,508 | 14,550 |
| Other | 270 | 550 | 1,065 |
| **Total in affiliated companies** | **403,033** | **404,365** | **438,819** |
| Tax incentives | 328,131 | 325,581 | 325,160 |
| Banco Espírito Santo S.A. (2) | | 397,593 | 282,703 |
| Other investments | 323,437 | 292,741 | 287,973 |
| Provision for: | | | |
| Tax incentives | (290,968) | (279,667) | (283,809) |

| | | | |
|---|---|---|---|
| Other investments | (67,051) | (121,186) | (65,876) |
| **Overall total of consolidated investments** | **696,582** | **1,019,427** | **984,970** |

(1) Investment transferred to current and partially sold in 2006; and
(2) Investment transferred to current assets in December 2006.

**c) The adjustments resulting from the evaluation of investments by the equity accounting method were recorded in income under Equity in the earnings of affiliated companies and corresponded, in the year ended December 31, 2006 R$72,324 thousand (December 31, 2005 R$76,150 thousand), 4Q06 R$30,257 thousand (3Q06 R$7,587 thousand).**

**R$ tho**

| Companies | Capital Stock | Adjusted shareholder's equity | No. of stocks/ quotas held (thousands) | | Consolidated ownership on capital stock | Adjusted net income/ (loss) | Adjustment resulting from eval (6) | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | 2006 | | 2 |
| | | | Common | Preferred | | | 4th Qtr. | 3rd Qtr. | December 31 YTD | Dec 31 |
| IRB-Brasil Resseguros S.A. (1) | 750,000 | 1,668,293 | | 212 | 21.24% | 150,744 | 27,130 | 4,888 | 32,018 | |
| NovaMarlim Participações S.A (1) | 112,613 | 87,864 | 22,100 | | 17.17% | 31,048 | 813 | 821 | 5,331 | |
| Marlim Participações S.A. (1) | 104,829 | 88,922 | 10,999 | 21,998 | 11.84% | 39,890 | 453 | 333 | 4,723 | |
| BES Investimento do Brasil S.A. Banco de Investimento (1) | 80,000 | 113,713 | 15,985 | | 19.99% | 24,547 | 2,005 | 1,313 | 4,907 | |
| American Banknote S.A. (2) | | | | | | | | | 2,113 | |
| UGB Participações S.A. (3) | | | | | | | | | | |
| Bradesco Templeton Asset Management Ltda. (4) | | | | | | | | 208 | 23,627 | |
| CP Cimento e Participações S.A. (5) | | | | | | | | | | |
| Other companies | | | | | | | (144) | 24 | (395) | |
| **Total of non consolidated investees** | | | | | | | **30,257** | **7,587** | **72,324** | |

(1) Unaudit data related to November 30, 2006;
(2) Investment transferred to current assets and partially sold in 2006;
(3) Investment sold in February 2005;

(4) Investment sold in July 2006;
(5) Investment sold in April 2005; and
(6) Adjustment resulting from evaluation considers results recorded by the companies as from their acquisition and includes equity variations in the investees not derived from results, as well as adjustments arising from the equalization of accounting practices, when applicable.

**14) Property, Plant and Equipment in Use and Leased Assets**

Stated at acquisition cost plus restatements. Depreciation is calculated on the straight-line method at annual rates, which take into consideration the economic useful lives of the assets.

**R$ thousand**

| | | | | **Residual value** | | |
|---|---|---|---|---|---|---|
| | | | | **2006** | | **2005** |
| | **Annual rate** | **Cost** | **Depreciation** | | | |
| | | | | **December 31** | **September 30** | **December 31** |
| Real estate in use: | | | | | | |
| Buildings | 4% | 648,660 | (355,087) | 293,573 | 296,301 | 352,295 |
| Land | | 406,980 | | 406,980 | 415,210 | 401,222 |
| Facilities, furniture and equipment in use | 10% | 2,260,715 | (1,352,320) | 908,395 | 887,866 | 807,174 |
| Security and communications systems | 10% | 135,855 | (87,040) | 48,815 | 48,282 | 48,675 |
| Data processing systems | 20 to 50% | 1,634,591 | (1,210,090) | 424,501 | 403,405 | 365,961 |
| Transport systems | 20% | 31,802 | (16,238) | 15,564 | 8,375 | 7,420 |
| Construction in progress | | 38,955 | | 38,955 | 7,589 | 2,824 |
| **Subtotal** | | **5,157,558** | **(3,020,775)** | **2,136,783** | **2,067,028** | **1,985,571** |
| Leased Assets | | 25,142 | (9,006) | 16,136 | 15,109 | 9,323 |
| **Total on December 31, 2006** | | **5,182,700** | **(3,029,781)** | **2,152,919** | | |
| **Total on September 30, 2006** | | **5,074,131** | **(2,991,994)** | | **2,082,137** | |
| **Total on December 31, 2005** | | **4,784,022** | **(2,789,128)** | | | **1,994,894** |

Property, plant and equipment in use of Bradesco Organization present an unrecorded increment of R$1,157,601 thousand (September 30, 2006 R$1,113,576 thousand and December 31, 2005 R$1,006,570 thousand) based on appraisal reports prepared by independent experts in 2006, 2005 and 2004.

The fixed assets to stockholders equity ratio, in relation to consolidated reference stockholders equity is 12.23% (September 30, 2006 11.89% and December 31, 2005 16.72%), on the consolidated basis and 48.01% (September 30, 2006 46.04% and December 31, 2005 45.33%) on the consolidated financial basis, within the maximum 50% limit.

The difference between the fixed assets to stockholders equity ratio of the Operating and Economic Financial Consolidated results from the inclusion of the non-financial subsidiaries which have a high liquidity and a low fixed assets to stockholders equity level, with the consequent reduction of the fixed assets to stockholders equity ratio of the Economic Financial Consolidated and enabling, when necessary, the distribution of funds to financial companies.

**15) Deferred Charges**

**a) Goodwill**

**R$ thousand**

| | **Balance on 12.31.2005** | **Constitutions** | **Amortizations 1st half of 2006** | **Extraordinary amortizations** | **Balance on 9.30.2006 and 12.31.2006** |
|---|---|---|---|---|---|
| Banco Zogbi S.A. | 174,079 | | (28,229) | (145,850) | |
| Banco Alvorada S.A. | 147,987 | | (9,977) | (138,010) | |
| Banco BCN S.A. | 152,723 | | (152,723) | | |
| Banco Mercantil de São Paulo S.A. | 88,255 | | (88,255) | | |
| Morada Serviços Financeiros Ltda. | 66,715 | | (7,849) | (58,866) | |
| Banco Cidade S.A. | 55,200 | | (55,200) | | |
| Promovel Empreendimentos e Serviços Ltda. | 41,216 | | (6,684) | (34,532) | |
| Bradesco Leasing S.A. Arrendamento Mercantil | 32,113 | | (3,600) | (28,513) | |
| Banco Boavista Interatlântico S.A. | 19,696 | | (9,848) | (9,848) | |
| Cia. Leader de Investimento | 19,424 | | (1,013) | (18,411) | |
| Tempo Serviços Ltda. (Amex Brasil) | | 872,881 | | (872,881) | |
| Banco BEC S.A. | | 669,074 | (61,937) | (607,137) | |
| Bradesplan Participações Ltda. | | 81,878 | (1,365) | (80,513) | |
| Bankpar Participações Ltda. (Amex Brasil) | | 42,577 | | (42,577) | |
| Other | 50,076 | 28,331 | (6,822) | (71,585) | |
| **Total goodwill** | **847,484** | **1,694,741** | **(433,502)** | **(2,108,723)** | |

In the 2nd half of 2006, the existing goodwill was reviewed by the Management Bodies and according to the Board of Directors resolution as of September 18, 2006 and purpose of notice to stockholders on this same date, the referred goodwill, which corresponded to R$2,108,723 thousand, was fully amortized. The Board of Directors proposals of this date were approved by the Special Stockholders Meeting held on October 5, 2006. The referred fully amortized goodwill corresponds to the amount of R$2,054,621thousand of the balance of June 2006 plus R$54,102 thousand

resulting mainly from goodwill complement in the acquisition of Amex Brasil.

**b) Other deferred charges**

**R$ thousand**

| | | | Residual value | | |
|---|---|---|---|---|---|
| | **Cost** | **Amortization** | **2006** | | **2005** |
| | | | **December 31** | **September 30** | **December 31** |
| Systems development | 1,546,559 | (905,368) | 641,191 | 609,397 | 525,911 |
| Other deferred expenditures | 47,212 | (45,454) | 1,758 | 2,378 | 4,606 |
| **Total on December 31, 2006** | **1,593,771** | **(950,822)** | **642,949** | | |
| **Total on September 30, 2006** | **1,533,796** | **(922,021)** | | **611,775** | |
| **Total on December 31, 2005** | **1,315,881** | **(785,364)** | | | **530,517** |

**16) Deposits, Federal Funds Purchased And Securities Sold Under Agreements to Repurchase and Funds From Issuance of Securities**

**a) Deposits**

**R$ thousand**

| | 2006 | | | | | | 2005 |
|---|---|---|---|---|---|---|---|
| | **Up to 30 days** | **From 31 to 180 days** | **From 181 to 360 days** | **More than 360 days** | **December 31** | **September 30** | **December 31** |
| Demand deposits (1) | 20,526,800 | | | | **20,526,800** | **17,598,600** | **15,955,512** |
| Savings deposits (1) | 27,612,587 | | | | **27,612,587** | **25,415,133** | **26,201,463** |
| Interbank deposits | 202,501 | 66,565 | 21,025 | | **290,091** | **172,912** | **145,690** |
| Time deposits (2) | 2,352,238 | 5,740,585 | 3,456,266 | 23,375,452 | **34,924,541** | **35,375,682** | **32,836,656** |
| Other deposits (3) | 551,194 | | | | **551,194** | **290,841** | **266,321** |
| **Total on December 31, 2006** | **51,245,320** | **5,807,150** | **3,477,291** | **23,375,452** | **83,905,213** | | |
| **%** | **61.1** | **6.9** | **4.1** | **27.9** | **100.0** | | |
| **Total on September 30, 2006** | **46,331,541** | **3,654,479** | **4,377,123** | **24,490,025** | | **78,853,168** | |
| **%** | **58.8** | **4.6** | **5.6** | **31.0** | | **100.0** | |
| **Total on December 31, 2005** | **47,250,863** | **5,406,293** | **1,909,643** | **20,838,843** | | | **75,405,642** |
| **%** | **62.7** | **7.2** | **2.5** | **27.6** | | | **100.0** |

(1) Classified as up to 30 days without considering average historical turnover;
(2) It considers the maturities established in investments; and
(3) Deposits for investments.

**b) Federal funds purchased and securities sold under agreements to repurchase**

**R$ thousand**

| | 2006 | | | | | | 2005 |
|---|---|---|---|---|---|---|---|
| | **Up to 30 days** | **From 31 to 180 days** | **From 181 to 360 days** | **More than 360 days** | **December 31** | **September 30** | **December 31** |
| **Own portfolio** | **18,773,625** | **937,140** | **1,632,249** | **15,252,254** | **36,595,268** | **19,194,305** | **12,690,952** |
| | 13,918,676 | 108,402 | 60,795 | 8,324 | **14,096,197** | **176,798** | **62,391** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Government bonds | | | | | | | |
| Private securities - CDB | | | | | | **489,702** | **346,763** |
| Debentures of own issuance | 4,338,497 | 576,126 | 1,571,454 | 15,090,940 | **21,577,017** | **17,038,283** | **11,702,803** |
| Foreign | 516,452 | 252,612 | | 152,990 | **922,054** | **1,489,522** | **578,995** |
| **Third party portfolio (1)** | **3,471,383** | | | | **3,471,383** | **17,067,469** | **11,947,932** |
| **Unrestricted notes portfolio (1)** | **7,438,667** | **72,916** | **97,199** | | **7,608,782** | **2,054** | |
| **Total on December 31, 2006 (2)** | **29,683,675** | **1,010,056** | **1,729,448** | **15,252,254** | **47,675,433** | | |
| **%** | **62.3** | **2.1** | **3.6** | **32.0** | **100.0** | | |
| **Total on September 30, 2006** | **18,158,848** | **2,097,278** | **1,039,829** | **14,967,873** | | **36,263,828** | |
| **%** | **50.0** | **5.8** | **2.9** | **41.3** | | **100.0** | |
| **Total on December 31, 2005** | **12,847,915** | **460,787** | **1,399,844** | **9,930,338** | | | **24,638,884** |
| **%** | **52.1** | **1.9** | **5.7** | **40.3** | | | **100.0** |

(1) Represented by government bonds; and
(2) This includes R$8,770,745 thousand (September 30, 2006 R$6,187,290 thousand and December 31, 2005 R$5,881,574 thousand) of funds invested in purchase and sale commitments with Bradesco, the quotaholders of which are subsidiaries composing the consolidated financial statements (Note 8a).

c) Funds from issuance of securities

**R$ thousand**

| | 2006 | | | | | | 2005 |
|---|---|---|---|---|---|---|---|
| | **Up to 30 days** | **From 31 to 180 days** | **From 181 to 360 days** | **More than 360 days** | **December 31** | **September 30** | **December 31** |
| Securities | | | | | | | |
| Local: | | | | | | | |
| Mortgage notes | 35,900 | 347,117 | 473,473 | 1,207 | **857,697** | **867,027** | **847,508** |
| Debentures (1) | | 51,094 | | 2,552,100 | **2,603,194** | **2,708,857** | **2,624,899** |
| **Subtotal Securities** | **35,900** | **398,211** | **473,473** | **2,553,307** | **3,460,891** | **3,575,884** | **3,472,407** |
| **Foreign: (2)** | | | | | | | |
| Commercial paper | | | | | | | **1,184** |
| Eurobonds | 214,478 | | | | **214,478** | **217,695** | **440,834** |
| Euronotes | 365 | | | | **365** | **2,797** | **753** |
| MTN Program Issues | 51,950 | | 577,402 | 390,983 | **1,020,335** | **1,292,828** | **1,000,365** |
| Promissory notes | | | | | | | **59,460** |
| Securitization of future flow of money orders received from abroad (d) | 3,437 | 56,911 | 58,266 | 387,466 | **506,080** | **543,708** | **657,262** |
| Securitization of future flow of credit card bill receivables from foreign cardholders (d) | 1,185 | 45,757 | 47,066 | 340,122 | **434,130** | **464,350** | **571,621** |
| **Subtotal** | **271,415** | **102,668** | **682,734** | **1,118,571** | **2,175,388** | **2,521,378** | **2,731,479** |
| **Total on December 31, 2006** | **307,315** | **500,879** | **1,156,207** | **3,671,878** | **5,636,279** | | |
| **%** | **5.5** | **8.9** | **20.5** | **65.1** | **100.0** | | |
| **Total on September 30, 2006** | **354,029** | **1,020,770** | **403,469** | **4,318,994** | | **6,097,262** | |
| **%** | **5.8** | **16.8** | **6.6** | **70.8** | | **100.0** | |
| **Total on December 31, 2005** | **120,627** | **981,169** | **305,176** | **4,796,914** | | | **6,203,886** |
| **%** | **1.9** | **15.8** | **4.9** | **77.4** | | | **100.0** |

(1) This refers to installment of issuances of simple debentures not convertible into stocks of Bradesco Leasing S.A. Arrendamento Mercantil, of which one matures on May 1, 2011 and has a 102% of CDI remuneration; and
(2) These consist of funds obtained from banks abroad, from the issuance of notes in the international market and under National Monetary Council (CMN) Resolution 2770 for:
(i) onlending to local customers, maturing until 2011, under terms which do not exceed those of the funds obtained, with interest payable at LIBOR, plus a spread or prefixed interest; and
(ii) foreign exchange operations for customers, through purchase and sale of foreign currencies, related to discounts of export bills, pre-financing of exports and financing of imports, substantially in the short term.

d) Since 2003, Bradesco Organization has been entering into certain agreements designed to optimize its funding and liquidity management activities through the use of Specific Purposes Entities (SPEs). These SPEs, named Brazilian Merchant Voucher Receivables Limited and International Diversified Payment Rights Company, are financed through long-term liabilities and settled through the future cash flows of the corresponding assets, which basically comprise:

(i) current and future flows of money orders remitted by individuals and corporate entities located abroad to beneficiaries in Brazil for which the Bank acts as paying agent; and

(ii) current and future flows of credit card receivables arising from expenses made in Brazilian territory by holders of credit cards issued outside Brazil.

The long-term securities issued by the SPEs and sold to investors will be settled through funds derived from the money order flows and credit card bills. Bradesco is obliged to redeem these securities in specific cases of default or if the SPEs operations are discontinued.

The funds derived from the sale of current and future money orders and credit card receivables, received by the SPEs, must be maintained in a specific bank account until such time as a specific minimum limit is attained.

We present below the main features of the notes issued by the SPEs:

**R$ thousand**

| | | | | | Total | | |
|---|---|---|---|---|---|---|---|
| | **Issuance** | **Transaction amount** | **Maturity** | **Remuneration %** | **2006** | | **2005** |
| | | | | | **December 31** | **September 30** | **December 31** |
| Securitization of future flow of money orders | 8.20.2003 | 595,262 | 8.20.2010 | 6,750 | 299,737 | 325,128 | 421,943 |
| received from abroad | 7.28.2004 | 305,400 | 8.20.2012 | 4,685 | 206,343 | 218,580 | 235,319 |
| **Total** | | **900,662** | | | **506,080** | **543,708** | **657,262** |
| Securitization of future flow of credit card bills receivables from foreign cardholders abroad | 7.10.2003 | 800,818 | 6.15.2011 | 5,684 | 434,130 | 464,350 | 571,621 |
| **Total** | | **800,818** | | | **434,130** | **464,350** | **571,621** |

**e) Expenses with funding and price-level restatement and interest on technical provisions for insurance, private pension plans and certificated savings plans**

**R$ thousand**

| | 2006 | | | 2005 |
|---|---|---|---|---|
| | 4th Quarter | 3rd Quarter | December 31 YTD | December 31 YTD |
| Savings deposits | 483,748 | 484,996 | 1,908,700 | 2,027,943 |
| Time deposits | 1,264,404 | 1,396,309 | 5,286,080 | 5,377,212 |
| Federal funds purchased and securities sold under agreements to repurchase | 1,135,336 | 1,167,613 | 4,310,855 | 3,975,999 |
| Funds from issuance of securities | 222,682 | 281,147 | 927,567 | 767,815 |
| Allocation of exchange variation of foreign branches and subsidiaries | (132,390) | 44,714 | (671,997) | (1,135,847) |
| Other funding expenses | 37,196 | 56,186 | 233,506 | 272,202 |
| **Subtotal** | **3,010,976** | **3,430,965** | **11,994,711** | **11,285,324** |
| Expenses for price-level restatement on technical provisions for insurance, private pension plans and certificated savings plans | 1,138,529 | 907,865 | 4,004,823 | 3,764,530 |
| **Total** | **4,149,505** | **4,338,830** | **15,999,534** | **15,049,854** |

**17) Borrowings and Onlendings**

**a) Borrowings**

**R$ thousand**

| | 2006 | | | | | | 2005 |
|---|---|---|---|---|---|---|---|
| | **Up to 30 days** | **From 31 to 180 days** | **From 181 to 360 days** | **More than 360 days** | **December 31** | **September 30** | **December 31** |
| Local: | | | | | | | |
| Official institutions | 22 | 112 | 133 | 511 | 778 | 848 | 1,088 |
| Other institutions | 44,438 | | | 9 | 44,447 | 67,189 | 18 |
| Foreign: | 1,004,778 | 2,765,390 | 1,730,221 | 232,292 | 5,732,681 | 5,698,526 | 7,134,221 |
| **Total on December 31, 2006** | **1,049,238** | **2,765,502** | **1,730,354** | **232,812** | **5,777,906** | | |
| **%** | **18.2** | **47.9** | **29.9** | **4.0** | **100.0** | | |
| **Total on September 30, 2006** | **1,009,044** | **2,590,743** | **1,850,017** | **316,759** | | **5,766,563** | |
| **%** | **17.5** | **44.9** | **32.1** | **5.5** | | **100.0** | |
| **Total on December 31, 2005** | **998,475** | **4,114,700** | **1,447,707** | **574,445** | | | **7,135,327** |
| **%** | **14.0** | **57.7** | **20.3** | **8.0** | | | **100.0** |

**b) Onlendings**

**R$ thousand**

| | 2006 | | | | | | 2005 |
|---|---|---|---|---|---|---|---|
| | **Up to 30 days** | **From 31 to 180 days** | **From 181 to 360 days** | **More than 360 days** | **December 31** | **September 30** | **December 31** |
| **Local:** | | | | | | | |
| National Treasury | | | 99,073 | | 99,073 | 95,885 | 52,318 |
| BNDES | 165,361 | 549,854 | 1,473,292 | 3,343,511 | 5,532,018 | 5,264,534 | 4,237,973 |
| CEF | 1,556 | 3,967 | 4,542 | 59,844 | 69,909 | 68,538 | 59,588 |
| FINAME | 205,236 | 1,223,204 | 975,579 | 3,534,018 | 5,938,037 | 5,442,215 | 5,075,232 |
| Other institutions | | 384 | 385 | 1,163 | 1,932 | 2,031 | 2,460 |
| **Foreign:** | | | | | | | |
| Subject to onlendings to housing loan borrowers | 165 | | 5 | | 170 | 341 | 183 |
| **Total on December 31, 2006** | **372,318** | **1,777,409** | **2,552,876** | **6,938,536** | **11,641,139** | | |
| **%** | **3.2** | **15.3** | **21.9** | **59.6** | **100.0** | | |
| **Total on September 30, 2006** | **642,472** | **1,756,984** | **1,838,991** | **6,635,097** | | **10,873,544** | |

| | | | | | | |
|---|---|---|---|---|---|---|
| **%** | **5.9** | **16.2** | **16.9** | **61.0** | **100.0** | |
| **Total on December 31, 2005** | **498,264** | **1,447,102** | **1,467,584** | **6,014,804** | | **9,427,754** |
| **%** | **5.3** | **15.4** | **15.6** | **63.7** | | **100.0** |

**c) Expenses from borrowings and onlendings**

**R$ thousand**

| | 2006 | | | 2005 |
|---|---|---|---|---|
| | **4th Quarter** | **3rd Quarter** | **December 31 YTD** | **December 31 YTD** |
| **Borrowings:** | | | | |
| Local | 44 | 57 | 331 | 1,709 |
| Foreign | 22,252 | 26,939 | 112,550 | 107,843 |
| **Subtotal borrowings** | **22,296** | **26,996** | **112,881** | **109,552** |
| | | | | |
| **Local onlendings:** | | | | |
| National treasury | 2,175 | 463 | 4,094 | 3,817 |
| BNDES | 104,611 | 110,441 | 400,943 | 341,540 |
| CEF | 1,810 | 1,595 | 6,336 | 5,578 |
| FINAME | 126,346 | 127,486 | 539,639 | 492,688 |
| Other institutions | 52 | 41 | 248 | 281 |
| **Foreign onlendings:** | | | | |
| Payables to foreign bankers (Note 11a) | 84,588 | 151,380 | 793,458 | 575,155 |
| Other expenses with foreign onlendings | (125) | 537 | (590) | (3,341) |
| **Subtotal onlendings** | **319,457** | **391,943** | **1,744,128** | **1,415,718** |
| | | | | |
| Allocation of exchange variation of foreign branches and subsidiaries | 27,335 | (3,151) | (37,596) | (164,623) |
| | | | | |
| **Total** | **369,088** | **415,788** | **1,819,413** | **1,360,647** |

**18) Contingent Assets and Liabilities and Legal Liabilities Tax And Social Security**

**a) Contingent Assets**

In 2006, contingent assets were not recognized on an accounting basis, however, there are proceedings whose perspective of success is probable. The main ones are:

Tax on Net Income - (ILL) R$346,794 thousand: It pleads the return, by means of compensation or restitution, of the amounts collected as Tax on Net Income established by article 35 of Law 7,713/88, once the referred tax was unconstitutionally judged by the Federal Supreme Court; and

Social Integration Program (PIS) R$100,968 thousand: It pleads the compensation of PIS on the Operating Gross Revenue, collected under the terms of the Decrees Laws 2,445 and 2,449/88, in what exceeded the amount due under the terms of the Supplementary Law 07/70 (PIS Repique).

**b) Contingent Liabilities classified as probable losses and Legal Liabilities Tax and Social Security**

Bradesco Organization is currently a defendant in a number of legal suits in the labor, civil and tax spheres, arising from the normal course of its business activities.

The provisions were recorded based on the opinion of the legal advisors; the types of lawsuit; similarity with previous lawsuits; complexity; and jurisprudence and prior court sentences, whenever loss is deemed probable.

Bradesco s Management considers that the provision recorded is sufficient to cover losses generated by the corresponding proceedings.

The liability related to the legal liability in judicial discussion is maintained until the definite gain of the lawsuit, represented by favorable judicial decision, on which resources are not provided, or its prescription.

**I Labor claims**

These are claims brought by former employees seeking indemnity, especially the payment of unpaid overtime. The amount of the labor claims is provisioned based on the average value determined by the total payments made of the claims ended in the last 12 months, considering the similarity of these proceedings.

Following the effective control over working hours implemented in 1992, via electronic time cards, overtime is paid regularly during the employment contract and accordingly, claims on an individual basis subsequent to 1997 substantially reduced its amounts.

**II Civil lawsuits**

These are claims for pain and suffering and property damages, mainly protests, bounced checks and the inclusion of information about debtors in the restricted credit registry. These lawsuits are individually controlled and provisioned for specific lawsuits based on the opinion of the legal advisors, taking into consideration the nature of the lawsuits; similarity with previous lawsuits; complexity; and in the positioning of Courts.

The issues discussed in the lawsuits usually are not events that cause a representative impact on the financial results. Approximately 60% of the lawsuits were brought at the small claims court, in which the requests are limited to 40 minimum wages. Moreover, approximately 50% of these lawsuits are judged unfounded and the amount of the condemnation imposed corresponds to the historical average of only 5% of the total amount claimed.

At present, there are no significant administrative lawsuits in course, moved as a result of the lack of compliance with National Financial System regulations or payment of fines, which could cause representative impacts on the Bank s financial results.

**III Legal Liabilities Tax and Social Security**

Bradesco Organization is judicially disputing the legality and constitutionality of certain taxes and contributions, for which provisions have been recorded in full, despite the likelihood of a successful medium and long-term outcome based on the opinion of the legal advisors.

The main matters are:

CSLL R$1,156,542 thousand: Questioning of CSLL required from financial institutions in the reference years from 1995 to 1998 by rates higher than the ones applied to general legal entities, not complying with the constitutional principle of isonomy;

COFINS R$878,713 thousand: It pleads to calculate and collect COFINS, as from October 2005, on the effective sales results, whose concept is in the article 2 of Supplementary Law 70/91, removing the unconstitutional increase of the calculation basis intended by paragraph 1 of article 3 of Law 9,718/98;

CSLL R$437,412 thousand: It pleads the non collection of CSLL of the reference years from 1996 to 1998, years in which some companies of Bradesco Organization did not have employees, once the article 195, I, of the Federal Constitution provides for that this contribution is only due by employers;

INSS Autonomous Brokers R$468,173 thousand: It discusses the incidence of the social security contribution on the remunerations paid to the autonomous service providers, established by the Supplementary Law 84/96 and subsequent regulations/changes, to the rate of 20% and additional of 2.5%, under the argument that the services are not provided to the insurance companies, but to the insured, thus being out of the incidence field of the contribution provided for in the item I, Article 22, of Law 8,212/91, with new wording in Law 9,876/99;

IRPJ/Credit Losses R$311,128 thousand: It pleads to deduct, for purposes of determination of the calculation basis of due IRPJ and CSLL, the amount of the effective and definite losses, total or partial, suffered in the reference years from 1997 to 2005, in the reception of credits, regardless of the compliance with the conditions and terms provided for in articles 9 to 14 of Law 9,430/96 which only apply to the provisory losses; and

PIS R$240,371 thousand: It pleads the compensation of the amounts unduly paid in the reference years of 1994 and 1995 as contribution to PIS, corresponding to the exceeding amount to what would be due on the calculation basis constitutionally provided for, i.e. operating gross revenue, as defined in the income tax legislation concept in article 44 of Law 4,506/64, not included financial revenues.

**IV Provisions established, divided by nature are as follows:**

**R$ thousand**

| | 2006 | | 2005 |
|---|---|---|---|
| | **December 31** | **September 30** | **December 31** |
| Labor proceedings | 1,267,579 | 1,326,076 | 749,007 |
| Civil proceedings | 872,429 | 885,456 | 539,870 |
| **Subtotal (1)** | **2,140,008** | **2,211,532** | **1,288,877** |
| Tax and social security (2) | 5,084,445 | 4,780,988 | 3,574,279 |
| **Total** | **7,224,453** | **6,992,520** | **4,863,156** |

(1) Note 20b; and
(2) Classified under the item Other liabilities tax and social security (Note 20a).

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**V Movement of Provisions Established**

| | December 31 YTD 2006 | | R$ thousand |
|---|---|---|---|
| | **Labor (1)** | **Civil** | **Tax and Social Security (2)** |
| **At the beginning of the year** | **749,007** | **539,870** | **3,574,279** |
| Balances acquired (3) | 190,354 | 235,953 | 275,435 |
| Monetary restatement | 125,846 | 34,105 | 520,046 |
| Constitutions | 630,242 | 288,962 | 953,692 |
| Reversals | (2,325), | (10,704) | (189,258) |
| Payments | (425,545) | (215,757) | (49,749) |
| **At the end of the year** | **1,267,579** | **872,429** | **5,084,445** |

(1) It includes the constitution of supplementary provision, according to CVM Resolution 489/05, in the amount of R$308,875 thousand;
(2) It comprises, substantially, legal liabilities; and
(3) It includes the amounts coming from Banco BEC and Amex Brasil (Note 1).

**c) Contingent Liabilities classified as possible losses**

Bradesco Organization maintains a follow-up system for all administrative and judicial proceedings in which the institution is the plaintiff or defendant and based on the opinion of the legal advisors classifies the lawsuits according to the expectation of non-success. In this context the contingent proceedings evaluated as risk of possible loss are not recognized on an accounting basis, and the principal related to leasing companies ISS in the amount of R$102,910 thousand, in which it is discussed the unconstitutionality of the incidence of such tax, for it comprises financial leasing operations and, if it is deemed as due, it must be collected for the municipality of the company s headquarters.

**19) Subordinated Debt**

R$ thousand

| Instrument | Issuance | Amount of the operation | Maturity | Remuneration | 2006 | | 2005 |
|---|---|---|---|---|---|---|---|
| | | | | | December 31 | September 30 | December 31 |
| **In the country:** | | | | | | | |
| Subordinated CDB | March/2002 | 528,550 | 2012 | 100.0% of DI rate CETIP | 1,186,653 | 1,150,669 | 1,031,458 |
| Subordinated CDB | June/2002 | 41,201 | 2012 | 100.0% of CDI rate + 0.75% p.a. | 92,584 | 89,605 | 79,868 |
| Subordinated CDB | October/2002 | 200,00 | 2012 | 102.5% of CDI rate | 414,108 | 401,241 | 358,691 |
| Subordinated CDB | October/2002 | 500,00 | 2012 | 100.0% of CDI rate + 0.87% p.a. | 1,054,385 | 1,020,150 | 908,474 |
| | October/2002 | 33,500 | 2012 | 101.5% of CDI rate | 68,768 | 66,651 | 59,648 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Subordinated CDB | | | | | | | |
| Subordinated CDB | October/2002 | 65,150 | 2012 | 101.0% of CDI rate | 132,937 | 128,866 | 115,389 |
| Subordinated CDB | November/2002 | 66,550 | 2012 | 101.0% of CDI rate | 135,472 | 131,323 | 117,589 |
| Subordinated CDB | November/2002 | 134,800 | 2012 | 101.5% of CDI rate | 274,769 | 266,314 | 238,332 |
| Subordinated CDB | January/2006 | 1,000,000 | 2011 | 104.0% of CDI rate | 1,142,079 | 1,106,083 | |
| Subordinated CDB | February/2006 | 1,171,022 | 2011 | 104.0% of CDI rate | 1,326,382 | 1,284,578 | |
| Subordinated CDB | March/2006 | 710,000 | 2011 | 104.0% of CDI rate | 792,919 | 767,928 | |
| Subordinated CDB | June/2006 | 1,100,000 | 2011 | 103.0% of CDI rate | 1,176,765 | 1,140,027 | |
| Subordinated CDB | July/2006 | 13,000 | 2011 | 102.5% of CDI rate | 13,877 | 13,446 | |
| Subordinated CDB | July/2006 | 505,000 | 2011 | 103.0% of CDI rate | 537,631 | 520,847 | |
| Subordinated CDB | August/2006 | 5,000 | 2011 | 102.5% of CDI rate | 5,264 | 5,100 | |
| Subordinated debentures | September/2001 | 300,000 | 2008 | 100.0% of CDI rate + 0.75% p.a. | 313,218 | 303,171 | 318,177 |
| Subordinated debentures | November/2001 | 300,000 | 2008 | 100.0% of CDI rate + 0.75% p.a. | 306,238 | 319,056 | 308,763 |
| **Subtotal in Brazil** | | **6,673,773** | | | **8,974,049** | **8,715,055** | **3,536,389** |

R$ thousand

| Instrument | Issuance | Amount of the operation | Maturity | Remuneration | 2006 | | 2005 |
|---|---|---|---|---|---|---|---|
| | | | | | December 31 | September 30 | December 31 |
| **Abroad:** | | | | | | | |
| Subordinated debt (US$) | December/2001 | 353,700 | 2011 | 10.25% rate p.a. | 319,413 | 333,035 | 349,088 |
| Subordinated debt (YEN) (1) | April/2002 | 315,186 | 2012 | 4.05% rate p.a. | 290,682 | 302,952 | 318,241 |
| Subordinated debt (US$) | October/2003 | 1,434,750 | 2013 | 8.75% rate p.a. | 1,080,459 | 1,122,310 | 1,181,941 |
| Subordinated debt (EURO) | April/2004 | 801,927 | 2014 | 8.00% rate p.a. | 639,027 | 637,019 | 626,589 |
| Subordinated debt (US$) (2) | June/2005 | 720,870 | | 8.875% rate p.a. | 645,827 | 656,762 | 707,057 |
| **Subtotal abroad** | | **3,626,433** | | | **2,975,408** | **3,052,078** | **3,182,916** |
| **Overall total** | | **10,300,206** | | | **11,949,457** | **11,767,133** | **6,719,305** |

(1) Including the swap to U.S. dollar cost, the rate increases to 10.15% p.a.; and

(2) On June 3, 2005, a perpetual subordinated debt was issued in the amount of US$300,000 thousand, with exclusive redemption option on the part of the issuer, in its totality and by means of previous authorization of the Brazilian Central Bank, considering that: (i) a 5-year term from the issuance date has elapsed and subsequently on each date of interest maturity; and (ii) at any moment in the event of change in the tax laws in Brazil or abroad, which may cause an increase in costs for the issuer and in case the issuer is notified in written by the Brazilian Central Bank that securities may no longer be included in the consolidated capital, for capital adequacy ratio calculation purposes.

**20) Other Liabilities**

**a) Tax and social security**

R$ thousand

| | 2006 | | 2005 |
|---|---|---|---|
| | December 31 | September 30 | December 31 |
| Provision for tax risks (Note 18) | 5,084,445 | 4,780,988 | 3,574,279 |
| Provision for future taxable income | 1,276,713 | 1,079,509 | 600,899 |
| Taxes and contributions on profits payable | 1,199,959 | 1,132,919 | 436,242 |
| Taxes and contributions collectible | 453,403 | 430,938 | 429,892 |
| **Total** | **8,014,520** | **7,424,354** | **5,041,312** |

**b) Sundry**

R$ thousand

| | 2006 | | 2005 |
|---|---|---|---|
| | December 31 | September 30 | December 31 |
| Credit card operations (1) | 4,508,058 | 3,311,622 | 2,171,029 |
| Provision for accrued liabilities | 2,724,540 | 2,909,698 | 2,388,352 |
| Provision for contingent liabilities (civil and labor) (Note 18) | 2,140,008 | 2,211,532 | 1,288,877 |
| Sundry creditors | 1,165,560 | 1,168,735 | 752,704 |
| Liabilities for acquisition of assets and rights | 165,546 | 147,726 | 101,285 |
| Official operating agreements | 18,339 | 19,190 | 14,883 |
| Other | 294,591 | 203,025 | 221,492 |
| **Total** | **11,016,642** | **9,971,528** | **6,938,622** |

(1) Increase in the last 12 months refers substantially to Amex Brasil R$1,235,575 thousand (Note 1).

**21) Insurance, Private Pension Plans and Certificated Savings Plans Operations**

**a) Provisions by account**

| | Insurance | | | Life and Private Pension Plans (1) | | | Certificated Savings plans | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2006 | | 2005 | 2006 | | 2005 | 2006 | | 2005 |
| | December 31 | September 30 | December 31 | December 31 | September 30 | December 31 | December 31 | September 30 | Decem 31 |
| **Current and long-term liabilities** | | | | | | | | | |
| Mathematical provision for benefits to be granted | | | | 34,230,935 | 32,211,901 | 28,518,460 | | | |
| Mathematical provision for benefits granted | | | | 3,426,173 | 3,348,898 | 3,261,392 | | | |
| Mathematical provision for redemptions | | | | | | | 1,796,242 | 1,823,302 | 1,709, |
| IBNR Provision | 1,382,336 | 1,369,200 | 1,279,454 | 437,928 | 345,678 | 307,780 | | | |
| Unearned premiums provision | 1,520,317 | 1,490,311 | 1,369,138 | 41,912 | 44,321 | 42,280 | | | |
| Contribution insufficiency provision (2) | | | | 1,788,032 | 1,150,210 | 975,257 | | | |
| Provision for unsettled claims | 615,138 | 566,431 | 514,680 | 430,600 | 449,321 | 314,057 | | | |
| Financial fluctuation provision | | | | 580,771 | 582,913 | 675,438 | | | |
| Financial surplus provision | | | | 350,275 | 317,095 | 341,413 | | | |
| Provision for draws and redemptions | | | | | | | 406,894 | 359,035 | 335, |
| Provision for contingencies | | | | | | | 43,192 | 43,915 | 40, |
| Provision for administrative | | | | 414,972 | 396,226 | 403,538 | 60,845 | 54,801 | 53, |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| expenses | | | | | | | | | |
| Other provisions (3) | 879,463 | 845,326 | 540,085 | 336,343 | 319,824 | 180,674 | | | |
| **Subtotal Technical provisions** | **4,397,254** | **4,271,268** | **3,703,357** | **42,037,941** | **39,166,387** | **35,020,289** | **2,307,173** | **2,281,053** | **2,138,** |
| **Extraordinary provision (4)** | **386,846** | | | | | | | | |
| **Total provisions** | **4,784,100** | **4,271,268** | **3,703,357** | **42,037,941** | **39,166,387** | **35,020,289** | **2,307,173** | **2,281,053** | **2,138,** |

(1) Includes the insurance operations for individuals and private pension plans;

(2) The contribution insufficiency provision is calculated according to the biometric table AT-2000 and at interest rate of 4.5% p.a.;

(3) ANS approved the creation of provision in the individual health portfolio, to set out the leveling of premiums of insured persons above 60 years of age prior to Law 9656/98 and for remission benefits, by means of the Official Letters 264/06 and 263/06 respectively. On December 31, 2006, such provisions amounted to R$377,577 thousand and R$396,566 thousand (September 30, 2006 R$362,541 thousand and R$385,498 thousand, respectively). A provision of R$243,564 thousand was established in the twelve-month period ended on December 31, 2006; and

(4) In 2Q06, the subsidiary Bradesco Saúde recorded an extraordinary non-technical provision in the amount of R$386,846 thousand, in order to cover the difference between the amounts resulting from the investment in monthly fees of Individual Health insurance of readjustments annually authorized by the regulatory body and those calculated based on the readjustment of prices of the sector, which increases the average amount of indemnified events.

**b) Technical provisions by product**

| | Insurance | | | Life and Private Pension Plans | | | Certificated Savings plans | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2006 | | 2005 | 2006 | | 2005 | 2006 | | 2005 |
| | December 31 | September 30 | December 31 | December 31 | September 30 | December 31 | December 31 | September 30 | December 31 |
| Health (1) (2) | 1,862,409 | 1,797,897 | 1,469,309 | | | | | | |
| Auto/RCF | 1,840,208 | 1,783,274 | 1,649,258 | | | | | | |
| DPVAT | 155,827 | 166,296 | 127,373 | 85,077 | 89,031 | 77,828 | | | |
| Life | 35,456 | 30,369 | 32,653 | 1,547,942 | 1,432,815 | 1,093,379 | | | |
| Basic lines | 503,354 | 493,432 | 424,764 | | | | | | |
| Unrestricted benefits generating plan | | | | | | | | | |
| PGBL | | | | 8,197,715 | 7,700,606 | 6,614,375 | | | |
| Long-term life insurance | | | | | | | | | |
| VGBL | | | | 18,746,249 | 16,636,323 | 13,529,409 | | | |
| Traditional plans | | | | 13,460,958 | 13,307,612 | 13,705,298 | | | |
| Certificated savings plans | | | | | | | 2,307,173 | 2,281,053 | 2,138,909 |
| **Total technical provisions** | **4,397,254** | **4,271,268** | **3,703,357** | **42,037,941** | **39,166,387** | **35,020,289** | **2,307,173** | **2,281,053** | **2,138,909** |

(1) See Note 21a item 3

(2) It does not include the extraordinary non-technical provision in the Individual Health portfolio in the amount of R$386,846 thousand (see Note 21a, item 4).

**c) Guarantees of technical provisions**

| | Insurance | | | Life and Private Pension Plans | | | Certificated Savings plans | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2006 | | 2005 | 2006 | | 2005 | 2006 | | 2005 |
| | December 31 | September 30 | December 31 | December 31 | September 30 | December 31 | December 31 | September 30 | December 31 |
| Investment fund quotas | | | | | | | | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (VGBL and PGBL) | | | | 26,943,964 | 24,336,929 | 20,143,784 | | | |
| Investment fund quotas (except for VGBL and PGBL) | 3,812,448 | 3,680,966 | 2,660,014 | 11,525,278 | 10,196,752 | 10,406,645 | 2,055,414 | 2,068,418 | 1,838,358 |
| Government bonds | 154,168 | 163,554 | 661,392 | 2,291,031 | 3,376,164 | 3,390,329 | | | 23,465 |
| Private securities | 20,114 | 15,528 | 13,450 | 441,943 | 479,366 | 612,378 | 103,931 | 94,565 | 92,467 |
| Stocks | 1,079 | 1,030 | 1,672 | 869,301 | 795,365 | 473,205 | 197,062 | 167,215 | 203,816 |
| Credit rights | 499,651 | 493,500 | 522,928 | | | | | | |
| Real estate | 18,953 | 19,051 | 17,261 | 1,239 | 1,264 | 1,339 | 10,863 | 10,930 | 11,129 |
| Deposits retained at IRB and court deposits | 47,176 | 93,201 | 58,211 | 45,185 | 44,299 | 26,851 | | | |
| **Total guarantees of technical provisions** | **4,553,589** | **4,466,830** | **3,934,928** | **42,117,941** | **39,230,139** | **35,054,531** | **2,367,270** | **2,341,128** | **2,169,235** |

**d) Retained premiums from insurance, private pension plans contributions and certificated savings plans**

**R$ thousand**

| | 2006 | | | 2005 |
|---|---|---|---|---|
| | **4th Qtr.** | **3rd Qtr.** | **December 31 YTD** | **December 31 YTD** |
| Premiums written | 2,474,983 | 2,298,229 | 9,159,860 | 8,341,155 |
| Supplementary private pension contributions (includes VGBL) | 2,929,784 | 2,108,263 | 8,731,747 | 7,303,683 |
| Revenues from certificated savings plans | 400,226 | 352,637 | 1,418,431 | 1,419,960 |
| Coinsurance premiums granted | (116,267) | (17,069) | (174,279) | (160,129) |
| Refunded premiums | (26,630) | (28,019) | (113,907) | (79,807) |
| **Net premiums written** | **5,662,096** | **4,714,041** | **19,021,852** | **16,824,862** |
| Redeemed premiums | (859,879) | (770,322) | (3,210,280) | (2,629,210) |
| Reinsurance premiums granted, consortia and funds | (175,456) | (136,702) | (632,154) | (548,563) |
| **Retained premiums for insurance, private pension plans and certificated savings plans** | **4,626,761** | **3,807,017** | **15,179,418** | **13,647,089** |

**22) Minority Interest in Subsidiaries**

**R$ thousand**

| | 2006 | | 2005 |
|---|---|---|---|
| | **December 31** | **September 30** | **December 31** |
| Indiana Seguros S.A. | 48,073 | 46,573 | 41,471 |
| Bradesco Templeton Asset Management Ltda. (1) | | | 8,255 |
| Banco Alvorada S.A. | 5,925 | 5,960 | 5,234 |
| Baneb Corretora de Seguros S.A. | 3,305 | 3,260 | 3,010 |
| Other minority stockholders | 137 | 128 | 89 |
| **Total** | **57,440** | **55,921** | **58,059** |

(1) Company is no longer consolidated since April 2006 due to the partial sale of the investment. The total investment was sold in July 2006.

**23) Stockholders Equity (Parent Company)**

**a) Composition of capital stock**

Fully subscribed and paid-up capital stock comprises non-par registered, book-entry stocks, as follows:

| | 2006 | 2005 |
|---|---|---|

| | December 31 | September 30 | December 31 |
|---|---|---|---|
| Common stocks | 500,823,456 | 489,914,304 | 489,914,304 |
| Preferred stocks | 500,817,868 | 489,908,838 | 489,938,838 |
| **Subtotal** | **1,001,641,324** | **979,823,142** | **979,853,142** |
| Treasury (common stocks) | (752,000) | (618,100) | (464,300) |
| Treasury (preferred stocks) | (6,400) | (6,400) | |
| **Total outstanding stocks** | **1,000,882,924** | **979,198,642** | **979,388,842** |

**b) Movement of capital stock:**

| | Quantity of stocks | | |
|---|---|---|---|
| | **Common** | **Preferred** | **Total** |
| **Outstanding stocks held on December 31, 2005** | **489,450,004** | **489,938,838** | **979,388,842** |
| Stocks acquired and cancelled (1) | | (30,000) | (30,000) |
| Stocks acquired and not cancelled | (153,800) | (6,400) | (160,200) |
| **Outstanding stocks held on September 30, 2006** | **489,296,204** | **489,902,438** | **979,198,642** |
| Stocks acquired and not cancelled | (133,900) | | (133,900) |
| Capital increase through subscription | 10,909,152 | 10,909,030 | 21,818,182 |
| **Outstanding stocks held on December 31, 2006** | **500,071,456** | **500,811,468** | **1,000,882,924** |

(1) At the Annual and Special Stockholders Meeting as of March 27, 2006, it was resolved on the cancellation of 30,000 preferred stocks, acquired by the Company by means of repurchase programs authorized by the Board of Directors, all non-par registered, book-entry stocks, held in treasury, representing its own capital stock, without its reduction.

The Special Stockholders Meeting held on October 5, 2006 resolved to increase the capital stock by R$1,200,000 thousand, by means of the issuance of 21,818,182 new stocks, all non-par registered, book entry stocks, 10,909,152 of which are common stocks and 10,909,030 are preferred stocks, at the price of R$55.00 per stock, by means of the private subscription by stockholders from October 19 to November 20, 2006, in the proportion of 2.226746958% on the share position which each one had on the date of the meeting. The stockholders paid up the stocks subscribed on December 7, 2006, which correspond to 96.41% of stocks issued; the remaining stocks equivalent to 3.59% of the total offer were sold in an auction carried out on December 4, 2006 on Bovespa, and the financial settlement also occurred on December 7. The exceeding of the amount destined to the Capital Stock formation, in the amount of R$18,295 thousand, calculated by the difference between the issuance price and the sale price of stocks in auction, was recorded in the item Capital Reserve Stocks Goodwill . The proceeding was ratified by the Brazilian Central Bank (BACEN) on January 2, 2007.

**c) Interest on own capital/Dividends**

Non-voting preferred stocks are entitled to all rights and benefits attributed to common stocks and, in conformity with Bradesco s Bylaws, have priority to repayment of capital and 10% (ten per cent) additional of interest on own capital and/or dividends, in accordance with the provisions of paragraph 1, item II of Article 17 of Law 6,404/1976, as amended in Law 10,303/2001.

In conformity with Bradesco s Bylaws, stockholders are entitled to interest on own capital and/or dividends, which total, at least, 30% of net income for the year, adjusted in accordance with Brazilian corporate law.

Interest on own capital is calculated based on the stockholders' equity accounts and limited to the variation in the long-term interest rate (TJLP), subject to the existence of profits, computed prior to the deduction thereof, or of retained earnings and profit reserves in amounts that are equivalent to, or exceed twice, the amount of such interest.

Bradesco s capital compensation policy aims at distributing the interest on own capital, at the maximum amount calculated in conformity with the prevailing laws, which is estimated, net of Withholding Income Tax, in the calculation of mandatory dividends of the year provided for in the Company s Bylaws.

At a special meeting held on June 30, 2006, the Board of Directors approved the Board of Executive Officers proposal for the payment of interim interest on own capital corresponding to the 1st half of 2006, at the amount of R$0.327750 (net of Withholding Income Tax R$0.278588) per common stock and R$0.360525 (net of Withholding Income Tax R$0.306446) per preferred stock, whose payment was made on July 20, 2006.

A special meeting of the Board of Directors held on October 5, 2006 approved the proposal for the payment of supplementary interest on own capital related to the year of 2006, at the amount of R$0.784333536 (net of tax R$0.666683505) per common stock and R$0.862766889 (net of tax R$0.733351856) per preferred stock, whose payment will be made on December 7, 2006. In complement to the interest on own capital for the year, a distribution of dividends was proposed, at the amount of R$585,000 thousand, at the ratio of R$0.568954689 per common stock and R$0.625850158 per preferred stock, which was paid on December 7, 2006, by the declared amount, with no Withholding Income Tax, pursuant to Article 10 of law 9,249/95.

The calculation of interest on own capital and dividends related to the year of 2006 is shown as follows:

| | **R$ thousand** | **% (1)** |
|---|---|---|
| Net income for the year | 5,054,040 | |
| (+) Goodwill fully amortized, net of tax effects | 1,391,757 | |
| **(=) Adjusted net income for the year** | **6,445,797** | |
| (-) Adjusted legal reserve | (322,290) | |

| | | |
|---|---|---|
| **Adjusted calculation basis** | **6,123,507** | |
| Monthly interest on own capital, paid and payable | 391,127 | |
| Interim interest on own capital paid in July 2006 | 336,991 | |
| Supplementary interest on own capital paid in December 2006 | 806,453 | |
| **Interest on own capital (gross)** | **1,534,571** | **25.06** |
| Withholding income tax on interest on own capital | (230,186) | |
| **Interest on own capital (net) accumulated in 2006 (paid)** | **1,304,385** | **21.30** |
| Supplementary dividends paid in December 2006 | 585,000 | |
| Supplementary proposed dividends (payable) | 40,000 | |
| **Total supplementary dividends proposed (paid and payable)** | **625,000** | **10.21** |
| **Interest on own capital (net) and accumulated dividends in 2006** | **1,929,385** | **31.51** |
| **Interest on own capital (net) and dividends accumulated in 2005** | **1,650,450** | **31.51** |

(1) Percentage of interest on own capital/dividends over calculation basis.

Interest on own capital and dividends were paid and proposed, as follows:

R$ thousand

| Description | Per stock (gross) (1) | | Gross amount paid/accrued | IRRF (15%) | Net amount paid/accrued |
|---|---|---|---|---|---|
| | Common | Preferred | | | |
| Monthly interest on own capital | 0.332060 | 0.365266 | 339,555 | 50,933 | 288,622 |
| Interim interest on own capital | 0.285000 | 0.313500 | 293,706 | 44,056 | 249,650 |
| Supplementary interest on own capital | 0.877978 | 0.965776 | 903,739 | 135,561 | 768,178 |
| Supplementary dividends | 0.334531 | 0.367984 | 344,000 | | 344,000 |
| **Total accumulated on December 31, 2005** | **1.829569** | **2.012526** | **1,881,000** | **230,550** | **1,650,450** |
| Monthly interest on own capital | 0.098325 | 0.108157 | 101,075 | 15,161 | 85,914 |
| Supplementary interest on own capital | 0.278078 | 0.305887 | 285,897 | 42,885 | 243,012 |
| Supplementary dividends | 0.568955 | 0.625850 | 585,000 | | 585,000 |
| **Total in 3Q06** | **0.945358** | **1.039894** | **971,972** | **58,046** | **913,926** |
| Supplementary propose dividends | 0.038060 | 0.041866 | 40,000 | | 40,000 |
| **Total in 4Q06** | **0.038060** | **0.041866** | **40,000** | | **40,000** |
| Monthly interest on own capital | 0.380475 | 0.418523 | 391,127 | 58,669 | 332,458 |
| Interim interest on own capital | 0.327750 | 0.360525 | 336,991 | 50,549 | 286,442 |
| Supplementary interest on own capital (2) | 0.784334 | 0.862767 | 806,453 | 120,968 | 685,485 |
| Supplementary dividends (2) | 0.568955 | 0.625850 | 585,000 | | 585,000 |
| Supplementary dividends (3) (4) | 0.038060 | 0.041866 | 40,000 | | 40,000 |
| **Total accumulated on December 31, 2006 (2)** | **2.099574** | **2.309531** | **2,159,571** | **230,186** | **1,929,385** |

(1) Adjusted to stock base after stock bonus;
(2) Approved at the Special Meeting of the Board of Directors of October 5, 2006 and paid on December 07, 2006;
(3) Supplementary proposed dividends provisioned on 12.29.2006; and
(4) Stock basis after authorized capital increase on 2.2.2007 is considered.

**d) Capital and Profit Reserves**

R$ thousand

| | 2006 | | 2005 |
|---|---|---|---|
| | December 31 | September 30 | December 31 |
| **Capital Reserves** | **55,005** | **36,550** | **36,032** |
| **Profit reserves** | **8,787,106** | **7,875,574** | **5,895,214** |
| Legal reserve (1) (3) | 1,287,592 | 1,191,509 | 1,034,890 |
| Statutory reserve (2) (3) | 7,499,514 | 6,684,065 | 4,860,324 |

(1) Formed mandatorily based on 5% of net income for the year, until reaching 20% of paid-up capital stock, or 30% of the capital stock, accrued of capital reserves. After this limit, the appropriation is no longer mandatory. The legal reserve only may be used for capital increase or to offset losses;

(2)

With a view to maintaining the operating margin compatible with the development of Company s active operations, it may be established at 100% of remaining net income after statutory allocations and the balance limited to 95% of paid-up capital stock; and

(3) Distribution only in semiannual balances.

**e) Treasury Stocks**

Banco Bradesco s Board of Directors, at a meeting held on November 22, 2005, resolved to authorize the Company s Board of Executive Officers to acquire up to 10,000,000 non-par registered, book-entry stocks, of which 5,000,000 are common stocks and 5,000,000 are preferred stocks, with a view to being held in treasury and further sale or cancellation, without reducing the capital stock. The authorization was in force for a six (6) month period, between 11.23.2005 and 5.23.2006. At the meeting of the Board of Directors held on May 22 and on November 23, 2006, new authorizations were resolved, with the same quantities and terms. The authorizations will be in force from 5.24.2006 to 11.24.2006, and from 11.27.2006 to 5.27.2007, respectively.

Up to December 31, 2006, 752,000 common stocks and 6,400 preferred stocks were acquired and held in treasury, totaling R$50,410 thousand. The minimum, weighted average and maximum cost per stock is, respectively, R$58.23638, R$66.46916 and R$79.47560, and the market value of those stocks on December 31, 2006 was R$81.91 per common stock and R$85.87 per preferred stock.

**24) Fee and Commission Income**

**R$ thousand**

| | 2006 | | | 2005 |
|---|---|---|---|---|
| | **4th Quarter** | **3rd Quarter** | **December 31 YTD** | **December 31 YTD** |
| Checking accounts | 546,756 | 532,045 | 2,083,499 | 1,758,550 |
| Income on cards | 541,283 | 513,460 | 1,757,859 | 1,300,627 |
| Loan operations | 410,181 | 393,126 | 1,542,510 | 1,288,664 |
| Fund management | 309,407 | 326,807 | 1,245,107 | 1,047,717 |
| Charging | 197,408 | 191,413 | 751,518 | 686,722 |
| Interbank fees | 76,232 | 69,858 | 289,453 | 271,395 |
| Collections | 68,124 | 66,335 | 254,317 | 205,882 |
| Consortium management | 57,956 | 52,308 | 202,331 | 148,560 |
| Custody and brokerage services | 42,139 | 39,292 | 158,162 | 125,929 |
| Other | 174,266 | 158,203 | 613,126 | 514,833 |
| **Total** | **2,423,752** | **2,342,847** | **8,897,882** | **7,348,879** |

**25) Personnel Expenses**

**R$ thousand**

| | 2006 | | | 2005 |
|---|---|---|---|---|
| | **4th Quarter** | **3rd Quarter** | **December 31 YTD** | **December 31 YTD** |
| Remuneration | 708,882 | 754,360 | 2,857,037 | 2,575,321 |
| Bonus lump sum payment | | | | 102,927 |
| Social charges | 257,507 | 269,199 | 1,032,134 | 954,061 |
| Benefits | 344,065 | 315,929 | 1,260,690 | 1,135,918 |
| Training | 18,823 | 16,299 | 57,872 | 52,306 |
| Employee profit sharing (1) | 69,524 | 154,799 | 414,260 | 286,632 |
| Provision for labor proceedings | 61,398 | 73,947 | 310,413 | 204,395 |
| **Total** | **1,460,199** | **1,584,533** | **5,932,406** | **5,311,560** |

(1) During the year, the amount is equal to 6.4% of the accounting net profit without the full goodwill amortization effects of the 3rd quarter in the amount of R$2,108,723 thousand (December 31, 2005 5.2%), according to the labor collective convention of the bankers union.

**26) Administrative Expenses**

**R$ thousand**

| | 2006 | | | 2005 |
|---|---|---|---|---|
| | **4th Quarter** | **3rd Quarter** | **December 31 YTD** | **December 31 YTD** |

| | | | | |
|---|---|---|---|---|
| Third-party services | 343,828 | 334,482 | 1,199,353 | 949,512 |
| Advertising and promotions | 223,235 | 113,826 | 533,694 | 438,980 |
| Communication | 213,034 | 202,553 | 791,668 | 726,646 |
| Transport | 148,312 | 135,110 | 535,461 | 420,218 |
| Depreciation and amortization | 129,850 | 128,675 | 481,046 | 469,310 |
| Financial system services | 120,964 | 113,239 | 458,395 | 416,507 |
| Rentals | 93,934 | 92,064 | 349,524 | 319,844 |
| Data processing | 87,199 | 67,141 | 267,982 | 195,670 |
| Assets maintenance and conservation | 73,644 | 74,809 | 291,161 | 275,574 |
| Assets leasing | 52,179 | 52,607 | 215,291 | 236,271 |
| Security and vigilance | 45,343 | 45,594 | 173,266 | 148,421 |
| Materials | 44,511 | 45,075 | 172,148 | 173,796 |
| Water, electricity and gas | 41,150 | 36,993 | 159,849 | 142,506 |
| Travels | 19,299 | 17,346 | 71,339 | 55,890 |
| Other | 34,792 | 47,443 | 169,853 | 173,184 |
| **Total** | **1,671,274** | **1,506,957** | **5,870,030** | **5,142,329** |

**27) Tax Expenses**

**R$ thousand**

| | 2006 | | | 2005 |
|---|---|---|---|---|
| | **4th Quarter** | **3rd Quarter** | **December 31 YTD** | **December 31 YTD** |
| COFINS Contribution | 317,492 | 301,624 | 1,273,238 | 1,096,704 |
| Tax on services ISS | 79,085 | 77,681 | 298,060 | 250,818 |
| CPMF Expenses | 100,889 | 69,461 | 276,772 | 236,406 |
| PIS/PASEP Contributions | 56,947 | 52,372 | 219,789 | 185,766 |
| IPTU Expenses | 4,932 | 5,225 | 31,167 | 28,838 |
| Other | 24,929 | 23,921 | 93,104 | 79,716 |
| **Total** | **584,274** | **530,284** | **2,192,130** | **1,878,248** |

**28) Other Operating Income**

**R$ thousand**

| | 2006 | | | 2005 |
|---|---|---|---|---|
| | **4th Quarter** | **3rd Quarter** | **December 31 YTD** | **December 31 YTD** |
| Other interest income | 190,808 | 184,805 | 641,891 | 451,944 |
| Reversal of other operating provisions | 115,563 | 63,957 | 199,430 | 230,118 |
| Revenues from recovery of charges and expenses | 7,281 | 44,174 | 122,563 | 99,005 |
| Income on sale of goods | 11,903 | 6,601 | 44,163 | 44,381 |
| Other | 104,855 | 119,404 | 412,170 | 271,520 |
| **Total** | **430,410** | **418,941** | **1,420,217** | **1,096,968** |

**29) Other Operating Expenses**

**R$ thousand**

| | 2006 | | | 2005 |
|---|---|---|---|---|
| | **4th Quarter** | **3rd Quarter** | **December 31 YTD** | **December 31 YTD** |
| Other interest expenses | 421,855 | 349,459 | 1,352,753 | 887,285 |
| Sundry losses expenses | 239,692 | 237,238 | 809,290 | 679,827 |
| Goodwill amortization | | | 241,423 | 452,863 |
| Cost of goods sold and services rendered | 211,365 | 171,431 | 704,698 | 596,937 |
| Expenses with operating provisions | 84,769 | 71,511 | 384,920 | 339,770 |
| Other | 238,706 | 183,287 | 729,724 | 448,266 |

| | | | | |
|---|---|---|---|---|
| **Total** | **1,196,387** | **1,012,926** | **4,222,808** | **3,404,948** |

**30) Non-Operating Income**

**R$ thousand**

| | 2006 | | | 2005 |
|---|---|---|---|---|
| | **4th Quarter** | **3rd Quarter** | **December 31 YTD** | **December 31 YTD** |
| Result on sale and write-off of assets and investments | (16,052) | 12,305 | (21,357) | (50,349) |
| Non-operating provisions recorded (reversed) | (767) | 31,902 | 7,122 | (49,890) |
| Other (1) | (12,219) | (3,637) | 5,271 | (5,905) |
| **Total** | **(29,038)** | **40,570** | **(8,964)** | **(106,144)** |

(1) Recorded, basically for the result in Fidelity operation and the partial sale of the investment in American Banknote, deducted by the goodwill write-off in the 2nd quarter of 2006.

**31) Transactions with Parent, Subsidiary and Affiliated Companies (Direct and Indirect)**

The transactions with parent companies, subsidiaries shared control subsidiaries and affiliated companies (direct and indirect) are carried out under conditions and rates compatible with the average practiced with third parties, prevailing on the dates of operations, and are represented as follows:

**R$ thousand**

| | 2006 | | 2005 | 2006 | | | 2005 |
|---|---|---|---|---|---|---|---|
| | December 31 | September 30 | December 31 | 4th Quarter | 3rd Quarter | December 31 YDT | December 31 YDT |
| | Assets (liabilities) | Assets (liabilities) | Assets (liabilities) | Income (expenses) | Income (expenses) | Income (expenses) | Income (expenses) |
| **Interest on own capital and dividends:** | | | | | | | |
| Bradesco Seguros S.A. | 647,481 | 1,222,190 | 422,190 | | | | |
| Banco Mercantil de São Paulo S.A. | | 130,186 | 80,702 | | | | |
| Banco Alvorada S.A. | 156,534 | 108,749 | 145,870 | | | | |
| Bradesco Leasing S.A. Arrendamento Mercantil | 48,232 | 77,187 | 51,725 | | | | |
| Elba Holdings Ltda. | 286,081 | | | | | | |
| Alvorada Cartões, Crédito, Fin. e Investimento S.A. | 164,241 | | | | | | |
| Banco Boavista Interatlântico S.A. | 11,980 | 39,718 | 36,422 | | | | |
| Banco Finasa S.A. | 18,933 | 28,309 | 67,301 | | | | |
| Cidade de Deus Companhia Comercial de Participações | (15,904) | (6,636) | (183,534) | | | | |
| Fundação Bradesco | (7,115) | (3,055) | (84,494) | | | | |
| Other parent, subsidiary and affiliated companies | 159,994 | 91,153 | 86,642 | | | | |
| **Demand deposits:** | | | | | | | |
| Bradesco Vida e Previdência S.A. | (162) | (48,449) | (11,613) | | | | |
| Finasa Promotora de Vendas Ltda. | (268) | (11,915) | (1,698) | | | | |
| Bradesco Leasing S.A. Arrendamento Mercantil | (118) | (53) | (7,873) | | | | |
| Bradesco Auto/RE Cia. de Seguros | (9) | (6,253) | (5,068) | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Banco Bankpar S.A. | (18,483) | (2,640) | | | | | |
| Bradesco Seguros S.A. | (3,273) | (91) | (26) | | | | |
| BRAM Bradesco Asset Management S.A. DTVM | (3,497) | (1,193) | (4,378) | | | | |
| Other parent, subsidiary and affiliated companies | (11,766) | (12,862) | (7,828) | | | | |
| **Time deposits:** | | | | | | | |
| Cidade de Deus Companhia Comercial de Participações | (116,312) | (150,308) | (4,256) | (3,858) | (4,259) | (8,360) | (493) |
| Bradesco Argentina de Seguros S.A. | (19,040) | (20,176) | (22,372) | (269) | (267) | (991) | (380) |
| Bradesco Auto/RE Cia. de Seguros | (13,425) | (9,671) | (12,931) | (19) | (13) | (32) | (124) |
| Bradesco Securities Inc. | (4,522) | (4,622) | (4,869) | (3) | (3) | (10) | (30) |
| Other parent, subsidiary and affiliated companies | (16,457) | (15,309) | (1,862) | (333) | (516) | (1,267) | (927) |
| **Foreign currency deposits abroad:** | | | | | | | |
| Banco Bradesco Luxembourg S.A. | | | 348 | | | | |
| Banco Bradesco Argentina S.A. | 15 | 7 | 17 | | | | |
| **Investments in foreign currency:** | | | | | | | |
| Banco Bradesco Luxembourg S.A. | 49,094 | 78,831 | 72,292 | 454 | 407 | 1,719 | 623 |

**R$ thousand**

| | 2006 | | 2005 | 2006 | | | 2005 |
|---|---|---|---|---|---|---|---|
| | December 31 | September 30 | December 31 | 4th Quarter | 3rd Quarter | December 31 YDT | December 31 YDT |
| | Assets (liabilities) | Assets (liabilities) | Assets (liabilities) | Income (expenses) | Income (expenses) | Income (expenses) | Income (expenses) |
| **Funding/Investments in interbank deposits (a):** | | | | | | | |
| **Funding:** | | | | | | | |
| Bradesco Leasing S.A. Arrendamento Mercantil | (28,172,259) | (20,370,433) | (15,083,186) | (669,943) | (659,668) | (2,504,970) | (1,481,342) |
| Banco Alvorada S.A. | (4,272,466) | (4,152,349) | (3,168,086) | (129,589) | (139,439) | (502,453) | (353,943) |
| Banco Mercantil de São Paulo S.A. | | (1,700,872) | (2,924,510) | (18,542) | (58,281) | (287,022) | (421,322) |
| Banco Bradesco BBI S.A. | (966,528) | (891,011) | (793,950) | (27,951) | (29,914) | (117,078) | (121,698) |
| Banco Finasa S.A. | (193,882) | | (240,158) | (59) | | (588) | (1,427) |
| Banco BEC S.A. | | (485,559) | | (5,302) | (16,491) | (51,560) | |
| Alvorada Cartões, Crédito, Fin. e Investimento S.A. | (2,839,523) | (282,800) | (253,680) | (57,324) | (9,734) | (87,122) | (1,656) |
| Zogbi Leasing S.A. Arrendamento Mercantil | (243,793) | (139,533) | (133,739) | (7,110) | (4,738) | (21,957) | (16,664) |
| Banco Boavista Interatlântico S.A. | (110,197) | (86,291) | (87,622) | (2,667) | (2,980) | (12,251) | (3,876) |
| Other parent, subsidiary and affiliated companies | (162,178) | (164,500) | (60,485) | (4,798) | (9,057) | (17,863) | (5,233) |
| **Investments:** | | | | | | | |
| Banco Finasa S.A. | 19,752,697 | 18,787,842 | 16,313,051 | 698,658 | 692,461 | 2,714,709 | 2,111,115 |
| Bankpar Banco Múltiplo S.A. | | 141,839 | | | 4,150 | 4,150 | |
| Other parent, subsidiary and affiliated companies | 42,400 | 58,010 | | 551 | 121 | 672 | 37,458 |
| **Open market funding/investments (b):** | | | | | | | |
| **Funding:** | | | | | | | |
| | (262,631) | (254,627) | (228,123) | (8,003) | (8,689) | (34,508) | (1,347) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Alvorada Serviços e Negócios Ltda. | | | | | | | |
| Cia. Brasileira de Meios de Pagamento VISANET | (121,396) | (84,347) | (105,565) | (3,231) | (3,770) | (15,381) | (10,796) |
| Bradesco S.A. CTVM | (81,748) | (67,632) | (27,698) | (2,157) | (1,616) | (10,245) | (4,014) |
| Banco Finasa S.A. | | (110,366) | (7,909) | (2,720) | (2,261) | (9,455) | (9,869) |
| Banco BEC S.A. | | (3,803) | | (43) | (175) | (24,685) | |
| Bankpar Banco Múltiplo S.A. | | (51,608) | | (1,069) | (846) | (1,916) | |
| Banco Bankpar S.A. | | (40,007) | | (388) | (1,414) | (1,803) | |
| Other parent, subsidiary and affiliated companies | (49,132) | (44,057) | (48,602) | (2,129) | (1,904) | (9,886) | (8,490) |
| **Investments:** | | | | | | | |
| Banco Bradesco BBI S.A. | 599,862 | 581,609 | 552,030 | 18,265 | 19,818 | 78,791 | 90,883 |
| Banco Alvorada S.A. | 53,111 | 51,495 | 398,436 | 1,616 | 1,755 | 28,132 | 68,127 |
| Other parent, subsidiary and affiliated companies | | | | | 4 | 4 | |
| **Derivative financial instruments (swap) (c):** | | | | | | | |
| Banco Finasa S.A. | 2,431 | 3,814 | 28,394 | 176 | 472 | 2,916 | 3,831 |
| Other parent, subsidiary and affiliated companies | | | 1,132 | | | 46 | 651 |
| **Foreign borrowings and onlendings (d):** | | | | | | | |
| Banco Bradesco Luxembourg S.A. | (126,836) | (104,269) | (141,544) | (1,308) | (1,475) | (5,598) | (2,860) |
| Banco Boavista Interatlântico S.A. | (17,849) | (17,931) | (19,054) | (246) | (236) | (913) | (646) |
| Other parent, subsidiary and affiliated companies | (445) | (268) | | | | | (26) |
| **Services rendered (e):** | | | | | | | |
| Scopus Tecnologia S.A. | (11,638) | (9,060) | (6,161) | (44,221) | (44,378) | (171,385) | (143,746) |
| CPM S.A. | (11,204) | (5,227) | (5,411) | (13,606) | (19,822) | (73,394) | (41,954) |
| Other parent, subsidiary and affiliated companies | (7) | 41 | (5) | (1,664) | (2,154) | (1,652) | 4,034 |

**R$ thousand**

| | 2006 | | 2005 | 2006 | | | 2005 |
|---|---|---|---|---|---|---|---|
| | December 31 | September 30 | December 31 | 4th Quarter | 3rd Quarter | December 31 YDT | December 31 YDT |
| | Assets (liabilities) | Assets (liabilities) | Assets (liabilities) | Income (expenses) | Income (expenses) | Income (expenses) | Income (expenses) |
| **Branch rentals:** | | | | | | | |
| Paineira Holdings Ltda. | | | | (9,267) | (10,867) | (41,552) | (8,379) |
| Bradesco Seguros S.A. | | | | (6,764) | (6,679) | (27,208) | (27,464) |
| Banco Mercantil de São Paulo S.A. | | | | (63) | (189) | (5,245) | (14,898) |
| Bradesco Vida e Previdência S.A. | | | | (1,654) | (1,388) | (5,922) | (6,052) |
| Other parent, subsidiary and affiliated companies | | | | (9,468) | (7,916) | (27,239) | (14,617) |
| **Securities:** | | | | | | | |
| Bradesco Leasing S.A. Arrendamento Mercantil | 25,772,887 | 17,793,950 | 12,172,766 | 585,289 | 561,049 | 2,091,184 | 1,121,807 |
| Cibrasec Companhia Brasileira de Securitização | 9,721 | 11,396 | 16,734 | 427 | 627 | 2,016 | 2,073 |
| **Liabilities by securities foreign (f):** | | | | | | | |
| Cidade Capital Markets Limited | (20,529) | (20,574) | (27,136) | (261) | (280) | (1,101) | (1,024) |
| Banco Boavista Interatlântico S.A. | | | | | | | (19,179) |
| **Interbank onlendings (g):** | | | | | | | |
| Other parent, subsidiary and affiliated companies | (1,517) | | | (17) | | (124) | (342) |
| **Securitization transactions (h):** | | | | | | | |
| Cia. Brasileira de Meios de Pagamento VISANET | (434,130) | (464,350) | (571,621) | (7,991) | (9,536) | (37,146) | (72,238) |
| **Trading and intermediation of** | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **amounts:** | | | | | | | |
| Nova Paiol Participações S.A. | | | (29,518) | | | (19) | (25,283) |
| Aquarius Holdings S.A. | | | (378) | | (4,115) | (18,954) | (378) |
| Other parent, subsidiary and affiliated companies | (1,517) | (277) | | (8,188) | 1,055 | (7,132) | |
| **Subordinated debt:** | | | | | | | |
| Fundação Bradesco | (285,000) | (276,233) | (247,286) | (8,767) | (9,500) | (37,713) | (35,668) |
| NCD Participações Ltda. | (81,098) | (74,185) | | (2,403) | (2,165) | (6,366) | |
| NCF Participações S.A. | (4,582) | (4,444) | | (139) | (21) | (160) | |
| Titanium Holdings S.A. | (27,839) | (26,995) | | (844) | (917) | (3,641) | |
| Cidade de Deus Companhia Comercial de Participações | (60,870) | (24,668) | (21,988) | (851) | (883) | (3,532) | (5,866) |
| **Amounts receivable (payable):** | | | | | | | |
| Companhia Brasileira de Soluções e Serviços VisaVale | 1,950 | 3,801 | 3,697 | | | | |
| Embaúba Holdings Ltda. | 5,419 | 5,419 | | | | | |
| Other parent, subsidiary and affiliated companies | 37 | (5,071) | | | | | |

a) Interbank investments interbank deposits of affiliated companies, with rates equivalent to CDI Interbank Deposit Certificate;
b) Repurchase and/or resale pending settlement related to purchase and sale commitments, backed by government bonds, with rates equivalent to overnight rates;
c) Swap operations differences receivable and payable;
d) Loans raised in foreign currency abroad for export financing, subject to exchange variation and bearing interest at the international market rates;
e) Basically contracts entered into with Scopus Tecnologia S.A. for IT equipment maintenance services and with CPM S.A. for data processing systems maintenance services;
f) Liabilities with foreign securities fixed rate Euronotes and Eurobonds, subject to exchange variations and bearing interest at rates used for securities placed in the international market;
g) Funds obtained for onlendings to rural credit operations, bearing interest and charges corresponding to normal rates practiced for this type of transaction; and
h) Transactions for securitization of the future flow of credit card bill receivables from foreign cardholders.

**32) Financial Instruments**

**a) Risk Management Process**

Bradesco approaches on an integrated basis the management of all risks inherent to its activities, supported by its Internal Controls and Compliance structure. Such multidisciplinary vision enables the improvement of risk management standards and avoids the existence of gaps which may jeopardize its correct identification and measurement.

**Credit Risk Management**

Credit Risk is the possibility that a counterparty of a loan or financial operation might neither intend nor suffer any change in its ability to comply with its contractual liabilities thus may generate any loss for the Organization.

Aiming at mitigation of Credit Risk, Bradesco continuously works in the follow-up of credit activities processes, in improvements, examination and preparation of inventories of credit granting and recovery standards, in the monitoring of concentrations and identification of new components offering credit risks.

Besides, efforts, focused on the use of advanced standards of risk measurement and on the ongoing improvement of processes, have reflected on loan portfolio quality and performance, in both results and strength, to sundry scenarios in the past and future.

**Market Risk Management**

Market risk is related to the possibility of loss from fluctuating rates caused by mismatched maturities, currencies and indices of the Institution's asset and liability portfolios. Such risk has been observed by the market with an increasing severity, with a substantial technical evolution in the last years, aiming at avoiding, or at least minimizing, possible losses for institutions, taking into consideration the increase in the complexity of operations carried out in the country and abroad.

At Bradesco, market risks are managed by means of methodologies and standards adherent and compatible with the national and international market reality, enabling to base the Organization s strategic decisions with high agility and level of reliance.

We present below the Balance Sheet by currency on December 31, 2006 and the position in foreign currency on September 30, 2006 and December 31, 2005:

**R$ thousand**

| | 2006 | | | | 2005 |
|---|---|---|---|---|---|
| | | December 31 | | September 30 | December 31 |
| | **Balance** | **Domestic** | **Foreign (1) (2)** | **Foreign (1) (2)** | **Foreign (1) (2)** |
| **Assets** | | | | | |
| **Current and long-term assets** | **262,054,823** | **236,974,527** | **25,080,296** | **26,989,789** | **24,693,978** |
| Funds available | 4,761,972 | 4,556,757 | 205,215 | 444,744 | 153,133 |
| Interbank Investments | 25,989,190 | 23,535,239 | 2,453,951 | 3,853,947 | 3,134,343 |

| | | | | | |
|---|---|---|---|---|---|
| Securities and derivative financial instruments | 97,249,959 | 91,229,588 | 6,020,371 | 6,624,811 | 7,881,248 |
| Interbank and interdepartmental accounts | 19,311,144 | 19,299,068 | 12,076 | 12,141 | 7,428 |
| Loan and leasing operations | 83,466,527 | 74,328,787 | 9,137,740 | 8,493,698 | 7,162,858 |
| Other receivables and assets | 31,276,031 | 24,025,088 | 7,250,943 | 7,560,448 | 6,354,968 |
| **Permanent assets** | **3,492,450** | **3,489,083** | **3,367** | **401,105** | **284,249** |
| Investments | 696,582 | 696,582 | | 397,593 | 282,703 |
| Property, plant and equipment in use and leased assets | 2,152,919 | 2,149,695 | 3,224 | 3,026 | 1,540 |
| Deferred charges | 642,949 | 642,806 | 143 | 486 | 6 |
| **Total** | **265,547,273** | **240,463,610** | **25,083,663** | **27,390,894** | **24,978,227** |

R$ thousand

| | 2006 | | | | 2005 |
|---|---|---|---|---|---|
| | | December 31 | | September 30 | December 31 |
| | Balance | Domestic | Foreign (1) (2) | Foreign (1) (2) | Foreign (1) (2) |
| **Liabilities** | | | | | |
| **Current and long-term liabilities** | **240,673,011** | **222,948,869** | **17,724,142** | **20,131,007** | **19,300,466** |
| Deposits | 83,905,213 | 80,454,758 | 3,450,455 | 3,735,738 | 2,600,379 |
| Federal funds purchased and securities sold under agreements to repurchase | 47,675,433 | 46,753,379 | 922,054 | 1,489,522 | 578,995 |
| Funds from issuance of securities | 5,636,279 | 3,460,890 | 2,175,389 | 2,521,378 | 2,731,472 |
| Interbank and interdepartmental accounts | 2,231,525 | 939,581 | 1,291,944 | 1,256,622 | 1,060,399 |
| Borrowings and onlendings | 17,419,045 | 11,322,932 | 6,096,113 | 6,040,068 | 7,532,201 |
| Derivative financial instruments | 519,004 | 472,838 | 46,166 | 152,466 | 72,788 |
| Provisions for insurance, private pension plans and certificated savings plans | 49,129,214 | 49,117,980 | 11,234 | 10,739 | 13,967 |
| Other liabilities: | | | | | |
| Subordinated debt | 11,949,457 | 8,974,049 | 2,975,408 | 3,052,078 | 3,184,631 |
| Other | 22,207,841 | 21,452,462 | 755,379 | 1,872,396 | 1,525,634 |
| **Future taxable income** | **180,460** | **180,460** | | | |
| **Minority interest in consolidated subsidiaries** | **57,440** | **57,440** | | | |
| **Stockholders equity** | **24,636,362** | **24,636,362** | | | |
| **Total** | **265,547,273** | **247,823,131** | **17,724,142** | **20,131,007** | **19,300,466** |
| **Net position of assets and liabilities** | | | **7,359,521** | **7,259,887** | **5,677,761** |
| Net position of derivatives (2) | | | (13,108,438) | (11,466,139) | (10,416,239) |
| Other memorandum accounts, net (3) | | | (12,488) | (63,317) | (188,696) |
| **Net exchange position (liability)** | | | **(5,761,405)** | **(4,269,569)** | **(4,927,174)** |

(1) Amounts expressed and/or indexed mainly in USD;
(2) Excluding operations maturing in D+1, to be settled in currency of the last day of the month; and
(3) Leasing commitments and others, recorded in memorandum accounts.

Bradesco adopts a conservative policy regarding market risk exposure, being VaR (Value at Risk) limits defined by Senior Management, and compliance monitored on a daily basis by an area which is independent from portfolio management. The methodology used to determine VaR has a reliability level of 97.5% . The fluctuations and correlations used by the models are calculated on statistical bases that are used on forward-looking processes, in accordance with economic studies. The methodology applied and current statistical models are validated daily using backtesting techniques.

In the chart below, we show VaR as of December 31, 2006, September 30, 2006 and December 31, 2005:

R$ thousand

| Risk Factors | 2006 | | 2005 |
|---|---|---|---|
| | December 31 | September 30 | December 31 |

| | | | |
|---|---|---|---|
| Prefixed | 6,729 | 13,402 | 13,589 |
| Internal exchange coupon | 2,714 | 745 | 28,767 |
| Foreign currency | 3,154 | 5,734 | 10,129 |
| IGP-M | 5,865 | 7,401 | 2,152 |
| IPCA | 17,108 | 45,753 | 21,866 |
| Reference rate (T.R.) | 2,292 | 4,036 | 10,961 |
| Variable income | 1,552 | 1,198 | 149 |
| Sovereign/Eurobonds and Treasuries | 9,420 | 16,998 | 36,695 |
| Other | 73 | 250 | 5,267 |
| Correlated effect | (15,976) | (18,765) | (59,897) |
| **VaR (Value at Risk)** | **32,931** | **76,752** | **69,678** |

Investments abroad protected by hedge operations are not being considered in the VaR calculation, as these are strategically managed on a differential basis, in amounts taking into account the tax effects, which minimize the sensitivity to risks and corresponding impacts on results, as well as foreign notes positions, which are matched with funding.

**Liquidity risk**

Liquidity risk management is designed to control the different unhedged settlement terms of the Institution s rights and obligations, as well as the liquidity of the financial instruments used to manage the financial positions.

The knowledge and monitoring of this risk are crucial, since they enable the Organization to settle transactions on a timely and secure manner.

At Bradesco Organization, liquidity risk management involves a series of controls, mainly, the establishment of technical limits, with an ongoing assessment of the positions assumed and financial instruments used.

In the chart below we show the Balance Sheet by Maturity on December 31, 2006:

**R$ thousand**

| | Up to 30 days | From 31 to 180 days | From 181 to 360 days | More than 360 days | Indeterminate | Total |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| **Current and long-term assets** | **139,035,823** | **36,612,148** | **21,737,358** | **64,669,494** | | **262,054,823** |
| Funds available | 4,761,972 | | | | | 4,761,972 |
| Interbank Investments | 20,497,975 | 4,227,781 | 812,321 | 451,113 | | 25,989,190 |
| Securities and derivative financial instruments (1) | 65,319,273 | 2,698,278 | 4,836,883 | 24,395,525 | | 97,249,959 |
| Interbank and interdepartmental accounts | 18,907,850 | 2,055 | 2,502 | 398,737 | | 19,311,144 |
| Loan and leasing operations | 12,438,887 | 26,837,984 | 14,219,227 | 29,970,429 | | 83,466,527 |
| Other receivables and assets | 17,109,866 | 2,846,050 | 1,866,425 | 9,453,690 | | 31,276,031 |
| **Permanent assets** | **32,704** | **163,518** | **196,222** | **1,996,444** | **1,103,562** | **3,492,450** |
| Investments | | | | | 696,582 | 696,582 |
| Property, plant and equipment in use and leased assts | 21,988 | 109,939 | 131,927 | 1,482,085 | 406,980 | 2,152,919 |
| Deferred charges | 10,716 | 53,579 | 64,295 | 514,359 | | 642,949 |
| **Total on December 31, 2006** | **139,068,527** | **36,775,666** | **21,933,580** | **66,665,938** | **1,103,562** | **265,547,273** |
| **Total on September 30, 2006** | **126,466,783** | **35,999,156** | **17,297,515** | **61,993,546** | **1,434,637** | **243,191,637** |
| **Total on December 31, 2005** | **113,375,657** | **29,724,125** | **15,032,100** | **49,164,856** | **1,386,192** | **208,682,930** |
| | | | | | | |
| **Liabilities** | | | | | | |
| **Current and long-term liabilities** | **134,573,633** | **14,824,935** | **11,857,244** | **78,771,372** | **645,827** | **240,673,011** |
| Deposits (2) | 51,245,320 | 5,807,150 | 3,477,291 | 23,375,452 | | 83,905,213 |
| Federal funds purchased and securities sold under agreements to repurchase | 29,683,675 | 1,010,056 | 1,729,448 | 15,252,254 | | 47,675,433 |
| Funds from issuance of securities | 307,315 | 500,879 | 1,156,207 | 3,671,878 | | 5,636,279 |
| Interbank and interdepartmental accounts | 2,231,525 | | | | | 2,231,525 |
| Borrowings and onlendings | 1,421,556 | 4,542,911 | 4,283,230 | 7,171,348 | | 17,419,045 |
| Derivative financial instruments | 500,134 | 6,642 | 4,105 | 8,123 | | 519,004 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Provisions for insurance, private pension plans and certificated savings plans (2) | 36,446,565 | 1,313,893 | 666,894 | 10,701,862 | | 49,129,214 |
| Other liabilities: | | | | | | |
| Subordinated debt | 39,955 | 19,456 | | 11,244,219 | 645,827 | 11,949,457 |
| Other | 12,697,588 | 1,623,948 | 540,069 | 7,346,236 | | 22,207,841 |
| **Future taxable income** | **180,460** | | | | | **180,460** |
| **Minority interest in consolidated subsidiaries** | | | | | **57,440** | **57,440** |
| **Stockholders equity** | | | | | **24,636,362** | **24,636,362** |
| **Total on December 31, 2006** | **134,754,093** | **14,824,935** | **11,857,244** | **78,771,372** | **25,339,629** | **265,547,273** |
| **Total on September 30, 2006** | **113,859,963** | **13,717,219** | **12,496,862** | **80,631,555** | **22,486,038** | **243,191,637** |
| **Total on December 31, 2005** | **102,886,488** | **14,184,336** | **7,719,422** | **63,718,294** | **20,174,390** | **208,682,930** |
| | | | | | | |
| **Accumulated net assets on December 31, 2006** | **4,314,434** | **26,265,165** | **36,341,501** | **24,236,067** | | |
| **Accumulated net assets on September 30, 2006** | **12,606,820** | **34,888,757** | **39,689,410** | **21,051,401** | | |
| **Accumulated net assets on December 31, 2005** | **10,489,169** | **26,028,958** | **33,341,636** | **18,788,198** | | |

(1) Investments in investment funds are classified as up to 30 days; and

(2) Demand and savings account deposits and technical provisions for insurance, private pension plans and certificated savings plans comprising VGBL and PGBL products are classified as up to 30 days, without considering average historical turnover.

At Bradesco Organization, liquidity risk management involves a series of controls, mainly with respect to the establishment of technical limits, with constant assessment of the positions assumed and the financial instruments used.

**Capital risk**

Bradesco's capital risk is managed to optimize the risk-return ratio, aiming at minimizing losses, through the implementation of well-defined business strategies and maximizing efficiency in the combination of factors which impact the Capital Adequacy Ratio (Basel).

In the chart below, we show the Capital Adequacy Ratio as of December 31, 2006, September 30, 2006 and December 31, 2005:

**R$ thousand**

| | 2006 | | | | 2005 | |
|---|---|---|---|---|---|---|
| **Calculation Basis Capital Adequacy Ratio (Basel)** | **December 31** | | **September 30** | | **December 31** | |
| | **Financial (1)** | **Economic financial (2)** | **Financial (1)** | **Economic financial (2)** | **Financial (1)** | **Economic financial (2)** |
| Stockholders equity | 24,636,362 | 24,636,362 | 21,773,355 | 21,773,355 | 19,409,274 | 19,409,274 |
| Decrease in tax credits BACEN Res. 3,059 | (59,188) | (59,188) | (149,154) | (149,154) | (99,436) | (99,436) |
| Minority interest/other | 120,507 | 56,446 | 138,979 | 54,941 | 5,568 | 57,033 |
| **Reference stockholders equity Tier I** | **24,697,681** | **24,633,620** | **21,763,180** | **21,679,142** | **19,315,406** | **19,366,871** |
| **Reference stockholders equity Tier II (subordinated debt/other)** | **10,411,062** | **10,412,056** | **10,265,199** | **10,266,180** | **6,289,833** | **6,290,860** |
| **Total reference stockholders equity (Tier I + Tier II)** | **35,108,743** | **35,045,676** | **32,028,379** | **31,945,322** | **25,605,239** | **25,657,731** |
| **Risk weighted assets** | **187,173,212** | **212,719,711** | **174,394,170** | **197,669,240** | **148,391,646** | **168,476,982** |
| **Capital adequacy ratio** | **18.76%** | **16.48%** | **18.37%** | **16.16%** | **17.26%** | **15.23%** |

**Capital Adequacy Ratio Variation (Basel) R$ thousand and %**

| | **4th Quarter / 2006** | | **3rd Quarter / 2006** | | **December 31, 2006 YTD** | | **Decembe YT** |
|---|---|---|---|---|---|---|---|
| | **Financial (1)** | **Economic financial (2)** | **Financial (1)** | **Economic financial (2)** | **Financial (1)** | **Economic financial (2)** | **Financial (1)** |
| **Movement in the reference stockholders equity:** | | | | | | | |
| **Starting period** | **32,028,379** | **31,945,322** | **31,144,263** | **31,016,852** | **25,605,239** | **25,657,731** | **20,843,464** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Net income for the period | 1,702,839 | 1,702,839 | 218,816 | 218,816 | 5,054,040 | 5,054,040 | 5,514,074 |
| Interest on own capital/dividends | (791,307) | (791,307) | (220,664) | (220,664) | (2,159,571) | (2,159,571) | (1,881,000) |
| Mark-to-market adjustment TVM and derivatives | 742,875 | 742,875 | 316,214 | 316,214 | 1,136,702 | 1,136,702 | 49,879 |
| Capital increase by stock and goodwill subscription, incorporation | 1,218,295 | 1,218,295 | | | 1,218,295 | 1,218,295 | 736,106 |
| Subordinated debt | 145,863 | 145,863 | 614,938 | 614,938 | 4,121,229 | 4,121,229 | 626,477 |
| Other | 61,799 | 81,789 | (45,188) | (834) | 132,809 | 17,250 | (283,761) |
| **End of period** | **35,108,743** | **35,045,676** | **32,028,379** | **31,945,322** | **35,108,743** | **35,045,676** | **25,605,239** |
| **Movement in weighted assets:** | | | | | | | |
| **Starting period** | **174,394,170** | **197,669,240** | **166,798,013** | **187,850,722** | **148,391,646** | **168,476,982** | **111,182,110** |
| Securities | 616,173 | 4,312,015 | 931,845 | 2,544,512 | 2,436,447 | 11,154,615 | (1,696,117) |
| Loan operations | 2,962,999 | 2,974,908 | 2,589,257 | 2,584,395 | 10,557,162 | 10,536,231 | 16,039,027 |
| Check clearing and related services | (313,981) | (313,980) | (75,788) | (75,789) | (44,586) | (44,586) | 52,443 |
| Tax credit | 232,443 | 717,948 | 1,440,024 | 3,133,173 | 3,834,438 | 6,286,776 | (2,582,124) |
| Risk (swap, market, interest and exchange rates) | 5,028,662 | 5,055,562 | 2,959,853 | 2,927,253 | 5,219,071 | 5,255,271 | 17,096,858 |
| Memorandum accounts | 960,556 | 971,655 | 368,920 | 369,429 | 4,900,040 | 4,918,307 | 1,695,739 |
| Other assets | 3,292,190 | 1,332,363 | (617,954) | (1,664,455) | 11,878,994 | 6,136,115 | 6,603,710 |
| **End of period** | **187,173,212** | **212,719,711** | **174,394,170** | **197,669,240** | **187,173,212** | **212,719,711** | **148,391,646** |

| | 4th Quarter / 2006 | | 3rd Quarter / 2006 | | December 31, 2006 YTD | | December 31, 20 YTD | |
|---|---|---|---|---|---|---|---|---|
| | Financial (1) | Economic financial (2) | Financial (1) | Economic financial (2) | Financial (1) | Economic financial (2) | Financial (1) | Econom financi (2) |
| **Starting period** | **18.37%** | **16.16%** | **18.67%** | **16.51%** | **17.26%** | **15.23%** | **18.75%** | **16.08** |
| **Movement in the reference stockholders equity:** | **1.76%** | **1.57%** | **0.53%** | **0.50%** | **6.40%** | **5.57%** | **4.28%** | **3.65** |
| Net income for the year | 0.98% | 0.86% | 0.13% | 0.12% | 3.40% | 3.00% | 4.96% | 4.24 |
| Interest on own capital/dividends | (0.46%) | (0.40%) | (0.13%) | (0.12%) | (1.45%) | (1.28%) | (1.69%) | (1.44 |
| Mark-to-market adjustment TVM and derivatives | 0.42% | 0.38% | 0.19% | 0.17% | 0.77% | 0.67% | 0.04% | 0.04 |
| Capital increase by stock and goodwill subscription, incorporation | 0.69% | 0.62% | | | 0.82% | 0.72% | 0.66% | 0.56 |
| Subordinated debt | 0.09% | 0.07% | 0.37% | 0.33% | 2.77% | 2.45% | 0.57% | 0.48 |
| Other | 0.04% | 0.04% | (0.03%) | | 0.09% | 0.01% | (0.26%) | (0.23 |
| **Movement in weighted assets:** | **(1.37%)** | **(1.25%)** | **(0.83%)** | **(0.85%)** | **(4.90%)** | **(4.32%)** | **(5.77%)** | **(4.50** |
| Securities | (0.07%) | (0.38%) | (0.11%) | (0.22%) | (0.38%) | (1.29%) | 0.36% | (0.52 |
| Loan operations | (0.34%) | (0.25%) | (0.29%) | (0.22%) | (1.52%) | (1.08%) | (3.00%) | (2.07 |
| Check clearing service and related services | 0.04% | 0.03% | 0.01% | | | | (0.01%) | (0.01 |
| Tax credit | (0.02%) | (0.05%) | (0.16%) | (0.27%) | (0.41%) | (0.53%) | 0.37% | 0.31 |
| Risk (swap, market, interest and exchange rates) | (0.52%) | (0.40%) | (0.31%) | (0.24%) | (0.54%) | (0.41%) | (2.24%) | (1.72 |
| Memorandum accounts | (0.10%) | (0.08%) | (0.04%) | (0.03%) | (0.56%) | (0.44%) | (0.24%) | (0.18 |
| Other assets | (0.36%) | (0.12%) | 0.07% | 0.13% | (1.49%) | (0.57%) | (1.01%) | (0.31 |
| **End of the year** | **18.76%** | **16.48%** | **18.37%** | **16.16%** | **18.76%** | **16.48%** | **17.26%** | **15.23** |

(1) Includes financial companies only; and
(2) Includes financial and non-financial companies.

**b) Market value**

The book values, net of provisions for mark-to-market adjustments, of the main financial instruments are summarized as follows:

**R$ thousand**

| | Book Value | Market Value | Unrealized Income (Loss) without tax effects | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | In the Result | | | In Stockholders Equity | | |
| **Portfolios** | **2006** | | | **2005** | | **2006** | | **2005** |
| | **December 31** | **December 31** | **September 30** | **December 31** | **December 31** | **September 30** | **December 31** | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Securities and derivative financial instruments (Notes 3c, 3d and 8) | 97,249,959 | 98,248,757 | 3,490,708 | 2,234,394 | 1,590,779 | 998,798 | 829,243 | 793,018 |
| Adjustment of securities available for sale (Note 8cII) | | | 2,491,910 | 1,405,151 | 797,761 | | | |
| Adjustment of securities held to maturity (Note 8d item 7) | | | 998,798 | 829,243 | 793,018 | 998,798 | 829,243 | 793,018 |
| Loan and leasing operations (1) (Notes 3e and 10) | 96,219,153 | 96,512,679 | 293,526 | 554,090 | 263,202 | 293,526 | 554,090 | 263,202 |
| Investments (2) (3) (4) (Notes 3h and 13) | 696,582 | 698,193 | 1,611 | 124,625 | 260,535 | 1,611 | 124,625 | 260,535 |
| Treasury stock (Note 23e) | 50,410 | 62,146 | | | | 11,736 | 1,926 | 109 |
| Time deposits (Notes 3k and 16a) | 34,924,541 | 34,905,518 | 19,023 | 68,341 | 20,351 | 19,023 | 68,341 | 20,351 |
| Funds from issuance of securities (Note 16c) | 5,636,279 | 5,650,228 | (13,949) | (17,099) | 27,704 | (13,949) | (17,099) | 27,704 |
| Borrowings and onlendings (Notes 17a and 17b) | 17,419,045 | 17,382,729 | 36,316 | 41,223 | 60,766 | 36,316 | 41,223 | 60,766 |
| Subordinated debt (Note 19) | 11,949,457 | 12,562,933 | (613,476) | (378,994) | (625,128) | (613,476) | (378,994) | (625,128) |
| **Unrealized income (loss) without tax effects** | | | **3,213,759** | **2,626,580** | **1,598,209** | **733,585** | **1,223,355** | **800,557** |

(1) Includes advances on foreign exchange contracts, leasing operations and other receivables with loan concession features;

(2) This refers to stocks of publicly-held companies not considering the increment in investments in affiliated companies;

(3) The investments in American Banknote and Arcelor, which were transferred to Current Assets in the 2nd quarter of 2006, had a mark-to-market in the amount of R$349,735 thousand in December 2005; and

(4) In 4Q06, the investment in Banco Espirito Santo S/A, whose mark-to-market amounted to R$179,145 thousand, was transferred to current assets, in December 2006.

Determination of market value of financial instruments:

- Securities and derivative financial instruments, investments, subordinated debts and treasury stocks are based on the market price practiced on the balance sheet date. In case no quotation of market prices are available, amounts are estimated based on the prices quoted by dealers, on price definition models, quotation models or quotations for instruments with similar characteristics;

- Prefixed loan operations were determined by discounting estimated cash flows, using interest rates applied by Bradesco Organization for new contracts with similar features. These rates are compatible with prices practiced in the market on the balance sheet date; and

- Time deposits, funds from issuance of securities and borrowings and onlendings were calculated by discounting the difference between the cash flows under the contract terms and the rates practiced in the market on the balance sheet date.

**33) Employee Benefits**

Banco Bradesco and its subsidiaries sponsor a supplementary private pension plan for employees and directors, in the modality Unrestricted Benefits Generating Plan (PGBL). The PBGL is a private pension plan of the variable contribution type, which permits the accumulation of financial resources by participants over their professional careers through contributions paid by themselves and the sponsoring company. The related resources are invested in an Exclusive Financial Investment Fund - FIE.

The PGBL is managed by Bradesco Vida e Previdência S.A. and BRAM - Bradesco Asset Management S.A. DTVM is responsible for the financial management of the FIEs funds.

The contributions paid by employees and directors of Bradesco and its subsidiaries are equivalent to 4% of salary, except for participants who in 2001 opted to migrate to the PGBL plan from the defined benefit plan, whose contributions to the PGBL plan were maintained at the levels in force for the defined benefits plan at the time of migration, respecting nevertheless the 4% minimum.

The actuarial liabilities of the variable contribution plan (PGBL) are fully covered by the net assets of the corresponding FIE.

In addition to the aforementioned variable contribution plan (PGBL), former participants of the defined benefits plan are guaranteed a proportional deferred benefit, corresponding to their accumulated rights in the latter plan. For participants of the defined benefits plan, transferred or not to the PGBL plan, retired participants and pensioners, the present value of the plan s actuarial liabilities is fully covered by guaranteeing assets.

Banco Alvorada S.A. (merging company of Banco Baneb S.A., which had previously merged Banco BEA) maintains a supplementary pension plan managed by Caixa de Previdência dos Funcionários do BEA - CABEA, which is currently undergoing a sponsorship withdrawal process, with reference date established on November 30, 2002 and whose sponsor s contributions ceased as from December 1, 2002. Participants also no longer contribute as from the same date. The plan s actuarial liabilities are fully covered by the plan s net assets.

Banco Alvorada S.A. (merging company of Banco Baneb S.A.) sponsors supplementary pension plans of both variable contribution and defined benefit types, through Fundação Baneb de Seguridade Social - BASES (for former Baneb employees). The actuarial liabilities of the variable contribution and defined benefit plans are fully covered by the net assets of the plans.

Banco Bradesco BBI S.A. (current name of Banco BEM S.A.) sponsors supplementary pension plans of both defined benefit and variable contribution types, through Caixa de Assistência e Aposentadoria dos Funcionários do Banco do Estado do Maranhão - CAPOF.

Alvorada Cartões, Crédito, Financiamento e Investimento S.A. (Alvorada CFI) (merging company of Banco BEC S.A. sponsors a defined benefit plan by means of CABEC - Caixa de Previdência Privada do Banco do Estado do Ceará.

Based on the report of the independent actuary, the present value of the actuarial liabilities of the defined benefit plan and of its assets for coverage of these liabilities assumed by Alvorada, Banco Bradesco BBI and Alvorada CFI, were so represented:

| | **R$ thousand** |
|---|---|
| | **2006** |
| Plan s net assets | 724,552 |
| Actuarial liabilities | 712,081 |
| Supervenience (insufficiency) | 12,471 |

**Main assumptions used in the actuarial evaluation of Banco Alvorada, Banco BBI and Alvorada CFI:**

| | |
|---|---|
| Nominal discount rate | 10.24% p.a. |
| Nominal rate of minimum expected return of assets | 10.24% p.a. |
| Nominal rate of future salary growths | 7.12% p.a. |
| Nominal rate of growth of social security and plan benefits | 4.00% p.a. |
| Inflation rate | 4.00% p.a. |
| Biometric table of general mortality | UP94 |
| Biometric table of disability | Table Mercer |
| Expected turnover rate | 0.30/(Time of service + 1) |
| Probability of going into retirement | 100% in the first eligibility for a benefit secured by the plan |

The funds guaranteeing the private pension plans are invested in compliance with applicable legislation (government bonds and private securities, listed company s stock and real estate properties).

Bradesco and its facilities abroad provide their employees and managers with a private pension plan with variable contribution, which enables to accumulate financial resources during the professional career of the participant, by means of contributions paid by himself/herself and in equal proportion by Bradesco. The contributions of employees and managers and of Bradesco in its facilities overseas are jointly equivalent to at most 5% of the annual salary of the benefit.

Expenses with contributions made during the period amounted to R$319,046 thousand (December 31, 2005 R$279,687 thousand), 4Q06 R$96,192 thousand (3Q06 R$73,053 thousand).

In addition, Bradesco and its subsidiaries offer their employees and directors a number of other benefits including: healthcare insurance, dental care, group life and personal accident insurance, as well as professional training, the expenses for which, including the aforementioned contributions, amounted to R$1.318.562 thousand in 2006 (December 31, 2005 R$1,188,224 thousand), 4Q06 R$362,888 thousand (3Q06 R$332,228 thousand).

**34) Taxes On Income**

**a) Statement of calculation of taxes on income charges**

**R$ thousand**

| | **2006** | | | **2005** |
|---|---|---|---|---|
| | **4th Quarter** | **3rd Quarter** | **December 31 YTD** | **December 31 YTD** |
| **Income before taxes on income** | **2,033,001** | **(233,061)** | **6,366,979** | **7,747,360** |
| **Total charge of taxes on income at rates of 25% and 9%, respectively** | **(691,220)** | **79,241** | **(2,164,773)** | **(2,634,102)** |
| **Effect of additions and exclusions on tax calculation:** | | | | |
| Equity in the earnings of affiliated companies | 10,287 | 2,580 | 24,590 | 25,891 |
| Exchange gain/loss | (32,872) | 8,741 | (194,293) | (234,284) |
| | (30,327) | (9,938) | (117,272) | (119,102) |

| | | | | |
|---|---|---|---|---|
| Non-deductible expenses, net of non-taxable income | | | | |
| Tax credit recorded in prior periods | 194,231 | 203,994 | 398,225 | 48,709 |
| Interest on own capital (paid and accrued) | 119,364 | 125,383 | 521,754 | 522,580 |
| Other amounts | 101,955 | 44,269 | 227,837 | 165,853 |
| **Taxes on income for the period** | **(328,582)** | **454,270** | **(1,303,932)** | **(2,224,455)** |

b) Breakdown of taxes on income result

**R$ thousand**

| | **2006** | | | **2005** |
|---|---|---|---|---|
| | **4th Quarter** | **3rd Quarter** | **December 31 YTD** | **December 31 YTD** |
| **Current taxes:** | | | | |
| **Taxes on income payable** | **(577,368)** | **(536,002)** | **(3,339,345)** | **(1,436,284)** |
| **Deferred taxes:** | | | | |
| Amount recorded/realized for the period on temporary additions | 107,798 | 826,673 | 1,824,039 | (656,929) |
| **Use of opening balances of:** | | | | |
| Negative basis of social contribution | (5,453) | (9,827) | (38,120) | (51,614) |
| Tax loss | (21,215) | (30,662) | (120,483) | (140,694) |

R$ thousand

| | 2006 | | | 2005 |
|---|---|---|---|---|
| | 4th Quarter | 3rd Quarter | December 31 YTD | December 31 YTD |
| **Prior periods tax credits were recorded on:** | | | | |
| Negative basis of social contribution | 18,393 | 49,837 | 68,230 | 12,311 |
| Tax loss | 34,743 | 113,279 | 148,022 | 30,506 |
| Temporary additions | 141,095 | 40,878 | 181,973 | 5,892 |
| **Constitution/utilization in the period on:** | | | | |
| Negative basis of social contribution | (11,583) | 25 | (11,558) | 3,322 |
| Tax loss | (14,992) | 69 | (16,690) | 9,035 |
| **Total deferred taxes** | **248,786** | **990,272** | **2,035,413** | **(788,171)** |
| **Taxes on income for the period** | **(328,582)** | **454,270** | **(1,303,932)** | **(2,224,455)** |

**c) Origin of tax credits of deferred taxes on income**

R$ thousand

| | Balance on 12.31.05 | Acquired balances | Amount recorded | Amount realized | Balance on 12.31.06 | Balance on 9.30.06 |
|---|---|---|---|---|---|---|
| Allowance for doubtful accounts | 2,035,344 | | 1,741,949 | 840,514 | 2,936,779 | 2,621,457 |
| Provision for civil contingencies | 170,705 | | 133,288 | 50,347 | 253,646 | 228,672 |
| Provision for tax contingencies | 722,019 | 31,625 | 362,592 | 54,086 | 1,062,150 | 947,861 |
| Provision for labor proceedings | 253,642 | 20 | 314,388 | 143,964 | 424,086 | 436,758 |
| Provision for mark-to-market adjustment of securities and investments | 132,767 | 26,075 | 17,975 | 33,608 | 143,209 | 142,040 |
| Provision for loss on non-operating assets | 60,349 | | 25,952 | 10,255 | 76,046 | 63,091 |
| Mark-to-market adjustment of trading securities | 86,928 | | 107,712 | 86,325 | 108,315 | 100,063 |
| Goodwill amortization | 345,484 | | 685,460 | 151,123 | 879,821 | 951,380 |
| Other | 149,039 | 2,905 | 66,743 | 79,825 | 138,862 | 278,007 |
| **Total tax credits over temporary differences** | **3,956,277** | **60,625** | **3,456,059** | **1,450,047** | **6,022,914** | **5,769,329** |
| Tax losses and negative basis of social contribution | 455,608 | 101,015 | 216,252 | 186,851 | 586,024 | 587,898 |
| **Subtotal** | **4,411,885** | **161,640** | **3,672,311** | **1,636,898** | **6,608,938** | **6,357,227** |
| Social contribution Provisional Measure no. 2158-35 as of 8.24.2001 | 798,743 | 4,559 | | 146,268 | 657,034 | 759,395 |
| **Total tax credits (Note 11b)** | **5,210,628** | **166,199** | **3,672,311** | **1,783,166** | **7,265,972** | **7,116,622** |
| **Deferred tax liabilities (Note 34f)** | **600,899** | **1,724** | **926,378** | **252,288** | **1,276,713** | **1,079,509** |
| **Net tax credits of deferred tax liabilities** | **4,609,729** | **164,475** | **2,745,933** | **1,530,878** | **5,989,259** | **6,037,113** |

| | | | |
|---|---|---|---|
| **Percentage of net tax credits over total reference stockholders equity (Note 32a)** | **18.0%** | **17.1%** | **18.9%** |
| **Percentage of net tax credits over total assets** | **2.2%** | **2.3%** | **2.5%** |

**d) Expected realization of tax credits over temporary differences, tax losses and negative basis of social contribution and social contribution tax credit M.P. 2158-35**

**December 31, 2006 R$ thousand**

| | **Temporary differences** | | **Tax losses and negative basis** | | **Total** |
|---|---|---|---|---|---|
| | **Income tax** | **Social contribution** | **Income tax** | **Social contribution** | |
| 2007 | 1,671,250 | 579,177 | 104,312 | 22,457 | 2,377,196 |
| 2008 | 1,753,921 | 600,334 | 95,633 | 26,889 | 2,476,777 |
| 2009 | 900,293 | 288,207 | 115,553 | 34,994 | 1,339,047 |
| 2010 | 100,099 | 35,078 | 94,415 | 36,463 | 266,055 |
| 2011 | 69,692 | 24,863 | 21,977 | 23,875 | 140,407 |
| 2012 | | | 4,096 | 5,360 | 9,456 |
| **Total** | **4,495,255** | **1,527,659** | **435,986** | **150,038** | **6,608,938** |

**December 31, 2006 R$ thousand**

**Social contribution tax credit M.P. no. 2158-35**

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 to 2013 | Total |
|---|---|---|---|---|---|---|---|
| **Total** | **101,834** | **75,793** | **102,063** | **127,318** | **151,379** | **98,647** | **657,034** |

Projected realization of tax credit is estimated and not directly related to the expected accounting income.

The present value of tax credits, calculated based on the average funding rate, net of tax effects, amounts to R$6,674,096 thousand (September 30, 2006 R$6,511,073 thousand and December 31, 2005 R$4,623,785 thousand), of which R$5,591,071 thousand (September 30, 2006 R$5,338,268 thousand and December 31, 2005 R$3,577,618 thousand) comprises temporary differences, R$521,858 thousand (September 30, 2006 R$525,396 thousand and December 31, 2005 R$400,957 thousand) comprises tax losses and negative basis of social contribution and R$561,167 thousand (September 30, 2006 R$647,409 thousand and December 31, 2005 R$645,210 thousand) comprises tax credit over social contribution M.P. 2158-35.

**e) Unrecorded tax credits**

The amount of R$401,775 thousand was not recorded as tax credit (September 30, 2006 R$563,625 thousand and December 31, 2005 R$196,224 thousand), which will be recorded when they present effective prospects of realization according to studies and analyses prepared by the management and in accordance with BACEN rules.

**f) Deferred tax liabilities**

**R$ thousand**

| | 2006 | | 2005 |
|---|---|---|---|
| | **December 31** | **September 30** | **December 31** |
| IRPJ, CSLL, PIS and COFINS on mark-to-market adjustments of derivative financial instruments | 835,067 | 480,418 | 288,417 |
| Depreciation supervenience | 238,863 | 202,358 | 132,531 |
| Operations in future liquidity market | 35,927 | 142,442 | 76,992 |
| Other | 166,856 | 254,291 | 102,959 |
| **Total** | **1,276,713** | **1,079,509** | **600,899** |

**35) Other Information**

a) Bradesco Organization manages investment funds and portfolios, whose net equity on December 31, 2006 amount to R$147,107,803 thousand (September 30, 2006 R$140,222,015 thousand and December 31, 2005 R$121,182,430 thousand).

b) Banco Bradesco S.A., on January 23, 2007, executed, with the controlling stockholders of Banco BMC S.A. (BMC), a Private Instrument for Commitment of Merger of Stocks and Other Covenants , for the acquisition of BMC

and its subsidiaries BMC Asset Management Ltda. Distribuidora de Títulos e Valores Mobiliários, BMC Previdência Privada S.A. and Credicerto Promotora de Vendas Ltda. The operation comprises the transfer to Bradesco of 100% of the stocks representing BMC s capital stock. The payment will be made upon the delivery, to BMC s stockholders, of stocks issued by Bradesco, corresponding to nearly 0.94% of its capital stock, which will be increase by R$800 million. The merger will provide Bradesco with an increasing platform in Brazil s most prominent segment of the consumer financing market, as well as with a strengthened presence in the financing of SMEs.

c) At the Board of Directors Meeting as of February 7, 2007, it was resolved:

I To approve the Board of Directors proposal to increase by 10% the amount of the monthly Interest on Own Capital, prepaid to stockholders, in conformity with the Monthly Compensation System, increasing from R$0.032775000 to R$0.036052500, related to common stocks, and from R$0.036052500 to R$0.039657750, to preferred stocks, to be effective as from the Interest referring to March/2007, to be paid on 4.2.2007, benefiting stockholders who are registered in the Company s records on 3.1.2007.

II To submit to the Company s stockholders at the General Meeting to be called on 3.12.2007, a proposal for an increase in the capital stock in the amount of R$3,800,000,000.00, increasing from R$14,200,000,000.00 to R$18,000,000,000.00, upon the use of part of the balance of the account Profit Reserve Statutory Reserve attributing, free of charge, as a bonus, a new stock, of the same type, for each stock owned. The bonus will depend on the ratification of the process by the Brazilian Central Bank.

**Management Bodies (1)**

Cidade de Deus, Osasco, SP, February 9, 2007

**Board of Directors**

**Chairman**
Lázaro de Mello Brandão

**Vice-Chairman**
Antônio Bornia

**Members**
Mário da Silveira Teixeira Júnior
Márcio Artur Laurelli Cypriano
João Aguiar Alvarez
Denise Aguiar Alvarez Valente
Raul Santoro de Mattos Almeida
Ricardo Espírito Santo Silva Salgado

**Board of Executive Officers**

**Executive Officers**

**Chief Executive Officer**
Márcio Artur Laurelli Cypriano

**Executive Vice-Presidents**
Laércio Albino Cezar
Arnaldo Alves Vieira
Luiz Carlos Trabuco Cappi
Sérgio Socha
Julio de Siqueira Carvalho de Araujo
Milton Almicar Silva Vargas
José Luiz Acar Pedro
Norberto Pinto Barbedo

**Managing Directors**
Armando Trivelato Filho
Carlos Alberto Rodrigues Guilherme
José Alcides Munhoz
José Guilherme Lembi de Faria
Luiz Pasteur Vasconcellos Machado
Milton Matsumoto
Sérgio de Oliveira
Odair Afonso Rebelato
Aurélio Conrado Boni
Domingos Figueiredo de Abreu
Paulo Eduardo D Avila Isola
Ademir Cossiello
Sérgio Alexandre Figueiredo

**Departmental Directors**
Adineu Santesso
Airton Celso Exel Andreolli
Alexandre da Silva Glüher
Alfredo Antônio Lima de Menezes
André Rodrigues Cano
Antônio Carlos Del Cielo
Candido Leonelli
Clayton Camacho
Denise Pauli Pavarina de Moura
Douglas Tevis Francisco
Fábio Mentone
Fernando Barbaresco
Fernando Jorge Buso Gomes
Jair Delgado Scalco
João Batistela Biazon
José Luiz Rodrigues Bueno
José Maria Soares Nunes
Josué Augusto Pancini
Laércio Carlos de Araújo Filho
Luiz Alves dos Santos
Luiz Carlos Angelotti
Luiz Carlos Brandão Cavalcanti Júnior
Luiz Fernando Peres
Marcelo de Araújo Noronha
Marcos Bader
Maria Eliza Sganserla
Mario Helio de Souza Ramos
Mauro Roberto Vasconcellos Gouvêa
Milton Clemente Juvenal
Moacir Nachbar Junior
Nilton Pelegrino Nogueira
Octavio Manoel Rodrigues de Barros
Ricardo Dias
Robert John van Dijk
Roberto Sobral Hollander
Romulo Nagib Lasmar
Sergio Sztajn
Toshifumi Murata

**Regional Directors**
Altair Antônio de Souza

**Compensation Committee**

Lázaro de Mello Brandão
Antônio Bornia
Mário da Silveira Teixeira Júnior
Márcio Artur Laurelli Cypriano

**Audit Committee**

Mário da Silveira Teixeira Júnior
Hélio Machado dos Reis
Paulo Roberto Simões da Cunha
Yves Louis Jacques Lejeune

**Compliance and Internal Controls Committee**

Mário da Silveira Teixeira Júnior
Milton Almicar Silva Vargas
Domingos Figueiredo de Abreu
Roberto Sobral Hollander
Nilton Pelegrino Nogueira

**Executive Committee of Disclosure**

Milton Almicar Silva Vargas
José Luiz Acar Pedro
Julio de Siqueira Carvalho de Araujo
Carlos Alberto Rodrigues Guilherme
José Guilherme Lembi de Faria
Domingos Figueiredo de Abreu
Luiz Carlos Angelotti
Denise Pauli Pavarina de Moura
Romulo Nagib Lasmar
Jean Philippe Leroy

**Fiscal Council**

**Sitting Members**
Domingos Aparecido Maia
José Roberto Aparecido Nunciaroni
Ricardo Abecassis Espírito Santo Silva

**Deputy Members**

| | | |
|---|---|---|
| Clemente | Aurélio Guido Pagani | Jorge Tadeu Pinto de Figueiredo |
| | Cláudio Fernando Manzato | Nelson Lopes de Oliveira |
| | Fernando Antônio Tenório | Renaud Roberto Teixeira |
| | Idevalter Borba | |
| | Luiz Carlos de Carvalho | |
| | Márcia Lopes Gonçalves Gil | |
| | Marcos Daré | |
| | Paulo de Tarso Monzani | |
| | Tácito Naves Sanglard | |

**General Accounting Department**

Moacir Nachbar Junior

Account CRC (Regional Accounting Council)1SP198208/O-5

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**Report of Independent Auditors**

To the Board of Directors
Banco Bradesco S.A.

1. We have audited the financial statements of Banco Bradesco S.A. and its subsidiaries, comprising the consolidated balance sheet as of December 31, 2006 and the related consolidated statements of income and of changes in financial position for the year then ended, as well as the statement of changes in stockholders equity of Banco Bradesco S.A. for the year ended December 31, 2006. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements.

2. We conducted our audit in accordance with auditing standards applicable in Brazil, which require that we perform the audit to obtain reasonable assurance about whether the financial statements are fairly presented in all material respects. Accordingly, our work included, among other procedures: (a) planning our audit taking into consideration the significance of balances, the volume of transactions and the accounting and internal control systems of the Bank and its subsidiaries, (b) examining, on a test basis, evidence and records supporting the amounts and disclosures in the financial statements and (c) assessing the accounting principles used and significant estimates made by the Bank s management, as well as evaluating the overall financial statement presentation.

3. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banco Bradesco S.A. and its subsidiaries at December 31, 2006 and the consolidated results of their operations and the consolidated changes in their financial position for the year ended December 31, 2006, as well as the changes in stockholders equity of Banco Bradesco S.A. for the same year then ended, in accordance with accounting practices adopted in Brazil.

4. Our audit was conducted for the purpose of issuing our report on the financial statements referred to in paragraph one, taken as a whole. The statements of cash flows and of added value for the year ended December 31, 2006, which are presented to provide additional information on Banco Bradesco S.A. and its subsidiaries are not specifically required as an integral part of the financial statements, in accordance with accounting practices adopted in Brazil. These statements were subjected to the same audit procedures described in paragraph two and, in our opinion, are fairly presented in all material respects in relation to the financial statements taken as a whole.

5. In connection with our limited reviews of the Quarterly Information of Banco Bradesco S.A. and its subsidiaries as of December 31, 2006 and September 30, 2006, on which we issued reports without exceptions dated February 9, 2007 and November 1, 2006, respectively, we carried out a review of the balance sheet of Banco Bradesco S.A. and its subsidiaries as of September 30, 2006 and of the consolidated statements of income and of changes in financial position, and of the supplementary information on the cash flows and added value, for the quarters ended December 31 and September 30, 2006 and of the statement of changes in stockholders equity of Banco Bradesco S.A. for the second half of 2006, which are presented by management to provide additional information on Banco Bradesco S.A. and its subsidiaries. This information is presented for comparison purposes with the financial statements described in paragraphs one and four and is not an integral part of the statutory financial statements, since its presentation is not required in accordance with accounting practices adopted in Brazil.

6. As described in Note 15, the goodwill on investments in associated and subsidiary companies was fully amortized in 2006.

7. The audit of the financial statements for the year ended December 31, 2005, presented for comparison purposes, was conducted by other independent auditors, whose report, dated February 21, 2006, expressed an unqualified opinion on those statements.

São Paulo, February 9, 2007

Auditores Independentes
CRC 2SP000160/O-5
Washington Luiz Pereira Cavalcanti
Contador
CRC 1SP172940/O-6

**Summary of Audit Committee Report**

**Introduction**

The Audit Committee, established in Banco Bradesco S.A. (Bradesco) Special Stockholders Meeting as of 12.17.2003, is composed of four members, appointed by Bradesco s Special Meeting of the Board of Directors held on 3.27.2006, with a term of office until the 1st Board of Directors Meeting to be held after the Annual Stockholders Meeting of 2007, and its charter is available on the website www.bradesco.com.br, Corporate Governance page.

Bradesco s Board of Directors opted for a single Audit Committee for all the companies composing the Financial Conglomerate, including the ones in the Insurance Group (Grupo Bradesco de Seguros e Previdência), pursuant to CNSP Resolution 118/2004 of the Brazilian Council of Private Insurance, which set forth the operating conditions of the Audit Committee for the Insurance, Certificated Savings Plans Companies and Supplementary Private Pension entities.

Among the Audit Committee s duties, those required by the U.S. Sarbanes-Oxley Act related to bodies of such type are also included.

The Committee has as Coordinator a member of Bradesco s Board of Directors, and the other members, including an expert, do not participate in other Organization s bodies.

It is incumbent upon the Committee to ensure the integrity and quality of financial statements of Bradesco Financial Conglomerate, including the Insurance Group companies, the compliance with the internal and external rules, the effectiveness and independence of the audit activity and the quality and efficiency of internal control systems.

It is the Management s responsibility to prepare the financial statements of the companies composing Bradesco Organization, and it is essential to ensure the quality of processes related to financial information, as well as control activities and risk management.

It is incumbent upon PricewaterhouseCoopers Auditores Independentes (PRICE), as the public accountant of the financial statements to ensure that they accurately represent the equity and financial condition of the conglomerate, pursuant to the fundamental accounting principles, the Brazilian corporate law, the rules of the Brazilian Securities and Exchange Commission CVM, the National Monetary Council, the Brazilian Central Bank and the Superintendence of Private Insurance SUSEP.

**Audit Committee s Activities**

The Audit Committee, as it is a Board of Directors advisory body, has been using existing structures at the Organization to establish a direct communication channel and a structured flow of information, with content and frequency, enabling its members to render their opinion on an independent basis about the internal control systems, the quality of financial statements and the efficiency of independent and internal audits.

The Audit Committee s work program for 2006 focused on the risks and on the more relevant processes for Bradesco Organization s businesses.

With the aim of forming an opinion on the quality of the processes under evaluation, as well as on the main inherent risks and on the effectiveness of the corresponding controls, the Committee took part in over 142 meetings duly registered in minutes, involving business, control, and risk management

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areas, with internal and independent auditors. By acting in that manner, the Committee ensures that the points considered relevant or critical are checked via different sources.

These meetings are recorded in minutes, to which the subject matters of the presentations or discussions are attached.

The risks that are inherent to the acquisition or restructuring of new businesses are worth of the management s evaluation, mitigation and follow-up. The Committee met with the executives and respective teams of American Express Card (AMEX) and of Banco Bradesco BBI S.A. to get information about the organizational structure, business strategies, assumptions and budget for 2007, risk management, business contingencies, information technology, and the Compliance Agent function, among other issues.

The Committee has also been following up the development of the most important projects within Bradesco Organization, with a view to better assessing its impacts on the quality of internal control system and on risk management upon their implementation. Amongst the projects of the Committee s interest, we point out the ones related to Section 404 of U.S. Sarbanes-Oxley Act, to the New Capital Accord (Basel II), and to the technology areas.

In view of the dynamics and complexity of the local and international financial markets, the Audit Committee structured a continuing education plan for its members, as a way of keeping them updated and helping them be more effective in their functions. Throughout 2006, 86 hours were spent in that activity.

Concerned about improving their own activities and about adhering to the best international practices, the members of the Audit Committee structured a self-assessment process, whose result was discussed with the Board of Directors.

**Internal Control System**

Bradesco Organization s Internal Control System is adequate to the size and complexity of its businesses and was structured so as to ensure the efficiency of its operations and of the financial reports generating systems, as well as the compliance with the internal and external rules, to which the transactions are subject.

The Internal Control Systems is periodically evaluated in order to identify issues deserving improvement, aiming at better attending to business and at the good risk management practices at Bradesco Organization. Within that context, the works professed by Section 404 of the U.S. Sarbanes-Oxley Act have brought improvements for Bradesco Organization s internal control environment.

At meetings with various areas of the Bradesco Organization, the Audit Committee had the opportunity to offer to those managers suggestions to improve their processes, observing the Management s prompt commitment to the implementation of the necessary improvements.

**Independent Audit**

The Committee discussed with independent auditors the planning of their services at Bradesco Organization s companies for 2006 and, during the year, the Committee held meetings with teams in charge to understand the results and main conclusions of works carried out.

The Committee considered that the works developed by teams were adequate to the Organization s businesses, encouraging examinations focused on credit risk, market and actuarial controls, especially concerning mathematical/statistical models and respective assumptions adopted by Bradesco Organization.

**Internal Audit (General Inspector s Department)**

The Audit Committee requested to the Internal Audit to consider, in its planning for 2006, various works aligned with issues included in the Committee s agenda for the year.

The Committee structured a process for assessing the effectiveness of the internal audit activities, which was discussed among that team, under the following aspects:

work strategy and planning;

organizational structure;

ways of reporting;

updating and continuing education; and

self assessment.

During 2006, the Internal Audit reported to the Audit Committee the results and main conclusions of its works. The internal audit team has been developing their works focusing on risks and processes and responding adequately to the requests of the Audit Committee, so that its members may have an opinion about the issues discussed.

**Consolidated Financial Statements**

In 2006, the Committee held meetings with the General Accounting, Budget, Control and General Inspectorate departments to assess the monthly, quarterly, semi annual and annual financial statements. These meetings analyzed and assessed the aspects of preparing individual and consolidated interim balance sheets and balance sheets, notes to the financial statements and financial reports published jointly with consolidated financial statements.

Bradesco s accounting practices were also considered in the preparation of financial statements, as well as the observance to the fundamental accounting principles and the compliance with the applicable laws.

Prior to the disclosures of the Quarterly Financial Information (IFTs) and semi annual and annual balance sheets, the Committee privately held meetings with PRICE, to assess the aspects of independence and control environment when generating the figures to be disclosed.

Based on reviews and discussions aforementioned, the Audit Committee recommends to the Board of Directors the approval of the audited financial statements related to the year ended on December 31, 2006.

Cidade de Deus, Osasco, SP, February, 9, 2007

Mário da Silveira Teixeira Júnior
Hélio Machado dos Reis
Paulo Roberto Simões da Cunha
Yves Louis Jacques Lejeune

**Fiscal Council s Report**

Banco Bradesco S.A.

The undersigned members of the Fiscal Council of Banco Bradesco S.A., in the exercise of their legal and statutory attributions, having examined the Management Report and the Financial Statements related to the year ended on December 31, 2006, and the technical feasibility study for taxable income generation, brought at present value, which has as purpose the realization of Deferred Tax Assets pursuant to CVM Instruction 371, as of 6.27.2002, Resolution 3,059, as of 12.20.2002, of the Brazilian Monetary Council, and Official Letter 3,171, as of 12.30.2002, of the Brazilian Central Bank, and in view of the unqualified opinion of PricewaterhouseCoopers Auditores Independentes, have the opinion that the aforementioned documents, examined based on the current corporate law, fairly reflect the Company s equity and financial position, requesting their approval by the Annual General Stockholders Meeting.

Cidade de Deus, Osasco, SP, February 9, 2007

Domingos Aparecido Maia
José Roberto A. Nunciaroni
Ricardo Abecassis E. Santo Silva

**Glossary**

## Glossary of Technical Terms

**Acquirer:** company responsible for affiliating, maintaining and paying establishments of a Card flag. For instance, in Brazil, the only VISA acquirer is VisaNet.

**Activity Based Costing:** is a methodology used to facilitate the analysis of the costs of activities that consume the most significant volume of resources. The volume, relationship between cause and effect and the effectiveness with which the resources are consumed during the activities comprise the objective of the strategic ABC cost analysis, ensuring that indirect costs are directed as a priority to these activities and processes and subsequently to products, services and customers.

**Added value:** value created by the company as a result of its productive activities, representing the level of the company s contribution to society.

**Advisor:** economic/financial consultant.

**Asset management companies:** the main activity of these companies is to manage third-party funds. The companies may be part of a financial group, but must create operating barriers, such as a Chinese Wall to avoid possible conflicts of interest and focus their business on the management of investors funds.

**Back test:** this method is used to test the validity of the statistical models used, through the comparison of historical data and data generated by the models.

**Basel Capital Accord:** agreement signed by the Basel Committee, Switzerland, in 1988, designed to establish new conditions for the system used to regulate and supervise banking activities (compulsory for G-10 countries). The methodology used seeks to ensure that minimum capital requirements are compatible with the degree of risk of transactions. In June 2004, this agreement was revised and related changes must be implemented by January 2007.

**Basel Committee:** formed by the chairmen of the central banks of the world s 10 most developed economies for purposes of introducing regulations for compliance by G-10 countries.

**Bonds:** government securities or corporate bonds, which are subscribed and traded.

**Brazilian Depositary Receipts BDRs:** these are certificates comprising securities issued by publicly held companies headquartered abroad, negotiable in the Brazilian market.

**Broker dealer:** a specialized firm, which trades securities for its own account or as an intermediary for third parties.

**Capital adequacy ratio (Basel):** index introduced by the Basel Committee and regulated by the Brazilian Central Bank, which shows the ratio between the bank s stockholders equity and its risk weighted assets.

**Capital savings:** comprise the capital paid as a lump sum to the beneficiaries indicated in the plan proposal, in the event of decease of the pension plan participant.

**Cash management:** cash administration.

**Chinese Wall:** set of procedures characterized by the clear separation between the management of the treasury funds of the financial institutions and the management of third-party funds. Regulated by the Central Bank of Brazil, it aims to avoid the conflict of interests between the financial institutions in the administration and management of its funds and the administration and management of the funds of its clients.

**Claims:** this is the realization of risk provided for in the insurance contract, which causes material or personal damages to the policyholders or their beneficiaries.

**Claims ratio:** used by insurance companies to measure the proportion of expenses for claims to earned premium. Accordingly, the lower the ratio, the better the insurance company s risk selection strategy.

**Co-insurance:** insurance distributed among various insurance companies, with the related risk distributed in proportion to the corresponding quota held.

**Combined ratio:** ratio used by the insurance companies, according to which the sum of the expenses incurred with claims, administrative expenses and selling expenses are divided by the premium earned. Accordingly, the lower the ratio, the higher the efficiency of the insurance company.

**Commercial paper:** securities issued by publicly held companies for purposes of raising public funds for financing working capital.

**Committee of Sponsoring Organizations COSO:** it is a not-for-profit entity, dedicated to improving the presentation of financial reports based on ethics, efficient internal controls and corporate governance. Its members are representatives from the industry, accounting firms, investment companies and the New York Stock Exchange.

**Compliance:** adherence to a set of laws, rules and instructions introduced by either governmental or internal bodies.

**Compulsory deposits:** this compulsory reserve is the percentage of demand deposits and the terms under which banks are obliged to deposit at the Brazilian Central Bank (BACEN). The National Monetary Council (CMN) establishes the required percentage for purposes of limiting the expansion of credit operations in the economy. The compulsory deposit is a classic Central Bank instrument used to control the volume of currency available in the banking system.

**Contingent liabilities:** reflect the uncertainty as to whether, when and for how much an obligation will be paid. In general, the amounts recorded as contingencies are calculated based on the progress of the related lawsuits.

**Corporate finance:** banks act as intermediaries in complex transactions involving corporate mergers, spin-offs and acquisitions. In this segment, in conjunction with specialized consulting firms, the banks use their experience in financial and investment transactions ensuring that they are made feasible through the use of funds, which are obtained either locally or from abroad.

**Corporate governance:** system by which companies are managed and monitored, involving relationships between stockholders, the board of directors, the executive board, the independent auditors, audit committee and fiscal council. Good corporate governance practices are designed to increase the company s value, facilitating access to capital and ensuring that it will continue as a going concern on a perennial basis.

**Corporate Sustainability Index (ISE):** Bovespa index which reflects the return of a portfolio composed of companies stocks with the best performances regarding all dimensions related to corporate sustainability, i.e., economic-financial, social, environmental and corporate governance.

**Correspondent banks:** these are commercial companies or service providers contracted by banks to operate in banking services authorized by the Brazilian Central Bank (BACEN). Since they are usually located in different commercial outlets, the correspondent bank can offer extended hours, often on a 24-hour basis.

**Courier:** messenger service, available for use by customers, to carry out a number of bank services, including check deposits, bill payments, checkbook delivery, among others, with no need for customers to leave the home or office.

**Covenants:** commitments contained in any formal debt agreement establishing that certain acts must be fulfilled, while others must not be executed. These commitments are designed to protect the lender s interests and involve matters such as working capital, dividend payment and the ratio of indebtedness.

**Coverage of technical reserves:** is the allocation of assets, by insurance, private pension plans and savings bonds companies, in particular financial assets, in sufficient amount to cover technical reserves. These assets must offer diversity, liquidity, security and profitability. See Guarantees of technical reserves.

**Coverage ratio:** measures the ratio between the amount of the allowance for loan losses (PDD) and the amount of non-performing loans (D to H rated credits)

**Credit scoring:** is a method using statistical tools to measure the probability of loss on a credit operation based on historical data.

**Consigned loan:** this is a line of personal credit for companies employees whose loan installments are deducted from payroll.

**Cross selling:** sale of related merchandise and services.

**Depositary Receipts DRs:** are deposit receipts issued by a foreign institution (Depositary), guaranteed by shares of a local company. Derivatives: financial instruments used by companies, substantially for protection purposes and classified in 4 categories: futures market, swap, forward market and options.

**Earned premium:** the portion of an insurance premium retained which corresponds to the period of risk time passed, i.e., it is the deferral of the retained premium for the period counted from the date of the insurance coverage.

**Equator Principles:** it is a set of social-environmental measures, based on criteria defined by the International Finance Corporation (IFC), used in the evaluation and concession of financing of infrastructure projects known as project finance.

**Eurobonds:** securities with notional value expressed in U.S. dollars or other currencies and which the banks issue through institutions abroad, the resources of which will be used to finance credit operations in Brazil. These are medium to long-term securities at fixed or floating rates and with premium or discount, depending on market demand. The eurobond market is an important source of capital for multinational companies and governments, including those located in developing countries.

**Euronotes:** are long-term notes, issued by governments and major companies and traded in the international financial market.

**Exchange coupon rate:** is the difference between the internal interest rate and the expected Brazilian exchange rate devaluation and, in general, is compatible with the composition of the remuneration offered by exchange bills in investments pegged to the variation in the U.S. dollar, i.e., the interest rate in U.S. dollar paid to an investor who assumes the risk of investing in another currency.

**Exchange exposure:** assets and liabilities subject to exchange risks as a result of local currency valuation or devaluation as compared to other currencies.

**Financial holding company (FHC):** status granted by the U.S. Federal Reserve FED, which permits the subsidiary company of a foreign financial institution to carry out its activities under the same conditions as local US banks. This status is awarded subsequent to a detailed analysis of key factors determined by US banking legislation. For purposes of obtaining FHC status, the institution must comply with 3 main requirements: a) it must be properly capitalized, b) properly managed and c) submit a proper request for FHC status to the Federal Reserve Board FRB.

**Financial intermediation:** is a bank s main activity. The bank obtains funds from customers with resources available for investment, which are onlent to borrowers. Other activities such as leasing and exchange transactions also comprise financial intermediation.

**Financial margin:** this is the difference between interest income and expense generated by investments, funds obtained, credit and leasing operations and foreign exchange transactions. Non-interest income also comprises financial margin, derived from securities, treasury transactions and credit recoveries.

**Floating funds:** permanence of third-party funds in banks for a specific period without remuneration.

**Global Compact:** initiative of the United Nations in which encourages participant entities to commit with guiding its actions in the sense of contributing to the development of a more inclusive and sustainable economy, broadening its scale in the social-environmental area. It is based on values aiming at promoting institutional education. The power of transparency and dialog is used to identify and disclose new practices which have as base the universal principles. It is comprised of 10 principles related to human rights, labor, environmental protection and bribery.

**GoodPriv@cy:** it is an international data privacy and protection seal, which comprises requirements for data protection and privacy management within the corporations.

**Greenfield:** implementation of new projects, i.e., those that are not characterized as expansion.

**Guarantee of technical reserves:** see coverage of technical reserves.

**Hedge:** an instrument used to offset risk investments subject to price and rate fluctuations.

**Holding:** it is the company holding share control over another company or a group of subsidiary companies.

**Home broker:** relationship channel between investors and brokerage houses, for stock market trading purposes through the online transmission of buy and sell orders via internet, permitting real time access to price quotations and share portfolio monitoring, among other resources.

**IBOVESPA:** this is the most important Brazilian stock market performance index, as it portrays the behavior of main stocks traded on BOVESPA. It is established from an imaginary Reais investment in a theoretical number of stocks (portfolio). Each stock composing this portfolio has a certain weight, which varies according to its liquidity. Frequently, both the composition and weights change so that the index may accurately represent the stock market. Its basic purpose is to work as a market behavior average index. Hence, the stocks composing this index account for more than 80% of the number of trades and financial volume traded on the spot market. As the stocks integrating this

portfolio are highly representative, it is possible to affirm that if most of stocks are climbing, the market, measured by Bovespa Index, is bull, and if it is declining, it is a bear market.

**Interbank accounts:** comprise checks which are being cleared between banks and other notes, such as bank docket payments, as well as restricted deposits at the Brazilian Central Bank (deposits in foreign currency, deposits for exchange contracts, payment of funds for rural credit, credits subject to the National Housing System SFH, etc).

**Interbank deposits:** securities negotiated in the interbank market between financial institutions.

**Interdepartmental accounts:** comprise the amounts, which are in transit between the bank s branches and departments or other group member companies (brokerage firms, insurance companies, supplementary private pension entities etc.).

**Investment advisory service:** these are consulting services for investors and include financial advice, preparation of financial reports and management of customer funds. The services are provided by consultants who are properly registered at the regulatory organs.

**Investment grade:** in the establishment of investment alternatives to international investors, companies and countries are rated by the international risk rating agencies, such as Moody s, Standard & Poor s and Fitch, among others, normally in three risk levels: Investment Grade; Investment Risk; and Default. Investment grade is the safest grade, in which there is maximum trust of markets. It is when a country or a company is better evaluated by investors and manages to raise funds with lower interest rates, for it is considered of low risk.

**Leasing:** this is an alternative medium, or long-term, financing method, documented through an agreement in which the leasing company purchases the assets, which are then ceded for use by the lessee in exchange for payment in installments.

**Libor:** it is the preferential interest rate charged on foreign currency loans and prevailing in the international financial market. It is used among first-tier banks.

**Market-making:** the maintenance of buy and sell offers for a specific securities and preparation to buy or sell standard lots at publicly quoted prices.

**Market share:** percentage sales or inventories in a specific segment of a certain company. It could also be the share that a specific brand holds in the market in which it operates.

**Mark-to-market:** method used to adjust a security or portfolio based on present market values.

**Merchant banking:** activities carried out by a financial institution including investment bank activity, advisory services, and intermediary services in mergers and acquisitions.

**Microcredit:** is the granting of limited loan amounts to small informal business owners and microcompanies, with difficult access to the traditional financial system, especially since they are unable to offer real guarantees. This credit is used for production purposes (working capital and investment) and its main features are less bureaucracy, access by all customer income brackets and a quick and efficient approvals process.

**Mobile banking (WAP):** this technology allows banks to offer their customers banking services (balances, statements, institutional information consultation, rates and prices) via mobile communication equipment, such as cell phones. An option in addition to other channels, such as the Internet, magnet strip cards, branches and call centers.

**Money laundering:** method by which funds derived from illegal activities are incorporated into the economic system. The main purpose is to disguise the illicit origin of the funds using transactions, which cannot be traced.

**Operating efficiency ratio:** ratio between administrative expenses (personal + administrative) and operating income. Lower the ratio, better the efficiency of the Financial Institution.

**Overnight:** one-day investments, which are guaranteed by government securities or corporate bonds, comprising a transaction between two institutions involving a sale, with a repurchase commitment.

**Over-the-counter market:** in which transactions are not carried out in the stock exchanges. Not only shares, but also assets, including derivatives, can be traded in this market. Since they attend certain customer specifications, not provided for in stock exchange trading, over-the-counter trades are also known as tailor-made transactions.

**Own position:** securities maintained in stock, available for trading, derived from definitive purchases or repurchases, recorded as fixed income securities.

**PGBL (Unrestricted Benefits Generating Plan):** this is a supplementary private pension product destined to accumulate funds and converting them into future income. PGBL is very flexible, since amongst other facilities, it allows that funds invested in this plan may be redeemed at any time (observing the grace period). It is interesting to participant, submitting income tax return, as it is possible to deduct the contributions amount from the income tax calculation basis up to the limit of 12% of annual gross income. Upon receipt of redemption or yield, income tax will be withheld at source over total received, pursuant to prevailing laws (progressive or regressive tables).

**Plano remido:** in the health Insurance Line products, this is a plan in which insurance holders do not have the obligation to pay premiums to the insurance company, which, in turn, still has the obligation to pay benefits to the holder.

**Privatization currency:** government securities generally traded with discount and accepted by the government in payment for the acquisition of state-owned companies.

**Project finance:** is the combination of contracts which involve a specific business venture, inter-relating all the operating agents and the guarantees related thereto. Project finance is a technical model in which the project is the center of gravity of the interaction between the related agents. Project finance is generally used in major engineering projects.

**Purchase and sale commitments:** a financial investment through which the bank sells government securities or corporate bonds to the customer, and whereby the bank is committed to repurchase and the customer to resell the related securities within the terms established in the contract.

**Qualified custody service:** this consists of the physical and financial settlement of assets and their safekeeping, as well as the administration and information on related income. The custody service also comprises the financial settlement of derivatives, swap contracts and forward transactions.

**Quality certification (ISO International Organization for Standardization):** is the combination of activities carried out by an independent commercial body designed to certify, publicly and in documental form, that a determined product, process or service complies with specific requirements. ISO certification improves the company s image, facilitating purchase decisions by customers and consumers.

**Rating:** it is a classification mechanism of the credit quality of a company or a country. The rating aims to classify the risk of a company or country verifying if they are able to comply with the financial liabilities. This classification is made by rating agencies which, periodically, review their opinions about the rating of the company or country previously evaluated. See Rating agencies.

**Rating agencies:** companies experienced in analyzing the risk of public and private, financial or non-financial institutions. Based on detailed analyses, these agencies attribute a score (rating) to the companies or countries under analysis. This score serves as a risk indicator for investors. See Rating.

**Reinsurance:** is the ceding by the insurance company to the reinsurer of that portion of a liability which exceeds the limit of its capacity to retain risks. Reinsurance is a form of risk distribution and is contracted with IRB-Brasil Resseguros S.A., which has the monopoly on reinsurance in Brazil.

**Retained premium:** is the portion of an insurance premium which remains with the insurance company in the exact proportion of its retention, i.e., the portions ceded as co-insurance and re-insurance are excluded from the premium issued, as well as refunds and cancellations.

**Retrocession:** is the transaction used by the reinsurer to cede to the local or international market, the liabilities which exceed the limits of its capacity to retain risks, i.e., retrocession is the reinsurance of reinsurance.

**SANA (Automatic System of Stocks Negotiation):** structured system aiming at facilitating the participation of small individual investors in the stock market, assuring easy purchasing and selling of stocks in the Stock Market, in small lots, through computer terminals. The system can also be used in public offerings intermediation.

**Sarbanes-Oxley** (see Sarbanes-Oxley Act)

**Sarbanes-Oxley Act, Section 404:** established to restore confidence in the financial information disclosed by companies listed in the U.S. stock exchanges. The U.S. politicians, Sarbanes (senator) and Oxley (federal congressman) drew up legislation to provide improved orientation on the following: clarity in the presentation of financial information, corporate governance, internal controls process and independence of the independent auditors and increased assurance procedures. Pursuant to Section 404, both companies and their auditors must identify all key controls for each of their processes and test thoroughly the effectiveness and management appraisal capacity of these controls.

**Securitization:** is the financial transaction whereby a loan and other debts are converted into securities which are negotiable in the market.

**SMS:** short message service, used in cell phones. The service allows the user to send and receive text messages containing different types of information.

**Social responsibility:** is the philosophy whereby certain companies conduct their business as a partner, co-responsible for social development. The socially responsible company is capable of assimilating the interests of different

stakeholders (stockholders, employees, service providers, suppliers, consumers, community, government and environment), ensuring that these interests are fully integrated into the planning of its activities, in the pursuit to meet the demands of all segments, not just those of the stockholders or owners.

**Sovereign risk:** this is an index calculated by the US investment bank J. P. Morgan used to measure the degree of risk to which a foreign investor is exposed when investing in a particular country. Technically, this risk is the surcharge payable in relation to the guaranteed returned on US treasury bonds, since the US is considered to offer less risk to investors. Every 100 points represent 1% of additional interest as compared to US interest.

**Spread:** this is the difference between the interest rate charged to the borrower by the bank and the rate paid to customers for the use of the funds invested.

**Stock guide:** this is a report used as a guide for those interested in accompanying the performance of the secondary share market and an important tool for use in capital market area studies. Its content is updated periodically and includes information on all major listed companies. The inclusion of companies in this report is directly related to their share liquidity. The companies are grouped under different sectors, facilitating a comparative analysis of their performance (share behavior and profitability) in their own activity segment and between the different sectors.

**Stress testing:** a technique used to assess the response of an asset and/or liability portfolio to extreme variations in the prices, interest and exchange rates which affect these portfolios. The purpose of the stress test is to quantify possible loss on the portfolio in the event of an adverse market situation.

**Structured transactions:** a combination of two or more financial instruments (e.g. a purchase and sale commitment + Swap), designed to take advantage of market opportunities or secure protection against financial risks.

**Subordinated debt:** this is an instrument customarily used by financial institutions for obtaining funds since it is classified as tier II capital for purposes of calculating the capital adequacy ratio (Basel) and accordingly increases their credit granting capacity. In the event of bankruptcy, this debt is the ultimate obligation payable by the financial institution and is subordinate to the payment of all other creditors.

**Subordinated perpetual debt:** this is a security without maturity, which pays interest on a periodical basis on dates set out in advance. It includes an exclusive redemption option for the issuer after the term contractually determined has elapsed as from the issuance date.

**Supplementary private pension plan:** it is an instrument used to accumulate resources over the years in the form of savings to be withdrawn during retirement. This plan is supplementary to the government retirement pension scheme.

**Sustainability:** assumes that the companies will commit with the economic-social-environmental tripod, i.e., value generation, environmental care and social development.

**Swap:** financial derivative with a view to promoting the swap (simultaneously) of financial assets between economic agents involved.

**Tag Along:** right assured by law through which the minority stockholders holding common stocks have the power of selling their stocks for a predetermined percentage, when a publicly-held company s control is sold.

**Technical reserves:** these are liabilities recorded by the insurance companies to guarantee the payment to policyholders of claims occurred or which will occur in the future as a result of the risks assumed. For the supplementary private pension entities and savings bonds companies, these liabilities comprise the amounts accumulated with funds derived from the cost of the benefits contracted, for payment purposes of such benefits. All technical reserves are calculated established on actuarial bases.

**Third-party position:** securities with repurchase commitments not subject to resale commitments, i.e., they are the institutions own portfolio securities related to the open market, recorded as fixed income securities subject to repurchase.

**Track record:** accumulated experience.

**Treasury stocks:** own company stocks acquired to remain in treasury or for cancellation.

**Underwriting:** term used internationally to define the launching of stocks or debentures for public subscription, generally carried out by financial institutions authorized by the CVM, via three types of contracts: straight (the financing institution subscribes the total launch and payment is made directly to the issuing company), standby (the financing company is bound to subscribe the securities not acquired by the public) and best-efforts (the financing company does not assume the responsibility to subscribe the securities and returns those that were not acquired by the public to the issuing company).

**Verified by Visa:** electronic means of debit and credit card transactions verification at virtual stores, providing clients with greater protection and security.

**VGBL (Long-term life insurance):** this is a life insurance guaranteeing insured s coverage in case of his/her survival with a view to accumulating funds and converting them into future income. It works as a private pension plan, as it was developed based on PGBL. VGBL is very flexible, since amongst other facilities, it allows that funds invested in this plan may be redeemed at any time (observing the grace period). The most important difference between PGBL and VGBL is the tax treatment given to each one. While in PGBL income tax is levied over the total redeemed or received as income, in VGBL the taxation occurs only over financial investments yields, according to prevailing laws (progressive or regressive tables). VGBL is more indicated for those participants submitting simplified income tax return. In addition, this is an option for those insured who already exceeded the limit of income tax deduction in a supplementary private pension plan (12%) and who are planning to invest a bit more in his/her future.

**V@R (value at risk):** is the expected maximum potential loss of an asset and/or liability portfolio with pre-established confidence level and over a specific time horizon.

**Web point:** this is a self-service terminal providing access to Internet Banking services.

**WebTA:** is the online transfer of files between the Bank and its corporate customers with security, efficiency and economy, using cryptography and data compaction.

**Wireless:** this technology permits connection between equipment with no direct physical link. For example, internet access by cell phones is made feasible through the use of wireless technology.

**Cross Reference Index**

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 16 th, 2007

BANCO BRADESCO S.A.

By: /s/ Milton Almicar Silva Vargas

**Milton Almicar Silva Vargas**
**Executive Vice President and**
**Investor Relations Officer**

**FORWARD-LOOKING STATEMENTS**

This press release may contain forward-looking statements. These statements are statements that are not historical facts, and are based on management's current view and estimates of future economic circumstances, industry conditions, company performance and financial results. The words "anticipates", "believes", "estimates", "expects", "plans" and similar expressions, as they relate to the company, are intended to identify forward-looking statements. Statements regarding the declaration or payment of dividends, the implementation of principal operating and financing strategies and capital expenditure plans, the direction of future operations and the factors or trends affecting financial condition, liquidity or results of operations are examples of forward-looking statements. Such statements reflect the current views of management and are subject to a number of risks and uncertainties. There is no guarantee that the expected events, trends or results will actually occur. The statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations.