

BANK BRADESCO  
Form 424B3  
September 17, 2004

Filed Pursuant to Rule 424(b)(3)  
Registration No. 333-117839

PROSPECTUS

BANCO BRADESCO S.A.  
(Bank Bradesco)  
*(a company incorporated under the laws of the Federative Republic of Brazil),*  
acting through its Grand Cayman branch

U.S.\$500,000,000 8.75% Subordinated Notes due 2013

The exchange offer	We are offering to exchange new notes registered with the Securities and Exchange Commission, for existing notes that we previously issued in an offering exempt from the SEC's registration requirements. The terms and conditions of the exchange offer are summarized below and more fully described in this prospectus.
Expiration date	5:00 p.m. (New York City time) (for the Depository Trust Company ("DTC") portion) and 5:00 p.m. (London Time) (for the Euroclear Bank S.A./N.V., as operator of the Euroclear System, or "Euroclear", and Clearstream Banking, société anonyme, or "Clearstream, Luxembourg" portion) on October 11, 2004, unless extended.
Withdrawal rights	Any time before 5:00 p.m. (New York City time) (for the DTC portion) and 5:00 p.m. (London time) (for the Euroclear/Clearstream portion) on the expiration date.
Integral multiples	Old notes may only be tendered in integral multiples of U.S.\$10,000.
Expenses	Paid for by Banco Bradesco S.A.
Exchange notes	The exchange notes will have the same terms and conditions as the existing notes they are replacing, which are summarized below and described more fully in this prospectus. The exchange notes will not contain terms with respect to transfer restrictions or interest rate increases.
Listing	Application has been made to list the exchange notes on the Luxembourg Stock Exchange.

**Consider carefully the risk factors beginning on page 11 of this prospectus.**

We are relying on the position of the SEC staff in certain interpretative letters to third parties to remove the transfer restrictions on the exchange notes.

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

September 13, 2004

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**IMPORTANT NOTICE ABOUT INFORMATION PRESENTED IN THIS PROSPECTUS**

You should rely only on the information provided in this prospectus including the information incorporated by reference. We have not authorized anyone to provide you with different information. We are not offering the notes in any state where the offer is not permitted. We do not claim the accuracy of the information in this prospectus as of any date other than the date stated on the cover.

We include cross-references in this prospectus to captions where you can find further related discussions. The following Table of Contents provides the pages on which these captions are located.

**BRADESCO**

In this prospectus, unless the context otherwise requires, (i) references to we, our or to us mean Banco Bradesco S.A. and its consolidated subsidiaries and (ii) references to our Grand Cayman branch or the issuer mean Banco Bradesco S.A., acting through its Grand Cayman branch.

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The notes have not been, and will not be, registered with the Comissão de Valores Mobiliários, or CVM, the securities and exchange commission of Brazil. Any public offering or distribution, as defined under Brazilian laws and regulations, of the notes in Brazil is not legal without such prior registration under Law 6385/76, as amended. If a Brazilian resident acquires any note, such note can neither circulate in Brazil in bearer form nor be repaid in Brazil in a currency other than the Brazilian currency at the time such payment is made.

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**This prospectus incorporates important business and financial information about Bradesco that is not included in or delivered with this prospectus. This information is available to you without charge upon written or oral request to The Bank of New York, Corporate Trust Operations, Reorganization Unit, 101 Barclay Street 7 East, New York, New York 10286, Attention: Mr. Kin Lau, telephone (212) 315 3750, facsimile (212) 298 1915. To obtain timely delivery, you must request this information no later than five business days before the expiration date of this exchange offer.**

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**AVAILABLE INFORMATION**

We are filing with the SEC a registration statement on Form F-4 relating to the exchange notes. This prospectus is a part of the registration statement, but the registration statement includes additional information and also includes exhibits that are referenced in this prospectus.

**Bradesco.** Bradesco is currently subject to the information requirements of the Exchange Act applicable to a foreign private issuer, and accordingly files or furnishes reports, including annual reports on Form 20-F, reports on Form 6-K, and other information with the U.S. Securities and Exchange Commission. These reports and other information filed can be inspected at, and subject to the payment of any required fees, copies may be obtained from, the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington D.C. 20549, and at its regional offices at The Woolworth Building, 233 Broadway, New York, New York 10279, and Northwest Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. The SEC can be reached at 1-800-SEC-0330 for more information on the public reference rooms and their copy charges. These reports and other information may also be inspected and copied at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005. As a foreign private issuer, however, Bradesco is exempt from the proxy requirements of Section 14 of the Exchange Act and from the short-swing profit recovery rules of Section 16 of the Exchange Act, although the rules of the New York Stock Exchange may require Bradesco to solicit proxies from its shareholders under some circumstances.

**The insurers.** Only limited information concerning the insurers is included in this prospectus. The availability of information regarding the insurers is discussed in this prospectus under the caption *The Insurers and the Insurance Policy - The Insurers*.

**The trustee and the paying agent.** The trustee will furnish to holders of notes copies of documents referred to herein. Holders of notes should contact the trustee, The Bank of New York, at 101 Barclay Street, 21W, New York, New York 10286.

**The Luxembourg paying agent.** The Luxembourg paying agent will furnish to holders of notes copies of documents referred to herein. Holders of the notes should contact the Luxembourg paying agent, Dexia Banque Internationale à Luxembourg, 69 Route d'Esch, L-1470 Luxembourg.

**INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE**

Bradesco files with or furnishes to the SEC documents including:

- annual reports on Form 20-F; and
- periodic reports on Form 6-K.

The Form 6-K furnished to the SEC by Bradesco on May 4, 2004 shall be deemed to be incorporated by reference into this prospectus.

All documents filed by Bradesco pursuant to Section 13(a), 13(c) or 15(d) of the Exchange Act after the date of this prospectus and prior to the consummation of this offering shall be deemed to be incorporated by reference into this prospectus and be a part of it from the dates of filing of these documents.

Any statement contained in a document incorporated or deemed incorporated by reference into this prospectus is superseded to the extent that a statement contained in this prospectus, or in any other document subsequently filed with or furnished to the SEC is inconsistent therewith.

Copies of all documents incorporated by reference herein may be obtained free of charge from the SEC website at <http://www.sec.gov> or at the office of the trustee and the Luxembourg paying agent.

**PRESENTATION OF FINANCIAL INFORMATION**

Our audited consolidated financial statements as of December 31, 2003 and 2002 and for the years ended December 31, 2003, 2002 and 2001, including the notes thereto, have been prepared in accordance with generally accepted accounting principles in the United States, known as U.S. GAAP .

Certain additional information contained herein has been prepared in accordance with accounting principles prescribed by accounting practices adopted in Brazil. Accounting practices adopted in Brazil differ significantly from U.S. GAAP in some respects. For more information, see Summary of Certain Differences Between Accounting Practices adopted in Brazil and U.S. GAAP .

References herein to the *real* , *reais* or R\$ are the Brazilian *real*, the official currency of Brazil. References to U.S. dollar , U.S.\$ , \$ or do to United States dollars. References to EUR or Euro are to the Euro, the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Communities, as amended. References to Yen are to Japanese Yen.

The exchange rate of *reais* to U.S. dollars was R\$2.3120 to U.S.\$1.00 at December 31, 2001, R\$3.5400 to U.S.\$1.00 at December 31, 2002, R\$2.8950 to U.S.\$1.00 at December 31, 2003 and R\$3.063 to U.S. \$1.00 at July 27, 2004, based on the noon buying rate in New York City as reported by the Federal Reserve Bank of New York. The exchange rate of *reais* to U.S. dollars was R\$2.3204 to U.S.\$1.00 at December 31, 2001, R\$3.5333 to U.S.\$1.00 at December 31, 2002, R\$2.8892 to U.S. \$1.00 at December 31, 2003 and R\$3.067 to U.S.\$1.00 at July 27, 2004 based on the U.S. dollar selling rate as reported by the Central Bank of Brazil, which we call the Central Bank , at closing. As a result of recent fluctuations in the *real*-U.S. dollar exchange rate, the closing selling exchange rate at December 31, 2003 may not be indicative of current or future exchange rates. Therefore, you should not read these exchange rate conversions as representations that any such amounts have been or could be converted into U.S. dollars at those or any other exchange rates.

For your convenience, certain amounts have been converted from *reais* to U.S. dollars. These conversions have been calculated using the U.S. dollar selling rate at closing published by the Central Bank. See Exchange Controls and Foreign Exchange Rates for more information regarding the exchange rates applicable to the Brazilian currency since January 1, 1999.

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 aggregation of the figures which precede them.

**FORWARD-LOOKING STATEMENTS**

This prospectus contains statements that constitute forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements appear in a number of places in this prospectus, principally in Risk Factors , Management s Discussion and Analysis of Financial Condition and Results of Operations and Business , and include statements regarding our intent, belief or current expectations or those of our officers with respect to, among other things, the use of proceeds of the offering, our financing plans, trends affecting our financial condition or results of operations, the impact of competition and future plans and strategies. These statements reflect our views with respect to such matters and are subject to risks, uncertainties and assumptions, including, among other things:

- general economic, political and business conditions, both in Brazil and abroad;
- management s expectations and estimates concerning our future financial performance, financing plans and programs, and the effects of competition;
- the continued growth of our insurance, leasing, asset management and other businesses complementary to banking services;
- our level of capitalization and debt;

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- anticipated trends and competition in the Brazilian banking and financial services industries;
- the market value of Brazilian government securities;
- interest rate fluctuations, inflation and devaluation of the *real* in relation to the U.S. dollar;
- existing and future governmental regulation and tax matters;
- increases in defaults by borrowers and other loan delinquencies and increases in the provision for loan losses;
- customer loss, revenue loss and deposit attrition;
- our ability to sustain or improve performance;
- credit and other risks of lending and investment activities; and
- other risk factors as set forth under **Risk Factors** .

The words *believe* , *may* , *will* , *estimate* , *continue* , *anticipate* , *intend* , *expect* , *plan* , *target* , *project* , *forecast* , *guideline* , are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. We undertake no obligation to update publicly or revise any forward-looking statements because of new information, future events or other factors. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this prospectus might not occur. Our actual results could differ substantially from those anticipated in our forward-looking statements.

**SUMMARY**

*This summary highlights selected information from this prospectus. Because this is a summary, it does not contain all of the information that may be important to you. You should carefully read the entire prospectus to understand fully the terms of the exchange offer and the notes, as well as the tax and other considerations that are important to you in making your investment decision and participating in the exchange offer. You should pay special attention to the *Risk Factors* section beginning on page 11 of this prospectus.*

**Banco Bradesco**

We believe we are the largest private-sector (non-government-controlled) bank in Brazil and in Latin America as a whole in terms of total net worth. We provide a wide range of banking and financial products and services, in Brazil and abroad, to individuals, small to mid-sized companies and major local and international corporations and institutions. We have the most extensive private-sector branch and service network in Brazil, which permits us to reach a diverse customer base. Our services and products encompass banking operations such as lending and deposit-taking, credit card issuance, insurance, leasing, payment collection and processing, pension plans, asset management and brokerage services.

According to information published by *Superintendência de Seguros Privados* (the Superintendency of Private Insurance, which is known as SUSEP) and by the *Agência Nacional de Saúde Suplementar* (the National Agency of Supplemental Health, known as ANS), we are the largest insurance, pension plan and *título de capitalização*, or certificated savings plan, provider in Brazil on a consolidated basis in terms of insurance premiums, pension plan contributions and income from certificated savings plans. We are also one of the leaders among private-sector financial institutions in third-party resource management and in the underwriting of debt securities, according to information published by the National Association of Investment Banks, known as ANBID. In December 2003, according to information published by the Brazilian Federal Revenue Service, we accounted for 20.7% of the total nationwide collections of a tax called the Provisional Contribution on Financial Transactions, known as CPMF. Since the CPMF tax is levied on virtually all Brazilian financial transactions, this statistic provides a measure of the percentage of Brazilian financial transactions that we handle.

At December 31, 2003, we had, on a consolidated basis:

R\$166.3 billion in total assets;	R\$58.0 billion in total deposits; and
R\$54.8 billion in total loans;	R\$13.6 billion in shareholders' equity.

Although our customer base includes individuals of all income levels as well as large, mid-sized and small businesses, the common citizens of Brazil have traditionally formed the backbone of our clientele. Since the 1960s, we have been a leader in the middle to low-end retail banking market in Brazil. This segment still has great potential for development and provides us with higher margins than other segments, such as corporate credit operations and securities trading, where we face greater price competition.

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The breadth of our retail and corporate banking and insurance operations is illustrated by the following operating data, which is shown on a consolidated basis at December 31, 2003:

- 32.3 million savings accounts;
- 14.5 million checking accounts;
- 9.4 million insurance policyholders;
- 1,198 of the largest Brazilian and multinational groups of affiliated companies in Brazil as corporate customers;
- 6.2 million clients using Internet banking;
- a nationwide network consisting of 3,052 branches, 21,605 ATMs and 2,062 special banking service posts and outlets located on the premises of selected corporate clients; and
- seven branches and six subsidiaries located in New York, the Cayman Islands, the Bahamas, Japan, Argentina and Luxembourg.

Our large banking network allows us to be closer to our customers, which, in turn, permits our managers to have personal and direct knowledge of our customers, economically active regions and other conditions relevant to our business. This knowledge helps us in assessing and limiting credit risks in credit operations, among other risks, as well as in servicing the particular needs of our clients. Approximately 9.0 million transactions are executed through our Bradesco network every day.

In recent years, we have taken important steps to offer our products and services through the Internet and to help our customers and employees gain access to the Internet. We were one of the first banks worldwide to introduce on-line Internet banking. In December 1999 we became the first bank in Latin America, and among the first in the world, to provide free limited Internet access to clients. We also provide computers in many of our branches and service centers that permit clients to access the Internet in order to conduct banking transactions, pay bills and shop on-line. Our Internet banking services, along with our customer service center, make our banking services available to our customers 24 hours a day, seven days a week.

We are headquartered in São Paulo, Brazil, and our Grand Cayman branch is headquartered in George Town, Grand Cayman, British West Indies. Our address is Cidade de Deus, Vila Yara, 06029 - 900, Osasco, SP, Brazil, and our general phone number is (55-11) 3235-9566.

**Summary of Consolidated Financial Data**

The following financial data should be read in conjunction with the consolidated financial statements, Selected Financial Information and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus. Our consolidated financial statements at and for the years ended December 31, 2003, 2002, 2001, 2000 and 1999 have been prepared in accordance with generally accepted accounting principles in the United States, commonly called U.S. GAAP.

**At and for  
the year ended December 31,**

	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
<i>(R\$ in millions, except %)</i>					
<b>Consolidated Income Statement Data</b>					
Net interest income	R\$ 14,999	R\$ 13,467	R\$ 9,493	R\$ 6,846	R\$ 7,021
excluding provision for loan losses	12,965	10,924	7,730	5,602	5,176
Fee and commission income	3,463	2,894	2,866	2,593	2,100
Net income	2,302	2,142	2,270	1,799	744
<b>Consolidated Balance Sheet Data</b>					
Total assets	166,330	129,875	108,295	91,852	80,036
Loan and leasing portfolio	54,795	52,324	44,994	39,439	28,019
Securities and interbank deposits	51,702	33,929	31,923	24,113	25,467
Shareholders' equity	R\$ 13,592	R\$ 10,852	R\$ 9,789	R\$ 7,881	R\$ 7,343
<b>Other Financial/Operating Data</b>					
Return on equity <sup>(1)</sup>	16.9%	19.7%	23.2%	22.8%	10.1%
Return on assets <sup>(2)</sup>	1.4%	1.6%	2.1%	2.0%	0.9%
Efficiency ratio <sup>(3)</sup>	64.7%	60.5%	57.4%	62.6%	65.0%
Funds under management	72,494	45,100	41,905	38,097	26,520
Number of branches <sup>(4)</sup>	3,052	2,954	2,610	2,579	2,431
Active customers (in millions) <sup>(5)</sup>	14.5	13.0	12.0	10.8	8.7
Employees <sup>(6)</sup>	75,781	74,393	65,713	65,804	63,511

*Notes:*

- (1) Net income divided by period-end shareholders' equity.
- (2) Net income divided by period-end total assets.
- (3) (Salaries and Benefits plus Administrative Expenses) divided by (Net Interest Income plus Non-interest Income less Non-Interest Expenses excluding Salaries and Benefits and Administrative Expenses).
- (4) Excluding customer site branches.
- (5) Represent active customers at period-end. A client is considered active when it performs one or more current account transactions per month or has an average positive balance over a period of three months.
- (6) Actual number of full-time and part-time employees at period-end.

**Summary of this Exchange Offer**

In October 2003, we completed an offering of U.S.\$500 million principal amount of notes that was exempt from the SEC's registration requirements. In connection with that offering, we agreed, among other things, to deliver this prospectus to you, to use our reasonable best efforts to cause this exchange offer to be declared effective by September 30, 2004 and to consummate this exchange offer by October 31, 2004.

**This Exchange Offer** We are offering to exchange U.S.\$10,000 principal amount of notes which have been registered under the Securities Act for each U.S.\$10,000 of outstanding principal amount of notes.

The form and terms of the notes that we are offering in this exchange offer are identical in all material respects to the form and terms of the existing notes which were issued on October 24, 2003 in an offering that was exempt from the SEC's registration requirements, except that the notes that we are offering in this exchange offer have been registered under the Securities Act. The notes that we are offering in this exchange offer will evidence the same obligations as, and will replace, the existing notes and will be issued under the same indenture.

If you wish to exchange an outstanding note, you must properly tender it in accordance with the terms described in this prospectus. We will exchange all outstanding notes that are validly tendered and are not validly withdrawn.

As of this date, there are U.S.\$500 million principal amount of existing notes outstanding. The exchange offer is not contingent upon any minimum aggregate principal amount of existing notes being tendered for exchange. We will issue registered notes on or promptly after the expiration of the exchange offer.

**Registration Rights Agreement** We are making this exchange offer in order to satisfy our obligation under the registration rights agreement, entered into on October 24, 2003, to cause our registration statement to become effective under the Securities Act. You are entitled to exchange your notes for registered notes with substantially identical terms. After the exchange offer is complete, you will generally no longer be entitled to any registration rights with respect to your notes.

**Resales of the Exchange Notes** Based on an interpretation by the staff of the SEC set forth in no-action letters issued to third parties, we believe that the exchange notes may be offered for resale, resold and otherwise transferred by you without compliance with the registration and prospectus delivery requirements of the Securities Act provided that:

- you acquire any new note in the ordinary course of your business;
- you are not participating, do not intend to participate, and have no arrangement or understanding with any person to participate, in the distribution of the exchange notes;
- you are not a broker-dealer who purchased existing notes for resale pursuant to Rule 144A or any other available exemption under the Securities Act; and

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- you are not an affiliate (as defined in Rule 405 under the Securities Act) of Bradesco.

If our belief is inaccurate and you transfer any new note without delivering a prospectus meeting the requirements of the Securities Act or without an exemption from registration of your notes from such requirements, you may incur liability under the Securities Act. We do not assume or indemnify you against this liability.

Each broker-dealer that is issued exchange notes for its own account in exchange for notes that it acquired as a result of market-making or other trading activities must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of the exchange notes. The letter of transmittal states that, by making this acknowledgment and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. A broker-dealer who acquired existing notes as a result of market-making or other trading activities may use this prospectus for an offer to resell, resale or other retransfer of the exchange notes. We believe that no registered holder of the existing notes is an affiliate (as the term is defined in Rule 405 of the Securities Act) of Bradesco.

**Expiration Date**

This exchange offer will expire at 5:00 p.m., New York City time, (for the DTC portion) and 5:00 p.m. (London time) (for the Euroclear/Clearstream portion) October 11, 2004, unless we decide to extend the expiration date.

**Conditions to this Exchange Offer**

The exchange offer is not subject to any conditions other than that it not violate applicable law or any applicable interpretation of the staff of the SEC.

**Withdrawal Rights**

You may withdraw the tender of your notes at any time prior to 5:00 p.m., New York City time, (for the DTC portion) and 5:00 p.m. (London time) (for the Euroclear/Clearstream portion) October 11, 2004.

**U.S. Federal Income Tax Consequences**

The exchange of notes should not be a taxable exchange for United States federal income tax purposes. For a discussion of other U.S. federal income tax consequences resulting from the exchange, acquisition, ownership and disposition of the exchange notes, see "Taxation United States Tax Considerations". We will not recognize any gain or loss for accounting purposes upon the completion of the exchange offer. The expenses of the exchange offer that we pay will increase our differed financing costs in accordance with generally accepted accounting principles.

**Use of Proceeds**

We will not receive any proceeds from the issuance of notes in this exchange offer. We will pay all registration expenses incident to this exchange offer.

**Exchange Agent**

The Bank of New York is serving as exchange agent in connection with the exchange offer.

**Summary of Terms of the Exchange Notes**

<b>Issuer</b>	Banco Bradesco S.A., acting through its Grand Cayman branch.
<b>The Notes</b>	U.S.\$500 million aggregate principal amount of 8.75% Subordinated Notes due 2013. We may issue additional tranches of notes.
<b>Maturity Date</b>	October 24, 2013, <i>provided</i> , that: <ul style="list-style-type: none"><li>● the maturity date may be extended for a period of up to 18 months if we have sufficient funds in Brazilian <i>reais</i> or U.S. dollars to satisfy our obligations under the notes but we cannot, as the case may be, due to actions or failures to act by the Brazilian government, convert sufficient funds in <i>reais</i> into U.S. dollars and transfer those funds outside Brazil to the trustee and/or transfer available funds in U.S. dollars outside Brazil; and</li><li>● interest and principal payments may be deferred under the circumstances described in <i>Deferral of Interest and Principal</i> below.</li></ul>
<b>Indenture</b>	The notes will be issued under the indenture dated as of October 24, 2003 between The Bank of New York Trust Company (Cayman) Limited, as trustee, and us.
<b>Interest</b>	The notes will bear interest from October 24, 2003 at the rate of 8.75% per annum, or the note rate, payable semiannually in arrears. Default interest will accrue at the note rate plus 1% per annum. Principal and interest amounts deferred as described in <i>Deferral of Interest and Principal</i> below will also accrue interest at the note rate plus 1% per annum. The note rate will be increased by 1% per annum if we fail to meet our obligations described under <i>This Exchange Offer; Registration Rights</i> above. See <i>Registration Rights Agreement</i> .
<b>Interest Payment Dates</b>	April 24 and October 24 of each year, commencing April 24, 2004.
<b>Deferral of Interest and Principal</b>	If the payment of interest on any interest payment date or any redemption date or the payment of principal on the maturity date or any redemption date would cause our required net worth ( <i>Patrimônio Líquido Exigido</i> ) and other financial ratios to fall below the minimum levels required by current or future regulations generally applicable to Brazilian banks, or the risk-based capital requirements, we shall defer that payment of interest or principal or other amounts payable in respect of the notes until the date on which we are no longer in violation of the risk-based capital requirements or the payment of that interest or principal amount, or any portion thereof, would no longer cause us to violate the risk-based capital requirements. The deferral of any payment will not be an event of default under the notes. Any amounts payable to the trustee pursuant to the insurance policy as a result of a currency convertibility/non-transfer event (as defined below) will also be deferred until we are no longer in violation of the risk-based capital requirements. Noteholders will receive payment of any such amounts in arrears within 14 days after we are no longer entitled to defer payment of those amounts.

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Each amount in arrears will bear interest at the note rate plus 1% per annum (if it is an interest amount, as if it constituted the principal of the notes). See Description of the Notes Deferral of Interest and Principal .

### Ranking

The notes will at all times constitute our unsecured, subordinated obligations, and, in the event of our bankruptcy, liquidation or dissolution under Brazilian law, the notes will rank:

- junior in right of payment to the payment of all our indebtedness other than the notes and our other subordinated indebtedness;
- *pari passu* among themselves;
- at least *pari passu* with all our other subordinated indebtedness; and
- in priority to payments to holders of all classes of our share capital.

In addition, our obligations to the noteholders will be subordinate to our obligation to Sovereign Risk Insurance Ltd. after payment of a claim under the insurance policy in accordance with the terms of the insurance policy and the issuer consent agreement. See Description of the Notes Ranking and The Insurers and the Insurance Policy and The Insurers and the Insurance Policy The Issuer Consent Agreement .

### Use of Proceeds

We will receive no proceeds from the exchange of the existing notes for the exchange notes.

### Insurers

Sovereign Risk Insurance Ltd., as agent (which we refer to in such capacity as Sovereign ) on behalf of ACE Bermuda Insurance Ltd., or ACE Bermuda, and XL Insurance Bermuda Ltd, or XLIB, and its successors and assigns. ACE Bermuda and XLIB are each referred to herein as an insurer and, together, the insurers.

### Insurance Policy

The trustee, on behalf of the noteholders, will have the benefit of a Policy of Political Risk Insurance for Capital Market Transactions, or the insurance policy, provided by Sovereign covering our inability to convert *reais* into U.S. dollars or transfer outside Brazil amounts converted into U.S. dollars or our inability to use or control such funds (but only to the extent that such funds have been deposited into a bank account owned by us and such funds have been designated by us for the making of the scheduled payment of interest or premium that is the subject of the loss) due to actions or measures taken or approved, or the failure to take or approve actions or measures by the Brazilian government, (each a currency inconvertibility/non-transfer event, as more fully defined below in The Insurers and the Insurance Policy ). Sovereign's obligation to pay claims under the insurance policy is limited to eighteen months' interest on the notes (which includes the initial refundable premium (as defined below) funded by Sovereign on the issue date for deposit in the reserve account) and certain premium payments due under the insurance policy, and is subject to certain conditions, limitations and exclusions that may affect the ability of the noteholders to receive payments on the insurance policy. The insurance policy is issued to the trustee for the benefit of the noteholders. Nothing in the insurance policy, express or implied, shall give to any noteholder any legal or equitable right, remedy

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or claim thereunder. See Risk Factors Risks Relating to the Insurance Policy and The Insurers and the Insurance Policy .

### Reserve Account

On the issue date, Sovereign delivered to the Trustee, from amounts paid by us as an initial refundable premium, an amount equal to six months of scheduled interest due on the notes, being U.S.\$21,875,000, or the initial refundable premium, to fund a reserve account to be maintained by the trustee. The reserve account will be available for payments on the notes only during a currency inconvertibility/non-transfer event and is intended to satisfy Sovereign's obligation under the insurance policy to cover the first of up to three semi-annual interest payments on the notes. The notes are subordinated and funds on deposit in the reserve account may be made available to holders of our senior obligations. For as long as the insurance policy is in place, we will replenish the reserve account following the withdrawal of funds from such account to an amount equal to U.S.\$21,875,000 and the interest that would accrue on such amount at the note rate plus 1% during a 30-day period. On the issue date we also deposited in the reserve account U.S.\$22,500 (being an amount equal to 18 months of the trustee's fees and certain expenses pursuant to the terms of the indenture). See Description of the Notes Credit Support Reserve Account .

### Covenants

The terms of the indenture require us, among other things, to:

- pay all amounts owed by us under the indenture and the notes when those amounts are due and perform each of our other obligations under the various transaction documents entered into by us in connection with the issuance of the notes;
- if we defer any interest or principal payments as described under Deferral of Interest and Principal above, use reasonable efforts to reenter into compliance with the risk-based capital requirements within 180 days;
- maintain all necessary governmental and third-party approvals and consents;
- maintain our books and records;
- maintain an office or agency in New York where notes may be presented or surrendered for payment or for exchange, transfer or redemption and where notices and demands may be served;
- use the net proceeds from the issuance of the notes for general corporate purposes;
- give notice to the trustee of any default or event of default under the indenture, of any currency inconvertibility/non-transfer event, of a deferral of payment of interest or principal and of certain other events;
- provide certain financial statements and compliance certificates to the trustee;

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- provide certain information to noteholders required by Rule 144A;
- replace the trustee upon any resignation or removal thereof; and
- preserve our corporate existence.

In addition, the terms of the indenture will require us to meet certain conditions if we consolidate, merge or transfer substantially all our assets to another person without the consent of the holders of at least 66<sup>2</sup>/<sub>3</sub>% of the outstanding notes.

These covenants are subject to a number of important qualifications. See [Description of the Notes](#) [Certain Covenants](#) .

### Events of Default

The indenture contains certain limited events of default, consisting of the following:

- failure to pay principal on the due date thereof, unless the maturity date is extended as described in [Maturity Date](#) or the principal payment is deferred as described in [Deferral of Interest and Principal](#) . See [Description of the Notes](#) [Extension of Maturity Date](#) and [Description of the Notes](#) [Deferral of Interest and Principal](#) ;
- failure to pay interest or any additional amounts due on any note within 15 days of the due date thereof unless (i) the trustee has received that amount from Sovereign under the insurance policy, the reserve account or otherwise, or (ii) the interest payment is deferred as described in [Description of the Notes](#) [Deferral of Interest and Principal](#) ;
- certain events involving bankruptcy, liquidation, reorganization or insolvency proceedings, whether voluntary or involuntary; and
- Sovereign has paid a claim under the insurance policy in circumstances where we were not entitled to submit a proof of loss (as defined under [The Insurers and the Insurance Policy](#) [The Insurance Policy](#) ).

Payment of principal of the notes may be accelerated only in the case of certain events involving our bankruptcy, liquidation or dissolution or similar events, and we will be required to make payment after acceleration only after we have been declared bankrupt, put into liquidation or otherwise dissolved for purposes of Brazilian law. See [Risk Factors](#) [Risks Relating to the Notes](#) . If we do not satisfy our obligations under the notes, your remedies will be limited .

**Clearance and Settlement** The notes issued in the exchange offer will be represented by a single, permanent global note in book-entry form which will be registered in the name of a nominee of The Depository Trust Company, or DTC, for the accounts of its participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System, or Euroclear , and Clearstream Banking, société anonyme, or Clearstream, Luxembourg . Beneficial interests in notes held in book-entry form will be entitled to receive physical delivery of certificated notes only under certain circumstances.



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For a description of certain factors relating to clearance and settlement, see Form, Denomination and Transfer .

<b>Withholding Taxes; Additional Amounts</b>	All payments of principal and interest in respect of the notes will be made without withholding or deduction for any taxes or other governmental charges imposed by Brazil or the Cayman Islands, or, in the event that we appoint additional paying agents, in the jurisdictions of those paying agents, or any political subdivision or any taxing authority thereof, unless such withholding or deduction is required by law. In the event we are required to withhold or deduct amounts for any taxes or other governmental charges, we will pay such additional amounts necessary to ensure that the noteholders receive the same amount as the noteholders would have received without such withholding or deduction, subject to certain exceptions. See Description of the Notes Additional Amounts .
<b>Tax Redemption</b>	The notes will be redeemable in whole but not in part at 100% of their principal amount, plus accrued and unpaid interest, if any, to the date of redemption and any additional amounts then due and payable, at our option in the event of certain changes affecting taxation of the notes, subject to the prior approval of the Central Bank. The notes will not otherwise be redeemable prior to maturity. See Description of the Notes Redemption .
<b>U.S. ERISA and Certain Other Considerations</b>	Sales of the notes to specified types of employee benefit plans and affiliates are subject to certain conditions. See United States ERISA and Certain Other Considerations .
<b>Listing</b>	We have applied to list the notes on the Luxembourg Stock Exchange.
<b>Governing Law</b>	The indenture, the notes, the insurance policy and related documents and the registration rights agreement are governed by the laws of the State of New York. The insurance policy and the issuer consent agreement will be governed by the laws of the State of New York, except for certain limited circumstances, including arbitration procedures, in which case the laws of England and Wales shall apply.
<b>Form and Denomination</b>	The notes will be in fully registered form without interest coupons attached. Definitive notes representing the notes will only be available under certain circumstances. The notes will be issued in denominations of U.S.\$10,000 and integral multiples thereof. See Form, Denomination and Transfer .
<b>Additional Notes and Exchange Notes</b>	Subject to the prior written consent of the Central Bank and upon satisfaction of the conditions set forth in the indenture, we may issue additional tranches of notes. Exchange notes will be issued in exchange for original notes or additional notes, as the case may be, pursuant to the terms of the registration rights agreement. The original notes, exchange notes and any additional tranches or notes will be treated as a single class for all purposes under the indenture. See Description of the Notes Additional Notes .

## RISK FACTORS

The following section describes some but not all of the risks associated with an investment in the notes. You should consider, among other things, the risk factors with respect to our bank, Brazil and to the notes not normally associated with investing in securities issued by companies in the United States or in countries with similarly developed capital markets, including those set forth below.

### Risks Relating to Brazil

*The Brazilian government exercises influence over the Brazilian economy, and Brazilian political and economic conditions have a direct impact on our business*

Substantially all of our operations and customers are 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 and occasionally drastic intervention by the Brazilian government and volatile economic cycles.

In the past, the Brazilian government has often changed monetary, fiscal, taxation and other policies to influence the course of Brazil's economy. We have no control over, and cannot predict, what measures or policies the Brazilian government may take in response to the current Brazilian economic situation or how Brazilian government intervention and government policies will affect the Brazilian economy and, both directly and indirectly, our operations and revenues.

Our operations, financial condition and the market price of our securities may be adversely affected by changes in policy involving exchange controls, tax and other matters, as well as factors such as:

- fluctuations in exchange rates;
- base interest rate fluctuations;
- inflation; and
- other political, diplomatic, social and economic developments within and outside of Brazil that affect the country.

During 2001 and 2002, the growth of the Brazilian economy slowed as a result of the impact of the ongoing economic crisis in Argentina, an important trading partner of Brazil, and lower levels of growth of the U.S. economy, among other factors. In response to such factors, the Central Bank, which determines the Brazilian base interest rate, increased such rate in an attempt to control inflation. The base interest rate is the benchmark interest rate payable to holders of securities issued by the federal government and traded at the *Sistema Especial de Liquidação e Custódia* (Special Settlement and Custody System), or SELIC. During 2001, the Central Bank raised Brazil's base interest rate by a total of 3.25 percentage points to 19.0%. This increase in interest rates led to declines in investment and consumption in Brazil, which contributed to the reduction of GDP growth for 2001 to 1.5%. During a period of relative economic stability in the first half of 2002, the Central Bank decreased the base interest rate to a level of 18.0% as of July 17, 2002. However, as a result of the declining economic scenario and the internal political instability caused by the Brazilian presidential elections in the second half of 2002, the Central Bank made subsequent increases in the interest rate during the second half of 2002, which reached 25.0% on December 18, 2002. During 2002, GDP increased by 1.5%. Although the interest rate was increased to 25.5% on January 22, 2003 and to 26.5% on February 19, 2003, it was then lowered to 26.0% on June 18, 2003 and, after subsequent adjustments in the following months, was reduced to 16.5% on December 17, 2003. During the first six months of 2004, the Central Bank reduced the rate further to 16.0%

Notwithstanding the measures described above, inflation rates for the years ended December 31, 2001, 2002 and 2003, as measured by the *Índice Geral de Preços - Disponibilidade Interna* (General Price Index -

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Domestic Availability), or IGP-DI , published by Fundação Getúlio Vargas, or FGV , were 10.4%, 26.4% and 7.7% respectively.

These and other future developments in the Brazilian economy and government policies may reduce Brazilian demand for our services or products, adversely affect our financial condition and results of operations, and impact our ability to satisfy our payment obligations under the notes.

### ***Devaluation of the real may lead to substantial losses on our liabilities denominated in or indexed to foreign currencies and a reduction in our revenues***

The Central Bank has periodically devalued the Brazilian currency during the last four decades. The exchange rate between the *real* and the U.S. dollar has varied significantly in recent years. For example, the *real*/U.S. dollar exchange rate fell from R\$1.9554 per U.S. dollar at December 31, 2000 to R\$3.5333 at December 31, 2002. The value of the *real* depreciated to 3.1075 *reais* per U.S. dollar at June 30, 2004, compared with 2.8892 *reais* at December 31, 2003. The exchange rate reached a low of 2.8022 *reais* per U.S. dollar and a high of 3.2051 *reais* per U.S. dollar during the period. On July 27, 2004, the exchange rate was 3.067 *reais* per U.S. dollar.

A significant amount of our financial assets and liabilities are denominated in or indexed to foreign currencies, primarily U.S. dollars. When the Brazilian currency is devalued, we incur losses on our liabilities denominated in or indexed to foreign currencies, such as our U.S. dollar-denominated long-term debt and foreign currency loans, and experience gains on our monetary assets denominated in or indexed to foreign currencies, as the liabilities and assets are translated into *reais*. If a devaluation occurs when the value of such liabilities significantly exceeds the value of such assets, including any financial instruments entered into for hedging purposes, we could incur significant losses, even if their value has not changed in their original currency. This could adversely affect our ability to meet our payment obligations under the notes.

Conversely, when the value of the *real* appreciates against the U.S. dollar, we incur losses on our monetary assets denominated in or indexed to foreign currencies and experience gains on our liabilities denominated in or indexed to foreign currencies. If the *real* appreciates when the value of such assets significantly exceeds the value of such liabilities, we could incur significant losses, even if their value has not changed in their original currency.

In addition, our lending and leasing operations depend significantly on our capacity to match the cost of funds indexed to the U.S. dollar with the rates charged to our customers. A significant devaluation may affect our ability to attract customers on such terms or to charge rates indexed to the U.S. dollar.

### ***If Brazil experiences substantial inflation in the future, our revenues and our ability to access foreign financial markets may be reduced***

Brazil has in the past experienced extremely high rates of inflation, with annual rates of inflation during the last ten years reaching as high as 1,093% in 1994. More recently, Brazil's rates of inflation, as measured by the IGP-DI, were 9.8% in 2000, 10.4% in 2001 and 26.4% in 2002. The accumulated IGP-DI registered 7.7% as of December 31, 2003 and 6.9% for the six months ended June 30, 2004. Inflation itself and governmental measures to combat inflation have in the past had significant negative effects on the Brazilian economy. Inflation, actions taken to combat inflation and 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 experiences substantial inflation in the future, our costs (if not accompanied by an increase in interest rates) may increase, our operating and net margins may decrease, and this decrease may adversely affect our ability to satisfy our payment obligations under the notes. Inflationary pressures may also curtail our ability to access foreign financial markets and may lead to further government intervention in the economy, including the introduction of government policies that may adversely affect the overall performance of the Brazilian economy.

***Adverse changes in Brazilian economic conditions could cause an increase in customer defaults on their outstanding obligations to us, which could materially reduce our earnings***

Our banking, leasing, and other businesses are significantly dependent on our customers' ability to make payments on their loans and meet other of their obligations to us. If the Brazilian economy declines because of, among other factors:

- the level of economic activity;
- devaluation of the *real*;
- inflation; or
- an increase in domestic interest rates,

a greater portion of our customers may not be able to repay loans when due or to meet their debt service requirements, which would increase our past due loan portfolio and could materially reduce our net earnings.

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

Since the end of 1997, and in particular during 2001 and 2002, as a result of economic problems in various emerging market countries, including the economic crisis in Argentina, investors have had a heightened risk perception for investments in emerging markets. As a result, in some periods Brazil has experienced a significant outflow of U.S. dollars and Brazilian companies have faced higher costs for raising funds, both domestically and abroad and have been impeded from accessing international capital markets. We cannot assure investors that international capital markets will remain open to Brazilian companies, including Banco Bradesco, or that prevailing interest rates in these markets will be advantageous to us, which may limit our ability to refinance indebtedness as it matures.

**Risks Relating to Bradesco and the Brazilian Banking Industry**

***The Brazilian government regulates the operations of Brazilian banks and insurance companies, and changes in existing laws and regulations or the imposition of new ones may negatively affect our operations and revenues***

Brazilian banks and insurance companies, including our banking and insurance operations, 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 reserve requirements;
- lending limits and other credit restrictions; and
- accounting and statistical requirements.

The regulatory structure governing Brazilian banks and insurance companies is continuously evolving. Existing laws and regulations could be amended, the manner in which laws and regulations are enforced or interpreted could change, and new laws or regulations could be adopted. Such changes could materially adversely affect our operations and our revenues.

Regulatory changes affecting other businesses in which we are engaged, including our broker-dealer and leasing operations, could also have an adverse effect on our operations and our revenues and impact our ability to satisfy our payment obligations under the notes.

***Changes in base interest rates by the Central Bank may materially adversely affect our results of operations and profit***

The Central Bank establishes the base interest rates for the Brazilian banking system. In recent years, the base interest rate has fluctuated, with a high of approximately 45% in March 1999 and a low of 15.25% at January 17, 2001. The base interest rate was 26.5% on February 19, 2003, and it remained the same until June 18, 2003. From June 2003 to December 2003, the Central Bank reduced the base interest rate by 9.5 percentage points, to 16.5%. In March 2004 the Central Bank reduced the rate to 16.25%, followed by a further reduction in April to 16.0%. Changes in the base interest rate may materially adversely affect our results of operations because:

- high base interest rates increase our domestic debt expense and may increase the likelihood of customer defaults; and
- low base interest rates may diminish our interest income.

The Central Bank uses changes in the base interest rate as an instrument for its management of the Brazilian economy, including the protection of reserves and capital flows. We have no control over the base interest rates set by the Central Bank or how often they adjust them.

***The increasingly competitive environment in the Brazilian bank and insurance industries may negatively affect our business prospects***

We face significant competition in all of our principal areas of operation from other large Brazilian and international banks and insurance companies, public and private. Brazilian regulations raise limited barriers to market entry and do not differentiate between local or foreign commercial and investment banks and insurance companies. As a result, the presence of foreign banks and insurance companies in Brazil, some of which have greater resources than we have, has grown and competition both in the banking and insurance sectors generally and in markets for specific products has increased. The privatization of government-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 client base and expand our operations;
- reducing our profit margins on the banking, insurance, leasing and other services and products offered by us; and
- increasing competition for foreign investment opportunities.

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

***Integration of acquired businesses***

In 2002, we acquired Banco Mercantil de São Paulo S.A., or *Mercantil*, Banco do Estado do Amazonas S.A., or *BEA*, Banco Cidade S.A., or *Banco Cidade*, Banque Banespa International S.A. (Luxembourg), Ford Leasing S.A., or *Ford Leasing*, Banco Ford S.A.'s consumer loan portfolio and Deutsche Bank Investimentos DTVM S.A., or *Deutsche Bank Investimentos*. In 2003, we acquired Banco Zogbi S.A., or *Banco Zogbi*, Banco Bilbao Vizcaya Argentaria Brasil, S.A., or *Banco BBV* (the name of which was changed to Banco Alvorada S.A., or *Banco Alvorada* in October 2003) and the activities of administration and management of security portfolios and investment funds of JPMorgan Fleming Asset Management. On February 10, 2004, we acquired 89.96% of Banco do Estado do Maranhão, or *BEM*. For more information on our recent acquisitions, see *Business Recent Important Acquisitions and Joint Ventures*. We may engage in further acquisitions as we seek to continue our

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growth in the consolidating Brazilian financial services industry. The integration of the institutions and assets we acquire or intend to acquire and the integration process during the post-acquisition period may involve certain risks, including the risks that:

- integrating new networks, information systems, personnel, products and customer bases into our existing business may place additional demands on our senior management, information systems, back office operations and marketing resources;
- we may incur unexpected liabilities or contingencies relating to the acquired businesses; and
- delays in the integration process may cause us to incur greater operating expenses than expected with respect to our acquired businesses.

### *A majority of our common shares are held by two stockholders, whose interests may conflict with our other investors' interests*

At December 31, 2003, Cidade de Deus Companhia Comercial de Participações, which we call Cidade de Deus Participações, directly held 47.72% of our common shares and Fundação Bradesco directly held 16.15% and indirectly held 46.85% of our common shares. As a result, these shareholders 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 shareholders, as well as to approve related-party transactions or corporate reorganizations. Under the terms of Fundação Bradesco's bylaws, all of our directors, members of the *Diretoria Executiva* and departmental directors, as well as all directors and officers of Cidade de Deus Participações, serve as members of the board of trustees of Fundação Bradesco. The board of trustees has no other members. For more information on our shareholders, see [Principal Shareholders](#).

### *Changes in reserve and compulsory deposit requirements and taxes may hurt our ability to be profitable*

In mid-2002, the Central Bank reimposed reserve requirements that had previously been reduced. The Central Bank could in the future increase reserve requirements or impose new reserve or compulsory deposit requirements. The reserve requirements require us, as of December 31, 2003, to hold a total of R\$3.1 billion of Brazilian government securities that we previously had not been required to hold. As a result, liquidity, available to us to make loans and other investments, was reduced by that amount. In addition, we could be materially adversely affected by such changes because the monies held as compulsory deposits generally do not yield the same return as our other investments and deposits because:

- a portion of our compulsory deposits do not bear interest;
- we are obligated to hold some of our compulsory deposits in Brazilian government securities; and
- we must use a portion of the deposits to finance both a federal housing program and the rural sector.

Reserve requirements have been used by the Central Bank to control liquidity as part of monetary policy in the past, and we have no control over their imposition. See [Regulation and Supervision](#) [Bank Regulations](#) [Reserve Requirements](#).

### *Changes in taxes and other fiscal assessments*

To support our fiscal policies, the Brazilian government regularly enacts reforms to the tax and other assessment regimes to which we and our customers are subject. Such reforms include changes in the rate of assessments and, occasionally, enactment of temporary taxes, the proceeds of which are earmarked for designated governmental purposes. The effects of these changes and any other changes that result from enactment of additional tax reforms have not been, and cannot be, quantified and there can be no assurance that these reforms will not, once implemented, have an adverse effect upon our business. Furthermore, such changes have produced uncertainty in

the financial system, increased the cost of borrowing and contributed to the increase in our non-performing loan portfolio. For further information on tax reform in Brazil, see Regulation and Supervision Taxation .

***The changes in the Brazilian tax and social security systems may negatively affect our operations and revenue***

The Brazilian Congress, through Law No. 10,684 of May 30, 2003, has approved the increase in the rate of the *Contribuição para Financiamento de Seguridade Social*, or COFINS , payable by entities in the financial services sector, including us. The *Programa de Integração Social*, or PIS , and COFINS were previously imposed on the gross revenues of financial companies at a combined rate of 3.65%. As of September 2003, the rate of COFINS increased from 3% to 4%. Therefore the two taxes are currently imposed on our combined revenues at a combined rate of 4.65%. On December 30, 2002, the Brazilian Government enacted Law No. 10,637, which raised the rate of PIS from 0.65% to 1.65% and made PIS a value-added tax. The new rate of 1.65% has been in force since December 1, 2003. Financial institutions are not subject to this new PIS regime. On December 29, 2003, the Brazilian Government enacted Law No. 10,833, which raised the rate of COFINS from 3% to 7.6% and made COFINS a value-added tax. The new rate of 7.6% has been in force since February 1, 2004. Financial institutions are not subject to this new COFINS regime. See Regulation and Supervision Taxation PIS and COFINS .

***We may experience increases in our level of past due loans as our loan portfolio becomes seasoned***

Our loan portfolio has grown substantially since 1996. Any corresponding rise in our level of past due loans may lag behind the rate of loan growth, however, because loans typically do not become past due within a short period of time after their origination. Rapid loan growth may also reduce our ratio of past due loans to total loans until growth slows or the portfolio becomes more seasoned. This may result in increases in our loan loss provisions, charge-offs and the ratio of past due loans to total loans.

In addition, as a result of the increase in our loan portfolio and the described lag in any corresponding rise in our level of past due loans, our historic loan loss experience may not be indicative of our future loan loss experience.

***Losses on our investments in marketable securities may have a significant impact on our results of operations and are not predictable***

Marketable securities represent a material portion of our assets, and realized investment gains and losses have had and will continue to have a significant impact on our results of operations. The amounts of these gains and losses, which we record when investments in securities are sold, or in certain limited circumstances when the securities we hold are marked to market, may fluctuate considerably from period to period. The level of fluctuation depends, in part, upon the market value of the securities, which in turn may vary considerably, and our investment policies. We cannot predict the amount of realized gain or loss for any future period, and variations from period to period have no practical analytical value. Gains on our investment portfolio may not continue to contribute to net income at levels consistent with recent periods or at all, and we may not successfully realize the appreciation now existing in our consolidated investment portfolio or any portion thereof.

***Our strategy of marketing and expanding Internet banking in Brazil could be badly received or more expensive than lucrative***

We have aggressively pursued the use of the Internet for banking and other services to our clients and expect to continue to do so. However, the market for our Internet products is rapidly evolving and is becoming increasingly competitive. We cannot predict whether, or how fast, this market will grow. Moreover, if we fail to adapt effectively to growth and change in the Internet market and technology, our business, competitiveness, or results of operations could be materially affected.

The Internet may prove not to be a viable Brazilian commercial marketplace for a number of reasons, including a lack of acceptable security technologies, potentially inadequate development of the necessary infrastructure, or the lack of necessary development and commercialization of performance improvements.

To the extent that higher bandwidth Internet access becomes more widely available, we may be required to make significant changes to the design and content of our online network in order to compete effectively. Failure to effectively adapt to these or any other technological developments could adversely affect our business.

***Our trading activities and derivatives transactions may produce material losses***

We engage in the trading of securities, buying debt and equity securities principally to sell them in the near term with the objective of generating profits on short-term differences in price. These investments could expose us to the possibility of material financial losses in the future, as securities are subject to fluctuations in value which may generate losses. In addition, we enter into derivatives transactions to manage our exposure to interest rate and exchange rate risk. Each such derivatives transaction protects against increases in exchange rates or interest rates or against decreases in such rates, but not both. If we have entered into derivatives transactions to protect against, for example, decreases in the value of the *real* or in interest rates and the *real* instead increases in value or interest rates increase, we may incur financial losses. Such losses could adversely materially affect our future net income. For further discussion of our market risk, see [Quantitative and Qualitative Disclosures about Market Risk](#). In the past four years the ratio of our trading securities to our total assets, as measured at December 31 of each year, has been as high as 22.5%, and could be greater in the future.

**Risks Relating to the Notes**

***Our obligation under the notes will be subordinated to all our current and future secured and unsecured obligations, other than other subordinated indebtedness, and to some Brazilian statutory obligations***

The notes will by their terms be subordinated in right of payment to all our current and future secured and unsecured indebtedness, other than other subordinated indebtedness, all our obligations to our depositors and all our obligations under financial instruments and derivatives. By reason of the subordination of the notes, in the event of our winding up or dissolution, or similar events, although the notes and any accrued interest thereon will become immediately due and payable, our assets will be available to pay such amounts only after all of our senior obligations have been paid in full.

Under Brazilian law, our obligations under the notes will also be subordinated to certain statutory preferences. In the event of our liquidation, certain claims, such as claims for salaries, wages, social security, taxes and court fees and expenses, will have preference over any other claim, including the notes. See [Regulation and Supervision Intervention in and Administrative Liquidation of Financial Institutions](#) [Repayment of Creditors in a Liquidation](#) for a discussion of measures affecting the priority of repayment of creditors.

***If we do not satisfy our obligations under the notes, your remedies will be limited***

Payment of principal of the notes may be accelerated only in the event of certain events involving our bankruptcy, winding up or dissolution or similar events. There is no right of acceleration in the case of a default in the performance of any of our covenants, including the payment of principal or interest.



Even if the payment of principal of the notes is accelerated, our assets will be available to pay those amounts only after:

- all of our senior obligations have been paid in full, as described above in Our obligation under the notes will be subordinated to all our current and future secured and unsecured obligations, other than other subordinated indebtedness, and to some Brazilian statutory obligations ; and
- we are actually declared bankrupt, are wound up or are otherwise dissolved for purposes of Brazilian law.

If, after these conditions are met, we make any payment from Brazil, we will be required to obtain the approval of the Central Bank for the remittance of funds outside Brazil. See If we are unable to make payments on the notes from the Cayman Islands and must make payments from Brazil, we may experience delays in obtaining or be unable to obtain the necessary Central Bank approvals .

***Payments to be made by us under the notes may be suspended if we are not in compliance with Central Bank capitalization requirements***

Pursuant to Central Bank Resolution No. 2837, dated as of May 30, 2001, as a condition for the subordinated debt represented by the notes to qualify as part of the second tier of our reference net worth (as defined below) which is taken into account for purposes of assessment of risk-weighted capital adequacy (referred to herein as Tier 2 Capital ), the indenture provides that principal and interest payments to be made by us under the notes on the corresponding payment dates and maturity date (including as a result of early redemption) shall be deferred if we are not in compliance with Central Bank risk-based capital requirements (which as currently imposed relate to required net worth, leverage, risk diversification and investment of funds in permanent assets), or if such payments would cause us to no longer be in compliance with such risk-based capital requirements as in effect from time to time. In such a case, all payments falling due under the notes would be deferred until we are, and after making such payment would continue to be, in compliance with the risk-based capital requirements. See Regulation and Supervision Bank Regulations Principal Limitations and Restrictions on Activities of Financial Institutions Capital Adequacy and Leverage . See Description of the Notes Deferral of Interest and Principal for more information on the deferral of payments under the notes. Any suspension of payments due to our failure to satisfy the risk-based capital requirements would have a material adverse effect on our ability to make scheduled payments under the notes and, in addition, would prevent the use of the money in the reserve account and the receipt of money under the insurance policy if there was a currency inconvertibility/non-transfer event at the same time.

***The funds on deposit in the reserve account may not be available to the trustee for payments to the noteholders in all circumstances***

In certain circumstances, the trustee will be required to apply funds on deposit in the reserve account for payments to holders of our other obligations (as defined below) before such funds are applied to payments to noteholders under the notes. In the event that, at any time prior to or on the maturity date, any event occurs that would (i) postpone payment of any part of any of our debt which the Central Bank has authorized to be classified as Tier II of our *patrimônio de referência* (or reference net worth , being the stockholders equity plus revenue accounts (positive result), less expense accounts (negative result)) under CMN Resolution No. 2,837, or (ii) subordinate any payments of any such debt to our other obligations (which we refer to as a subordination event ), the trustee will be required to cease to make any payments of interest owing on, or with respect to, the notes from funds on deposit in the reserve account. Further, if at any time prior to or on the maturity date, a subordination event has occurred and is continuing, and (i) we do not have sufficient funds to make all payments due in respect of any of our other obligations or (ii) the payment of any of our other obligations has been accelerated, the trustee will be required to withdraw and pay to us such funds on deposit on the reserve account as we may request to cover such insufficiency. Also, in the event that we are the subject of liquidation, dissolution or other winding up prior to or on the maturity date, whether voluntary or involuntary and whether or not involving insolvency or bankruptcy, before noteholders are entitled to receive any payment under the notes, the holders of our other obligations shall be entitled to receive, for application to the payment thereof, any payment or distribution that is payable or deliverable in

respect of the notes, including payments from funds on deposit in the reserve account. See Description of the Notes Ranking and Description of the Notes Credit Support Reserve Account .

***If we are unable to make payments on the notes from the Cayman Islands and must make payments from Brazil, we may experience delays in obtaining or be unable to obtain the necessary Central Bank approvals***

We are under no legal obligation to maintain liquidity at our Grand Cayman branch at levels sufficient to make payments on the notes. In case payment under notes issued by our Grand Cayman branch is requested directly from us in Brazil (whether by reason of a lack of liquidity of our Grand Cayman branch, acceleration, enforcement of a judgment or imposition of any restriction under the laws of the Cayman Islands), and payment thereunder is to be made from Brazil in a currency other than the lawful currency of Brazil through a foreign exchange transaction, a specific Central Bank approval may be required for the remittance of funds outside Brazil. Currently such an approval is required except as described below. Requests for remittances of foreign currency are granted by the Central Bank on a case-by-case basis and only immediately prior to the date on which the payment is to be remitted abroad. There could be significant delays in obtaining Central Bank approval. In addition, we might not be able to obtain approval at all because Brazilian law provides that in the event there is a serious imbalance in Brazil's balance of payments or there is a foreseeable likelihood of such an imbalance, the Brazilian government may, for a limited period of time, impose restrictions on the remittance to foreign investors of the proceeds of their investments in Brazil and on the conversion of Brazilian currency into foreign currencies.

The likelihood of the imposition of restrictions on the remittance of foreign currency by the Brazilian government at any time may be affected by, among other factors, the extent of Brazil's foreign currency reserves, the availability of sufficient foreign exchange on the date a payment is due, the size of Brazil's debt service burden relative to the economy as a whole, Brazil's policy towards the IMF and political constraints to which Brazil may be subject, all of which are factors that are beyond our control. Although payments by Brazilian issuers in respect of securities obligations issued in the international capital markets, such as the notes, have not been subject to restrictions imposed by the Central Bank to date, the Brazilian government could impose these restrictions in the future.

In the event that no approvals are obtained or obtainable for the payment by us of amounts owed and payable by our Grand Cayman Branch through remittances from Brazil, we may have to seek other mechanisms permitted by applicable law to effect payment of amounts due under the notes. However, we cannot assure you that other remittance mechanics permitted by applicable law will be available in the future, and even if they are available in the future, we cannot assure you that the payments due under the notes would be possible through such mechanisms.

***The absence of a public market for these notes may affect the ability of the noteholders to sell these notes in the future and may affect the price they would receive if such sale were to occur***

The notes are new securities for which there is currently no established market, and although application has been made to list the Notes on the Luxembourg stock exchange, there is no assurance that a market for the notes will develop. Although the initial purchaser of the old notes has informed us that it currently intends to make a market in the notes, it is not obligated to do so and any such market-making activities may be discontinued at any time without notice. Accordingly, we cannot give any assurance as to the development or liquidity of any market for the notes.

The liquidity of and trading market for the notes may be adversely affected by a general decline in the market for similar securities. Such a decline may adversely affect our liquidity and trading markets independent of our prospects of financial performance. You may not be able to sell your notes at a particular time, and the prices that you receive when you sell may not be favorable. Additionally, we cannot assure you that if you do not exchange your old notes in the exchange offer, there will be any trading market for the old notes following completion of the exchange offer.

***The book-entry registration system of the notes may reduce the liquidity of any secondary market for the notes and may limit the receipt of payments by the beneficial owners of the notes***

Because transfers of interests in the global note to be issued can be effected only through book entries at DTC, Clearstream, Luxembourg and Euroclear, for the accounts of their respective participants, the liquidity of any secondary market for global notes may be reduced to the extent that some investors are unwilling to hold notes in book entry form in the name of a DTC, Clearstream, Luxembourg, or Euroclear participant, as applicable. The ability to pledge interests in the global notes may be limited due to the lack of a physical certificate. Beneficial owners of global notes may, in certain cases, experience delay in the receipt of payments of principal and interest since such payments will be forwarded by the paying agent to DTC, Clearstream, Luxembourg, or Euroclear, as applicable, who will then forward payment to their respective participants, who (if not themselves the beneficial owners) will thereafter forward payments to the beneficial owners of the global notes. In the event of the insolvency of DTC, Clearstream, Luxembourg, Euroclear or any of their respective participants in whose name interests in the global notes are recorded, the ability of beneficial owners to obtain timely or ultimate payment of principal and interest on global notes may be impaired.

***The rating of the notes may be lowered or withdrawn depending on some factors, including the rating agency's assessment of our financial strength, the insurers' financial strength and Brazilian sovereign risk***

It was a condition to the issuance of the old notes that they be rated as least Baa1 by Moody's Investors Service, Inc. The rating addresses the likelihood of payment of principal on October 24, 2013, unless the maturity of the notes is extended as a result of certain currency exchange or transfer control events being in effect on that date, in which case the maturity of the notes will be no later than April 24, 2015, provided that we are in compliance with the risk-based capital requirements. The rating also addresses the timely payment of interest on each payment date. The rating of the notes is not a recommendation to purchase, hold or sell the notes, and the rating does not comment on market price or suitability for a particular investor. We cannot assure you that the rating of the notes will remain for any given period of time or that the rating will not be lowered or withdrawn. A downgrade in the rating of the notes will not be an event of default under the indenture. The assigned rating may be raised or lowered depending, among other factors, on the rating agency's assessment of our financial strength and the insurers' financial strength, as well as its assessment of Brazilian sovereign risk generally, including the suitability of the length of coverage afforded by the insurers.

**Risks Relating to the Insurance Policy**

***Limited financial information concerning the insurers***

The rating of the notes is in part based on the availability of the insurance policy to cover certain risks related to the inconvertibility or non-transferability of amounts due under the notes in the event that the government of Brazil imposes limitations on the conversion of *reais* to U.S. dollars and/or transfer of U.S. dollars outside Brazil. Limited financial information concerning the insurers has been provided by Sovereign and is included in this prospectus. Any decline in the financial condition of the insurers (including as a result of any insolvency or similar proceedings) may impair the ability of Sovereign to pay claims under the insurance policy and could result in a downgrade of the rating of the notes. See "The Insurers and the Insurance Policy--The Insurers". Accordingly, you should take into account the limited financial information on the insurers in making your decision to invest in the notes.

***Limitation on amount of coverage under the insurance policy***

The insurance policy has a policy payment limit in U.S. dollars which corresponds to the amount of scheduled interest due on the notes for eighteen months' interest on the notes (including the amounts on deposit in the reserve account) and certain premium payments due under the insurance policy. The amounts available to the trustee from the insurance policy and the reserve account should be sufficient to cover the payment of interest due on the notes for up to three semi-annual interest payment periods (and certain premium payments due under the insurance policy). If for any reason any currency inconvertibility/non-transfer event were to continue for a period

longer than eighteen months, during which time we would otherwise be required to make payments under the notes, we might default on our obligation to pay interest and/or principal on the notes.

We will not be discharged from our obligations under the notes upon payment of interest on the notes with funds provided by Sovereign under the insurance policy (other than with funds constituting the initial refundable premium made to the trustee on the closing date for deposit in the reserve account). Upon the occurrence of such event, (i) Sovereign shall be subrogated to the rights of the noteholders with respect to such payment, and (ii) the notes shall be deemed to remain outstanding at any time that amounts remain due and owing to Sovereign under the insurance policy.

The insurance policy is issued to the trustee for the benefit of the noteholders. Nothing in the insurance policy, express or implied, shall give to any noteholder any legal or equitable right, remedy or claim thereunder.

***Delays in receipt of payments under the insurance policy for discontinuous periods of payment restrictions***

Under the insurance policy, Sovereign has up to 180 days to make a payment to the trustee from the date a claim is filed. In order to facilitate timely payments to noteholders as a result of this waiting period, six months of scheduled interest on the notes was paid by Sovereign to the trustee and the trustee deposited such amount in the reserve account on the issue date. As long as the insurance policy is in place, we will replenish the reserve account following the withdrawal of funds from such account to an amount equal to U.S.\$21,875,000 and the interest that would accrue on such amount at the note rate plus 1.0% during a 30-day period. Sovereign has no obligation to replenish amounts in the reserve account. Upon a subordination event, however, we may instruct the trustee to withdraw funds in the reserve account and pay to us such funds as we may request. In the event that a currency inconvertibility/non-transfer event occurs with respect to discontinuous payment dates, the liquidity function provided by the deposit in the reserve account to make the first such payment promptly may not be available with respect to subsequent periods if we fail to replenish the reserve account, and receipt of payments under the insurance policy by the trustee will be subject to the waiting period described above for Sovereign to pay such claims to the trustee.

***Conditional nature of Sovereign's obligation to pay under the insurance policy***

Sovereign's obligation to make payments under the insurance policy is subject to certain conditions, limitations and exclusions, including, but not limited to:

- the requirement that we generally either attempt and fail to convert *reais* to U.S. dollars or attempt and fail to transfer U.S. dollars outside Brazil to the trustee in New York;
- the filing by the trustee, as the insured party under the insurance policy, of a claim with Sovereign; and
- the provision of certain information by the trustee and us to Sovereign within the time periods proscribed by the insurance policy in connection with the filing of the claim with Sovereign.

The failure to file a claim, if not waived by Sovereign, may free Sovereign from any obligation to make any payment under the insurance policy.

In addition, Sovereign may in certain circumstances cancel the insurance policy and exclude the payment of a claim thereunder. For further information on these circumstances, see *The Insurers and the Insurance Policy*.

***Sovereign's right of subrogation and reimbursement***

In the event that Sovereign pays a claim under the insurance policy (other than the amount initially paid to fund the initial deposit in the reserve account on the issue date) to the trustee and is not otherwise reimbursed by us, Sovereign shall receive an assignment from the trustee, and be subrogated to the noteholders' receipt of the scheduled interest payments due on the notes in accordance with the indenture and/or any premium payments, as applicable, which were the subject of the claim under the insurance policy. If at any time the trustee or Sovereign

shall obtain recoveries in respect of a loss paid under the insurance policy or the trustee receives any payment from us under the indenture after the payment of a claim under the policy by Sovereign, the amounts of any such recoveries or payments will be applied, prior to any payment on the notes, but with respect to any payments received by the trustee, after any required payments to the trustee under the indenture in respect of fees, expenses or indemnification, first, to the full repayment of compensation paid by Sovereign to the trustee; second, to the full payment of any loss adjustment expenses incurred by Sovereign and associated with the loss; third, to the payment of interest on the foregoing amounts equal to the interest rate on the notes; fourth, to the payment of all unpaid premiums due under the insurance policy; and fifth, to payment to the trustee of uninsured loss suffered by the trustee. Sovereign shall be entitled to be so reimbursed in respect of such claim until such time as Sovereign has received payment in full of all such amounts due to it. Accordingly, Sovereign will receive such amounts prior to the noteholders receiving payments due under the notes. See The Insurers and the Insurance Policy .

***Limitation on timing of payments under the insurance policy***

The insurance policy requires that Sovereign make payments in respect of a claim thereunder in accordance with the original payment schedule for interest on the notes. Accordingly, in the event of an acceleration of the notes prior to the maturity thereof during certain events, Sovereign will not be obligated to make such payments immediately upon acceleration.

The notes will initially be represented by a global note, as described in Form, Denomination and Transfer . Payments of principal and interest on the global note will be made to the registered holders thereof in each case by wire transfer of immediately available funds. It is expected that the registered holders of global notes will receive the funds for distribution to the holders of beneficial interests in the global notes. Neither we nor the trustee will have any responsibility or liability for any of the records of, or payments made by, DTC or its nominees or Euroclear or Clearstream, Luxembourg. See Form, Denomination and Transfer .

If any date for a payment of principal or interest or redemption is not a business day in a city where payment is made or in the city of any paying agent, payment will be made on the next business day in that city unless such day falls in the next calendar month, in which case payment will be made on the preceding business day. No interest on the notes will accrue as a result of this delay in payment.

We have appointed the trustee as a paying agent to receive payment of the principal amount of and interest on the notes. We will be required to make all payments of principal of and interest and other amounts on the notes into a payment account maintained by the trustee by 11:00 a.m. (New York time) on the payment date therefor and otherwise in accordance with the terms of the Indenture.

All payments made by Sovereign under the insurance policy will be paid directly into the payment account.

Subject to applicable law, the trustee and the paying agents will pay to us upon request any monies held by them for the payment of principal or interest that remain unclaimed for two years after becoming due and payable. Thereafter, noteholders entitled to these monies must seek payment from us as unsecured general creditors and not from the trustee or the paying agents. Before any such funds are returned to us, the trustee or the paying agents will publish a notice that these monies remain unclaimed.

## THIS EXCHANGE OFFER

### Purpose and Terms of this Exchange Offer

The existing notes were originally sold in October 2003 in an offering that was exempt from the registration requirements of the Securities Act. As of the date of this prospectus, U.S.\$500 million aggregate principal amount of existing notes is outstanding. In connection with the sale of the existing notes, we entered into a registration rights agreement in which we agreed to file with the SEC a registration statement with respect to the exchange of existing notes for exchange notes and to use our best efforts to cause the registration statement to remain effective until the closing of the exchange offer. We have filed a copy of the registration rights agreement as an exhibit to the registration statement of which this prospectus is a part. This exchange offer satisfies our contractual obligations under the registration rights agreement.

We are offering, upon the terms and subject to the conditions set forth in this prospectus and in the accompanying letter of transmittal, to exchange up to U.S.\$500 million aggregate principal amount of existing notes for U.S.\$500 million aggregate principal amount of notes which have been registered under the Securities Act. We will accept for exchange existing notes that you properly tender prior to the expiration date and do not withdraw in accordance with the procedures described below. You may tender your existing notes in whole or in part in integral multiples of U.S.\$10,000 principal amount.

This exchange offer is not conditioned upon the tender for exchange of any minimum aggregate principal amount of existing notes. We reserve the right in our sole discretion to purchase or make offers for any existing notes that remain outstanding after the expiration date or, as detailed under the caption " Conditions to this Exchange Offer", to terminate this exchange offer and, to the extent permitted by applicable law, purchase existing notes in the open market, in privately negotiated transactions or otherwise. The terms of any of these purchases or offers could differ from the terms of this exchange offer. There will be no fixed record date for determining the registered holders of the existing notes entitled to participate in the exchange offer.

Only a registered holder of the existing notes (or the holder's legal representative or attorney-in-fact) may participate in the exchange offer. Holders of existing notes do not have any appraisal or dissenters' rights in connection with this exchange offer. Existing notes which are not tendered in, or are tendered but not accepted in connection with, this exchange offer will remain outstanding. We intend to conduct this exchange offer in accordance with the provisions of the registration rights agreement and the applicable requirements of the Securities Act and SEC rules and regulations.

If we do not accept any tendered existing notes for exchange because of an invalid tender, the occurrence of other events set forth in this prospectus or otherwise, we will return certificates for any unaccepted existing notes, without expense, to the tendering holder promptly after the expiration date.

If you tender existing notes in connection with this exchange offer, you will not be required to pay brokerage commissions or fees or, subject to the instructions in the letter of transmittal, transfer taxes with respect to the exchange of existing notes in connection with this exchange offer. We will pay all charges and expenses, other than certain applicable taxes described below, in connection with this exchange offer. See " Fees and Expenses".

Unless the context requires otherwise, the term holder with respect to this exchange offer means any person in whose name the existing notes are registered on our books or any other person who has obtained a properly completed bond power from the registered holder, or any participant in DTC or Euroclear/Clearstream, as applicable, whose name appears on a security position listing as a holder of existing notes (including, for purposes of this exchange offer, beneficial interests in the existing notes held by direct or indirect participants and existing notes held in definitive form).

**WE MAKE NO RECOMMENDATION TO YOU AS TO WHETHER YOU SHOULD TENDER OR REFRAIN FROM TENDERING ALL OR ANY PORTION OF YOUR EXISTING NOTES INTO THIS EXCHANGE OFFER. IN ADDITION, NO ONE HAS BEEN AUTHORIZED TO MAKE THIS RECOMMENDATION. YOU MUST MAKE YOUR OWN DECISION WHETHER TO TENDER INTO THIS**

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EXCHANGE OFFER AND, IF SO, THE AGGREGATE AMOUNT OF EXISTING NOTES TO TENDER AFTER READING THIS PROSPECTUS AND THE LETTER OF TRANSMITTAL AND CONSULTING WITH YOUR ADVISORS, IF ANY, BASED ON YOUR FINANCIAL POSITION AND REQUIREMENTS.

### **Expiration Date; Extensions; Amendments**

The term "expiration date" means 5:00 p.m., New York City time, for the DTC portion, and 5:00 p.m., London time, for the Euroclear/Clearstream portion on October 11, 2004; unless we extend this exchange offer, in which case the term "expiration date" shall mean the latest date and time to which we extend this exchange offer.

We expressly reserve the right, at any time or from time to time, so long as applicable law allows:

- to delay our acceptance of existing notes for exchange;
- to terminate or amend this exchange offer if, in the opinion of our counsel, completing the exchange offer would violate any applicable law, rule or regulation or any SEC staff interpretation; and
- to extend the expiration date and retain all existing notes tendered into this exchange offer, subject, however, to your right to withdraw your tendered existing notes as described under " Withdrawal Rights".

If this exchange offer is amended in a manner that we think constitutes a material change, or if we waive a material condition of this exchange offer, we will promptly disclose the amendment by means of a prospectus supplement that will be distributed to the registered holders of the existing notes, and we will extend this exchange offer to the extent required by Rule 14e-1 under the Exchange Act.

We will promptly follow any delay in acceptance, termination, extension or amendment by oral or written notice of the event to the exchange agent followed promptly by oral or written notice to the registered holders. Should we choose to delay, extend, amend or terminate the exchange offer, we will have no obligation to publish, advertise or otherwise communicate this announcement, other than by making a timely release to an appropriate news agency.

### **Procedures For Tendering The Existing Notes**

Upon the terms and the conditions of this exchange offer, we will exchange, and we will issue to the exchange agent, exchange notes for existing notes that have been validly tendered and not validly withdrawn promptly after the expiration date. The tender by a holder of any existing notes and our acceptance of that holder's notes will constitute a binding agreement between us and that holder subject to the terms and conditions set forth in this prospectus and the accompanying letter of transmittal.

#### *Valid Tender*

We will deliver exchange notes in exchange for existing notes that have been validly tendered and accepted for exchange pursuant to this exchange offer. Except as set forth below, you will have validly tendered your existing notes pursuant to this exchange offer if the exchange agent receives prior to the expiration date at the address listed under the caption " Exchange Agent:"

- a properly completed and duly executed letter of transmittal, with any required signature guarantees, including all documents required by the letter of transmittal; or
- if the notes are tendered in accordance with the book-entry procedures set forth below, the tendering note holder may transmit an agent's message (described below) instead of a letter of transmittal.

In addition, on or prior to the expiration date:

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- the exchange agent must receive the certificates for the notes along with the letter of transmittal; or
- the exchange agent must receive a timely book-entry confirmation of a book-entry transfer of the tendered notes into the exchange agent's account at DTC or Euroclear/Clearstream, as applicable, according to the procedure for book-entry transfer described below, along with a letter of transmittal or an agent's message in lieu of the letter of transmittal; or
- the holder must comply with the guaranteed delivery procedures described below.

Accordingly, we may not make delivery of exchange notes to all tendering holders at the same time since the time of delivery will depend upon when the exchange agent receives the existing notes, book-entry confirmations with respect to existing notes and the other required documents.

The term "book-entry confirmation" means a timely confirmation of a book-entry transfer of existing notes into the exchange agent's account at DTC or Euroclear/Clearstream, as applicable. The term "agent's message" means a message, transmitted by DTC or Euroclear/Clearstream, as applicable, to and received by the exchange agent and forming a part of a book-entry confirmation, which states that DTC or Euroclear/Clearstream, as applicable, has received an express acknowledgment from the tendering participant stating that the participant has received and agrees to be bound by the letter of transmittal and that we may enforce the letter of transmittal against the participant.

If you tender less than all of your existing notes, you should fill in the amount of existing notes you are tendering in the appropriate box on the letter of transmittal or, in the case of a book-entry transfer, so indicate in an agent's message if you have not delivered a letter of transmittal. The entire amount of existing notes delivered to the exchange agent will be deemed to have been tendered unless otherwise indicated.

If any letter of transmittal, endorsement, bond power, power of attorney, or any other document required by the letter of transmittal is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, that person should so indicate when signing, and, unless waived by us, you must submit evidence satisfactory to us, in our sole discretion, of that person's authority to act. For existing notes registered in two or more names, all named holders must sign the letter of transmittal and related tender documents. Tenders from persons other than the registered holder of existing notes will only be accepted if the customary transfer requirements, including any applicable transfer taxes, are fulfilled.

If you are a beneficial owner of existing notes that are held by or registered in the name of a broker, dealer, commercial bank, trust company or other nominee or custodian, we urge you to contact this entity promptly if you wish to participate in this exchange offer.

THE METHOD OF DELIVERY OF EXISTING NOTES, THE LETTER OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS IS AT YOUR OPTION AND AT YOUR SOLE RISK, AND DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE EXCHANGE AGENT. INSTEAD OF DELIVERY BY MAIL, WE RECOMMEND THAT YOU USE AN OVERNIGHT OR HAND DELIVERY SERVICE. IN ALL CASES, YOU SHOULD ALLOW SUFFICIENT TIME TO ASSURE TIMELY DELIVERY AND YOU SHOULD OBTAIN PROPER INSURANCE. DO NOT SEND ANY LETTER OF TRANSMITTAL OR EXISTING NOTES TO BRADESCO. YOU MAY REQUEST YOUR BROKER, DEALER, COMMERCIAL BANK, TRUST COMPANY OR NOMINEE TO EFFECT THESE TRANSACTIONS FOR YOU.

### ***Book-Entry Transfer***

Holders who are participants in DTC tendering by book-entry transfer must execute the exchange through the Automated Tender Offer Program or ATOP at DTC, and holders who are participants in the Euroclear/Clearstream, tendering by book-entry transfer must follow the standard operating procedures of Euroclear/Clearstream on or prior to the expiration date. DTC or Euroclear/Clearstream, as the case may be, will verify this acceptance and execute a book-entry transfer of the tendered Certificates into the exchange agent's account at DTC or Euroclear/Clearstream, as applicable. DTC or Euroclear/Clearstream, as applicable, will then send to the exchange agent a book-entry confirmation including an agent's message confirming that DTC or Euroclear/Clearstream, as applicable, has received an express acknowledgment from the holder



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that the holder has received and agrees to be bound by the letter of transmittal and that the exchange agent and we may enforce the letter of transmittal against such holder. The book-entry confirmation must be received by the exchange agent in order for the exchange to be effective.

The exchange agent will make a request to establish an account with respect to the existing notes at DTC or Euroclear/Clearstream, as applicable, for purposes of this exchange offer within two business days after the date of this prospectus unless the exchange agent already has established an account with DTC or Euroclear/Clearstream, as applicable, suitable for this exchange offer.

Any financial institution that is a participant in DTC's or Euroclear's/Clearstream's book-entry transfer facility system, as applicable, may make a book-entry delivery of the existing notes by causing DTC or Euroclear/Clearstream, to transfer these existing notes into the exchange agent's account at DTC or Euroclear/Clearstream, in accordance with DTC's or Euroclear's/Clearstream's procedures for transfers, as applicable.

If the tender is not made through ATOP or in accordance with the standard operating procedures of Euroclear or Clearstream, as applicable, you must deliver the existing notes and the applicable letter of transmittal, or a facsimile of the letter of transmittal, properly completed and duly executed, with any required signature guarantees, or an agent's message in lieu of a letter of transmittal, and any other required documents to the exchange agent at its address listed under the caption "Exchange Agent" prior to the expiration date, or you must comply with the guaranteed delivery procedures set forth below in order for the tender to be effective.

Delivery of documents to DTC or to Euroclear/Clearstream, as applicable, does not constitute delivery to the exchange agent and book-entry transfer to DTC or to Euroclear/Clearstream, in accordance with its respective procedures does not constitute delivery of the book-entry confirmation to the exchange agent.

### *Signature Guarantees*

Signature guarantees on a letter of transmittal or a notice of withdrawal, as the case may be, are only required if:

- a certificate for existing notes is registered in a name other than that of the person surrendering the certificate; or
- a registered holder completes the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" in the letter of transmittal. See "Instructions" in the letter of transmittal.

In the case of either of the cases outlined above, you must duly endorse these certificates for existing notes or they must be accompanied by a properly executed bond power, with the endorsement or signature on the bond power and on the letter of transmittal or the notice of withdrawal, as the case may be, guaranteed by a firm or other entity identified in Rule 17Ad-15 under the Exchange Act as an "eligible guarantor institution" that is a member of a medallion guarantee program, unless these notes are surrendered on behalf of that eligible guarantor institution. An "eligible guarantor institution" includes the following:

- a bank;
- a broker, dealer, municipal securities broker or dealer or government securities broker or dealer;
- a credit union;
- a national securities exchange, registered securities association or clearing agency; or
- a savings association.

***Guaranteed Delivery***

If you desire to tender existing notes into this exchange offer and:

- the certificates for the existing notes are not immediately available;
- time will not permit delivery of the existing notes and all required documents to the exchange agent on or prior to the expiration date; or
- the procedures for book-entry transfer cannot be completed on a timely basis,

you may nevertheless tender the existing notes, provided that you comply with all of the following guaranteed delivery procedures:

- tender is made by or through an eligible guarantor institution;
- prior to the expiration date, the exchange agent receives from the eligible guarantor institution a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form accompanying the letter of transmittal. This eligible guarantor institution may deliver the Notice of Guaranteed Delivery by hand or by facsimile or deliver it by mail to the exchange and must include a guarantee by this eligible guarantor institution in the form in the Notice of Guaranteed Delivery; and
- within three New York Exchange trading days after the date of execution of the Notice of Guaranteed Delivery, the exchange agent must receive:
  - the certificates, or book-entry confirmation, representing all tendered existing notes, in proper form for transfer;
  - a properly completed and duly executed letter of transmittal or facsimile of the letter of transmittal or, in the case of a book-entry transfer, an agent's message in lieu of the letter of transmittal, with any required signature guarantees; and
  - any other documents required by the letter of transmittal.

***Determination of Validity***

- We have the right, in our sole discretion, to determine all questions as to the form of documents, validity, eligibility, including time of receipt, and acceptance for exchange of any tendered existing notes. Our determination will be final and binding on all parties.
- We reserve the absolute right, in our sole and absolute discretion, to reject any and all tenders of existing notes that we determine are not in proper form.
- We reserve the absolute right, in our sole and absolute discretion, to refuse to accept for exchange a tender of existing notes if our counsel advises us that the tender is unlawful.
- We also reserve the absolute right, so long as applicable law allows, to waive any of the conditions of this exchange offer or any defect or irregularity in any tender of existing notes of any particular holder whether or not similar defects or irregularities are waived in the case of other holders.
- Our interpretation of the terms and conditions of this exchange offer, including the letter of transmittal and the instructions relating to us, will be final and binding on all parties.

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- We will not consider the tender of existing notes to have been validly made until all defects or irregularities with respect to the tender have been cured or waived.
- Neither we, our affiliates, the exchange agent, and any other person will be under any duty to give any notification of any defects or irregularities in tenders and will not incur any liability for failure to give this notification.

### Acceptance for Exchange for the Exchange Notes

Upon satisfaction or waiver of all of the conditions of the exchange offer, we will accept, promptly after the expiration date, all existing notes properly tendered and will issue the exchange notes promptly after acceptance of the existing notes. See Conditions to this Exchange Offer . Subject to the terms and conditions of this exchange offer, we will be deemed to have accepted for exchange, and exchanged, existing notes validly tendered and not withdrawn as, if and when we give oral or written notice to the exchange agent, with any oral notice promptly confirmed in writing by us, of our acceptance of these existing notes for exchange in this exchange offer. The exchange agent will act as our agent for the purpose of receiving tenders of existing notes, letters of transmittal and related documents, and as agent for tendering holders for the purpose of receiving existing notes, letters of transmittal and related documents and transmitting exchange notes to holders who validly tendered existing notes. The exchange agent will make the exchange promptly after the expiration date. If for any reason whatsoever:

- the acceptance for exchange or the exchange of any existing notes tendered in this exchange offer is delayed, whether before or after our acceptance for exchange of existing notes;
- we extend this exchange offer; or
- we are unable to accept for exchange or exchange existing notes tendered in this exchange offer;

then, without prejudice to our rights set forth in this prospectus, the exchange agent may, nevertheless, on our behalf and subject to Rule 14e-1(c) under the Exchange Act, retain tendered existing notes and these existing notes may not be withdrawn unless tendering holders are entitled to withdrawal rights as described under Withdrawal Rights .

### Interest

For each existing note that we accept for exchange, the existing note holder will receive a new note having a principal amount and final distribution date equal to that of the surrendered existing note. If we complete this exchange offer before October 24, 2004, interest on the new notes will accrue from April 24, 2004. If we complete this exchange offer on or after October 24, 2004, interest on the new notes will accrue from October 24, 2004.

### Resales of the Exchange Notes

Based on interpretations by the staff of the SEC set forth in no-action letters issued to third parties, we believe that the exchange notes may be offered for resale, resold and otherwise transferred by you without compliance with the registration and prospectus delivery requirements of the Securities Act provided that:

- you acquire any new note in the ordinary course of your business;
- you are not participating, do not intend to participate, and have no arrangement or understanding with any person to participate, in the distribution of the exchange notes;
- you are not a broker-dealer who purchased outstanding notes directly from us for resale pursuant to Rule 144A or any other available exemption under the Securities Act; and
- you are not an "affiliate" (as defined in Rule 405 under the Securities Act) of Bradesco.

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If our belief is inaccurate and you transfer any new note without delivering a prospectus meeting the requirements of the Securities Act or without an exemption from registration of your notes from these requirements, you may incur liability under the Securities Act. We do not assume any liability or indemnify you against any liability under the Securities Act.

Each broker-dealer that is issued exchange notes for its own account in exchange for notes that it acquired as a result of market-making or other trading activities must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of the exchange notes. A broker-dealer who acquired existing notes under these circumstances may use this prospectus for an offer to resell, resale or other retransfer of the exchange notes.

### Withdrawal Rights

Except as otherwise provided in this prospectus, you may withdraw your tender of existing notes at any time prior to the expiration date.

- In order for a withdrawal to be effective, you must deliver a written, telegraphic or facsimile transmission of a notice of withdrawal to the exchange agent at any of its addresses listed under the caption " Exchange Agent" prior to the expiration date.
- Each notice of withdrawal must specify:
  - the name of the person who tendered the existing notes to be withdrawn;
  - the aggregate principal amount of existing notes to be withdrawn; and
  - if certificates for these existing notes have been tendered, the name of the registered holder of the notes as set forth on the existing notes, if different from that of the person who tendered these existing notes.
- If you have delivered or otherwise identified to the exchange agent certificates for existing notes, the notice of withdrawal must specify the serial numbers on the particular certificates for the existing notes to be withdrawn and the signature on the notice of withdrawal must be guaranteed by an eligible guarantor institution, except in the case of existing notes tendered for the account of an eligible guarantor institution.
- If you have tendered existing notes in accordance with the procedures for book-entry transfer listed in " Procedures for Tendering the Existing Notes Book-Entry Transfer ", the notice of withdrawal must specify the name and number of the account at DTC or at Euroclear/Clearstream, as applicable, to be credited with the withdrawal of existing notes and must otherwise comply with the procedures of DTC or at Euroclear/Clearstream, as applicable.
- You may not rescind a withdrawal of your tender of existing notes.
- We will not consider existing notes properly withdrawn to be validly tendered for purposes of this exchange offer. However, you may retender existing notes at any subsequent time prior to the expiration date by following any of the procedures described above in " Procedures for Tendering the Existing Notes".
- We, in our sole discretion, will determine all questions as to the validity, form and eligibility, including time of receipt, of any withdrawal notices. Our determination will be final and binding on all parties. We, our affiliates, the exchange agent and any other person have no duty to give any notification of any defects or irregularities in any notice of withdrawal and will not incur any liability for failure to give any such notification.

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- We will return to the holder any existing notes which have been tendered but which are withdrawn promptly after the withdrawal.

### Conditions to this Exchange Offer

Notwithstanding any other provisions of this exchange offer or any extension of this exchange offer, we will not be required to accept for exchange, or to exchange, any existing notes. We may terminate this exchange offer, whether or not we have previously accepted any existing notes for exchange, or we may waive any conditions to or amend this exchange offer, if we determine in our sole and absolute discretion that the exchange offer would violate applicable law or any applicable interpretation of the staff of the SEC.

### Exchange Agent

We have appointed The Bank of New York as exchange agent for this exchange offer. You should direct all deliveries of the letters of transmittal and any other required documents, questions, requests for assistance and requests for additional copies of this prospectus or of the letters of transmittal to the exchange agent as follows:

For the DTC portion of the Exchange Offer

By Mail, Hand and Courier:

The Bank of New York  
Corporate Trust Operations, Reorganization Unit  
101 Barclay Street 7 East  
New York, New York 10286  
Attention: Mr. Kin Lau

By Facsimile: (212) 815 3750  
Confirm by telephone: (212) 298 1915

For the Euroclear/Clearstream portion of the Exchange Offer

By Mail, Hand and Courier:

The Bank of New York  
Lower Ground Floor  
30 Cannon Street  
London EC4M 6XH  
Attention: Ms. Julie McCarthy / Ms. Amanda Smith

By Facsimile: 44 207 964 6369/7294  
Confirm by telephone: 44 207 964 6513/7235

**Delivery to other than the above address or facsimile number will not constitute a valid delivery.**

### Fees and Expenses

We will bear the expenses of soliciting tenders of the existing notes. We will make the initial solicitation by mail; however, we may decide to make additional solicitations personally or by telephone or other means through our officers, agents, directors or employees.

We have not retained any dealer-manager or similar agent in connection with this exchange offer and we will not make any payments to brokers, dealers or others soliciting acceptances of this exchange offer. We have agreed to pay the exchange agent and note trustee reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses in connection with this exchange offer. We will also pay brokerage houses and other custodians, nominees and fiduciaries the reasonable out-of-pocket expenses they incur in forwarding copies of this prospectus and related documents to the beneficial owners of existing notes, and in handling or tendering for their customers.

### Transfer Taxes

Holders who tender their existing notes will not be obligated to pay any transfer taxes in connection with the exchange, except that if:

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- you want us to deliver exchange notes to any person other than the registered holder of the existing notes tendered;
- you want us to issue the exchange notes in the name of any person other than the registered holder of the existing notes tendered; or

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- a transfer tax is imposed for any reason other than the exchange of existing notes in connection with this exchange offer;

then you will be liable for the amount of any transfer tax, whether imposed on the registered holder or any other person. If you do not submit satisfactory evidence of payment of such transfer tax or exemption from such transfer tax with the letter of transmittal, the amount of this transfer tax will be billed directly to the tendering holder.

#### **Consequences of Exchanging or Failing to Exchange Existing Notes**

Holders of existing notes who do not exchange their existing notes for exchange notes in this exchange offer will continue to be subject to the provisions of the agreements regarding transfer and exchange of the existing notes and the restrictions on transfer of the existing notes set forth on the legend on the existing notes. In general, the existing notes may not be offered or sold, unless registered under the Securities Act, except under an exemption from, or in a transaction not subject to the registration requirements of the Securities Act and applicable state securities laws. We do not currently anticipate that we will register the existing notes under the Securities Act except with respect to this exchange offer.

Based on interpretations by the staff of the SEC, as detailed in no-action letters issued to third parties, we believe that exchange notes issued in this exchange offer in exchange for existing notes may be offered for resale, resold or otherwise transferred by the holders (other than any holder that is an affiliate of our company within the meaning of Rule 405 under the Securities Act) without compliance with the registration and prospectus delivery provisions of the Securities Act, provided that the exchange notes are acquired in the ordinary course of the holders business and the holders have no arrangement or understanding with any person to participate in the distribution of these exchange notes. However, we do not intend to request the SEC to consider, and the SEC has not considered, the exchange offer in the context of a no-action letter and we cannot guarantee that the staff of the SEC would make a similar determination with respect to the exchange offer.

Each holder must acknowledge that it is not engaged in, and does not intend to engage in, a distribution of exchange notes and has no arrangement or understanding to participate in a distribution of exchange notes. If any holder is an affiliate of our company, is engaged in or intends to engage in or has any arrangement or understanding with respect to the distribution of the exchange notes to be acquired pursuant to the exchange offer, the holder:

- could not rely on the applicable interpretations of the staff of the SEC, and
- must comply with the registration and prospectus delivery requirements of the Securities Act.

Each broker-dealer that receives exchange notes for its own account in exchange for outstanding notes, where the outstanding notes were acquired by the broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of the exchange notes. See Plan of Distribution .

In addition, to comply with state securities laws, the exchange notes may not be offered or sold in any state unless they have been registered or qualified for sale in the state or an exemption from registration or qualification is available and is complied with. The offer and sale of the exchange notes to qualified institutional buyers (as defined under Rule 144A of the Securities Act) is generally exempt from registration or qualification under state securities laws. We currently do not intend to register or qualify the sale of the exchange notes in any state where an exemption from registration or qualification is required and not available.

**USE OF PROCEEDS**

We will receive no proceeds from the exchange of existing notes for exchange notes. The issuance of the exchange notes will not result in any change in our aggregate indebtedness. The net proceeds from the existing notes was approximately U.S.\$490,340,000 (after deducting fees, commissions and other expenses). Those proceeds were used for general corporate purposes.



**EXCHANGE CONTROLS AND FOREIGN EXCHANGE RATES**

The *real* was introduced in July 1994, and from that time through March 1995 the *real* appreciated against the U.S. dollar. In March 1995 the Central Bank introduced exchange rate policies that established a trading band within which the *real*-U.S. dollar exchange rate could fluctuate, allowing the gradual devaluation of the *real* against the U.S. dollar. In January 1999, in response to increased pressure on Brazil's foreign currency reserves, the Central Bank allowed the *real* to float freely.

During 1999 the *real* experienced high volatility and suffered a sharp decline against the U.S. dollar. During 2000, 2001 and 2002 the *real* continued to decline against the U.S. dollar, but during 2003 it appreciated against the U.S. dollar. Under the current free convertibility exchange system, the *real* may undergo further devaluation or may appreciate against the U.S. dollar and other currencies.

The following table sets forth the period-end, average, high and low noon buying rate reported by the Federal Reserve Bank, expressed in *reals* per U.S. dollars for the periods and dates indicated.

**Noon Buying Rate for U.S. dollars  
R\$ per U.S.\$1.00**

Period	Period-End	Average(1)	High	Low
1999	R\$1.8090	R\$1.8135	R\$2.2000	R\$1.2074
2000	1.9510	1.8330	1.9840	1.7230
2001	2.3120	2.3220	2.7850	1.9720
2002	3.5400	2.9420	3.8030	2.3260
2003	2.8950	3.0954	3.6590	2.8230
December	2.8950		2.9450	2.8700
2004				
January	2.9240		2.9450	2.8070
February	2.9150		2.9720	2.9040
March	2.9070		2.9400	2.8680
April	2.9440		2.9590	2.8740
May	3.1110		3.2085	2.9620
June	3.1050		3.1620	3.1030

(1) Average of the month-end rates beginning with December of previous period through last month of period indicated.

Source: Federal Reserve Bank of New York.

On July 27, 2004, the noon buying rate reported by the Federal Reserve Bank of New York was R\$3.063 to U.S.\$1.00.

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The following table sets forth the period-end, average, high and low selling rate reported by the Central Bank at closing, expressed in *reais* per U.S. dollars for the periods and dates indicated.

### Closing Rate Selling Rate for U.S. dollars R\$ per U.S.\$1.00

Period	Period-End	Average <sup>(1)</sup>	High	Low
1999	R\$1.7890	R\$ 1.8019	R\$ 2.1647	R\$ 1.2078
2000	1.9554	1.8313	1.9847	1.7234
2001	2.3204	2.3226	2.8007	1.9357
2002	3.5333	2.9461	3.9552	2.2709
2003	2.8892	3.0964	3.6623	2.8219
December	2.8892		2.9434	2.8883
2004				
January	2.9409		2.9409	2.8022
February	2.9138		2.9878	2.9042
March	2.9086		2.9410	2.8752
April	2.9447		2.9522	2.8743
May	3.1291		3.2051	2.9569
June	3.1075		3.1651	3.1030

(1) Average of the month-end rates beginning with December of previous period through last month of period indicated.

Source: Central Bank.

On July 27, 2004, the U.S. dollar selling rate reported by the Central Bank at the close of the day was R\$3.067 to U.S.\$1.00.

**RATIO OF EARNINGS TO FIXED CHARGES**

The following table sets forth the computation of and our ratio of earnings to fixed charges for each year in the four-year period ended December 31, 2003. The ratio of earnings to fixed charges covers continuing operations, and for this purpose (a) earnings consist of income (loss) before income taxes plus fixed charges and (b) fixed charges consist of interest expense on all debt (including capitalized interest), amortization of defined financing costs and a percentage of rental expense deemed to be interest.

**For the Year Ended December 31,**

	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
	<i>(R\$ in millions, except ratios)</i>				
<b>Earnings:</b>					
Income from continuing operations before income taxes and minority interest	R\$2,656	R\$2,288	R\$2,838	R\$2,234	R\$722
Equity in earnings (losses) of unconsolidated companies	(60)	(150)	(109)	(145)	173
Distributed income of equity investees	85	81	17	74	18
Interest expense	9,717	14,927	9,159	6,512	9,216
Appropriated portion (1/3) of rent expense	91	65	53	42	47
<b>Earnings available for fixed charges</b>	<b>12,489</b>	<b>17,211</b>	<b>11,958</b>	<b>8,717</b>	<b>10,176</b>
<b>Fixed charges</b>					
Interest expense	9,717	14,927	9,159	6,512	9,216
Appropriated portion (1/3) of rent expense	91	65	53	42	47
<b>Total fixed charges</b>	<b>R\$9,808</b>	<b>R\$14,992</b>	<b>R\$9,212</b>	<b>R\$6,554</b>	<b>R\$9,263</b>
<b>Ratio of earnings to fixed charges</b>	<b>1.27x</b>	<b>1.15x</b>	<b>1.30x</b>	<b>1.33x</b>	<b>1.10x</b>

### CAPITALIZATION

The following table sets forth our capitalization at May 31, 2004, as derived from our unaudited consolidated financial statements prepared in accordance with accounting practices adopted in Brazil. This table should be read in conjunction with "Selected Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited consolidated financial statements as at and for the year ended December 31, 2003, prepared in accordance with U.S. GAAP and included elsewhere in this prospectus.

On December 17, 2003, a special stockholders' meeting approved a proposal submitted by our Board of Directors to undertake a reverse stock split of each of our common shares and our preferred shares. In both cases, the reverse stock split involves the issue of one new share for every 10,000 existing shares per one new share. The reverse stock split was approved by the Central Bank on January 6, 2004. As of March 19, 2004, when the period for our stockholders to group their holdings (by type) in multiple lots of 10,000 ended, the remaining fractional shares were separated, grouped in whole numbers and sold in an auction held at the São Paulo Stock Exchange on March 31, 2004. The proceeds of the sale were remitted to the former shareholders. As a result, as of March 19, 2004, our corporate capital of R\$7,000,000,000 is represented by 158,587,941 shares, with no par value, of which 79,894,005 will be common shares and 78,693,936 will be preferred shares.

There has been no material change to our capitalization since May 31, 2004.

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At May 31, 2004

	(U.S.\$ in millions) <sup>(1)</sup>	(R\$ in millions, except %)
<b>Long-term debt</b> <sup>(2)</sup>		
Deposits	4,660	14,583
Funds from acceptance and issuance of securities	890	2,785
Borrowings and onlendings	1,754	5,488
Other liabilities	3,243	10,147
<b>Total</b>	<b>10,547</b>	<b>33,003</b>
<b>Secured and guaranteed long-term debt</b> <sup>(3)</sup>		
Federal funds purchased and securities sold under agreements to repurchase <sup>(3)</sup>	422	1,321
<b>Total long-term debt</b>	<b>10,969</b>	<b>34,324</b>
Provision related to insurance, private pension plans and special savings	8,109	25,373
Deferred income	10	31
Minority interest	21	65
Stockholders' equity <sup>(4)</sup>	4,255	13,313
<b>Total capitalization</b> <sup>(5)</sup>	<b>23,364</b>	<b>73,106</b>
<b>Risk-based capital ratios</b>		
Risk-based capital ratio <sup>(6)</sup>		18.0%
Risk-based capital ratio (consolidated total basis) <sup>(7)</sup>		15.7%

- (1) Amounts stated in U.S. dollars have been translated from Brazilian *reais* at an exchange rate of R\$3.1291 per U.S.\$1.00, the Central Bank closing commercial selling exchange rate on May 31, 2004. The translation of Brazilian currency amounts into U.S. dollars is for indicative purposes only; it should not be construed as a representation that amounts of *reais* could be converted into or settled in U.S. dollars at such rate or any other.
- (2) Unsecured and not guaranteed long-term debt.
- (3) Secured by federal funds sold and securities purchased under agreements to resell.
- (4) Retained earnings available for distribution are restricted to earnings recorded in our consolidated financial statements prepared in accordance with accounting practices adopted in Brazil. At May 31, 2004, retained earnings available for distribution, net of treasury shares, were R\$4,946 million.
- (5) Total capitalization is equal to the sum of long-term debt, provision related to insurance, private pension plans and special savings, deferred income, minority interest and stockholders' equity.
- (6) Calculated based on CMN Resolution 2,099 and other applicable regulations and presented on a consolidated basis excluding our non-financial subsidiaries. See Regulation and Supervision Bank Regulations .
- (7) Calculated based on CMN Resolution 2,723 and other applicable regulations and presented on a consolidated total basis including our non-financial subsidiaries. Since July 31, 2000, as required by CMN Resolution 2,723, we have also been required to measure our capital compliance on a consolidated total basis (which includes both our financial and non-financial subsidiaries). See Regulation and Supervision Bank Regulations .

**SELECTED FINANCIAL INFORMATION**

You should read the following selected financial data in conjunction with Presentation of Financial Information and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus.

We have presented below selected financial information prepared in accordance with U.S. GAAP as of December 31, 2003, 2002, 2001, 2000 and 1999 and for the years ended December 31, 2003, 2002, 2001, 2000 and 1999. The selected U.S. GAAP financial information is derived from and should be read in conjunction with our audited consolidated financial statements prepared in accordance with U.S. GAAP. The report of our independent registered public accounting firm for the years ended December 31, 2003 and December 31, 2002 is included in this prospectus.

**U.S. GAAP Presentation**

The selected financial information set forth below has been derived from our consolidated financial statements, which have been prepared in accordance with U.S. GAAP.

This information is qualified in its entirety by reference to the U.S. GAAP financial statements and the notes thereto.

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Year ended December 31,

	1999	2000	2001	2002	2003	2003
	<i>(R\$ in millions)</i>					<i>(US\$ in Millions)<sup>(1)</sup></i>
<b>Income Statement Data</b>						
Net interest income	R\$ 7,021	R\$ 6,846	R\$ 9,493	R\$ 13,467	R\$ 14,999	US\$ 4,793
Provision for loan losses	(1,845)	(1,244)	(1,763)	(2,543)	(2,034)	(650)
Net interest income after provision for loan losses	5,176	5,602	7,730	10,924	12,965	4,143
Fee and commission income	2,100	2,593	2,866	2,894	3,463	1,107
Insurance premiums(2)	3,756	3,954	4,946	5,308	6,149	1,965
Pension plan income(2)	382	339	713	21	64	20
Equity in earnings (losses) of unconsolidated companies(3)	(173)	145	109	150	60	19
Other non-interest income(4)	479	2,103	972	(410)	1,373	439
Operating expenses(5)	(4,767)	(5,816)	(6,197)	(7,413)	(8,586)	(2,744)
Insurance claims	(2,388)	(2,511)	(3,251)	(3,614)	(4,333)	(1,385)
Changes in provisions for insurance, pension plans, certificated savings plans and pension investment contracts	(1,270)	(1,265)	(1,847)	(2,261)	(3,777)	(1,207)
Pension plan operating expenses	(249)	(378)	(459)	(370)	(637)	(203)
Insurance and pension plan selling expenses	(635)	(645)	(690)	(669)	(762)	(243)
Other non-interest expense(6)	(1,689)	(1,887)	(2,054)	(2,272)	(3,323)	(1,062)
Income before income taxes and minority interest	722	2,234	2,838	2,288	2,656	849
Income taxes	61	(417)	(550)	(161)	(346)	(111)
Change in accounting principle(7)				27		
Minority interest	(39)	(18)	(18)	(12)	(8)	(2)
Net income	744	1,799	2,270	2,142	2,302	736

Year ended December 31,

	1999		2000		2001		2002		2003	
<b>Per Share Data(8)</b>	<b>(R\$, except numbers of shares)</b>	<b>(US\$)</b>	<b>(R\$, except numbers of shares)</b>	<b>(US\$)</b>	<b>(R\$, except numbers of shares)</b>	<b>(US\$)</b>	<b>(R\$, except numbers of shares)</b>	<b>(US\$)</b>	<b>(R\$, except numbers of shares)</b>	<b>(US\$)<sup>(1)</sup></b>
Net income per share(9)										
Common	R\$ 5.80		R\$ 13.09		R\$ 15.11		R\$ 14.23		R\$ 14.35	US\$ 4.59
Preferred	6.38		14.40		16.62		15.65		15.79	5.05
Dividends/interest on capital per share (10)										
Common	6.77	US\$ 3.72	5.60	US\$ 2.98	5.65	US\$ 2.43	6.28	US\$ 1.92	8.39	2.88
Preferred	7.35	4.09	6.23	3.28	6.21	2.68	6.93	2.11	9.24	3.17
Weighted average number of outstanding share										

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Common	62,337,807	66,614,301	72,667,793	72,446,557	76,960,037
Preferred	59,997,794	64,382,670	70,580,416	70,982,956	75,860,162
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December 31,

	1999	2000	2001	2002	2003	2003
	(R\$ in millions)					(US\$ in millions) <sup>(1)</sup>
<b>Consolidated Balance Sheet Data</b>						
<b>Assets</b>						
Cash and due from banks	R\$ 717	R\$ 1,155	R\$ 1,715	R\$ 2,725	R\$ 2,473	US\$ 790
Interest-earning deposits in other banks	1,136	1,299	2,051	2,379	5,170	1,652
Federal funds sold and securities purchased under agreements to resell	7,847	12,328	11,896	12,674	26,175	8,365
Brazilian Central Bank compulsory deposits	8,540	5,271	8,232	16,057	16,690	5,334
Trading and available for sale securities, at fair value	24,331	22,814	29,872	27,549	43,267	13,827
Securities held to maturity				4,001	3,265	1,044
Loans	28,019	39,439	44,994	52,324	54,795	17,511
Allowance for loan losses	(1,783)	(2,345)	(2,941)	(3,455)	(3,846)	(1,229)
Equity investees and other investments	428	447	521	550	295	94
Premises and equipment, net	2,630	2,680	2,727	2,993	3,106	993
Intangible assets, net	400	875	783	1,778	1,740	556
Other assets	7,771	7,889	8,445	10,300	13,200	4,219
<b>Total assets</b>	<b>R\$ 80,036</b>	<b>R\$ 91,852</b>	<b>R\$ 108,295</b>	<b>R\$ 129,875</b>	<b>R\$ 166,330</b>	<b>US\$ 53,156</b>
<b>Liabilities</b>						
Deposits	34,595	36,506	41,092	56,333	58,027	18,545
Federal funds purchased and securities sold under agreements to repurchase	7,814	12,114	14,037	7,633	27,490	8,785
Short-term borrowings	6,013	7,018	8,320	9,639	7,795	2,491
Long-term debt	8,336	9,060	11,499	13,389	20,093	6,421
Other liabilities	15,647	19,175	23,471	31,826	39,260	12,547
<b>Total liabilities</b>	<b>72,405</b>	<b>83,873</b>	<b>98,419</b>	<b>118,820</b>	<b>152,665</b>	<b>48,789</b>
Minority interest in consolidated subsidiaries	288	98	87	203	73	23
<b>Shareholders' Equity</b>						
Common shares(11)	1,933	2,408	2,638	2,638	3,525	1,127
Preferred shares(12)	1,867	2,338	2,562	2,562	3,475	1,110
<b>Capital stock</b>	<b>3,800</b>	<b>4,746</b>	<b>5,200</b>	<b>5,200</b>	<b>7,000</b>	<b>2,237</b>
<b>Total shareholders' equity</b>	<b>7,343</b>	<b>7,881</b>	<b>9,789</b>	<b>10,852</b>	<b>13,592</b>	<b>4,344</b>
<b>Total liabilities and shareholders' equity</b>	<b>R\$ 80,036</b>	<b>R\$ 91,852</b>	<b>R\$ 108,295</b>	<b>R\$ 129,875</b>	<b>R\$ 166,330</b>	<b>US\$ 53,156</b>
Average assets(13)	69,604	91,275	101,298	123,447	146,872	46,937
Average liabilities(13)	62,733	84,540	92,293	113,216	134,625	43,024
Average shareholders' equity(13)	6,574	6,596	8,861	10,015	12,138	3,879

(1) Amounts stated in U.S. dollars have been translated from Brazilian *reais* at an exchange rate of R\$3.1291 = US\$1.00, the Central Bank exchange rate of May 31, 2004. We used the exchange rate of May 31, 2004, instead of December 31, 2003, because there has been a material devaluation in the real U.S. dollar exchange rate since December 31, 2003. For more information, see Management's Discussion and Analysis of Financial Condition and Results of Operations Overview Brazilian Economic Conditions. Such translations should not be construed as representation that the Brazilian *real* amounts presented have been or could be converted into U.S. dollars at that rate.

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- (2) Beginning January 1, 2003, we classify amounts received in relation to certain private retirement plans as income from insurance premiums. Amounts related to such private retirement plans from periods previous to 2003 have been reclassified to facilitate comparison. As a result, income from pension premiums decreased and income from insurance premiums increased by R\$175 million for the period ending December 31, 1999, by R\$253 million for the period ending December 31, 2000, by R\$330 million for the period ending December 31, 2001 and by R\$327 million for the period ending December 31, 2002. These reclassifications do not affect non-interest income, net income, or shareholders' equity. The private retirement plans offer holders a guaranteed payment of benefits upon death.
- (3) For more information on the results of equity investees, see Management's Discussion and Analysis of Financial Condition and Results of Operations and note 9 to our consolidated financial statements.
- (4) Other non-interest income consists of trading income (losses), net realized gains on available for sale securities, net gain on foreign currency transactions and other non-interest income.
- (5) Operating expenses consists of salaries and benefits and administrative expenses.
- (6) Other non-interest expense consists of amortization of intangible assets, depreciation and amortization and other non-interest expense.
- (7) For more information, see note 11 to our consolidated financial statements.
- (8) Per share data reflects, on a retroactive basis, a split of our capital stock on December 22, 2000, in which we issued one new share for each five existing shares. On December 17, 2003, our Board of Directors approved a reverse split of our shares at a 10,000:1 share ratio, which was approved by our shareholders on March 10, 2004. As a result, we had 158,587,942 authorized and issued shares outstanding, no par value, as of December 31, 2003. The shares began trading in this form on the São Paulo Stock Exchange on March 22, 2004.
- (9) For the purposes of calculating earnings per share in accordance with U.S. GAAP, preferred shares are treated in the same manner as common shares. Preferred shareholders are entitled to receive dividends per share in an amount 10% greater than the dividends per share paid to the common shareholders. None of our outstanding obligations are exchangeable for or convertible into equity securities. Our

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diluted net income per share therefore does not differ from our net income per share. Accordingly, our basic and diluted earnings per share are equal in all periods presented. See note 2(u) to our consolidated financial statements.

- (10) Amounts stated in U.S. dollars have been translated from Brazilian *reais* at the exchange rate in effect on the date of payment of such dividend.
- (11) Common shares outstanding, no par value: 79,836,526 authorized and issued at December 31, 2003; 719,342,690,385 authorized and issued at December 31, 2002 (or 71,934,269, applying the reverse split retroactively); and 730,598,990,385 authorized and issued at December 31, 2001 (or 73,059,899, applying the reverse split retroactively). Data for 2003 reflects the reverse split of our shares at a 10,000:1 share ratio, approved by our Board of Directors in December 2003 and approved by our shareholders in March 2004.
- (12) Preferred shares outstanding, no par value: 78,693,936 authorized and issued at December 31, 2003; 708,537,611,452 authorized and issued at December 31, 2002 (or 70,853,761, applying the reverse split retroactively); and 709,947,011,452 authorized and issued at December 31, 2001 (or 70,994,701, applying the reverse split retroactively). Data for 2003 reflects the reverse split of our shares at a 10,000:1 share ratio, approved by our Board of Directors in December 2003 and approved by our shareholders in March 2004.
- (13) See Selected Statistical Information .

Preferred shareholders are entitled to receive dividends per share in an amount 10% greater than the dividends per share paid to our common shareholders.

**SELECTED STATISTICAL INFORMATION**

*We have included the following information for analytical purposes. You should read this information in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements included in this prospectus.*

**Average Balance Sheet and Interest Rate Data**

The following table presents the average balances of our interest-earning assets and interest-bearing liabilities, other assets and liabilities accounts, the related interest income and expense amounts and the average real yield/rate for each period. We calculated the average balances using the daily book balances, which include the related allocated interest.

We show liabilities in two categories: local and foreign currencies. Local currency balances represent liabilities expressed in *reais*, while foreign currency balances represent liabilities denominated in or indexed to foreign currencies, primarily the U.S. dollar. We did not break out asset balances into domestic and international currencies as substantially all of our assets are denominated in *reais*.

We excluded non-performing loans from loans in determining average assets and liabilities, and classified them as non-interest-earning assets. Cash received on non-performing loans during the period are included in interest income on loans. We do not consider these amounts significant.

We do not present interest income on a tax-equivalent basis as Brazilian tax law does not currently provide for tax exemptions for interest earned on investment securities.

Additionally, fees received from various loan commitments are included in interest income on loans. We do not consider these amounts significant.

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	December 31, 2001			December 31, 2002			December 31, 2003		
	Average balance	Interest	Average yield/rate (%)	Average balance	Interest	Average yield/rate (%)	Average balance	Interest	Average yield/rate (%)
<b>Interest-earning assets <sup>(1)</sup></b>	<i>(R\$ in millions, except percentages)</i>								
Loans	R\$40,928	R\$11,672	28.5%	R\$49,590	R\$17,025	34.3%	R\$51,039	R\$12,176	23.9%
Federal funds sold and securities purchased under agreements to resell	10,569	2,263	21.4	10,322	2,947	28.6	19,487	3,861	19.8
Trading assets	19,785	3,833	19.4	19,537	3,595	18.4	27,077	5,932	21.9
Available for sale securities <sup>(2)</sup>	3,793	352	9.3	3,045	487	16.0	3,147	397	12.6
Securities held to maturity				5,295	1,954	36.9	3,088	482	15.6
Interest-earning deposits in other banks	1,996	219	11.0	2,154	296	13.7	4,651	347	7.5
Other interest-earning assets									
Central Bank compulsory deposits	3,580	299	8.4	8,149	2,058	25.3	11,988	1,459	12.2
Other assets	167	14	8.4	340	32	9.4	985	62	6.3
<b>Total interest-earning assets</b>	<b>80,818</b>	<b>18,652</b>	<b>23.1</b>	<b>98,432</b>	<b>28,394</b>	<b>28.8</b>	<b>121,462</b>	<b>24,716</b>	<b>20.3</b>
<b>Non-interest-earning assets <sup>(3)</sup></b>									
Cash and due from banks	1,630			2,746			2,895		
Central Bank compulsory deposits	2,756			3,371			4,499		
Available for sale securities	2,735			1,772			1,625		
Non-performing loans	2,193			2,282			2,172		
Allowance for loan losses	(2,599)			(3,360)			(3,919)		
Investment in unconsolidated companies and other investments	841			552			177		
Premises and equipment	2,473			3,176			2,795		
Intangibles assets	834			2,340			1,064		
Other assets	9,617			12,136			14,102		
<b>Total non-interest-earning assets</b>	<b>20,480</b>			<b>25,015</b>			<b>25,410</b>		
<b>Total assets</b>	<b>R\$101,298</b>	<b>R\$18,652</b>	<b>18.4</b>	<b>R\$123,447</b>	<b>R\$28,394</b>	<b>23.0</b>	<b>R\$146,872</b>	<b>R\$24,716</b>	<b>16.8</b>
<b>Interest-bearing liabilities</b>									
Deposits from banks									
Domestic <sup>(3)</sup>	176	24	13.6	223	36	16.1	657	111	16.9
Total	176	24	13.6	223	36	16.1	657	111	16.9
Savings deposits									
Domestic <sup>(3)</sup>	17,386	1,374	7.9	19,033	1,585	8.3	20,680	2,038	9.9
International <sup>(4)</sup>	100	7	7.0						
Total	17,486	1,381	7.9	19,033	1,585	8.3	20,680	2,038	9.9
Time deposits									
Domestic <sup>(3)</sup>	11,223	1,776	15.8	18,392	2,936	16.0	20,629	4,123	20.0
International <sup>(4)</sup>	1,374	100	7.3	2,955	252	8.5	3,601	112	3.1
Total	12,597	1,876	14.9	21,347	3,188	14.9	24,230	4,235	17.5
Federal funds purchased and securities sold under agreements to repurchase	12,278	1,921	15.6	9,670	2,051	21.2	15,486	2,855	18.4
Borrowings									
Short-term									
International <sup>(4)</sup>	8,751	1,928	22.0	10,137	3,975	39.2	9,219	(387)	(4.2)

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Total	8,751	1,928	22.0	10,137	3,975	39.2	9,219	(387)	(4.2)
Long-term									
Domestic <sup>(3)</sup>	5,489	946	17.2	7,324	1,716	23.4	7,811	1,275	16.3
International <sup>(4)</sup>	4,300	1,083	25.2	5,093	2,376	46.7	8,606	(410)	(4.8)
Total	9,789	2,029	20.7	12,417	4,092	33.0	16,417	865	5.3
Total interest-bearing liabilities	61,077	9,159	15.0	72,827	14,927	20.5	86,689	9,717	11.2
Non-interest-bearing liabilities									
Demand deposits									
Domestic <sup>(3)</sup>	7,417			9,678			10,876		
International <sup>(4)</sup>	47			182			270		
Total	7,464			9,860			11,146		
Other non-interest-bearing liabilities	23,752			30,529			36,790		
Total non-interest-bearing liabilities	31,216			40,389			47,936		
Total liabilities	92,293	9,159	9.9	113,216	14,927	13.2	134,625	9,717	7.2
Shareholders' equity	8,861			10,015			12,138		
Minority interests in consolidated subsidiaries	144			216			109		
<b>Total liabilities and shareholders' equity</b>	<b>R\$101,298</b>	<b>R\$9,159</b>	<b>9.0</b>	<b>R\$123,447</b>	<b>R\$14,927</b>	<b>12.1</b>	<b>R\$146,872</b>	<b>R\$9,717</b>	<b>6.6</b>

(1) Primarily denominated in *reais*.

(2) Calculated using the historical average amortized cost. If calculated using the carrying value, the average yield/rate amounts would be 12.3% in 2003, 16.9% in 2002 and 11.0% in 2001.

(3) Denominated in *reais*.

(4) Denominated in foreign currency, primarily U.S. dollars.

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Changes in Interest Income and Expenses Volume and Rate Analysis

The following table shows the effects of changes in our interest income and expense arising from changes in average volumes and average yield/rates for the periods presented. We calculated the changes in volume and interest rate based on the evaluation of average balances during the period and changes in average interest rates on interest-earning assets and interest-bearing liabilities. We allocated the net change from the combined effects of volume and rate proportionately to the average volume and rate, in absolute terms, without considering positive and negative effects.

	December 31, 2002/2001			December 31, 2003/2002		
	Increase (decrease) due to changes in					
	Average volume	Average yield/rate	Net change	Average volume	Average yield/rate	Net change
	<i>(R\$ in millions)</i>					
<b>Interest-earning assets</b>						
Loans	R\$2,727	R\$2,626	R\$5,353	R\$484	R\$(5,333)	R\$(4,849)
Federal funds sold and securities purchased under agreements to resell	(54)	738	684	2,021	(1,107)	914
Trading assets	(48)	(190)	(238)	1,564	773	2,337
Available for sale securities	(80)	215	135	16	(106)	(90)
Securities held to maturity <sup>(1)</sup>	967	987	1,954	(617)	(855)	(1,472)
Interest-earning deposits in other banks	18	59	77	231	(180)	51
Central Bank compulsory deposits	680	1,079	1,759	730	(1,329)	(599)
Other assets	16	2	18	44	(14)	30
<b>Total interest-earning assets</b>	<b>R\$4,226</b>	<b>R\$5,516</b>	<b>R\$9,742</b>	<b>R\$4,473</b>	<b>R\$(8,151)</b>	<b>R\$(3,678)</b>
<b>Interest-bearing liabilities</b>						
Deposits from banks						
Domestic	7	5	12	73	2	75
<b>Total</b>	<b>7</b>	<b>5</b>	<b>12</b>	<b>73</b>	<b>2</b>	<b>75</b>
Savings deposits						
Domestic	135	76	211	145	308	453
International	(7)		(7)			
<b>Total</b>	<b>128</b>	<b>76</b>	<b>204</b>	<b>145</b>	<b>308</b>	<b>453</b>
Time deposits						
Domestic	1,144	16	1,160	386	801	1,187
International	132	20	152	46	(186)	(140)
<b>Total</b>	<b>1,276</b>	<b>36</b>	<b>1,312</b>	<b>432</b>	<b>615</b>	<b>1,047</b>
Federal funds purchased and securities sold under agreements to repurchase	(462)	592	130	1,101	(297)	804
Borrowings						
Short-term						

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International	346	1,701	2,047	(330)	(4,032)	(4,362)
<b>Total</b>	<b>346</b>	<b>1,701</b>	<b>2,047</b>	<b>(330)</b>	<b>(4,032)</b>	<b>(4,362)</b>
Long-term						
Domestic	371	399	770	108	(549)	(441)
International	230	1,063	1,293	944	(3,730)	(2,786)
<b>Total</b>	<b>601</b>	<b>1,462</b>	<b>2,063</b>	<b>1,052</b>	<b>(4,279)</b>	<b>(3,227)</b>
<b>Total interest-bearing liabilities</b>	<b>R\$1,896</b>	<b>R\$3,872</b>	<b>R\$5,768</b>	<b>R\$2,473</b>	<b>R\$(7,683)</b>	<b>R\$(5,210)</b>

(1) We began treating securities as securities held to maturity in 2002.



**Net Interest Margin and Spread**

The following table shows the average balance of our interest-earning assets, interest-bearing liabilities and net interest income, and compares the net interest margin and net interest spread for the periods indicated.

	2001	2002	2003
	<i>(R\$ in millions, except percentages)</i>		
Average balance of interest-earning assets	R\$80,818	R\$98,432	R\$121,462
Average balance of interest-bearing liabilities	61,077	72,827	86,689
Net interest income <sup>(1)</sup>	9,493	13,467	14,999
Interest rate on the average balance of interest-earning assets	23.1%	28.8%	20.3%
Interest rate on the average balance of interest-bearing liabilities	15.0%	20.5%	11.2%
Net yield on interest earning assets <sup>(2)</sup>	8.1%	8.3%	9.1%
Net interest margin <sup>(3)</sup>	11.7%	13.7%	12.3%

(1) Total interest income less total interest expenses.

(2) Difference between the yield on the rates of the average interest-earning assets and the rate of the average interest-bearing liabilities.

(3) Net interest income divided by average interest-earning assets.

**Return on Equity and Assets**

The following table presents selected financial ratios for the periods indicated.

	2001	2002	2003
	<i>(R\$ in millions, except percentages and per share information)</i>		
Net income	R\$2,270	R\$2,142	R\$2,302
Average total assets	101,298	123,447	146,872
Average shareholders' equity	8,861	10,015	12,138
Net income as a percentage of average total assets	2.2%	1.7%	1.6%
Net income as a percentage of average shareholders' equity	25.6%	21.4%	19.0%
Average shareholders' equity as a percentage of average total assets	8.7%	8.1%	8.3%
Dividends payout ratio per class of share <sup>(1)</sup>			
Preferred	0.37	0.44	0.58
Common	0.37	0.44	0.58

(1) Total declared dividends per share divided by net income.

**Securities Portfolio**

The table below shows our portfolio of trading assets, available for sale securities and securities held to maturity as of the dates indicated. The amounts below exclude our investments in unconsolidated companies. For additional information on our equity investees, see note 9 to our consolidated financial statements. The amounts also exclude our compulsory holdings of Brazilian government securities, as required by the Central Bank. For more information on our compulsory holdings, see note 3 to our consolidated financial statements. We state trading assets and available for sale securities at market value. See Notes 2(e), 2(f), 2(g), 2(h), 4, 5 and 6 to our consolidated financial statements for a further description of our treatment of trading assets and available for sale securities and securities held to maturity.

	<b>December 31,</b>		
	<b>2001</b>	<b>2002</b>	<b>2003</b>
	<i>(R\$ in millions, except percentages)</i>		
<b>Trading securities</b>			
Brazilian government securities	R\$6,284	R\$6,920	R\$11,389
Mutual funds	16,542	15,415	22,929
Derivative financial instruments	1,508	282	283
Foreign government securities		71	212
Brazilian securities issued abroad		13	220
Corporate debt securities		67	985
Bank debt securities		15	1,055
<b>Total</b>	<b>24,334</b>	<b>22,783</b>	<b>37,073</b>
Trading securities as a percentage of total assets	22.5%	17.5%	22.3%
<b>Available for sale securities</b>			
Brazilian government securities	212	1,222	1,694
Brazilian securities issued abroad	633	143	1,264
State and municipal securities	46		
Corporate debt securities	408	849	1,086
Bank debt securities	2,121	125	52
Equity securities in public companies	2,118	2,427	2,098
<b>Total</b>	<b>5,538</b>	<b>4,766</b>	<b>6,194</b>
Available for sale securities as a percentage of total assets	5.1%	3.7%	3.7%
<b>Held to maturity securities</b>			
Brazilian government securities		2,929	3,085
Brazilian securities issued abroad <sup>(1)</sup>		1,072	180
<b>Total</b>		<b>4,001</b>	<b>3,265</b>
Held to maturity securities as a percentage of total assets		3.1%	2.0%

(1) See note 6 to our consolidated financial statements.



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**Maturity Distribution**

The following table sets forth the maturity dates and weighted average yield, as of December 31, 2003, of our trading securities, available for sale securities and securities held to maturity. As of December 31, 2003, we held no tax-exempt securities in our portfolio.

December 31, 2003

	Due in 1 year or less		Due after 1 year to 5 years		Due after 5 years to 10 years		Due after 10 years		Unspecified Maturity		Total	
	Average yield		Average yield		Average yield		Average yield		Average yield		Average yield	
	R\$	%	R\$	%	R\$	%	R\$	%	R\$	%	R\$	%
<i>(R\$ in millions, except percentages)</i>												
<b>Trading bonds and securities:</b>												
Brazilian government securities <sup>(1)</sup>	R\$9,569		R\$1,734		R\$22		R\$64				R\$11,389	
Fixed rate	7,544	19.8%	449	17.2%							7,993	19.7%
Floating rate	1,151	21.2	1,235	15.5	17	8.1%	64	20.7%			2,467	19.6
Floating rate foreign currency indexed	874	9.6	50	8.7	5	8.7					929	9.6
Brazilian sovereign bonds issued abroad	19		186		15						220	
Floating rate foreign currency indexed	19	11.6	186	8.8	15	8.0					220	8.8
Foreign government securities	159		53								212	
Floating rate foreign currency indexed	159	14.4	53	14.4							212	14.4
Bonds issued by non-financial institutions	116		725		144						985	
Floating rate	84	12.0	704	12.0	128	12.1					916	12.0
Floating rate foreign currency indexed	32	12.8	21	12.6	16	12.8					69	12.7
Bonds issued by financial institutions	11		288		756						1,055	
Floating rate					756	16.0					756	16.0
Floating rate foreign currency indexed	11	5.0	288	5.9							299	5.9
Mutual Funds <sup>(2)</sup>									R\$22,929		22,929	
Floating rate									22,929		22,929	
Derivative financial instruments									283		283	
Floating rate									283		283	
<b>Total trading bonds and securities</b>	<b>9,874</b>		<b>2,986</b>		<b>937</b>		<b>64</b>		<b>23,212</b>		<b>37,073</b>	
<b>Available for sale securities at market value:</b>												
Brazilian government securities	601		553		507		33				1,694	
Floating rate	601	20.2	451	21.2			33	20.2			1,085	15.6
Floating rate foreign currency indexed			102	12.7	507	8.7					609	10.7
Brazilian sovereign bonds issued abroad			35		1,049		180				1,264	
Floating rate foreign currency indexed			35	11.3	1,049	10.8	180	12.4			1,264	9.7
Bonds issued by non-financial institutions	23		133		772		158				1,086	
Floating rate	23	14.0	133	16.0	316	22.9	9	8.7			481	11.0
Floating rate foreign currency indexed					456	9.1	149	8.4			605	8.9
Bonds issued by financial institutions	11						41				52	
Floating rate	11	11.8					41	10.9			52	11.8

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Securities portfolio (open companies)					2,098		2,098
<b>Total available for sale securities</b>	<b>635</b>	<b>721</b>	<b>2,328</b>	<b>412</b>	<b>2,098</b>		<b>6,194</b>
<b>Total securities held to maturity, at amortized cost:</b>							
Brazilian government securities	284	958		1,843			3,085
Floating rate		875	6.0	1,843	9.3		2,718 8.2
Floating rate foreign currency indexed	284	16.0 83	5.0				367 7.4
Brazilian sovereign bonds issued abroad	15		165				180
Floating rate bills of exchange	15	0.3	165	10.7			180 10.6
<b>Total securities held to maturity</b>	<b>299</b>	<b>958</b>	<b>165</b>	<b>1,843</b>			<b>3,265</b>
<b>Total</b>	<b>R\$10,808</b>	<b>R\$4,665</b>	<b>R\$3,430</b>	<b>R\$2,319</b>	<b>R\$25,310</b>		<b>R\$46,532</b>

(1) At market value.

(2) Investments in mutual funds are redeemable at any time in accordance with our liquidity needs. Average yield is not stated, as future yields are not quantifiable. These trading securities were excluded from the total yield computation.

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The following table shows our securities portfolio by currency as of the dates indicated.

At fair value				
	Trading	Available for sale	Amortized Cost Securities held to maturity	Total
<i>(R\$ in millions)</i>				
<b>December 31, 2003</b>				
Brazilian currency ( <i>reais</i> )	R\$35,344	R\$3,716	R\$2,718	R\$41,778
Indexed to foreign currency <sup>(1)</sup>	929	609	367	1,905
Denominated in foreign currency <sup>(1)</sup>	800	1,869	180	2,849
<b>December 31, 2002</b>				
Brazilian currency ( <i>reais</i> )	22,352	4,051	2,458	28,861
Indexed to foreign currency <sup>(1)</sup>			471	471
Denominated in foreign currency <sup>(1)</sup>	431	715	1,072	2,218
<b>December 31, 2001</b>				
Brazilian currency ( <i>reais</i> )	21,976	4,332		26,308
Indexed to foreign currency <sup>(1)</sup>	2,358			2,358
Denominated in foreign currency <sup>(1)</sup>		1,206		1,206

(1) Predominantly U.S. dollars.

**Central Bank Compulsory Deposits**

We are required to either maintain deposits with the Central Bank or purchase and keep Brazilian government securities as compulsory deposits. The following sets forth the amounts of these deposits as of the dates indicated.

	December 31,					
	2001		2002		2003	
	R\$	% of total compulsory deposits	R\$	% of total compulsory deposits	R\$	% of total compulsory deposits
<b>Total deposits</b>						
Non-interest-earning <sup>(1)</sup>	R\$3,503	42.6%	R\$3,956	24.6%	R\$4,577	27.4%
Interest-earning <sup>(2)</sup>	4,729	57.4	12,101	75.4	12,113	72.6
<b>Total</b>	<b>R\$8,232</b>	<b>100.0%</b>	<b>R\$16,057</b>	<b>100.0%</b>	<b>R\$16,690</b>	<b>100.0%</b>

(1) Primarily related to demand deposits.

(2) Primarily related to time and savings deposits.

**Credit Operations**

The following table summarizes our outstanding loans by category of transaction. Substantially all of our loans are with borrowers domiciled in Brazil and are denominated in *reals*. The majority of our loans are denominated in *reals* and indexed to fixed or variable interest rates. A smaller portion of them are denominated in or indexed to the U.S. dollar and subject to fixed interest rates.

**December 31,**

<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
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*(R\$ in millions)*

**Type of credit operations**

Commercial					
Industrial and others	R\$11,336	R\$16,275	R\$18,142	R\$20,157	R\$21,156
Import financing	1,443	1,504	1,475	1,291	673
Export financing	2,814	4,566	5,160	7,863	8,375

**Three Months Ended September 30,**

**Nine Months  
Ended September  
30,**

(Amounts in Thousands)	2016	2015	2016	2015
Equity securities recognized in earnings	\$ 3,021	\$ 84	\$ 19,977	\$ 1,276
Fixed-maturity securities recognized in earnings	—	7,552	—	8,842
Other investments	6,440	—	6,440	—
	\$ 9,461	\$ 7,636	\$ 26,417	\$ 10,118

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The tables below summarize the gross unrealized losses of our fixed maturity and equity securities by length of time the security has continuously been in an unrealized loss position as of September 30, 2016 and December 31, 2015:

(Amounts in Thousands) As of September 30, 2016	Less Than 12 Months			12 Months or More			Total	
	Fair Market Value	Unrealized Losses	No. of Positions Held	Fair Market Value	Unrealized Losses	No. of Positions Held	Fair Market Value	Unrealized Losses
Common and preferred stock	\$49,144	\$ (6,039 )	100	\$1,279	\$ (297 )	24	\$50,423	\$ (6,336 )
U.S. treasury securities	26,829	(15 )	19	649	(1 )	1	27,478	(16 )
U.S. government agencies	178	—	2	—	—	—	178	—
Municipal bonds	103,790	(895 )	98	12,175	(565 )	24	115,965	(1,460 )
Foreign government	10,311	(528 )	12	—	—	—	10,311	(528 )
Corporate bonds:								
Finance	203,687	(11,638 )	121	50,990	(1,113 )	27	254,677	(12,751 )
Industrial	237,197	(14,607 )	126	87,030	(3,647 )	54	324,227	(18,254 )
Utilities	22,028	(1,116 )	21	8,922				