

BANK BRADESCO
Form 6-K
November 08, 2004

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

FORM 6-K

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

For the month of November, 2004

Commission File Number 1-15250

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

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

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

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

Form 20-F Form 40-F

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

Yes No

Report on Economic and
Financial Analysis

September 2004

Financial Market Indicators (%)

Index	2003			2004		
	2 nd Quarter	3 rd Quarter	Accumulated to September	2 nd Quarter	3 rd Quarter	Accumulated to September
CDI	5.78	5.61	18.06	3.67	3.86	11.72
IBOVESPA	15.07	23.42	42.08	(4.49)	9.92	4.54
USD - Commercial rate	(14.35)	1.79	(17.26)	6.84	(8.01)	(1.06)
IGP-M	(0.35)	1.14	7.10	3.95	3.25	10.26
IPCA - IBGE	1.43	1.32	8.05	1.60	1.94	5.49
TJLP	2.87	2.87	8.62	2.35	2.35	7.29
TR	1.31	1.29	3.93	0.42	0.57	1.35
Collective labor agreement (*)	-	12.60	12.60	-	8.50	8.50

Closing Price

USD - Commercial rate - sell (in reais)	2.8720	2.9234	2.9234	3.1075	2.8586	2.8586
Sovereign risk (points)	788	695	695	646	466	466
SELIC Central Bank reference rate COPOM (% p.a.)	26.00	20.00	20.00	16.00	16.25	16.25
Prefixed BMF rate 1 yr. (% p.a.)	22.00	18.10	18.10	17.02	17.40	17.40

(*) Increase proposed in 2004.

Compulsory Deposit Rates (%)

Deposits	2003		2004	
	2 nd Quarter	3 rd Quarter	2 nd Quarter	3 rd Quarter
Demand deposits ⁽¹⁾	60	45	45	45
Additional ⁽²⁾	8	8	8	8
Time deposits ⁽³⁾	15	15	15	15
Additional ⁽²⁾	8	8	8	8
Savings deposits ⁽⁴⁾	20	20	20	20
Additional ⁽²⁾	10	10	10	10

(1) Cash deposit - no remuneration.

(2) Cash deposit - SELIC rate.

(3) Deposit in Government Securities.

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

Rates and Limits (%)

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Items	2003		2004	
	2 nd Quarter	3 rd Quarter	2 nd Quarter	3 rd Quarter
Income tax	25	25	25	25
Social contribution	9	9	9	9
PIS ⁽¹⁾	0.65	0.65	0.65	0.65
COFINS ⁽²⁾	3	4	4	4
Legal reserve on net income	5	5	5	5
Maximum fixed assets ⁽³⁾	50	50	50	50
Minimum capital Base ⁽⁴⁾	11	11	11	11

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

(2) The rate applicable to financial and similar companies was increased to 4% in September 2003 and for other companies to 7.60% in February 2004 (non-cumulative COFINS).

(3) On reference equity.

(4) Reference equity may not be lower than 11% of weighted assets.

Forward-Looking Statements

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

Factors which could cause actual results to differ materially include, among others, changes in regional, national and international commercial and economic conditions; inflation rates, increases in customer default and any other delays in credit operations; increases in the allowance for loan loss; loss of funding capacity; loss of clientele or revenues; our capacity to sustain and improve performance; changes in interest rates which could, among others, have an adverse effect on our margins; competition in the banking sector, in financial services, credit card services, insurance, asset management and other related sectors; government regulations and fiscal matters; disputes or adverse legal proceedings or ruling; as well as credit risks and other loan and investment activity risks.

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

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

1 - Bradesco Line by Line

Highlights

Earnings In millions of reais

	2004			Accumulated to September		
	2 nd Quarter	3 rd Quarter	% Variation	2003	2004	% Variation
	Financial margin	3,081	3,304	7.2	9,135	9,715
Provision for loan losses	514	478	(7.0)	1,998	1,553	(22.3)
Commission and fees	1,375	1,455	5.8	3,282	4,149	26.4
Insurance premiums, private pension plans and savings bonds	2,989	3,464	15.9	8,291	9,447	13.9
Personnel expenses	1,234	1,273	3.2	3,507	3,684	5.0
Other administrative expenses	1,216	1,225	0.7	3,486	3,649	4.7
Operating income	621	1,163	87.3	2,667	2,583	(3.1)
Net income	641	752	17.3	1,591	2,002	25.8

Balance Sheet In millions of reais

	2004			September		
	June	September	% Variation	2003	2004	% Variation
	Total assets	176,254	179,703	2.0	164,363	179,703
Securities	56,212	58,155	3.5	47,906	58,155	21.4
Credit operations	58,402	59,976	2.7	52,776	59,976	13.6
Permanent assets	5,271	5,030	(4.6)	5,069	5,030	(0.8)
Total deposits	64,133	64,787	1.0	58,346	64,787	11.0
Borrowings and onlendings	16,817	16,715	(0.6)	15,186	16,715	10.1
Technical reserves	29,478	31,585	7.1	24,461	31,585	29.1
Stockholders equity	13,650	14,678	7.5	12,967	14,678	13.2

Change in Number of Outstanding Shares

	Common Stock	Preferred Stock	Total
Number of shares held at December 31, 2003 (*)	79,836,525	78,693,936	158,530,461
Shares acquired and not canceled	(386,082)	(4)	(386,086)
Number of shares held at September 30, 2004	79,450,443	78,693,932	158,144,375

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* Shares divided by 10,000, as a result of the reverse stock split.

Share Performance in reais

	2004			Accumulated to September		
	2 nd Quarter	3 rd Quarter	% Variation	2003	2004	% Variation
Net income per share	4.05	4.75	17.3	10.03	12.66	26.2
Dividends/JCP per share ON (net of income tax)	1.664	1.702	2.3	5.179	5.032	(2.8)
Dividends/JCP per share PN (net of income tax)	1.831	1.872	2.2	5.697	5.535	(2.8)
Net book value (ON and PN)	86.30	92.81	7.5	81.76	92.81	13.5
Average last day price (ON)	115.36	118.43	2.7	94.70	118.43	25.1
Average last day price (PN)	142.63	150.00	5.2	117.20	150.00	28.0
Market value of stockholders' equity (in millions of reais) (*)	20,404	21,213	4.0	16,810	21,213	26.3

(*) Number of shares x average last day quotation for the period.

JCP = Interest attributed to own capital

Cash Generation In millions of reais

	2003			2004		
	2 nd Quarter	3 rd Quarter	Accumulated to September	2 nd Quarter	3 rd Quarter	Accumulated to September
Net income	519	564	1,591	641	752	2,002
Equity in the earnings of associated companies	28	(7)	26	(122)	3	(119)
Allowance for loan losses	587	603	1,998	514	478	1,553
Technical reserves	1,465	1,625	4,946	1,392	2,019	4,941
(Reversal of) allowance for mark-to-market	16	(1)	30	-	-	(4)
Depreciation and amortization	150	179	470	143	134	421
Amortization of goodwill	62	62	862	226	188	501
Other	12	(22)	(5)	(43)	20	(17)
Total	2,839	3,003	9,918	2,751	3,594	9,278

Added Value In millions of reais

	2003			2004		
	2 nd Quarter	3 rd Quarter	Accumulated to September	2 nd Quarter	3 rd Quarter	Accumulated to September
ADDED VALUE (A+B+C)	2,192	2,395	6,840	2,311	2,702	7,398
A - Gross profit from financial intermediation	2,028	2,555	7,137	2,567	2,826	8,162
B - Commissions and fees	1,083	1,182	3,282	1,375	1,455	4,149

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C - Other operating expenses	(919)	(1,342)	(3,579)	(1,631)	(1,579)	(4,913)
DISTRIBUTION OF ADDED VALUE (D+E+F+G)	2,192	2,395	6,840	2,311	2,702	7,398
D - Employees	923	1,094	2,878	995	1,030	2,968
E - Government	750	737	2,371	675	920	2,428
F - JCP/Dividends to stockholders (paid and accrued)	343	367	1,000	325	333	985
G - Reinvestment of profits	176	197	591	316	419	1,017

Performance Ratios (annualized)

	2004		Accumulated to September	
	2 nd Quarter	3 rd Quarter	2003	2004
Return on stockholders' equity (total)	20.1	22.1	16.7	18.6
Return on stockholders' equity (average)	20.5	23.3	18.2	20.0
Return on total assets (total)	1.5	1.7	1.3	1.5
Stockholders' equity to total assets	7.7	8.2	7.9	8.2
Capital adequacy ratio (Basel) - financial consolidated	18.1	19.9	18.4	19.9
Capital adequacy ratio (Basel) - total consolidated	15.7	17.0	15.9	17.0
Permanent assets to stockholders' equity - financial consolidated	41.4	42.7	44.3	42.7
Permanent assets to stockholders' equity - total consolidated	26.1	24.2	29.9	24.2
Efficiency ratio (accumulated over the prior 12-month period)	60.1	58.3	55.9	58.3

Other Information

	2004			September		
	June	September	% Variation	2003	2004	% Variation
Managed funds - in millions of reais	86,816	90,171	3.9	76,602	90,171	17.7
Number of employees	74,784	74,227	(0.7)	77,154	74,227	(3.8)
Number of branches	3,054	3,049	(0.2)	3,033	3,049	0.5
Checking account holders - million	15.4	15.3	(0.6)	14.4	15.3	6.3
Debit and credit card base - million	43.5	45.2	3.9	39.1	45.2	15.6
Profitability						

Bradesco reported net income of R\$ 2,002 million, for the first nine months of 2004, up by 25.8%, compared to the same period in 2003. Stockholders' equity was R\$ 14.678 million at September 30, 2004, an increase of 13.2% compared to the prior-year. The return on stockholders' equity (ROE) was 18.6%. Assets totaled R\$ 179,703 million at the end of September 2004, a growth rate of 9.3% compared to the balance at the same date in 2003. Return on total assets (RO) for the first nine months of 2004 was 1.5% per annum.

Third-quarter consolidated net income was R\$ 752 million, up by R\$ 111 million, or 17.3% compared to second-quarter results (2Q04). Annualized return on stockholders' equity (ROE) was 22.1% for the quarter and return on total assets (ROA) was 1.7%.

3Q04 was marked by the good performance of revenues comprising financial margin, especially non-interest income which totaled R\$ 504 million, up by R\$ 380 million, compared to 2Q04, mainly due to increased gains with securities (TVM) and treasury operations, as well as credit recovery improvements, in line with a more favorable economic environment. We also highlight the increase in commissions and fees, up by 5.8% compared to 2Q04, in particular, income on credit operations and fund management.

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The improved credit portfolio scenario, in sync with our ongoing selective credit granting policy, was mirrored by improved portfolio risk ratings and the lower provision for loan loss recorded in the amount of R\$ 36 million for the quarter, totaling R\$ 1,553 million for the first nine months of 2004.

The Operating Efficiency Ratio (accumulated over the prior 12 months) in 3Q04 was 58.3%, down by 0.4% compared to 2Q04, after adjustments for extraordinary events, evidencing the strong commitment of the entire Bradesco management to the strict control of expenses and growing revenues for the quarter.

Comparative Statement of Income - In millions of reais

	Accumulated to September 2003	Accumulated to September 2004	% Variation	2 nd Quarter 2004	3 rd Quarter 2004	% Variation
Income from lending and trading activities	20,087	20,001	(0.4)	7,720	5,525	(28.4)
Credit operations	9,126	9,629	5.5	3,659	2,870	(21.6)
Leasing operations	229	215	(6.1)	57	73	28.1
Securities	5,098	4,163	(18.3)	2,121	362	(82.9)
Financial income on insurance, private pension plans and savings bonds	3,948	3,763	(4.7)	1,181	1,337	13.2
Derivative financial instruments	46	709	1,441.3	(69)	582	(943.5)
Foreign exchange transactions	543	663	22.1	502	-	(100.0)
Compulsory deposits	1,097	859	(21.7)	269	301	11.9
Expenses	12,950	11,839	(8.6)	5,153	2,699	(47.6)
Deposits	7,930	6,776	(14.6)	3,030	1,292	(57.4)
Price-level restatement and interest on technical reserves for insurance, private pension plans and savings bonds	2,419	2,294	(5.2)	699	943	34.9
Borrowings and onlendings	593	1,203	102.9	905	(18)	(102.0)
Leasing operations	10	13	30.0	5	4	(20.0)
Provision for loan losses	1,998	1,553	(22.3)	514	478	(7.0)
Income on financial intermediation	7,137	8,162	14.4	2,567	2,826	10.1
Other operating income (expenses)	(4,470)	(5,579)	24.8	(1,946)	(1,663)	(14.5)
Commissions and fees	3,282	4,149	26.4	1,375	1,455	5.8
Income from insurance premiums, private pension plans and savings bonds	8,291	9,447	13.9	2,989	3,464	15.9
Insurance premiums retained	4,067	4,663	14.7	1,525	1,673	9.7
Private pension plan contributions	3,382	3,744	10.7	1,068	1,453	36.0
Income on savings bonds	842	1,040	23.5	396	338	(14.6)
Variation in technical reserves for insurance, pension plans and savings bonds	(2,527)	(2,647)	4.7	(693)	(1,076)	55.3
Variation in technical reserves for insurance	(199)	(160)	(19.6)	(70)	(112)	60.0
Variation in technical reserves for pension plans	(2,271)	(2,441)	(7.5)	(617)	(974)	57.9
Variation in technical reserves for savings bonds	(57)	(46)	(19.3)	(6)	10	(266.7)
Claims - insurance operations	(3,061)	(3,842)	25.5	(1,282)	(1,328)	3.6
Savings bond draws and redemptions	(798)	(932)	16.8	(346)	(313)	(9.5)
Insurance and pension plan selling expenses	(553)	(633)	14.5	(205)	(216)	5.4
Insurance product selling expenses	(446)	(517)	15.9	(167)	(177)	6.0
Pension plan selling expenses	(107)	(116)	8.4	(38)	(39)	2.6
Expenses with pension plan benefits and redemptions	(1,406)	(1,620)	15.2	(590)	(497)	(15.8)
Personnel expenses	(3,507)	(3,684)	5.0	(1,234)	(1,273)	3.2
Other administrative expenses	(3,486)	(3,649)	4.7	(1,216)	(1,225)	0.7

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Tax expenses	(761)	(1,053)	38.4	(343)	(374)	9.0
Equity in the earnings of associated companies	(26)	119	(557.7)	122	(3)	(102.5)
Other operating income	1,954	888	(54.6)	280	351	25.4
Other operating expenses	(1,872)	(2,122)	13.4	(803)	(628)	(21.8)
Operating income	2,667	2,583	(3.1)	621	1,163	87.3
Non-operating income	(768)	(343)	(55.3)	(202)	(130)	(35.6)
Income before taxes and profit sharing	1,899	2,240	18.0	419	1,033	146.5
Provision for income tax and social contribution	(301)	(233)	(22.6)	225	(279)	(224.0)
Minority interest in subsidiaries	(7)	(5)	(28.6)	(3)	(2)	(33.3)
Net income	1,591	2,002	25.8	641	752	17.3
Return on stockholders equity (%) annualized	16.7	18.6	-	20.1	22.1	-

Analysis of the Statement of Income In millions of reais

Income from Credit and Leasing Operations

Accumulated to September			2004		
2003	2004	% Variation	2 nd Quarter	3 rd Quarter	% Variation
9,345	9,831	5.2	3,711	2,939	(20.8)

Income was up mostly as a result of: (i) the increase in the volume of the credit portfolio, which totaled R\$ 60.0 billion, particularly in the consumer customer segment, up by 26.8%, as compared to the corporate segment up by 8.5%, reflecting the small demand for credit by the latter; (ii) negative exchange variation of 1.1% for the nine-month period through September 2004 (period/04), compared to negative exchange variation of 17.3% in the nine-month period through September 2003 (period/03), impacting foreign-currency indexed and/or denominated operations, which comprise 12.5% of the portfolio (not considering advances on foreign exchange contracts ACC which comprise 9.4% of the portfolio and whose results impact the foreign exchange transactions account); offset substantially by: (iii) falling average interest rates in line with the variation in CDI of 18.1% for period/03 as compared to 11.7% for period/04.

The variation was mainly due to: (i) negative exchange variation of 8.0% in 3Q04, against positive exchange variation of 6.8% in 2Q04, impacting foreign-currency indexed and/or denominated operations, comprising 12.5% of the portfolio (not considering advances on foreign exchange contracts ACC which comprise 9.4% of the portfolio and whose results impact the foreign exchange transactions account); partially offset by: (ii) increase in the credit portfolio balance, particularly the 4.8% increase for the quarter in the consumer customer segment, compared to a growth rate of 1.8% in the corporate customer segment, partially affected by foreign-currency indexed and/or denominated operations.

Results of Securities (TVM) and Derivative Financial Instrument Operations

Accumulated to September			2004		
2003	2004	% Variation	2 nd Quarter	3 rd Quarter	% Variation
5,144	4,872	(5.3)	2,052	944	(54.0)

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The variation for the period is mainly due to: (i) falling average interest rates for the period; (ii) decrease in non-interest income of R\$ 315 in period/04 against R\$ 520 in period/03, as a result of less gains on securities and treasury transactions, offset substantially by: (iii) negative exchange variation of 1.1% in period/04, against negative exchange variation of 17.3% in period/03, impacting foreign-currency-indexed and or denominated securities, which comprise 17.8% of the portfolio; and (iv) increase in the average volume of the securities portfolio, particularly federal government securities.

This decrease reflects mainly: (i) negative exchange variation of 8% in 3Q04, against positive exchange variation of 6.8% in 2Q04, impacting foreign currency-indexed and or denominated securities, which comprise 17.8% of the total portfolio; partially offset by: (ii) increase in non-interest income of R\$ 216 in 3Q04 compared to R\$ (6) in 2Q04, as a result of increased gains with securities and treasury operations.

Financial Income on Insurance, Private Pension Plans and Savings Bonds

Accumulated to September			2004		
2003	2004	% Variation	2 nd Quarter	3 rd Quarter	% Variation
3,948	3,763	(4.7)	1,181	1,337	13.2

During the period, there was an increase in the average volume of the securities portfolio, comprising federal government securities, related to technical reserves, especially PGBL and VGBL products. However, overall results were down mainly due to: (i) the decrease in average interest rates, especially CDI, from 18.1% in period/03 to 11.7% for period/04; partially offset by: (ii) variation in the IGP-M index, of 7.1% for period/03, against 10.3% in 2004.

Results were up mainly due to: (i) the increase in the average volume of the securities portfolio for the quarter, comprising federal government securities, as a result of the increase in the sale of supplementary pension plans and insurance policies, especially PGBL and VGBL, partially offset by: (ii) less variation in the IGP-M index, from 3.3% in 3Q04, against 4% in 2Q04.

Results of Foreign Exchange Transactions

Accumulated to September			2004		
2003	2004	% Variation	2 nd Quarter	3 rd Quarter	% Variation
543	663	22.1	502	-	(100.0)

During the period, there was an increase in the volume of the foreign exchange portfolio. Considering the adjustments to foreign funding expenses used to finance import/export transactions (Note 13 to the financial statements), results would present a decrease from R\$ 247 in period/03 to R\$ 143 in period/04, affected by falling average fx portfolio interest rates (*spread*).

The volume of the fx portfolio for the quarter presents a decrease, when measured in reais, mainly as a result of negative exchange variation of 8% in 3Q04. Considering the adjustments to foreign funding expenses used to finance import/export transactions, results would present increases of R\$ 35 and R\$ 45 in 2Q04 and 3Q04, respectively.

Results of Compulsory Deposits

Accumulated to September			2004		
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2003	2004	% Variation
1,097	859	(21.7)

The decrease for the period reflects: (i) drop in the SELIC rate from 18.1% for period/03 to 11.7% for period/04, used to remunerate the additional compulsory deposit; (ii) the decrease in the TR reference rate used to remunerate compulsory savings account deposits, from 3.9% in period/03 to 1.4% for period/04, partially offset by: (iii) the increase in the average volume of deposits for the period.

Interest and Charges on Deposits

2 nd Quarter	3 rd Quarter	% Variation
269	301	11.9

This increase was mainly due to: (i) increase in the SELIC rate from 3.7% in 2Q04 to 3.9% in 3Q04, which is used to remunerate the additional compulsory deposit; (ii) the increase in the TR reference rate used to remunerate compulsory savings account deposits, from 0.4% in 2Q04 to 0.6% for 3Q04, partially offset by: (iii) the increase in the average volume of deposits for the quarter.

Accumulated to September		
2003	2004	% Variation
7,930	6,776	(14.6)

The decrease mainly reflects: (i) falling average interest rates, in line with the variation in the CDI from 18.1% in period/03 against 11.7% in period/04, impacting expenses for time deposits and purchase and sale commitments – third-party portfolio - R\$ 1,050 and R\$ 623 respectively, partially offset by: (ii) greater expense for securities abroad - R\$ 928, generated by negative exchange variation of 1.1% in period/04 as compared to negative exchange variation of 17.3% in period/03; and (iii) increase in the average volume of funding for the period.

2004		
2 nd Quarter	3 rd Quarter	% Variation
3,030	1,292	(57.4)

The decrease in this expense mainly reflects negative exchange variation of 8% in 3Q04, compared to positive exchange variation of 6.8% in 2Q04, impacting securities and other funds obtained abroad by Bradesco - R\$ 2,051, which was partially offset by increased expense for purchase and sale commitments and time deposits of R\$ 148 and R\$ 130, respectively, as a result of an increase in interest rates, in line with the variation in the CDI of 3.7% in 2Q04 to 3.9% in 3Q04.

Price-level Restatement and Interest on Technical Reserves for Insurance, Private Pension Plans and Savings Bonds

Accumulated to September		
2003	2004	% Variation
2,419	2,294	(5.2)

The decrease mainly reflects (i) the fall in average interest rates, in line with the variation in the CDI rate of 18.1% for period/03 as compared to 11.7% for period/04; offset by: (ii) the increase in the average volume of technical reserves, for insurance, private pension plans and premium bonds, particularly PGBL and VGBL products – and (iii) the improved accounting policies in period/04, with R\$ 171, recorded in this account rather than in Variation in technical reserves for insurance, private pension plans and savings bonds – pursuant to

2004		
2 nd Quarter	3 rd Quarter	% Variation
699	943	34.9

The variation was mainly due to growth from: (i) the increase in sales of supplementary pension plans and insurance policies, particularly PGBL and VGBL; (ii) the improved accounting policies in 3Q04, with R\$ 171, recorded in this account rather than in Variation in technical reserves for insurance, private pension plans and savings bonds – pursuant to prior policy; partially offset by: (iii) less variation in the IGP-M, from 3.3% in 3Q04 against 4% in 2Q04, one of the indexes used to remunerate technical reserves for insurance, private pension plans and savings bonds.

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prior policy.

Expenses for Borrowings and Onlendings

Accumulated to September		
2003	2004	% Variation
593	1,203	102.9

The increase reflects negative exchange variation of 17.3% in period/03, against negative exchange variation of 1.1% in period/04, impacting borrowings and onlendings indexed and/or denominated in foreign currency, as well as the increase in local funding through onlendings from BNDES/FINAME.

2004		
2 nd Quarter	3 rd Quarter	% Variation
905	(18)	(102,0)

This decrease reflects negative exchange variation of 8% in 3Q04 against positive exchange variation of 6.8% in 2Q04, impacting borrowings and onlendings indexed and/or denominated in foreign currency.

Financial Margin

Accumulated to September		
2003	2004	% Variation
9,135	9,715	6.3

The variation for the period was mainly due to: (i) increase in interest income - R\$ 1,024, comprising the effect of appreciation of the real in period/03 (17.3%) compared with period/04 (1.1%) - R\$ 510 and growth in the average volume of business - R\$ 514; (ii) financial expenses recorded formerly in the Variation in technical reserves for insurance, private pension plans and savings bonds account - R\$ 171; and (iii) decrease in non-interest income - R\$ 273, mainly due to lower gains on securities and treasury transactions for period/04.

2004		
2 nd Quarter	3 rd Quarter	% Variation
3,081	3,304	7.2

The variation for the quarter was mainly due to: (i) increase in interest income - R\$ 14, comprising growth in the average volume of business - R\$ 111 and the drop in spread - R\$ 97; (ii) financial expenses recorded formerly in the Variation in technical reserves for insurance, private pension plans and savings bonds account - R\$ 171; and (iii) increase in non-interest income - R\$ 380, derived from the increase in gains on securities and treasury transactions and credit recoveries in 3Q04.

Expenses for Provision for Loan Losses

Accumulated to September		
2003	2004	% Variation
1,998	1,553	(22.3)

Excluding additional provisions - R\$ 318 in period/03 and R\$ 54 in period/04, the decrease in expenses for PDD in the amount of R\$ 181, was mainly due to our ongoing selective

2004		
2 nd Quarter	3 rd Quarter	% Variation
514	478	(7.0)

Excluding additional provisions - R\$ 8 in 3Q04 and R\$ 20 in 2Q04, the decrease in expenses for PDD in the amount of R\$ 24, was mainly due to our ongoing selective credit granting policy and tool/instrument

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credit granting policy and tool/instrument enhancements, reflected in the improvement of our credit portfolio risk ratings. In September 2003 and September 2004, our AA to C rated portfolio comprised 90.4% and 91.6% respectively of our total portfolio.

enhancements, reflected in the improvement of our credit portfolio risk ratings. In June 2004 and September 2004, our AA to C rated portfolio comprised 91.3% and 91.6% respectively of our total portfolio.

Income on Commissions and Fees

Accumulated to September			2004		
2003	2004	% Variation	2 nd Quarter	3 rd Quarter	% Variation
3,282	4,149	26.4	1,375	1,455	5.8

Growth for the period is derived substantially from the increase in the average volume of transactions and number of customers, as well as the readjustment of certain fees during the period, especially: (i) fund management - R\$ 248; (ii) credit operations - R\$ 162; (iii) checking accounts - R\$ 158; and (iv) income on cards R\$ 125; and (v) consortium purchase plan management R\$ 46.

Growth for the quarter was mainly due to the increase in the average volume of transactions, with: (i) credit operations - R\$ 27; (ii) fund management - R\$ 21; (iii) collection R\$9; and (iv) checking account R\$ 8.

Income from Insurance Premiums, Private Pension Plans and Savings Bonds

Accumulated to September			2004		
2003	2004	% Variation	2 nd Quarter	3 rd Quarter	% Variation
8,291	9,447	13.9	2,989	3,464	15.9

The variation for the period is detailed below:

The variation for the quarter is detailed below:

a) Insurance Premiums Retained

Accumulated to September			2004		
2003	2004	% Variation	2 nd Quarter	3 rd Quarter	% Variation
4,067	4,663	14.7	1,525	1,673	9.7

The variation for the period was mainly due to growth in sales of Health (corporate) - R\$ 335, Auto - R\$ 136 and Vida - R\$ 116 products.

The increase for the third quarter was mainly due to growth in sales of Auto - R\$ 61 and Health (corporate) - R\$ 58.

b) Private Pension Plan Contributions

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Accumulated to September			2004		
2003	2004	% Variation	2 nd Quarter	3 rd Quarter	% Variation
3,382	3,744	10.7	1,068	1,453	36.0

The variation for the period was substantially due to: (i) growth in VGBL product sales - R\$ 382; (ii) receipt of the transfer of the Previllares supplementary pension plan portfolio - R\$ 117; e partially offset by (iii) lower PGBL product sales -R\$ 123.

The growth for the quarter was substantially derived from; (i) growth in VGBL product sales - R\$ 332; (ii) receipt of the transfer of the Previllares supplementary pension plan portfolio - R\$ 117; partially offset by (iii) lower PGBL product sales - R\$ 31.

c) Income on Savings Bonds

Accumulated to September			2004		
2003	2004	% Variation	2 nd Quarter	3 rd Quarter	% Variation
842	1,040	23.5	396	338	(14.6)

This variation reflects the increase in sales and re-investment of bonds maturing during the period.

The variation is partly due to the decrease in the re-investment of bonds matured in 3Q04.

Variation in Technical Reserves for Insurance, Pension Plans and Savings Bonds

Accumulated to September			2004		
2003	2004	% Variation	2 nd Quarter	3 rd Quarter	% Variation
(2,527)	(2,647)	4.7	(693)	(1,076)	55.3

The variation for the period is detailed below:

The variation for the quarter is detailed below:

a) Variation in Technical Reserves for Insurance

Accumulated to September			2004		
2003	2004	% Variation	2 nd Quarter	3 rd Quarter	% Variation
(199)	(160)	(19.6)	(70)	(112)	60.0

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Variations in technical reserves for insurance are directly related to the production of premiums in their respective effective periods. In period/04, the most significant variation occurred as a result of the lower reserve recorded in the Auto line - R\$ 41.

Variations in technical reserves for insurance are directly related to the production of premiums in their respective effective periods. In 3Q04, the most significant amount was recorded in the Auto line - R\$ 40.

b) Variation in Technical Reserves for Pension Plans

Accumulated to September			2004		
2003	2004	% Variation	2 nd Quarter	3 rd Quarter	% Variation
(2,271)	(2,441)	7.5	(617)	(974)	57.9

Variations in technical reserves are directly related to the production of premium and contributions in diverse selling periods, against benefits and redemptions. During the period, reserves were recorded in VGBL and traditional products - R\$ 351 and R\$ 787, respectively, offset by a lower reserve recorded for the PGBL product - R\$ 797 and by the improved accounting policies in period/04, with R\$ 171, recorded in

Variations in technical reserves are directly related to the production of premium and contributions in diverse selling periods, against benefits and redemptions. During the quarter, reserves were recorded, mainly, in VGBL and traditional products - R\$ 326 and R\$ 272, respectively, offset by a lower reserve recorded for the PGBL product - R\$ 70 and improved accounting policies in 3Q04, with R\$ 171, recorded in Price-level restatement and interest on insurance, private pension plans and savings bonds rather than in this account.

Price-level restatement and interest on technical reserves for insurance, private pension plans and savings bonds rather than in this account.

c) Variation in Technical Reserves for Savings Bonds

Accumulated to September			2004		
2003	2004	% Variation	2 nd Quarter	3 rd Quarter	% Variation
(57)	(46)	(19.3)	(6)	10	(266.7)

The variations in technical reserves are directly related to income on savings bonds, against related draws.

The variations in technical reserves are directly related to income on savings bonds, against related draws.

Claims - Insurance Operations

Accumulated to September			2004		
2003	2004	% Variation	2 nd Quarter	3 rd Quarter	% Variation
(3,061)	(3,842)	25.5	(1,282)	(1,328)	3.6

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The increase in expense with claims for the period was mainly due to: (i) improved calculation of the provision for claims incurred but not reported (IBNR) during the period, used to analyze the movement of claims for a period of 54 months rather than 12, as in prior periods, which resulted in the recording of an extraordinary reserve of R\$ 276; (ii) an amount of R\$ 74, arising from civil contingencies related to insurance operations which were recorded in 2Q04 in Other operating expenses; and (iii) the increase in indemnities in Health, Auto and Life lines - R\$ 393, compatible with earned premium growth.

Excluding the extraordinary reserves in 2Q04 - R\$ 145, recorded as a result of improved calculation of IBNR and in 3Q04 - R\$ 74, arising from civil contingencies related to insurance operations which were recorded in 2Q04 in Other operating expenses, the amounts of retained claims would be R\$ 1,137 and R\$ 1,254, respectively, compatible with earned premium growth.

Savings Bond Draws and Redemptions

Accumulated to September			2004		
2003	2004	% Variation	2 nd Quarter	3 rd Quarter	% Variation
(798)	(932)	(16.8)	(346)	(313)	(9.5)

The increase for the period is due to increased provision recorded for redemptions and draws - R\$ 134, as a result of increased sales of savings bonds.

The decrease in this expense for the quarter is due mostly to decreased provision recorded for redemptions - R\$ 40, as a result of the decreased volume of sales of savings bonds in 3Q04 as compared to 2Q04.

Insurance and Pension Plan Selling Expenses

Accumulated to September			2004		
2003	2004	% Variation	2 nd Quarter	3 rd Quarter	% Variation
(553)	(633)	14.5	(205)	(216)	5.4

The variation for the period is detailed below:

The variation for the quarter is detailed below:

a) Insurance Product Selling Expenses

Accumulated to September			2004		
2003	2004	% Variation	2 nd Quarter	3 rd Quarter	% Variation
(446)	(517)	15.9	(167)	(177)	6.0

The increase in selling expenses for the period occurred mainly in Auto - R\$ 28, Life - R\$ 24 and Health line - R\$ 13 products, in line with the ratio of selling expenses to earned premium.

The increase in selling expenses for the period occurred mainly in the Auto - R\$ 4, Life - R\$ 4 and Health - R\$ 2 lines, even though the ratio of selling expenses to earned premium decreased for the quarter.

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b) Pension Plan Selling Expenses

Accumulated to September			2004		
2003	2004	% Variation	2 nd Quarter	3 rd Quarter	% Variation
(107)	(116)	8.4	(38)	(39)	2.6

The increase in these expenses for the period reflects substantially the growth in VGBL product sales.

Expenses for the quarter remained practically stable.

Expenses with Pension Plan Benefits and Redemptions

Accumulated to September			2004		
2003	2004	% Variation	2 nd Quarter	3 rd Quarter	% Variation
(1,406)	(1,620)	15.2	(590)	(497)	(15.8)

The variation for the period was mainly due to the increase in the payment of benefits and redemptions of traditional private pension plans - R\$ 170.

The decrease in these expenses for the quarter mainly reflects a lower volume of traditional private pension plan redemption payments in 3Q04 compared to 2Q04 - R\$ 113.

Personnel Expenses

Accumulated to September			2004		
2003	2004	% Variation	2 nd Quarter	3 rd Quarter	% Variation
(3,507)	(3,684)	5.0	(1,234)	(1,273)	3.2

The variation for the period reflects for the most part: (i) the effect of the collective bargaining agreement (12.6%) and single payment bonus R\$ 171, appropriated in Sept/03 and R\$ 279 which impacted period/04; (ii) the effect of the provision recorded for the proposed collective bargaining agreement (8.5%) in Sept/04 R\$ 69 ; (iii) increased expenses for labor claims R\$ 40; and (iv) consolidation of BBV Banco, Zogbi and BEM - R\$ 186. Disregarding the above events the decrease in payroll would amount to R\$ 225 for the period, mainly as a result of the synergy following the merger of banks acquired.

The variation was mainly due to: (i) payroll decrease as a result of the synergy following the merger of banks acquired; partially offset by: (ii) the provision recorded for the proposed collective bargaining agreement (8.5%) in Sept/04, with an impact of R\$ 69.

Other Administrative Expenses

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Accumulated to September			2004		
2003	2004	% Variation	2 nd Quarter	3 rd Quarter	% Variation
(3,486)	(3,649)	4.7	(1,216)	(1,225)	0.7

The increase for the period was mainly due to consolidation of BBV Banco, Zogbi and BEM R\$ 208, acquired in 2004.

The variation for the quarter was mainly due to the increase in expense for : (i) transport - R\$ 12; (ii) communications - R\$ 4; offset by: (iii) decrease in expenses with leased assets - R\$ 7.

Tax Expenses

Accumulated to September			2004		
2003	2004	% Variation	2 nd Quarter	3 rd Quarter	% Variation
(761)	(1,053)	38.4	(343)	(374)	9.0

This variation was substantially generated by: (i) the increase in expenses for COFINS - R\$ 197, as a result of the rise in the calculation base rate from 3% to 4% in September 2003, as well as an increase in taxable income; (ii) the increase in expenses for ISS - R\$ 47, as a result of a change in legislation; and (iii) increased expense for CPMF - R\$ 29.

The increase for the quarter was mainly generated by an increase in expenses for COFINS - R\$ 33, which is compatible with the growth in taxable income during the quarter.

Equity in the Earnings of Associated Companies

Accumulated to September			2004		
2003	2004	% Variation	2 nd Quarter	3 rd Quarter	% Variation
(26)	119	(557.7)	122	(3)	(102.5)

The variation was mainly derived from improved results in associated companies for period/04, which include R\$ 79 of non-recurring income in associated Insurance Group companies.

The variation was mainly derived from improved results in associated companies determined in 2Q04, which include R\$ 79 of non-recurring income in associated Insurance Group companies.

Other Operating Income

Accumulated to September			2004		
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2003	2004	% Variation	2 nd Quarter	3 rd Quarter	% Variation
1,954	888	(54.6)	280	351	25.4

The variation for the period was mainly derived from: (i) reversal of provisions for exchange variation - R\$ 504 and other operating provisions - R\$ 334, in period/03; and (ii) decrease as a result of the non-consolidation of Latasa following disposal in period/03 - R\$ 123.

The variation for the quarter reflects the reversal of other operating provisions, in particular, the reversal of tax contingencies.

Other Operating Expenses

Accumulated to September			2004		
2003	2004	% Variation	2 nd Quarter	3 rd Quarter	% Variation
(1,872)	(2,122)	13.4	(803)	(628)	(21.8)

The increase was generated in particular: (i) by the growth in operating provisions/other R\$ 219; (ii) the increase in sundry losses (discounts granted on credit operations and fraud) R\$ 128; (iii) greater expenses for amortization of goodwill, as a result of the operations of BBV Banco, Zogbi and BEM - R\$ 83; and partially offset by: (iv) less financial expense R\$ 233.

The variation was mainly due to the addition to provisions for civil contingencies arising from insurance operations - R\$ 109, in 2Q04. In 3Q04, R\$ 74 of this provision was reversed and allocated to the Claims insurance operations account. Disregarding these factors, there was almost no variation in this account.

Operating Income

Accumulated to September			2004		
2003	2004	% Variation	2 nd Quarter	3 rd Quarter	% Variation
2,667	2,583	(3.1)	621	1,163	87.3

The variation for the period was due to: (i) increase in income on commissions and fees - R\$ 867; (ii) increase in financial margin - R\$ 580; (iii) less expenses for provision for loan losses - R\$ 445; (iv) increase in equity and earnings in associated companies - R\$ 145; partially offset by: (v) decrease in operating revenue (net of expenses) R\$ 1,315; (vi) increase in the personnel and administrative expenses - R\$ 340; (vii) decrease in the margin of contribution of insurance, private pension plan and savings bond operations - R\$ 173; and (viii) increased tax expense - R\$ 292.

The variation for the quarter was derived from: (i) increase in financial margin - R\$ 223; (ii) increase in the margin of contribution of insurance, private pension plan and savings bond operations R\$ 161; (iii) less operating expenses (net of revenues) R\$ 246; increase in commissions and fees R\$ 80; (v) less expenses for provision for loan losses - R\$ 36; partially offset by: (vi) decrease in equity and earnings in associated companies - R\$ 125; (vii) increased personnel and administrative expenses - R\$ 48; (viii) increased tax expense -R\$ 31.

Non-operating Income

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Accumulated to September		
2003	2004	% Variation
(768)	(343)	(55.3)

The variation for the period mainly reflects extraordinary amortization of goodwill - R\$ 681 for period/03; offset by extraordinary amortization of goodwill in period/04 - R\$ 237.

2004		
2 nd Quarter	3 rd Quarter	% Variation
(202)	(130)	(35.6)

The variation for the quarter reflects substantially: (i) extraordinary amortization of goodwill - R\$ 135 in 2Q04 compared to R\$ 102 in 3Q04 and the increase in non-operating provisions recorded in 2Q04.

Income Tax and Social Contribution

Accumulated to September		
2003	2004	% Variation
(301)	(233)	(22,6)

The variation in the expense for income tax and social contribution, for the period, reflects tax charges on pre-tax income, after additions and exclusions, as described in Note 35 to the financial statements.

2004		
2 nd Quarter	3 rd Quarter	% Variation
225	(279)	(224,0)

The variation in this expense for the quarter, reflects the increase in income before income tax and social contribution, as well as the effect of exchange gain (loss) and equity accounting, which totaled - R\$ 142 in 2Q04 and R\$ (127) in 3Q04.

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Comparative Balance Sheet - In millions of reais

ASSETS	September 2003	September 2004	% Variation	June 2004	September 2004	% Variation
Current assets and long-term receivables	159,294	174,673	9.7	170,983	174,673	2.2
Funds available	2,234	2,386	6.8	2,222	2,386	7.4
Interbank investments	28,558	25,126	(12.0)	20,529	25,126	22.4
Securities and derivative financial instruments	47,906	58,155	21.4	56,212	58,155	3.5
Interbank and interdepartmental accounts	13,253	15,336	15.7	14,683	15,336	4.4
Restricted deposits:						
Brazilian Central Bank	12,069	14,244	18.0	13,637	14,244	4.5
Other	1,184	1,092	(7.8)	1,046	1,092	4.4
Credit and leasing operations	41,863	49,859	19.1	47,488	49,859	5.0
Credit and leasing operations	45,845	53,832	17.4	51,511	53,832	4.5
Allowance for loan and leasing losses	(3,982)	(3,973)	(0.2)	(4,023)	(3,973)	(1.2)
Other receivables and assets	25,480	23,811	(6.6)	29,849	23,811	(20.2)
Foreign exchange portfolio	11,926	8,960	(24.9)	15,126	8,960	(40.8)
Other receivables and assets	13,724	15,059	9.7	14,913	15,059	1.0
Allowance for losses	(170)	(208)	22.4	(190)	(208)	9.5
Permanent assets	5,069	5,030	(0.8)	5,271	5,030	(4.6)
Investments	504	971	92.7	1,006	971	(3.5)
Property and equipment in use and leased assets	2,613	2,288	(12.4)	2,326	2,288	(1.6)
Deferred charges	1,952	1,771	(9.3)	1,939	1,771	(8.7)
Deferred charges	555	541	(2.5)	540	541	0.2
Goodwill on acquisition of subsidiaries, net of amortization	1,397	1,230	(12.0)	1,399	1,230	(12.1)
Total	164,363	179,703	9.3	176,254	179,703	2.0
LIABILITIES						
	September 2003	September 2004	% Variation	June 2004	September 2004	% Variation
Current and long-term liabilities	151,256	164,907	9.0	162,500	164,907	1.5
Deposits	58,346	64,787	11.0	64,133	64,787	1.0
Demand deposits	11,240	14,782	31.5	13,541	14,782	9.2
Savings deposits	20,897	23,186	11.0	22,457	23,186	3.2
Interbank deposits	411	14	(96.6)	47	14	(70.2)
Time deposits	25,798	26,805	3.9	28,088	26,805	(4.6)
Deposits received under security repurchase agreements	23,069	21,551	(6.6)	16,746	21,551	28.7
Funds from issuance of securities	7,895	6,116	(22.5)	7,080	6,116	(13.6)
Securities issued abroad	7,008	5,227	(25.4)	5,989	5,227	(12.7)
Other resources	887	889	0.2	1,091	889	(18.5)
Interbank and interdepartmental accounts	1,474	1,739	18.0	1,090	1,739	59.5
Borrowings and onlendings	15,186	16,715	10.1	16,817	16,715	(0.6)
Borrowings	8,123	8,695	7.0	8,895	8,695	(2.2)
Onlendings	7,063	8,020	13.5	7,922	8,020	1.2
Derivative financial instruments	331	308	(6.9)	785	308	(60.8)
Technical reserves for insurance, private pension plans and savings bonds	24,461	31,585	29.1	29,478	31,585	7.1
Other liabilities	20,493	22,106	7.9	26,371	22,106	(16.2)
Foreign exchange portfolio	5,966	3,974	(33.4)	8,750	3,974	(54.6)
Taxes and social security contributions, social and statutory payables	4,912	5,208	6.0	4,771	5,208	9.2
Subordinated debt	3,482	6,089	74.9	6,181	6,089	(1.5)
Sundry	6,133	6,835	11.4	6,669	6,835	2.5
Deferred income	30	44	46.7	38	44	15.8
Minority interest in subsidiaries	111	74	(33.3)	66	74	12.1
Stockholders equity	12,967	14,678	13.2	13,650	14,678	7.5
Total	164,363	179,703	9.3	176,254	179,703	2.0

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Equity Analysis - In millions of reais

Funds Available

September/2003	September/2004	% Variation
2,234	2,386	6.8

This increase reflects the increase in the volume of local currency cash funds - R\$ 377, offsetting the decrease in the volume of foreign currency cash funds - R\$ 225.

June/2004	September/2004	% Variation
2,222	2,386	7.4

This variation was due mainly to the increase in the volume of foreign currency cash funds - R\$ 163.

Interbank Investments

September/2003	September/2004	% Variation
28,558	25,126	(12.0)

The variation for the period reflects: (i) the decrease in the third-party portfolio and own portfolio positions of open market investments, down by R\$ 5,096 and R\$ 1,131, respectively; partially offset by: (ii) the increase in interbank deposits up by R\$ 2,795.

June/2004	September/2004	% Variation
20,529	25,126	22.4

The increase for the quarter is mainly due to the increase in the third-party portfolio and own portfolio positions of open market investments, up by R\$ 2,202 and R\$ 1,090 respectively, and interbank deposits - R\$ 1,356.

Securities (TVM) and Derivative Financial Instruments

September/2003	September/2004	% Variation
47,906	58,155	21.4

The increase for the period is due substantially to: (i) additional funds derived from the increase in funding, particularly technical reserves for insurance, private pension plans and savings bonds, as well as issuance of subordinated debt and mitigated in part by: (ii) negative exchange variation of 2.2% for the period/03 to period/04, impacting foreign-currency indexed and/or denominated securities, which comprise 17.8% of the portfolio; and (iii) the redemption/maturity of securities during the period.

June/2004	September/2004	% Variation
56,212	58,155	3.5

The variation is mainly due to: (i) additional funds derived from the increase in funding, particularly technical reserves for insurance, private pension plans and savings bonds; partially offset by (ii) negative exchange variation of 8% for the quarter, impacting foreign-currency indexed and/or denominated securities, which comprise 17.8% of the portfolio; and (iii) the redemption/maturity of securities during the quarter.

Interbank and Interdepartmental Accounts

September/2003	September/2004	% Variation
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June/2004	September/2004	% Variation
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13,253

15,336

15.7

14,683

15,336

4.4

The variation for the period reflects the increase in compulsory Brazilian Central Bank (BACEN) deposits, as a result of the increase in the volume of demand and savings deposits which grew 31.5% and 11.0%, respectively.

The increase for the quarter reflects the growth in compulsory BACEN deposits, as a result of the increase in the volume of demand and savings deposits which grew 9.2% and 3.2%, respectively.

Credit and Leasing Operations

September/2003	September/2004	% Variation
52,776	59,976	13.6

June/2004	September/2004	% Variation
58,402	59,976	2.7

The growth was mainly due to: (i) the individual customer segment with a growth rate of 26.8%, in particular, vehicle products up by 43.6% and Personal Credit, up by 45.7%, reflecting increased consumer confidence in the present economic scenario. Among corporate customers, the growth rate of 8.5% reflects the reduced demand in this segment, mainly as a result of excess liquidity of major corporations. In this segment, we highlight the rural credit product, up by 37.2%, due to the increase in production and price recovery of the majority of products, in both foreign and domestic markets; and prices in the ; (ii) consolidation of Banco Zogbi and Banco BEM; (iii) contract adjustments; partially offset by: (iv) negative exchange variation of 2.2% for period/03 to period/04, affecting foreign-currency indexed and/or denominated contracts, comprising 21.9% of the total portfolio; and (v) contract settlements.

This growth was mainly due to: (i) increase in the balance of the credit portfolio, especially the 4.8% increase for the quarter in the individual customer segment, in particular vehicle products up by 9.5% and Personal Credit, up by 9.3%, while the corporate customer segment was up by 1.8% partially affected by its participation in foreign-currency indexed and/or denominated operations; (ii) contract adjustments; and mitigated in part by: (iii) negative exchange variation of 8.0% in 3Q04, affecting foreign-currency indexed and/or denominated contracts, comprising 21.9% of the total portfolio; and (iv) contract settlements.

N.B. Includes advances on foreign exchange contracts and other receivables and does not include the allowance for loan losses, as described in Note 12 to the financial statements.

N.B. Includes advances on foreign exchange contracts and other receivables and does not include the allowance for loan losses, as described in Note 12 to the financial statements.

Allowance for Loan Losses (PDD)

September/2003	September/2004	% Variation
(4,151)	(4,181)	0.7

June/2004	September/2004	% Variation
(4,213)	(4,181)	(0.8)

The balance of PDD remained practically stable for the period, evidencing the excellent quality of the Bank's credit portfolio. We noted that the ratio of total PDD to the credit portfolio dropped from 7.9% in September/03 to 7.0% in September/04, and the ratio of allowance coverage to the abnormal course credit portfolio, rated from D to H, increased from 142.1% in September/03 to 165.1% in September/04. These ratios evidence the improvement in credit portfolio quality, as a result of our safe, selective and consistent credit granting strategy. During the period, R\$ 2,004 was recorded, R\$ 2,051 was written off and R\$ 77 was added from acquisitions. Additional allowance over minimum requirements increased from R\$ 822 in September/03 to R\$ 913 in September/04.

The balance of PDD remained practically stable for the quarter, evidencing the excellent quality of the Bank's credit portfolio. We noted that the ratio of total PDD to the credit portfolio dropped from 7.2% in June/04 to 7% in September/04, and the ratio of allowance coverage to the abnormal course credit portfolio, rated from D to H, increased from 159.0% in June/04 to 165.1% in September/04. These ratios evidence the improvement in credit portfolio quality, as a result of our safe, selective and consistent credit granting strategy. During the quarter, R\$ 478 was recorded and R\$ 510 was written off. Additional allowance over minimum requirements increased from R\$ 905 in June/04 to R\$ 913 in September/04.

Other Receivables and Assets

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September/2003	September/2004	% Variation	June/2004	September/2004	% Variation
24,886	23,493	(5.6)	29,407	23,493	(20.1)

This variation is mainly due to: (i) the decrease in fx portfolio volume R\$ 2,965; partially mitigated by: (ii) the increase in credit card transactions during the period.
N.B. This total is less (net of corresponding PDD) an amount of R\$ 595 in September/03 and R\$ 318 in September/04, allocated to the Credit Operations and Leasing Operations and Allowance for loan losses accounts.

This variation mostly reflects: (i) the decrease in fx portfolio volume R\$ 6,166. N.B. This total is less (net of corresponding PDD) an amount of R\$ 442 in June/04 and R\$ 318 in September/04, allocated to the Credit Operations and Leasing Operations and Allowance for loan losses accounts.

Permanent Assets

September/2003	September/2004	% Variation	June/2004	September/2004	% Variation
5,069	5,030	(0.8)	5,271	5,030	(4.6)

The variation mainly reflects: (i) transfer of the investment in Banco Espírito Santo (BES) from current to permanent assets R\$ 356; (ii) goodwill on the acquisition of Banco Zogbi and Banco BEM; partially offset by: (iii) sale of permanent assets in Latasa - R\$ 306, following its sale in December/03; and (iv) amortization of goodwill in subsidiaries R\$ 675, of which R\$ 355 was amortized on an extraordinary basis during the period.

The variation for the quarter was substantially due to amortization of goodwill in subsidiaries - R\$ 188, of which R\$ 102 was amortized on an extraordinary basis.

Demand Deposits

September/2003	September/2004	% Variation	June/2004	September/2004	% Variation
11,240	14,782	31.5	13,541	14,782	9.2

The increase for the period is principally due to the growing number of individual customers, as well as the increase in funds deposited by corporate entities.

The increase for the quarter is principally due to the increase in funds deposited by corporate entities.

Savings Deposits

September/2003	September/2004	% Variation	June/2004	September/2004	% Variation
20,897	23,186	11.0	22,457	23,186	3.2

This growth reflects substantially: (i) 8.3% remuneration (TR + 0.5% p.m.) for the period on deposits; (ii) increase in the number of customers; offset by: (iii) withdrawals during the period.

This growth reflects substantially: (i) 2.1% remuneration (TR + 0.5% p.m.) for the quarter on deposits; (ii) increase in average volume; offset by: (iii) withdrawals during the quarter.

Time Deposits

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September/2003	September/2004	% Variation
25,798	26,805	3.9

This increment is due to: (i) remuneration recognized for the period; (ii) increased volume of deposits by institutional investors; and (iii) net of redemptions during the period.

Interbank Deposits

September/2003	September/2004	% Variation
411	14	(96.6)

The variation for the period is due to decreased funding between national financial system institutions.

Deposits Received under Security Repurchase Agreements

September/2003	September/2004	% Variation
23,069	21,551	(6.6)

The variation in this account balance for the period was due mostly to: (i) decrease in the third-party portfolio R\$ 5,161; partially offset by: (ii) increase in own portfolio R\$ 3,540.

N.B. Includes investment fund and managed portfolio resources invested in purchase and sale commitments with Banco Bradesco, the investors in which are subsidiary companies included in the consolidated financial statements in the amounts of R\$ 10,512 (September/03) and R\$ 8,518 (September/04).

Funds from Acceptance and Issuance of Securities

September/2003	September/2004	% Variation
7,895	6,116	(22.5)

The decrease is due to the redemption of securities issued broad (Eurobonds) matured and not renewed during the period, as well as negative exchange variation of 2.2% for the period.

Interbank and Interdepartmental Accounts

September/2003	September/2004	% Variation
1,474	1,739	18.0

June/2004	September/2004	% Variation
28,088	26,805	(4.6)

This decrease is due to: (i) the volume of funds redeemed by institutional investors; partially offset by (iii) remuneration recognized for the quarter.

June/2004	September/2004	% Variation
47	14	(70.2)

The oscillation for the quarter is due to decreased funding between national financial system institutions.

June/2004	September/2004	% Variation
16,746	21,551	28.7

The variation in this account balance for the quarter was mostly due to increases in the own and third-party portfolios of R\$ 2,720 and R\$ 2,085, respectively.

N.B Includes investment fund and managed portfolio resources invested in purchase and sale commitments with Banco Bradesco, the investors in which are subsidiary companies included in the consolidated financial statements in the amounts of R\$ 8,537 (June/04) and R\$ 8,518 (September/04).

June/2004	September/2004	% Variation
7,080	6,116	(13.6)

The decrease is due to the redemption of securities issued abroad (Eurobonds) matured and not renewed during the quarter, as well as negative exchange variation of 8% for the quarter.

June/2004	September/2004	% Variation
1,090	1,739	59.5

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The variation reflects mainly the increased volume of foreign currency money orders in September/04 as compared to September/03.

The variation reflects mainly the increased volume of foreign currency money orders in September/04 as compared to June/04.

Borrowings and Onlendings

September/2003	September/2004	% Variation
15,186	16,715	10.1

June/2004	September/2004	% Variation
16,817	16,715	(0.6)

The variation is due mainly to: (i) the increase in the volume of funds obtained in Brazil via onlendings from BNDES/FINAME; and (ii) new funding transactions abroad, partially offset by: (iii) negative exchange variation of 2.2% for period/03 to period/04, affecting the foreign borrowings and onlendings account, whose transactions are indexed and/or denominated in foreign currency.

The decrease for the quarter is mainly due to: (i) negative exchange variation of 8.0% in 3Q04, affecting the foreign borrowings and onlendings account, whose transactions are indexed and/or denominated in foreign currency; and partially offset by: (ii) interest appropriated for the quarter.

Other Liabilities and Derivative Financial Instruments

September/2003	September/2004	% Variation
26,992	28,032	3.9

June/2004	September/2004	% Variation
33,415	28,032	(16.1)

The increase was due mostly to: (i) new issuance of subordinated debt in foreign currency; offset by (ii) decrease in the volume of the fx portfolio; and (iii) negative exchange variation of 2.2% for the period.

The variation for the quarter reflects substantially: (i) the decrease in the volume of the fx portfolio - R\$ 4,776; and (ii) negative exchange variation of 8.0% for 3Q04.

N.B. Excludes advances on foreign exchange contracts of R\$ 6,168 and R\$ 5,618, allocated to the specific account in credit operations in September/03 and September/04, respectively.

N.B. Excludes advances on foreign exchange contracts of R\$ 6,259 and R\$ 5,618, allocated to the specific account in credit operations in June/04 and September/04, respectively.

Technical Reserves for Insurance, Private Pension Plans and Savings Bonds

September/2003	September/2004	% Variation
24,461	31,585	29.1

June/2004	September/2004	% Variation
29,478	31,585	7.1

The increase for the period reflects mainly the increased sales of private supplementary pension plans and insurance policies, in particular, PGBL and VGBL products, for which reserves were accordingly recorded.

The growth for the quarter is substantially due to the increased sales of private supplementary pension plans and insurance policies, in particular, PGBL and VGBL products, for which reserves were accordingly recorded.

Minority Interest in Subsidiaries

September/2003	September/2004	% Variation
111	74	(33.3)

June/2004	September/2004	% Variation
66	74	12.1

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The decrease for the period was due to the sale of our stake in Sete Quedas Empreendimentos Imobiliários e Participações Ltda.

This variation reflects minority interest in the increased results determined for 3Q04.

Stockholders Equity

September/2003	September/2004	% Variation
12,967	14,678	13.2

June/2004	September/2004	% Variation
13,650	14,678	7.5

This variation is due to: (i) appropriation of net income for the period - R\$ 2,718; (ii) increase in the mark-to-market adjustment reserve of securities and derivatives - R\$ 378; (iii) others - R\$ 3; offset by: (iv) interest attributed to own capital, paid and accrued - R\$ 1,332; and (v) acquisition of own shares - R\$ 56.

This variation is due to: (i) appropriation of net income for 3Q04 - R\$ 752; (ii) increase in the mark-to-market adjustment reserve of securities and derivatives - R\$ 612; offset by: (iii) interest attributed to own capital, paid and accrued - R\$ 333 and (iv) acquisition of own shares - R\$ 3.

2 Main Statement of Income Information

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Consolidated Statement of Income In thousands of reais

	9 months					
	2004	2003	2002	2001	2000	1999
Income from lending and trading activities	20,001,283	27,529,706	31,913,379	21,411,673	15,519,008	18,286,815
Credit operations	9,629,398	12,294,528	15,726,929	11,611,236	7,787,745	9,602,701
Leasing operations	215,294	307,775	408,563	420,365	512,962	730,929
Securities transactions	4,162,688	7,328,805	9,527,663	7,367,600	6,122,486	5,875,823
Financial income on insurance, private pension plans and savings bonds	3,763,277	5,359,939	3,271,913	-	-	-
Derivative financial instruments	708,965	55,192	(2,073,247)	(270,572)	-	-
Foreign exchange transactions	662,657	797,702	4,456,594	2,045,092	872,234	1,776,925
Compulsory deposits	859,004	1,385,765	594,964	237,952	223,581	300,437
Expenses	11,839,195	17,201,888	23,259,783	13,312,726	9,132,137	12,821,198
Interest and charges on:						
Deposits	6,776,173	10,535,497	10,993,327	6,986,027	5,521,407	4,954,854
Price-level restatement and interest on technical reserves for insurance, private pension plans and savings bonds	2,293,659	3,120,342	2,241,283	-	-	-
Borrowings and onlendings	1,203,254	1,083,379	7,194,161	4,316,682	2,158,725	5,819,063
Leasing operations	13,192	12,981	12,486	-	93	18,852
Provision for loan losses	1,552,917	2,449,689	2,818,526	2,010,017	1,451,912	2,028,429
Income from financial intermediation	8,162,088	10,327,818	8,653,596	8,098,947	6,386,871	5,465,617
Other operating income (expenses)	(5,579,130)	(6,774,710)	(6,343,850)	(5,324,166)	(4,647,041)	(4,404,370)
Commissions and fees	4,148,774	4,556,861	3,711,736	3,472,560	3,042,699	2,099,937
Income on insurance premiums, private pension plans and savings bonds	9,447,520	11,726,088	10,134,873	8,959,259	6,919,942	5,975,488
Variation in technical reserves for insurance, private pension plans and savings bonds	(2,647,145)	(3,670,163)	(2,784,647)	(3,492,217)	(3,001,118)	(2,341,648)
Claims - insurance operations	(3,841,992)	(3,980,419)	(3,614,963)	(3,251,706)	(2,511,146)	(2,532,768)
Savings bond draws and redemptions	(931,517)	(1,099,554)	(720,932)	(744,402)	(355,243)	(311,403)
Insurance and pension plan selling expenses	(633,248)	(762,010)	(667,527)	(689,352)	(645,020)	(635,351)
Expenses with pension plan benefits and redemptions	(1,619,539)	(2,362,771)	(1,688,639)	(1,369,424)	(912,784)	(557,608)
Personnel expenses	(3,684,584)	(4,779,491)	(4,075,613)	(3,548,805)	(3,220,607)	(2,783,627)
Other administrative expenses	(3,648,632)	(4,814,230)	(4,028,377)	(3,435,759)	(2,977,665)	(2,566,657)
Tax expenses	(1,052,952)	(1,054,397)	(847,739)	(790,179)	(670,138)	(651,801)
Equity in the earnings of associated companies	118,560	5,227	64,619	70,764	156,300	127,100
Other operating income	887,869	2,163,639	1,320,986	1,326,459	902,807	1,069,562
Other operating expenses	(2,122,244)	(2,703,490)	(3,147,627)	(1,831,364)	(1,375,068)	(1,295,594)
Operating income	2,582,958	3,553,108	2,309,746	2,774,781	1,739,830	1,061,247
Non-operating income (expenses), net	(342,963)	(841,076)	186,342	(83,720)	(123,720)	(224,874)

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Income before taxes and profit sharing	2,239,995	2,712,032	2,496,088	2,691,061	1,616,110	836,373
Provision for income tax and social contribution	(232,229)	(396,648)	(460,263)	(502,257)	(258,776)	307,186
Non-recurring/extraordinary income	-	-	-	-	400,813	-
Minority interest in subsidiaries	(5,368)	(9,045)	(13,237)	(18,674)	(17,982)	(38,753)
Net income	2,002,398	2,306,339	2,022,588	2,170,130	1,740,165	1,104,806
Return on stockholders' equity	18.59%	17.02%	18.65%	22.22%	21.50%	16.32%

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	2004				2003			2002
	3rd Qtr.	2nd Qtr.	1st Qtr.	4th Qtr.	3rd Qtr.	2nd Qtr.	1st Qtr.	4th Qtr.
INCOME FROM LENDING AND TRADING ACTIVITIES	5,525,100	7,719,563	6,756,620	7,443,322	7,911,617	5,096,140	7,078,627	3,083,730
Credit operations	2,870,585	3,659,023	3,099,790	3,169,261	3,504,644	2,685,193	2,935,430	1,519,950
Leasing operations	73,467	56,715	85,112	78,660	85,952	65,777	77,386	74,886
Securities transactions	361,241	2,120,909	1,680,538	2,230,775	2,312,036	995,040	1,790,954	(712,805)
Financial income on insurance, private pension plans and savings bonds	1,337,097	1,181,151	1,245,029	1,411,927	1,334,756	1,172,214	1,441,042	1,398,046
Derivative financial instruments	582,105	(68,697)	195,557	8,877	33,158	(360,489)	373,646	307,885
Foreign exchange transactions	(746)	502,246	161,157	254,543	275,508	168,153	99,498	169,630
Compulsory deposits	301,351	268,216	289,437	289,279	365,563	370,252	360,671	326,138
EXPENSES	2,699,294	5,152,601	3,987,300	4,251,574	5,357,189	3,068,353	4,524,772	721,442
Interest and charges on:								
Deposits	1,291,812	3,029,988	2,454,373	2,605,171	3,434,326	1,826,314	2,669,686	(5,216)
Price-level restatement and interest on technical reserves for insurance, private pension plans and savings bonds	942,651	698,695	652,313	701,184	761,148	755,950	902,060	978,809
Borrowings and onlendings	(18,123)	905,617	315,760	490,305	555,389	(103,670)	141,355	(834,266)
Leasing operations	4,585	4,747	3,860	3,398	3,187	3,194	3,202	3,204
Provision for loan losses	478,369	513,554	560,994	451,516	603,139	586,565	808,469	578,911
INCOME FROM FINANCIAL INTERMEDIATION	2,825,806	2,566,962	2,769,320	3,191,748	2,554,428	2,027,787	2,553,855	2,362,288
OTHER OPERATING INCOME (EXPENSES)	(1,663,296)	(1,945,378)	(1,970,456)	(2,305,000)	(1,887,139)	(1,168,690)	(1,413,881)	(1,703,272)
Commissions and fees	1,454,636	1,375,202	1,318,936	1,274,590	1,182,359	1,082,637	1,017,275	991,101
Income on insurance premiums, private pension plans and savings bonds	3,464,550	2,989,637	2,993,333	3,434,634	2,873,832	2,728,022	2,689,600	3,243,557
Variation in technical reserves for insurance, private pension plans and savings bonds	(1,076,201)	(693,433)	(877,511)	(1,143,458)	(863,897)	(708,447)	(954,361)	(1,484,011)
Claims - insurance operations	(1,328,082)	(1,281,728)	(1,232,182)	(920,068)	(1,066,766)	(1,055,767)	(937,818)	(937,460)
Savings bond draws and redemptions	(312,043)	(346,151)	(273,323)	(301,838)	(283,009)	(282,275)	(232,432)	(169,295)
Insurance and pension plan selling expenses	(215,775)	(205,157)	(212,316)	(208,229)	(190,761)	(182,499)	(180,521)	(179,671)
Expenses with pension plan benefits and redemptions	(496,399)	(590,492)	(532,648)	(955,812)	(555,691)	(461,256)	(390,012)	(508,501)
Personnel expenses	(1,273,981)	(1,233,345)	(1,177,258)	(1,272,063)	(1,306,415)	(1,147,838)	(1,053,175)	(1,047,093)
Other administrative expenses	(1,225,032)	(1,215,747)	(1,207,853)	(1,328,021)	(1,232,599)	(1,152,697)	(1,100,913)	(1,111,005)
Tax expenses	(373,965)	(343,100)	(335,887)	(293,466)	(254,650)	(238,429)	(267,852)	(257,997)
Equity in the earnings of associated companies	(3,708)	122,309	(41)	30,723	7,218	(27,989)	(4,725)	32,855
Other operating income	350,660	279,688	257,521	209,159	422,630	855,810	676,040	(70,632)
Other operating expenses	(627,956)	(803,061)	(691,227)	(831,151)	(619,390)	(577,962)	(674,987)	(205,120)
OPERATING INCOME	1,162,510	621,584	798,864	886,748	667,289	859,097	1,139,974	659,016
NON-OPERATING INCOME (EXPENSES), NET	(129,249)	(202,568)	(11,146)	(73,495)	9,854	(95,872)	(681,563)	54,804
INCOME BEFORE TAXES AND PROFIT SHARING	1,033,261	419,016	787,718	813,253	677,143	763,225	458,411	713,820

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PROVISION FOR INCOME TAX AND SOCIAL CONTRIBUTION	(278,499)	224,907	(178,637)	(95,620)	(111,614)	(242,190)	52,776	5,271
MINORITY INTEREST IN SUBSIDIARIES	(2,413)	(2,587)	(368)	(2,496)	(1,638)	(1,325)	(3,586)	(21,058)
NET INCOME	752,349	641,336	608,713	715,137	563,891	519,710	507,601	698,033

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Results by Business Segment - In millions of reais

Amounts Accumulated from January to September

	Financial		Insurance Group		Other Activities	Amount Eliminated	Consolidated Bradesco
	Local	Foreign	Local	Foreign			
Income from financial intermediation	6,298	373	1,476	1	11	3	8,162
Other operating income (expenses)	(5,160)	(98)	(901)	(1)	3	(3)	(6,160)
Commissions and fees	3,675	14	224	-	528	(292)	4,149
Personnel expenses	(3,123)	(17)	(371)	(1)	(172)	-	(3,684)
Other administrative expenses	(3,406)	(59)	(400)	(1)	(133)	350	(3,649)
Other revenue (expenses)	(2,306)	(36)	(354)	1	(220)	(61)	(2,976)
Net income accumulated to September 2004	1,138	275	575	-	14	-	2,002
Net income accumulated to September 2003	918	164	451	2	56	-	1,591

Composition of Income - %

Increase in the Main Statement of Income Items

Accumulated over the first nine months of 2004 as compared to the same period in 2003 In millions of reais

(*) Composition: Premiums and contributions, net of variations in technical reserves for insurance, private pension plans and savings bonds, less claims, redemptions, benefits and commissions, not including financial income on insurance activities and price-level restatement and interest on technical reserves which are included in financial margin.

(**) Mainly reversal of provision for exchange variation of R\$ 504 and other operating provisions of R\$ 334.

3Q04 in relation to 2Q04 - In millions of reais

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- (*) Composition: Premiums and contributions, net of variations in technical reserves for insurance, private pension plans and savings bonds, less claims, redemptions, benefits and commissions, not including financial income on insurance activities and price-level restatement and interest on technical reserves which are included in financial margin.

Increase in Financial Margin Items plus Exchange Adjustment

Accumulated over the first nine months of 2004 as compared to the same period in 2003 In millions of reais

3Q04 in relation to 2Q04 - In millions of reais

- (1) Includes income on credit operations + income on leasing operations + income on foreign exchange transactions (Note 13a).
 (2) Includes interest and charges on deposits, excluding expenses for purchase and sale commitments + expenses for borrowings and onlendings + income on compulsory deposits + adjustments to income on foreign exchange transactions (Note 13a).
 (3) Includes income on securities transactions, less expenses with purchase and sale commitments + financial income on insurance, private pension plans and savings bonds + income on derivative financial instruments + adjustments to income on foreign exchange transactions (Note 13a).
 (4) Includes price-level restatement and interest on technical reserves for insurance, private pension plans and savings bonds.

Analysis of the Adjusted Financial Margin and Average Rates

Credit Operations x Income

In millions of reais	Accumulated to September 2003	Accumulated to September 2004	2 nd Qtr. 2004	3 rd Qtr. 2004
Credit operations	43,575	48,814	48,460	51,270
Leasing operations	1,496	1,400	1,364	1,402
Advances on foreign exchange contracts	5,799	6,031	6,162	5,938
1 - Total Average balance (quarterly)	50,869	56,245	55,986	58,610
2 - Income (*)	9,430	9,891	3,704	2,983
3 - Average return annualized exponentially (2/1)	25.5%	24.1%	29.2%	22.0%

- (*) Includes income from credit operations, net results from leasing operations and adjusted results on foreign exchange transactions (Note 13a).

Securities x Income on Securities Transactions

In millions of reais	Accumulated to September 2003	Accumulated to September 2004	2 nd Qtr. 2004	3 rd Qtr. 2004
Securities	40,534	55,329	54,679	57,184
Interbank investments	23,609	24,153	19,881	22,827
Subject to repurchase agreements	(17,998)	(21,543)	(15,915)	(19,149)
Derivative financial instruments	(389)	(371)	(562)	(546)
4 Total - Average balance (quarterly)	45,755	57,568	58,083	60,316

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5	Income on securities transactions (net of expenses for repurchase agreements) (*)	6,133	6,266	2,582	1,509
6	Average rate annualized exponentially (5/4)	18.3%	14.8%	19.0%	10.4%

(*) Includes financial income on insurance, private pension plans, savings bonds, derivative financial instruments and foreign exchange adjustments (Note 13a).

Total Assets x Income from Financial Intermediation

In millions of reais	Accumulated to September 2003	Accumulated to September 2004	2 nd Qtr. 2004	3 rd Qtr. 2004
7 - Total assets - Average balance (quarterly)	151,659	173,255	168,610	177,979
8 - Income from financial intermediation	20,086	20,001	7,720	5,525
9 - Average rate annualized exponentially (8/7)	18.0%	15.7%	19.6%	13.0%

Funding x Expenses

In millions of reais	Accumulated to September 2003	Accumulated to September 2004	2 nd Qtr. 2004	3 rd Qtr. 2004
Deposits	56,601	61,532	61,660	64,460
Funds from acceptance and issuance of securities	5,435	6,651	6,821	6,598
Interbank and interdepartmental accounts	1,744	1,580	1,135	1,415
Subordinated debt	3,383	5,602	5,661	6,135
10 - Total funding - average balance (quarterly)	67,163	75,366	75,277	78,608
11 - Expenses (*)	3,881	3,584	2,138	218
12 - Average rate annualized exponentially (11/10)	7.8%	6.4%	11.9%	1.1%

(*) Funding expenses without repurchase agreements less income on compulsory deposits and foreign exchange adjustments (Note 13a).
 Technical Reserves for Insurance, Private Pension Plans and Savings Bonds x Expenses

In millions of reais	Accumulated to September 2003	Accumulated to September 2004	2 nd Qtr. 2004	3 rd Qtr. 2004
13 Technical reserves for insurance, private pension plans and savings bonds - Average balance (quarterly)	21,850	28,855	28,713	30,532
14 Expenses (*)	2,419	2,294	699	943
15 Average rate annualized exponentially (14/13)	15.0%	10.7%	10.1%	12.9%

(*) Price-level restatement and interest on technical reserves for insurance, private pension plans and savings bonds.
Borrowings and Onlendings (Local and Foreign) x Expenses

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In millions of reais	Accumulated to September 2003	Accumulated to September 2004	2 nd Qtr. 2004	3 rd Qtr. 2004
Borrowings	8,663	8,152	8,345	8,795
Onlendings	6,943	7,883	7,971	7,971
16 - Total borrowings and onlendings - Average balance (quarterly)	15,607	16,036	16,316	16,766
17 - Expenses for borrowings and onlendings (*)	128	564	369	26
18 - Average rate annualized exponentially (17/16)	1.1%	4.7%	9.4%	0.6%

(*) Includes foreign exchange adjustments (Note 13a).
Total Assets x Financial Margin

In millions of reais	Accumulated to September 2003	Accumulated to September 2004	2 nd Qtr. 2004	3 rd Qtr. 2004
19 - Total assets - Average balance (quarterly)	151,659	173,255	168,610	177,979
20 - Financial margin (*)	9,135	9,715	3,081	3,304
21 - Average rate annualized exponentially (20/19)	8.1%	7.5%	7.5%	7.6%

(*) Income from financial intermediation excluding provision for loan losses (PDD).
Financial Market Indicators

Analysis of Financial Margin

Banco Bradesco's consolidated financial margin totaled R\$ 9,715 million for the nine-month period accumulated to September 2004, up by 6.3% as compared to the same period in 2003 (R\$ 9,135 million).

The increase of R\$ 1,024 million in interest income comprised growth of R\$ 514 million in average business volume and R\$ 510 million as effects of appreciation of the real in period/03 (17.3%) compared to period/04 (1.1%). This variation was offset by financial expenses recorded formerly in the Variation in technical reserves for insurance, private pension plans and savings bonds account of R\$ 171 million. However, results of non-interest income decreased margin by R\$ 273 million, following a decrease in gains on securities and treasury transactions, totaling a positive variation of R\$ 580 million between amounts accumulated to September 2004 and for the same period in 2003.

In 3Q04, financial margin totaled R\$ 3,304 million, compared to R\$ 3,081 million in 2Q04, i.e. up by 7.2% or R\$ 223 million. Compared to the prior quarter, interest income was up by R\$ 14 million, as a result of growth in the volume of operations in the amount of some R\$ 111 million and a drop in spread of R\$ 97 million. Interest income was affected by financial expenses of R\$ 171, recorded formerly in the Variation in technical reserves for insurance, private pension plans and savings bonds account. On the other hand, non-interest income had a positive effect on margin of R\$ 380 million, as a result of the strongly positioned securities portfolio and the sound recovery of credits in 3Q04.

The average financial margin rate annualized (obtained by dividing the result of financial margin by the average balance of total assets) was up by 0.1 percentage point from 7.5% in 2Q04 to 7.6% in 3Q04. However, there is a decrease of 0.6 percentage points if we compare the accumulated rate to September 2004 (7.5%) with the same period in 2003 (8.1%). This downturn was influenced in particular by the sharp fall in the interest rate (CDI) used to remunerate own working capital, funding and float, considering that up to September 2003, CDI annualized was 24.9%, compared to 15.9% for the same period in 2004.

We highlight the following items responsible for generating financial margin:

- Credit operations, particularly, in the individual customer segment, up by 4.8% for 3Q04, with increases in the Vehicle and Personal Loan products of 9.5% and 9.3%, respectively.

Comparing the balance at September 2004 with the same month in 2003, the individual customer segment was up by 26.8%, with increases of 43.6% in Auto Financings and 45.7% in Personal Credits. We stress that this increment was partially affected by the acquisitions of Banco Zogbi and Banco BEM in 2004.

The improving economic scenario and the increase in consumer confidence, as well as the supply of products designed to meet different customer profiles, were decisive factors in this segment's good performance.

We also stress that Bradesco is improving the quality of its credit granting process to guarantee minimum risk of loss.

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- Insurance area transactions also contributed to financial margin, as a result of the good performance recorded by insurance, private pension plan and savings bond activities, mainly as a result of the increase in sales of supplementary pension plans (PGBL and VGBL) and insurance policies with the corresponding amounts recorded as reserves, since between the second and third quarters, the average volume of technical reserves grew by 7.1%, from R\$ 29,478 million in June 2004 to R\$ 31,585 million in September 2004 and by 29.1% compared with the same period in 2003.
- Emphasis should also be given to the performance of demand and savings account deposits, between June 2004 and September 2Q04, up by 9.2% and 3.2% respectively. Comparing the growth of the closing balances at September 2003 and 2004, demand deposits were up by some 31.5% and savings deposits by 11%.

Provision for Loan Losses (PDD)

Movement of Allowance for Loan Losses - In millions of reais

	2003			2004		
	2 nd Qtr.	3 rd Qtr.	Accumulated to September	2 nd Qtr.	3 rd Qtr.	Accumulated to September
Opening balance	3,902	4,109	3,665	4,192	4,213	4,059
Amount recorded for the period	587	603	1,998	514	478	1,553
Amount written off for the period	(551)	(561)	(1,683)	(493)	(510)	(1,508)
Balance derived from acquired institutions	171	-	171	-	-	77
Closing balance	4,109	4,151	4,151	4,213	4,181	4,181
Specific provision	2,006	1,939	1,939	1,876	1,885	1,885
Generic provision	1,286	1,390	1,390	1,432	1,383	1,383
Additional provision	817	822	822	905	913	913
Credit recoveries	117	138	351	124	228	458

Allowance for Loan Losses (PDD) on Credit and Leasing Operations - In millions of reais

	2003		2004	
	June	September	June	September
Allowance for loan losses - PDD (A)	4,109	4,151	4,213	4,181
Credit operations (B)	53,048	52,776	58,402	59,976
PDD on credit operations (A/B)	7.7%	7.9%	7.2%	7.0%
Ratio of PDD Coverage to Abnormal Course Credits (D to H)				

In millions of reais

	2003		2004	
	June	September	June	September
Total provisions (1)	4,109	4,151	4,213	4,181
Abnormal course credits (D to H) (2)	2,871	2,922	2,649	2,533
PDD coverage ratio (1/2)	143.1%	142.1%	159.0%	165.1%
Commissions and Fees				

	In millions of reais					
	2003			2004		
	2 nd Qtr.	3 rd Qtr.	Accumulated to September	2 nd Qtr.	3 rd Qtr.	Accumulated to September
Checking account	264	287	796	316	324	954
Cards	193	203	598	241	241	723
Fund management	131	163	401	212	233	649
Collection	146	155	440	151	160	461
Credit operations	143	149	420	195	222	582
Interbank charges	61	65	189	63	67	192
Collection of taxes	45	48	138	49	50	150
Custody and brokerage services	19	21	55	26	24	73
Consortium purchase plan management	4	8	12	20	23	58
Other	77	83	233	102	111	307
Total	1,083	1,182	3,282	1,375	1,455	4,149

Administrative and Personnel Expenses

	In millions of reais					
	2003			2004		
	2 nd Qtr.	3 rd Qtr.	Accumulated to September	2 nd Qtr.	3 rd Qtr.	Accumulated to September
Third-party services	193	214	583	218	216	630
Communications	151	163	463	155	159	476
Depreciation and amortization	138	137	403	118	118	359
Financial system services	85	92	260	102	101	300
Publicity and advertising	81	83	233	86	88	285
Transport	87	91	258	88	100	282
Leasing	62	79	209	83	76	236
Rents	67	72	206	75	73	223
Data processing	65	73	199	71	70	199
Maintenance and repairs	61	60	174	68	69	197
Materials	43	47	129	35	36	109
Water, electricity and gas	28	27	83	31	30	95
Travel	15	17	46	13	14	41
Other	77	78	240	73	75	217
Administrative expenses	1,153	1,233	3,486	1,216	1,225	3,649
Remuneration	577	632	1,734	613	636	1,863
Single payment bonus (*)	-	98	98	-	14	14
Benefits	240	265	706	243	257	736
Social charges	206	196	587	229	228	683
Employee profit sharing	38	48	128	39	43	127
Training	20	16	46	11	15	37

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Labor/other	67	51	208	99	80	224
Personnel expenses	1,148	1,306	3,507	1,234	1,273	3,684
Total administrative and personnel expenses	2,301	2,539	6,993	2,450	2,498	7,333

(*) In 2004, the single payment bonus refers to the proposed additional food basket.
Operating Efficiency

	In millions of reais					
	Year					September/2004(*)
	1999	2000	2001	2002	2003	
Personnel expenses	2,784	3,221	3,549	4,076	4,780	4,957
Employee profit sharing	(104)	(112)	(160)	(140)	(171)	(170)
Other administrative expenses	2,567	2,978	3,436	4,028	4,814	4,976
Total (1)	5,247	6,087	6,825	7,964	9,423	9,763
Financial margin = Gross income from financial intermediation less PDD	7,494	7,839	10,109	11,472	12,778	13,358
Commissions and fees	2,100	3,043	3,473	3,712	4,557	5,424
Income from insurance premiums, private pension plans and savings bonds	5,975	6,920	8,959	10,135	11,726	12,881
Variation in technical reserves for insurance, pension plans and savings bonds	(2,342)	(3,001)	(3,492)	(2,785)	(3,670)	(3,790)
Claims - insurance operations and savings bond draws and redemptions	(2,844)	(2,866)	(3,996)	(4,336)	(5,080)	(5,995)
Insurance and pension plan selling expenses	(635)	(645)	(689)	(667)	(762)	(841)
Expenses with pension plan benefits and redemptions	(558)	(913)	(1,370)	(1,689)	(2,363)	(2,577)
Subtotal	(404)	(505)	(588)	658	(149)	(322)
Equity in the earnings of associated companies	127	156	71	65	5	150
Other operating expenses	(1,296)	(1,376)	(1,831)	(3,148)	(2,704)	(2,953)
Other operating income	1,070	903	1,326	1,321	2,164	1,097
Total (2)	9,091	10,060	12,560	14,080	16,651	16,754
Efficiency ratio (%) = (1/2)	57.7	60.5	54.3	56.6	56.6	58.3

(*) Amounts accumulated over prior 12-month period.
Operating Efficiency Ratio (%)

In 2Q04, results were impacted negatively as a result of additional provisions, mainly relating to IBNR and labor and civil contingencies. Disregarding these extraordinary events, the Operating Efficiency Ratio (accumulated for the 12-month period) would be 58.7% rather than 60.1%.

The Operating Efficiency Ratio (accumulated for the 12-month period) in 3Q04 was 58.3%, down by 0.4% as compared to the prior quarter adjusted by extraordinary events, prompted mainly by the combination of the strong commitment of the entire Bradesco management to the strict control of expenses and the increase in revenue for the quarter, especially in financial margin and commissions and fees.

The strict control of expenses, enhanced as a result of the creation of the Expenditure Appraisal Committee in March 2004, as well as the synergy process of acquired institutions, have had a positive effect on the Operating Efficiency Ratio.

Another initiative adopted for rationalizing expenditure was the implementation of the PROGRAMA BIS - DE OLHO NA ECONOMIA, exclusively focused on economic ideas and suggestions.

Other Indicators

Other Indicators

3 Main Balance Sheet Information

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Consolidated Balance Sheet - In thousands of reais

ASSETS	September		December			
	2004	2003	2002	2001	2000	1999
Current assets and long-term receivables	174,673,737	171,141,348	137,301,711	105,767,892	90,693,025	75,136,910
Funds available	2,386,029	2,448,426	2,785,707	3,085,787	1,341,653	827,329
Interbank investments	25,125,701	31,724,003	21,472,756	3,867,319	2,308,273	2,590,599
Open market investments	18,279,891	26,753,660	19,111,652	2,110,573	1,453,461	1,890,828
Interbank deposits	6,848,497	4,970,343	2,370,345	1,760,850	854,815	699,771
Provision for losses	(2,687)	-	(9,241)	(4,104)	(3)	-
Securities and derivative financial instruments	58,154,659	53,804,780	37,003,454	40,512,688	33,119,843	29,196,857
Own portfolio	48,943,603	42,939,043	29,817,033	27,493,936	21,743,924	20,950,342
Subject to repurchase agreements	2,624,914	5,682,852	1,497,383	9,922,036	10,822,637	5,987,713
Subject to negotiation and intermediation of securities	-	-	-	526,219	9,394	157
Restricted deposits - Brazilian Central Bank	3,920,427	3,109,634	3,536,659	1,988,799	421,727	2,359,466
Privatization currencies	73,773	88,058	77,371	25,104	9,526	7,241
Subject to collateral provided	1,185,998	1,752,882	1,836,169	715,858	783,501	449,536
Derivative financial instruments	584,317	232,311	238,839	581,169	-	-
Allowance for mark-to-market	-	-	-	(740,433)	(670,866)	(557,598)
Unrestricted notes	821,627					
Interbank accounts	15,236,591	14,012,837	12,943,432	5,141,940	5,060,628	6,454,553
Unsettled payments and receipts	638,390	20,237	16,902	10,118	6,920	7,635
Restricted deposits:						
- Brazilian Central Bank	14,244,337	13,580,425	12,519,635	4,906,502	4,848,668	6,184,959
- National Treasury - Rural funding	578	578	578	712	660	599
- National Housing System - SFH	320,955	391,871	374,177	217,518	197,191	142,653
Interbank onlendings	-	-	-	-	2,024	116,733
Correspondent banks	32,331	19,726	32,140	7,090	5,165	1,974
Interdepartmental accounts	99,863	514,779	191,739	176,073	111,636	49,018
Internal transfer of funds	99,863	514,779	191,739	176,073	111,636	49,018
Credit operations	48,508,061	42,162,718	39,705,279	35,131,359	30,236,106	21,535,633
Credit operations:						
- Public sector	623,495	186,264	254,622	199,182	275,479	154,266
- Private sector	51,757,706	45,768,970	42,842,693	37,689,671	32,244,482	22,848,128
Allowance for loan losses	(3,873,140)	(3,792,516)	(3,392,036)	(2,757,494)	(2,283,855)	(1,466,761)
Leasing operations	1,351,242	1,306,433	1,431,166	1,567,927	1,914,081	1,712,343
Leasing receivables:						
- Public sector	-	-	45	138	160	800
- Private sector	2,892,388	2,859,533	3,141,724	3,248,050	3,813,369	3,515,396
Unearned lease income	(1,441,224)	(1,438,534)	(1,560,278)	(1,557,642)	(1,760,305)	(1,490,803)
Allowance for leasing losses	(99,922)	(114,566)	(150,325)	(122,619)	(139,143)	(313,050)
Other receivables	22,665,995	24,098,765	20,690,054	15,685,433	16,226,725	12,420,787
Receivables on guarantees honored	434	624	1,577	1,131	2,020	-
Foreign exchange portfolio	8,960,299	11,102,537	10,026,298	5,545,527	6,417,431	3,375,563
Income receivable	242,843	331,064	249,849	187,910	191,873	109,734
Negotiation and intermediation of securities	85,323	602,543	175,185	761,754	497,655	839,758
Specific credits	-	-	-	146,919	124,776	206,952
Insurance premiums receivable	961,615	889,358	718,909	995,662	818,773	994,718

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Sundry	12,623,797	11,324,857	9,640,966	8,107,714	8,258,402	7,021,988
Allowance for other losses	(208,316)	(152,218)	(122,730)	(61,184)	(84,205)	(127,926)
Other assets	1,145,596	1,068,607	1,078,124	599,366	374,080	349,791
Other assets	523,128	575,182	679,515	415,484	409,771	406,910
Allowance for losses	(255,587)	(245,373)	(243,953)	(164,290)	(171,876)	(166,447)
Prepaid expenses	878,055	738,798	642,562	348,172	136,185	109,328
Permanent assets	5,029,761	4,956,342	5,483,319	4,348,014	4,185,458	5,186,682
Investments	970,926	862,323	512,720	884,773	830,930	2,453,425
Investments in associated companies:						
- Local	471,130	369,935	395,006	742,586	689,002	2,044,120
Other investments	863,376	857,985	439,342	452,871	525,316	753,901
Allowance for losses	(363,580)	(365,597)	(321,628)	(310,684)	(383,388)	(344,596)
Property and equipment in use	2,263,225	2,291,994	2,523,949	2,152,680	2,017,093	1,683,069
Buildings in use	1,368,973	1,398,735	1,748,409	1,475,581	1,491,847	1,415,720
Other fixed assets	3,512,586	3,480,636	3,459,950	2,988,008	2,705,577	2,285,918
Accumulated depreciation	(2,618,334)	(2,587,377)	(2,684,410)	(2,310,909)	(2,180,331)	(2,018,569)
Leased assets	24,581	34,362	34,323	46,047	10,688	17,026
Leased assets	66,216	63,812	51,198	51,214	19,421	18,451
Accumulated depreciation	(41,635)	(29,450)	(16,875)	(5,167)	(8,733)	(1,425)
Deferred charges	1,771,029	1,767,663	2,412,327	1,264,514	1,326,747	1,033,162
Organization and expansion costs	1,220,472	1,124,058	1,037,559	874,970	731,717	477,058
Accumulated amortization	(679,317)	(572,620)	(568,525)	(481,127)	(391,417)	(190,510)
Goodwill on acquisition of subsidiaries, net of amortization	1,229,874	1,216,225	1,943,293	870,671	986,447	746,614
T O T A L	179,703,498	176,097,690	142,785,030	110,115,906	94,878,483	80,323,592

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LIABILITIES AND STOCKHOLDERS' EQUITY	September			December		
	2004	2003	2002	2001	2000	1999
Current and long-term liabilities	164,907,794	162,406,307	131,652,394	100,199,709	86,654,746	73,249,480
Deposits	64,786,810	58,023,885	56,363,163	41,083,979	36,468,659	34,723,630
Demand deposits	14,781,735	12,909,168	13,369,917	8,057,627	7,500,518	6,803,429
Savings deposits	23,186,217	22,140,171	20,730,683	18,310,948	17,835,745	17,244,520
Interbank deposits	14,267	31,400	23,848	40,446	568,416	468,950
Time deposits	26,804,591	22,943,146	22,238,715	14,674,958	10,563,980	10,206,731
Deposits received under security repurchase agreements	21,551,113	32,792,725	16,012,965	14,057,327	12,108,350	7,814,288
Own portfolio	5,820,361	6,661,473	915,946	12,178,855	10,696,199	5,973,260
Third-party portfolio	15,628,952	17,558,740	12,188,054	1,878,472	1,412,151	1,841,028
Unrestricted portfolio	101,800	8,572,512	2,908,965	-	-	-
Funds from issuance of securities	6,115,921	6,846,896	3,136,842	4,801,410	4,111,171	4,628,344
Exchange acceptances	-	-	1,214	-	-	-
Mortgage notes	889,114	1,030,856	384,727	780,425	741,248	452,379
Debentures	-	7,291	100,369	48,921	1,039	1,043,125
Securities issued abroad	5,226,807	5,808,749	2,650,532	3,972,064	3,368,884	3,132,840
Interbank accounts	322,154	529,332	606,696	192,027	107,129	59,607
Interbank onlendings	-	-	-	-	-	-
Correspondent banks	171,619	159,098	35,686	4,519	1,059	10,016
Interdepartmental accounts	150,535	370,234	571,010	187,508	106,070	49,591
Third-party funds in transit	1,417,570	1,782,068	1,337,729	762,505	904,188	879,592
Borrowings	1,417,570	1,782,068	1,337,729	762,505	904,188	879,592
Local borrowings - official institutions	8,694,942	7,223,356	9,390,630	7,887,154	6,463,555	4,864,414
Local borrowings - other institutions	1,648	2,070	3,368	2,979	9,737	10,178
Foreign borrowings	11,784	4,010	216,812	230,468	170,775	138,279
Local onlendings - official institutions	8,681,510	7,217,276	9,170,450	7,653,707	6,283,043	4,715,957
National Treasury	7,969,414	7,554,266	7,000,046	5,830,633	5,096,604	4,123,486
National Bank for Economic and Social Development (BNDES)	57,950	51,398	62,187	-	-	-
Federal Savings Bank (CEF)	3,568,367	3,403,462	3,437,319	3,067,220	2,589,284	1,650,243
Government Agency for Machinery and Equipment Financing (FINAME)	399,298	459,553	453,803	433,381	405,264	388,109
Other institutions	3,939,822	3,638,966	3,045,176	2,321,508	2,090,374	2,064,153
Foreign onlendings	3,977	887	1,561	8,524	11,682	20,981
Foreign onlendings	50,855	17,161	47,677	316,283	108,178	185,774
Derivative financial instruments	50,855	17,161	47,677	316,283	108,178	185,774
Technical reserves for insurance, private pension plans and savings bonds	308,046	52,369	576,697	111,600	-	-
Other liabilities	31,584,982	26,408,952	19,155,479	13,853,426	10,338,065	7,563,919
Collection of taxes and other contributions	22,105,987	21,175,297	18,024,470	11,303,365	10,948,847	8,406,426
Foreign exchange portfolio	1,211,707	130,893	108,388	181,453	128,785	113,693
Social and statutory payables	3,974,239	5,118,801	5,002,132	1,343,769	2,439,657	1,029,963
Taxes and social security contributions	737,548	851,885	666,409	572,265	560,533	603,405
Negotiation and intermediation of securities	4,470,918	4,781,458	4,376,031	3,371,127	3,094,628	2,665,681
Subordinated debt	6,089,471	4,994,810	3,321,597	969,842	-	-
Sundry	5,547,973	4,701,492	4,440,439	3,557,524	4,132,849	3,079,557
Deferred income	44,032	31,774	15,843	9,020	34,632	17,543
Deferred income	44,032	31,774	15,843	9,020	34,632	17,543
Minority interest in subsidiary companies	73,965	112,729	271,064	139,231	96,903	287,350
Stockholders' equity	14,677,707	13,546,880	10,845,729	9,767,946	8,092,202	6,769,219
Capital:						
- Local residents	6,343,955	6,343,955	4,960,425	4,940,004	5,072,071	4,206,644
-Foreign residents	656,045	656,045	239,575	259,996	74,429	58,856
Unpaid capital	-	-	-	-	(400,500)	(465,500)
Capital reserves	10,645	8,665	7,435	7,435	19,002	5,643
Revenue reserves	7,084,529	6,066,640	5,715,317	4,614,110	3,403,020	2,963,576
Mark-to-market adjustment - securities and derivatives	638,628	478,917	9,152	-	-	-

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Treasury stock	(56,095)	(7,342)	(86,175)	(53,599)	(75,820)	-
Stockholders' equity managed by the parent company	14,751,672	13,659,609	11,116,793	9,907,177	8,189,105	7,056,569
TOTAL	179,703,498	176,097,690	142,785,030	110,115,906	94,878,483	80,323,592

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Balance Sheet by Currency and Exchange Exposure at September 30, 2004 - In millions of reais

	Balance Sheet	Currency	
		Local	Foreign ^{(1) (2)}
ASSETS			
Current and long-term receivables	174,673	144,625	30,048
Funds available	2,386	1,955	431
Interbank investments	25,126	19,730	5,396
Securities and derivative financial instruments	58,155	48,865	9,290
Interbank and interdepartmental accounts	15,336	15,328	8
Credit and leasing operations	49,859	42,418	7,441
Other receivables and assets	23,811	16,329	7,482
Permanent assets	5,030	4,597	433
Investments	971	541	430
Property and equipment in use and leased assets	2,288	2,285	3