

BANK BRADESCO
Form 6-K
February 16, 2007

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

FORM 6-K

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

For the month of February, 2007

Commission File Number 1-15250

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

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

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

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

Form 20-F Form 40-F

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

Yes No

Banco Bradesco S.A.

Corporate Taxpayer s
ID CNPJ 60.746.948/0001-12

BOVESPA

BBDC3
(common)
and
BBDC4
(preferred)

NYSE BBD

LATIBEX
XBBDC

Main Indicators (%)

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

Closing Amount

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

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

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

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

(1) Cash deposit No remuneration.

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

(2) Cash deposit SELIC rate.

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

(3) Restricted Securities From the amount calculated at 15%, R\$300 million may be deducted (3) Maximum fixed assets are applied over Reference Equity.

(4) Cash deposit Reference Rate (TR) + interest of 6.17% p.a. (4) Reference Equity may not be lower than 11% of Weighted Assets.

Forward-Looking Statements

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

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

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

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

Risk Factors and Critical Accounting Practices

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

Risks Relating to Brazil

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

All of our operations and clients are mainly located in Brazil. Accordingly, our financial condition and results of operations are substantially dependent on Brazil's economy, which in the past has been characterized by frequent intervention by the Brazilian Government and volatile economic cycles. In addition, our financial condition and the market price of our stocks and ADSs may also be adversely affected by changes in policy involving exchange controls, tax and other matters, as well as factors such as: fluctuations in exchange rates, interest rate, inflation rates, and other political, diplomatic, social and economic developments inside and outside Brazil that affect the Country.

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

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

In the last 15 years, Brazil has undergone extremely high inflation rates, with annual rates (IGP-DI from Getulio Vargas Foundation) reaching as high as 1,158% in 1992, 2,708% in 1993 and 1,093% in 1994. More recently, Brazil's inflation rates were 7.7% in 2003, 12.1% in 2004, 1.2% in 2005 and 3.8% in 2006. Inflation and governmental measures to combat it have had in past years significant negative effects on the Brazilian economy. In addition, public speculation about possible future actions have also contributed to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets. If Brazil suffers a period of high inflation in the future, our costs may increase, our operating and net margins may decrease and, if investor's confidence lags, the price of our stocks and ADSs may drop. Inflationary pressures may also curtail our ability to access foreign financial markets and may occasionally lead to further government intervention in the economy, including the introduction of government policies that may adversely affect the overall performance of the Brazilian economy.

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

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

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

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

Occasionally, developments in other countries have adversely affected the market price of our and other Brazilian companies' stocks, as investors' high risk perception due to crisis in other emerging markets may lead to reduced levels of investment in Brazil and, in addition, may hurt our ability to finance our operations through the international capital markets. If the economic situation in Argentina and Latin America deteriorates, or if similar developments occur in the international financial markets in the future, the market price of our stocks and ADSs may be adversely affected.

Risks Relating to Bradesco and the Brazilian Banking and Insurance Industries

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

Brazilian banks and insurance companies are subject to extensive and continuous regulatory review by the Brazilian Government. We have no control over government regulations, which govern all facets of our operations, including the imposition of minimum capital requirements, compulsory deposits, loan limits and other loan restrictions.

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

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

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

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

The increased competition may negatively affect our business results and prospects by, among other things: limiting our ability to increase our customer base and expand our operations; reducing our profit margins on the banking, insurance, leasing services and other products we offer; and increasing competition for foreign investment opportunities.

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

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

On December 31, 2006 Cidade de Deus Companhia Comercial de Participações held 48.46% of our common stocks and Fundação Bradesco directly and indirectly held 47.06% of our common stocks. As a result, these stockholders have the power to prevent a change in control of our company, even if a transaction of that nature would be beneficial to our other stockholders, as well as to approve related-party transactions or corporate reorganizations.

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.

IV

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;

VI

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.

Contents

List of Main Abbreviations			10
1 Bradesco Line by Line			11
Net Income	12	Statement of Recurring Income	22
Summarized Analysis of the Statement of Recurring Income		Analysis of the Statement of Recurring Income	23
Highlights	13	Comparative Balance Sheet	40
Bradesco's stocks	15	Equity Analysis	41
	18		
2 Main Information on Statement of Income			53
Consolidated Statement of Recurring Income	54	Allowance for Doubtful Accounts	67
Recurring Profitability	56	Fee and Commission Income	68
Results by Business Segment	58	Administrative and Personnel Expenses	69
Change in the Main Items of Statement of Income	58	Operating Efficiency	70
Change in Net Interest Income Items plus Exchange Adjustment	59	Other Indicators	72
Analysis of the Adjusted Net Interest Income and Average Rates	60		
3 Main Information on Balance Sheet			73
Consolidated Balance Sheet	74	Funding	86
Total Assets by Currency and Maturities	76	Checking Accounts	87
Securities	77	Savings Accounts	88
Loan Operations	78	Assets under Management	89
4 Operating Companies			91
Grupo Bradesco de Seguros e Previdência Insurance Companies (Consolidated)	92	Banco Finasa	114
Bradesco Saúde	99	Leasing Companies	116
Bradesco Auto/RE	101	Bradesco Consórcios	118
Bradesco Vida e Previdência	104	Bradesco S.A. Corretora de Títulos e Valores Mobiliários	125
Bradesco Capitalização	108	Bradesco Securities, Inc.	127

5	Operational Structure		129
Corporate Organization Chart	130	Risk Management and Compliance	149
Administrative Body	132	Credit Risks, Operating Risks, Market Risks,	
Risk Ratings	133	Internal Controls and Compliance	149
Ranking	134	Liquidity Risk Management	155
Market Segmentation	135	Capital Risk Management	155
Bradesco Corporate	135	Cards	158
Bradesco Empresas (Middle Market)	136	International Area	162
Bradesco Private	136	Capital Market	166
Bradesco Prime	137	Cash Management Solutions	167
Bradesco Varejo (Retail)	138	Qualified Services for Capital Markets	170
Banco Postal	139	Business Processes	171
Customer Service Network	141	Corporate Governance	174
Bradesco Day&Night Customer Service Channels	143	Acknowledgments	177
Investments in Infrastructure, Information Technology and Telecommunications	149		
6	Social-environmental Responsibility		179
Bradesco Organization and the Social-environmental Responsibility	180	Fundação Bradesco Social Report	204
Human Resources	188		212
7	Independent Auditors Report		213
Report of Independent Auditors on Review of Supplementary Accounting Information included in the Report on Economic and Financial Analysis and in the Social Balance Sheet.			214
8	Financial Statements, Independent Auditors' Report, Summary of the Audit Committee Report and Report of the Fiscal Council		215
Message to Stockholders	216	Consolidated Added Value Statement	249
Management Report	218	Index of Notes to the Financial Statements	250
Consolidated Balance Sheet	241	Notes to the Financial Statements	251
Consolidated Statement of Income	245	Management Bodies	312
Statement of Changes in Stockholders Equity	246	Independent Auditors Report on Special Review	313
Consolidated Statement of Changes in Financial Position	247	Summary of the Audit Committee's Report	314
Consolidated Cash Flow	248	Fiscal Council's Report	316
Glossary of Technical Terms			318

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

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List of Main Abbreviations

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

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

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ERP	Enterprise Resource Planning	SEBRAE	Brazilian Micro and Small Business Support Service
EXIM	Export and Import BNDDES Financing Line	SEC	U.S. Securities and Exchange Commission
FGV	Getulio Vargas Foundation	SELIC	Special Clearance and Custody System
FIA	Management Institute Foundation	SESI	National Industry Social Service
FIDC	Credit Right Funds	SFH	National Housing System
FIE	Exclusive Investment Fund		Internal Week of Labor Accident Prevention
FINABENS	Financing Line of other Assets and Services	SIPAT	
FINAME	Fund for Financing the Acquisition of Industrial Machinery and Equipment	SPB	Brazilian Payment System
FIPE	Economic Research Institute Foundation	SUSEP	Superintendence of Private Insurance
FIPECAFI	Accounting, Actuarial and Financial Research Institute Foundation	TED	Instant Online Transfer
FIRN	Floating Rate Note	TI	Information Technology
FxRN	Fixed Rate Note	TJLP	Long-term Interest Rate
IBGE	Brazilian Institute of Geography and Statistics	TR	Reference Rate
IBMEC	Brazilian Capital Markets Institute	TVM	Securities
IBNR	Incurred But Not Reported	UNESCO	United Nations Educational, Scientific and Cultural Organization
IBOVESPA	São Paulo Stock Exchange Index	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 (3 rd quarter/06)		2,109
(-) Sale of investment in Usiminas	(219)	(219)
(+) Supplementary Labor Provision	-	309
(+) Extraordinary Non-Technical Health Insurance Provision	387	387
(-) Activated Tax Credit of Previous Periods	(194)	(398)
(-) Fiscal Effects	(57)	(879)
Recurring Net Income	1,620	6,363
(+) Goodwill Amortization (1 st half/06)		433
(-) Fiscal Effect of Goodwill Amortization		(147)
Recurring Net Income Adjusted by Goodwill Amortizations of 1st half of 2006	1,620	6,649

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

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

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

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

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

12

Summarized Analysis of the Statement of Recurring Income

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

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

Year/05 x Year/06 R\$ million

	2005									
	Reported Statement of Income	Adjustments			Adjusted Statement of Income	Reported Statement of Income	Fiscal Hedge (1)	Labor (4)	Adjustments	
	(1)	Belgo - Mineira (2)	Health Provision (3)			(1)	(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)					

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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)	77
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

	3 rd Qtr./06					4 th Qtr./06				
	Reported Statement of Income	Adjustments				Adjusted Statement of Income	Reported Statement of Income	Adjustments		
	Fiscal Hedge (1)	Labor (2)	Tax Credit (3)	Goodwill (4)		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)	(587)	(329)	50	(132)		75
Net Income	219		204	(204)	1,392	1,611		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	%	3 rd Qtr.	4 th 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	%	3 rd Qtr.	4 th 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 (*)		
	3 rd Qtr.	4 th Qtr.	Year	3 rd Qtr.	4 th 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		
	3 rd Qtr.	4 th Qtr.	Year	3 rd Qtr.	4 th 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.

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Performance Ratios (annualized) in percentage (*)

	2005			2006		
	3 rd Qtr.	4 th Qtr.	Year	3 rd Qtr.	4 th 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		2005	2006		
		December	%		%		
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.

18

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

20

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		Variation %	2006		Variation %
	2005	2006		3 rd Qtr.	4 th Qtr.	
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 %	3 rd Qtr.	4 th 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 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 corporate 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 %	3 rd Qtr.	4 th 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 %	3 rd Qtr.	4 th 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% 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 %	3 rd Qtr.	4 th 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 %	3 rd Qtr.	4 th 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 %	3 rd Qtr.	4 th 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 %	3 rd Qtr.	4 th 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 %	3 rd Qtr.	4 th 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 %	3 rd Qtr.	4 th 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 %	3 rd Qtr.	4 th 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.

27

Fee and Commission Income

Years			2006		
2005	2006	Variation %	3 rd Qtr.	4 th 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 %	3 rd Qtr.	4 th 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 %	3 rd Qtr.	4 th 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 %	3 rd Qtr.	4 th 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 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 economy (13th salary).
generated by changes in the tax legislation, N.B.: according to SUSEP, the recording of VGBL
affecting business in that period. redemptions reduces the retained contributions.

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 %	3 rd Qtr.	4 th 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 %	3 rd Qtr.	4 th 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 %	3 rd Qtr.	4 th 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 %	3 rd Qtr.	4 th 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 %	3 rd Qtr.	4 th 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 %	3 rd Qtr.	4 th 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 %	3 rd Qtr.	4 th 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 %	3 rd Qtr.	4 th 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 (774)	2006 (816)	Variation % 5.4	3 rd Qtr. (206)	4 th Qtr. (209)	Variation % 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 %	3 rd Qtr.	4 th 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 %	3 rd Qtr.	4 th 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 %	3 rd Qtr.	4 th 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 %	3 rd Qtr.	4 th 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.

Other Administrative Expenses

Years			2006		
2005	2006	Variation %	3 rd Qtr.	4 th 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 %	3 rd Qtr.	4 th 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 %	3 rd Qtr.	4 th 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 %	3 rd Qtr.	4 th 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 %	3 rd Qtr.	4 th 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

conversion or exchange rights.

We may issue shares of, or rights to purchase, preferred stock, the terms of which might:

adversely affect voting or other rights evidenced by, or amounts otherwise payable with respect to, the common stock;

discourage an unsolicited proposal to acquire us; or

Table of Contents

facilitate a particular business combination involving us.

Any of these actions could discourage a transaction that some or a majority of our stockholders might believe to be in their best interests or in which our stockholders might receive a premium for their stock over its then-prevailing market price.

8.5% Convertible Perpetual Preferred Stock

As of the date of this prospectus, 2,650,000 shares of our 8.5% Convertible Perpetual Preferred Stock (the *Convertible Preferred Stock*) were issued and outstanding. Each share of Convertible Preferred Stock is convertible at any time on or after April 15, 2009 at the option of the holder thereof into a number of shares of our common stock equal to the liquidation preference of \$100 divided by the conversion price, which is initially \$8.0125 per share and is subject to specified adjustments. This results in an initial conversion rate of approximately 12.4805 shares of common stock per share of Convertible Preferred Stock. Based on the initial conversion price, approximately 33,073,323 shares of common stock would be issuable upon conversion of all of the outstanding shares of the Convertible Preferred Stock.

The annual dividend on each share of Convertible Preferred Stock is \$8.50 and is payable semiannually, in arrears, on each February 15 and August 15, commencing on February 15, 2010, when, as and if declared by our board of directors. No dividends will accrue or accumulate prior to August 15, 2009. We may, at our option, pay dividends in cash, common stock or any combination thereof.

Except as required by law or the our certificate of incorporation, holders of the Convertible Preferred Stock will have no voting rights unless dividends fall into arrears for three semiannual periods. Until such arrearage is paid in full, the holders will be entitled to elect two directors and the number of directors on our board of directors will increase by that same number.

At any time on or after February 20, 2014, we may at our option cause all outstanding shares of the Convertible Preferred Stock to be automatically converted into common stock at the then-prevailing conversion price, if the closing sale price of our common stock exceeds 130% of the then-prevailing conversion price for a specified period prior to the conversion.

If a holder elects to convert shares of Convertible Preferred Stock upon the occurrence of certain specified fundamental changes, we may be obligated to deliver an additional number of shares above the applicable conversion rate to compensate the holder for lost option value.

Amended and Restated Shareholders Agreement

In connection with the closing of our acquisition of NEG Oil & Gas LLC (the *NEG Acquisition*), we entered into a Shareholders Agreement with certain of our stockholders, including Tom L. Ward, our Chairman, Chief Executive Officer and President, N. Malone Mitchell 3rd, a director at that time, and affiliates of American Real Estate Partners, LP (*AREP*). The Shareholders Agreement was subsequently amended and restated in connection with the sale of the shares held by AREP to other stockholders (the *New Investors*). The Amended and Restated Shareholders Agreement contains certain restrictions on transfer, tag-along rights, a selected preemptive right and registration rights, each of which is described more fully below.

Tag-Along Rights. If Messrs. Ward or Mitchell propose to sell shares of our common stock (other than to family members and affiliates other than SandRidge) in excess of 3% of our outstanding common stock on a fully diluted basis (other than to family members and affiliates other than SandRidge pursuant to Rule 144 or in a registered offering other than a block trade), the New Investors have the right to elect to sell their proportionate number of shares of our common stock on the same terms. The tag-along rights expire on the earlier of (i) the date upon which the New Investors cease to own at least 20% of our shares of common stock on purchased from affiliates of AREP and (ii) two years following a qualified public offering.

Registration Rights. The Amended and Restated Shareholders Agreement provides each of Mr. Ward, Mr. Mitchell and the affiliates of AREP certain registration rights. For a description of these rights, please read *Registration Rights* Amended and Restated Shareholders Agreement.

Table of Contents

Ares Shareholder Agreement

In connection with our March 2007 private placement, we entered into a Shareholders Agreement (the *Ares Shareholders Agreement*) with certain affiliates of Ares Management LLC (*Ares*) and Mr. Ward. The Ares Shareholder Agreement contains tag-along rights and a voting requirement, each of which is described more fully below.

Tag-Along Rights. If Mr. Ward proposes to sell shares of common stock (other than to family members and affiliates other than SandRidge), he has agreed to use commercially reasonable efforts to structure such sale in a manner as to allow Ares to sell the same proportionate amount of its shares on the same terms. To the extent Ares is unable to sell its proportionate amount of shares as a result of other tag-along rights, Mr. Ward shall decrease the amount of shares he is selling to allow for Ares to sell the same proportionate amount of its shares as Mr. Ward. The tag-along rights expire two years following the completion of the offering.

Registration Rights

Amended and Restated Shareholders Agreement. Pursuant to an Amended and Restated Shareholders Agreement among us and certain of our stockholders, including Messrs. Ward and Mitchell and certain of their respective affiliates, we have agreed to allow such parties to offer their shares of our common stock in certain future registered offerings of our common stock, subject to our priority and customary limitations. We have also agreed to use our reasonable best efforts to cause a shelf registration statement to become effective with respect to the securities held by the stockholders party to the Amended and Restated Shareholders Agreement upon their request. Such request may not be made within 120 days of the effectiveness of a registration statement requested pursuant to the Amended and Restated Shareholders Agreement or that such stockholders are entitled to participate in pursuant to the Amended and Restated Shareholders Agreement. The stockholders party to the agreement (other than Messrs. Ward and Mitchell and their affiliates) may transfer their registration rights under this agreement in connection with sales in excess of 2,000,000 shares of our common stock.

Additional Registration Rights. We entered into registration rights agreements with certain of our stockholders, including Messrs. Ward and Mitchell, on November 21, 2006 and March 20, 2007. Pursuant to these registration rights agreements, we have agreed to allow such parties to offer their shares of our common stock in certain future registered offerings of our common stock, subject to our priority and customary limitations. In addition, we have entered into a registration rights agreement with Mr. George B. Kaiser dated February 16, 2009, which requires us to register certain shares included in this registration statement, as well as any shares that may be purchased in the future under a warrant.

Anti-Takeover Provisions of Delaware Law, Our Certificate of Incorporation and Bylaws

Written Consent of Stockholders

Our certificate of incorporation and bylaws provide that any action required or permitted to be taken by our stockholders must be taken at a duly called meeting of stockholders and not by written consent.

Amendment of the Bylaws

Under Delaware law, the power to adopt, amend or repeal bylaws is conferred upon the stockholders. A corporation may, however, in its certificate of incorporation also confer upon the board of directors the power to adopt, amend or repeal its bylaws. Our charter and bylaws grant our board the power to adopt, amend and repeal our bylaws on the affirmative vote of a majority of the directors then in office.

Special Meetings of Stockholders

Our bylaws preclude the ability of our stockholders to call special meetings of stockholders.

Table of Contents

Other Limitations on Stockholder Actions

Advance notice is required for stockholders to nominate directors or to submit proposals for consideration at meetings of stockholders. In addition, the ability of our stockholders to remove directors without cause is precluded.

Classified Board

Only one of three classes of directors is elected each year.

Limitation of Liability of Officers and Directors

Our certificate of incorporation provides that no director shall be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director, except for liability:

for any breach of the director's duty of loyalty to us or to our stockholders;

for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of laws;

for unlawful payment of a dividend or unlawful stock purchase or stock redemption; and

for any transaction from which the director derived an improper personal benefit.

The effect of these provisions is to eliminate our rights and our stockholders' rights, through stockholders' derivative suits on our behalf, to recover monetary damages against a director for a breach of fiduciary duty as a director, including breaches resulting from grossly negligent behavior, except in the situations described above.

Business Combination Under Delaware Law

We are subject to the provisions of Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner.

Section 203 defines a business combination as a merger, asset sale or other transaction resulting in a financial benefit to the interested stockholders. Section 203 defines an interested stockholder as a person who, together with affiliates and associates, owns, or, in some cases, within three years prior, did own, 15% or more of the corporation's voting stock. Under Section 203, a business combination between us and an interested stockholder is prohibited unless:

our board of directors approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder prior to the date the person attained the status;

upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, excluding, for purposes of determining the number of shares outstanding, shares owned by persons who are directors and also officers and issued employee stock plans, under which employee participants do not have the right to determine confidentially whether shares held under the plan will be tendered in a tender or exchange offer; or

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the business combination is approved by our board of directors on or subsequent to the date the person became an interested stockholder and authorized at an annual or special meeting of the stockholders by the affirmative vote of the holders of at least 66 ²/₃ % of the outstanding voting stock that is not owned by the interested stockholder.

Table of Contents

This provision has an anti-takeover effect with respect to transactions not approved in advance by our board of directors, including discouraging takeover attempts that might result in a premium over the market price for the shares of our common stock. With approval of our stockholders, we could amend our certificate of incorporation in the future to elect not to be governed by the anti-takeover law. This election would become effective 12 months after the adoption of the amendment and would not apply to any business combination with any person who became an interested stockholder on or before the adoption of the amendment.

Table of Contents

DESCRIPTION OF WARRANTS

We may issue warrants for the purchase of our common stock. Warrants may be issued independently or together with Debt Securities, preferred stock or common stock offered by any prospectus supplement and may be attached to or separate from any such offered securities. Each series of warrants will be issued under a separate warrant agreement to be entered into between us and a bank or trust company, as warrant agent, all as set forth in the prospectus supplement relating to the particular issue of warrants. The warrant agent will act solely as our agent in connection with the warrants and will not assume any obligation or relationship of agency or trust for or with any holders of warrants or beneficial owners of warrants. The following summary of certain provisions of the warrants does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all provisions of the warrant agreements.

You should refer to the prospectus supplement relating to a particular issue of warrants for the terms of and information relating to the warrants, including, where applicable:

- (1) the number of shares of common stock purchasable upon exercise of the warrants and the price at which such number of shares of common stock may be purchased upon exercise of the warrants;
- (2) the date on which the right to exercise the warrants commences and the date on which such right expires (the Expiration Date);
- (3) United States federal income tax consequences applicable to the warrants;
- (4) the amount of the warrants outstanding as of the most recent practicable date; and
- (5) any other terms of the warrants.

Warrants will be offered and exercisable for United States dollars only. Warrants will be issued in registered form only. Each warrant will entitle its holder to purchase such number of shares of common stock at such exercise price as is in each case set forth in, or calculable from, the prospectus supplement relating to the warrants. The exercise price may be subject to adjustment upon the occurrence of events described in such prospectus supplement. After the close of business on the Expiration Date (or such later date to which we may extend such Expiration Date), unexercised warrants will become void. The place or places where, and the manner in which, warrants may be exercised will be specified in the prospectus supplement relating to such warrants.

Prior to the exercise of any warrants, holders of the warrants will not have any of the rights of holders of common stock, including the right to receive payments of any dividends on the common stock purchasable upon exercise of the warrants, or to exercise any applicable right to vote.

Table of Contents

PLAN OF DISTRIBUTION

We may sell or distribute the securities included in this prospectus through underwriters, through agents, dealers, in private transactions, at market prices prevailing at the time of sale, at prices related to the prevailing market prices, or at negotiated prices.

In addition, we may sell some or all of the securities included in this prospectus through:

a block trade in which a broker-dealer may resell a portion of the block, as principal, in order to facilitate the transaction;

purchases by a broker-dealer, as principal, and resale by the broker-dealer for its account; or

ordinary brokerage transactions and transactions in which a broker solicits purchasers.

In addition, we may enter into option or other types of transactions that require us to deliver common shares to a broker-dealer, who will then resell or transfer the common shares under this prospectus. We may enter into hedging transactions with respect to our securities. For example, we may:

enter into transactions involving short sales of the common shares by broker-dealers;

sell common shares short themselves and deliver the shares to close out short positions;

enter into option or other types of transactions that require us to deliver common shares to a broker-dealer, who will then resell or transfer the common shares under this prospectus; or

loan or pledge the common shares to a broker-dealer, who may sell the loaned shares or, in the event of default, sell the pledged shares.

We may enter into derivative transactions with third parties or sell securities not covered by this prospectus to third parties in privately negotiated transactions. If the applicable prospectus supplement indicates, in connection with those derivatives, the third parties may sell securities covered by this prospectus and the applicable prospectus supplement, including in short sale transactions. If so, the third party may use securities pledged by us or borrowed from us or others to settle those sales or to close out any related open borrowings of stock, and may use securities received from us in settlement of those derivatives to close out any related open borrowings of stock. The third party in such sale transactions will be an underwriter and, if not identified in this prospectus, will be identified in the applicable prospectus supplement (or a post-effective amendment). In addition, we may otherwise loan or pledge securities to a financial institution or other third party that in turn may sell the securities short using this prospectus. Such financial institution or other third party may transfer its economic short position to investors in our securities or in connection with a concurrent offering of other securities.

There is currently no market for any of the securities, other than the shares of common stock listed on the New York Stock Exchange. If the securities are traded after their initial issuance, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities and other factors. While it is possible that an underwriter could inform us that it intends to make a market in the securities, such underwriter would not be obligated to do so, and any such market making could be discontinued at any time without notice. Therefore, we cannot assure you as to whether an active trading market will develop for these other securities. We have no current plans for listing the debt securities on any securities exchange; any such listing with respect to any particular debt securities will be described in the applicable prospectus supplement.

Any broker-dealers or other persons acting on our behalf that participate with us in the distribution of the shares may be deemed to be underwriters and any commissions received or profit realized by them on the resale of the shares may be deemed to be underwriting discounts

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and commissions under the Securities Act. As of the date of this prospectus, we are not a party to any agreement, arrangement or understanding between any broker or dealer and us with respect to the offer or sale of the securities pursuant to this prospectus.

We may have agreements with agents, underwriters, dealers and remarketing firms to indemnify them against certain civil liabilities, including liabilities under the Securities Act. Agents, underwriters, dealers and

Table of Contents

remarketing firms, and their affiliates, may engage in transactions with, or perform services for, us in the ordinary course of business. This includes commercial banking and investment banking transactions.

At the time that any particular offering of securities is made, to the extent required by the Securities Act, a prospectus supplement will be distributed setting forth the terms of the offering, including the aggregate number of securities being offered, the purchase price of the securities, the initial offering price of the securities, the names of any underwriters, dealers or agents, any discounts, commissions and other items constituting compensation from us and any discounts, commissions or concessions allowed or reallocated or paid to dealers.

Underwriters or agents could make sales in privately negotiated transactions and/or any other method permitted by law, including sales deemed to be an at the market offering as defined in Rule 415 promulgated under the Securities Act, which includes sales made directly on or through the New York Stock Exchange, the existing trading market for our common shares, or sales made to or through a market maker other than on an exchange.

Securities may also be sold directly by us. In this case, no underwriters or agents would be involved.

If a prospectus supplement so indicates, underwriters, brokers or dealers, in compliance with applicable law, may engage in transactions that stabilize or maintain the market price of the securities at levels above those that might otherwise prevail in the open market.

Pursuant to a requirement by the Financial Industry Regulatory Authority (FINRA), the maximum commission or discount to be received by any FINRA member or independent broker/dealer may not be greater than eight percent (8%) of the gross proceeds received by us for the sale of any securities being registered pursuant to SEC Rule 415 under the Securities Act of 1933.

If more than 10% of the net proceeds of any offering of securities made under this prospectus will be received by FINRA members participating in the offering or affiliates or associated persons of such FINRA members, the offering will be conducted in accordance with NASD Conduct Rule 2710(h).

LEGAL

Certain legal matters in connection with the securities will be passed upon by Vinson & Elkins L.L.P, Houston, Texas, as our counsel. Any underwriter or agent will be advised about other issues relating to any offering by its own legal counsel.

EXPERTS

The financial statements and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) incorporated in this prospectus by reference to the Annual Report on Form 10-K for the year ended December 31, 2008 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The estimated reserve evaluations and related calculations for our SandRidge CO₂ properties as of December 31, 2006, 2007 and 2008 have been included in this offering memorandum in reliance upon the report of DeGolyer and MacNaughton, independent petroleum engineering consultants, given upon their authority as experts in petroleum engineering. The estimated reserve evaluations and related calculations for our WTO, East Texas, Gulf of Mexico, Gulf Coast and certain other properties as of December 31, 2006, 2007 and 2008 have been included in this offering memorandum in reliance upon the report of Netherland, Sewell & Associates, Inc., independent petroleum engineering consultants, given upon their authority as experts in petroleum engineering.

Table of Contents

PROSPECTUS

47,776,451 Shares

SandRidge Energy, Inc.

Common Stock

This prospectus relates to up to 47,776,451 shares of the common stock of SandRidge Energy, Inc., which may be offered for sale by the selling stockholders named in this prospectus. We are registering the offer and sale of the shares of common stock to satisfy registration rights we have granted.

We are not selling any shares of common stock under this prospectus and will not receive any proceeds from the sale of common stock by the selling stockholders. The shares of common stock to which this prospectus relates may be offered and sold from time to time directly from the selling stockholders or alternatively through underwriters or broker-dealers or agents. The shares of common stock may be sold in one or more transactions, at fixed prices, at prevailing market prices at the time of sale or at negotiated prices. Please read Plan of Distribution.

Investing in any of our securities involves risk. Please read carefully the section entitled Risk Factors beginning on page 4 of this prospectus.

Our common stock is listed on the New York Stock Exchange under the symbol SD.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This prospectus is dated April 13, 2009.

Table of Contents

TABLE OF CONTENTS

<u>About This Prospectus</u>	1
<u>The Company</u>	1
<u>Where You Can Find More Information</u>	1
<u>Cautionary Statement Regarding Forward-Looking Statements</u>	2
<u>Risk Factors</u>	4
<u>Use Of Proceeds</u>	5
<u>Selling Stockholders</u>	5
<u>Description Of Capital Stock</u>	7
<u>Plan Of Distribution</u>	12
<u>Legal</u>	14
<u>Experts</u>	14

You should rely only on the information contained in or incorporated by reference into this prospectus and any prospectus supplement. We have not authorized any dealer, salesman or other person to provide you with additional or different information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus and any prospectus supplement are not an offer to sell or the solicitation of an offer to buy any securities other than the securities to which they relate and are not an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make an offer or solicitation in that jurisdiction. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front cover of this prospectus, or that the information contained in any document incorporated by reference is accurate as of any date other than the date of the document incorporated by reference, regardless of the time of delivery of this prospectus or any sale of a security.

Table of Contents

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, which we refer to as the SEC, using a shelf registration process. Under this prospectus, the selling stockholders may sell the shares of common stock described in this prospectus in one or more offerings. This prospectus may be supplemented from time to time to add, update or change information contained in this prospectus. Any statement that we make in this prospectus will be modified or superseded by any inconsistent statement made by us in a prospectus supplement. You should read both this prospectus and any prospectus supplement together with additional information described under the heading "Where You Can Find More Information."

Unless the context requires otherwise or unless otherwise noted, all references in this prospectus or any accompanying prospectus supplement to SandRidge, we or our are to SandRidge Energy, Inc. and its subsidiaries.

THE COMPANY

We are an independent natural gas and crude oil company concentrating on exploration, development and production activities. We also own and operate drilling rigs and conduct related oil field services, and we own and operate interests in gas gathering, marketing and processing facilities and CO₂ gathering and transportation facilities.

Our principal executive offices are located at 123 Robert S. Kerr Avenue, Oklahoma City, Oklahoma 73102. Our common stock is listed on the New York Stock Exchange under the symbol SD.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports and other information with the SEC (File No. 001-33784) pursuant to the Securities Exchange Act of 1934, as amended (the Exchange Act). You may read and copy any documents that are filed at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. You may also obtain copies of these documents at prescribed rates from the public reference section of the SEC at its Washington address. Please call the SEC at 1-800-SEC-0330 for further information.

Our filings are also available to the public through the SEC's website at <http://www.sec.gov>.

The SEC allows us to incorporate by reference information that we file with them, which means that we can disclose important information to you by referring you to documents previously filed with the SEC. The information incorporated by reference is an important part of this prospectus, and the information that we later file with the SEC will automatically update and supersede this information. The following documents we filed with the SEC pursuant to the Exchange Act are incorporated herein by reference:

our Annual Report on Form 10-K for the year ended December 31, 2008;

our Current Reports on Form 8-K filed on each of January 14, 2009, January 21, 2009, March 9, 2009 and April 6, 2009 (excluding any information furnished pursuant to Item 2.02 or Item 7.01 of any such Current Report on Form 8-K); and

the description of our common stock contained in our registration statement on Form 8-A dated October 30, 2007, including any amendment to that form that we may file in the future for the purpose of updating the description of our common stock.

These reports contain important information about us, our financial condition and our results of operations.

All documents filed pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act (excluding any information furnished pursuant to Item 2.02 or Item 7.01 on any current report on Form 8-K) before the termination of each offering under this prospectus shall be deemed to be incorporated in this prospectus by reference and to be a part hereof from the date of filing of such documents. Any statement contained herein, or in

Table of Contents

a document incorporated or deemed to be incorporated by reference herein, shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained herein or in any subsequently filed document that also is or is deemed to be incorporated by reference herein, modified or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

You may request a copy of these filings at no cost by writing or telephoning us at the following address and telephone number:

Richard J. Gognat

Corporate Secretary

SandRidge Energy, Inc.

123 Robert S. Kerr Avenue

Oklahoma City, Oklahoma 73102-6406

(405) 429-5500

We also maintain a website at <http://www.sandridgeenergy.com>. However, the information on our website is not part of this prospectus.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Various statements contained in or incorporated by reference into this prospectus, our filings with the SEC and our public releases, including those that express a belief, expectation, or intention, as well as those that are not statements of historical fact, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). These forward-looking statements may include projections and estimates concerning capital expenditures, our liquidity and capital resources, the timing and success of specific projects, outcomes and effects of litigation, claims and disputes, elements of our business strategy and other statements concerning our operations, economic performance and financial condition. Forward-looking statements are generally accompanied by words such as estimate, project, predict, believe, expect, anticipate, potential, may, foresee, plan, goal or other words that convey the uncertainty of future events or outcomes. We have based these forward-looking statements on our current expectations and assumptions about future events. These statements are based on certain assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments as well as other factors we believe are appropriate under the circumstances. These forward-looking statements speak only as of the date of this prospectus; we disclaim any obligation to update or revise these statements unless required by securities law, and we caution you not to rely on them unduly. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties relating to, among other matters, the risks discussed in our Annual Report on Form 10-K for the year ended December 31, 2008 and our subsequent SEC filings and those factors summarized below:

the volatility of natural gas and crude oil prices;

uncertainties in estimating natural gas and crude oil reserves;

the need to replace the natural gas and crude oil reserves we produce;

our ability to execute our growth strategy by drilling wells as planned;

the need to drill productive, economically viable natural gas and crude oil wells;

risks and liabilities associated with acquired properties;

the amount, nature and timing of capital expenditures, including future development costs, required to develop the WTO;

Table of Contents

concentration of operations in the WTO;

economic viability of WTO production with high CO₂ content;

availability of natural gas production for our midstream services operations;

limitations of seismic data;

risks associated with drilling natural gas and crude oil wells;

availability of satisfactory natural gas and crude oil marketing and transportation;

availability and terms of capital;

substantial existing indebtedness;

limitations on operations resulting from debt restrictions and financial covenants;

potential financial losses or earnings reductions from commodity derivatives;

competition in the oil and gas industry;

general economic conditions, either internationally or domestically or in the jurisdictions in which we operate;

costs to comply with current and future governmental regulation of the oil and gas industry, including environmental, health and safety laws and regulations; and

the need to maintain adequate internal control over financial reporting.

Table of Contents

RISK FACTORS

An investment in our securities involves risks. Before you invest in our securities, you should carefully consider the risk factors included in our most recent annual report on Form 10-K, subsequent quarterly reports on Form 10-Q and those that may be included in the applicable prospectus supplement, as well as risks described in Management's Discussion and Analysis of Financial Condition and Results of Operations and cautionary notes regarding forward-looking statements included or incorporated by reference herein, together with all of the other information included in this prospectus, any prospectus supplement and the documents we incorporate by reference.

If any of these risks were to materialize, our business, results of operations, cash flows and financial condition could be materially adversely affected. In that case, our ability to pay interest on, or the principal of, any debt securities, may be reduced, the trading price of our securities could decline and you could lose all or part of your investment.

You should consider carefully the risks below together with all of the other information included in, or incorporated by reference into, this prospectus before deciding whether to invest in our securities.

Risks Related to Our Common Stock

The market price for shares of our common stock may be highly volatile and could be subject to wide fluctuations.

The market price for shares of our common stock may be highly volatile and could be subject to wide fluctuations, even if an active trading market develops. Some of the factors that could negatively affect our share price include:

actual or anticipated variations in our reserve estimates and quarterly operating results;

liquidity and the registration of our common stock for public resale;

sales of our common stock by our stockholders;

changes in natural gas and oil prices;

changes in our cash flows from operations or earnings estimates;

publication of research reports about us or the exploration and production industry generally;

increases in market interest rates, which may increase our cost of capital;

changes in applicable laws or regulations, court rulings and enforcement and legal actions;

changes in market valuations of similar companies;

adverse market reaction to any increased indebtedness we incur in the future;

additions or departures of key management personnel;

actions by our stockholders;

speculation in the press or investment community regarding our business;

large volume of sellers of our common stock pursuant to our resale registration statement with a relatively small volume of purchasers;

general market and economic conditions; and

domestic and international economic, legal and regulatory factors unrelated to our performance.

We do not anticipate paying any dividends on our common stock in the foreseeable future.

We do not expect to declare or pay any cash or other dividends in the foreseeable future on our common stock, as we intend to use cash flow generated by operations to expand our business. Our senior credit facility

Table of Contents

and the indentures governing our outstanding notes restrict our ability to pay cash dividends on our common stock, and we may also enter into credit agreements or other borrowing arrangements in the future that restrict our ability to declare or pay cash dividends on our common stock.

Our certificate of incorporation and bylaws, as well as Delaware law, contain provisions that could discourage acquisition bids or merger proposals, which may adversely affect the market price of our common stock.

Our certificate of incorporation authorizes our board of directors to issue preferred stock without stockholder approval. If our board of directors elects to issue preferred stock, it could be more difficult for a third party to acquire us. In addition, some provisions of our certificate of incorporation and bylaws could make it more difficult for a third party to acquire control of us, even if the change of control would be beneficial to our stockholders, including:

a classified board of directors, so that only approximately one-third of our directors are elected each year;

limitations on the removal of directors;

limitations on the ability of our stockholders to call special meetings; and

advance notice provisions for stockholder proposals and nominations for elections to the board of directors to be acted upon at meetings of stockholders.

Delaware law prohibits us from engaging in any business combination with any interested stockholder, meaning generally that a stockholder who beneficially owns more than 15% of our stock cannot acquire us for a period of three years from the date this person became an interested stockholder, unless various conditions are met, such as approval of the transaction by our board of directors.

USE OF PROCEEDS

The common stock to be offered and sold using this prospectus will be offered and sold by the selling stockholders named in this prospectus or in any supplement to this prospectus. We will not receive any proceeds from the sale of such common stock.

SELLING STOCKHOLDERS

This prospectus covers the offering for resale of up to 47,776,451 shares of our common stock by the selling stockholders identified below. No offer or sale may occur unless this prospectus has been declared effective by the SEC, and remains effective at the time such selling stockholder offers or sells such common stock. We are required to update this prospectus to reflect material developments in our business, financial position and results of operations.

The selling stockholders listed below may from time to time offer and sell pursuant to this prospectus all of the common shares covered by this prospectus as indicated in the table below. The common shares being offered by the selling stockholders are outstanding and were originally issued as follows:

common shares issued in connection with a private placement of common shares to eligible institutional investors in November 2006;

common shares issued in connection with a private placement to eligible institutional investors in March 2007;

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common shares purchases from a third party in April 2007; and

common shares sold by Tom L. Ward, our Chairman, Chief Executive Officer and President, to George B. Kaiser in December 2008.

Table of Contents

The following table sets forth certain information regarding the selling stockholder's beneficial ownership of our common stock as of April 8, 2009, when there were 167,456,399 shares of our common stock outstanding. Unless set forth below, none of the selling stockholders selling in connection with the prospectus has held any position or office with, been employed by, or otherwise has had a material relationship with us or any of our affiliates during the three years prior to the date of this prospectus. The information presented below is based solely on our review of information provided by the selling stockholders.

Name of Selling Stockholder	Number of Shares of Common Stock Beneficially Owned	Percentage of Common Stock Beneficially Owned	Number of Shares of Common Stock That May Be Sold	Number of Shares of Common Stock Beneficially Owned After Offering
Ares Corporate Opportunities Fund II, L.P. ⁽¹⁾	5,901,309	3.5%	5,901,309	0
Ares SandRidge Co-Invest LLC ⁽¹⁾	400	*	400	0
Ares SandRidge, L.P. ⁽¹⁾	1,597,481	1.0%	1,597,481	0
Ares SandRidge 892 Investors, L.P. ⁽¹⁾	2,501,210	1.5%	2,501,210	0
George B. Kaiser ⁽²⁾	8,146,797	4.9%	8,146,797	0
George Kaiser Family Foundation ⁽³⁾	1,060,100	*	750,000	310,100
Pooled CIT Investments, L.L.C. ⁽⁴⁾	6,672,598 ⁽⁵⁾	4.0%	6,672,598	0
TLW Properties, L.L.C. ⁽⁶⁾	5,636,754	3.4%	5,636,754	0
Tom L Ward ⁽⁷⁾	29,051,577 ⁽⁸⁾	17.3%	16,569,402	12,482,175 ⁽⁹⁾

* Less than one percent.

- (1) Ares Management LLC (Ares Management) is a private investment management firm that indirectly controls Ares Corporate Opportunities Fund II, L.P. (ACOF II), Ares SandRidge, L.P. (Ares SandRidge), Ares SandRidge 892 Investors, L.P. (Ares 892 Investors) and Ares SandRidge Co-Invest, LLC (ACOF Co-Invest), each of which is a record holder of our common stock (together with Ares SandRidge and Ares 892 Investors, the ACOF II AIVs). The general partner of ACOF II, Ares SandRidge and Ares 892 Investors is ACOF Management II, L.P. (ACOF Management II) and the general partner of ACOF Management II is ACOF Operating Manager II, L.P. (ACOF Operating Manager II). Each of ACOF Operating Manager II and ACOF Co-Invest is controlled by Ares Management, which, in turn, is indirectly controlled by Ares Partners Management Company LLC. Each of the foregoing entities (collectively, the Ares Entities) and the officers, partners, members and managers thereof, other than ACOF II and the ACOF II AIVs, disclaims beneficial ownership of the shares of common stock owned by ACOF II and the ACOF II AIVs, except to the extent of any pecuniary interest therein. Includes 788 vested restricted stock units held by Mr. Jeffrey Serota, one of our directors, as nominee on behalf of, and for the sole benefit of, Ares Management. Mr. Serota has assigned all economic, pecuniary and voting rights in respect of these securities to Ares Management. Mr. Serota is associated with Ares Management and certain of the other Ares Entities.
- (2) An affiliate of such selling stockholder is a broker-dealer registered pursuant to Section 15(b) of the Exchange Act. The selling stockholder has represented that the selling stockholder (i) purchased the securities for the selling stockholder's own account, not as a nominee or agent, in the ordinary course of business and with no intention of selling or otherwise distributing securities in any transaction in violation of securities laws and (ii) at the time of purchase, the selling stockholder did not have any agreement or understanding, direct or indirect, with any other person to sell or otherwise distribute the purchased securities.
- (3) Frederic Dorwart, Philip Lakin and Philip Frohlich serve as trustees.
- (4) Frederic Dorwart exercises voting and dispositive power over shares held by Pooled CIT Investments, L.L.C.

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- (5) Pooled CIT Investments, L.L.C. holds a warrant issued by Tom L. Ward, our Chairman, Chief Executive Officer and President. The warrant is immediately exercisable for the purchase of up to 6,672,598 shares of our common stock from Mr. Ward at an exercise price of \$5.62 per share. The warrant expires on December 31, 2013. The exercise of the warrant is limited to cash settlement unless and until any third-party

Table of Contents

security interests in the underlying shares of common stock are released, and if any such security interests are not released by December 31, 2009, the expiration date of the warrant will be extended by the number of days beginning on December 31, 2009 and ending on the date such security interests are released.

- (6) Tom L. Ward, our Chairman, Chief Executive Officer and President, serves as Manager of TLW Properties, L.L.C. Mr. Ward exercises voting and dispositive power over shares held by TLW Properties, L.L.C.

- (7) Mr. Ward has served as our Chairman and Chief Executive Officer since June 2006 and as our President since December 2006.

- (8) Includes (i) 79,000 shares of common stock held through an IRA; (ii) 5,636,754 shares of common stock held by TLW Properties, L.L.C., for which Mr. Ward exercises voting and dispositive power; (iii) 20,000 shares of common stock held by Mr. Ward's minor child, the beneficial ownership of which Mr. Ward disclaims; (iv) 31,200 shares of common stock held by Solon L. Bloomer Family Partners Limited Partnership II, an entity for which Mr. Ward serves as a general partner exercising voting and dispositive power over the shares; (v) 3,003 shares of common stock held in a 401(k) account; and (vi) 39,620 shares of common stock held through the SandRidge Energy, Inc. Non-Qualified Excess Plan. In addition, as described above, Mr. Ward granted a warrant to Pooled CIT Investments, L.L.C. for the purchase of up to 6,672,598 shares of common stock.

- (9) Includes 5,636,754 shares of common stock beneficially owned by Mr. Ward that may be sold pursuant to this prospectus by TLW Properties, L.L.C.

Selling security holders who are registered broker-dealers are underwriters within the meaning of the Securities Act. In addition, selling security holders who are affiliates of registered broker-dealers are underwriters within the meaning of the Securities Act if such selling security holder (a) did not acquire its shares of common stock in the ordinary course of business or (b) had an agreement or understanding, directly or indirectly, with any person to distribute the common shares. To our knowledge, no selling security holder who is a registered broker-dealer or an affiliate of a registered broker-dealer received any securities as underwriting compensation.

The selling stockholders listed in the above table may have sold or transferred, in transactions exempt from the registration requirements of the Securities Act, some or all of the shares of our common stock since the date on which the information in the above table was provided to us. Information about the selling stockholders may change over time.

Because the selling stockholders may offer all or some of their shares of our common stock from time to time, we cannot estimate the number of shares of our common stock that will be held by the selling stockholders upon the termination of any particular offering by such selling stockholder. Please refer to Plan of Distribution.

All expenses incurred with the registration of the common stock owned by the selling stockholders will be borne by us.

DESCRIPTION OF CAPITAL STOCK

Set forth below is a description of the material terms of our capital stock. However, this description is not complete and is qualified by reference to our certificate of incorporation and bylaws. Copies of our certificate of incorporation and bylaws are available from us upon request. These documents have also been filed with the SEC. Please read Where You Can Find More Information.

Authorized Capital Stock

Our authorized capital stock consists of 400,000,000 shares of common stock, par value \$0.001 per share, and 50,000,000 shares of preferred stock, par value \$0.001 per share. As of December 31, 2008, we had 166,046,111 outstanding shares of common stock. We have no outstanding options to purchase common stock,

Table of Contents

but we have granted restricted stock awards for 2,993,073 shares of common stock (other than shares cancelled Stock on January 21, 2009).

Common Stock

Subject to any special voting rights of any series of preferred stock that we may issue in the future, each share of common stock has one vote on all matters voted on by our stockholders, including the election of our directors. Because holders of common stock do not have cumulative voting rights, the holders of a majority of the shares of common stock can elect all of the members of the board of directors standing for election, subject to the rights, powers and preferences of any outstanding series of preferred stock.

No share of common stock affords any preemptive rights or is convertible, redeemable, assessable or entitled to the benefits of any sinking or repurchase fund. Holders of common stock will be entitled to dividends in the amounts and at the times declared by our board of directors in its discretion out of funds legally available for the payment of dividends.

Holders of common stock will share equally in our assets on liquidation after payment or provision for all liabilities and any preferential liquidation rights of any preferred stock then outstanding. All outstanding shares of common stock are fully paid and non-assessable.

Preferred Stock

Our board of directors may, without any action by holders of the common stock:

adopt resolutions to issue preferred stock in one or more classes or series;

fix or change the number of shares constituting any class or series of preferred stock; and

establish or change the rights of the holders of any class or series of preferred stock.

The rights of any class or series of preferred stock may include, among others:

general or special voting rights;

preferential liquidation or preemptive rights;

preferential cumulative or noncumulative dividend rights;

redemption or put rights; and

conversion or exchange rights.

We may issue shares of, or rights to purchase, preferred stock, the terms of which might:

adversely affect voting or other rights evidenced by, or amounts otherwise payable with respect to, the common stock;

discourage an unsolicited proposal to acquire us; or

facilitate a particular business combination involving us.

Any of these actions could discourage a transaction that some or a majority of our stockholders might believe to be in their best interests or in which our stockholders might receive a premium for their stock over its then-prevailing market price.

8.5% Convertible Perpetual Preferred Stock

As of the date of this prospectus, 2,650,000 shares of our 8.5% Convertible Perpetual Preferred Stock (the Convertible Preferred Stock) were issued and outstanding. Each share of Convertible Preferred Stock is convertible at any time on or after April 15, 2009 at the option of the holder thereof into a number of shares of our common stock equal to the liquidation preference of \$100 divided by the conversion price, which is initially

Table of Contents

\$8.0125 per share and is subject to specified adjustments. This results in an initial conversion rate of approximately 12.4805 shares of common stock per share of Convertible Preferred Stock. Based on the initial conversion price, approximately 33,073,323 shares of common stock would be issuable upon conversion of all of the outstanding shares of the Convertible Preferred Stock.

The annual dividend on each share of Convertible Preferred Stock is \$8.50 and is payable semiannually, in arrears, on each February 15 and August 15, commencing on February 15, 2010, when, as and if declared by our board of directors. No dividends will accrue or accumulate prior to August 15, 2009. We may, at our option, pay dividends in cash, common stock or any combination thereof.

Except as required by law or the our certificate of incorporation, holders of the Convertible Preferred Stock will have no voting rights unless dividends fall into arrears for three semiannual periods. Until such arrearage is paid in full, the holders will be entitled to elect two directors and the number of directors on our board of directors will increase by that same number.

At any time on or after February 20, 2014, we may at our option cause all outstanding shares of the Convertible Preferred Stock to be automatically converted into common stock at the then-prevailing conversion price, if the closing sale price of our common stock exceeds 130% of the then-prevailing conversion price for a specified period prior to the conversion.

If a holder elects to convert shares of Convertible Preferred Stock upon the occurrence of certain specified fundamental changes, we may be obligated to deliver an additional number of shares above the applicable conversion rate to compensate the holder for lost option value.

Amended and Restated Shareholders Agreement

In connection with the closing of our acquisition of NEG Oil & Gas LLC (the *NEG Acquisition*), we entered into a Shareholders Agreement with certain of our stockholders, including Tom L. Ward, our Chairman, Chief Executive Officer and President, N. Malone Mitchell 3rd, a director at that time, and affiliates of American Real Estate Partners, LP (*AREP*). The Shareholders Agreement was subsequently amended and restated in connection with the sale of the shares held by AREP to other stockholders (the *New Investors*). The Amended and Restated Shareholders Agreement contains certain restrictions on transfer, tag-along rights, a selected preemptive right and registration rights, each of which is described more fully below.

Tag-Along Rights. If Messrs. Ward or Mitchell propose to sell shares of our common stock (other than to family members and affiliates other than SandRidge) in excess of 3% of our outstanding common stock on a fully diluted basis (other than to family members and affiliates other than SandRidge pursuant to Rule 144 or in a registered offering other than a block trade), the New Investors have the right to elect to sell their proportionate number of shares of our common stock on the same terms. The tag-along rights expire on the earlier of (i) the date upon which the New Investors cease to own at least 20% of our shares of common stock on purchased from affiliates of AREP and (ii) two years following a qualified public offering.

Registration Rights. The Amended and Restated Shareholders Agreement provides each of Mr. Ward, Mr. Mitchell and the affiliates of AREP certain registration rights. For a description of these rights, please read *Registration Rights* Amended and Restated Shareholders Agreement.

Ares Shareholder Agreement

In connection with our March 2007 private placement, we entered into a Shareholders Agreement (the *Ares Shareholders Agreement*) with certain affiliates of Ares Management LLC (*Ares*) and Mr. Ward. The Ares Shareholder Agreement contains tag-along rights and a voting requirement, each of which is described more fully below.

Tag-Along Rights. If Mr. Ward proposes to sell shares of common stock (other than to family members and affiliates other than SandRidge), he has agreed to use commercially reasonable efforts to structure such sale in a manner as to allow Ares to sell the same proportionate amount of its shares on the same terms. To the extent Ares is unable to sell its proportionate amount of shares as a result of other tag-along rights, Mr. Ward shall decrease

Table of Contents

the amount of shares he is selling to allow for Ares to sell the same proportionate amount of its shares as Mr. Ward. The tag-along rights expire two years following the completion of the offering.

Registration Rights

Amended and Restated Shareholders Agreement. Pursuant to an Amended and Restated Shareholders Agreement among us and certain of our stockholders, including Messrs. Ward and Mitchell and certain of their respective affiliates, we have agreed to allow such parties to offer their shares of our common stock in certain future registered offerings of our common stock, subject to our priority and customary limitations. We have also agreed to use our reasonable best efforts to cause a shelf registration statement to become effective with respect to the securities held by the stockholders party to the Amended and Restated Shareholders Agreement upon their request. Such request may not be made within 120 days of the effectiveness of a registration statement requested pursuant to the Amended and Restated Shareholders Agreement or that such stockholders are entitled to participate in pursuant to the Amended and Restated Shareholders Agreement. The stockholders party to the agreement (other than Messrs. Ward and Mitchell and their affiliates) may transfer their registration rights under this agreement in connection with sales in excess of 2,000,000 shares of our common stock.

Additional Registration Rights. We entered into registration rights agreements with certain of our stockholders, including Messrs. Ward and Mitchell, on November 21, 2006 and March 20, 2007. Pursuant to these registration rights agreements, we have agreed to allow such parties to offer their shares of our common stock in certain future registered offerings of our common stock, subject to our priority and customary limitations. In addition, we have entered into a registration rights agreement with Mr. George B. Kaiser dated February 16, 2009, which requires us to register certain shares included in this registration statement, as well as any shares that may be purchased in the future under a warrant.

Anti-Takeover Provisions of Delaware Law, Our Certificate of Incorporation and Bylaws

Written Consent of Stockholders

Our certificate of incorporation and bylaws provide that any action required or permitted to be taken by our stockholders must be taken at a duly called meeting of stockholders and not by written consent.

Amendment of the Bylaws

Under Delaware law, the power to adopt, amend or repeal bylaws is conferred upon the stockholders. A corporation may, however, in its certificate of incorporation also confer upon the board of directors the power to adopt, amend or repeal its bylaws. Our charter and bylaws grant our board the power to adopt, amend and repeal our bylaws on the affirmative vote of a majority of the directors then in office.

Special Meetings of Stockholders

Our bylaws preclude the ability of our stockholders to call special meetings of stockholders.

Other Limitations on Stockholder Actions

Advance notice is required for stockholders to nominate directors or to submit proposals for consideration at meetings of stockholders. In addition, the ability of our stockholders to remove directors without cause is precluded.

Classified Board

Only one of three classes of directors is elected each year.

Table of Contents

Limitation of Liability of Officers and Directors

Our certificate of incorporation provides that no director shall be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director, except for liability:

for any breach of the director's duty of loyalty to us or to our stockholders;

for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of laws;

for unlawful payment of a dividend or unlawful stock purchase or stock redemption; and

for any transaction from which the director derived an improper personal benefit.

The effect of these provisions is to eliminate our rights and our stockholders' rights, through stockholders' derivative suits on our behalf, to recover monetary damages against a director for a breach of fiduciary duty as a director, including breaches resulting from grossly negligent behavior, except in the situations described above.

Business Combination Under Delaware Law

We are subject to the provisions of Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner.

Section 203 defines a business combination as a merger, asset sale or other transaction resulting in a financial benefit to the interested stockholders. Section 203 defines an interested stockholder as a person who, together with affiliates and associates, owns, or, in some cases, within three years prior, did own, 15% or more of the corporation's voting stock. Under Section 203, a business combination between us and an interested stockholder is prohibited unless:

our board of directors approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder prior to the date the person attained the status;

upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, excluding, for purposes of determining the number of shares outstanding, shares owned by persons who are directors and also officers and issued employee stock plans, under which employee participants do not have the right to determine confidentially whether shares held under the plan will be tendered in a tender or exchange offer; or

the business combination is approved by our board of directors on or subsequent to the date the person became an interested stockholder and authorized at an annual or special meeting of the stockholders by the affirmative vote of the holders of at least 66²/₃% of the outstanding voting stock that is not owned by the interested stockholder.

This provision has an anti-takeover effect with respect to transactions not approved in advance by our board of directors, including discouraging takeover attempts that might result in a premium over the market price for the shares of our common stock. With approval of our stockholders, we could amend our certificate of incorporation in the future to elect not to be governed by the anti-takeover law. This election would become effective 12 months after the adoption of the amendment and would not apply to any business combination with any person who became an interested stockholder on or before the adoption of the amendment.

Table of Contents

PLAN OF DISTRIBUTION

We are registering the common stock covered by this prospectus to permit selling stockholders to conduct public secondary trading of these shares from time to time after the date of this prospectus. We entered into Registration Rights Agreements with the selling stockholders, pursuant to which we agreed to, among other things, bear all expenses, other than brokers' or underwriters' discounts and commissions, in connection with the registration and sale of the common stock covered by this prospectus. We will not receive any of the proceeds of the sale of the common stock offered by this prospectus. The aggregate proceeds to the selling stockholders from the sale of the common stock will be the purchase price of the common stock less any discounts and commissions. A selling stockholder reserves the right to accept and, together with their agents, to reject, any proposed purchases of common stock to be made directly or through agents.

The common stock offered by this prospectus may be sold from time to time to purchasers:

directly by the selling stockholders and their successors, which includes their donees, pledgees or transferees or their successors-in-interest, or

through underwriters, broker-dealers or agents, who may receive compensation in the form of discounts, commissions or agent's commissions from the selling stockholders or the purchasers of the common stock. These discounts, concessions or commissions may be in excess of those customary in the types of transactions involved.

The selling stockholders and any underwriters, broker-dealers or agents who participate in the sale or distribution of the common stock may be deemed to be underwriters within the meaning of the Securities Act. Any selling stockholder that is a registered broker-dealer will be deemed to be an underwriter. As a result, any profits on the sale of the common stock by such selling stockholders and any discounts, commissions or agent's commissions or concessions received by it may be deemed to be underwriting discounts and commissions under the Securities Act. Selling stockholders who are deemed to be underwriters within the meaning of Section 2(11) of the Securities Act will be subject to prospectus delivery requirements of the Securities Act. Underwriters are subject to certain statutory liabilities, including, but not limited to, Sections 11, 12 and 17 of the Securities Act.

The common stock may be sold in one or more transactions at:

fixed prices;

prevailing market prices at the time of sale;

prices related to such prevailing market prices;

varying prices determined at the time of sale; or

negotiated prices.

These sales may be effected in one or more transactions:

on any national securities exchange or quotation on which the common stock may be listed or quoted at the time of the sale;

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in the over-the-counter market;

in transactions other than on such exchanges or services or in the over-the-counter market;

through the writing of options (including the issuance by the selling stockholders of derivative securities), whether the options or such other derivative securities are listed on an options exchange or otherwise;

through the settlement of short sales; or

through any combination of the foregoing.

Table of Contents

These transactions may include block transactions or crosses. Crosses are transactions in which the same broker acts as an agent on both sides of the trade.

In connection with the sales of the common stock, the selling stockholders may enter into hedging transactions with broker-dealers or other financial institutions which in turn may:

engage in short sales of the common stock in the course of hedging their positions;

sell the common stock short and deliver the common stock to close out short positions;

loan or pledge the common stock to broker-dealers or other financial institutions that in turn may sell the common stock;

enter into option or other transactions with broker-dealers or other financial institutions that require the delivery to the broker-dealer or other financial institution of the common stock, which the broker-dealer or other financial institution may resell under the prospectus; or

enter into transactions in which a broker-dealer makes purchases as a principal for resale for its own account or through other types of transactions.

To our knowledge, there are currently no plans, arrangements or understandings between any selling stockholders and any underwriter, broker-dealer or agent regarding the sale of the common stock by the selling stockholders.

Our common stock is listed on the New York Stock Exchange under the symbol SD.

There can be no assurance that any selling stockholder will sell any or all of the common stock under this prospectus. Further, we cannot assure you that any such selling stockholder will not transfer, devise or gift the common stock by other means not described in this prospectus. In addition, any common stock covered by this prospectus that qualifies for sale under Rule 144 or Rule 144A of the Securities Act may be sold under Rule 144 or Rule 144A rather than under this prospectus. The common stock covered by this prospectus may also be sold to non-U.S. persons outside the U.S. in accordance with Regulation S under the Securities Act rather than under this prospectus. The common stock may be sold in some states only through registered or licensed brokers or dealers. In addition, in some states the common stock may not be sold unless it has been registered or qualified for sale or an exemption from registration or qualification is available and complied with.

The selling stockholders and any other person participating in the sale of the common stock will be subject to the Exchange Act. The Exchange Act rules include, without limitation, Regulation M, which may limit the timing of purchases and sales of any of the common stock by the selling stockholders and any other such person. In addition, Regulation M may restrict the ability of any person engaged in the distribution of the common stock to engage in market-making activities with respect to the particular common stock being distributed. This may affect the marketability of the common stock and the ability of any person or entity to engage in market-making activities with respect to the common stock.

We have agreed to indemnify the selling stockholders against certain liabilities, including liabilities under the Securities Act.

We have agreed to pay substantially all of the expenses incidental to the registration, offering and sale of the common stock to the public, including the payment of federal securities law and state blue sky registration fees, except that we will not bear any underwriting discounts or commissions or transfer taxes relating to the sale of shares of our common stock.

Table of Contents

LEGAL

Certain legal matters in connection with the securities will be passed upon by Vinson & Elkins L.L.P, Houston, Texas, as our counsel. Any underwriter or agent will be advised about other issues relating to any offering by its own legal counsel.

EXPERTS

The financial statements and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) incorporated in this prospectus by reference to the Annual Report on Form 10-K for the year ended December 31, 2008 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The estimated reserve evaluations and related calculations for our SandRidge CO₂ properties as of December 31, 2006, 2007 and 2008 have been included in this offering memorandum in reliance upon the report of DeGolyer and MacNaughton, independent petroleum engineering consultants, given upon their authority as experts in petroleum engineering. The estimated reserve evaluations and related calculations for our WTO, East Texas, Gulf of Mexico, Gulf Coast and certain other properties as of December 31, 2006, 2007 and 2008 have been included in this offering memorandum in reliance upon the report of Netherland, Sewell & Associates, Inc., independent petroleum engineering consultants, given upon their authority as experts in petroleum engineering.

Table of Contents

24,000,000 Shares

SandRidge Energy, Inc.

Common Stock

Prospectus Supplement

December 1, 2009

Barclays Capital

BofA Merrill Lynch

RBC Capital Markets

Deutsche Bank Securities

Howard Weil Incorporated

J.P. Morgan

Simmons & Company International

Tudor, Pickering, Holt & Co.

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Calyon Securities (USA) Inc.

Comerica Securities

Johnson Rice & Company L.L.C.

Mitsubishi UFJ Securities

RBS

SunTrust Robinson Humphrey