BANK BRADESCO
Form 20-F
June 30, 2004

As filed with the Securities and Exchange Commission on June 30, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 20-F

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2003

Commission File Number: 1-15250

Banco Bradesco S.A.

(exact name of registrant as specified in its charter)

Bank Bradesco

(translation of registrant s name into English)

Federative Republic of Brazil

(jurisdiction of incorporation or organization)

Cidade de Deus, Vila Yara, 06029-900, Osasco, SP, Brazil

(address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing 1 Preferred Share, without par value (ADSs)	New York Stock Exchange
Preferred Shares, without par value (Preferred Shares)	New York Stock Exchange (for listing purposes only)

Securities registered or to be registered pursuant to Section 12(g) of the Act: None.

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None.

The number of outstanding shares of each of the issuer s classes of capital or common stock as of December 31, 2003 was:

79,836,526	Common Shares
78,693,936	Preferred Shares

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes **No**

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 **Item 18**

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PRESENTATION OF INFORMATION

In this annual report, the terms Bradesco, the Company, the Bank, we or us refer to Banco Bradesco S.A., a *sociedade anônima* organized under the laws of Brazil and, unless the context otherwise requires, its consolidated subsidiaries. We are a full service financial institution providing, directly or through our subsidiaries, a full range of banking, financial, insurance and private pension plan services to all segments of the Brazilian domestic market. Our operations are based primarily in Brazil.

Item 18 of this annual report includes our audited consolidated financial statements as of and for the years ended December 31, 2001, 2002 and 2003, including the notes thereto, which have been prepared in accordance with generally accepted accounting principles in the United States, known as U.S. GAAP.

References herein to the *real,* *reais* or R$ are to the Brazilian *real*, the official currency of Brazil. References herein to U.S. dollars or US$ are to United States dollars. References herein to euros are to euros.

The following table sets forth, for the dates indicated, the exchange rate of reais to U.S. dollars based on the noon buying rate in New York City as reported by the Federal Reserve Bank of New York and the U.S. dollar selling rate as reported by the Central Bank of Brazil, which we call the Central Bank, at closing.

Date	Noon Buying Rate for U.S. dollars	Closing Rate Selling Rate for U.S. dollars
	(R$ per US$ 1.00)	
December 31, 2001	R$ 2.3120	R$ 2.3204
December 31, 2002	3.5400	3.5333
December 31, 2003	2.8950	2.8891
June 21, 2004	R$ 3.1290	3.1298

As a result of recent fluctuations in the *real*/U.S. dollar exchange rate, the closing selling exchange rate at December 31, 2003 may not be indicative of current or future exchange rates. Therefore, you should not read these exchange rate conversions as representations that any such amounts have been or could be converted into U.S. dollars at those or any other exchange rates.

For your convenience, certain amounts have been converted from *reais* to U.S. dollars. These conversions have been calculated using the U.S. dollar selling rate at closing published by the Central Bank. See Item 3. Key Information Exchange Rate Information for more information regarding the exchange rates applicable to the Brazilian currency since January 1, 1999.

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

PART I

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Item 1. Identity of Directors, Senior Management and Advisers.

Not applicable.

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Item 2. Offer Statistics and Expected Timetable.

Not applicable.

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Item 3. Key Information.

SELECTED FINANCIAL DATA

You should read the following selected financial data in conjunction with Presentation of Information and Item 5. Operating and Financial Review and Prospects included in this annual report.

We have presented below selected financial information prepared in accordance with U.S. GAAP as of and for the years ended December 31, 1999, 2000, 2001, 2002 and 2003. The selected U.S. GAAP financial information is derived from and should be read in conjunction with our audited consolidated financial statements prepared in accordance with U.S. GAAP provided in Item 18. The report of the independent registered public accounting firm is included in this annual report.

This information is qualified in its entirety by reference to the U.S. GAAP financial statements and the notes thereto provided in Item 18.

	Year ended December 31,					
	1999	2000	2001	2002	2003	2003
	(R$ in millions)					(US$ in Millions) (1)
Income Statement Data						
Net interest income	R$ 7,021	R$ 6,846	R$ 9,493	R$ 13,467	R$ 14,999	US$ 4,793
Provision for loan losses	(1,845)	(1,244)	(1,763)	(2,543)	(2,034)	(650)
Net interest income after provision for loan losses	5,176	5,602	7,730	10,924	12,965	4,143
Fee and commission income	2,100	2,593	2,866	2,894	3,463	1,107
Insurance premiums(2)	3,756	3,954	4,946	5,308	6,149	1,965
Pension plan income(2)	382	339	713	21	64	20
Equity in earnings (losses) of unconsolidated companies(3)	(173)	145	109	150	60	19
Other non-interest income(4)	479	2,103	972	(410)	1,373	439
Operating expenses(5)	(4,767)	(5,816)	(6,197)	(7,413)	(8,586)	(2,744)
Insurance claims	(2,388)	(2,511)	(3,251)	(3,614)	(4,333)	(1,385)
Changes in provisions for insurance, pension plans, certificated savings plans and pension investment contracts	(1,270)	(1,265)	(1,847)	(2,261)	(3,777)	(1,207)
Pension plan operating expenses	(249)	(378)	(459)	(370)	(637)	(203)
Insurance and pension plan selling expenses	(635)	(645)	(690)	(669)	(762)	(243)
Other non-interest expense(6)	(1,689)	(1,887)	(2,054)	(2,272)	(3,323)	(1,062)
Income before income taxes and minority interest	722	2,234	2,838	2,288	2,656	849
Income taxes	61	(417)	(550)	(161)	(346)	(111)
Change in accounting principle(7)				27		
Minority interest	(39)	(18)	(18)	(12)	(8)	(2)
Net income	744	1,799	2,270	2,142	2,302	736

	Year ended December 31,									
	1999		2000		2001		2002		2003	
Per Share Data(8)	(R$, except numbers of shares)	(US$)	(R$, except numbers of shares)	(US$)	(R$, except numbers of shares)	(US$)	(R$, except numbers of shares)	(US$)	(R$, except numbers of shares)	(US$)(1)
Net income per share(9)										
Common	R$ 5.80		R$ 13.09		R$ 15.11		R$ 14.23		R$ 14.35	US$ 4.59
Preferred	6.38		14.40		16.62		15.65		15.79	5.05
Dividends/interest on capital per share (10)										

Common	6.77	US$ 3.72	5.60	US$ 2.98	5.65	US$ 2.43	6.28	US$ 1.92	8.39	2.88
Preferred	7.35	4.09	6.23	3.28	6.21	2.68	6.93	2.11	9.24	3.17
Weighted average number of outstanding share										
Common	62,337,807		66,614,301		72,667,793		72,446,557		76,960,037	
Preferred	59,997,794		64,382,670		70,580,416		70,982,956		75,860,162	

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

(1) Amounts stated in U.S. dollars have been translated from Brazilian *reais* at an exchange rate of R$3.1291 = US$1.00, the Central Bank exchange rate of May 31, 2004. We used the exchange rate of May 31, 2004, instead of December 31, 2003, because there has been a material devaluation in the *real* U.S. dollar exchange rate since December 31, 2003. For more information, see Item 5. Operating and Financial Review and Prospects Overview Brazilian Economic Conditions. Such translations should not be construed as representation that the Brazilian *real* amounts presented have been or could be converted into U.S. dollars at that rate.

(2) Beginning January 1, 2003, we classify amounts received in relation to certain private retirement plans as income from insurance premiums. Amounts related to such private retirement plans from periods previous to 2003 have been reclassified to facilitate comparison. As a result, income from pension premiums decreased and income from insurance premiums increased by R$175 million for the period ending December 31, 1999, by R$253 million for the period ending December 31, 2000, by R$330 million for the period ending December 31, 2001 and by R$327 million for the period ending December 31, 2002. These reclassifications do not effect non-interest income, net income, or shareholders equity. The private retirement plans offer holders a guaranteed payment of benefits upon death.

(3) For more information on the results of equity investees, see Item 5. Operating and Financial Review and Prospects and note 9 to our consolidated financial statements in Item 18.

(4) Other non-interest income consists of trading income (losses), net realized gains on available for sale securities, net gain on foreign currency transactions and other non-interest income.

(5) Operating expenses consists of salaries and benefits and administrative expenses.

(6) Other non-interest expense consists of amortization of intangible assets, depreciation and amortization and other non-interest expense.

(7) For more information, see note 11 to our consolidated financial statements in Item 18.

(8) Per share data reflects, on a retroactive basis, a split of our capital stock on December 22, 2000, in which we issued one new share for each five existing shares. On December 17, 2003, our Board of Directors approved a reverse split of our shares at a 10,000:1 share ratio, which was approved by our shareholders on March 10, 2004. As a result, we had 158,587,942 authorized and issued shares outstanding, no par value, as of December 31, 2003. The shares began trading in this form on the São Paulo Stock Exchange on March 22, 2004.

(9) For the purposes of calculating earnings per share in accordance with U.S. GAAP, preferred shares are treated in the same manner as common shares. Preferred shareholders are entitled to receive dividends per share in an amount 10% greater than the dividends per share paid to the common shareholders. For a description of our two classes of shares, see Item 10. Additional Information Memorandum and Articles of Incorporation. None of our outstanding obligations are exchangeable for or convertible into equity securities. Our diluted net income per share therefore does not differ from our net income per share. Accordingly, our basic and diluted earnings per share are equal in all periods presented. See note 2(u) to our consolidated financial statements.

(10) Amounts stated in U.S. dollars have been translated from Brazilian *reais* at the exchange rate in effect on the date of payment of such dividend.

(11) Common shares outstanding, no par value: 79,836,526 authorized and issued at December 31, 2003; 719,342,690,385 authorized and issued at December 31, 2002 (or 71,934,269, applying the reverse split retroactively); and 730,598,990,385 authorized and issued at December 31, 2001 (or 73,059,899, applying the reverse split retroactively). Data for 2003 reflects the reverse split of our shares at a 10,000:1 share ratio, approved by our Board of Directors in December 2003 and approved by our shareholders in March 2004.

(12) Preferred shares outstanding, no par value: 78,693,936 authorized and issued at December 31, 2003; 708,537,611,452 authorized and issued at December 31, 2002 (or 70,853,761, applying the reverse split retroactively); and 709,947,011,452 authorized and issued at December 31, 2001 (or 70,994,701, applying the reverse split retroactively). Data for 2003 reflects the reverse split of our shares at a 10,000:1 share ratio, approved by our Board of Directors in December 2003 and approved by our shareholders in March 2004.

(13) See Item 4. Information on the Company Selected Statistical Information.

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

EXCHANGE RATE INFORMATION

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

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

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

	Noon Buying Rate for U.S. dollars R$ per US$ 1.00			
Period	**Period-End**	**Average(1)**	**High**	**Low**
1999	R$ 1.8090	R$ 1.8135	R$ 2.2000	R$ 1.2074
2000	1.9510	1.8330	1.9840	1.7230
2001	2.3120	2.3220	2.7850	1.9720
2002	3.5400	2.9420	3.8030	2.3260
2003	2.8950	3.0954	3.6590	2.8230
December	2.8950		2.9450	2.8700
2004				
January	2.9240		2.9450	2.8070
February	2.9150		2.9720	2.9040
March	2.9070		2.9400	2.8680
April	2.9440		2.9590	2.8740
May	3.1110		3.2085	2.9620

(1) Average of the month-end rates beginning with December of previous period through last month of period indicated.
Source: Federal Reserve Bank of New York.

On June 21, 2004, the noon buying rate reported by the Federal Reserve Bank of New York was R$3.1290 to US$1.00.

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

	Closing Rate Selling Rate for U.S. dollars R$ per US$ 1.00			
Period	**Period-End**	**Average(1)**	**High**	**Low**
1999	R$ 1.7890	R$ 1.8019	R$ 2.1647	R$ 1.2078
2000	1.9554	1.8313	1.9847	1.7234
2001	2.3204	2.3226	2.8007	1.9357
2002	3.5333	2.9461	3.9552	2.2709
2003	2.8892	3.0964	3.6623	2.8219
December	2.8892		2.9434	2.8883
2004				
January	2.9409		2.9409	2.8022
February	2.9138		2.9878	2.9042
March	2.9086		2.9410	2.8752
April	2.9447		2.9522	2.8743
May	3.1291		3.2051	2.9569

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

On June 21, 2004, the U.S. dollar selling rate reported by the Central Bank at the close of the day was R$3.1298 to US$1.00.

RISK FACTORS

Risks Relating to Brazil

Brazilian political and economic conditions have a direct impact on our business and the market price of the preferred shares and ADSs

Substantially all of our operations and customers are located in Brazil. Accordingly, our financial condition and results of operations are substantially dependent on Brazil s economy, which in the past has been characterized by frequent and occasionally drastic intervention by the Brazilian government and volatile economic cycles. In addition, our operations, financial condition and the market price of the preferred shares and ADSs may also be adversely affected by changes in policy involving exchange controls, tax and other matters, as well as factors such as:

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

These and other future developments in the Brazilian economy and government policies may reduce Brazilian demand for our services or products, create uncertainty in the financial system, increase our cost of funding and contribute to an increase in our overdue loans portfolio. Any of these results could adversely affect our financial condition, results of operations and market price of our preferred shares and ADSs.

The Central Bank determines the Brazilian base interest rate, which we refer to as the base interest rate. The base interest rate is the benchmark interest rate payable to holders of securities issued by the federal government and traded at the *Sistema Especial de Liquidação e Custodia SELIC* (Special System for Settlement and Custody, known as SELIC). During 2003, the Central Bank reduced Brazil s base interest rate by a total of 8.5 percentage points, to 16.5% and during the first five months of 2004 it reduced the rate further to 16.0%.

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

A mismatch between our assets and liabilities denominated in, or indexed to, foreign currencies may lead to substantial losses on these liabilities, a reduction in our revenues, and a decline in the competitiveness of our lending and leasing operations

The Brazilian currency has periodically been devalued during the last four decades. The exchange rate between the *real* and the U.S. dollar has varied significantly in recent years. For example, the U.S. dollar/*real* exchange rate increased from R$3.5333 per U.S. dollar at December 31, 2002 to R$2.8892 at December 31, 2003. However, during the first five months of 2004, the value of the *real* depreciated 8.3% against the U.S. dollar to R$3.1291 per U.S. dollar at May 31, 2004. At June 21, 2004, the U.S. dollar-*real* exchange rate was R$3.1298 per U.S. dollar.

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

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

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

If Brazil experiences substantial inflation in the future, our revenues and the market price of the preferred shares and ADSs may be reduced

Brazil has in the past experienced extremely high rates of inflation, with annual rates of inflation during the last fifteen years reaching as high as 1,158% in 1992, 2,708% in 1993 and 1,093% in 1994. More recently, Brazil s rates of inflation were 26.4% in 2002, 7.7% in 2003 and 5.5% for the five months ended May 31, 2004. Inflation itself and governmental measures to combat inflation have in the past had significant negative effects on the Brazilian economy. Inflation, actions taken to combat inflation and public speculation about possible future actions have also contributed to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets. If Brazil experiences substantial inflation in the future our costs (if not accompanied by an increase in interest rates) may increase, our operating and net margins may decrease and, if investor confidence lags, the price of our preferred shares and ADSs may fall. Inflationary pressures may also curtail our ability to access foreign financial markets and may lead to further government intervention in the economy, including the introduction of government policies that may adversely affect the overall performance of the Brazilian economy.

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

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

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

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

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

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

Developments in other emerging markets may adversely affect the market price of the preferred shares and ADSs

The market price of the preferred shares and ADSs may be adversely affected by declines in the international financial markets and world economic conditions. Brazilian securities markets are, to varying degrees, influenced by economic and market conditions in other emerging market countries, especially those in Latin America, including Argentina, which is one of Brazil s principal trading partners. Although economic conditions are different in each country, investors reaction to developments in one country can affect the securities markets and the securities of issuers in other countries, including Brazil. Since the fourth quarter of 1997, the international financial markets have experienced significant volatility, and a large number of market indices, including those in Brazil, have declined significantly.

Developments in other countries have also at times adversely affected the market price of our and other Brazilian companies preferred shares, as investors perceptions of increased risk due to crises in other emerging markets can lead to reduced levels of investment in Brazil and, in addition, may hurt our ability to finance our operations through the international capital markets. If the current economic situation in Argentina and Latin America deteriorates, or if similar developments occur in the international financial markets in the future, the market price of the preferred shares and ADSs may be adversely affected.

A recurrence of the recent Brazilian energy crisis could adversely affect our operations

During 2001 and early 2002 Brazil experienced a severe shortage of capacity to generate electrical energy. The crisis was due in part to the worst drought in 60 years, which caused water levels at hydroelectric plants (which account for 90% of the country s generating capacity) to fall to less than one-third of capacity, and in part to a lack of past investment in power generation. In order to avoid rolling blackouts, the Brazilian government instituted general compulsory measures which were aimed at reducing electricity consumption and which were in effect from June 2001 until February 28, 2002. Under the reduced electricity consumption rules, we were required to reduce our electricity consumption by 20%.

If the drought recurs, or if there is no additional investment in power generation, Brazil may experience another energy crisis. If so, the Brazilian government may impose similar measures to reduce electricity consumption in the future, which could reduce our customers ability to service their debt obligations and therefore adversely affect our operations and net earnings.

State and municipal defaults may adversely affect the market price of the preferred shares and ADSs

We may be adversely affected by defaults by Brazilian state and municipal governments. In January 1999, the states of Minas Gerais and Rio Grande do S