

BANK BRADESCO  
Form 6-K  
February 11, 2003

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

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**FORM 6-K**

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

**For the month of February, 2003**

**Commission File Number 1-15250**

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**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

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## Report on Economic and Financial Analysis

December 2002

- (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.

(\*)On adjusted stockholders' equity

### 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 are intended to 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 any case, these forward-looking statements are valid only as of 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.

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### 1 - Analysis of Consolidated Results

#### Profitability

The return on stockholders' equity for 2002 was 18.7% and return on total assets was 1.4%

Net income for the year was 6.8% lower than net income for 2001.

Net income for the 4th quarter of 2002 was R\$ 698 million, an increase of 66.2% over the prior quarter.

Comparative Statement of Income (in millions of reais)

Analysis of the Statement of Income (in millions of reais)

Results by Activity (in millions of reais)

Increase in the Main Statement of Income Items Compared to Prior Year (in millions of reais)

Increase in Financial Margin Items plus Exchange Adjustment Compared to Prior Year (in millions of reais)

Analysis of the Adjusted Financial Margin and Average Rates

Credit Operations x Income

Securities x Profit on Security Transactions

Total Assets x Income from Financial Intermediation

Funding x Expenses

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Borrowings and Onlendings (Local and Foreign) x Expenses

Total Assets x Financial Margin

Financial Market Indicators

### ANALYSIS OF THE ADJUSTED FINANCIAL MARGIN AND AVERAGE RATES

Despite the turbulent economic scenario in 2002, Bradesco's financial margin (before PDD) totaled R\$ 13,713 million, an increase of 35.7% over the prior year. A number of factors motivated this growth rate, including the following:

- o USD variation for the year (2001: 18.7% and 2002: 52.3%).
- o Basic interest rate increases.
- o Acquisition of Banks: BEA, Banco Mercantil and Banco Cidade.
- o Partnership entered into with the Brazilian Postal and Telegraph Company (ECT) for the creation of the post-office bank, Banco Postal, with 2,500 branches installed at the year-end, 1,467 of which were opened in 4Q02 alone.
- o Partnership entered into with Ford for consumer financing and auto leasing.
- o Increase in number of customers.

The financial margin in 4Q02 totaled R\$ 3,920 million, a 28.9% increase over the same period last year and a decrease of 9.9% as compared to 3Q02. We stress that the final quarter of 2002 was significantly impacted as a result of exchange variation for the quarter (3Q02: 36.9% and 4Q02: -9.3%).

We present below an analysis of the main product groups which generate financial margin:

- o The credit portfolio at the end of 2002 presented a growth rate of 14.3% as compared to the prior year in a total amount of R\$ 50.8 billion. In comparison with 3Q02, there was a slight downturn of 5.2%, mainly as a result of exchange variation for the period and Bradesco's more selective credit granting strategy, as shown by the drop of 35.4% in expenses for loan losses which fell from R\$ 896.1 million in 3Q02 to R\$ 578.9 million in 4Q02.
- o The balance of total deposits in December/02 of R\$ 56.4 billion increased by 37.2% as compared to 2001, with demand deposits up by 65.9% and savings deposits by 13.2%. In comparison to 3Q02, demand deposits grew by 16.8% and savings deposits by 3.1%. These increases are partially derived from fund portfolio mark-to-market and also from the acquisitions and partnerships entered into by Bradesco, as well as its ongoing efforts in the securing of new customers.

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- o Technical reserves for insurance, private pension plans and savings bonds totaled R\$ 19.2 billion in December/2002, a growth rate of 38.3% over the prior year and 15.4% in comparison with September/02. These are mostly medium and long-term funds providing improved investment conditions.

The financial margin on total average assets for 2002 increased by 0.9% as compared to 2001, from 9.9% to 10.8%, however, when compared to 3Q02 and 4Q02 annualized, this percentage drops by 2.3%. These figures are impacted by the significant exchange variation, which was positive in relation to the full-year analysis and negative in relation to 4Q02.

Adopting a conservative approach, Bradesco recorded an additional provision for market risk fluctuation. The result of exchange variation for 2002, which contributed to the formation of the aforementioned margins, was partially recorded as a provision with the U.S. dollar locked at R\$ 3.00. This provision was recorded in other operating expenses, accordingly outside of the financial margin.

Adjusting this provision for volatility and other non-recurring amounts, the financial margin, annualized, on total average assets increases from 8.9% in 3Q02 to 12.9% in 4Q02 and remains at 10.0% when accumulated for the year, for both 2001 and 2002.

Allowance for Loan Losses

Movement of allowance for loan losses

Allowance for Loan Losses (PDD) on Credit and Leasing Operations

Expenses for Provision for Loan Losses on Income from Credit and Leasing Operations

Commissions and Fees

Administrative and Personnel Expenses

Integrated Cash Management

Concept

This is a weekly cash planning methodology which determines on a timely basis and based on historical demand, the number of cash deliveries/collections required by the branches, as well as establishing overnight limits and average balances based on demand, security and compulsory deposit regulation requirements.

Benefits

- Weekly planning of cash needs for a 5-day period, based on the historical demand of the prior 6 months.

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- Facilitates decisions in respect of when and how much needs to be delivered and/or collected, based on projected requirements.
- Takes greater advantage of cash inflows decreasing costs for transport, processing and custody.

### Results

The Integrated Cash Management System implemented in 1,217 branches generated savings of more than 25% in relation to transport expenses during the period from January to November 2002.

### Cash Transfers between Financial Institutions

#### Concept

Through this system, the local Commercial Banks can transfer cash amounts depending on the corresponding availability via management terminals.

#### Benefits

Decrease in costs for armored car transport and Brazilian Central Bank charges, as well as time saved in filling out a number of documents, such as dispatch orders etc., expediting the process.

### Results

In 2002, Bradesco and BCN saved approximately 6% in relation to transport expenses and Central Bank charges.

### Mailbag Transport

In 2002, the Bank saved more than 20% in relation to the total amount spent on document postage as a result of negotiating courier services.

### Human Resources

At December 31, 2002, Bradesco's headcount, including its subsidiaries, totaled 74,393 employees. This increase compared with the headcount at December 2001 was a result of the acquisition of Banco BEA, Banco Mercantil de São Paulo, Scopus Tecnologia and Banco Cidade, whose activities were transferred to BCN, the creation of new call centers and the opening of new Bradesco Branches. The following table presents the evolution of Bradesco's headcount.

Benefits offered by Bradesco to its employees include health insurance and dental care, as well as a supplementary retirement pension plan. At December 31, 2002, Bradesco's accumulated expenditure for these benefits totaled R\$ 723 million.

### Human Resources in December/2002

### Personnel Expenses

At December 31, 2002, Bradesco's personnel expenses totaled R\$ 4,076 million, including expenses for salaries, benefits, social charges, training, employee profit sharing and others.



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The following pie graph presents the percentage share of each item in relation to total Bradesco personnel expenditure:

Composition of Personnel Expenses in December 2002

Personnel Expenses by Types of Company in December 2002

### Training

Bradesco's staff training activities are tuned to its organizational strategies, to the ongoing improvement of its customer service quality and to its capacity to produce results.

Accordingly, the Training Program uses tailor-made methodologies, offering in-class or self-training courses to all its staff designed to meet both their professional and personal development needs.

The most innovative of these training methodologies, permitting the rapid inclusion of a considerable number of employees, is the 'Treinet', online training program which was used in 2002 by 60,955 employees for courses in Basic Banking Integration, Financial Mathematics, Business Accounting and Balance Sheet Analysis, Financial Market and Investments, Loans and Financing, Business Support Platforms, Convenience Services, Internal Control Systems, Capitalization and Vida e Previdência. In addition, 15 new courses will be introduced at the beginning of 2003.

Through the important partnership agreements entered into with Consulting Firms, Universities and Business Schools, such as USP, FGV and IBMEC, the Bank qualifies its professionals to operate in the Organization's diverse specialist segments, including Bradesco Empresas (Middle Market), Corporate and Private Banking and Bradesco Consortiums.

Particular emphasis should also be given to the specialization courses offered at post-graduate level. nine groups were formed in courses such as: MBA Controller, Marketing and Finance, Business Process Management, Foreign Trade and International Operations and Banking Business, given at the following institutions FIA, FIPE, FIPECAFI - USP and FGV.

Bradesco's compliance culture was also strengthened through distance learning courses, via manuals and Treinet available to all the Organization's employees.

During the period from January to December 2002, 1,192 courses were given, in 10,522 groups, with 376,117 participations and a total of 4,648,994 hours spent in training, as well as investments to the order of R\$ 49 million.

Increase in Employee Training Participation

Total Amount Invested in Training

Operating Efficiency

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Despite acquisitions during the year, the efficiency ratio remained stable, adjusting the additional provision for market risk fluctuation on permanent investments abroad based on a US dollar rate R\$ 3.00.

Operating Efficiency (%)

### Activity-Based Management

As part of the Organization's ongoing pursuit to optimize its results and performance, Bradesco commenced a process in 2000 designed to introduce a cost control culture, through the implementation of Activity-Based Costing methodology (ABC) providing, among others, support for studies relating to the formation and negotiation of banking charges, costing information for performance management, decision-making support and customer profitability purposes and the formation of a database for analyses regarding the unification and rationalization of the Bank's different units.

The recent adoption of ABM methodology (Activity-Based Management) is now leading us towards cost prevention practices, with a pro-active approach as regards the identification of opportunities. Thus, at the same time as we improve our processes, we are also able to seamlessly integrate operating performance with strategic objectives, in the pursuit to create and/or sustain competitive advantages and value for both our customers and stockholders.

Accordingly, the mission of the activity-based management model is to provide ongoing support for planning and controlling the Bank's business processes and to promote the permanent improvement of operating and tactical issues and to provide a firm basis for their strategic gearing.

### ISO 9001 and 9002 Accreditation

More than 50 Bradesco products and services have obtained this quality accreditation, and over 80% are compatible with ISO 9001:2000 requirements, evidencing Bradesco's ongoing efforts to ensure that all its business initiatives offer increasing ease and convenience based principally on the excellent quality offered to customers.

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2 - Consolidated Equity Analysis

Balance Sheet by Currency

Comparative Balance Sheet

Equity Analysis (in millions of reais)

Securities (in millions of reais)

Summary of the classification of securities at December 31, 2002

Composition by Maturity

Credit Operations (in millions of reais)

We present below the composition of the credit portfolio by type of operation and economic activity sector.

Credit Portfolio by Activity Sector (in millions of reais)

At the end of 2002, some 99.5% of the credit portfolio was directed to the private sector, with no significant movement compared to the prior quarter. By economic activity sector, manufacturing was most affected by lagging production levels during the year, nevertheless this sector maintained the majority of credit volume with a 31.0% share of total operations, particularly, food and beverages, steel, metal products and mechanics. Credits directed to the service sector, including financial intermediaries, comprised 23.6%, whereas commerce and farming/livestock raising recorded a 16.1% and 2.0% portfolio share, respectively. Loans to consumers comprised 26.8% of the portfolio.

Portfolio Performance

The development of bank credit in 2002 was again influenced by the uncertainties which marked the economic and political scenario during the year, resulting in a more selective credit granting strategy, which as well as exchange volatility, particularly impacted final quarter results.

The maintenance of an austere Monetary Policy and a substantial increase in interest rates resulted in low economic activity levels for the year, reflected

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for the most part by industrial production stagnation and a consequent decrease in the overall demand for credit.

Specifically in the case of consumer loans, shrinking personal incomes and a cautionary approach as to the commitment of future funds, motivated this segment to maintain the trend of settling amounts owed, particularly with resources derived from the release of FGTS refunds.

As a result, Bradesco's consolidated credit portfolio totaled R\$ 50.8 billion in December, which despite a decrease of 5.2% for the quarter caused by exchange effects, presented an annual growth rate of 14.3% in comparison with 2001.

### Credit Portfolio Composition Distributed by Risk Levels

Analyzing the distribution of the Bradesco portfolio by risk level, the quality of the credit assets for the quarter remained stable as compared to the third quarter. The operations concentrated between levels AA and C, classified by BACEN as normal course operations, totaled 90.9% of the accumulated balance. 2.7% of operations were classified at risk administration level D and will remain so until this risk is reduced or guarantees with greater liquidity are obtained. Only 6.4% were considered to be abnormal course operations, subject to partial loss after the application of customary recovery procedures. The maintenance of these rates reflects the permanent use of credit assessment and monitoring instruments.

### Consolidated

The volume of the allowance for loan losses at December 31, 2002 totaled R\$ 3,665 million, corresponding to 7.2% of total credit operations. However, of this amount, only 53.0% effectively comprises overdue operations (past due and falling due) compared to 55.7% at September 30, 2002 and the remaining portion is recorded as a precaution only, based on the customers' internal classification or to cover specific and general portfolio risks.

### Movement of the Portfolio Between December/2001 and December/2002

The performance of the consolidated credit portfolio for the 12-month period ended December 31, 2002, despite the low level of economic activity during the period, evidences the maintenance of the quality of the assets, mainly as a result of new borrowers, representing a 12.6% increase in total loans for the period.

### Portfolio Movement between December/2001 and December/2002

As a result, in annual terms, the quality of the credits granted to new borrowers is proving to be increasingly solid and accordingly the total percentage of credit operations classified as normal course (from AA to C) maintained its upward trend, attaining 90.9% at the 2002 year-end (as compared to 90.7% at the end of the third quarter).

### Concentration of Credit Portfolio

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### Credit Portfolio Indicators

To facilitate the analysis of the Bank's credit portfolio performance, we present below, on a consolidated basis, a comparative summary of the main parameters, based on the rules established by BACEN for recording provisions.

The 2002 year-end figures confirm the low credit risk of the Bradesco portfolio, as a result of its comfortable coverage levels and moreover that the Organization's credit asset expansion strategy is being applied on a secure and consistent basis.

### Funding

Deposits by Maturity (In millions of reais)

#### Demand Deposits

#### Savings Accounts

The balance of Bradesco Organization Savings Accounts ended the fourth quarter of 2002 with R\$ 20.7 billion in deposits, comprising a 18.5% market share of the Brazilian Savings and Loan System (SBPE).

#### Savings Account Deposits

Savings accounts - Market share

#### Savings Accounts

### Asset Management and Own Working Capital

Acquisition of the portfolios managed by Deutsche, Mercantil, BEA and Cidade

In 2002, the investment funds and portfolios acquired from Deutsche Bank Investimentos DTVM, Banco Mercantil de São Paulo, Banco do Estado do Amazonas (BEA) and Banco Cidade were aggregated to the assets managed by BRAM.

#### BRAM receives ISO 9001/2000 accreditation

At the 206th Meeting of the Accreditation Committee of Fundação Carlos Alberto Vanzolini, held on June 28, 2002, approval was given for Accreditation of the

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Quality System of BRAM - Bradesco Asset Management Ltda., in accordance with the following standards and scope:

Standard: NBR ISO 9001/2000

Scope: Third-party Asset Management (Funds and Portfolios) - Retail

Standard: NBR ISO 9001/2000

Scope: Third-party Asset Management (Funds and Portfolios) - Exclusive

Exame magazine rates Bradesco as Brazil's Best Fund Manager

Bradesco was rated Brazil's best investment fund manager in 2002.

This was the result of one of the most complete and well-respected industry analyses conducted by the Center for Finance Studies of the Fundação Getúlio Vargas and published in Exame's Fund Guide. The assessment covered 1,000 of the country's main open and non-exclusive investment funds. Bradesco with a number of award-winning funds was also ranked best manager in the retail category.

This recognition confirms the appropriateness of Bradesco's strategic decision to promote an investment policy focused on specialization and customer service quality.

Assets Under Management

Funds

Portfolio

3 - Consolidated Information for the Period and Operating Structure

Balance Sheet

Statement of Income for the Period

Results per Thousand Shares

Net Book Value and Net Market Value (per thousand shares)

Market Value (number of shares x average last-day price for the period)

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Cash Generation

Change in Number of Shares (million)

Performance Ratios (annualized)

Other Ratios

Other Indicators

Risk Management

Structure

The economic stability brought by the Real Plan prompted the Brazilian financial sector to develop sophisticated risk management policies. An increasingly high-powered market, globalization and advanced technology motivated the creation of specific procedures for monitoring and controlling risks.

Bradesco, permanently alert to these changes, has developed a number of mechanisms in recent years designed to plan, control and manage the risks inherent to its banking activities and which include the following: credit, market, operating and liquidity risks, as well as management of risk capital and internal controls.

A culture responsible for Risk Management and Compliance, allied with a thorough knowledge of the latest risk management processes, provides a competitive edge, facilitating the maintenance of stability, continuity and increased gains, as well as adding value to the Bradesco mark, providing transparency and ensuring that intelligent decisions are made, controlling risks which properly balance the return ratio and optimize the allocation of capital in benefit of stockholders and investors.

In addition to its banking activity, Bradesco has extended its risk analysis culture to encompass its equity related companies such as Bradesco Vida e Previdência, Bradesco Saúde, Bradesco Seguros and Bradesco Capitalização, as regards actuarial and market risks.

During the 1st quarter of 2002, the Risk Management area incorporated the activities carried out by other areas of the Institution responsible for compliance, including internal controls, operating risks, information security and money laundering prevention and is now known as the Risk Management and Compliance Department.

The Risk Management and Compliance area is independent from other operating areas, reporting directly to the president:

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An independent process for monitoring, controlling and managing risks is critical to effective management. The area's activities are governed by a standing committee, which evaluates positions and ratifies decisions involving control and limit policies.

A financial institution complies when all its transactions are carried out in accordance with the laws and rules in force in an ethical manner and avoiding conflict of interests. The Compliance department is designed to prevent damage and to manage legal, regulatory and reputation risks, supporting the Branches and Departments in their daily activities.

Particular emphasis is given to personnel and technology resources, ensuring that the Bradesco Group has permanent access to the cutting-edge technology required for managing the Organization's risks.

The new organizational structure is designed to facilitate a greater focus on these critical activities and confirms the Organization's commitment to best corporate governance practice.

### Credit Risk Management

Credit risk is the risk arising from the possibility of loss due to the non-receipt of amounts contracted with counterparties and related creditors. Credit risk management requires a strictly disciplined control over all analyses and transactions carried out, safeguarding process integrity and independence.

### Credit Policy

The Organization's Credit Policy is designed to ensure maximum security, quality and liquidity in the investment of assets and speedy profitable business, minimizing risks inherent to all types of credit operation, as well as directing the establishment of operating limits and the granting of credit.

Credit is granted based on a highly automated and efficient approvals system, supported by assessment policies which are geared by constantly improving technical parameters designed to ensure proper support for credit decisions.

As part of this system, the Branches operate within varying limits based on their size and type of guarantee, while specialized credit scoring systems maximize the speed and security of the approvals process, based on strict protection standards.

The credit committees located at the Bank's headquarters also play an important role, centralizing, analyzing and authorizing credit operations at amounts above the branch limits and managing this core strategic activity.

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

### Market Segmentation

Bradesco operates on a segmented service basis, seeking to match its different products and services to the different profiles and size of its target public.



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While Bradesco Corporate Banking serves major companies with billings in excess of R\$ 180 million, high-income consumer customers with funds for investment of more than R\$ 1 million are served by Bradesco Private Banking. Other customers are classified on a retail basis as companies or consumers.

Bradesco is now implementing another phase of its segmentation process, this time focusing on middle-market companies. Bradesco Empresas (Bradesco Companies) is designed to offer a quality service tailored to the specific financial needs of this segment, in the same way as major corporations are attended by Bradesco Corporate Banking.

### Methodology used for Credit Portfolio classification

In addition to supporting the establishment of minimum parameters for granting credit and managing risk, the credit risk scoring system established by the Brazilian Central Bank also facilitates the definition of differentiated credit policies based on the customer's specific characteristics and size, providing a basis for the correct pricing of operations and for establishing the most appropriate guarantees for each situation.

In accordance with internal policy, Bradesco customer risk ratings are established on a corporate basis and are permanently reviewed to maintain the quality of the credit portfolio. These ratings are segmented as follows:

#### Classification - Corporate

In the case of consumer customers, the above risk ratings are mainly defined based on their registered reference variables which include: income, equity, restrictions and indebtedness, as well as performance and past relationship with the Bank.

#### Market Risk Management

Market risk is related to the possibility of the loss of income from fluctuating rates caused by mismatched maturities, currencies and indices of the Institution's asset and liability portfolio. This risk is monitored on a strict basis by the financial market to avoid losses for institutions.

At Bradesco, market risks are managed through methodologies and models which are consistent with local and international market realities, ensuring that the Organization's strategic decisions are implemented with speed and a high level of reliability.

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

We present below the VaR of the Consolidated Own Portfolio positions (Treasury):

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In addition, a daily Gap Analysis is performed to measure the effect of the movement in the internal interest rate and foreign exchange coupon curves (interest spread paid above the foreign exchange variation) on the portfolio.

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

### Operating Risk Management

Operating risks are those inherent to activities which provide support for transactions in which the Organization participates and may occur as a result of the interruption of business, system failures, errors, omission, fraud or external events impacting the institution's results.

Following recent guidelines issued by the Basel Committee regarding the measurement of Operating Risk by financial institutions and in anticipation of future capital requirements, the Organization has commenced the process designed to adapt the Bank to possible Brazilian Central Bank requirements. This process, parallel to compliance with future regulations, will be supplementary to present capital management policies, focusing on operating losses.

In tune with these committee guidelines, operating risk is managed at Bradesco based on the dissemination of culture, disclosure of policies and development of own methodologies, models and tools which permit among other factors, the decrease in the cost of regulatory capital to be subscribed.

Operating risk management is designed to support decision making, enhancing processes and activities based on the specific risk characteristics, generating information which permits operating risk evaluation and identification of current exposure levels.

The Organization realizes that the exact method used by a financial institution to manage its operating risks will depend on a number of factors, such as the size, sophistication, nature and complexity of its activities. Despite these differences, the establishment of clearcut strategies which can be monitored by the directors and senior management, a strong internal controls culture, the efficient management of information and contingency planning are all deemed to be key elements for the construction of an appropriate operating risk management structure.

As a result of these actions, operating risk management will increase competitive edge, allowing greater operating efficiency and the consequent increase in stockholder value, as well as extending the trust held by customers, the market and regulatory bodies.

### Liquidity Risk Management

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

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

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

### Capital Risk Management

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

Capital Adequacy Ratio (Basel) - December 2002 - In millions of reais

Calculation

Movement (%)

Internal Controls

Complementing its operating risk control and management activities, the Organization has developed a number of systems, policies and internal controls, over the years, to mitigate possible potential losses generated by this type of risk.

Aware of the importance of these controls, Bradesco implemented, among other actions, an internal controls system (Compliance), as well as procedures for the prevention of money laundering and for guaranteeing information security which are subject to ongoing improvements. The validation of the activities, controls and systems which support the Organization's banking transaction infrastructure also falls within this context, permitting active participation in the new Brazilian Payments System (SPB).

Added Value

Customers - Checking Accounts (million)

Consumer and Corporate Customers December/2002

Increase in Checking Accounts

Savings Accounts (million)

Customer Service Network

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Customer Service Network (Branches)

Bradesco and Financial System

Customer Service Network (Branches) - Market Share - December/2002

Customer to Branch Ratio - Thousand

Banco Postal

On August 22, 2001, Bradesco was declared winner of the public bidding process conducted by the Brazilian Postal and Telegraph Company (ECT), for the exclusive right to use ECT branches to provide banking services under the Correspondent Bank method, devised by the National Monetary Council and disseminated in Resolution 2,707/2000 of the Brazilian Central Bank.

The first Banco Postal branch was opened on March 25, 2002 in São Francisco de Paula, Minas Gerais, a town which despites its population of 6,533 had no bank.

Following an aggressive implementation plan in conjunction with the ECT, Banco Postal's unit 2,500 was opened on December 31, 2002 in Conservatória, district of Valença, RJ, some 159 km from the city of Rio de Janeiro, a town with 66,308 inhabitants.

The delivery of basic financial services to lower income groups is a worldwide challenge. In Brazil, this challenge is particularly urgent considering the enormous differences in income, economic opportunities and concentration of financial institutions in major centers.

The Correspondent Bank method adopted in partnership with the Brazilian Postal and Telegraph Company (ECT) stands out in comparison with other models used in Brazil, as a result of the wide range of products and services offered integrating Banco Postal customers with Brazil's largest private bank branch and ATM network.

This partnership confirms Bradesco's traditional commitment with Brazilians from all income brackets.

The results achieved from the units already in operation evidence the success of Banco Postal and permit an optimistic outlook for future service points considering the significant number of accounts opened and the volume of transactions carried out:

Increase in the number of accounts opened in 2002

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Transactions carried out in 2002 (Monthly)

Units installed in 2002 (Accumulated)

861 towns, which had had no previous access to banking services, now have access to Banco Postal facilitating the expansion of their business and giving Bradesco a significant competitive advantage, as well as contributing to the economic growth of these regions.

Banco Postal will also be useful in towns or regions which already have a Bradesco branch, since the expansion of alternative service outlets ensures that Bradesco customers can be served closer to their work places or homes.

Map of Branches - Bradesco and ECT (Correios)

The project will provide important business opportunities for the Organization since, via the ECT branch service units, Bradesco will be able to serve 100% of Brazil's municipalities.

Internet and Web-based Products

Internet Banking - Users

Internet Banking - Transactions

Bradesco Internet Banking

Online since May 31, 1996, Bradesco Internet Banking ([www.bradesco.com.br](http://www.bradesco.com.br)) soon became a worldwide reference for Home Banking.

Bradesco online services were created to facilitate the day-to-day life of its customers, offering access to the transactions available through the branch network from any point on the globe.

The internet is an important and profitable customer relations channel, adding value to both customers and stockholders.

Since it was first launched, Bradesco internet banking has focused on innovating and deploying the largest number of online services possible for its customers.

At present, Bradesco Internet Banking offers its customers more than 210 different services, which can be accessed 24 hours a day, seven days a week.

Main Available Services

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- Balances and statements
  - Current account/savings account
  - Statements: summarized or in detail by period
  - Credit card: consultations, statements, revolving credit
  - Investments
- Payments/Scheduling of payments
  - Dockets
  - Public utility bills
  - Taxes, fees and contributions
  - Mobile phone credits - Micropayments
  - Direct debit
- Transfers
  - Between Bradesco accounts
  - Other banks - DOC D and DOC E
  - Donations
- Requests
  - Checkbooks
  - Copies of documents
- Other
  - Income tax returns
  - Financial planning
  - Financial investments
  - Re-issue of payment receipts
  - Travelers Checks
  - Highway toll cards (chip-card credits)
  - Personal loans

Bradesco Internet Banking - Consumer Customers reported the following results at December 30, 2002.

- o 4.7 million registered customers.
- o 264 million transactions.
- o 45% increase in the number of transactions compared to December 2001.

### ShopInvest Bradesco

In March 1999, Bradesco launched ShopInvest ([www.shopinvest.com.br](http://www.shopinvest.com.br)), the first Brazilian retail bank broker to operate in BOVESPA's online Home Broker.

Through ShopInvest, investors can access pertinent information and trade shares in BOVESPA, even if they are not Bradesco account holders. All of these services are provided free of charge and comply with the same rules applicable to bricks-and-mortar trading.

Customer demand for new options in the financial market, following the launching of Banco Bradesco's Investment site, resulted in the incorporation of all of the Bank's products into this new business channel.

ShopInvest is characterized by its diversity of investments. Today there are nine Investment Rooms: Shares; Savings Bonds; CDB; Funds; Real Estate; BM&F Savings Accounts; Vida e Previdência and Insurance.

As a result of these strategic investment options, ShopInvest recorded the following significant results at the end of December, 2002:

- o 594 thousand registered users.
- o 302 thousand transactions corresponding to a 29.5% increase over the results recorded at the end of December 2001.

### ShopCredit

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In May 2001, Bradesco launched ShopCredit ([www.shopcredit.com.br](http://www.shopcredit.com.br)), the Bank's Financing and Loan website which offers a complete portfolio of Bradesco's credit lines. The products are grouped together for purchase by consumer or corporate customers with full details on each option and visitors can use a simulator to calculate amounts and terms in the Personal Credit, Consumer Financing (CDC), Leasing, Housing loans and Finame (Morderfrota, Prefixado and Proleite) modes. Visitors to the ShopCredit website can also request personal loans quickly and securely.

At the end of December 2002, ShopCredit posted 409 thousand transactions/operations carried out.

Bradesco Net Empresa

On September 18, 2001, Bradesco launched its new corporate banking website.

With Bradesco Net Empresa, companies gained a new ally for optimizing the financial management of their businesses. Through this website, companies can operate bank accounts, make payments and collections and perform other transactions without having to visit a bricks-and-mortar branch. The transactions are conducted on-line via Internet.

At the end of December 2002, Net Empresa posted the following results:

56,400 registered companies, with 38,100 in operation  
1.7 million transactions/operations conducted

B2C (Business to Consumer)

Bradesco Electronic Trade was created in 1998 and soon became a successful hallmark. In the wake of this success, ShopFácil was launched in 2000, offering, among other services, "Meios de Pagamento Eletrônico Bradesco" (Bradesco Online Payment Methods) - the safest, most practical and economic online shopping method.

Bradesco is the only Bank in the world to date to receive ISO 9000 accreditation for its Online Commercial Payment Methods.

Bradesco Electronic Payment Methods comprise: Electronic Wallet (Bradesco debit cards, PoupCard and Bradesco Visa and MasterCard Credit Cards), Pagamento Fácil (Easy Payment) and Boleto Bancário (Online Dockets).

There are currently 1,515 stores operating with Bradesco Online Payment Methods.

At the end of December 2002, B2C posted 12.8 million transactions/sales.

B2B (Business to Business)

In the B2B area, emphasis should be given to the business solutions offered by Bradesco comprising the following: a security and limits module, B2B payment methods, management tools (buyer, seller and bank) and a financial reconciliation module for the seller.

At present, the Bank offers the following Bradesco B2B Payment Methods:

Online Docket  
Electronic Wallet (Credit Cards)  
Financing lines

Events that Marked 2002

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Launching of the new Online Account  
Opening system  
(<http://www.bradesco.com.br>)

In May, Bradesco presented its new online Account Opening system. This is a modern and user-friendly module whereby proposals can be completed and forwarded online to the branch chosen by the customer. The new layout offers a choice of the type of account to be opened (personal or corporate) location of the visitor's nearest branch by zip code search and an online proposal form ready for completion. In just one month 5 thousand proposals were received.

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Launching of CHIP  
(<http://www.bradesco.com.br>)

On August 1, 2002, Bradesco launched its new Internet campaign with the introduction of "Chip - the Bradesco Internet Banking Virtual Mouse Character". Chip's mission is to demystify Internet use particularly in respect of the security of transactions; to present helpful tips on available products and services; to secure customer fidelity; to present the practical aspects of the worldwide web for new users and to create a user-friendly interface between "customer and machine". In just two months of operation, Chip's hotsite has received more than 350,000 hits.

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Launching of the New Version of the  
Financial Channel Website  
(<http://www.canal.bradesco.com.br>)

In September, Bradesco presented the new version of its Financial Channel website. The site provides a channel between the Bank, investors and market analysts offering Financial Market news, as well as the main features of the Bank's investment products.

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Launching of the New ShopInvest Home Page  
(<http://shopinvest.com.br>)

Bradesco presented its new investment website ShopInvest in September. With its new layout, this Home Page brings to the screen real time prices of the principal assets, currencies and financial market stock exchanges, as well as Intraday information. In addition, there is a special area highlighting financial market events. Emphasis should also be given to the website's new investment simulation and investor profile analysis areas.

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Download of Automated Toll Collection Application (Smart Card) via Internet Banking.

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Launching the new Website for Customer Service Network consultations.

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Implementation of the sale of Travelers Checks in USD. Yen and Euro via Bradesco Internet Banking.

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Implementation of the International Money Order Consultation system for Nikkei customers via Bradesco Internet Banking.

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3rd and 4th Property Auctions for Major Investors

IIn August and September, Bradesco, via ShopInvest ([www.shopinvest.com.br](http://www.shopinvest.com.br) <http://www.shopinvest.com.br>), held its 3rd and 4th Property Auctions for Major Investors. Over the period of these events, the website received 35 thousand hits. Results were significant with 100% of the properties sold for amounts above the required minimum bid and with the majority sold at sight.

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Business Standard Magazine Award - April/2002

Bradesco's Internet Banking was rated best in Brazil according to a survey carried out by the Research Institute of Fundação Getúlio Vargas - SP for Business Standard Magazine.

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Executivos Financeiros Magazine - June/2002

Best Investment site - ShopInvest  
Best Mobile Banking project - Bradesco Mobile Banking

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Aberje 2002 Award - July/2002

Best website in the Internet Bank category - Case: Bradesco  
Internet Banking: Banking Services at a Click.

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Global Finance Best Internet Banks 2002 Award - September 2002

Best Consumer Internet Bank - Brazil/Latin America  
World's Best Consumer Integrated Site (Worldwide and Latin America).

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Marketing Best - November/ 2002

Case: "Chip - Bradesco's Internet Banking Virtual Mouse Character"

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ADVB Award - Top de Internet - December/2002

Case: "Chip - Bradesco's Internet Banking Virtual Mouse Character"

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Other Services:

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Bradesco Internet Banking for the Visually Impaired

At the end of December 2002, Internet Banking for the Visually Impaired had 2,228 registered users.

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Web Point

At present, there are 100 web point terminals installed.

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Bradesco Net Express

At the end of December 2002, Bradesco Net Express posted the following results: 11.5 million transactions, 6 million accesses and 1,850 companies connected.

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Infoemail

At the end of December 2002, this service had 125,000 registered users.

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Infocelular

At the end of December 2002, this service had 3,551 registered users.

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"Fale com o Bradesco"

The Bradesco website offers an online communication channel through which customers can clarify doubts and send suggestions or complaints relating to all Bradesco's products and services. This channel covers all matters related to the Bank's diverse products and services.

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### Donations

With the social area in mind, Bradesco's Internet Banking site offers Donations customers the opportunity to make donations to a number of different philanthropic entities and institutions.

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### WebTA

Through this system launched on September 15, 2000, data files can be transmitted over the internet with maximum security.

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### Easy Payment System

Customers can use the Bradesco free Infoemail service to receive bills for payment via e-mail, as well as balance information, financial market news and other interesting information.

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### WAP Mobile Banking

This service registered 1,225 thousand transactions at the end of December 2002.

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### WAP Micropayments

At the end of December 2002, this service had 4,650 registered users.

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### Other Bradesco Organization Websites:

- o Investor Relations - (<http://ri.bradesco.com.br/>)
- o Bradesco Foreign Exchange - ([www.bradescocambio.com.br](http://www.bradescocambio.com.br))
- o Bradesco Corporate Banking - [www.corporatebradesco.com.br](http://www.corporatebradesco.com.br))
- o The Bradesco Foundation - ([www.fb.org.br](http://www.fb.org.br))
- o Bradesco Insurance - ([www.bradescoseguros.com.br](http://www.bradescoseguros.com.br))
- o Bradesco Vida e Previdência - ([www.bradescoprevidencia.com.br](http://www.bradescoprevidencia.com.br))
- o Financial Channel - ([www.canal.bradesco.com.br](http://www.canal.bradesco.com.br))
- o The Bradesco Card Website - ([www.bradescocartoes.com.br](http://www.bradescocartoes.com.br))
- o Personal Finance Portal - ([www.bradesco.com.br/indexpf.html](http://www.bradesco.com.br/indexpf.html))
- o Corporate Finance Portal - ([www.bradesco.com.br/indexpj.html](http://www.bradesco.com.br/indexpj.html))
- o Portal for the Visually Impaired - ([www.bradesco.com.br/indexdvisual.html](http://www.bradesco.com.br/indexdvisual.html))
- o Online Shopping Portal - Consumers - ([www.bradesco.com.br/index\\_comerciopf.html](http://www.bradesco.com.br/index_comerciopf.html))
- o Online Shopping Portal - Corporate - ([www.bradesco.com.br/index\\_comerciopj.html](http://www.bradesco.com.br/index_comerciopj.html))
- o University Student Portal - ([www.bradesco.com.br/index\\_conta\\_universitaria.html](http://www.bradesco.com.br/index_conta_universitaria.html))

### Websites, Products and Services under Construction and Development

- o Corporate Banking (new version)
- o Private Banking (new version)
- o Bradesco Consórcios Website
- o Bradesco Empresas Website
- o University Student Portal (new version)
- o MultiChannel CRM
- o B2B Buyer and Vendor Financing
- o B2B Payments Method System

### Bradesco Day and Night (BDN)

### BDN ATM Network Evolution:

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The BDN's Competitive Edge

Bradesco Day and Night ATM Network is Brazil's largest private-sector self-service network with 22,847 terminals (Bradesco - 21,210, BCN - 990 and Mercantil de São Paulo - 647).

The Bradesco Day and Night ATM Network is accredited by the NBR ISO 9001/2000 Quality Management System.

Strategically present in areas of important economic agglomeration including shopping malls, hypermarkets, supermarkets, airports, service stations, etc.

The Bradesco Day and Night ATM Network terminals were responsible for more than 1.5 billion transactions at 2002, a daily average of 4.5 million transactions. A 15.3% growth rate over the prior year.

In 2002, via BDN Network transactions: - The number of personal loans grew by 33.7% and financial volume by 30.3% compared to 2001. - The financial volume transacted by the Bradesco BDN ATM Network terminals surpassed R\$ 115 billion, a 73.2% increase over the amount recorded in 2001.

The Bradesco Day and Night ATM Network can also be used by the customers of BCN and Mercantil de São Paulo.

BDN Network Distribution - Monthly Productivity - December/2002

Volume of IPVA(\*) Payments

Number of BDN Network ATMs

Volume of Transactions accumulated in 2002

Telebanco

Integrated Call Centers: Bank, Cards, Pension Plans, Alô Bradesco, BCN and Finasa

Increase in Number of Calls - million

Evolution of Financial Volume (in millions of reais)

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### Highlights:

- o 14.5 million electronic voice-response calls per month.
- o 4 million personalized service calls per month.
- o 2.4 million customers access Telebanco per month.
- o R\$ 424 million in financial volume from transactions per month totaling R\$ 4.9 billion in 2002.
- o More than 229 million calls received in 2002.
- o 96% of Personalized Service call queries are resolved during the first contact.
- o 724 call-center representatives were trained and designated to other areas of the Organization, particularly the sales areas, totaling 1,200 representatives transferred up to December 2002.
- o First financial segment call center to be accredited pursuant to the new ISO 9001/2000 requirements.
- o A record 5.9 million products were sold up to December 2002.
- o In June 2002, Telebanco received the e-finance award from the Executivos Financeiros Magazine in the Best Call Center category, and;
- o Utilization of labor management and service quality processes based on cutting-edge tools which increase productivity and guarantee ongoing customer service enhancement. Customer segmentation based on specific needs, routing calls directly to the corresponding specialized representatives.

### Cards (million)

#### Credit Cards

In 2002, despite the adverse scenario as a result of the general election year and the crisis in Argentina, the number of Bradesco credit cards increased by 30%, while the Visa and Mastercard market increased in conjunction by 17%. This growth rate expanded our market share from 13% in 2001 to 15% in 2002.

In terms of billings, Bradesco recorded R\$ 8.3 billion in 2002, a 22% growth rate compared to 2001. Our market share increased from 13% to 14% and the volume of transactions grew by 15%.

#### New Products

In 2002, a number of important products were launched by Bradesco Cards, among which we highlight the following:

- o BNDES Visa Card, launched in partnership with the National Bank for Economic and Social Development - BNDES in September 2002, this is a pioneer product focused on small and medium companies and used exclusively for internet purchases of Brazilian production assets from suppliers associated with Visanet. This product is designed to ensure and support the development of micro, small and medium companies, financing production means.
- o Gol Smart Club Card, launched in partnership with Gol Transportes Aéreos, Smart Club and Visa do Brasil in December 2002, under the multi-fidelity program concept, offering customers the chance to accumulate points when they use their Bradesco cards to make purchases and when they make purchases at Smart Club-associated establishments
- o In Visa Veritas Platinum Bradesco, this product was launched in November 2002 to attend high-income wine lovers. The product uses a loyalty program, whereby holders can accumulate points which can be converted into prizes

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such as bottles of wine, restaurant dinners, etc.

### Debit Cards (Electron)

From January to December 2002, the number of debit cards increased by 17% compared to the prior year. These figures demonstrate clearly that Brazilians are changing their payment habits, substituting checks and cash for the use of debit cards. The commercial establishments are our allies in this market since debit cards are preferred for their guaranteed liquidity, security and easy operation.

### Acquiring Market

The network of commercial establishments in Brazil, accredited by the Visa system, is administered by Companhia Brasileira de Meios de Pagamentos - Visanet, in which Bradesco has a direct capital holding of 39%. For the period from January to December 2002, Visanet posted sales of R\$ 42.0 billion in transactions, including both credit and debit card billings. Visanet expanded its network by 17%, and at present has 744 thousand associated establishments nationwide. The Visa network is preferred by customers precisely because of the card's wide acceptance.

### Growth

Credit Card Base - Million

Credit Card Billings - In billions of reais

### Market Share

Debit Card Base (Electron) - Million

Debit Card Billings - In millions of reais

### Corporate Banking

Three years after the creation of the corporate banking area, Bradesco confirms the success of its segmentation strategy in this market.

Bradesco Corporate Banking is currently responsible for the Bank's relationship with 1,159 economic groups, developing solutions and generating new business for the areas relating to Corporate Finance, Project Finance, Capital Market, Risk Management, Overseas Trade, Cash Management, Asset Management, Insurance, Private Pension Plans and HR Solutions.

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The corporate structure includes industry experts, who are dedicated to understanding risk management and the needs and opportunities of Brazil's most important economic sectors, with teams working in São Paulo, Campinas, Rio de Janeiro, Paraná, Santa Catarina, Rio Grande do Sul, Belo Horizonte, Brasília, Salvador and Recife.

The strategy under focus and the team's high level of expertise has significantly enhanced relationships and results over this period. The corporate banking area is presently responsible for approximately R\$ 42.6 billion in managed funds.

### Private Banking

Bradesco Private Banking, focusing on its organizational and operating goals, fully consolidated its position in 2002, through the deployment of tailor-made services in both local and international markets, serving customers in the states of São Paulo and Rio de Janeiro and throughout almost all of Brazil.

### Capital Market

#### Underwriting Transactions

In 2002, Bradesco coordinated stock and fixed income transactions which totaled R\$ 14.6 billion, comprising 59.1% of all issues registered at the Brazilian Securities Commission (CVM) for the same period. Special emphasis should also be given to Bradesco's role in coordinating the Secondary Public Offer of the Common Stock of Companhia Vale do Rio Doce, held in March, which totaled R\$ 4.5 billion and the Public Offer of Non-convertible Debentures of Petrobras, held in August and October which totaled R\$ 750 million. And R\$ 775 million, respectively.

Of the total number of floating and fixed-return transactions registered at CVM in 2002, Bradesco participated in 50% of the primary and secondary stock issues, in 44% of the debenture issues and in 20% of promissory notes issues.

Bradesco's Share of the Issues Market (in billions of reais)

Origination and Distribution - ANBID Ranking - December/2002

#### Origination

#### Distribution

#### Structured Operations

Bradesco continues playing an active role in the structured operations segment, advising companies in merger, acquisition, project finance, corporate restructuring and privatization operations.

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In 2002, 12 operations were successfully concluded, among which we highlight the purchase of Banco Cidade S.A., Banco do Estado do Amazonas S.A. - BEA, Banco Mercantil de São Paulo S.A., Deutsche Asset Management, Ford Leasing S.A. Arrendamento Mercantil and the Consumer Financing Portfolio (CDC) of Banco Ford S.A. A further 11 Structured Operations are currently in progress. o o Bradesco's presence is also notable in Project Finance operations, acting as a financial advisor to major corporations operating in electric power generation and the construction of oil and gas pipelines. These projects currently amount to some R\$ 6.3 billion of total investments.

Foreign Exchange

Structure

The Organization has 18 specialized units operating in Brazil (Bradesco - 12, BCN - 5 and Mercantil - 1), 1 Branch in New York (Bradesco), 4 Branches in Grand Cayman (Bradesco, BCN, Boavista and Mercantil), 1 Branch in Nassau (Boavista), 1 subsidiary in Buenos Aires, (Banco Bradesco Argentina S.A.), 1 subsidiary in Nassau, (Boavista Banking Limited) and 2 subsidiaries in Luxembourg, (Banco Bradesco Luxembourg S.A and Banco Mercantil de São Paulo International S.A.) and 1 subsidiary in Tokyo, (Bradesco Services Co., Ltd.) and 1 subsidiary in Grand Cayman (Cidade Capital Markets Ltda.).

In the Exchange area, emphasis should be given to the traditionally important support offered by the Bradesco Organization to foreign trade, with a balance of US\$ 4.5 billion recorded in the foreign exchange trading portfolio for financing imports and exports, as well as for onlending to customers.

Foreign exchange trading for exports from January to December 2002 totaled US\$ 12.5 billion, a 28.6% increase compared to 2001, and for imports a total of US\$ 4.2 billion.

Volume of Foreign Currency Trade - In billions of U.S. dollars

Export Market

Import Market

We present below the composition of the foreign trade portfolio at December 31, 2002:

Except for funds obtained through the Commercial Paper program in the United States, the portfolio is financed by credit lines obtained from Correspondent Banks. At the end of the period, approximately 110 American, Asian and European Banks had extended credit lines to Bradesco.

The core objective of the foreign branches is to obtain funds in the international market for onlending to customers, principally through the

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financing of Brazilian foreign trade.

The main activity of the subsidiary Banco Bradesco Luxembourg is to provide additional services to private banking customers and to increase foreign trade operations.

In 2002, as well as short-term loans obtained from international banks, earmarked for foreign trade financing, short and medium to long-term loans of US\$ 391 million and US\$ 564 million, respectively, were raised through public and private placements in the international capital market, earmarked for working capital loans and foreign trade financing.

Profile of Public and Private Placements Abroad - Bradesco

Funds Obtained Abroad

SPREAD OVER TBILL

Bradesco has the following programs:

Collection and Tax and Utility Collections

Collection

Bradesco Collection strengthens its position yearly as an authentic partner in the management of corporate business. Combining high standards of efficiency with latest-generation IT resources, Bradesco collection services are an efficient and secure tool for use by a universe of corporate entities.

Bradesco Computer-recorded Collection, transmitting and receiving data on a direct computer-to-computer basis, relies on one of the most advanced banking technology systems available, offering important productivity gains to companies by permitting the streamlining of services. The available services include electronic collection (computer-recorded), which permit user companies to consult information online. This system processes approximately 97% of all documents recorded in the Bradesco collection portfolio.

Pag-For Bradesco facilitates the management of Trade Accounts Payable for more than 35 thousand companies.

Tax and Utility Collections

Developed based on high standards of efficiency and quality, Bradesco's tax and utility collections serve a dual purpose. On the one hand, they seek to provide customer satisfaction with appropriate and innovative solutions for the settlement of taxes, duties and contributions. On the other, they effectively interact with the different Government Departments in the federal, state and municipal spheres and with public utility concessionaires.

Bradesco's tax and utility collection services are noted for the speed and security of the data transmitted and amounts collected.



Growth in Collections and Pag-For

Growth in Tax and Utility Collections/Payments

Stock, Custody and Controllership Services

With an appropriate infrastructure and specialized personnel, Bradesco offers its customers the following services: custody of securities, controllership, DR-Depository Receipt and BDR-Brazilian Depository Receipt, as well as bookkeeping services for stocks, debentures and investment fund quotas. All accredited by ISO 2001/2002.

- 178 companies comprise the Bradesco Computer-registered Share System, with 5.6 million shareholders;
- 29 companies with Computer-registered Debentures, issued in a total of R\$ 10.9 billion;
- 322 customers use the Bradesco Custody services, with total assets of R\$ 63.7 billion;
- 542 Investment Funds and Managed Portfolios, with Controllership services and equity of R\$ 74.7 billion;
- 14 Computer-registered Investment Funds, with a market value of R\$ 1.3 billion;
- 9 Registered DR Programs, with a market value of R\$ 13.5 billion; and
- 2 Registered BDR Programs, with a market value of R\$ 226.0 million.

Customers using custody services x assets under custody

Investments in Infrastructure, Information Technology and Telecommunications

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

Investment Growth

Bradesco Announces its Commitment with BBVA for Operations in Brazil

On January 10, 2003, Banco Bradesco S.A. entered into a "Private Business Integration Agreement and Other Accords" with Banco Bilbao Vizcaya Argentaria, S.A. (BBVA), the parent company of Banco Bilbao Vizcaya Argentaria Brasil S.A. (BBV Brasil).

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This operation comprises the following:

- 1) Transfer of the shares held by BBVA in BBV Brasil, comprising 99.99% of its capital, to Bradesco.
- 2) Percentage ownership by BBVA of 4.5% of Bradesco's capital comprising common and preferred shares equivalent on the date of the agreement to R\$ 630 million (market price). These shares will be issued at the Extraordinary General Meeting to be held on the date the operation is concluded, on which date BBV Brasil will become a wholly owned subsidiary of Bradesco pursuant to the terms of Article 252 of Law 6404/76.
- 3) Payment of a sum of approximately R\$ 2 billion.

As part of this operation, a stockholders' agreement will be signed granting BBVA the right to nominate a member of Bradesco's Board of Directors, as well as the establishment of a 'Spanish Desk' to promote the Bank's relationship with Spanish companies in Brazil, facilitating the analysis, implementation and expansion of business between BBVA and Bradesco.

The conclusion of this operation is subject to approval by the regulatory authorities and the results of the due diligence to be completed within 30 days as from the date of the Financial Statements for the year ended December 31, 2002 become available.

Main consolidated information (as of September 30, 2002 in millions of reais):

The operation also includes BBV Brasil's direct and indirect subsidiaries as follows:

- BBV Gestão de Recursos - Banco de Investimento S.A.
- BBV Cartões, Crédito, Financiamento e Investimento S.A.
- BBV Corretora de Câmbio e Valores Mobiliários Ltda.
- BBV Leasing Brasil S.A. Arrendamento Mercantil.

This operation shows that Bradesco is confident that the country's economy can be strengthened through the expansion of business in the credit area and stimulating an important increase in industrial and commercial activities. The operation is also in sync with Bradesco's ongoing growth strategy, which is to take advantage of every opportunity for expansion arising from the restructuring process of the Brazilian financial market.

As a result, Bradesco reaffirms its commitment to strengthen its market presence and operations, increasing returns to scale and efficiency gains as well as adding value to its stockholders.

BBVA's installed capacity and active presence, consolidated through its operations in Brazil, have gained an important market share, increasing expectations that the banks' similar areas will be seamlessly integrated and business maximized. BBV Brasil competes in the capital and financial markets offering a full range of products and services.

Following this integration agreement, BBVA, one of Europe's largest financial institutions in terms of market value, operating in 37 countries with 35 million customers and 8,000 Branches, will change its role in Brazil and become an important stockholder of Brazil's largest private bank.

Bradesco has determined that services to BBV Brasil's customers will continue as usual and following the conclusion of the operation, these customers will also

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have access to all the products, services and convenience traditionally offered by Bradesco.

Bradesco acquires Third-party Fund Administration and Management Activities of Banco J.P. Morgan S.A.

On January 27, 2003, Banco Bradesco S.A. signed, an "Agreement for the Transfer of Rights and Obligations and Other Accords" regarding the acquisition of the activities of Administration and Management of the Securities and Investment Fund Portfolios managed by JPMorgan Fleming Asset Management.

The operation which should be concluded in a period of up to 60 days involves the transfer of approximately R\$ 7 billion in third-party funds to Bradesco, which will subsequently be responsible for the management of funds in excess of R\$ 60 billion. (ANBID Dec/2002).

These assets will be managed by BRAM - Bradesco Asset Management Ltda. and initially, a Consultative Committee will be formed, comprising professionals from Bradesco, BRAM and JPMorgan, designed to maximize the quality of the transition process.

This combination of forces evidences the interest in maintaining management excellence and the expansion of the services currently provided to JPMorgan's investors.

Bradesco, through its intermediary BRAM, relies on a structure which specializes in third-party asset management, serving the retail, corporate, institutional and private segments and focusing its attention on the specific demands of each investor profile.

The sale of Third-party Fund Administration and Management activities in Brazil is part of the strategy of JPMorgan Fleming Asset Management. Banco J.P. Morgan S.A. will give priority to business areas such as investment banking, local markets and private banking, confirming its strong commitment with the Brazilian market.

This operation strengthens the relationship between Bradesco and JPMorgan, institutions which share the principles of respect for their customers, commitment and transparency.

BCN

Consolidated Balance Sheet - In millions of reais

Statement of Income - In millions of reais

BCN - The Relationship Bank

Confident in the ongoing improvement of the service offered to its Consumer and Corporate customers, reputedly one of the market's best, this year, the Bank achieved significant growth: the Customer Service Branch Network increased from 205 to 228 (Banco BCN - 227 and Banco Finasa - 1) - the Banking Service Outlets totaled 179 units at the year-end, 36 more than in December 2001 and the Finasa Promotora de Vendas Ltda. branches increased in number from 39 to 51 at the end of 2002.

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Similarly, the Self-service network which includes terminals in the BCN Network, the Bradesco BDN Day and Night Network, also available to BCN customers and the 24-hour Bank Network, comprises 13,022 units, 1,073 more than in 2001.

As a result of the Bank's investments in ease and convenience, customers have the use of two BCN Digital Branches (in São Paulo and Rio de Janeiro), which offer an advanced concept in telephone service whereby the bank's products and services are sold by management teams and delivered by courier service with no need for customers to leave their homes or the office. Another telephone service, the BCN Live Line (Linha Viva BCN), caters to the needs of customers from all Branches nationwide. We also highlight the services offered through BCN Office Banking and BCNNet Internet Banking which are expanding from year to year.

As a result of these efforts, the customer base, including account holders and non-account holders grew by 130 thousand compared to 2001, attaining 769 thousand at the end of 2002, of which 636 thousand were current account holders.

In addition, services were provided to some 899 thousand customers by Banco Finasa S.A., a 57.4% growth rate as compared to December 2001, as well as 204 thousand credit cards issued, a 23.6% increase during the year.

Banco BCN carried out the following business operations in 2002, under coordination by Banco Bradesco S.A.:

- >> On January 3, the Bank entered into a strategic partnership with Ford Credit Brasil, designed to increase the number of customers and retail market share, involving assets of some R\$ 1.1 billion. Through this transaction, Banco BCN S.A. acquired all the capital of Ford Leasing S.A. Arrendamento Mercantil, which changed its name to Potenza Leasing S.A. Arrendamento Mercantil; Continental Banco S.A. acquired Banco Ford S.A., the credits comprising the vehicle purchase loan portfolio and in addition signed an operating agreement to serve, on an exclusive basis, the business carried out by the Ford dealerships, through their sales promotion company.
- >> In February, an agreement was entered into for the sale of all the shares of Banco Cidade S.A. and Related Companies. The operation was concluded on June 7 and in the same month, BCN incorporated Banco Cidade S.A. at record speed and with total success, based on book value at May 31, 2002. At that time, the latter had 24 local Branches and a foreign subsidiary, Cidade Capital Market Limited.
- >> At the Meeting held on July 8, Banco Finasa S.A. was created, formerly Continental Banco S.A., a subsidiary of Banco BCN since October 1998, which reflects the force of the FINASA brand in the financing segment, acquired by the Bradesco Organization with Banco Mercantil de São Paulo S.A. In August 2002, Banco Finasa S.A. incorporated the spun-off portion of Finasa S.A. Crédito Financiamento e Investimento, adding an amount of some R\$ 1.1 billion to its portfolio in auto financing operations. Thus the market's largest finance company was born.
- >> After 3 years in operation, the joint venture between Banco BCN S.A. and Crédit Lyonnais Cayman Island Branch, from which CLSA-BCN Corretora de Títulos e Valores Mobiliários S.A., originated, was terminated since the foreign partner decided to discontinue its activities in Latin America and Eastern Europe.

### Customer Service - Consumers

In the pursuit to offer quality customer service, the Bank implemented its consumer customer segmentation process and adopted a new Branch model, allowing

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the Management team greater conditions for specialization and availability to attend account holders, anticipating their needs.

The Relationship Account which is now five years old continues to be the financial market's most advantageous program, guaranteeing current account holders the benefit of a interest-free period of 12 to 18 days per month on special check account overdraft facilities or a reduction of up to 60% of the interest rates charged on overdrafts which overrun the interest-free period; free choice of repayment dates for interest on authorized overdrafts; weekly draws for cash prizes of up to R\$ 60 thousand; decreases of up to 100% in bank charges and Smart Club Program points which can be converted into prizes.

### Customer Service - Corporate

The corporate customer portfolio was also focused on enhancing the already specialized attendance. The series of BCN products and services directed to companies continues to be one of the most diversified available in the market, generating significant results for the Bank. Also in this area, emphasis should be given to BCN Collections which reported a growth rate of 47.0% in the volume of business and of 19.4% in the volume of documents registered in 2001. The Payroll service which is kept under constant focus by the Bank reported a 79.0% growth in the number of corporate customers served and an increase of 39.6% in salary accounts.

### PERFORMANCE

#### Net Income and Stockholders' Equity

Net income of Banco BCN S.A. for 2002 was R\$ 301.4 million, an increase of 7.6% compared to 2001, with a return of 19.7% on stockholder's equity of R\$ 1.5 billion.

#### Funds Obtained and Managed

Overall funds obtained and managed at the end of the year totaled R\$ 24.1 billion, an increase of 28.4% compared with December 2001. Deposits which comprise the main source of the Bank's funds, totaled R\$ 13.7 billion, a growth rate of 57.4%. Interbank deposits, with a balance of R\$ 7.5 billion and Time deposits with a balance of R\$ 4.5 billion increased by 105.9% and 18.9%, respectively. Total funds also include an amount of R\$ 2.8 billion in Investment Funds and Customer Portfolios raised by the BCN Branches and managed by BRAM - Bradesco Asset Management Ltda.

#### Credit Operations

Credit Operations totaled a balance of R\$ 13.3 billion, including Leasing operations and Advances on Foreign Exchange Contracts and increased by 40.9% compared to the prior year, with particular emphasis on the consumer sales financing portfolio (CDC), closing the year with a balance of R\$ 4.6 billion and a growth rate of 88.1%, including the operations incorporated in 2002, of Banco Ford and Finasa S.A. Crédito Financiamento e Investimento and the increase in operations under Resolution 2770, even without including the effect of exchange variation for the period.

Total assets at the end of the year were R\$ 23.8 billion, a 33.8% increase over 2001.

#### Social Action

In 2002, BCN maintained its program highlighting citizenship values and sports activities through the BCN Sports program. Actions are focused on the formation, maintenance and dissemination of women's basketball and volleyball teams in all

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competitive categories, with 43 training centers, 16 for basketball and 27 for volleyball and 3,400 athletes from de 9 to 14 years of age, who have access to courts, uniforms, sports material, instructors and all the infrastructure required to practice these sports, completely free of charge.

Banco Finasa S.A.

Consolidated Balance Sheet - In millions of reais

Statement of Income - In millions of reais

BANCO FINASA S.A., formerly Continental Banco S.A. acquired by Banco BCN S.A. in October 1998 was created in August 2002 and reflects the strength of the FINASA brand in the financing segment, acquired by the Bradesco Organization in the first six-months of this year with Banco Mercantil de São Paulo S.A.

Focusing on the retail market, the Bank added the consumer credits acquired from Banco Ford S.A. in January to its portfolio and from Finasa S.A. Crédito Financiamento e Investimento, after the company was spun off in August 2002. Furthermore, an agreement was entered into whereby the new business carried out by the Ford dealerships from March 2002, was directed exclusively to Banco Finasa S.A.

Finasa Promotora de Vendas Ltda., a related party responsible for prospecting new customers and preparing credit proposals strengthened its sales team and increased the number of its Branches from 39 in December 2001 to 51 in December 2002.

At the end of the year, the number of customers served totaled 899 thousand, an increase of 57.4% compared to December 31, 2001. The company was present in 13,324 new and used vehicle dealership outlets nationwide and in 1,306 stores, selling furniture and home decor, mobile telephony and IT related equipment.

PERFORMANCE OF BANCO FINASA S.A.

Net Income and Stockholders' Equity

In 2002, the company recorded net income of R\$ 84.2 million, a growth rate of 95.3% as compared to 2001, with special emphasis on the increase in the credit portfolio. The return on stockholder's equity of R\$ 215.7 million was 39.1%.

Assets

Total assets attained R\$ 4.1 billion at December 31, 2002, a 99.3% increase over the results for 2001, mainly as a result of the following consumer credits acquired during the year at historical amounts: R\$ 1.1 billion from Finasa S.A. Crédito Financiamento e Investimento in August and R\$ 979 million from Ford in two tranches, January and April, as well as an increase in the volume of operations carried out of approximately 44.5%. Accordingly the balance of credit and leasing operations, at present value, net of the allowances for loan losses increased by 108.3% and totaled R\$ 3.7 billion.

Banco Mercantil de São Paulo S.A.

Consolidated Balance Sheet - In millions of reais

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Statement of Income - In millions of reais

We are pleased to present the consolidated financial statements of Banco Mercantil de São Paulo S.A., prepared in conformity with Brazilian corporate legislation for the year ended December 31, 2002.

Performance/Achievements for the Period

Capital and Reserves

Stockholders' equity totaled R\$ 704.7 million. Net equity per thousand shares totaled R\$ 114.8. During this period, the balance of R\$ 48.0 million relating to the capital increase approved at the Board of Directors meeting, held on November 28, 2000, was paid up in full.

Economic Results

Assets totaled R\$ 6.9 billion. The amount of income, including stockholdings, attained R\$ 1.8 billion. Expenses totaled R\$ 1.8 billion and administrative expenses totaled R\$ 418.0 million. Net income for the period was R\$ 23 million.

Investment and Obtaining of Funds

Credit operations totaled R\$ 3.0 billion, while deposits and other funding totaled R\$ 5.6 billion.

Purchase and Sale Process

The controllers of Banco Mercantil de São Paulo S.A. signed the documents formalizing the transfer of the Bank's share control to Bradesco on March 25, 2002.

The operation comprised the sale of 2,764,959,259 common shares and 2,277,767,313 preferred shares of Mercantil, corresponding to 90.1% of voting capital and 74.2% of non-voting capital, for the amount of R\$ 1.4 billion, equivalent to R\$ 0.270047 per share.

Bradesco held a public offer for the acquisition of the common shares owned by the other stockholders at a price corresponding to 80% of the price paid per share to the controlling stockholders, in conformity with the provisions of Article 254-A of Law 6404/76, the auction for which was held on September 25, 2002, and, as a result, now holds 99.0% of voting capital.

Under its new management, Mercantil resumed the strategy designed to grow its operations, personalize its customer service and intensify its partner relationships. As a result, the Bank's capacity to deliver increasingly comprehensive and specialized services was maintained and extended to an even wider public through the Bradesco Customer Service Network.

Branches and Services

At the end 2002, the Bank's nationwide network was formed by 219 strategically distributed branches. Our 448,600 consumer and corporate checking account holders can use 201 Banking Service Outlets (PABs, PAEs and PAPs). The

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Self-service Network operates with 773 terminals installed in the Bank's own Branches and Banking Service Posts and also through the 24Hour Bank Network with its 2,244 Service Outlets, 21,000 Shared Network units and some 9,746 Bradesco Day and Night BDN Network terminals.

The Bank's overseas branch in Grand Cayman and an affiliated Bank in Luxembourg maintained their typical international financial market activities, focusing particularly on foreign trade financing.

The Brazilian Payments System (SBP)

Banco Mercantil de São Paulo S.A. has been preparing its systems since 2000 for the changes which took place on April 22, 2002 and which will continue to take place in the way consumer and corporate customers handle their banking business. The Bank made investments of more than R\$ 14 million in improvements designed to boost the speed and security of customer transactions. As well as improving its internal systems, a special training and communications program was developed for the Bank's Branch Network and Telefinasa customer service teams and employees in general.

Further details on this payments system can be obtained at the Bank's website - <http://www.finasa.com.br> through the exclusive e-mail address - [spb@finasa.com.br](mailto:spb@finasa.com.br); and from the toll-free help line 0800 701 18 44.

As part of its strategy to anticipate trends and meet customers' needs, the Bank has developed a number of products and services which facilitate the control and management of the changes introduced by SPB implementation. For example:

- o Cash Management Finasa
- o Caixa Único Finasa
- o Novo Módulo de Pagamentos Finasa
- o Caixa Postal Finasa
- o Cartão Finasa Visa Electron Business

Products

Finasa Credit Cards

The special treatment given by Banco Mercantil de São Paulo S.A. to this product produced sales in 2002, of 80,473 cards in a total portfolio of 265,835 units, corresponding to an increase of 31.9%, as compared to the prior year. Billings also increased by 10.2% compared to 2001 and totaled R\$ 379 million.

New management approach regarding branch revenue

New sales actions and tools are also being developed to stimulate and facilitate increases in the Bank's customer base and average consumption of products and services per customer by the branches.

As a result, the Bank's network offers cutting-edge banking technology facilitating the opening of accounts at banking posts (PABs) as well as appropriate support for mass account openings, facilitating the day-to-day activities of the branches and in turn customer service quality.

Self-service Channels

Telefinasa: seeking excellence in customer service, the Finasa call center received 3,657,115 interactive voice-response calls (URA) during the period with a total 4,116,589 transactions and consultations in 2002.

Finasa Internet Banking: Finasa Internet Banking for Consumer Customers was launched in August 2001, and has 30,010 registered accounts, corresponding to an



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8.04% share of the account base for the period.

Relationship Accounts: at December 31, 2002, Banco Mercantil de São Paulo S.A. had served 372,923 consumer checking account holders, corresponding to 386,388 accounts. 29.7% of all consumer customer checking accounts were Special Check accounts with authorized overdraft facilities. 55,898 accounts were opened during the year.

At December 31, 2002, the corporate customer portfolio had 75,677 checking account customers, corresponding to 100,074 accounts. Of these, 12,247 were opened during the year. The Savings Account Portfolio registered a record 530,557 accounts in 2002.

The Finasa Easy Account service package (Conta Fácil Finasa) giving priority to customer relationships and offering a range of differentiated and competitive products had 200,736 registered customers at the end of the year.

The Finasa Brand

As a result of the high level of Finasa brand awareness in the financing sector, the Bradesco Organization developed a specific plan to integrate all of its finance companies. Accordingly, an independent administrative and sales structure was put into place to operate in vehicle dealerships and stores nationwide. As part of this new concept, Banco Finasa S.A. and Finasa Promotora de Vendas Ltda. commenced their activities.

Bradesco Products: in aggregate to increase customer benefits

Banco Mercantil de São Paulo S.A. is aggregating its personalized products and customer service with the facilities and other services offered by Banco Bradesco. As a result, customers now have access to the market's most complete self-service network. In addition to the Mercantil Self-service Network and the 24-Hour Bank kiosks, customers also have access to the extensive BDN Bradesco Day and Night ATM network.

In May 2002, the Mercantil Branch Network commenced sales of the very successful Verde Amarelo Pé Quente series savings bond, which has a 60-month term. Other available products and services include Pé Quente savings bonds, Disque Fácil, Clique Fácil, Voe Fácil, 10, Milênio and Special Reserve.

In the health insurance area, Mercantil Customers now have access to all Bradesco Saúde products.

The options available to customers in the private pension plan area have also been extended to include Bradesco Vida e Previdência products which cover the Bank's diverse customer profiles. These include the PGBL (PGBL Proteção Familiar and Prev Jovem PGBL) and VGBL (VGBL Proteção Familiar) plans, a conventional plan with special features (Conta Vip de Rendas Programadas) and a Redeemable Family Coverage (Cobertura Familiar Resgatável) plan.

The results presented above increase Banco Mercantil de São Paulo S.A.'s determination to support both people and companies and to respond to new market demands with increasingly comprehensive and specialized products and services. Convinced that we are on the right path, we thank our customers for their preference, our stockholders for their trust and our employees and stakeholders for their dedication.

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

Balance Sheet - In millions of reais

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Statement of Income - In millions of reais

Bradesco Corretora ended 2002 maintaining its outstanding position in the Capital Market. We present below a summary of the main activities for the year:

Bradesco Corretora negotiated R\$ 6.3 million contracts in the Mercantile and Futures Exchange (BM&F) for a financial volume of R\$ 685.2 billion, ranking the Corretora among the 10 most important brokerage firms out of more than 100 operating in the São Paulo Stock Exchange (BOVESPA). The Corretora has centered its efforts on the continued expansion of its business as well as promoting the futures market. For example, in the agricultural area it acts directly in the country's main production centers, through visits, seminars and participation in agricultural fairs and exhibitions. In conjunction with the BM&F, the company sponsored visits to the exchange and Bradesco Corretora in São Paulo by investors from all over the country. At the same time, the company hosted numerous visits by farmers, teachers, opinion-makers and brokers from the physical commodities market.

Bradesco Corretora ended the year ranked among the 10 most important brokerage firms out of more than 100 operating in the São Paulo Stock Exchange (BOVESPA). During the period services were provided to 48,757 investors and 199,631 buy and sell orders were carried out for a total financial volume of R\$ 10.3 billion.

Online web trading for the quarter totaled 117,257 orders with a financial volume of R\$ 605.7 million, representing 7.2% of all Home-Broker operations carried out in BOVESPA and placing the Corretora fourth in the overall ranking. The customer base increased by 51.3% with more than 4,861 new customers registered during the year and more than 21,192 e-mails received. Bradesco Corretora participated online in the Public Offer of CCR - Companhia de Concessões Rodoviárias, Companhia Vale do Rio Doce and Net Serviços e Comunicações S.A. and Marcopolo S.A., in the retail investor segment.

As a result of its important role in Public Offerings of Share Purchases, Special Operations, Stock Swapping Auctions and Privatization Auctions, Bradesco Corretora continued in its important market position, with financial volume of R\$ 501.5 million for the year.

In November, Bradesco Corretora entered into a partnership with Latibex,, the European market for Latin American stocks at the Madrid Stock Exchange which gives Brazilian investors direct access to trading. It is the first brokerage firm in Brazil to offer this service and maintains a terminal connected to Latibex in real time so that transactions can be carried out without the need for a correspondent in Spain.

Net income recorded for the period totaled R\$ 12.2 million.

Stockholders' equity at the end of the quarter grew to R\$ 85.7 million, corresponding to 49.3% of total assets which totaled R\$ 173.8 million.

Information - Trading at BM&F and Bovespa

Bradesco Securities, Inc.

Balance Sheet - In thousands of reais

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Statement of Income - In thousands of reais

Bradesco Securities, Inc., a wholly-owned subsidiary of Bradesco, operates as a broker dealer in the United States. The company's activities are focused on the intermediation of share purchases and sales, with emphasis on ADR operations. The company is also authorized to operate, among others, with Bonds, Commercial Paper and Certificates of Deposit and to provide Investment Advisory services. This Bradesco initiative was motivated by more than 80 programs involving ADRs of Brazilian companies traded in New York and by the growing interest of foreign investors in the emerging markets and is designed to offer support for global economy investors who invest part of this flow in countries such as Brazil.

Leasing (1)

Balance Sheet - In millions of reais

Statement of Income - In millions of reais

Bradesco's leasing operations are carried out through its subsidiaries Bradesco Leasing S.A. Arrendamento Mercantil, BCN Leasing Arrendamento Mercantil S.A., Banco Finasa S.A. and Finasa Leasing Arrendamento Mercantil S.A.

At December 31, 2002, Bradesco's leasing operations totaled R\$ 1,619 million (present value) with 57,146 contracts.

In accordance with the Brazilian Association of Leasing Companies - ABEL, Bradesco is one of the leaders in the national ranking of leasing companies, with a 16.7% market share (Base date: November/2002).

Bradesco leases different types of assets including light vehicles (cars) and heavy vehicles (buses and trucks), airplanes, machinery, equipment and computers.

The following pie graph presents the composition of Bradesco's consolidated leasing portfolio by types of asset.

Portfolio by Types of Asset at December 31, 2002

Bradesco Consórcios Ltda.

Operations

On June 11, 2002, all the quotas of Administradora de Consórcios Potenza Ltda. were transferred from Banco BCN S.A. to Banco Bradesco S.A.

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On June 24, 2002, approval was given to change the company's name to Bradesco Consórcios Ltda. and its principal place of business to Osasco-SP.

These acts were ratified by the Brazilian Central Bank (BACEN) on July 22, 2002.

On December 9, 2002, Bradesco Consórcios commenced the sale of consortium quotas exclusively to Bradesco Organization employees. The sale of consortium quotas to the Bank's account holders and non-account holders will commence in January 2003. The company will use all the facilities of the Bradesco, BCN and Mercantil customer service network to commercialize the products offered. The consortium groups managed by the former company are now closed.

### Mission

The company's mission is to manage consortium plans and groups for consumer and corporate purchasers, be they account holders at the Bank or not and to operate in the light and heavy vehicle and real estate segments, maintaining excellent standards in the quality of the services offered and in its consortium system practice, pursuant to regulations determined by the Brazilian Central Bank and in line with the Bradesco Organization's philosophy.

### Segmentation

The Bradesco Organization's entry into this segment is part of its strategy to offer the most complete range of product and services possible to its Customers, providing all income brackets with the opportunity to purchase items through the consortium quota system, filling a market lacuna at accessible cost and considering, in relation to real estate products, the country's present significant housing deficit.

Bradesco Consórcios is prepared to meet the demands of consumers from all income brackets, not yet provide for in Brazil, at an accessible cost. The Consortium segment is a complementary niche to regular banking activities and at present there are 2.9 million (\*) consortium group members nationwide. According to information gathered, only 14% (\*) of vehicles sold in Brazil are currently sold via the Consortium method.

At present an average 62.1 thousand (\*) participants are acquired products monthly as compared to 60.5 thousand (\*) in 2001, an increase of 2.64% (\*) including first homes and new cars and more than 20 other products sold through the consortium quota system.

The consortium quotas will be placed in the market through brokers of Bradesco Vida e Previdência, one of the Bank's related parties, working from the Bank's Branches, via the Fone Fácil call centers and online over the Internet.

(\*) Source ABAC - Brazilian Association of Consortium Administrators

### Representation

Following its entry into this segment, Bradesco will play a central role, providing Brazilians with more opportunities to acquire goods and real estate.

As a result of this activity our medium and long-term results will undoubtedly grow, with positive effects on our capacity to secure new customers.

(\*) Source ABAC - Brazilian Association of Consortium Administrators.

### Insurance(1)

Balance Sheet - In millions of reais

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Statement of Income - In millions of reais

Performance Ratios

Insurance Premium Market Share (%)

Bradesco Seguros secured R\$ 6.5 billion in premiums and maintained its industry leadership with a 23.9% market share. An amount of R\$ 27.2 billion was secured in premiums by this sector up to November 2002.

Growth in Technical Reserves

Growth in Assets Guaranteeing Technical Reserves

Earned Premiums by Insurance Line

In December 2002, the company's earned premiums grew by 12.0% as compared to the prior year.

Earned Premiums by Insurance Line - Accumulated to December 2002 - (%)

Total Claims Ratio - % (prior 12 months)

Number of Policyholders - Thousand

Up to December 2002, the number of customers grew by 1.6% as compared with the prior year.

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Bradesco Saúde continues to maintain its outstanding market position, especially in the corporate health insurance segment. Brazilian consumers are increasingly convinced that Health and Dental Insurance are the best alternatives for meeting their medical, hospital and dental care needs. At present, Bradesco Saúde has more than 2.3 million customers.

The increasing number of beneficiaries employed by micro, small and medium companies as well as major corporations that have contracted Bradesco Saúde evidences the company's high level of expertise and personalization in Corporate Insurance services, a distinct advantage in the Health Insurance market.

Approximately 13 thousand companies in Brazil have acquired Bradesco Health Insurance. From the 100 largest companies in Brazil, 35 are Bradesco clients in the Health and Dental Health lines and of the country's 10 largest companies, 60% are Bradesco Saúde clients.

Emphasis should also be given to the practical nature of the Bradesco Saúde Portal (<http://www.bradescosauade.com.br>), which, in addition to providing information on available products, also offers a number of services to policyholders, prospects and brokers.

The number of policyholders and the growth in sales verified in the Life and Personal Accident lines, compared to 2001, confirms Bradesco Seguros' unquestionable leadership of these lines. The company's ongoing investment in the training of its distributors was undoubtedly an important factor in the achievement of the year-end results.

The Bradesco Insurance Group occupies a leadership position in the Basic Line Brazilian market, which comprises the following main types of insurance, named and operating risks, international transport, import and export, national transport, oil risks, engineering risks third-party liability, flight, hulls, fire and sundry risk, among others.

In the mass market insurance segment, focusing on consumer and small and medium corporate customers, the results achieved from policy sales were significant in 2002, particularly Bradesco Seguro Residencial Simplificado (Bradesco Simplified Residential Insurance).

The Group's outstanding presence in Corporate Insurance, through its important participation in the following segments: mining, auto industry, steel, power, oil, agribusiness, paper and pulp, chemical, flight and aluminum, confirming the Bradesco Group's involvement in the insurance of a major part of Brazil's 100 largest companies.

The Automotive and RCF (Optional Third Party Liability) line posted an increase in the number of policyholders and the technically correct pricing policy was maintained. Emphasis should be given to the implementation of the differentiated services which add value to products, such as discounts given through the nationwide customer service networks, and to the increase in the number of relationships with brokers which are carried out exclusively online via the Internet.

### Awards

1. Top of Mind iBrands - Insurance Company category, as one of the brands that internet users were most called to mind.

2. The Bradesco Seguros website won three prizes at the iBEST 2002 awards - Brazil's equivalent to the internet Oscar. In the "Insurance Companies" category, it was twice victorious, voted best site by Popular vote and by the iBEST Academy vote. In the "Revelation" category it was the most voted site by Popular vote.

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3. Insurance Market Award in the category "Excelência em Prêmios Totais" (Seguro Total magazine and All Time Editora e Eventos) for economic and financial performance, outstanding initiatives focusing consumers and improved products and services.

4. Distinction in the Insurance Company category (ANSP) for the case "Natal Bradesco Seguros 2001".

05. Top of Marketing (ADVB) for the case "Natal Bradesco Seguros 2001".

06. The campaign "Acorda para o penta, Brasil", developed by Bradesco Seguros - the Brazilian Soccer Team's official insurer, received two awards: Best National Institutional Campaign (Bronze Medal) and Best National Institutional Commercial (Bronze Medal). The award was conferred by the About magazine, specialized in advertising and marketing, based on its selection of the best national campaigns relating to the 2002 World Cup Soccer Championships (Bradesco Seguros).

07. Bradesco Vida e Previdência, part of the Bradesco Insurance Group, was rated Best Insurance Company of the Year (Seguradora do Ano), for the period July 2001 to July 2002, by the Rio de Janeiro Life Group Club (Clube Vida em Grupo do Rio de Janeiro). The unanimous decision was based on the growth of the company's Life segment, the close relationship between brokers and policyholders as well as the company's positive public image (Bradesco Vida e Previdência).

08. Bradesco Saúde received the Top Hospitalar 2002 Award as the most remembered brand and highlight of the year in the "Health Insurance category". This award was based on the results of a preferred product brand survey (V Pesquisa de Preferência de Marcas em Produtos), carried out by the Guia de Fornecedores Hospitalares (Hospital Suppliers Guide), and represents the most important title in the Brazilian medical-hospital market ranking.

09. Bradesco Seguros won the Folha Top of Mind Award in the Insurance category. This award was based on the results of a national poll carried out by the Datafolha Institute involving 35 products and reveals consumer brand awareness.

10. Bradesco Saúde was also highlighted in the "Prestação de Serviços em Planos de Saúde" (Health Plan Services) segment and received the Marketing & Negócios Internacional Award - National Highlight in 2002 - Quality and Technology. The award has been given for the past nine years by the Businessmen's Association of Rio Grande do Sul, Santa Catarina, Paraná and Mercosur. The winners in each sector were chosen based on a poll including three thousand businessmen nationwide, taking into consideration the quality of the products and services, as well as the use of technology in attending policyholders and partners.

11. In addition, Bradesco Saúde was rated among the 5 health insurance companies most remembered by HR professionals in the 5th. HR Top of Mind de RH - 2002 wards.

Private Pension Plans

Balance Sheet - In millions of reais

Statement of Income - In millions of reais

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### Income from Plans - Market Share (%)

Since its foundation in 1981, Bradesco Vida e Previdência has recorded consistently high levels of growth confirming its leadership of a sector which from the early nineties has shown considerable potential for expansion.

Income from its private pension plans has grown some 43.3% per year over the last five years, enabling the company to maintain its leadership position with 42.9% of the market, the result of a sound product development policy structured around innovative and flexible options.

Products bearing the Bradesco Vida e Previdência hallmark reflect the company's efforts to remain ahead of its time, sensitive to future trends.

### Growth in Technical Reserves

Providing a safe option for both participants and beneficiaries, Bradesco Vida e Previdência has recorded increasing growth in the volume of its technical reserves. During the period, technical reserves presented an increase of 39.4% over the same period in 2001, highlighting the company's capacity to meet the commitments assumed.

Bradesco Vida e Previdência's unquestionable commitment to providing a care-free future for its participants has ensured its ranking as Brazil's largest listed private pension plan company.

### Guaranteeing Assets Market Share (%)

Reflecting the growth in income from private pension plans, Bradesco Vida e Previdência ended the period with a high level of capitalization. The investment portfolio presents an ongoing evolution of amounts and results, well above the required volume of technical reserves.

The company's success and commitment to the implementation of its policies are confirmed by its 52.1% share of this segment, one of most important market indicators.

### Growth in Guaranteeing Assets

### Increase in Number of Participants (Thousand)

During the year, Bradesco Vida e Previdência signed new contracts for individual and company plans, which accounted for a 12.4% growth rate in the number of participants compared to the performance recorded for the same period in 2001. Total plan participants surpassed the 1.2 million mark.

VGBL Bradesco: a success since its launching



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In the first quarter of 2002, Bradesco Vida e Previdência commenced the sale of its tax-assisted savings and individual life insurance plan, the VGBL - Vida Gerador de Benefício Livre. From the date it was launched, this plan has occupied an important position in the company's product portfolio as a result of its enormous growth potential. The product's estimated market potential for the next five years is approximately R\$ 15 billion in assets for a target public of 20 million participants.

Since it has the same features as PGBL and differs only in respect of its tax treatment, the information presented above also includes the amounts relating to VGBL.

Savings Bonds (2)

Balance Sheet - In millions of reais

Statement of Income - In millions of reais

Bradesco Capitalização's outstanding position in the premium bond market is the result of its transparent operating policy, which is focused on the deployment of products in line with potential consumer demand.

In pursuit of a bond which is suited to its customers' different profiles and budgets, the company developed a number of products varying in accordance with the type of payment (single or monthly), contribution terms, regularity of draws (weekly or monthly) and related prize amounts. This new phase brought the company closer to the general public and consolidated the success of its "Pé Quente" (Lucky Bond) savings bond series.

Bradesco Capitalização was the first private savings bond company in Brazil to receive ISO9002 accreditation and in December 2002 this certificate was upgraded to the 2000 Version, ISO 9001:2000. This accreditation from Fundação Vanzolini attests to the management quality of Bradesco savings bonds and confirms the principles on which their creation was based: good products, good services and continuous growth. .

Income from Plans Market Share (%)

Technical Reserves Market Share (%)

Growth in Technical Reserves

With its fast-growing volume of technical reserves, Bradesco Capitalização surpassed the mark of R\$ 1.5 billion. At present, the company has a 21.6% market share of the total volume of technical reserves and in 2002 presented a growth rate of 19.4% as compared to 2001. This result conveys confidence and highlights the company's capacity to honor the commitments assumed with its customers.

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Growth in Assets Guaranteeing Technical Reserves

Number of Customers (Thousand)

Outstanding Savings Bonds (Thousand)

Based on its fidelity building policy, focused on customer service quality and the ongoing supply of differentiated products, Bradesco Capitalização achieved important results in the portfolio of outstanding savings bonds and its customer base volume. As a result of this strategy, the number of customers increased by 37.2% in 2002 as compared to the prior year, exceeding the mark of 2.5 million customers. The outstanding savings bond portfolio also presented a significant growth rate of some 151.5%, over the prior year, attaining a total of 12.7 million outstanding bonds.

To achieve these results, Bradesco Capitalização S.A. strategically centered its efforts on the increased use of its customer convenience channels such as ShopInvest Bradesco (Internet) and Telebanco Bradesco (Call Center), on the development of new distribution channels and its partnerships with companies from diverse sectors of the economy which were responsible in great part for the performance obtained.

Awards

Bradesco Capitalização S.A. of the Bradesco Insurance Group, was the winner of the V Prêmio Cobertura - Performance 2002 in the Best Performance category Economic-Financial - Premium Bonds, organized by Cobertura Magazine. This award was based on a number of corporate indices in 2001 and the first half of 2002, such as: Profitability, Net Income, Stockholders' Equity and Net Revenue.

Risk Ratings - Insurance and Savings Bonds

Ranking

Awards

Important awards, distinctions and economic reports highlighted Bradesco's excellence and business leadership and its brand strength.

For the fourth year running, Bradesco leads the ranking of the 100 largest private sector groups in Brazil published in Exame magazine's Guia Melhores e

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Maiores, one of the country's most complete business yearbooks. In the same issue, Bradesco is also named as Brazil's largest public and private sector bank in terms of equity.

The Organization was rated Brazil's largest private conglomerate by the yearbook of Grandes Grupos (Major Groups) published by daily newspaper Valor Econômico. Bradesco also appears as leader in the financial area category.

Bradesco received the prize awarded by Exame magazine's Guia de Fundos for Best Investment Fund Manager in Brazil and was also rated as Best Retail Fund Manager. This Fund Guide is the country's most important and traditional publication of its kind.

For the fourth time and third in a row, Bradesco is included among the best companies to work for in Brazil, according to the survey conducted by the Exame and Você S.A. magazines in partnership with the international consulting firm Great Place to Work Institute.

Banco Bradesco was the winner of the 2002 Edition of the Mauá Prize which is awarded to the listed company with the best shareholder and market relationship in 2001. This is the third time that Bradesco has won this award given by the National Confederation of Stock Markets (CNBV).

The Bradesco Organization was elected overall winner in the Grand Prix category of the 2002 Social Value Award, by both the popular and expert juries. Sponsored by the newspaper Valor Econômico, with support from the Ethos and Akatu Institutes, this award is designed to distinguish companies whose commitment with society is based on excellence and best management criteria. For the second time running, the Bradesco Foundation also won the Bem Eficiente 2002 award from Kanitz & Associados, one of Brazil's most respected third-sector consulting firms.

The US magazine Global Finance elected the Bradesco website as the best financial portal for consumers on the Internet. It was also rated the best Internet Bank in Brazil and Latin America.

In addition, Bradesco Internet Banking was voted best in Brazil by Business Standard magazine, which highlighted the quality of its online customer service, among other attributes, revealed in the results of a survey prepared by the Research Institute of Fundação Getúlio Vargas - SP.

A poll carried out by Datafolha for the Top of Mind awards elected Bradesco as the most remembered private bank and Bradesco Seguros as the most remembered company in the insurance area.

Elected by Gazeta Mercantil readers as the country's most influential company, Bradesco was awarded the Imagem Empresarial Nacional prize for the second consecutive year.

Bradesco also received the Anamaco 2002 Award, rated by the National Association of the Construction Material Retailers as Brazil's Best Financial Institution.

### Sociocultural Events

The Bradesco Organization is a benchmark in the conduction of corporate actions focused on social responsibility, orchestrating important sociocultural projects and events which help to promote citizenship values.

As well as the intense work carried out by the Bradesco Foundation, ranking Bradesco as Brazil's largest private investor in basic education, the Organization also takes part in a number of other activities which contribute to the convergence of culture, information and education.

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Bradesco traditionally supports socially significant projects throughout Brazil without distinction of geographic or thematic criteria. In line with this approach, in 2002, Bradesco was present at more than 600 regional, sector and professional venues, including trade fairs, seminars, congresses and community events.

Along these lines, Bradesco was one of the sponsors of the Parintins Folklore Festival which attracted more than 100 thousand visitors to Amazonia over three days of festivities. It was also present at the Summer Festival in Salvador, Bahia, an enormously successful event which gathered crowds of more than 50 thousand and as a sponsor of the Expresso 2222 Trio Elétrico road show at the Bahia State Carnival, undoubtedly one of the most important expressions of the country's traditional festive spirit.

The Organization was present again this year at the 'Festa da Uva', a traditional grape festival organized by the descendants of Italian immigrants in Caxias do Sul, Rio Grande do Sul, which receives more tourists from all over the country every year, attracted by the cultural traditions which unite Brazilians and Italians.

Bradesco plays an important part in preserving historical buildings, such as the restoration of the Sé Cathedral in São Paulo, the repair work carried out on the Roman Catholic Basilica at Aparecida. São Paulo State and the Carlos Costa Pinto Museum in Salvador, Bahia. Bradesco also took part in a number of educational and cultural actions designed to disseminate, conserve, restore, document and exhibit works at the Pinacoteca do Estado, São Paulo's oldest museum. A similar partnership was also formed with the São Paulo Museum of Modern Art (MAM-SP) for a number of important exhibitions.

Bradesco also took part in citizenship value projects such as that promoted by the City Hall Education Department of Conceição do Mato Dentro, via the Educar Project which offers extra teaching to children and youngsters from low-income families. For the fifth consecutive year, Bradesco was a sponsor of the Teleton Charity Effort organized by the AACD (Association for Assisting Disabled Children), a TV marathon which is designed to collect funds for expanding and improving assistance given to the disabled.

Special mention should also be given to the theater production of Rá-Tim-Bum Castle (Castelo Rá-Tim-Bum) based on the popular TV show, specially created for children from between the ages of 4 and 12 and the support given to ballet through the sponsorship of the Brazil 2002 tour of the Paris Opera Ballet, the world's oldest dance company.

The integration of young people with sport is another area which has received intense social action from the Organization, reflected in the work carried out by BCN, through the "BCN Esportes" (BCN Sports) project. The project has been investing, stimulating and promoting the practice of sports in Brazil without interruption for 15 years. The project benefits 3.4 thousand girls and young women at 44 sports training centers nationwide.

Bradesco also participates, through the Bradesco Foundation, in the nationwide adult literacy program Alfabetização Solidária, which has given more than 68 thousand low-income students the chance to learn how to read and write. The "Canal Futura" (Future Channel), which broadcasts educational TV programs throughout Brazil, also receives important support from the Bradesco Foundation. Through its partnership with Fundação Padre Anchieta, the Institution took part in the co-production of the Ilha Rá-Tim-Bum TV series shown by TV Cultura in São Paulo and other educational TVs nationwide.

The Bradesco Insurance Group sponsored the traditional Rio de Janeiro Christmas Project, the principal symbol of which is the enormous artificial Christmas Tree

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built on the margins of the city's lake, Lagoa Rodrigo de Freitas. Now in its seventh year, the event included shows by the Petrobras Pró-Música Orchestra, Municipal Theater Choir, pop stars Roberto Frejat and Daniela Mercury and the cast of Rá-Tim-Bum Castle.

Summary of the Financial Statements - At December 31

Historical Data - In millions of reais (unless otherwise indicated)

(\*) 2002 - Paid and accrued

Corporate Organization Chart

Major Stockholders

Main Subsidiaries and Associated Companies

Bradesco Foundation - The Bradesco Organization's Social Arm

Background

The Bradesco Foundation (Fundação Bradesco), a non-profit entity headquartered in Cidade de Deus, Osasco (SP), was founded in 1956 and declared to be of 'Public Utility' by Decree 86238 on July 30, 1981.

Convinced that education lies at the basis of equal opportunity and self-fulfillment on both a personal and collective basis, the Foundation maintains 38 schools to date, installed primarily in regions which are both socially and economically deprived, in 25 of Brazil's 26 states and in the Federal District.

Objectives and Goals

A pioneer in privately funded social investment, the Bradesco Foundation's chief mission is to provide formal and quality education for children, teenagers and adults prompting self-fulfillment through their careers and their effective participation as community dwellers.

Extending the range of these activities year by year, Bradesco has increased the number of students attending its Foundation schools from 13,080 to 103,000 over the last 22 years. The Foundation offers free schooling at infant, junior and middle school levels, as well as basic professional and technical education in areas which include IT, electronics, management, farming and husbandry. Youth and Adult education is also available through distance learning courses.

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### Significant Events

The Bradesco Foundation's 39th school in the city of Boa Vista, Roraima is now at the implementation stage and with its modern facilities has the capacity to receive more than 1,200 students.

The Public TV Network launched the new Rá-Tim-Bum series, "Ilha Rá-Tim-Bum" (Rá-Tim-Bum Island) on July 1, 2002. The result of a co-production between Bradesco Foundation and Fundação Padre Anchieta - TV Cultura, the program is already competing at international award ceremonies and is extremely popular among infant and juvenile viewers thanks to its distinguishing mark: the commitment to offer alternative quality entertainment.

### Recognition

In 2002, the Bradesco Foundation received special mention and recognition from a number of Institutions and Government Bodies throughout Brazil, resulting in more than 28 awards for its institutional actions and the projects developed by its students and teachers. Among these, we highlight the following:

Bem Eficiente Award: Kanitz & Associados

Geração Capaz Award : CIEE - Centro de Integração Empresa Escola

I-Best Award in the "Social Action" category

E-Learning Brasil Award: ABRH - Brazilian Association of Human Resources

Marketing Best de Responsabilidade Social Award: FGV- Fundação Getúlio Vargas - SP

Excelência Xplor Brazil Award: Brazilian Association of Document System Users

45th Concurso Cientistas de Amanhã Award: SBPC- Brazilian Society for the Progress of Science; IBECC - Brazilian Institute of Education, Science and Culture and Unesco

Prêmio de Incentivo à Prevenção das DST, Aids e ao Uso Indevido de Drogas (Incentives for the Prevention of STD, AIDS and Drug Abuse): Unesco; UNCP and UNAIDS

2nd Prêmio Denatran de Educação (II Denatran Education Award): Ministry of Justice; National Department of Traffic.

### School Locations

The majority of the Foundation's educational units are located on the outskirts of major cities or in rural areas where there is a significant lack of educational and welfare assistance. Thousands of students in all four corners of Brazil are given the opportunity to study at the Foundation schools.

The Bradesco Foundation - An Education Project the Size of Brazil.

### Financing

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The Bradesco Foundation activities are funded exclusively by resources from its own income and donations made by the Bradesco Organization Companies.

Courses - Number of Students per Level of Schooling - 2002

Student Profile

Increase in Student Numbers

Independent auditors' report on supplementary information

To  
The Administrative Council and Stockholders  
Banco Bradesco S.A.  
Osasco - SP

We have examined, in accordance with auditing standards generally accepted in Brazil, the financial statements of Banco Bradesco S.A. and the consolidated financial statements of Banco Bradesco S.A. and its subsidiaries as of and for the years then ended December 31, 2002 and 2001 which were prepared in accordance with accounting practices adopted in Brazil and have issued an unqualified opinion dated January 30, 2003.

Our examinations were made for the purpose of forming an opinion on the basic financial statements of Banco Bradesco S.A., and on the consolidated financial statements of Banco Bradesco S.A. and its subsidiaries taken as a whole. The supplementary account information included in the Report on Economic and Financial Analysis is prepared for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements.

The supplementary account information related to the subsidiaries described in Note 2 (item 1) related to periods before March 31, 2002, as well all supplementary account information related to the periods before March 31, 2001, were reviewed / examined by other independent auditors who issued their reports, without exception.

In our opinion, based in our examinations and on the reports of the other independent auditors, the aforementioned financial statements are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

As mentioned in Note 10 to the financial statements, the Bank adopted, in the first semester of 2002, the new criteria for recording and evaluation of the securities and derivative financial instruments, determined by the Central Bank of Brazil.

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The Report on Economic and Financial Analysis and this report are intended solely for the information of the Administrative Council and stockholders, and others who have received the financial statements referred to in the first paragraph, for use in analyzing those financial statements and should not to be used for any other purpose.

January 30, 2003

KPMG Auditores Independentes  
CRC 2SP014428/O-6

José Marcelo Bessan  
Accountant CRC 1SP129705/O-0

Claudio Rogélio Sertório  
Accountant CRC1SP212059/O-0

4 - Consolidated Balance Sheets and Statements of Income - 1998 to 2002

Consolidated Balance Sheets - In thousands of reais

Consolidated Balance Sheets - In thousands of reais

Consolidated Statements of Income - In thousands of reais

Consolidated Statements of Income - In thousands of reais

Banco Bradesco S.A.

Message to Our Stockholders

To Our Stockholders,

Banco Bradesco S.A. is close to completing its 60th anniversary, at a very significant time in Brazilian history: the conclusion of the general election process which took place in October under entirely normal conditions and which brought a left-wing opposition party into power at a number of levels, including the presidency, confirming that Brazil is a legitimate democracy.

At the Bradesco Organization, 2002 can be classified as another in the long sequence of years in which expectations were adequately fulfilled both in terms of growth and results. And, in this environment, the Bank played a dual role, as an economic entity contributing towards Brazil's growth and as a socially aware institution with a marked presence in combating the lack of quality education in various underprivileged regions of Brazil. Both these objectives have proved to be complementary and harmonious.

As a major retail bank, Bradesco's action strategy is geared to achieving well-defined goals which include among others: securing leadership positions in its segment; providing banking services to the largest number of individuals and companies possible, including those located in Brazil's most deprived regions; playing a decisive role in economic development, leveraging activities such as



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agriculture, industry, services, exports, savings and others - all of which have a recognizable influence on the formation of the nation's wealth; and acting as a pioneer in the utilization and dissemination of cutting-edge technology, in direct and permanent contact with latest-generation instruments of progress.

In line with these guidelines, we highlight the initiatives which marked 2002 as yet another year of intense realization at Bradesco, such as the acquisition of the share control of Banco Mercantil de São Paulo and its subsidiaries; of Banco do Estado do Amazonas, now called Banco BEA S.A.; of Banco Cidade S.A., by Banco BCN S.A.; the formation a strategic partnership with Ford; acquisition of Deutsche Bank Investimentos DTVM Ltda. and its fund administration and management portfolio; increase in Bradesco's percentage ownership of Banco Espírito Santo, S.A., Portugal's second largest private bank; formation of the consortium purchase system company, Bradesco Consórcios Ltda.; and the start-up of the activities of Banco Finasa and Finasa Promotora de Vendas Ltda. Special emphasis should also be given to the opening on March 25, of Banco Postal's first post-office bank branch. At December 31, 2002, 2,500 of these post-office bank branches were in operation out of a forecast total of 5,320 to be integrated with Bradesco's Customer Service Network.

2003 dawns bringing new and important business for our Organization: the signing, on January 10, of the commitment to transfer the share control of BBV Banco - Banco Bilbao Vizcaya Argentaria Brasil S. A., including its subsidiaries to Bradesco and on January 27, the acquisition of the Third-party Asset Management Activities of Banco J.P. Morgan S.A. in Brazil. Also, in the first few days of January, Bradesco returned to the international market reassuming, with the issue of "Eurobonds" in the volume of US\$ 250 million, the country's funding flow and establishing new parameters which prioritize longer terms and lower cost in relation to those formerly practiced.

In the financial statements at December 31, 2002, we highlight a total of R\$ 142.773 billion in assets and net income of R\$ 2.023 billion for the year, of which our stockholders received R\$ 946.983 million in interest attributed to own capital, ie, 49.28% of adjusted net income. In forming this income, special emphasis should be given to the important role played by the insurance, private pension plan and savings bond areas (Bradesco Insurance Group).

The Bradesco Organization's social activities, made feasible through its sound performance in the economic field, is carried out by the Bradesco Foundation, which is dedicated to the quantitative and qualitative improvement of education. At present, the Foundation has 38 schools installed as a priority in Brazil's most needy areas, attending free-of-charge more than 103 thousand students per year.

The Bradesco Organization's planning activities have solid bases, such as the scale already achieved, its enormous diversification of products and services, its robust equity and financial position, one of Brazil's largest customer service networks, an important presence abroad, the use of best corporate governance practice and an internal structure capable in terms of experience and operating efficiency of meeting the demands of sustainable growth.

Finally, we stress the importance of our stockholders trust, the preference of our vast clientele and the zeal, efforts and dedication of our employees and stakeholders to whom we express our sincere gratitude.

Cidade de Deus, January 30, 2003

Lázaro de Mello Brandão  
Chairman of the Board of Directors

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### Director's Report

We are pleased to present the financial statements for the year ended December 31, 2002 of Banco Bradesco S.A., as well as the consolidated financial statements, prepared in accordance with the requirements of Brazilian corporate legislation.

In 2002, the Brazilian economy was marked by a significant exchange rate devaluation. Caused for the most part by risk perception in relation to Brazil, the depreciation of the real had an unfavorable influence on inflation and the level of economic activity. On the other hand, this situation stimulated an ongoing improvement in the country's foreign accounts and produced an important trade balance surplus. Aligned with an economic policy geared to controlling inflation, this decreased dependence on foreign financing will tend to facilitate the sustainable growth of Brazil's economy in the coming years.

At the Bradesco Organization, 2002 was marked by a succession of important events, among which we highlight the following:

- o Acquisition of the share control of Banco Mercantil de São Paulo S.A. and its subsidiaries, including Finasa Seguradora S.A., Finasa S.A. Crédito, Financiamento e Investimento and Banco Mercantil de São Paulo International S.A.
- o Acquisition, at a privatization auction, of the share control of Banco do Estado do Amazonas S.A., now named Banco BEA S.A., with 36 Branches, 49 Banking Service Posts and 131 thousand customers. Its customer service network was integrated with the Bradesco network on June 10.
- o Acquisition by Banco BCN S.A. of the share control of Banco Cidade S.A., headquartered in São Paulo (SP) with 24 Branches in Brazil, 53 Banking Service Posts, Assets of some R\$ 2.085 billion, Stockholders' equity of R\$ 242 million and more than 49 thousand customers. The institution was incorporated by BCN on June 24.
- o Strategic partnership entered into with Ford: Banco BCN S.A. acquired the total capital stock of Ford Leasing S.A. - Arrendamento Mercantil; Continental Banco S.A. acquired the credits and other rights of the direct consumer credit (CDC) loan portfolio of Banco Ford S.A., as well as the financing of new business; and Continental Promotora de Vendas Ltda. entered into an operating agreement to serve Ford Dealership Network customers.
- o Acquisition of Deutsche Bank Investimentos DTVM S.A. and its Investment Fund Administration and Management Portfolio, with assets of R\$ 2.16 billion, now under BRAM - Bradesco Asset Management Ltda. administration.
- o Increase of percentage ownership in Banco Espírito Santo, S.A. to 3%, Portugal's second largest private-sector bank, headquartered in Lisbon, Portugal.
- o First Banco Postal post office banking branch opened on March 25, in São Francisco de Paula, Minas Gerais. At December 31, 2002, 2,500 branches were in operation, out of a total of 5,320 units to be installed throughout the ECT Post Office Network (Correios) used by Bradesco as local correspondent banks.
- o Constitution of Bradesco Consórcios Ltda., created to sell consortium group plans for the acquisition of light and heavy vehicles and real estate.
- o Acquisition by Banco Finasa S. A. of some R\$ 1.1 billion in Consumer

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Financing operations - CDC of Banco Mercantil de São Paulo S.A., which, following the aggregation of the Financing and Leasing Portfolios of the former Continental Banco S.A., is now leader of its market segment. Banco Finasa S. A. operates through the intermediation of Finasa Promotora de Vendas Ltda. These companies were formerly Continental Banco S.A. and Continental Promotora de Vendas Ltda., prior to changing their names on August 19. The tradition of the Finasa Brand is now aligned with the strength and security of Bradesco.

- o On January 10, 2003, the signing of a commitment to transfer the share control of Banco Bilbao Vizcaya Argentaria Brasil S.A. and subsidiaries to Bradesco. BBV Banco, with its Network of 438 local Branches, 1 foreign Branch and 76 Banking Service Posts, had assets of R\$ 16.787 billion, stockholders' equity of R\$ 2.293 billion and 1.3 million customers at September 30, 2002. Subject to the approval of the corresponding authorities and the results of the due diligence to be carried out, this operation confirms Bradesco's objectives to strengthen its market presence and actions, increasing efficiency and returns to scale and aggregating stockholder value.
- o On January 27, 2003, the signing with Banco J.P. Morgan S.A., of an "Agreement for the Transfer of Rights and Obligations and Other Accords" regarding the acquisition of the activities of Administration and Management of the Securities and Investment Fund Portfolios managed by JPMorgan Fleming Asset Management. The operation which should be concluded in a period of 60 days involves the transfer of approximately R\$ 7 billion in third-party funds to Bradesco, which will be managed by BRAM - Bradesco Asset Management Ltda., which will endeavor to maintain the excellent management standards and enhance even further the services provided to JP Morgan's current investors.

### 1. Results for the Year

In terms of stockholder returns and contributions to the public coffers, the results reported for 2002 are significant:

- R\$ 2.023 billion of net income, or R\$ 1.42 per thousand shares and returns on stockholders' equity and total assets of 18.65% and 1.42%, respectively.
- R\$ 2.354 billion in taxes and contributions, including social security contributions, payable or accrued, on the main activities carried out during the year.
- R\$ 946.983 million was distributed to 2,334,730 stockholders as interest attributed to own capital, corresponding to 49.28% (41.89% net of withholding tax) of adjusted net income. This represents R\$ 0.6940230 (R\$ 0.5899196 net of withholding tax), including the additional 10%, per thousand preferred shares and R\$ 0.6309300 (R\$ 0.5362905 net of withholding tax), per thousand common shares.

### 2. Operating Efficiency - IEO

This ratio is the result of a comparison between administrative expenses (including personnel) and operating results (result of adjusted financial intermediation), IEO reflects, on a descending scale, the success of Bradesco's simultaneous efforts to increase net revenues and decrease costs.

The ABC (Activity-Based Costing) methodology practiced by the Bradesco Organization permits, among others, the improvement of the criteria used to form and negotiate bank charges, the supply of costing information to GDAD

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(Performance Management and Decision-making Support) and for customer profitability determination purposes, as well as serving as a database for ongoing rationalization analyses.

More recently, following the adoption of ABM methodology (Activity-Based Management), the Bank is rapidly evolving towards cost prevention practices, with a pro-active approach as regards the identification of opportunities. Accordingly, at the same time as its processes are improved, operating performance is seamlessly integrated with strategic objectives, in the pursuit to create and/or sustain competitive advantages and to add value for both customers and stockholders.

This management model provides ongoing support for planning and controlling the Bank's business processes, promoting the permanent improvement of operating and tactical issues and providing a firm basis for their strategic gearing.

54.60% is the efficiency ratio at December 31, 2002, as compared to 54.34% in 2001 and 60.51% in 2000.

### 3. Capital and Reserves

R\$ 5.200 billion of total paid-up capital at the end of the year. At the Extraordinary General Meeting held on January 10, 2003, approval was given for a capital increase of more than R\$ 501 million, through the subscription of new shares in the proportion of 4.678263291% of the shares held by the stockholders on that date, with exercise rights during the period from January 20 to February 19, 2003.

R\$ 5.646 billion in reserves.

R\$ 10.846 billion of stockholders' equity, an increase of 11.03% in 2002, equivalent to 10.41% of assets which totaled R\$ 104.225 billion. Managed stockholders' equity is equivalent to 7.79% of consolidated assets which totaled R\$ 142.773 billion and net equity per thousand shares was equivalent to R\$ 7.60.

The capital adequacy ratios were 17.89% on a consolidated financial basis and 15.79% on a consolidated economic and financial basis, accordingly, above the 11% required minimum established by National Monetary Council Resolution 2.099 of August 17, 1994, in conformity with the Basel Accord. As regards consolidated reference equity, the ratio of permanent assets to stockholders' equity, determined in compliance with Brazilian Central Bank requirements, was 37.20% on a total consolidated basis and 48.30% on a consolidated financial basis, well within the maximum 50% limit.

The subordinated debt of the Bradesco Organization at the end of the year was R\$ 3.322 billion (foreign - R\$ 1.004 billion and local - R\$ 2.318 billion), included in stockholders' equity for determination purposes of the ratios described in the preceding paragraph.

In compliance with the provisions of Article 8 of Brazilian Central Bank Circular 3068, of November 8, 2001, Bradesco declares that it has both the financial capacity and the intention to hold to maturity the securities classified in the securities held to maturity category.

### 4. Bradesco Shares - Trading

Bradesco Shares maintained their strong presence, with a high-level of liquidity in all trading sessions of the São Paulo Stock Exchange - BOVESPA, with a 4.35% share of the Index. Stock is also traded in the Madrid Stock Exchange in Spain, as part of the Latibex Index and through ADR-American Depositary Receipt - Level

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2, in the New York Stock Exchange.

R\$ 6.401 billion traded in Bradesco Stocks during the year in BOVESPA, comprising 38.359 billion common shares and 567.406 billion preferred shares.

R\$ 2.960 billion traded as ADR, in the US market, guaranteed by 276.170 billion of the Bank's preferred shares.

### 5. Operating Performance

#### 5.1. Funding and Portfolio Administration

The Bradesco Organization has traditionally nurtured ties with all economic activity, operating throughout Brazil and in a diverse range of business segments, promoting the country's growth. This philosophy provides a permanent stimulus to funding and portfolio administration activities. All told, more than 13 million checking accounts are managed by the Bank, which has an 18.46% share of the Brazilian Savings and Loan System - SBPE.

Overall funding obtained by the Bradesco Organization totaled R\$ 189.441 billion, a 22.44 % increase over the prior year.

R\$ 72.376 billion in demand, time and interbank deposits, open market and savings accounts;

R\$ 64.269 billion in managed assets, comprising investment funds and customer portfolios;

R\$ 29.986 billion in foreign exchange portfolio, borrowings and onlendings, working capital funds, collections and tax and utility collections and similar, as well as funds from issuance of securities and local subordinated debt;

R\$19.155 billion recorded in technical reserves for insurance, savings bonds and private pension plans, a growth rate of 38.27% compared to the prior year;

R\$ 3.655 billion in foreign resources through public and private issues and subordinated debt, corresponding to a total of US\$ 1.034 billion.

#### 5.2. Credit Operations

Sensitive to the market's credit demands, Bradesco seeks to strengthen its leadership position among the Brazilian economy's private financiers.

In all segments, the Bank's principal objective is to promote economic activity as a means of positively contributing towards the country's development.

R\$ 50.801 billion at the end of the year in credit operations including advances on foreign exchange contracts and leasing operations, a growth rate of 14.30% for the year.

R\$ 3.665 billion comprised the consolidated balance of the allowance for loan loss, corresponding to 7.21% of the total volume of credit operations.

#### 5.3. Housing Loans

In the housing loan area, the Organization maintained its outstanding position, facilitating business and responding to the demands of end borrowers and the

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civil construction industry.

R\$ 591.417 million of funds provided to this area for the construction and purchase of 9,791 residential properties.

### 5.4. Onlending Operations

One of the Bank's main objectives is to encourage corporate competitiveness and to support the modernization of the production sector. Accordingly, the Bank also operates in the onlending of local and foreign funds. During the year, the Bradesco Organization released R\$ 5.698 billion for this area, providing substantial alternative resources for companies that seek to invest in production. In relation to the onlending of funds from the Brazilian Bank for Economic and Social Development (BNDES), the financial volume of operations totaled R\$ 3.050 billion, facilitating strategic projects in different economic segments with special emphasis given to the farming and livestock raising sector, through the equipment modernization program MODERFROTA (Programa de Modernização da Frota de Tratores Agrícolas e Implementos Associados e Colheitadeiras) which totaled R\$ 269.621 million.

R\$ 7.848 billion in onlendings at the end of the year, mainly onlent to small and medium companies, an increase of 11.78%, and 42,927 contracts registered.

### 5.5. Agricultural Loans

The Bradesco Organization has traditionally nurtured a special relationship with Brazil's agricultural and livestock raising sector. During the year, agricultural loans were mainly allocated to the production, processing and distribution of crops.

Emphasis should also be given to its important support for production and quality improvements and its positive impact on this strategic export sector and in turn on economic growth.

R\$ 3.954 billion of total investments in rural loans at the year-end, comprising 36,493 transactions.

### 5.6. Bradesco Corporate Banking

With platforms in Brazil's core cities, Bradesco Corporate Banking is responsible for the customer relationship management of 1,159 major national and international economic groups, with annual billings in excess of R\$ 180 million. Operating nationwide, structuring tailor-made solutions based on the specific demands of each economic sector and anticipating market trends, creating business opportunities for the Organization's diverse segments.

R\$ 42.618 billion of total funds managed by this area.

### 5.7. Bradesco Private Banking

Designed to attend high-income consumer customers with funds available for investment in excess of R\$ 1 million, the Bank offers a complete range of quality products and services providing maximum efficiency in asset management. The service offers personalized financial advice designed to enhance customer wealth and maximize returns.

### 5.8. Bradesco Companies

Determined to expand its middle market activities, the Bank launched Bradesco Empresas (Bradesco Companies) designed to coordinate its relationship with corporate customers whose annual billings range from R\$ 15 million to R\$ 180

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million. In sync with the Organization's other sectors, this area is responsible for developing product packages which are compatible with each customer's potential.

### 5.9. Capital Market

Over the years, Bradesco has dedicated special attention to companies in general, supporting their investment plans and business expansion, through operations which facilitate capitalization, sustained growth and the consequent strengthening of the capital market. During the year, Bradesco acted as intermediary in the public placement of shares, debentures and promissory notes, with a volume corresponding to 59.07% of all issues registered with the Brazilian Securities Commission (CVM) and also played an important role in the structured operations area.

R\$ 14.588 billion posted for 19 transactions of shares, debentures and promissory notes coordinated by Bradesco in 2002.

12 structured operations were concluded under coordination by Bradesco in 2002, including merger and acquisition operations, project finance and acting as a consultant in the financial restructuring of companies.

### 6. International Area

Designed to support both national and international customers, at different business stages, the Bradesco Organization offers full advisory services and a diversified range of products and services. Among the innumerable advantages offered, we highlight the area's efficient service structure, its seamless integration and vast market knowledge.

Acting in all global markets, the area comprises 18 specialized departments in Brazil, branches in New York, Grand Cayman and Nassau in the Bahamas, as well as subsidiaries in Buenos Aires, Nassau and Luxembourg and an extensive international correspondent network.

The volume of consolidated transactions evidences Bradesco's determination to contribute towards the success of the international markets and in turn provide incentives for the competitive integration of the Brazilian economy.

R\$ 5.455 billion in advances on foreign exchange contracts at the year-end, for a portfolio of US\$ 2.365 billion in export financing.

US\$ 393.844 million of import financing in foreign currency.

US\$ 12.474 billion in purchases of forward export contracts, 28.62% more than in 2001.

US\$ 955.610 million in medium and long-term, public and private, placements in the international market.

### 7. Organizational Structure

#### 7.1. Bradesco Customer Service Network

Structured to offer users ease and convenience, the Bradesco Organization's Customer Service Network is present nationwide, playing an important role in bringing banking services to all income brackets.

As well as the practical aspects and comfort offered, the Bradesco Branches provide modern Self-service Lobbies which operate over extended business hours

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and are equipped with a number of different machines designed to save time and facilitate customer transactions. The Bradesco Day and Night ATM units also offer services to customers at weekends and on bank holidays.

Bradesco Internet Banking, in permanent expansion, is accessed by more than 4.724 million users, directly from their offices, homes or anywhere they happen to be in the world. Launched in 1996, the service currently provides access to more than 210 types of transaction, with a total volume of 263.964 million transactions per year.

Fone Fácil Bradesco (Bradesco Easy Phone Service) continues to increase its capacity, enhancing the Bank's product placement strategy. In 2002, 5.960 million items were sold, a growth rate of 135.26% over the prior year, with more than 229.008 million calls received.

Aware of the importance of web-based communications, the Bank is investing in the extension of ShopInvest Bradesco, a home-broker service which permits online stock exchange investments, with real time prices and offers, among other functions, the simulation of investments and redemptions, the acquisition of savings bond certificates, private pension plans and all the information investors need to follow the financial markets.

At ShopCredit, Bradesco's Financing and Loan website, visitors can consult a complete portfolio of credit lines offered by the Bank. The products are grouped together for purchase by consumer or corporate customers with full details on each option and a simulator can be used to calculate amounts and terms in the Personal Credit, Consumer Financing (CDC), Leasing, Housing loans and Finame lines.

Bradesco Net Empresa, stands out for its online banking services provided to corporate customers, who have now gained a new ally for optimizing the financial management of their businesses. Through this website, companies can operate their checking and savings accounts, make payments and collections and perform a number of other transactions. There are currently more than 56 thousand companies registered.

In 2002, the investments for expanding functional capacity, IT and telecommunications' infrastructure, totaled R\$ 1.560 billion. At the same time, through the program implemented to dispose of non-operating assets, mainly through public auctions and also for investors, the Bank raised approximately R\$ 741.461 million, generating both administrative gains and maintenance cost savings.

2,954	Branches in Brazil (Bradesco - 2,507, Banco BCN - 227, Banco Mercantil - 219 and Banco Finasa - 1);
6	Branches abroad, 1 in New York (Bradesco), 4 in Grand Cayman (Bradesco, BCN, Mercantil and Banco Boavista) and 1 in Nassau, Bahamas (Boavista);
7	Subsidiaries abroad, Banco Bradesco Argentina S.A. in Buenos Aires, Banco Bradesco Luxembourg S.A. and Banco Mercantil de São Paulo International S.A. both in Luxembourg, Boavista Banking Ltd. in Nassau, Cidade Capital Markets Ltd. in Grand Cayman, Bradesco Services Co., Ltd. in Tokyo and Bradesco Securities, Inc. in New York;
2,500	Banco Postal branches;
1,849	Banking service posts and outlets in companies (Bradesco - 1,469, BCN - 179 and Mercantil - 201);



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1,662	Outplaced terminals in the BDN - Bradesco Day and Night Network;
51	Branches of Finasa Promotora de Vendas, present in 13,324 vehicle dealerships and in 1,306 stores selling furniture, home decor, telephony and IT related equipment.
21,210	Self-service Bradesco Day and Night ATM Network units, of which 10,406 operate at weekends and on bank holidays;
22,617	MIPS (millions of instructions per second) comprise the installed capacity of the Bradesco Organization's Data Processing System;
9.292	million customers and users served on average per day, 2.190 million by our cashiers and 7.102 million (76.43%) through our convenience channels, particularly BDN, Internet and Fone Fácil.

### 7.2. "Alô Bradesco" (Hello Bradesco)

Of indisputable value, the "Alô Bradesco" service allows Bradesco to anticipate the market's increasing demands. The constructive dialogue with customers facilitates the ongoing improvement of the Organization's products and services. Created in 1985, prior to the introduction of the Brazilian Consumer Defense Code, "Alô Bradesco" continues its mission to detect trends and receive suggestions and complaints, gaining strength daily as an open and direct channel with the public.

283,315 calls received from customers in 2002.

## 8. Products and Services

### 8.1. Bradesco Cards

Synonymous with a pioneer approach, efficiency and modern technology, Bradesco cards has intensified its participation in the segment for more than three decades to a share of 14.78%, an increase of 29.79% over the prior year. Traditionally associated with the Visa Banner, Bradesco also offers cards under the MasterCard banner, providing users with the largest and most complete range of facilities and benefits of their kind for paying for goods and services in Brazil.

Bradesco is Brazil's largest issuer of chip-embedded smart cards. This product represents its ongoing efforts to offer customers the best available market products. Designed based on cutting-edge technology, these cards provide multiple facilities as well as ensuring greater security for users.

In partnership with the Brazilian Bank for Economic and Social Development - BNDES, Bradesco launched its BNDES Visa Distribution Card, a pioneer product used as the exclusive means of payment for goods produced in Brazil purchased via an internet portal through suppliers associated with Visanet.

Emphasis should also be given, as a result of its importance, to the new partnership entered into with Visa do Brasil in the formation of Visa Vale, a company focused on the benefits voucher sector, which will substitute the traditional meal and food vouchers for smart cards as part of a project to be implemented in the first half of 2003.

The Bradesco Visa Vale Pedágio Card (highway toll smart card), an intelligent alternative to the Highway Toll Voucher for compulsory use in the transport of freight, is yet another pioneer product which demonstrates the scope of the electronic payments business and the Bank's successful efforts to keep abreast of new market niches and opportunities.

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The Bradesco, BCN and Mercantil Finasa Credit Cards are also accepted in the International Visa and Mastercard Networks, comprising more than 19 million commercial establishments and services worldwide in 249 countries.

R\$ 12.280 billion comprised total annual billings for the Bradesco Organization Cards of which R\$ 8.263 billion comprised Credit Cards and R\$ 4.017 billion comprised Bradesco Visa Electron Debit Cards.

6.076 million Bradesco Credit Cards in circulation.

28.431 million Bradesco Visa Electron Debit Cards in circulation.

### 8.2. Collections

Bradesco collections combines management capacity with latest generation IT and data communication resources, comprising a sole administrative tool for the companies using this service. Designed to increase productivity gains, the Bradesco Online Collection service permits the rationalization of costs through the transmission and receipt of data on a direct computer-to-computer basis. At present, this services accounts for the processing of 97.37% of all documents recorded in the portfolio.

R\$ 585.936 billion transacted by Bradesco Collections during the year, corresponding to 655,554 million documents processed.

R\$ 217.624 billion payments through 65.190 million transactions in 2002 via Pag-For Bradesco - Computer-Registered Supplier Payment, facilitating the management of Accounts Payable for more than 35 thousand companies.

### 8.3. Tax and Utility Collections

Recognized for their high standards of efficiency and quality, the Bradesco tax and utility collections serve two flanks. On one hand, they seek to provide customer satisfaction with appropriate and innovative solutions for the settlement of taxes, duties and contributions. On the other, they effectively interact with the different Government Departments in the federal, state and municipal spheres and with public utility concessionaires. On both flanks, this service stands out as a result of the speed and security of the data transmitted and amounts paid over.

R\$ 71.166 billion collected during the year in federal, state and municipal taxes and other contributions, comprising 52.736 million documents processed.

R\$ 4.101 billion in consolidated CPMF collected, corresponding to 20.14% of the total amount of this contribution, evidencing the significant volume of financial resources moved by the Organization.

R\$ 12.230 billion received in electricity, water, gas and telephone bills, comprising 105.861 million documents processed. Of this amount, 47.245 million was paid via Automatic Debit to Current Accounts and Saving Accounts, through a system which is both convenient and practical for customers.

R\$ 13.627 billion paid to over to 3.587 million Social Security beneficiaries and pensioners, 17.70% of those registered with the INSS (National Institute of Social Security), in 47.879 million transactions via the Instant Benefits Payment Card.

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### 8.4. Stock, Custody and Controllership Services

With an appropriate infrastructure and specialized personnel, Bradesco offers its customers the following services: custody of securities, controllership, DR-Depository Receipt and BDR-Brazilian Depository Receipt, as well as bookkeeping services for stocks, debentures and investment fund quotas.

178	companies comprise the Bradesco Computer-registered Share System, with 5.672 million shareholders
29	companies with Computer-registered Debentures issued in a total adjusted amount of R\$ 10.884 billion.
322	customers use the Bradesco Custody services with total assets of R\$ 63.703 billion.
542	Investment Funds and Portfolios managed under with Controllership services and net assets of R\$ 74.727 billion.
14	Registered Investment Funds with equity of R\$ 1.275 billion.
9	Controlled DR Programs, with a market value of R\$ 13.580 billion.
2	Controlled BDR Programs, with a market value of R\$ 226 million.

### 9. Bradesco

#### 9.1. Bradesco Insurance Group

Managed by Bradesco Seguros S.A., the Bradesco Insurance Group is present nationwide. One of Latin America's largest conglomerates, the Group is extending and consolidating its differentiated and top-quality service in the insurance, private pension fund and savings bond areas, launching new products and services and enhancing those that already exist.

R\$ 750.272	million posted in net income of the Bradesco Insurance Group in 2002, with a return of 28.95% on stockholders' equity of R\$ 2.592 billion.
R\$ 19.889	billion in investments, including those used to cover the technical reserves of the insurance, private pension plan and savings bond companies.
R\$ 9.724	billion in net income from insurance premiums and private pension fund contributions.
R\$ 1.020	billion in savings bond activity billings, with prizes distributed in the total amount of R\$ 30.399 million on 2,167 winning bonds out of a year-end total of 12,736,576 bonds.
R\$ 23.839	billion in total assets in the insurance, private pension plan and savings bond areas.

#### 9.2. Banco BCN S.A.

Focused on quality customer relationships, Banco BCN S.A. offers a personalized service to its consumer and corporate customers, with the support of expert teams specialized in different markets and business sectors.

Among the companies managed by BCN is Banco Finasa S.A. which, in August 2002

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became market leader in the financing area, combining the traditional market Finasa Brand with the strength and security of its parent company, Bradesco.

R\$301.401 million in net income reported for the year and a return of 19.73% on stockholders' equity of R\$ 1.527 billion.

R\$ 24.096 billion in funds raised and managed.

R\$ 23.803 billion in total assets.

R\$ 13.260 billion of total credit operations, including leasing operations and advances on foreign exchange contracts

### 9.3. BRAM - Bradesco Asset Management Ltda.

Specialized in the management of third-party funds, and under separate administration from the Bank, BRAM attends a number of different segments, such as retail, corporate and private sector banking and institutional investors.

The funds managed by BRAM, in the first half of 2002, were increased by the Investment Funds and Portfolios acquired from Deutsche Bank Investimentos DTVM S.A., Banco Mercantil de São Paulo S.A., Banco BEA S.A. and Banco Cidade S.A.

### 9.4. Leasing Bradesco

In the leasing area, the Organization offers companies an alternative long-term financing option designed to facilitate the expansion and modernization of their businesses, without having to use their own capital, through Bradesco Leasing and BCN Leasing. We highlight their highly competitive market position specifically focused on vehicles, equipment and computers.

R\$ 1.619 billion was the balance of leasing transactions at December 31, 2002, with 9,376 transactions contracted during the year.

57,146 lease agreements in force at the year-end, evidencing the widely distributed business.

### 9.5. Bradesco S.A. Corretora de Títulos e Valores Mobiliários

With a significant role in all trading sessions at the São Paulo Stock Exchange - BOVESPA and the Mercantile and the Futures Exchange - BM&F and rated among Brazil's top-ranking brokerage firms, the Corretora also recorded a marked increase in its online stock trading activities.

Structured to facilitate the participation of small investors in the stock market, its exclusive Automatic Share Dealing System (SANA) permits the purchase and sale of stock in small lots via computer terminals available throughout the Bradesco Customer Service Network. This system can also be used for the intermediation of public offerings of shares.

In November, Bradesco Corretora entered into a partnership with Latibex, the European market for Latin American stocks at the Madrid Stock Exchange which gives Brazilian investors direct access to trading. Bradesco Corretora is the first brokerage firm in Brazil to offer this service and maintains a terminal connected to Latibex in real time so that transactions can be carried out without the need for a correspondent in Spain.

R\$ 10.333 billion traded by Bradesco Corretora at stock exchange sessions corresponding to 199,631 buy and sell orders for 48,757 investors during the year.

6.322 million contracts negotiated at BM&F, representing a financial

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volume of R\$ 685.191 billion.

10,054 registered customers in the Custody Portfolio at December 31, 2002.

### 10. Corporate Governance

The modern corporate governance practices adopted by the Bradesco Organization are chiefly designed to improve the performance of all its activity segments. The figures posted to date confirm that this goal is being met, both in terms of increased operating efficiency and in the expansion of the Institution's funding capacity at home and abroad.

As from June 2001, Bradesco shares comprise BOVESPA's Level 1 Corporate Governance index since these shares are in full compliance with index requirements. Moreover, since Bradesco's shares are traded in foreign stock exchanges, the Bank also prepares its financial statements in accordance with internationally accepted US-GAAP.

In compliance with Instruction 381 of the Brazilian Securities Commission, the Bradesco Organization declares that, in 2002, it paid KPMG Auditores Independentes and its related parties, the amount of R\$ 3.502 million, for projects which commenced in December 2001 and were concluded in September 2002, relating to specialized services for supervising the implementation of the new Brazilian Payments System, comprising some 27% of the fees for the external audit services. Bradesco, following discussion with its independent auditors, concluded that the services rendered did not affect their independence or objectivity, on account of the definition of the scope and the procedures carried out. It is Bradesco Organization policy to comply with the regulations which establish the restrictions relating to services provided by independent auditors.

#### 10.1. Compliance

At the Bradesco Organization, compliance is geared and monitored by the Board of Directors ensuring that its activities, policies and normative instructions are always in compliance with legal and regulatory standards. The Board is responsible for analyzing and approving the semiannual Compliance Reports, prepared by the Internal Controls Area. Following the Ordinary General Meeting held on March 14, 2002, at the stockholders' request, an Audit Committee was formed comprising 3 full members and 3 alternates who will hold office up to the date of the Ordinary General Meeting of 2003. In line with good corporate governance practice and on recommendation by the Brazilian Central Bank, each independent audit firm is contracted for a four-year period.

#### 10.2. Information Transparency and Dissemination Policies

In 2002, as part of its market relationship strategy, Bradesco organized 142 internal and external meetings with analysts, 18 conference calls, 6 presentations at the Brazilian Association of Capital Market Analysts - ABAMEC in Brazil's major state capitals and 15 presentations abroad. In addition to this intense activity, Bradesco publishes its half-yearly and yearly balance sheets, accompanied by the corresponding Report on Economic and Financial Analysis. Moreover, the Social Activity Report is published together with the Annual Report. All significant information is available in real time on the Bradesco website at [www.bradesco.com.br](http://www.bradesco.com.br). As a result of its information transparency policy, Bradesco received the "Maior Transparência 2001" award in the retail bank category, given by Atlantic Rating.

With a circulation of one million copies, the Bank distributes its monthly in-house news bulletin called "Cliente Sempre em Dia", as well as 130,000 copies of the Bradesco Magazine, published quarterly for distribution to its external

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public.

### 11. Risk Management

At the Bradesco Organization, the analysis and control of market risk is directly subordinated to the Board of Executive Officers and the Bank's President. The management of market risks involves a series of controls relating to the exposure of financial positions to interest, exchange and liquidity rates, based, for the most part, on technical limits and the constant monitoring of the positions assumed. Bradesco follows a conservative policy in terms of exposure to market risks and VaR (Value at Risk) limits are defined by Senior Management and compliance therewith monitored on daily basis by a completely separate area, as are also the risks directly affecting the financial economic Group's minimum capital requirement.

#### 11.1 - Operating Risk

In compliance with the new Basel Accord and Brazilian regulatory body requirements, operating risk is managed at Bradesco based on the dissemination of its culture, disclosure of its policies and the development of its own methodologies, models and tools, facilitating, among other factors, the mitigation of costs relating to regulatory capital to be subscribed. The Operating Risk Area supports the decision-making process designed to maximize processes and activities based on risk perception, generating information which permits the qualitative and quantitative assessment of operating risks, identifying the level of existing exposure. The combination of these assessments reduces the level of loss generated by the increase in the institution's operating efficiency producing, as a result, an increase in competitive advantage.

#### 11.2. Information System Security

The efficient use of information is an inseparable part of the Bradesco Organization's culture and day-to-day activities and is considered to be a key business success factor. The Corporate Information Security Policy and Guidelines cover the data base, all of the IT environments, documents, files and other tools. Restricted data and information which is of the exclusive interest of customers is treated internally with strict secrecy and fully protected by PIN and password systems. To maintain procedure compliance, independent reviews and updates are carried out periodically, as well as specific staff training programs designed to ensure maximum efficiency.

#### 11.3. Credit Policy

As well as seeking security, quality and liquidity in the investment of assets, minimizing risks inherent to this type of operation, the Organization's credit policy is also designed to offer agile and profitable business and to guide the setting of operating limits and granting of credit, based on assessment policies geared by constantly improving technical parameters.

As part of this system, the Branches operate within varying limits based on their size and type of guarantee, while the specialized credit scoring systems maximize the speed and security of the approvals process, based on strict protection standards. The credit committees located at the Bank's headquarters also play an important role, centralizing, analyzing and authorizing credit operations at amounts above the branch limits and managing this core strategic activity.

Operations are diversified, non-selective and focused on consumer and corporate customers with sound payment capacity and proven creditworthiness, ensuring that underlying guarantees are sufficient to cover the risks assumed, considering the purpose and terms of the credit granted.

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### 11.4 - Money Laundering Prevention

The ongoing enhancement of technology tools and employee training programs ensures that financial activity is efficiently monitored, preventing use of the Organization for illegal transactions.

### 12. Marketing

Bradesco's marketing focus is principally centered on adding value to the Organization's institutional image and to securing new customers and building customer loyalty, highlighting competitive factors such as the quality of its products, the efficiency of its services and the excellence of its customer service.

The institutional campaigns "Diálogos" with the saying "O importante na vida é ter com quem contar", and "Compromisso", with the slogan "O que você deseja hoje", pinpoint moral values such as trust and commitment, with emphasis on the emotions and feelings capable of uniting people, showing that Bradesco meets the diverse expectations of its customers. Another highlight in 2002 was the launching of Bradesco's Virtual Online Mouse Character, Chip. This delightful character, created by modern techniques which combine computerized animation and images, caught the public's eye by showing them how easy, simple and safe it is to use Bradesco Internet Banking for carrying out a diverse range of online banking transactions. Emphasis should also be given to other campaigns which were created using the same type of engaging language to disseminate Bradesco Vida e Previdência, Investment and Credit Card products.

561 regional, industry and/or professional events, including business fairs, seminars, congresses and cultural and community events throughout Brazil received support from Bradesco.

### 13. Recognition

Risk Ratings - In 2002, Bradesco's risk ratings were among the highest attributed to Brazilian Banks by the national and international credit rating agencies: Atlantic Rating, Austin Asis, Fitch Ratings, Moody's Investors Service, SR Rating and Standard & Poor's.

Ranking - Recognition of Bradesco's leadership was highlighted by important national and internal publications, including the following:

- o Largest Private Group in Brazil by income, for the fourth year running and Brazil's largest bank in terms of equity according to the 2002 edition of Exame magazine's Guia Melhores e Maiores;
- o Largest Private Group in Brazil and leader in the financial area among public and private sector institutions according to the yearbook of Valor Grandes Grupos (Major Groups) published by the Valor Econômico newspaper.
- o Brazil's Largest Bank by stockholders' equity and leader among private-sector financial institutions in the total assets ranking, according to Valor 1000, the yearbook published by the Valor Econômico newspaper which lists Brazil's 1000 largest companies.
- o Leader among Latin American banks by billings, according to Economática which is the first time in history that a private bank is ranked first place in the financial category for this region.
- o Best rated bank by Agência Estado/Economática in the second quarter of 2002, which highlights companies generating the best returns for shareholders, reflecting transparency and sound corporate governance

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practice.

- o Largest Bank in São Paulo, according to the special edition of the Exame SP magazine which reveals the largest businesses in the metropolitan region.
- o Largest Brazilian Bank and largest private-sector company in Brazil according to the Fortune 5 Hundred 2002 list, published by the US magazine Fortune, which lists the world's 500 largest companies.

Awards - Bradesco received 52 awards in 2002, which confirms, based on independent opinion, Bradesco's market leadership and the quality of the products and services offered, among which we highlight the following:

- o Best Brazilian Bank in 2002, according to LatinFinance, the respected Latin American finance magazine.
- o Best Retail Bank in Brazil Award from the Conjuntura Econômica magazine published by Fundação Getulio Vargas.
- o Best Investment Fund Manager in Brazil awarded by Exame magazine's Guia dos Melhores Fundos de Investimento 2002.
- o Mauá Award, given by the National Confederation of Stock Markets (CNEBV) for the third time as the listed company with the best shareholder and market relationship in 2001.
- o Global Finance 2002 Award, for Best Internet Bank in Brazil and Latin America and Best Integrated Financial Portal in the World for Retail Customers, given by the U.S. magazine Global Finance.

ISO 9001 and 9002 Accreditation: The Bradesco Organization ended the year with 51 Products and Services accredited with this quality certificate, confirming its pursuit to ensure increasingly easy and convenient services for all its customers and users.

### 14. The Bradesco Organization's Social Activities

Created in 1956, when the concept of business citizenship was still unheard of in Brazilian daily life, the Bradesco Foundation has constructed over the years an important educational project which is now the size of Brazil. As the Bradesco Organization's main instrument of social action, this program provides education mainly to children, young people and adults from Brazil's most underprivileged regions.

Altogether, the Bradesco Foundation, through its 38 schools, installed in 25 of 26 Brazilian states and in the Federal District, provided basic education, in 2002, completely free of charge to more than 103 thousand students, including pupils on its youth and adult education and basic professional training courses. To its more than 48 thousand infant, junior, middle and technical high school pupils, the Foundation also provides free meals, uniforms, school materials and medical/dental care. For the last six years, the pass rate in our Foundation Schools has remained at an average 96%, which is equivalent to the best international pass rates.

In 2003 the Foundation's 39th school will be opened in Boa Vista, Capital of the State of Roraima, with the capacity to attend 1,200 students. This means that the Bradesco Foundation will now be present in all of Brazil's states.

Strengthening yearly its ties with regional economies, the Bradesco Foundation offers a number of courses which are of specific interest to these communities such as Printing Technology, Agriculture, Business Management, Information Technology, Fashion, Leisure and Development, among others. Accordingly, the



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Foundation seeks to qualify course participants so that they will be able to open up their own businesses or pursue better jobs in the employment market.

Designed to extend its contribution to the field of knowledge even further, the Bradesco Foundation maintains important strategic partnerships. In 2002, the Bradesco Foundation entered into an agreement with Aban Informatics Limited for the use of educational software, based on animations and illustrations, in its junior middle and high schools, in the areas of physics, chemistry, biology and math. Another new project called Digital Inclusion, carried out in partnership with Microsoft, trained some one thousand students free-of-charge in the Bradesco Foundation Schools.

Special emphasis should also be given to the partnership entered into in 2002 with NIIT from India, which will provide some 250 IT courses for the Virtual Classroom, the Bradesco Foundation's e-learning architecture.

In partnership with Cisco Systems, students are qualified, through the Cisco Networking Academy Project, to install, design and administrate computer networks. Some 3,091 students were qualified in this area up to the end of 2002.

Launched as a pioneer project four years ago, the basic computer skills course for the visually impaired has qualified 3,562 students at 31 Foundation units and 35 partner Institutions and is distinguished for its practical content focused on the use of Microsoft Windows and the Internet.

Through an operating agreement signed with the Globo Group's Roberto Marinho Foundation, Bradesco participates in the project called "Futura, the Learning Channel". With 20 million viewers, Futura is Brazil's first educational TV channel to be financed and managed entirely by private-sector initiative. The Foundation also participates in the Youth and Adult Literacy program Alfabetização Solidária, created in 1997 by the Comunidade Solidária Committee, which in the North and Northeast regions of Brazil is responsible for extending access to Youth and Adult Education. Our participation ensures that some 10 thousand Brazilians learn how to read and write each year.

In conjunction with TV Cultura in São Paulo, the Bradesco Foundation co-produced the first series of Ilha Rá-Tim-Bum, a program which offers infant and juvenile viewers entertainment with educational content, preparing children for life in society and transmitting citizenship values.

We also highlight the partnership with the "Intel Education for the Future" program, a worldwide initiative by Intel Semiconductors, which is designed to eliminate barriers that prevent the full use of technology as a teaching tool.

The BCN Sports project developed by the Organization maintained basketball and volleyball training centers for 3,400 young girls from 9 to 14 in 2002.

A number of awards and distinctions confirm the scope and depth of the Bradesco Foundation's contribution to Brazil's social development. Among others, we highlight the following awards given to students, "Incentivo à Prevenção das Doenças Sexualmente Transmissíveis/Aids e ao Uso Indevido de Drogas" (Incentives for the prevention of STD/Aids and Drug Abuse), organized by UNESCO, the United Nations Organization for Education, Science and Culture: Foundation School in Salvador, BA, first place in the category "Jovens ou grupo de jovens escolarizados atuando em espaços educativos" (Young People Acting in Education); Foundation School in Gravataí, RS, Special Mention in the "Private School", category for the "Saúde: atitude ou omissão" (Health: attitude or omission?) project.

The Bradesco Foundation investments and activities are funded exclusively by resources from its own income and donations made by the Bradesco Organization Companies.

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R\$ 123.307 million total investments in 2002, and a budget for 2003 of R\$ 128.924 million to attend more than 105 thousand students.

### 15. Human Resources

The Bradesco Organization's headcount totals 74,393 employees, of whom 53,732 are employed by Bradesco and 20,661 by the subsidiary companies.

To these employees the Organization dedicates permanent care and attention. Bradesco's staff training programs are an integral part of its ongoing pursuit for specialization and service quality, particularly in the operating, technical and behavioral areas. Employees can rely on the support from specialized teams of instructors and appropriate infrastructure, as well as the online internet training program, TreiNet which has enabled a large number of employees to acquire professional knowledge via distance learning.

Emphasis should also be given to the Management Development Programs established in partnership with Consulting Firms, Universities and Business Schools offering courses in the areas of economy, business administration and law and also at post-graduate level.

Internal communication also merits special attention from the Organization. A copy of the publication "Interação" (Interaction) is sent personally to each employee and the "Sempre em Dia" - news bulletin published daily. TV Bradesco works along these same lines. All these communications serve to integrate, inform and guide the Organization's staff in an eminently practical manner.

Among the management instruments of the Human Resources policy, we highlight the benefits directly focused on improving the quality of life, well being and security of the Organization's employees and their dependents, covering 185,150 persons. Among which we cite:

- Medical and Hospital Healthcare Plan
- Dental Assistance Plan
- Supplementary retirement and private pension plan
- Group life and group personal accident insurance policies
- Collective automobile insurance policy.

Bradesco was ranked for the fourth time running among the "100 Best Companies in which to Work" published by the Exame magazine's Guia Exame, based on a survey carried out among employees. This distinction confirms, yet again, the motivation of our employees with their workplace, benefits and the possibilities for personal and professional development offered by the Organization.

R\$ 48.993 million invested in Training Programs with 376,117 participations.

R\$ 336.052 million spent on the Meals Program, with 85 thousand light meals served and 71 thousand meal vouchers supplied daily.

3.082 million medical and hospital consultations during the year.

700 thousand dental consultations.

The conquests achieved during the year confirm the Bradesco Organization's leadership position. They also reflect its efforts to contribute in a significant manner to Brazil's development and progress, corporate competitiveness and customer comfort through its day-to-day operations and banking business.

Cidade de Deus, January 30, 2003

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Board of Directors and  
Board of Executive Officers

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Consolidated Balance Sheet at December - In thousands of reais

Consolidated Balance Sheet at December - In thousands of reais

Consolidated Balance Sheet at December - In thousands of reais

Consolidated Balance Sheet at December - In thousands of reais

Consolidated Statement of Income - In thousands of reais

Statement of Changes in Stockholders' Equity - In thousands of reais

Consolidated Statement of Changes in Financial Position - In thousands of reais

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(A free translation of the original notes in Portuguese to the financial statements prepared in conformity with accounting practices adopted in Brazil)

### Notes to the Financial Statements

#### Index

The notes to the Financial Statements of Banco Bradesco S.A. are subdivided as follows:

- 1) OPERATIONS
- 2) PRESENTATION OF THE FINANCIAL STATEMENTS
- 3) SIGNIFICANT ACCOUNTING POLICIES
- 4) INFORMATION FOR COMPARISON PURPOSES
- 5) ADJUSTED BALANCE SHEET AND STATEMENT OF INCOME BY BUSINESS SEGMENT
- 6) BALANCE SHEET BY CURRENCY AND EXCHANGE EXPOSURE
- 7) BALANCE SHEET BY MATURITY
- 8) FUNDS AVAILABLE
- 9) SHORT-TERM INTERBANK INVESTMENTS
- 10) SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS
- 11) ADDITIONAL PROVISION FOR MARKET RISK FLUCTUATION, NET OF TAX EFFECTS
- 12) INTERBANK ACCOUNTS - RESTRICTED DEPOSITS
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- 18) DEFERRED CHARGES
- 19) DEPOSITS, DEPOSITS RECEIVED UNDER SECURITY REPURCHASE AGREEMENTS AND FUNDS FOR ISSUANCE OF SECURITIES
- 20) BORROWINGS AND ONLENDINGS
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- 23) OTHER LIABILITIES - SUNDRY
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- 26) STOCKHOLDERS' EQUITY (PARENT COMPANY)
- 27) COMMISSIONS AND FEES
- 28) PERSONNEL EXPENSES
- 29) ADMINISTRATIVE EXPENSES
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- 31) OTHER OPERATING EXPENSE
- 32) NON-OPERATING INCOME
- 33) TRANSACTIONS WITH SUBSIDIARY AND ASSOCIATED COMPANIES
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- 35) EMPLOYEE BENEFITS
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- 37) OTHER INFORMATION

### 1) Operations

Banco Bradesco S.A. is a private sector open-capital company which, operating as a multiple bank, carries out all types of authorized banking activities including foreign exchange transactions through its commercial, investment, consumer financing and housing loan portfolios. The Bank also operates through its associated and subsidiary companies in leasing, insurance, savings bond and private pension plan activities. Operations are conducted within the context of the companies comprising the Bradesco Group, which are jointly active in the market.

The following main events occurred at Banco Bradesco S.A. in 2002:

- o Acquisition of the share control of Banco Mercantil de São Paulo S.A.
- o Acquisition through a privatization auction of the share control of Banco do Estado do Amazonas S.A., now known as BEA S.A.
- o Acquisition of Banque Banespa International S.A., now known as Banco Bradesco Luxembourg S.A.
- o Acquisition of the share control of Banco Cidade S.A.
- o Acquisition of the total capital stock of Ford Leasing S.A. - Arrendamento Mercantil, now known as Potenza Leasing S.A. - Arrendamento Mercantil, as well as the credits and other rights of the consumer financing portfolio of Banco Ford S.A.
- o Acquisition of Deutsche Bank Investimentos DTVM S.A. and its investment fund administration and management portfolio.
- o Increase to 3% of the percentage ownership of Banco Espírito Santo S.A.
- o Opening of the first Banco Postal post-office bank branch on March 25, with 2,500 units in operation at the year-ended.
- o Start-up of the operations of Bradesco Consórcios Ltda.

### 2) Presentation of the Financial Statements

The financial statements of Banco Bradesco S.A. and its foreign branches (BRADESCO) are presented in conjunction with the consolidated financial statements of Banco Bradesco S.A., which include the financial statements of Banco Bradesco S.A., its foreign branches and of its direct and indirect subsidiaries and jointly controlled investments (CONSOLIDATED BRADESCO).

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The financial statements of Banco Bradesco S.A. and the consolidated financial statements were prepared based on accounting policies determined by Brazilian Corporation Law for the recording of operations, as well as the rules and instructions of the National Monetary Council (CMN), Brazilian Central Bank (BACEN), Brazilian Securities Commission (CVM) and Superintendency of Private Insurance (SUSEP) and comprise the financial statements of the leasing companies based on the financial method of accounting.

Accordingly, upon consolidation, intercompany investments, account balances, revenue, expenses and unrealized income were eliminated from the financial statements and in the case of investments which are jointly controlled with other stockholders, asset, liability and income components are included in the consolidated financial statements in proportion to the parent company's percentage capital ownership of each investee.

Goodwill on the acquisition of investments is presented in deferred assets and minority interests in net income and stockholders' equity are separately disclosed.

Exchange variation arising from permanent investments in subsidiaries and foreign branches was allocated to the statement of income accounts in accordance with the corresponding assets and liabilities from which it originated.

The financial statements include estimates and assumptions, such as the calculation of the allowance for loan losses, the estimation of the fair value of certain financial instruments, the quantification of technical reserves for insurance and pension plans and the determination of the useful economic life of specific assets.

We present below the main direct and indirect subsidiaries, including their foreign branches and subsidiaries and jointly controlled investments:

### 3) Significant Accounting Policies

#### a) Determination of net income

Income and expenses are recorded on the accrual basis and are prorated daily when of a financial nature. Transactions with prefixed rates are recorded at their redemption amounts and income and expenses for the future period are recorded as a discount to the corresponding asset and liability accounts. Post-fixed or foreign-currency-indexed transactions are adjusted to the balance sheet date. Income and expenses of a financial nature are calculated based on the exponential method, except when relating to discounted notes or to cross-border transactions which are calculated on the straight-line method.

The insurance and coinsurance premiums, net of premiums assigned in coinsurance and reinsurance and corresponding commission, are appropriated to results upon issuance of the corresponding insurance policies and are deferred for appropriation on a straight-line basis over the terms of the policies, through the recording and reversal of a provision for unearned premiums and deferred selling expenses. The accepted coinsurance and retrocession operations are recorded based on the information received from other companies and the Brazilian Institute of Reinsurers (IRB), respectively.

The revenue from savings bond plans is recognized at the time it is effectively received. The corresponding technical reserves are recorded as the revenue is recognized. The expenses for placement of bonds, classified as "Selling Expenses" are recorded as they are incurred. Brokerage expenses are recorded at

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the time the savings bond plan contributions are effectively received. The payment of prizes on winning bonds is recorded as an expense in the month in which the draw takes places.

The private pension plan contributions are recorded in income at the time they are effectively received.

### b) Short-term interbank investments

These are recorded at purchase cost, including accrued income up to the balance sheet date, net of loss accrual, where applicable.

### c) Securities

Pursuant to BACEN Circular 3068/2001, as from June 30, 2002, securities are classified and recorded as presented below:

- Trading securities - securities which are acquired for the purpose of being actively and frequently traded are adjusted to market value as a counter-entry to results for the period.
- Securities available for sale - securities which are not specifically intended for trading purposes or to be held in portfolio up to maturity, are adjusted to market value as a counter-entry to a specific account in stockholders' equity, at amounts net of tax effects.
- Securities held to maturity - securities for which there exists intention and financial capacity for maintenance in portfolio up to maturity are recorded at cost plus accrued earnings as a counter-entry to results for the period.

### d) Derivative financial instruments (assets and liabilities)

Pursuant to BACEN Circular 3082/2002 and complementary regulations, the derivative financial instruments are classified based on management's intended use thereof on the date of the operation and whether it was carried out for hedging purposes or not.

The derivative financial instruments which do not comply with the hedging criteria established by BACEN, particularly derivatives used to manage general exposure to risk, are recorded at market values, with the corresponding mark-to-market adjustments taken directly to income for the period.

The derivative financial instruments used for protection against exposure to risk or for changing the characteristics of financial assets and liabilities and which are: (i) significantly co-related in relation to the adjustment of their market value to the market value of the hedged item, at both the start and over the duration of the contract; and (ii) considered to be effective in mitigating the risk associated with the exposure which is to be protected, are classified as hedges in accordance with their specific nature:

- Market risk hedge - the hedged financial assets and liabilities and the corresponding derivative financial instruments are recorded at market value, with corresponding mark-to-market adjustments recorded directly in income for the period.
- Cash flow hedge - hedged financial assets and liabilities and the corresponding derivative financial instruments are recorded at market value, with corresponding mark-to-market adjustments, net of tax effects, recorded in the stockholders' equity account. The non-hedged portion is recorded directly in results for the period.



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### e) Credit and leasing operations and allowance for loan losses:

The credit and leasing operations are classified in compliance with: (i) the parameters established by BACEN Resolution 2682/1999 at nine levels from "AA" (minimum risk) to "H" (maximum risk); and (ii) management's risk level assessment. This assessment, which is carried out on a periodic basis, considers current economic conditions, and past loan loss experience as well as specific and general risks relating to operations, borrowers and guarantors. The length of the delay in payment defined in BACEN Resolution 2682/1999 is also taken into account for customer risk classification purposes as follows:

The accrual of credit operations past due up to 60 days is recorded in income on credit operations and subsequent to the 61st day in unearned income.

Past-due operations classified at "H" level remain at this level for six months, subsequent to which time they are written off against the existing allowance and controlled over a five-year period in memorandum accounts and are no longer presented in the balance sheet.

Renegotiated operations are maintained at most at the same level at which they were classified. Renegotiated operations already written off against the allowance and which are recorded in memorandum accounts are classified at "H" level and any gains derived from their renegotiation are recognized as revenue only when they are effectively received.

In the case of mortgage loans, the contractual capitalization period (monthly or quarterly) for income appropriation purposes complies with applicable legislation and end-borrower financings are adjusted to the present value of the installments receivable.

The allowance for loan losses is recorded at an amount considered sufficient to cover estimated losses and is based upon current economic conditions, past loan loss experience, specific and general portfolio risks and on BACEN requirements and instructions. (Notes 13 f, g).

### f) Income tax and social contribution (asset and liability)

Deferred income tax and social contribution calculated on accumulated tax losses, negative basis of social contribution and temporary additions are recorded in "Other receivables - sundry", and the provision for deferred income tax on excess depreciation and mark-to-market adjustments are recorded in "Other liabilities - taxes and social security contributions".

Deferred tax assets on temporary additions are realized upon use or reversal of the corresponding provisions on which they were recorded. Deferred tax assets on tax losses and negative basis of social contribution will be realized as taxable income is generated. (Note 36).

The provision for federal income tax is calculated at the standard rate of 15% of taxable income, plus an additional rate of 10% for income over established limits. The provision for social contribution is recorded at the rate of 9% of pre-tax income. Provisions were recorded for other taxes and social contributions in accordance with applicable legislation.

### g) Technical reserves relating to insurance, pension plan and savings bond activities.

Provision for unearned premiums

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These are recorded at the amount of that portion of the insurance premiums issued/retained corresponding to the unexpired risk periods of the insurance contracts, in accordance with the criteria determined by SUSEP standards.

### Benefits to be granted

Mathematical provisions comprise the amount of the liabilities assumed under the form of income, pension and savings plans and are calculated based on the financial method determined in the contract under the responsibility of a legally qualified actuary, registered with the Brazilian Institute of Actuaries (IBA). The mathematical provisions comprise the present value of future benefits estimated based on actuarial methods and assumptions. The provision for benefits to be granted comprises participants whose receipt of benefits has not yet commenced and the provision for benefits granted comprises participants who are currently receiving benefits.

### Savings Bonds - mathematical provisions

These are recorded in conformity with the technical notes approved by SUSEP, based on a variable percentage applicable to the amounts effectively received.

### Unsettled claims

The provisions for payment of unsettled claims and claims incurred but not reported were recorded based on estimated probable payments, net of recoveries, determined based on the event dates and adjusted for price-level restatement up to the balance sheet date under the terms of the legislation in force.

### h) Investments

Significant investments in subsidiaries, associated companies and jointly controlled investments are recorded on the equity method and the financial statements of the foreign branches and subsidiaries are adjusted to comply with the accounting practices adopted in Brazil and translated into reais.

The exchange membership certificates of Stock Exchanges, the Center for the Financial Clearance and Custody of Private Securities - CETIP and the Mercantile and Futures Exchange - BM&F were recorded at net book value and fiscal incentives and other investments were recorded at cost, plus restatements through December 31, 1995, net of the provision for loss, where applicable.

### i) Property and equipment in use

Property and equipment in use is stated at cost plus restatements through December 31, 1995, net of the corresponding accumulated depreciation, calculated on the straight-line method at annual rates which take into consideration the economic useful lives of the assets as follows: land and buildings in use - 4%; furniture and fixtures and machinery and equipment - 10%; data processing system - 20% to 50%; and transport system - 20%.

### j) Deferred charges

Deferred charges are recorded at cost of acquisition or formation, net of the corresponding accumulated amortization, calculated on the straight-line method and amortized at a rate of 20% to 50% per annum. Goodwill on the acquisition of investments in subsidiary companies, based on expected future results, is amortized at rates of 10% to 20% per annum and is presented on a consolidated basis in deferred charges and in investments on an unconsolidated basis.

### k) Deposits and deposits received under security repurchase agreements

These are stated at the amount of the liabilities and include related charges up

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to the balance sheet date, on a daily pro rata basis.

### 1) Other assets and liabilities

The assets are stated at their realizable amounts, including, where applicable, related income and monetary (on a daily pro rata basis) and exchange variations, less provisions when deemed appropriate. The liabilities include known or estimated amounts, plus related charges and monetary (on a pro rata basis) and exchange variations.

### 4) Information for Comparison Purposes

In order to facilitate comparison of the financial statements, certain December 2001 account balances were reclassified in line with the accounting procedures/classification used at December 31, 2002.

### 5) Adjusted Balance Sheet and Statement of Income by Business Segment

The consolidated balance sheet and statement of income, by business segment, are presented below at December 31, 2002 in accordance with the Chart of Accounts for National Financial System Institutions (COSIF).

#### a) Balance sheet

#### b) Statement of Income

### 6) Balance Sheet by Currency and Exchange Exposure

We present below the account balances by currency and exchange exposure at December 31, 2002:

### 7) Balance Sheet by Maturity

We present below the consolidated balance sheet at December 31, 2002, by days to maturity, based on accounting classification:

### 8) Funds Available

#### a) Funds available are comprised by

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### b) Statement of Cash Flows

As additional information to these financial statements, we present below the statement of cash flows prepared based on the indirect method. The information is presented in conformity with the definitions set forth in the Chart of Accounts for National Financial System Institutions (COSIF).

### 9) Short-term Interbank Investments

a) Short-term interbank investments are presented below with their corresponding days to maturity

### b) Income from short-term interbank investments

We present below income from short-term interbank investments, classified in the statement of income as income on security transactions

### 10) Securities and Derivative financial instruments

a) Summary of the consolidated classification of securities by business segment and issuer:

b) Consolidated portfolio composition by issuer:

c) Consolidated classification by category, days to maturity and business segment

d) Composition of the portfolios by account:

Investment fund applications were distributed based on the securities comprising their portfolios. The number of days to maturity was based on the maturity of the securities, regardless of accounting classification.

e) Transition criteria for implementation of the new rules established by BACEN Circulars 3068/2001 and 3082/2002

The effects of the change in accounting policy were determined pursuant to the requirements of BACEN Circular Letter 3026/2002, and consisted of the application of new criteria to the portfolio, at December 31, 2001 and remaining at June 30, 2002 and were recorded directly in stockholders' equity, adjusted

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for tax effects. The new criteria are summarized below:

- Trading securities - When market value is higher than book value, the difference in assets is recorded as a counter-entry to retained earnings. When market value is lower than book value, no adjustment is required since prior criteria already determined that an allowance for mark-to-market should be recorded.
- Securities available for sale - When market value is higher than book value, the difference in assets is recorded as a counter-entry to a specific account in stockholders' equity "Mark-to-market adjustment - Securities and Derivatives", at amounts net of tax effects. When market value is lower than book value, the negative amount is recorded in a specific account in stockholders' equity "Mark-to-market adjustment - Securities and Derivatives", as a counter-entry to the retained earnings account, net of tax effects.
- Securities held to maturity - When market value is higher than book value, no adjustment is required. When market value is lower than book value, the allowance for mark-to-market of the security is reversed in accordance with prior rules, as a counter-entry to retained earnings in stockholders' equity, net of tax effects.
- Derivative financial instruments - The difference between market value and corresponding book value is adjusted in the corresponding financial instruments as a counter-entry to retained earnings, net of tax effects.

### f) Effects of the implementation of the new rules

The application of these new rules generated the following effects in stockholders' equity, net of tax effects:

In "Retained Earnings" as a prior-year adjustment:

- o In "Mark-to-market adjustment - Securities and Derivatives": comprising mark-to-market of securities classified as available for sale.
- g) The implementation of the new policies for recording and valuing securities produced a positive effect for the year net of tax effects of R\$ 145,464 thousand in results and of R\$ 240,047 thousand in stockholders' equity, net of tax effects.
- h) Reclassification of securities

In relation to June 30, 2002, Central Bank Notes (NBC) and Federal Treasury Notes - Exchange (NTN) were reclassified from securities available for sale to securities held to maturity. At December 31, 2002, the remaining balance was R\$ 245,517 thousand, decreasing results by R\$ 14,202 thousand, net of tax effects.

### i) Results of transactions with securities and derivative financial instruments

We present below the composition of the results of transactions with securities and derivative financial instruments:

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11) Additional Provision for Market Risk Fluctuation, Net of Tax Effects

12) Interbank Accounts - Restricted Deposits

a) We present below the "Restricted Deposits" account:

b) Income on compulsory deposits

We present below income on restricted deposits:

13) Credit Operations

The information relating to credit operations including advances on foreign exchange contracts, leasing operations and other receivables is presented as follows:

- a) Credit operations by type and maturities
- b) Credit operations arising from acquisitions
- c) Credit operations by type and risk level
- d) Concentration of credit operations
- e) Credit operations by activity sector
- f) Composition of credit operations and allowance for loan losses
- g) Movement of the allowance for loan losses
- h) Recovery and renegotiation of credit operations
- i) Income from credit operations

a) Credit operations by type and maturities:

b) Credit operations arising from acquisitions:

Credit operations arising from the acquisition of the banks Mercantil de São Paulo, BEA and Cidade, as well as Potenza Leasing (new name of Ford Leasing) and Banco Ford's portfolio acquired during the first half of 2002, are presented below:

c) Credit operations by type and risk level:

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- d) Concentration of credit operations:
  
- e) Total portfolio composition by activity sector
  
- f) Composition of the credit operation portfolio and the allowance for loan losses distributed by risk level:

g) Movement of Allowance for loan losses

h) Recovery and renegotiation of credit operations:

Expense for Provision for Loan Losses net of Recoveries of written-off credits

The total renegotiated operations for the year are presented below:

i) Income on credit operations:

14) Other Receivables

a) Foreign exchange portfolio

Balance sheet accounts

Foreign exchange transactions

The composition of Foreign Exchange Transactions and certain adjustments to ensure a more appropriate presentation of the effective results are presented below showing the net overall result of this segment:

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b) Sundry

15) Other Receivables

a) Non-operating assets

b) Prepaid expenses

These comprise mainly expenses for insurance, prepaid financial expenses and expenses for the contract to provide banking services at Post Office network branches which are amortized on a straight-line basis according to the contract terms.

16) Investments

a) We present below the movement of investments in foreign branches and direct and indirect subsidiaries for the year, which were fully eliminated upon consolidation of the financial statements:

b) Composition of investments in the consolidated financial statements:

c) Equity accounting was recorded in income under Equity in the earnings of subsidiary and associated companies and totals R\$ 64,619 thousand (2001 - R\$ 70,764 thousand) and in Bradesco - R\$ 2,107,463 thousand (2001 - R\$ 1,861,056 thousand) and is presented as follows:

17) Property and Equipment in Use and Leased Assets

These are stated at cost plus restatements through December 31, 1995. Depreciation is calculated on the straight-line method at annual rates which take into consideration the economic useful lives of the assets. We present below the composition of property and equipment in use and leased assets:

18) Deferred Charges

a) Goodwill

Goodwill on the acquisition of investments, based on future profitability, mainly results from goodwill on the acquisition of BCN - R\$ 167,119 thousand (2001 - R\$ 201,109 thousand); Credireal - R\$ 61,125 thousand (2001 - R\$ 73,557



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thousand); Baneb - R\$ 81,649 thousand (2001 - R\$ 94,210 thousand); Boavista - R\$ 353,516 thousand (2001 - R\$ 398,645 thousand); BEA - R\$ 59,865 thousand; Mercantil - R\$ 709,311 thousand; and Banco Cidade R\$ 172,094 thousand; and goodwill derived from the increase in percentage ownership of Bradesco Leasing S.A. Arrendamento Mercantil in the amount of R\$ 53,716 thousand (2001 - R\$ 60,917 thousand). Amortization of goodwill for the year totaled R\$ 237,558 thousand (2001 - R\$ 143,229 thousand). Remaining goodwill will be amortized over a period from 5 to 10 years, as from the date of the acquisition of the investment. No deferred tax assets were recorded on the accumulated amortization.

b) Other deferred charges

We present below the composition of other deferred charges:

19) Deposits, Deposits received under Security Repurchase Agreements and Funds from Issuance of Securities

a) Deposits and deposits received under security repurchase agreements

b) Funds from acceptance and issuance of securities

c) Expenses with funding

We present below the composition of expenses with funding

20) Borrowings and Onlendings

a) Borrowings:

b) Onlendings:

c) Expenses for borrowings and onlendings

We present below the composition of expenses for borrowings and onlendings:

21) Contingent Liabilities

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The Bradesco Organization is currently a defendant in a number of legal suits in the labor, civil and tax spheres, arising from the normal course of its business activities.

The provisions were recorded based on the opinion of the Organization's legal advisors, the types of lawsuit, similarity with previous suits and complexity, available jurisprudence and court sentences, whenever loss is deemed likely.

The Organization's Management considers that the provision recorded for contingencies is sufficient to cover possible losses generated by the corresponding legal proceedings.

### Labor Claims

Labor claims are generated by normal employee turnover and mostly comprise claims for unpaid overtime.

From 1992, employee hours are controlled electronically and accordingly claims on an individual basis are no longer significant.

### Civil Suits

These arise during the normal course of certain work routines and comprise claims for pain and suffering and pecuniary damages, mainly protests, bounced checks and the inclusion of names in the restricted credit registry

In general, these claims do not present facts which could cause a significant effect on financial results.

### Tax Proceedings

The Bradesco Organization is disputing the legality of certain taxes and contributions, for which provisions have been recorded in full, despite the likelihood of a successful medium and long-term outcome based on the opinion of their legal advisors.

### 22) Subordinated Debt

Subordinated debt has the following characteristics:

### 23) Other Liabilities - Sundry

### 24) Insurance Operations, Private Pension Plans and Savings Bonds

#### a) Technical reserves

#### b) Guarantee of technical reserves for insurance, private pension plans and savings bonds

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We present below the amounts of the assets and rights offered as coverage of technical reserves for insurance, private pension plans and savings bonds:

25) Minority Interest in Subsidiary Companies

26) Stockholders' Equity (Parent Company)

a) Composition of capital stock

Fully subscribed and paid-up capital comprises nominative-registered shares, with no par value, as follows:

b) We present below the movement of capital stock:

At the Extraordinary Meetings of the Board of Directors held on April 1, July 12 and November 26, 2002, approval was given respectively for the acquisition of up to 25 billion shares, of which 10 billion are common and 15 billion are preferred; 50 billion shares, of which 24 billion are common and 26 billion are preferred; and 40 billion shares, of which 13 billion are common and 27 are preferred shares, to remain in treasury for subsequent sale or cancellation, with no capital decrease. At December 31, 2002, 9,797,900,000 common shares in the amount of R\$ 86,175 thousand remained in treasury. The minimum, average weighted and maximum costs per thousand of these shares are respectively R\$ 7.83420, R\$ 8.79524 and R\$ 12.25290 and the market value of these shares at December 31, 2002 was R\$ 10.03 per thousand shares.

c) Interest attributed to own capital

Non-voting preferred shares are entitled to all rights and benefits attributed to common shares and in conformity with the Bank's statutes have priority to repayment of capital and 10% additional interest attributed to own capital and/or dividends, in accordance with the provisions of Item 1, Article 17 of Law 6404/76, as amended by Law 9457/97.

In conformity with the Bank's statutes, stockholders are entitled to interest attributed to own capital and/or dividends which total at least 30% of net income for the year, adjusted in accordance with Brazilian corporate legislation.

Interest attributed to own capital is calculated based on the stockholders' equity accounts and limited to the variation of the long-term interest rate (TJLP), subject to the existence of profits computed prior to their deduction or of retained earnings and revenue reserves in amounts that are equivalent to or

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in excess of twice its amount.

It is Banco Bradesco S.A.'s policy to distribute, during the year, all the interest attributed to own capital, determined in conformity with the above criteria and to compute this interest for the minimum compulsory dividend, net of withholding tax (IRRF).

Interest attributed to own capital - January 1 to December 31, 2002

In 2002, dividends and interest attributed to own capital were paid and proposed as follows:

27) Commissions and Fees

28) Personnel Expenses

29) Administrative Expenses

30) Other Operating Income

31) Other Operating Expenses

32) Non-operating Income

33) Transactions with Subsidiary and Associated Companies (Direct and Indirect)

The main transactions with subsidiary and associated companies were carried out at average market terms and prices at the time of the transactions and are summarized below:

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- a) Interest attributed to own capital/dividends declared by the companies.
- b) Foreign exchange portfolio transactions in the interbank market for ready settlement.
- c) Foreign credit lines for export financing in Brazil, subject to exchange variations and interest at rates practiced in the international market.
- d) These payables are recorded as a counter-entry to exchange purchases pending settlement.
- e) Short-term interbank investments - Interbank deposits of related companies at CDI rate (Certificate of Interbank Deposit).
- f) Repurchase and/or resale commitments pending settlement, guaranteed by government securities at normal market rates.
- g) Differences receivable and payable on swaps.
- h) Foreign currency loans for financing of exports subject to exchange variation and bearing interest at international market rates.
- i) Costs reimbursed by Bradesco Leasing S.A. Arrendamento Mercantil to Banco Bradesco S.A. on account of the use of its Branch network facilities for contracting lease operations.
- j) Contract with Scopus Tecnologia S.A. for IT equipment maintenance services and the contract with CPM S.A. for data processing systems maintenance services.
- k) Investments in securities issued abroad, fixed rate euronotes and eurobonds subject to exchange variations and carrying interest at rates used for securities placed in the international market.
- l) Payables on interbank onlendings - funds from rural loans bearing interest and charges corresponding to normal rates practiced for this type of transaction.

### 34) Financial Instruments

- a) Risk and risk management

The main risks related to financial instruments, arising from the business carried out by the Bank and its subsidiaries are as follows: credit risk; market risk; liquidity risk; and capital risk. The process used to manage these risks involves the Organization's diverse levels and embraces a range of different policies and strategies. The risk management policies are generally conservative and seek to limit absolute loss to a minimum.

#### Credit Risk

Credit risk is the risk arising from the possibility of loss due to the non-receipt of amounts contracted with borrowers and their related creditors. Credit risk management requires a strictly disciplined control over all analyses and transactions carried out, safeguarding process integrity and independence. Bradesco's credit policy is designed to ensure maximum security, quality and liquidity in the investment of assets with agile and profitable business, minimizing risks inherent to this type of operation and directing the establishment of operating limits and the granting of credit. Accordingly, the Credit Department and Committees located at the Bank's Headquarters are critical to policy implementation since they are responsible for gearing and managing this core strategic activity. The Branches work within varying limits, according to the size and types of underlying guarantees, subject to a centralized evaluation and accordingly in line with the Organization's credit and risk management policy. Operations involving less significant amounts are subject to specialized automated credit scoring systems, maximizing the speed and security of approvals process based on strict protection standards. Operations are diversified, non-selective and focused on Consumer and Corporate customers with sound payment capacity and proven creditworthiness. Care is taken to ensure that related guarantees are sufficient to cover the risks assumed, considering the purpose and terms of the credit granted.

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### Market Risk

Market risk is related to the possibility of the loss of income from fluctuating rates caused by the unhedged terms, currencies and indices of the Bank's asset and liability portfolio. This risk is monitored on a strict basis by the financial market to avoid losses for institutions. At Bradesco, market risks are managed through methodologies and models which are consistent with local and international market reality, ensuring that the Organization's strategic decisions are implemented with speed and a high level of reliability. The Organization adopts a conservative policy regarding market risk exposure and VaR (Value at Risk) limits are defined by Senior Management, and compliance is monitored daily by an area which is independent from portfolio management. The methodology used to determine VaR has a reliability level of 97.5%. The fluctuations and correlations used by the models are calculated on statistical bases and future prospects are calculated based on economic studies. The methodology applied and current statistical models are validated daily using backtesting techniques. We present below the VaR of the Consolidated Own Portfolio positions (Treasury):

In addition, a daily Gap Analysis is performed to measure the effect of the movement in the internal interest rate and foreign exchange coupon curves (interest spread paid above the foreign exchange variation) on the portfolio. Complementing the market risk monitoring, control and management structure and in accordance with Central Bank regulations, a daily verification is made of the values at risk for the fixed and foreign exchange positions of the Organization's entire portfolio and of minimum capital requirements.

### Liquidity Risk

Liquidity risk management is designed to control the different unhedged liquidation terms of the Bank's rights and obligations as well as the liquidity of the financial instruments used to manage the financial positions. Knowledge and monitoring of this risk is critical since it enables the Organization to settle transactions on a timely and secure basis. At Bradesco, liquidity risk management involves a series of controls, mainly, the establishment of technical limits and an ongoing assessment of the positions assumed and financial instruments used.

### Capital Risk

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

### b) Market Value

The book value, net of allowances for mark-to-market, of the main financial instruments and their corresponding market value at December 31, 2002 are summarized as follows:

Determination of market value of financial instruments:

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- o Securities, investments, subordinated debt, other liabilities and treasury stock: based on the average quotation prevailing in the corresponding markets at the balance sheet date. In the event no market prices are available, amounts are estimated based on the prices quoted by dealers, price definition models, quotation models or quotations for instruments with similar characteristics.
  - o Prefixed credit operations: determined by discounting estimated cash flows, using interest rates which are equivalent to interest rates applied by the Bank for new contracts with similar features practiced on the balance sheet date;
  - o Time deposits, funds for issuance of securities and borrowings and onlendings: calculated by discounting the difference between the cash flows under the contract terms and the rates practiced on the balance sheet date.
- c) Derivatives

Bradesco carries out transactions involving financial instruments, which are recorded in balance sheet or memorandum accounts, for its own account and for customers. The derivative financial instruments are used by the Bank to hedge its asset and liability positions against the effect of exchange variations. The derivatives generally represent future commitments for exchanging currencies or indices, or purchasing and selling other financial instruments according to the terms and dates set forth in the contracts. Under the option contracts, the purchaser is entitled, but not obliged, to purchase or sell a financial instrument at a specific strike price in the future.

- (I) The amounts of the instruments recorded in balance sheet and memorandum accounts at December 31, 2002 are summarized below:

Derivatives include operations falling due in D+1 to be settled in currency at December 30, 2002 price levels.

Amounts relating to swap contracts are recorded in securities - derivative financial instruments and related outstanding amounts receivable, total R\$ 238,839 thousand, BRADESCO - R\$ 167,271 thousand and related amounts payable, are classified in other liabilities - derivative financial instruments total R\$ 568,328 thousand, BRADESCO - R\$ 193,939 thousand.

- (II) We present below the composition of Derivative Financial Instruments (assets and liabilities) stated at restated cost and market value:

- (III) Futures, option, forward and swap contracts fall due as follows:

- (IV) We present below the type of margin given as collateral for Derivative

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financial instruments, comprising mainly futures contracts and corresponding amounts:

(V) We present below the amounts of net revenue and expense recorded in income for the year ended December 31:

(VI) We present below the overall amounts of the Derivative financial instruments, separated by place of trading:

### 35) Employee Benefits

Banco Bradesco and its subsidiaries do not maintain:

- o Dismissal benefits
- o Stock option plans
- o Long-term benefits
- o Post-employment benefits, except the private pension plans, described below:

Banco Bradesco, its subsidiaries and its employees contribute as sponsors/participants to an unrestricted benefits generating plan (PGBL), a system which permits the accumulation of savings by participants over their professional careers through contributions paid by them and their employers. These resources are invested in an Exclusive Financial Investment Fund - FIFE and the plan is of the defined contribution type. The program is managed by Bradesco Vida e Previdência S.A. and BRAM Bradesco Asset Management Ltda. is responsible for the financial administration of the FIFE funds. The contributions paid by employees and by Bradesco and its subsidiaries total 4% of salary, except for participants who in 2001 opted to migrate to the PGBL plan from the defined benefits plan and whose contributions to the PGBL plan were maintained at the levels in force for the defined benefits plan at the time of migration, respecting nevertheless the 4% minimum. The actuarial liabilities of the defined contribution plan (PGBL) at December 31, 2002 total R\$ 466,850 thousand and are fully covered by the net equity of the corresponding FIFE fund. As well as the aforementioned defined contribution plan (PGBL), former participants of the defined benefits plan are guaranteed their accumulated rights in the latter plan. For former participants of the defined benefits plan and retired participants and pensioners, the present value of the plan's actuarial liabilities at December 31, 2002 totals R\$ 1,397,610 thousand and is fully covered by technical reserves.

The sponsorship withdrawal process of the Boavista Prev - Multisponsored Pension Fund (for former employees of Banco Boavista Interatlântico S. A.) plan was concluded on August 12, 2002. No gains or losses were recorded in the sponsors as a result of this sponsorship withdrawal process.

The subsidiary Banco BEA S.A. maintains supplementary pension plan managed by Caixa de Previdência dos Funcionários do BEA - CABEA, which is currently undergoing a sponsorship withdrawal process, with base date established at November 30, 2002 and whose sponsor's contributions ceased from December 1, 2002. The participants ceased to contribute as from the same date. The plan's actuarial liabilities are fully covered by technical reserves.



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The subsidiary Banco Baneb S.A. and its subsidiaries are sponsors of supplementary pension plans of the defined contribution (PGBL) and defined benefits type, through Fundação Baneb de Seguridade Social - BASES (for former Baneb employees).

The contributions paid by the sponsors and participants to the defined contribution plan (PGBL) correspond to 3.40% of salary. The defined contribution plan's (PGBL) actuarial liabilities are fully covered by the plan's net equity which at December 31, 2002 totals R\$ 103,484 thousand. Based on the report of the independent actuary, the present value of the actuarial liabilities of the defined benefits plan and its assets for coverage of the liabilities assumed is presented below:

Main assumptions used in the actuarial appraisal:

The funds guaranteeing the private pension plans are invested in compliance with applicable legislation (government securities and corporate bonds, listed company stock and real estate).

Expenses with contributions made during the year totaled R\$ 137,729 thousand (2001 - R\$ 132,556 thousand) BRADESCO - R\$ 102,309 thousand (2001 - R\$ 89,031 thousand).

In addition, Bradesco and its subsidiaries offer their employees and directors a number of other benefits including: healthcare insurance, dental care, group life and personal accident, insurance as well as professional training, the expenses for which totaled R\$ 723,399 thousand (2001 - R\$ 652,529 thousand) BRADESCO - R\$ 551,855 (2001 - R\$ 491,352 thousand).

### 36) Income Tax and Social Contribution

a) Calculation of income tax and social contribution charges:

b) Statement of income tax and social contribution benefit (expense)

c) Statement of deferred income tax and social contribution assets

d) Expected realization of deferred tax assets on temporary differences, tax losses and negative basis of social contribution

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The present value of deferred tax assets, calculated based on the average funding rate, net of tax effects, totals R\$ 3,959,106 thousand (BRADESCO - R\$ 2,100,799 thousand), of which R\$ 2,992,082 thousand (BRADESCO - 1,857,583 thousand) consist of temporary differences, R\$ 394,595 thousand of tax losses and negative basis of social contribution and R\$ 571,529 thousand (BRADESCO - R\$ 243,216 thousand) of deferred social contribution assets (Provisional Measure 2158-35).

e) Deferred tax assets - unrecorded

Deferred tax assets were not recorded in the amount of R\$ 284,050 thousand.

f) Deferred tax liabilities

The Bradesco Organization has deferred tax liabilities in the amount of R\$ 461,982 thousand relating to: income tax and social contribution on mark-to-market adjustments of securities and derivative financial instruments - R\$ 232,640 thousand; excess depreciation - R\$ 193,201 thousand; revaluation reserve -R\$ 19,961 thousand; and others - R\$ 16,180 thousand.

37) Other Information

- a) The net assets of the investment funds and portfolios managed by the Bradesco Organization at December 31, 2002 totaled R\$ 64,268,594 thousand (2001 - R\$ 59,042,367 thousand).
- b) On September 19, 2002, Bradesco Leasing S.A. - Arrendamento Mercantil registered at the CVM a sole series for public offer of 1,200,000 nominative-registered non-convertible debentures (9th issue), with a unit value of R\$ 1,000.00, issued on June 1, 2002, in the total amount of R\$ 1,200,000.00 of subordinated debt type, with a 10-year term, as from the date of issuance, as approved at the Extraordinary Meeting of the Board of Directors of Bradesco Leasing, held on May 16, 2002.
- c) At the Extraordinary General Meeting of Banco Bradesco S.A. held on January 10, 2003, approval was given for the following: (i) cancellation of 9,797,900,000 common nominative shares, with no par value, held in treasury; (ii) a capital increase in the amount of R\$ 501,000 thousand, increasing capital from R\$ 5,200,000 thousand to R\$ 5,701,000 thousand with the issue of new nominative shares, with no par value, of which 33,652,745,021 are common and 33,147,254,979 are preferred shares, to be subscribed during the period from January 20 to February 19, 2003. These decisions will be effective subsequent to ratification by BACEN.
- d) On January 10, 2003, Banco Bradesco S.A. entered into a "Private Business Integration Agreement and Other Accords" with Banco Bilbao Vizcaya Argentaria, S.A. for the acquisition of the share control of Banco Bilbao Vizcaya Argentaria Brasil S.A. (BBV Brasil). The acquisition also includes BBV Brasil's direct and indirect subsidiaries. The conclusion of this operation is subject to approval by the regulatory authorities and the results of the due diligence to be completed within 30 days from the date of the Financial Statements for the year ended December 31, 2002 become available.

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- e) On January 27, 2002, Banco Bradesco S.A. signed an "Agreement for the Transfer of Rights and Obligations and Other Accords" regarding the acquisition of the activities of Administration and Management of the Securities and Investment Fund portfolios managed by JP Morgan Fleming Asset Management. The operation which should be concluded in a period of up to 60 days involves the transfer of approximately R\$ 7 billion in third-party in excess of R\$ 60 billion. These assets will be managed by BRAM - Bradesco Asset Management Ltda. Initially, a Consultative Committee, comprising professionals from Bradesco, BRAM and JP Morgan, will be formed designed to maximize the quality of this transition process.

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Board of Directors and Board of Executive Officers

Cidade de Deus, Osasco, SP, January 30, 2003

Board of Directors

Chairman

Lázaro de Mello Brandão

Vice Chairman

Antônio Bornia

Members

Dorival Antônio Bianchi

Mário da Silveira Teixeira Júnior

Márcio Artur Laurelli Cypriano

João Aguiar Alvarez

Denise Aguiar Alvarez Valente

Board of Executive Officers

Executive Officers

President

Márcio Artur Laurelli Cypriano

Executive Vice Presidents

Décio Tenerello

Laércio Albino Cezar

Arnaldo Alves Vieira

Luiz Carlos Trabuço Cappi

Sérgio Socha

Julio de Siqueira Carvalho de Araujo

Milton Almicar Silva Vargas

Managing Directors

Armando Trivelato Filho

Carlos Alberto Rodrigues Guilherme

José Alcides Munhoz

José Guilherme Lembi de Faria

Luiz Pasteur Vasconcellos Machado

Milton Matsumoto

Ozias Costa

Cristiano Queiroz Belfort

Sérgio de Oliveira

Odair Afonso Rebelato

Aurélio Conrado Boni

Domingos Figueiredo de Abreu

Department Directors

Adineu Santesso

Airton Celso Exel Andreolli

Alfredo Antônio Lima de Menezes

André Rodrigues Cano

Antônio Carlos Del Cielo

Candido Leonelli

Carlos Laurindo Barbosa

Carlos Roberto Parenti

Denise Pauli Pavarina de Moura

Douglas Tevis Francisco

Hélio Machado dos Reis

Jair Delgado Scalco

João Batistela Biazon

João Cariello de Moraes Filho

José Carlos Perri

José Luiz Rodrigues Bueno

José Maria Soares Nunes

Karl Heinz Kern

Kazuhiro Yano

Luiz Alves dos Santos

Luiz Carlos Angelotti

Luiz Fernando Ceruli

Luiz Fernando Peres

Marcos Bader

Mário Luiz Lancellotti

Mauro Roberto Vasconcellos Gouvêa

Milton Clemente Juvenal

Nilton Pelegrino Nogueira

Oswaldo Corrêa Fonseca

Ricardo Dias

Roberto Elias Abud Squeff

Romulo Nagib Lasmar

Sérgio Alexandre Figueiredo Clemente

Sergio Sztajn

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Alexandre da Silva Glúber

Altair Antônio de Souza

Aurélio Guido Pagani

Claudio Fernando Manzato

Edson Pereira dos Santos

Elias Rodrigues Malheiro

Idevalter Borba

João Ceschi Sobrinho

José Antônio Salmazi

Josué Augusto Pancini

Laércio Carlos de Araújo

Luiz Carlos de Carvalho

Maria Eliza Sganserla

Paulo de Tarso Monzani

Paulo Ricardo da Silva B

Raimundo Nonato Ribeiro

Renaud Roberto Teixeira

Roberto José Barbarini

Sebastião Carlos Pereira

Siladelfo Rodrigues Guer

Accounting Department

Moacir Nachbar Junior

Accountant-CRC 1SP198208/O-5

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Report of the Audit Committee

Banco Bradesco S.A.

The undersigned members of the Audit Committee of Banco Bradesco S.A., having performed a detailed review of the Directors' Report and the Financial Statements for the year ended December 31, 2002, in comparison with the accounting records and documents presented by the Board of Executive Officers and of the technical study addressing the feasibility of the generation of taxable income, brought to present value, for the purpose of realizing deferred tax assets, in compliance with CVM Instruction 371 of June 27, 2002, Resolution 3059 of December 20, 2002, of the National Monetary Council and Circular 3171 of December 30, 2002, of the Brazilian Central Bank, as well as a thoroughgoing study and evaluation of all the administrative acts and events relating to the aforementioned period, based also on the report of KPMG Auditores Independentes, hereby declare said documents to be perfectly regular and to convey the true position of the Company, recommending the approval thereof by the Board of Directors of the Bank.

Cidade de Deus, Osasco, SP, January 30, 2003

Ricardo Abecassis E. Santo Silva  
Sócrates Fonseca Guimarães  
Oswaldo de Moura Silveira

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Independent auditors' report on special review

To  
The Administrative Council and Stockholders  
Banco Bradesco S.A.  
Osasco - SP

We have examined the balance sheet of Banco Bradesco S.A. and the consolidated balance sheet of Banco Bradesco S.A. and its subsidiaries as of December 31, 2002 and the related statements of income, changes in stockholders' equity and changes in financial position for the year then ended, which are the responsibility of its management. Our responsibility is to express an opinion on these financial statements.

Our examinations were conducted in accordance with auditing standards generally accepted in Brazil and included: (a) planning of the audit work, considering the materiality of the balances, the volume of transactions and the accounting systems and internal accounting controls of the Bank and its subsidiaries; (b) verification, on a test basis, of the evidence and records which support the amounts and accounting information disclosed; and (c) evaluation of the most significant accounting policies and estimates adopted by management of the Bank and its subsidiaries, as well as the presentation of the financial statements taken as a whole.

In our opinion, the aforementioned financial statements fairly, in all material respects, the financial position of Banco Bradesco S.A. and the consolidated financial position of Banco Bradesco S.A. and its subsidiaries as of December 31, 2002, and the results of its operations, changes in its stockholders' equity and changes in its financial position for the year then ended, in conformity with accounting practices adopted in Brazil.

As mentioned in Note 10 to the financial statements report, the Bank adopted, in the first semester of 2002, the new criteria for recording and evaluation of the securities and derivative financial instruments, determined by the Central Bank of Brazil.

The financial statements of Banco Bradesco S.A. and the consolidated financial statements of Banco Bradesco S.A. and its subsidiaries, related to the semester ended December 31, 2001, presented for comparison purposes, were examined by us and by other independent auditors, and based on our examinations and on the reports of other independent auditors related to the subsidiaries described in Note 2 (item 1), we issued an unqualified opinion dated February 1, 2002.

January 30, 2003

KPMG Auditores Independentes  
CRC 2SP014428/O-6

José Marcelo Bessan  
Accountant CRC 1SP129705/O-0

Claudio Rogélio Sertório  
Accountant CRC1SP212059/O-0

If you require any further information please contact:

Board of Executive Officers

Luiz Carlos Trabuco Cappi  
Executive Vice-President and Investor Relations Director

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